

STATE OF NEW MEXICO
TOWN OF SPRINGER
ANNUAL FINANCIAL REPORT
JUNE 30, 2012

Harshwal & Company LLP
Certified Public Accountants
6739 Academy Road NE, Suite 130
Albuquerque, NM 87109
(505) 814-1201

INTRODUCTORY SECTION

STATE OF NEW MEXICO

Town of Springer

Table of Contents

June 30, 2012

	<u>Exhibit</u>	<u>Page</u>
INTRODUCTORY SECTION		
Table of Contents		1
Official Roster		3
FINANCIAL SECTION		
Independent Auditors' Report		5
Basic Financial Statements		
Government-wide Financial Statements:		
Statement of Net Assets	A-1	9
Statement of Activities	A-2	11
Fund Financial Statements:		
Balance Sheet – Governmental Funds	B-1	13
Reconciliation of the Balance Sheet to the Statement of Net Assets		15
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	B-2	16
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities		18
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual - General Fund	C-1	19
Statement of Net Assets - Proprietary Funds	D-1	20
Statement of Revenues, Expenses, and Changes in Fund Net Assets - Proprietary Funds	D-2	21
Statement of Cash Flows- Proprietary Funds	D-3	22
Statement of Fiduciary Assets and Liabilities - Agency Funds	E-1	23
Notes to the Financial Statements		25
	<u>Statement/ Schedule</u>	
SUPPLEMENTARY INFORMATION		
Combining and Individual Fund Statements and Schedules:		
Nonmajor Fund Descriptions		46
Combining Balance Sheet – Nonmajor Funds	A-1	47
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Funds	A-2	52
Statement of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual:		
Corrections Special Revenue Fund	B-1	57
EMS Special Revenue Fund	B-2	58
Fire Protection Special Revenue Fund	B-3	59
Law Enforcement Special Revenue Fund	B-4	60
Library Special Revenue Fund	B-5	61
Lodger's Tax Special Revenue Fund	B-6	62
Streets Special Revenue Fund	B-7	63
Juvenile Recreation Special Revenue Fund	B-8	64
Fire Discretionary Special Revenue Fund	B-9	65

STATE OF NEW MEXICO

Town of Springer

Table of Contents

June 30, 2012

SUPPLEMENTARY INFORMATION (continued)	Statement/ Schedule	Page
CDBG Sewer System Improvements Capital Projects Fund	B-10	66
CDBG Water Siphon Project Capital Projects Fund	B-11	67
RUS Water Improvements Capital Projects Fund	B-12	68
Rehab of Dams 1 and 2 Capital Projects Fund	B-13	69
Legislative Appropriations - Water Capital Projects Fund (Major)	B-14	70
Co-op Grant Capital Projects Fund	B-15	71
Sewer Lagoon Capital Projects Fund	B-16	72
Scenic Byways Capital Projects Fund	B-17	73
Airport Improvements Capital Projects Fund	B-18	74
Statement of Revenues, Expenditures, and Changes in Net Assets - Budget (Non-GAAP Budgetary Basis) and Actual:		
Joint Utilities Proprietary Fund	C-1	75
Cemetery Proprietary Fund	C-2	76
Museum Proprietary Fund	C-3	77
Combining Statement of Net Assets – Nonmajor Proprietary Funds	D-1	78
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets - Nonmajor Proprietary Funds	D-2	79
SUPPORTING SCHEDULES		
Financial Data Schedule – Component Unit – Housing Authority	I	81
Schedule of Collateral Pledged by Depository for Public Funds	II	85
Schedule of Deposits and Investments by Depository	III	86
Schedule of Changes in Fiduciary Assets and Liabilities - Agency Funds	IV	88
COMPLIANCE SECTION		
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		90
FEDERAL FINANCIAL ASSISTANCE:		
Report on Compliance with Requirements that are Direct and Material to Each Major Program and on Internal Controls Over Compliance in Accordance With OMB Circular A-133		92
Schedule of Expenditures of Federal Awards	IV	94
Schedule of Findings and Questioned Costs	V	95
OTHER DISCLOSURES		119

STATE OF NEW MEXICO

Town of Springer

Official Roster

June 30, 2012

<u>Name</u>	<u>Title</u>
<u>Town Council</u>	
Danny Cruz	Mayor
Charlie Garcia	Mayor Pro Tem
Stephanie Gillespie	Town Trustee
Art Martinez	Town Trustee
Mike Finkbone	Town Trustee
<u>Administrative Officials</u>	
Leticia Torres	Clerk Treasurer, September 2010 through December 2012
Shawn Jeffrey	Clerk Treasurer, present
Samual Blea	Deputy Clerk
Gina Garcia	Billings Clerk

FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Hector H. Balderas
New Mexico State Auditor
To the Honorable Mayor and Town Trustee's
Town of Springer
Springer, New Mexico

We were engaged to audit the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the budgetary comparison for the general fund and the aggregate remaining fund information of the Town of Springer (Town) as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents. We were also engaged to audit the financial statements of each of the Town's nonmajor governmental funds, nonmajor proprietary funds and all the budgetary comparisons presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the Town of Springer's management. We did not audit the financial statements of the Town of Springer Housing Authority, a discretely presented component unit, which statements reflect total assets of \$863,425 as of June 30, 2012, and total revenues of \$302,179 for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our opinion, in so far as it relates to the amounts included for the Town of Springer's Housing Authority, is based solely on the reports of the other auditors.

The Town has not maintained adequate accounting records. As explained further in Finding FS 06-09, the Town lacks internal controls over its cash and general ledger transactions. The accounting system of the Town is insufficient to accurately maintain fund financial statement reporting. As explained in Finding FS 06-07, payroll, disbursements, and the receipting processes have insufficient segregation of duties. With regards to management overrides, there is no internal control to mitigate this risk. Also, receipt books are not sequentially numbered and in effect, there was no way to determine if there is a gap in sequences from one book to another. Furthermore, revenues and expenses for the year cannot be traced back to the cash balance per their bank statements, and there is not sufficient evidence to support the budget adjustments made throughout the fiscal year. As explained in Finding FS 09-05, there is no documentation to support manual journal entries made throughout the year, and there is no internal control to mitigate the risks of manual journal entries. The delinquent accounts receivable cannot be stratified by age to facilitate the determination of allowances for doubtful accounts.

As a result of these internal control problems the Town has inadequate documentation to show that: all its revenue transactions and events that should have been recorded are recorded; that revenue amounts and related data were recorded appropriately; that revenue transactions and events that occurred have been recorded in the correct accounting period; or that revenue transactions and events have been recorded in the proper accounts. As a result of these internal control problems the Town has inadequate documentation to show that: all its expenditure transactions and events that should have been recorded are recorded; that expenditure amounts and related data were recorded appropriately; that expenditure transactions and events that occurred have been recorded in the correct accounting period; or that expenditure transactions and events have been recorded in the proper accounts. As a result of these internal control problems the Town does not have adequate evidence that all cash that should be recorded is recorded in its various funds. The Town's records do not permit the application of other auditing procedures to its revenues, expenditures and cash.

As further explained in FS 03-08 the Town lacks information about its capital assets. The Town could not provide the auditors with lists of its capital assets at historical cost, showing when each item was purchased, for the governmental activities or for the business-type activities. The Town does not have depreciation schedules for its capital assets. The Town does not have a system of internal controls in place to safeguard its assets or to ensure that the capital assets are not misstated in the Town's financial statements. As a result of these problems with its capital assets the Town's management cannot assert the existence of its capital assets, its right to those assets, that all assets that should be included are included, or the proper valuation of its capital assets. The Town's records do not permit the application of other auditing procedures to the Town's capital assets.

Because we were unable to obtain adequate supporting documentation for the Town's revenues, expenditures, cash, and capital assets, the scope of our work was not sufficient to enable us to express, and we do not express an opinion on the governmental activities, the business-type activities, each major fund, the budgetary comparisons of the general fund or the major special revenue funds or the aggregate remaining fund information of the Town. Also, because we were unable to obtain adequate supporting documentation for the Town's revenues, expenditures, cash, and capital assets, the scope of our work was not sufficient to enable us to express, and we do not express an opinion on the Town's nonmajor governmental funds, or the budgetary comparisons presented as supplementary information.

In our opinion, based on the report of other auditors, the financial statements of the Town of Springer Housing Authority referred to above, present fairly, in all material respects, the financial position and the results of the operations for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated May 24, 2013 on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal controls over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Town has omitted the Management's Discussion and Analysis that Governmental Accounting Standards Board requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

We were engaged for the purpose of forming opinions on the Town's basic financial statements, combining and individual fund financial statements, and budgetary comparisons. The accompanying Schedule of Expenditures of federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The accompanying financial information listed as Supporting Schedules I through III in the table of contents are also presented for purposes of additional analysis and are not a required part of the basic financial statements. Because of the significance of the matters discussed in the preceding paragraphs, the scope of our work was not sufficient to enable us to express, and we do not express an opinion regarding whether schedules I through III or the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements, and the remaining nonmajor governmental fund financial statements. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on that information.

Harshwal & Company LLP
Certified Public Accountants

Harshwal & Company LLP

Albuquerque, New Mexico
May 24, 2013

**BASIC
FINANCIAL STATEMENTS**

STATE OF NEW MEXICO
Town of Springer
Statement of Net Assets
June 30, 2012

Exhibit A-1

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Housing Authority
Assets				
Current assets				
Cash and cash equivalents	\$ 777,596	\$ 43,038	\$ 820,634	\$ 180,713
Investments				72,638
Receivables:				
Property taxes receivable	1,759		1,759	
Gross receipts taxes	25,838		25,838	
Utilities receivables, net of allowance		268,924	268,924	
Other receivable	21,275		21,275	
Tenant receivables, net of allowance				749
Interest receivables				307
Prepays				8,316
Inventory		<u>80,294</u>	<u>80,294</u>	<u>9,341</u>
Total current assets	<u>826,468</u>	<u>392,256</u>	<u>1,218,724</u>	<u>272,064</u>
Noncurrent assets				
Restricted cash and cash equivalents				12,494
Unamortized bond issuance costs		5,809	5,809	
Capital assets	4,564,195	6,639,555	11,203,750	2,923,430
Less: accumulated depreciation	<u>(1,554,216)</u>	<u>(3,809,677)</u>	<u>(5,363,893)</u>	<u>(2,344,563)</u>
Total noncurrent assets	<u>3,009,979</u>	<u>2,835,687</u>	<u>5,845,666</u>	<u>591,361</u>
Total assets	<u>\$ 3,836,447</u>	<u>\$ 3,227,943</u>	<u>\$ 7,064,390</u>	<u>\$ 863,425</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
Town of Springer
Statement of Net Assets
June 30, 2012

Exhibit A-1

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Housing Authority
Liabilities				
Current liabilities				
Accounts payable				\$ 2,436
Accrued payroll expenses				8,585
Accrued compensated absences	\$	\$ 10,632	\$ 10,632	2,942
Accrued interest payable		26,908	26,908	
Prepaid rent				50
Current portion of bonds payable		16,000	16,000	
Internal balances	<u>1,290,919</u>	<u>232,946</u>	<u>1,523,865</u>	
Total current liabilities	<u>1,290,919</u>	<u>286,486</u>	<u>1,577,405</u>	<u>14,013</u>
Noncurrent liabilities				
Accrued compensated absences	14,549		14,549	1,881
Tenant security deposits				12,494
Bonds payable		<u>988,801</u>	<u>988,801</u>	
Total noncurrent liabilities	<u>14,549</u>	<u>988,801</u>	<u>1,003,350</u>	<u>14,375</u>
Total liabilities	<u>1,305,468</u>	<u>1,275,287</u>	<u>2,580,755</u>	<u>28,388</u>
Net Assets				
Invested in capital assets, net of related debt	3,009,979	1,825,077	4,835,056	578,867
Restricted for: (Note 14)				
Debt service (Note 15)		159,668	159,668	
Unrestricted (Note 14)	<u>(479,000)</u>	<u>(32,089)</u>	<u>(511,089)</u>	<u>256,170</u>
Total net assets	<u>2,530,979</u>	<u>1,952,656</u>	<u>4,483,635</u>	<u>835,037</u>
Total liabilities and net assets	<u>\$ 3,836,447</u>	<u>\$ 3,227,943</u>	<u>\$ 7,064,390</u>	<u>\$ 863,425</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
Town of Springer
Statement of Activities
June 30, 2012

Exhibit A-2

Functions/ Programs	Program Revenues			
Expenses	Charges for services	Operating Grants and contributions	Capital Grants and Contributions	
Primary Government				
General government	\$ 715,202	\$ 34,848	\$ 124,286	\$ 652,299
Public Safety	185,418	45,243	101,844	
Public Works	62,154			
Culture and recreation	124,892	636	7,163	45,000
<i>Total government activities</i>	1,087,666	80,727	233,293	697,299
Business-type Activities:				
Joint Utilities	1,534,631	1,380,662		
Cemetery	5,570	1,275		
Museum	13,529	586		
<i>Total Business type activities</i>	1,553,730	1,382,523	0	0
<i>Total Primary Government</i>	\$ 2,641,396	\$ 1,463,250	\$ 233,293	\$ 697,299
Component Unit:				
Housing Authority	\$ 413,954	\$ 135,572	\$ 131,427	\$ 35,180
General Revenue:				
Taxes				
Property taxes, levied for general purposes				
Gross receipts taxes				
Gasoline and motor vehicle taxes				
Franchise taxes				
Interest income				
Miscellaneous income				
Total general revenues and transfers				
Change in net assets				
Net assets, beginning				
Net assets, ending				

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
Town of Springer
Statement of Activities
June 30, 2012

Exhibit A-2

<u>Functions/ Programs</u>	<u>Net (Expense) Revenue and Changes in Net Assets</u>			
	<u>Primary Government</u>			<u>Component Unit</u>
	<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>	<u>Housing Authority</u>
Primary Government				
General government	\$ 96,231		\$ 96,231	
Public Safety	(38,331)		(38,331)	
Public Works	(62,154)		(62,154)	
Culture and recreation	(72,093)		(72,093)	
<i>Total government activities</i>	<u>(76,347)</u>		<u>(76,347)</u>	
Business-type Activities:				
Joint Utilities		\$ (153,969)	(153,969)	
Cemetery		(4,295)	(4,295)	
Museum	(12,943)		(12,943)	
<i>Total Business type activities</i>	<u>0</u>	<u>(171,207)</u>	<u>(171,207)</u>	<u>0</u>
<i>Total Primary Government</i>	<u>(76,347)</u>	<u>(171,207)</u>	<u>(247,554)</u>	<u>0</u>
Component Unit:				
Housing Authority				\$ <u>(111,775)</u>
General Revenue:				
Taxes				
Property taxes, levied for general purposes	65,062		65,062	
Gross receipts taxes	23,157		23,157	
Gasoline and motor vehicle taxes	216,729		216,729	
Franchise taxes	13,155		13,155	
Interest income				261
Miscellaneous income	194,911	9,766	204,677	
Total general revenues and transfers	<u>513,014</u>	<u>9,766</u>	<u>522,780</u>	<u>261</u>
Change in net assets	436,667	(161,441)	275,226	(111,514)
Net assets, beginning	<u>2,094,312</u>	<u>2,114,097</u>	<u>4,208,409</u>	<u>946,551</u>
Net assets, ending	<u>\$ 2,530,979</u>	<u>\$ 1,952,656</u>	<u>\$ 4,483,635</u>	<u>\$ 835,037</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
Town of Springer
Balance Sheet
Governmental Funds
June 30, 2012

Exhibit B-1
Page 1 of 2

	<u>General Fund</u>	<u>CDBG Water Siphon Project</u>	<u>Legislative Appropriation Water</u>
<i>Assets</i>			
Cash and cash equivalents	\$ 692,833	\$ 970	\$
Receivables:			
Property Taxes Receivable	1,759		
Gross receipts taxes	25,838		
Other receivable	675		
Due from other funds	<u> </u>	<u> </u>	<u> </u>
<i>Total assets</i>	<u>\$ 721,105</u>	<u>\$ 970</u>	<u>\$ 0</u>
<i>Liabilities and fund balances</i>			
<i>Liabilities</i>			
Due to other funds	<u>\$ 862,317</u>	<u>\$ 91,269</u>	<u>\$ 173,729</u>
<i>Total liabilities</i>	<u>862,317</u>	<u>91,269</u>	<u>173,729</u>
<i>Fund balances</i>			
Assigned to:			
Subsequent year's budget in:			
Capital projects funds			
Unassigned to:			
General fund	(141,212)		
Special revenue funds			
Capital projects funds	<u> </u>	<u>(90,299)</u>	<u>(173,729)</u>
<i>Total fund balances</i>	<u>(141,212)</u>	<u>(90,299)</u>	<u>(173,729)</u>
<i>Total liabilities and fund balances</i>	<u>\$ 721,105</u>	<u>\$ 970</u>	<u>\$ 0</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
Town of Springer
Balance Sheet
Governmental Funds
June 30, 2012

Exhibit B-1
Page 1 of 2

	<u>Airport Improvements</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<i>Assets</i>			
Cash and cash equivalents	\$	\$ 83,793	\$ 777,596
Receivables:			
Property Taxes Receivable			1,759
Gross receipts taxes			25,838
Other receivable		20,600	21,275
Due from other funds		<u>248,645</u>	<u>248,645</u>
<i>Total assets</i>	<u>\$ 0</u>	<u>\$ 353,038</u>	<u>\$ 1,075,113</u>
<i>Liabilities and fund balances</i>			
<i>Liabilities</i>			
Due to other funds	<u>\$ 57,153</u>	<u>\$ 355,096</u>	<u>\$ 1,539,564</u>
<i>Total liabilities</i>	<u>57,153</u>	<u>355,096</u>	<u>1,539,564</u>
<i>Fund balances</i>			
Assigned to:			
Subsequent year's budget in:			
Capital projects funds		88,107	88,107
Unassigned to:			
General fund			(141,212)
Special revenue funds		(90,165)	(90,165)
Capital projects funds	<u>(57,153)</u>		<u>(321,181)</u>
<i>Total fund balances</i>	<u>(57,153)</u>	<u>(2,058)</u>	<u>(464,451)</u>
<i>Total liabilities and fund balances</i>	<u>\$ 0</u>	<u>\$ 353,038</u>	<u>\$ 1,075,113</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO

Town of Springer

Governmental Fund

Reconciliation of the Balance Sheet to the Statement of Net Assets

June 30, 2012

Exhibit B-1

Page 2 of 2

Amounts reported for governmental activities in the statement of net assets are different because:

Fund balances - total governmental funds	\$ (464,451)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	3,009,979
Certain liabilities, including bonds payable, capital leases payable and current and long-term portions of accrued compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds:	
Long-term portion of accrued compensated absences	<u>(14,549)</u>
Net assets of governmental activities	<u>\$ 2,530,979</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
Town of Springer
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
June 30, 2012

Exhibit B-2
Page 1 of 2

	General Fund	CDBG Water Siphon Project	Legislative Appropriations Water
<i>Revenues:</i>			
Taxes:			
Property taxes	\$ 65,062	\$	\$
Gross receipts taxes	23,157		
Gasoline and motor vehicle taxes	209,659		
Other taxes	13,155		
Intergovernmental:			
State operating grants	124,286		
State capital grants		213,749	
Charges for services	16,844		
Licenses and fees	14,804		
Miscellaneous	185,063		
<i>Total revenues</i>	652,030	213,749	0
<i>Expenditures:</i>			
Current:			
General government	679,730		
Public safety	114,510		
Public work			
Culture and recreation			
Capital outlay	23,122	213,749	
<i>Total expenditures</i>	817,362	213,749	0
Excess (deficiency) of revenues over expenditures	(165,332)	0	0
<i>Other financing sources (uses)</i>			
Transfers in			
Transfers out	(61,260)		
Total other financing sources (uses)	(61,260)	0	0
Net change in fund balance	(226,592)	0	0
Fund balance - beginning of year	85,380	(90,299)	(173,729)
Fund balance - end of year	\$ (141,212)	\$ (90,299)	\$ (173,729)

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
Town of Springer
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
June 30, 2012

Exhibit B-2
Page 1 of 2

	Airport Improvements	Other Governmental Funds	Total
<i>Revenues:</i>			
Taxes:			
Property taxes	\$	\$	\$ 65,062
Gross receipts taxes		1	23,158
Gasoline and motor vehicle taxes		7,070	216,729
Other taxes			13,155
Intergovernmental:			
State operating grants		109,007	233,293
State capital grants	295,128	188,422	697,299
Charges for services		45,879	62,723
Licenses and fees		3,201	18,005
Miscellaneous		9,848	194,911
<i>Total revenues</i>	<u>295,128</u>	<u>363,428</u>	<u>1,524,335</u>
<i>Expenditures:</i>			
Current:			
General government		28	679,758
Public safety		70,908	185,418
Public work		62,154	62,154
Culture and recreation		124,892	124,892
Capital outlay	<u>292,414</u>	<u>184,867</u>	<u>714,152</u>
<i>Total expenditures</i>	<u>292,414</u>	<u>442,849</u>	<u>1,766,374</u>
Excess (deficiency) of revenues over expenditures	<u>2,714</u>	<u>(79,421)</u>	<u>(242,039)</u>
<i>Other financing sources (uses)</i>			
Transfers in	1,242	60,018	61,260
Transfers out			<u>(61,260)</u>
Total other financing sources (uses)	<u>1,242</u>	<u>60,018</u>	
Net change in fund balance	3,956	(19,403)	(242,039)
Fund balance - beginning of year	<u>(61,109)</u>	<u>17,345</u>	<u>(222,412)</u>
Fund balance - end of year	<u><u>\$ (57,153)</u></u>	<u><u>\$ (2,058)</u></u>	<u><u>\$ (464,451)</u></u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO

Town of Springer

Exhibit B-2

Page 2 of 2

Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2012

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$ (242,039)
Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:	
Capital expenditures recorded in capital outlay	714,152
Depreciation expense	(48,953)
Decrease in noncurrent and current accrued compensated absences	<u>13,507</u>
Change in net assets of governmental activities	<u>\$ 436,667</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO

Exhibit C-1

Town of Springer

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes				
Property	\$ 55,796	\$ 55,796	\$ 65,062	\$ 9,266
Gross receipts	24,900	24,900	23,157	(1,743)
Gasoline and oil	195,200	195,200	209,659	14,459
Other	18,800	18,800	13,155	(5,645)
Intergovernmental income:				
State operating grants	176,900	176,900	124,286	(52,614)
Charges for services	11,590	11,590	16,844	5,254
Licenses and fees	15,410	15,410	14,804	(606)
Miscellaneous	<u>180,400</u>	<u>180,400</u>	<u>185,063</u>	<u>4,663</u>
<i>Total revenues</i>	<u>678,996</u>	<u>678,996</u>	<u>652,030</u>	<u>(26,966)</u>
<i>Expenditures:</i>				
Current:				
General government	625,142	625,142	679,730	(54,588)
Public safety	231,683	231,683	114,510	117,173
Capital outlay	<u>28,195</u>	<u>28,195</u>	<u>23,122</u>	<u>5,073</u>
<i>Total expenditures</i>	<u>885,020</u>	<u>885,020</u>	<u>817,362</u>	<u>67,658</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(206,024)</u>	<u>(206,024)</u>	<u>(165,332)</u>	<u>40,692</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	(375,526)	(375,526)		
Transfers in	690,350	690,350		(690,350)
Transfers (out)	<u>(108,800)</u>	<u>(108,800)</u>	<u>(61,260)</u>	<u>(47,540)</u>
<i>Total other financing sources (uses)</i>	<u>206,024</u>	<u>206,024</u>	<u>(61,260)</u>	<u>(737,890)</u>
<i>Net change in fund balance</i>	0	0	(226,592)	(697,198)
<i>Fund balance - beginning of year</i>	<u>0</u>	<u>0</u>	<u>85,380</u>	<u>85,380</u>
<i>Fund balance - end of year</i>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (141,212)</u>	<u>\$ (611,818)</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
Town of Springer
Statement of Net Assets
Proprietary Funds
June 30, 2012

Exhibit D-1

	Joint Utilities Funds	Other Enterprise Funds	Total
<i>Assets</i>			
<i>Current assets</i>			
Cash and cash equivalents	\$ 41,168	\$ 1,870	\$ 43,038
Receivables:			
Utility receivables, net of allowance	268,924		268,924
Inventory	80,294		80,294
Due from other funds	352,779	4,884	357,663
<i>Total current assets</i>	743,165	6,754	749,919
<i>Noncurrent assets</i>			
Unamortized bond issuance cost	5,809		5,809
Capital assets	6,532,059	107,496	6,639,555
Less: accumulated depreciation	(3,779,911)	(29,766)	(3,809,677)
<i>Total noncurrent assets</i>	2,757,957	77,730	2,835,687
<i>Total Assets</i>	\$ 3,501,122	\$ 84,484	\$ 3,585,606
<i>Liabilities and Net Assets</i>			
<i>Liabilities:</i>			
<i>Current liabilities</i>			
Accrued interest payable	\$ 26,908	\$	\$ 26,908
Accrued compensated absences	10,632		10,632
Current portion of bonds payable	16,000		16,000
Due to other funds	551,766	38,843	590,609
<i>Total current liabilities</i>	605,306	38,843	644,149
<i>Noncurrent liabilities</i>			
Bonds payable	988,801		988,801
<i>Total noncurrent liabilities</i>	988,801	0	988,801
<i>Total liabilities</i>	1,594,107	38,843	1,632,950
<i>Net Assets</i>			
Invested in capital assets, net of related debt	1,747,347	77,730	1,825,077
Restricted net assets - debt service	159,668		159,668
Unrestricted net assets		(32,089)	(32,089)
<i>Total net assets</i>	1,907,015	45,641	1,952,656
<i>Total Liabilities and Net Assets</i>	\$ 3,501,122	\$ 84,484	\$ 3,585,606

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO

Exhibit D-2

Town of Springer

Statement of Revenues, Expenses and Changes in Fund Net Assets

Proprietary Funds

For the Year Ended June 30, 2012

	Joint Utilities Funds	Other Enterprise Funds	Total
<i>Operating revenues:</i>			
Charges for services	\$ 1,380,662	\$ 1,861	\$ 1,382,523
<i>Total operating revenues</i>	<u>1,380,662</u>	<u>1,861</u>	<u>1,382,523</u>
<i>Operating expenses:</i>			
General and administrative	952,963	4,169	957,132
Personnel services	268,342	3,872	272,214
Contractual services	63,856		63,856
Supplies and purchased power	31,351	2,315	33,666
Maintenance and materials	12,042	3,712	15,754
Utilities	41,335	2,275	43,610
Depreciation	116,802	2,756	119,558
Amortization expense	188		188
<i>Total operating expenses</i>	<u>1,486,879</u>	<u>19,099</u>	<u>1,505,978</u>
<i>Operating income (loss)</i>	<u>(106,217)</u>	<u>(17,238)</u>	<u>(123,455)</u>
<i>Non-operating revenues (expenses):</i>			
Debt Proceeds			0
Interest expense	(47,752)		(47,752)
Miscellaneous	4,772	4,994	9,766
<i>Total non-operating revenues (expenses)</i>	<u>(42,980)</u>	<u>4,994</u>	<u>(37,986)</u>
Transfers in	61,758	100	61,858
Transfers out	(61,858)		(61,858)
<i>Capital grants and net transfers</i>	<u>(100)</u>	<u>100</u>	<u>0</u>
<i>Change in net assets</i>	(149,297)	(12,144)	(161,441)
<i>Net assets, beginning of year</i>	<u>2,056,312</u>	<u>57,785</u>	<u>2,114,097</u>
<i>Net assets, end of the year</i>	<u>\$ 1,907,015</u>	<u>\$ 45,641</u>	<u>\$ 1,952,656</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
Town of Springer
Statement of Cash Flows
Proprietary Funds
June 30, 2012

Exhibit D-3

	Joint Utilities Funds	Other Enterprise Funds	Total
<i>Cash flow operating activities:</i>			
Cash received from user charges	\$ 1,321,327	\$ 1,471	\$ 1,322,798
Cash payments to employees for services	(292,824)	(3,872)	(296,696)
Cash payments to suppliers for goods and services	(974,035)	(2,693)	(976,728)
<i>Net cash provided (used) by operating activities</i>	<u>54,468</u>	<u>(5,094)</u>	<u>49,374</u>
<i>Cash flows from noncapital financing activities:</i>			
Principal payments on bonds payable	(14,000)		(14,000)
Interest paid on long-term debt	(47,752)		(47,752)
Change in accrued interest payable	(6)		(6)
Miscellaneous income	4,772	4,994	9,766
Transfers from (to) other funds	(100)	100	0
<i>Net cash provided (used) by noncapital financing activities:</i>	<u>(57,086)</u>	<u>5,094</u>	<u>(51,992)</u>
<i>Net increase (decrease) in cash and cash equivalents</i>	(2,618)		(2,618)
<i>Cash and cash equivalents - beginning of year</i>	<u>43,786</u>	<u>1,870</u>	<u>45,656</u>
<i>Cash and cash equivalents - end of year</i>	<u>41,168</u>	<u>1,870</u>	<u>43,038</u>
<i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</i>			
Operating income (loss)	(106,217)	(17,238)	(123,455)
Depreciation	116,802	2,756	119,558
Amortization expense	188		188
Due to (from) other funds	100,256	9,388	109,644
Accounts receivable	(17,931)		(17,931)
Inventory	(14,148)		(14,148)
Current accrued compensated absences	(15,637)		(15,637)
Accrued payroll	(8,845)		(8,845)
<i>Net cash provided (used) by operating activities</i>	<u>\$ 54,468</u>	<u>\$ (5,094)</u>	<u>\$ 49,374</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
Town of Springer
Statement of Fiduciary Assets and Liabilities
Fiduciary Funds
June 30, 2012

Exhibit E-1

<i>Assets</i>	
Cash	\$ <u>605</u>
Total assets	<u>605</u>
<i>Liabilities</i>	
Due to other entities	<u>605</u>
Total liabilities	\$ <u><u>605</u></u>

The accompanying notes are an integral part of these financial statements.

FINANCIAL NOTES

STATE OF NEW MEXICO
Town of Springer
Notes to Financial Statements
June 30, 2012

Note 1 - Summary of Significant Accounting Policies

The Town of Springer (Town) is incorporated as a municipality in the State of New Mexico. The Town operates under an elected Mayor-Council form of government and provides the following services as authorized by its charter: public safety (police and fire), streets, sanitation, health and social services, culture-recreation, public improvements, planning and zoning, water supply, airport operations, general government administrative services and public housing and improvements.

This summary of significant accounting policies of the Town is presented to assist in the understanding of the Town's financial statements. The financial statements and notes are the representation of the Town's management who is responsible for their integrity and objectivity. The financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements have incorporated all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on accounting procedures issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. Governments also have the option of following subsequent private-sector guidance for their government-wide financial statements and proprietary funds, subject to the same limitation. The Town has elected not to follow subsequent private-sector guidance. The more significant of the government's accounting policies are described below.

A. *Financial Reporting Entity*

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

In evaluating how to define the Town, for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statement No.'s 14 and 39. Blended component units, although legally separate entities, are in substance part of the government's operations.

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations and accountability for fiscal matters.

A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the Town of Springer and/or its citizens, or whether the activity is conducted within the geographic boundaries of the Town of Springer and is generally available to its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the Town is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity. Based upon the application of these criteria, the following is a brief review of the potential component unit addressed in defining the government's reporting entity. The Town has one discretely presented component unit.

STATE OF NEW MEXICO
Town of Springer
Notes to Financial Statements
June 30, 2012

Note 1 - Summary of Significant Accounting Policies (continued)

A. *Financial Reporting Entity* (continued)

Town of Springer Housing Authority (Authority): This component unit has separate elected and/or appointed boards and provides services to residents, generally within the geographic boundaries of the government. The agency will be reported as a proprietary type discretely presented component unit.

The housing Authority was audited by another auditor, and has issued separately audited financial statements. Additional information regarding the Housing Authority may be obtained directly from their administrative office at: Executive Director, Town of Springer Housing Authority, 601 El Paso Ave, #A, Springer, NM 87747.

B. *Government-wide and fund financial statements*

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The Statement of Net Assets and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, Accounting and Financial Reporting for Non-exchange Transactions.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognized all long-term assets and receivables as well as long-term debt and obligations. The Town's net assets are reported in three parts - invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment is offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

STATE OF NEW MEXICO
Town of Springer
Notes to Financial Statements
June 30, 2012

Note 1 - Summary of Significant Accounting Policies (continued)

C. *Measurement focus, basis of accounting, and financial statement presentation*

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period, subject to the availability criterion. Sales and use taxes are classified as derived tax revenues and are recognized as revenue when the underlying exchange takes place and the revenues are measurable and available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met and the susceptible to accrual criteria have been met subject to the availability criterion.

Governmental funds are used to account for the Town's general government activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of capital assets and the servicing of general long-term debt.

Under the requirements of GASB No. 34, the Town is required to present certain of its governmental funds as major based upon specific criteria.

The Town reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The *CDBG Water Siphon Project Fund* is to account for the disbursements made to the Town from CDBG & NMED Grants to complete the project of the Water Siphon Project.

The *Legislative Appropriation Water Capital Projects Fund* is to account for state appropriations used for water system improvements.

The *Airport Improvements Capital Projects Fund* is to account for the rehabilitation to the Town Airport for restriping and resurfacing.

STATE OF NEW MEXICO
Town of Springer
Notes to Financial Statements
June 30, 2012

Note 1 - Summary of Significant Accounting Policies (continued)

C. Measurement focus, basis of accounting, and financial statement presentation (continued)

The Town reports the following major proprietary funds:

The *Joint Utilities Fund* accounts for the Town's water, sewer, solid waste, and electric services and all activities necessary to provide such services are accounted for in this fund.

The Town reports the following fiduciary funds:

The *Municipal Court Escrow Fund* records all the revenues and expenses for the court fines and costs that the Town takes in.

The *Veterans Memorial Fund* records all the assistance for veterans in the form of housing material assistance and emergency assistance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's enterprise funds and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Program revenues included in the Statement of Activities are derived directly from the program itself or from parties outside the Town's taxpayer or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the Town's general revenues. Program revenues are categorized as (a) charges for services, which include revenues collected for fees and use of Town services, facilities, etc.,(b) program-specific operating grants, which includes revenues received from state and federal sources are to be used as specified within each program grant agreement, and (c) program-specific capital grants and contributions, which include revenues from state sources to be used for capital projects. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the utility fund are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the Town's policy to use restricted resources first, then unrestricted resources as they are needed.

D. Assets, Liabilities and Net Assets or Fund Equity

Deposits and Investments: The Town's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the Town to invest in Certificates of Deposit, obligations of the U.S. Government, and the State Treasurer's Investment Pool.

STATE OF NEW MEXICO
Town of Springer
Notes to Financial Statements
June 30, 2012

Note 1 - Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Net Assets or Fund Equity (continued)

Receivables and Payables: Interfund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or between proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. In the government-wide and governmental fund financial statements, delinquent property taxes are recorded as revenue when levied, net of estimated refunds and uncollectable amounts.

Property taxes are levied on November 01 based on the assessed value of property as listed on the previous January 01 and are due in two payments by November 10th and April 10th. Property taxes uncollected after May 10th are considered delinquent. The taxes attach as an enforceable lien on property as of January 1st.

Inventories and Prepaid Items: Proprietary fund inventories are recorded at the lower of cost or market on a first-in, first-out basis, and consist of operating supplies held for use in operations and are recorded as expenditures when consumed rather than when purchased.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Restricted Assets: Restricted assets consist of those funds expendable for operating purposes but restricted by donors or other outside agencies as to the specific purpose for which they may be expended.

Capital Assets: Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. The Town was a Phase III government for the purpose of implementing GASB 34 and therefore did not have to capitalize its infrastructure retroactively to 1979. However, effective July 1, 2003 the Town was required to capitalize and depreciate its infrastructure prospectively. Information Technology Equipment including software is being capitalized and included in equipment in accordance with NMAC 2.20.1.9 C (5). Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

STATE OF NEW MEXICO
Town of Springer
Notes to Financial Statements
June 30, 2012

Note 1 - Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Net Assets or Fund Equity (continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Property, plant, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

Assets	<u>Years</u>
Buildings	39
Improvements other than buildings	39
Public domain infrastructure	30
Equipment	7
Vehicles	7

Accrued Expenses: Accrued expenses are comprised of the payroll expenditures based on amounts earned by the employees through June 30, 2012, along with applicable PERA and Retiree Health Care.

Deferred Revenues: Accounting principles generally accepted in the United States of America require that grant revenue (voluntary nonexchange transactions) be recognized as revenue in the government-wide financial statements when all eligibility requirements have been met and recognized as revenue in the governmental fund financial statements based on the same factors subject to the availability criterion. Amounts received from reimbursement basis grants are recorded as deferred revenue in the governmental fund financial statements when received more than 60 days after year end.

Compensated Absences: Town employees are entitled to certain compensated absences based on their employment classification and length of employment. With minor exceptions, the Town allows 40 hour week employees to accumulate unused sick leave to a maximum of 1,000 hours. Earned vacation, up to the amount the employees accrue each year, is allowed to be carried over from one calendar year to the next up to 240 hours. Upon termination, employees shall receive payment for unused, accrued vacation up to 240 hours. Employees with service to the Town will also be paid for 60 hours of sick pay at half the hourly rate. Applicable accumulated vacation and sick leave is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for compensated absences is reported in the governmental funds only if it is current, for example, as a result of employee resignation or retirement prior to the end of the fiscal year.

Long-term Obligations: In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bonds Payable are reported net of the applicable bond premium or discount. For fund financial reporting, bond premiums, discounts as well as issuance costs, are recognized in the period the bonds are issued. Bond proceeds are reported as another financing source net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

STATE OF NEW MEXICO
Town of Springer
Notes to Financial Statements
June 30, 2012

Note 1 - Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Net Assets or Fund Equity (continued)

Fund Equity: In the fund financial statements, governmental funds report reservations of fund balance that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

In addition to the nonspendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

- Nonspendable: includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.
- Restricted: fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.
- Committed: fund balances that contain self-imposed constraints of the government from its highest level of decision making authority. Commitments will only be used for specific purposes pursuant to a formal action of the decision makers.
- Assigned: fund balances that contain self-imposed constraints of the government to be used for a particular purpose.
- Unassigned: fund balances of the general fund that is not constrained for any particular purpose.

When both restricted and unrestricted resources are available for use, it is the City's policy to use externally restricted resources first, then unrestricted resources - committed, assigned, and unassigned - in order as needed.

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Note 2 - Stewardship, Compliance and Accountability

Budgetary Information

The Town Charter establishes the Town's fiscal year as the twelve-month period beginning July 01 and ending June 30. Prior to June 01 the Budget Director submits to management a proposed operating budget of estimated revenues, expenditures, and transfers for the ensuing fiscal year for the General Fund, Special Revenue Funds, Debt Service Funds, Capital Projects Fund and Enterprise Funds. Management subsequently submits the budget (1) to the New Mexico Department of Finance and Administration for review and approval; and (2) to the Town Council for review and enactment of a resolution legally adopting the budget. Once approved, the Town Council may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations. Additionally, the New Mexico Department of Finance and Administration must approve any amendments to the budget.

STATE OF NEW MEXICO
Town of Springer
Notes to Financial Statements
June 30, 2012

Note 2 - Stewardship, Compliance and Accountability (continued)

Each fund's appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by department and general ledger account. Expenditures are budgeted by department and general ledger account. Expenditures may not exceed appropriations at the fund level. All budget revisions at this level are subject to final review and approval by the Town Trustees and the Department of Finance and Administration. Revisions to the budget were made throughout the year. These budgets are prepared on a non-GAAP cash budgetary basis.

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed as an extension of formal budgetary integration in the General Fund, Special Revenue Funds, and Capital Projects Funds.

The budgetary information presented in these financial statements has been amended in accordance with the above procedures. These amendments resulted in the following changes:

	Excess (deficiency)	
	<u>of revenues over expenditures</u>	
	<u>Original</u>	<u>Final Budget</u>
	<u>Budget</u>	<u>Budget</u>
Budgeted Funds:		
General Funds	\$ (206,024)	\$ (206,024)
CDBG Water Siphon- Capital Projects Fund	\$ (295,145)	\$
Nonmajor Funds	\$ (157,129)	\$ (154,579)

The accompanying Statements of Revenues, Expenditures and Changes in Fund Balance - Budget (Non- GAAP Budgetary Basis) and Actual presents comparisons of the legally adopted budget with actual data on a budgetary basis.

Note 3 - Deposits and Investments

Section 6-10-10, NMSA 1978 authorizes municipalities to deposit money in banks, savings and loan associations or credit unions located in their respective counties. Treasurers of smaller municipalities, with the advice and consent of their respective boards of finance, may invest in:

- Bonds or negotiable securities of the United States, the state or a county, municipality or school district that meets specified requirements; or
- Securities issued by the United States government or by its agencies or instrumentalities and that are direct obligations of the United States, the federal home loan mortgage association, the federal national mortgage association, the federal farm credit bank, federal home loan banks or the student loan marketing association or that are backed by the full faith of the United States government.

STATE OF NEW MEXICO
Town of Springer
Notes to Financial Statements
June 30, 2012

Note 3 - Deposits and Investments (continued)

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the Town’s deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk. New Mexico State Statutes require collateral pledged for at least 50% of deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the Town. At June 30, 2012, \$653,181 of the Town’s bank balance of \$992,545 was exposed to custodial credit risk. \$653,181 was collateralized with collateral held by the pledging bank’s trust department, not in the Town’s name. All deposits were insured and collateralized at year end June 30, 2012.

	<u>Wells Fargo</u>	<u>International Bank</u>	<u>Total Deposits</u>
Amount of deposits	\$ 903,181	\$ 89,364	\$ 992,545
FDIC coverage	<u>250,000</u>	<u>89,364</u>	<u>339,364</u>
Total uninsured public funds	<u>653,181</u>	<u>0</u>	<u>653,181</u>
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the Town's name	<u>653,181</u>	<u> </u>	<u>653,181</u>
Uninsured and uncollateralized	<u> </u>	<u> </u>	<u>0</u>
Collateral requirement (50%)	326,591		326,591
Pledged securities	<u>508,842</u>	<u> </u>	<u>508,842</u>
Over (under) collateralized	<u>\$ 182,251</u>	<u>\$ 0</u>	<u>\$ 182,251</u>

The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, city or political subdivision of the State of New Mexico.

Reconciliation to the Statement of Net Assets

The carrying amounts of deposits shown above are included in the Town’s statement of net assets as follows:

	<u>Primary Government</u>	<u>Component Unit</u>
Cash and cash equivalents per Exhibit A-1	\$ 820,634	\$ 193,207
Cash and cash equivalents per Exhibit E-1	605	
Investments per Exhibit A-1	<u> </u>	<u>72,638</u>
Total cash and cash equivalents	821,239	265,845
Plus: Reconciling items	<u>171,306</u>	<u> </u>
Bank balance of deposits	<u>\$ 992,545</u>	<u>\$ 265,845</u>

STATE OF NEW MEXICO
Town of Springer
Notes to Financial Statements
June 30, 2012

Note 4 - Receivables

Receivables as of June 30, 2012 are as follows:

Primary Government:

	<u>General Fund</u>	<u>Nonmajor Funds</u>	<u>Total Governmental</u>
Governmental Activities:			
Receivables:			
Property taxes	\$ 1,759	\$	\$ 1,759
Gross receipts taxes	25,838		25,838
Others	<u>675</u>	<u>20,600</u>	<u>21,275</u>
Total receivables	<u>\$ 28,272</u>	<u>\$ 20,600</u>	<u>\$ 48,872</u>

Business-type Activities:

	<u>Joint Utilities Fund</u>	<u>Total</u>	<u>Housing Authority</u>
Customer receivables	\$ 303,035	\$ 303,035	\$ 1,703
Other receivables:			
Interest			307
Total gross receivables	<u>303,035</u>	<u>303,035</u>	<u>2,010</u>
Less: allowance for doubtful accounts	<u>(34,111)</u>	<u>(34,111)</u>	<u>954</u>
Total net receivables	<u>\$ 268,924</u>	<u>\$ 268,924</u>	<u>\$ 1,056</u>

Note 5 - Interfund Receivables, Payables, and Transfers

Interfund Receivables and Payables

The composition of interfund receivables/payables during the year ended June 30, 2012 is as follows:

<u>Interfund receivable</u>	<u>Amount</u>	<u>Interfund payable</u>	<u>Amount</u>
		General Fund	\$ 862,317
		CDBG Water Siphon Project	91,269
		Legislative Appropriation Water	
Nonmajor Governmental Funds	248,645	Capital Projects Fund	173,729
		Airport Improvements Capital	
Joint Utilities Fund	352,779	Projects Fund	57,153
Other Enterprise Funds	4,884	Nonmajor Governmental Funds	355,096
		Joint Utilities Fund	551,766
		Other Enterprise Funds	<u>38,843</u>
Total	<u>\$ 606,308</u>	Total	<u>\$ 2,130,173</u>

The Town recorded interfund receivables/payables to reflect temporary loans between funds. The purpose of the loans was to cover cash shortages until grant reimbursements or other sources of funds could be obtained. The Town's due to/due from do not balance for the year ended June 30, 2012. They do not balance by \$1,523,865. All interfund receivables/payables are expected to be repaid within one year.

STATE OF NEW MEXICO
Town of Springer
Notes to Financial Statements
June 30, 2012

Note 5 - Interfund Receivables, Payables, and Transfers (continued)

Interfund transfers:

Interfund transfers at June 30, 2012 consisted of the following:

<u>Transfers in</u>	<u>Amount</u>	<u>Transfers out</u>	<u>Amount</u>
Airport Improvements	\$ 1,242	General Fund	\$ 61,260
Library Fund	\$ 20,687	Joint Utilities Fund	61,858
Street Fund	3,957		
Juvenile Recreation Fund	35,374		
Joint Utilities Fund	61,758		
Museum	100		
Total	<u>\$ 123,118</u>	Total	<u>\$ 123,118</u>

Housing Authority-Component Unit

Transfers between funds were as follows:

Operating Transfers In:	<u>Operating Transfers Out</u>		<u>Totals</u>
	<u>Low Rent</u>	<u>CFP</u>	
Low Rent	\$ 0	\$ 15,592	\$ 15,592
CFP	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>\$ 0</u>	<u>\$ 15,592</u>	<u>\$ 15,592</u>

Transfers are used to move the portion of CFP funding allotted for operating expenditures to the Low Rent Fund.

Capital Transfers In:	<u>Capital Transfers Out</u>		<u>Totals</u>
	<u>Low Rent</u>	<u>CFP</u>	
Low Rent	\$ 0	\$ 204,694	\$ 204,694
CFP	<u>0</u>	<u>0</u>	<u>0</u>
Total	<u>\$ 0</u>	<u>\$ 204,694</u>	<u>\$ 204,694</u>

Capital transfers arose from the purchase or construction of capital assets in one fund, which were then transferred to another fund where they are being utilized.

STATE OF NEW MEXICO
Town of Springer
Notes to Financial Statements
June 30, 2012

Note 6 - Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2012, follows. Land and construction in progress are not subject to depreciation.

Governmental Activities

Primary Government	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012
Capital assets, not depreciated:				
Land	\$ 119,375	\$	\$	\$ 119,375
Construction in progress	<u>921,960</u>	<u>679,808</u>	<u> </u>	<u>1,601,768</u>
Total capital assets, not depreciated	<u>1,041,335</u>	<u>679,808</u>	<u>0</u>	<u>1,721,143</u>
Capital assets, depreciated:				
Buildings and improvements	1,458,150			1,458,150
Vehicles	525,028			525,028
Equipment	585,452	34,344		619,796
Infrastructure	<u>240,078</u>	<u> </u>	<u> </u>	<u>240,078</u>
Total capital assets, depreciated	<u>2,808,708</u>	<u>34,344</u>	<u>0</u>	<u>2,843,052</u>
Total capital assets	<u>3,850,043</u>	<u>714,152</u>	<u>0</u>	<u>4,564,195</u>
Less accumulated depreciation:				
Buildings and improvements	295,588	37,388		332,976
Vehicles	591,679			591,679
Equipment	585,452	3,562		589,014
Infrastructure	<u>32,544</u>	<u>8,003</u>	<u> </u>	<u>40,547</u>
Total accumulated depreciation	<u>1,505,263</u>	<u>48,953</u>	<u>0</u>	<u>1,554,216</u>
Total capital assets, net of depreciation	<u>\$ 2,344,780</u>	<u>\$ 665,199</u>	<u>\$ 0</u>	<u>\$ 3,009,979</u>

For the year ended June 30, 2012, depreciation expense of \$48,953 was charged to the function of general government.

STATE OF NEW MEXICO
Town of Springer
Notes to Financial Statements
June 30, 2012

Note 6 - Capital Assets (continued)

Business-type Activities

Proprietary Funds	<u>Balance June 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2012</u>
Capital assets, not depreciated:				
Construction in progress	\$ <u>167,500</u>	\$ _____	\$ _____	\$ <u>167,500</u>
Total capital assets, not depreciated	<u>167,500</u>	<u>0</u>	<u>0</u>	<u>167,500</u>
Capital assets, depreciated:				
Buildings and improvements	279,978			279,978
Vehicles	28,148			28,148
Equipment	2,792,546			2,792,546
Infrastructure	<u>3,371,383</u>	_____	_____	<u>3,371,383</u>
Total capital assets, depreciated	<u>6,472,055</u>	<u>0</u>	<u>0</u>	<u>6,472,055</u>
Total capital assets	<u>6,639,555</u>	<u>0</u>	<u>0</u>	<u>6,639,555</u>
Less accumulated depreciation:				
Buildings and improvements	178,598	7,179		185,777
Vehicles	28,460			28,460
Equipment	2,792,546			2,792,546
Infrastructure	<u>690,515</u>	<u>112,379</u>	_____	<u>802,894</u>
Total accumulated depreciation	<u>3,690,119</u>	<u>119,558</u>	<u>0</u>	<u>3,809,677</u>
Total capital assets, net of depreciation	<u>\$ 2,949,436</u>	<u>\$ (119,558)</u>	<u>\$ 0</u>	<u>\$ 2,829,878</u>

For the year ended June 30, 2012, depreciation expense of \$116,802 was charged to the Joint Utilities Fund and \$2,756 was charge to Other Enterprise Funds.

STATE OF NEW MEXICO
Town of Springer
Notes to Financial Statements
June 30, 2012

Note 6 - Capital Assets (continued)

Housing Authority-Component Unit

	<u>Balance</u> <u>June 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2012</u>
Capital assets, not depreciated:				
Land	\$ <u>41,101</u>	\$ _____	\$ _____	\$ <u>41,101</u>
Total capital assets, not depreciated	<u>41,101</u>	<u>0</u>	<u>0</u>	<u>41,101</u>
Capital assets, depreciated:				
Buildings	2,531,535			2,531,535
Non dwelling structures	233,193			233,193
Machinery and equipment	<u>117,601</u>	_____	_____	<u>117,601</u>
Total capital assets, depreciated	<u>2,882,329</u>	<u>0</u>	<u>0</u>	<u>2,882,329</u>
Total capital assets	<u>2,923,430</u>	<u>0</u>	<u>0</u>	<u>2,923,430</u>
Less accumulated depreciation:				
Buildings	2,077,272	75,053		2,152,325
Non dwelling structures	95,557	11,598		107,155
Machinery and equipment	75,565	9,518		85,083
Total accumulated depreciation	<u>2,248,394</u>	<u>96,169</u>	<u>0</u>	<u>2,344,563</u>
Total capital assets, net of depreciation	<u>\$ 675,036</u>	<u>\$ (96,169)</u>	<u>\$ 0</u>	<u>\$ 578,867</u>

Depreciation expense for the year ended June 30, 2012 was \$96,169.

STATE OF NEW MEXICO
Town of Springer
Notes to Financial Statements
June 30, 2012

Note 7 - Long-term Debt

The following is a schedule of changes in long - term debt:

	Balance June 30, 2011	Additions	Retirements	Balance June 30, 2012	Due within One Year
Governmental Activities:					
Compensated Absences	28,056		13,507	14,549	
Total long-term debt	<u>\$ 28,056</u>	<u>\$ 0</u>	<u>\$ 13,507</u>	<u>\$ 14,549</u>	<u>\$ 0</u>
Business Type Activities:					
	Balance June 30, 2011	Additions	Retirements	Balance June 30, 2012	Due within One Year
USDA Revenue Bonds	\$ 1,018,801		\$ 14,000	\$ 1,004,801	\$ 16,000
Compensated Absences	<u>26,269</u>		<u>15,637</u>	<u>10,632</u>	<u>10,632</u>
Total long-term debt	<u>\$ 1,045,070</u>	<u>\$ 0</u>	<u>\$ 29,637</u>	<u>\$ 1,015,433</u>	<u>\$ 26,632</u>

The General Fund usually pays the compensated absences liability.

Revenue Bonds (USDA)

Bonds outstanding at June 30, 2012 consisted of the following bonds:

1997A Joint Electric, Water and Sewer 92-11- 1/01/03 issue	
Original issue	\$ 339,800
Interest due	January 1
Principal due	January 1
Maturity Date	January 01, 2037
Interest rate 5%	
2003 Joint Electric, Water and Sewer #15- 1/01/03 issue	
Original issue	\$ 612,500
Interest due	September 1
Principal due	September 1
Maturity Date	September 18, 2043
Interest rate 4.75%	
2007 Joint Electric, Water and Sewer #17- 1/01/07 issue	
Original issue	\$ 167,500
Interest due	May 1
Principal due	May 1
Maturity Date	May 07, 2047
Interest rate 4.125%	

STATE OF NEW MEXICO
Town of Springer
Notes to Financial Statements
June 30, 2012

Note 7 - Long-term Debt (continued)

The annual requirements to amortize the Revenue Bonds Payable as of June 30, 2012, including interest payments are as follows:

Fiscal Year Ending <u>June 30, 2011</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt Service</u>
2013	16,000	47,566	63,566
2014	16,000	46,780	62,780
2015	16,000	45,990	61,990
2016	17,000	45,196	62,196
2017	18,000	44,398	62,398
2018-2022	108,000	207,982	315,982
2023-2027	133,000	179,814	312,814
2028-2032	168,000	144,548	312,548
2033-2037	209,000	100,075	309,075
2038-2042	189,800	50,549	240,349
2043-2047	114,001	10,660	124,661
	<u>\$ 1,004,801</u>	<u>\$ 923,558</u>	<u>\$ 1,928,359</u>

Housing Authority-Component Unit:

The following summarizes the changes in accrued compensated absences during 2012:

	<u>Balance June 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2012</u>	<u>Due within One Year</u>
Accrued compensated absences	\$ <u>5,473</u>	\$ <u>6,894</u>	\$ <u>7,544</u>	\$ <u>4,823</u>	\$ <u>2,942</u>

Note 8 - Risk Management

The Town is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The Town has obtained health insurance through the New Mexico Insurance Fund. The Town of Springer has obtained health insurance, general liability, auto, crime, buildings and contents, equipment, law enforcement officers, and public official's liability, workers compensation through New Mexico Self Insurers Fund. The fire and EMS accident insurance is provided by Volunteer Fire Insurance Services.

The New Mexico Self Insurance Fund (the Fund) determines annually how to charge participating New Mexico municipalities for employee health care coverage. All participating municipalities pay the same cost per employee each year, as determined by the Fund. The municipalities retain no risk of having to pay extra for an employee's claim. Therefore, the Town's health insurance settlements did not exceed the insurance coverage in any of the previous years. Also, there were no significant reductions in employee health coverage provided by the Fund in the fiscal year ended June 30, 2012, compared to the previous year.

STATE OF NEW MEXICO
Town of Springer
Notes to Financial Statements
June 30, 2012

Note 9 - PERA Pension Plan

Plan Description: Substantially all of the Town of Springer's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11 NMSA 1978). The Public Employee Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing, multiple-employer defined benefit retirement plan. The plan provides for retirement, disability benefits, survivor benefits, and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, at P.O. Box 2123, Santa Fe, New Mexico 87504-2123. The report is also available on PERA's website at www.pera.state.nm.us.

Funding Policy: Plan members are required to contribute the following percentages of their gross salary: 17% for law enforcement employees; and 18.3% for municipal employees. The Town was required to contribute the following percentages of the gross covered salary: 10% for law enforcement plan members; and 9.15% for municipal plan members. The contribution requirements of plan members and the Town of Springer are established in State Statute under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The Town of Springer' contributions to PERA for the years ending June 30, 2012, 2011 and 2010 were approximately \$35,683, \$32,175 and \$31,425, respectively, which equal the amount of the required contributions for each fiscal year.

Note 10 - Post Employment Benefits

Plan Description. The Town of Springer contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit post employment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 01, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the post employment healthcare plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

STATE OF NEW MEXICO
Town of Springer
Notes to Financial Statements
June 30, 2012

Note 10 - Post Employment Benefits (continued)

Funding Policy. The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. During the fiscal year ended June 30, 2012, the statute required each participating employer to contribute 1.834% of each participating employee's annual salary; each participating employee was required to contribute 0.917% of their salary.

Employers joining the program after January 01, 1998 are also required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

The RHCA plan is financed on a pay-as-you-go basis. The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico State Legislature.

The Town's contributions to the RHCA for the years ended June 30, 2012, 2011 and 2010, were \$7,093, \$7,288 and \$5,814, respectively, which equal the amount of required contributions for each year.

Note 11 - Contingencies

The Town of Springer participates in a number of federal, state, and county programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the Town of Springer may be required to reimburse the grantor government. As of June 30, 2012, significant amounts of grant expenditures have not been audited by the grantor agencies. Management believes that any disallowed expenditures discovered in subsequent audits, if any, will not have a material effect on any of the individual funds or the overall financial position of the Town of Springer.

STATE OF NEW MEXICO
Town of Springer
Notes to Financial Statements
June 30, 2012

Note 12 - Deficit Fund Balances and Excess of Expenditures Over Appropriations

Generally accepted accounting principles require disclosures of certain information concerning individual funds including:

- A. Excess of expenditures over appropriations. To address this noncompliance issue the Town plans to correct their budgeting process and utilize budget adjustments to avoid having expenditures in excess of appropriations.

Fund	Amount
Law Enforcement Special Revenue Fund	\$ (3,580)
Streets Special Revenue Fund	(27,154)
Airport -Capital Projects Fund	(143,422)
Sewer - Capital Projects Fund	(28)
Airport - Capital Projects Fund	(292,414)
Joint Utility Proprietary Fund	(71,613)
Cemetery Proprietary Fund	(3,770)

- B. Deficit fund balances of individual funds.

Fund	Amount
General Fund	\$ (141,212)
CDBG Water Siphon Project Capital Project Fund	(90,299)
Legislative Appropriation Water Capital Projects Fund	(173,729)
Airport Improvements Capital Projects Fund	(57,153)
EMS Special Revenue Fund	(65,963)
Library Special Revenue Fund	(46,906)
Streets Special Revenue Fund	(90,846)
Juvenile Recreation Special Revenue Fund	(88,785)
CDBG Sewer System Improvements Capital Projects Fund	(1,160)
Rehab of Dams 1 and 2 Capital Projects Fund	(26,848)
Scenic Byways Capital Projects Fund	(2,431)

Note 13 - Restricted Net Assets

The Town reports restricted net assets of \$159,668 for the year ended June 30, 2012, which are restricted for debt service fund and \$259,030 of unrestricted net assets for the year end June 30, 2012.

Note 14 - Non-Compliance with Debt Covenant

The Town has not set up debt-related reserve accounts as required by the debt covenant. Also, the Town is required to follow the audit requirements stipulated by United States Department of Agriculture Rural Utilities Services RUS Bulletin 1780-30 when maintaining an outstanding Rural Development loan balance of \$1,000,000 or more. Those requirements stipulate that as a condition of receiving Federal awards, non- Federal entities agree to comply with applicable laws, regulations, and the provisions of contract and grant agreements, and to maintain internal control to provide reasonable assurance of compliance with these requirements. Also, The Water and Waste Loan and Grant Program Compliance Supplement reporting requirements states that the Town must submit annual audited financial's within 150 days of the entity's fiscal year end or Form RD 442- 2 Statement of Budget, Income, and Equity and Form RD 442-3 Balance Sheet. As of the date of the report, these three requirements have not been met. To address these issues of noncompliance, the Town plans to establish "reserve accounts" for specific bond accounts and fund them with one-tenth of one year's payment.

STATE OF NEW MEXICO
Town of Springer
Notes to Financial Statements
June 30, 2012

Note 15 - Utility Revenues Pledged

The Town of Springer has pledged future revenues from the joint electric, water and sewer system, net of specified operating expenses, to repay \$284,800 in Joint Electric, Water and Sewer System Revenue Bonds, Series 1997A Bonds, issued in 1998. The bonds are payable solely from utility customer net revenues and are payable through January 2038. The pledged revenues for the fiscal year immediately preceding the date of issuance of the Series 1997A bonds had to be sufficient to pay \$120 of the combined average annual principal and interest requirements of the outstanding prior lien bonds (Series 1970 and Series 1981 Bonds), the outstanding parity bonds (Series 1988 Bonds, Series 1996A Bonds, and Series 1996B Bonds), and other parity obligations (Series 1997A Bonds) of the Town, payable from and constituting a lien upon the pledged revenues and the Parity Bonds or other parity obligations proposed to be issued (excluding any reserves thereof). During the fiscal year ended June 30, 2007, all of these old bonds were paid off with proceeds from the sale of the Town's gas utilities, except for the Series 1997A Bonds. Regarding the Series 1997A bonds, the total principal and interest remaining to be paid on the bonds is \$514,440.

The Town of Springer has pledged future revenues from the joint electric, water and sewer system, net of specified operating expenses, to repay \$562,500 in Joint Electric, Water and Sewer System Revenue Bonds, Series 2003 Bonds, issued in September 2003. The bonds are payable solely from utility customer net revenues and are payable through 2043. The pledged revenues for the fiscal year immediately preceding the date of issuance of the Series 2003 bonds had to be sufficient to pay 120% of the combined average annual principal and interest requirements of all the outstanding prior bonds (listed in the preceding paragraph) plus the proposed Series 2003 Bonds. As disclosed in the previous paragraph, all of the old bonds were paid off during the fiscal year ended June 30, 2006 except for the Series 1996B Bonds, the Series 1997A Bonds, and the Series 2003 Bonds. Regarding the Series 2003 Bonds, the total principal and interest remaining to be paid on the bonds is \$1,112,900.

Also, the Town of Springer has pledged future revenues from the joint electric, water and sewer system, net of specified operating expenses, to repay \$157,500 in Joint Electric, Water and Sewer System Revenue Bonds, Series 2007 Bonds, issued in January 2007. The bonds are payable solely from utility customer net revenues and are payable through 2043. The pledged revenues for the fiscal year immediately preceding the date of issuance of the Series 2007 bonds had to be sufficient to pay 120% of the combined average annual principal and interest requirements of all the outstanding prior bonds (listed in the preceding paragraph) plus the proposed Series 2007 Bonds. Regarding the Series 2007 Bonds, the total principal and interest remaining to be paid on the bonds is \$301,018.

Note 16 - Legislative Grants

Due to internal control weaknesses identified in the schedule of findings and questioned costs as item FS 06-07. The Town of Springer was not able to provide a listing of capital outlay appropriations received from the State Legislature during the year ended June 30, 2012 or for any fiscal year prior to that date.

SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
Town of Springer
Nonmajor Fund Descriptions
June 30, 2012

SPECIAL REVENUE FUNDS

Corrections Fund - To account for the provisions of a local correction fee collected with local fines. (Authority: NMSA 35-14- 11)

Emergency Medical Services (EMS) Fund - To account for the operations of emergency services. Financing is provided from the State, pursuant to the Emergency Medical Services Act. (Authority: NMSA 24-10A-1). The Town also bills for EMS services. Funds are used solely to operate EMS services

Fire Protection Fund - To account for the operations and maintenance of the Fire Department, financed by a specific allotment from the State Fire Marshall's Office (Authority: NMSA 59A-53-1)

Law Enforcement Protection Fund (LEPF) - To account for the receipts and expenditures of a Special State grant for the police department. The grant may be used only for the operations of the police department.

Library Fund - To account for the operations and maintenance of the Town's library. Financing is provided by an intergovernmental grant. (Authority: NMSA 3-18-14)

Lodger's Tax Fund - To account for the operations of a special fund to promote tourist operations in the Town. Financing is provided by a special Lodger's tax charged on all transient lodging in the Town. (Authority: NMSA 3-38-13)

Streets Fund - To account for the receipts and expenditures of cooperative grant agreement projects to include the Town of Springer's match of 15%.

Juvenile Recreation Fund - To account for the operation and maintenance of recreational facilities in the Town. Financing is provided by a specific annual cigarette tax levy. (Authority: NMSA 7-12-15)

Fire Discretionary Fund - To account for the expenditures of the Fire Department that were not covered under the Fire Protection Act. This is Board designated; funded by transfer from Town of Springer General Fund.

CAPITAL PROJECTS FUNDS

CDBG Sewer System Improvements Fund - To account for a federal grant for sewer system improvements.

RUS – Water Improvements Fund - To account for federal grants and bond proceeds used for water system improvements.

Rehab of Dams 1 and 2 Fund - To account for state appropriations used to rehab dams.

Co-op Grant Fund - To account for state appropriations received from the State Co-op grant.

Sewer Lagoon Fund - To account for the revenues and expenditures of the waste/wastewater sewer lagoon project.

Scenic Byways - To account for the revenues and expenditures related to the scenic byway project.

STATE OF NEW MEXICO
Town of Springer
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2012

Statement A-1

	Special Revenue		
	Corrections	EMS	Fire Protection
<i>Assets</i>			
Cash and cash equivalents	\$ 40,482	\$ 21,324	\$ 10,216
Accounts receivable			
Due from other funds	6,620		93,126
<i>Total assets</i>	47,102	21,324	103,342
<i>Liabilities and fund balances</i>			
<i>Liabilities</i>			
Due to other funds		87,287	
<i>Total liabilities</i>	0	87,287	0
<i>Fund balances</i>			
Unassigned to:			
Special revenue	47,102	(65,963)	103,342
Capital projects			
<i>Total fund balances</i>	47,102	(65,963)	103,342
<i>Total liabilities and fund balances</i>	\$ 47,102	\$ 21,324	\$ 103,342

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
Town of Springer
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2012

Statement A-1

	Special Revenue		
	LEPF	Library	Lodger's Tax
<i>Assets</i>			
Cash and cash equivalents	\$	\$	\$
Accounts receivable	20,600		
Due from other funds	12,055		8,434
<i>Total assets</i>	32,655	0	8,434
<i>Liabilities and fund balances</i>			
<i>Liabilities</i>			
Due to other funds		46,906	
<i>Total liabilities</i>	0	46,906	0
<i>Fund balances</i>			
Unassigned to:			
Special revenue	32,655	(46,906)	8,434
Capital projects			
<i>Total fund balances</i>	32,655	(46,906)	8,434
<i>Total liabilities and fund balances</i>	\$ 32,655	\$	\$ 8,434

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
Town of Springer
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2012

Statement A-1

	Special Revenue		
	Streets	Juvenile Recreation	Fire Discretionary
<i>Assets</i>			
Cash and cash equivalents	\$ 7,826	\$ 3,007	\$
Accounts receivable			
Due from other funds			10,802
<i>Total assets</i>	7,826	3,007	10,802
<i>Liabilities and fund balances</i>			
<i>Liabilities</i>			
Due to other funds	98,672	91,792	
<i>Total liabilities</i>	98,672	91,792	0
<i>Fund balances</i>			
Unassigned to:			
Special revenue	(90,846)	(88,785)	10,802
Capital projects			
<i>Total fund balances</i>	(90,846)	(88,785)	10,802
<i>Total liabilities and fund balances</i>	\$ 7,826	\$ 3,007	\$ 10,802

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
 Town of Springer
 Nonmajor Governmental Funds
 Combining Balance Sheet
 June 30, 2012

Statement A-1

	Capital Projects			
	CDBG Sewer System Improvements	RUS Water Improvements	Rehab of Dams 1 and 2	Co-op Grant
<i>Assets</i>				
Cash and cash equivalents	\$	\$ 938	\$	\$
Accounts receivable				
Due from other funds	<u> </u>	<u>31,391</u>	<u> </u>	<u>37,609</u>
<i>Total assets</i>	<u>0</u>	<u>32,329</u>	<u>0</u>	<u>37,609</u>
<i>Liabilities and fund balances</i>				
<i>Liabilities</i>				
Due to other funds	<u>1,160</u>	<u> </u>	<u>26,848</u>	<u> </u>
<i>Total liabilities</i>	<u>1,160</u>	<u>0</u>	<u>26,848</u>	<u>0</u>
<i>Fund balances</i>				
Unassigned to:				
Special revenue				
Capital projects	<u>(1,160)</u>	<u>32,329</u>	<u>(26,848)</u>	<u>37,609</u>
<i>Total fund balances</i>	<u>(1,160)</u>	<u>32,329</u>	<u>(26,848)</u>	<u>37,609</u>
<i>Total liabilities and fund balances</i>	<u>\$</u>	<u>\$ 32,329</u>	<u>\$</u>	<u>\$ 37,609</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
Town of Springer
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2012

Statement A-1

	Capital Projects			Total Nonmajor Governmental Funds
	Sewer Lagoon Fund	Scenic Byways		
<i>Assets</i>				
Cash and cash equivalents	\$	\$	\$	\$ 83,793
Accounts receivable				20,600
Due from other funds	48,608			248,645
<i>Total assets</i>	48,608	0	0	353,038
<i>Liabilities and fund balances</i>				
<i>Liabilities</i>				
Due to other funds		2,431		355,096
<i>Total liabilities</i>	0	2,431	0	355,096
<i>Fund balances</i>				
Unassigned to:				
Special revenue				(90,165)
Capital projects	48,608	(2,431)		88,107
<i>Total fund balances</i>	48,608	(2,431)		(2,058)
<i>Total liabilities and fund balances</i>	\$ 48,608	\$	\$	\$ 353,038

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO

Statement A-2

Town of Springer

Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

For the Year Ended June 30, 2012

	<u>Special Revenue</u>		
	<u>Corrections</u>	<u>EMS</u>	<u>Fire Protection</u>
<i>Revenues:</i>			
Taxes:			
Gross receipts	\$	\$	\$
Gasoline and oil			
Intergovernmental:			
State operating grants		7,000	53,644
State capital grants			
Charges for services		45,243	
Licenses and fees	740		
Miscellaneous		911	
<i>Total Revenues</i>	<u>740</u>	<u>53,154</u>	<u>53,644</u>
<i>Expenditures:</i>			
Current:			
General government			
Public safety		38,085	32,230
Public works			
Culture and recreation			
Capital Outlay		7,101	
<i>Total expenditure</i>	<u>0</u>	<u>45,186</u>	<u>32,230</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>740</u>	<u>7,968</u>	<u>21,414</u>
<i>Other financing sources (uses):</i>			
Transfers in			
<i>Total other financing sources (uses):</i>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net changes in fund balances</i>	740	7,968	21,414
<i>Fund balances - beginning of year</i>	<u>46,362</u>	<u>(73,931)</u>	<u>81,928</u>
<i>Fund balances - end of year</i>	<u>\$ 47,102</u>	<u>\$ (65,963)</u>	<u>\$ 103,342</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO

Statement A-2

Town of Springer

Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

For the Year Ended June 30, 2012

	<u>Special Revenue</u>		
	<u>LEPF</u>	<u>Library</u>	<u>Lodger's Tax</u>
<i>Revenues:</i>			
Taxes:			
Gross receipts	\$	\$	\$
Gasoline and oil			
Intergovernmental:			
State operating grants	41,200	7,163	
State capital grants			
Charges for services		611	
Licenses and fees			
Miscellaneous	<u>4,225</u>	<u>100</u>	<u>4,387</u>
<i>Total Revenues</i>	<u>45,425</u>	<u>7,874</u>	<u>4,387</u>
<i>Expenditures:</i>			
Current:			
General government			
Public safety	593		
Public works			
Culture and recreation		65,307	3,056
Capital Outlay	34,344		
<i>Total expenditure</i>	<u>34,937</u>	<u>65,307</u>	<u>3,056</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>10,488</u>	<u>(57,433)</u>	<u>1,331</u>
<i>Other financing sources (uses):</i>			
Transfers in		20,687	
<i>Total other financing sources (uses):</i>	<u>0</u>	<u>20,687</u>	<u>0</u>
<i>Net changes in fund balances</i>	10,488	(36,746)	1,331
<i>Fund balances - beginning of year</i>	<u>22,167</u>	<u>(10,160)</u>	<u>7,103</u>
<i>Fund balances - end of year</i>	<u>\$ 32,655</u>	<u>\$ (46,906)</u>	<u>\$ 8,434</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO

Statement A-2

Town of Springer

Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

For the Year Ended June 30, 2012

	<u>Special Revenue</u>		
	<u>Streets</u>	<u>Juvenile Recreation</u>	<u>Fire Discretionary</u>
<i>Revenues:</i>			
Taxes:			
Gross receipts	\$	\$	\$
Gasoline and oil	7,070		1
Intergovernmental:			
State operating grants			
State capital grants	45,000		
Charges for services		25	
Licenses and fees		2,461	
Miscellaneous		225	
<i>Total Revenues</i>	<u>52,070</u>	<u>2,712</u>	<u>0</u>
<i>Expenditures:</i>			
Current:			
General government			
Public safety			
Public works	62,154		
Culture and recreation		56,529	
Capital Outlay			
<i>Total expenditure</i>	<u>62,154</u>	<u>56,529</u>	<u>0</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(10,084)</u>	<u>(53,817)</u>	
<i>Other financing sources (uses):</i>			
Transfers in	3,957	35,374	
<i>Total other financing sources (uses):</i>	<u>3,957</u>	<u>35,374</u>	<u>0</u>
<i>Net changes in fund balances</i>	(6,127)	(18,443)	0
<i>Fund balances - beginning of year</i>	<u>(84,719)</u>	<u>(70,342)</u>	<u>10,802</u>
<i>Fund balances - end of year</i>	<u>\$ (90,846)</u>	<u>\$ (88,785)</u>	<u>\$ 10,802</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO

Statement A-2

Town of Springer

Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

For the Year Ended June 30, 2012

	<u>Capital Projects</u>			
	CDBG Sewer System Improvements	RUS Water Improvements	Rehab of Dams 1 and 2	Co-op Grant
<i>Revenues:</i>				
Taxes:				
Gross receipts	\$	\$	\$	\$
Gasoline and oil				
Intergovernmental:				
State operating grants				
State capital grants			143,422	
Charges for services				
Licenses and fees				
Miscellaneous				
<i>Total Revenues</i>	<u>0</u>	<u>0</u>	<u>143,422</u>	<u>0</u>
<i>Expenditures:</i>				
Current:				
General government				
Public safety				
Public works				
Culture and recreation				
Capital Outlay			143,422	
<i>Total expenditure</i>	<u>0</u>	<u>0</u>	<u>143,422</u>	<u>0</u>
<i>Excess (deficiency) of revenues over expenditures</i>				
<i>Other financing sources (uses):</i>				
Transfers in				
<i>Total other financing sources (uses):</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net changes in fund balances</i>	0	0	0	0
<i>Fund balances - beginning of year</i>	<u>(1,160)</u>	<u>32,329</u>	<u>(26,848)</u>	<u>37,609</u>
<i>Fund balances - end of year</i>	<u>\$ (1,160)</u>	<u>\$ 32,329</u>	<u>\$ (26,848)</u>	<u>\$ 37,609</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO

Statement A-2

Town of Springer

Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

For the Year Ended June 30, 2012

	Capital Projects			Total Nonmajor Governmental Funds
	Sewer Lagoon Project	Scenic Byways	Airport Improvements	
<i>Revenues:</i>				
Taxes:				
Gross receipts	\$	\$	\$	\$ 1
Gasoline and oil				7,070
Intergovernmental:				
State operating grants				109,007
State capital grants				188,422
Charges for services				45,879
Licenses and fees				3,201
Miscellaneous				9,848
<i>Total Revenues</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>363,428</u>
<i>Expenditures:</i>				
Current:				
General government	28			28
Public safety				70,908
Public works				62,154
Culture and recreation				124,892
Capital Outlay				184,867
<i>Total expenditure</i>	<u>28</u>	<u>0</u>	<u>0</u>	<u>442,849</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(28)</u>			<u>(79,421)</u>
<i>Other financing sources (uses):</i>				
Transfers in				60,018
<i>Total other financing sources (uses):</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>60,018</u>
<i>Net changes in fund balances</i>	(28)	0	0	(19,403)
<i>Fund balances - beginning of year</i>	<u>48,636</u>	<u>(2,431)</u>	<u>0</u>	<u>17,345</u>
<i>Fund balances - end of year</i>	<u>\$ 48,608</u>	<u>\$ (2,431)</u>	<u>\$ 0</u>	<u>\$ (2,058)</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
 Town of Springer
 Corrections Special Revenue Fund
 Statement of Revenues, Expenditures and Changes in Fund Balance
 Budget (Non-GAAP Budgetary Basis) and Actual
 For the Year Ended June 30, 2012

Statement B-1

	Budgeted Amounts		Actual (Non-GAAP Budgetary Basis)	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		
<i>Revenues:</i>				
Licenses and fees	\$ 2,600	\$ 2,600	\$ 740	\$ (1,860)
<i>Total revenues</i>	2,600	2,600	740	(1,860)
<i>Expenditures:</i>				
<i>Total expenditures</i>	0	0	0	0
<i>Excess (deficiency) of revenues over expenditures</i>	2,600	2,600	740	(1,860)
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	(2,600)	(2,600)		2,600
<i>Total other financing sources (uses)</i>	(2,600)	(2,600)	0	2,600
<i>Net change in fund balance</i>	0	0	740	740
<i>Fund balance - beginning of year</i>	0	0	46,362	46,362
<i>Fund balance - end of year</i>	0	0	47,102	47,102

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO

Statement B-2

Town of Springer

EMS Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Intergovernmental income:				
State operating grants	\$ 7,000	\$ 7,000	\$ 7,000	\$
Charges for services	51,600	51,600	45,243	(6,357)
Miscellaneous			911	911
<i>Total revenues</i>	<u>58,600</u>	<u>58,600</u>	<u>53,154</u>	<u>(5,446)</u>
<i>Expenditures:</i>				
Current:				
Public safety	60,900	60,900	38,085	22,815
Capital outlay	<u>3,500</u>	<u>3,500</u>	<u>7,101</u>	<u>(3,601)</u>
<i>Total expenditures</i>	<u>64,400</u>	<u>64,400</u>	<u>45,186</u>	<u>19,214</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(5,800)</u>	<u>(5,800)</u>	<u>7,968</u>	<u>13,768</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	(2,200)	(2,200)		2,200
Transfers in	<u>8,000</u>	<u>8,000</u>		<u>(8,000)</u>
<i>Total other financing sources (uses)</i>	<u>5,800</u>	<u>5,800</u>	<u>0</u>	<u>(5,800)</u>
<i>Net change in fund balance</i>			7,968	7,968
<i>Fund balance - beginning of year</i>	<u>0</u>	<u>0</u>	<u>(73,931)</u>	<u>(73,931)</u>
<i>Fund balance - end of year</i>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ (65,963)</u></u>	<u><u>\$ (65,963)</u></u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO

Statement B-3

Town of Springer

Fire Protection Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>(Non-GAAP Budgetary Basis)</u>	<u>Favorable (Unfavorable) Final to Actual</u>
<i>Revenues:</i>				
Intergovernmental income:				
State operating grants	\$ 58,584	\$ 58,584	\$ 53,644	\$ (4,940)
<i>Total revenues</i>	<u>58,584</u>	<u>58,584</u>	<u>53,644</u>	<u>(4,940)</u>
<i>Expenditures:</i>				
Current:				
Public safety	64,906	64,906	32,230	32,676
<i>Total expenditures</i>	<u>64,906</u>	<u>64,906</u>	<u>32,230</u>	<u>32,676</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(6,322)</u>	<u>(6,322)</u>	<u>21,414</u>	<u>27,736</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	<u>6,322</u>	<u>6,322</u>		<u>(6,322)</u>
<i>Total other financing sources (uses)</i>	<u>6,322</u>	<u>6,322</u>	<u>0</u>	<u>(6,322)</u>
<i>Net change in fund balance</i>			21,414	21,414
<i>Fund balance - beginning of year</i>	<u>0</u>	<u>0</u>	<u>81,928</u>	<u>81,928</u>
<i>Fund balance - end of year</i>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>103,342</u></u>	<u><u>103,342</u></u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO

Statement B-4

Town of Springer

Law Enforcement Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Intergovernmental income:				
State operating grants	\$ 20,600	\$ 20,600	\$ 41,200	\$ 20,600
Miscellaneous			4,225	4,225
<i>Total revenues</i>	<u>20,600</u>	<u>20,600</u>	<u>45,425</u>	<u>24,825</u>
<i>Expenditures:</i>				
Current:				
Public safety	31,357	31,357	593	30,764
Capital outlay			34,344	(34,344)
<i>Total expenditures</i>	<u>31,357</u>	<u>31,357</u>	<u>34,937</u>	<u>(3,580)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(10,757)</u>	<u>(10,757)</u>	<u>10,488</u>	<u>21,245</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	<u>10,757</u>	<u>10,757</u>		<u>(10,757)</u>
<i>Total other financing sources (uses)</i>	<u>10,757</u>	<u>10,757</u>	<u>0</u>	<u>(10,757)</u>
<i>Net change in fund balance</i>	0	0	10,488	10,488
<i>Fund balance - beginning of year</i>	<u>0</u>	<u>0</u>	<u>22,167</u>	<u>22,167</u>
<i>Fund balance - end of year</i>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 32,655</u>	<u>\$ 32,655</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO

Statement B-5

Town of Springer

Library Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances</u>
	<u>Original</u>	<u>Final</u>	(Non-GAAP Budgetary Basis)	(Unfavorable) <u>Final to Actual</u>
<i>Revenues:</i>				
Intergovernmental income:				
State operating grants	\$ 11,152	\$ 11,152	\$ 7,163	\$ (3,989)
Charges for services	145	145	611	466
Miscellaneous			100	100
<i>Total revenues</i>	<u>11,297</u>	<u>11,297</u>	<u>7,874</u>	<u>(3,423)</u>
<i>Expenditures:</i>				
Current:				
Culture and recreation	<u>81,704</u>	<u>81,704</u>	<u>65,307</u>	<u>16,397</u>
<i>Total expenditures</i>	<u>81,704</u>	<u>81,704</u>	<u>65,307</u>	<u>16,397</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(70,407)</u>	<u>(70,407)</u>	<u>(57,433)</u>	<u>12,974</u>
<i>Other financing sources (uses)</i>				
Transfers in	<u>43,300</u>	<u>43,300</u>	<u>20,687</u>	<u>(22,613)</u>
<i>Total other financing sources (uses)</i>	<u>43,300</u>	<u>43,300</u>	<u>20,687</u>	<u>(22,613)</u>
<i>Net change in fund balance</i>	(27,107)	(27,107)	(36,746)	(9,639)
<i>Fund balance - beginning of year</i>	<u>0</u>	<u>0</u>	<u>(10,160)</u>	<u>(10,160)</u>
<i>Fund balance - end of year</i>	<u><u>\$ (27,107)</u></u>	<u><u>\$ (27,107)</u></u>	<u><u>\$ (46,906)</u></u>	<u><u>\$ (19,799)</u></u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
Town of Springer
Lodger's Tax Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2012

Statement B-6

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes				
Other	\$ 4,000	\$ 4,000	\$	\$ (4,000)
Miscellaneous	<u> </u>	<u> </u>	<u>4,387</u>	<u>4,387</u>
<i>Total revenues</i>	<u>4,000</u>	<u>4,000</u>	<u>4,387</u>	<u>387</u>
<i>Expenditures:</i>				
Current:				
Culture and recreation	<u>4,122</u>	<u>4,122</u>	<u>3,056</u>	<u>1,066</u>
<i>Total expenditures</i>	<u>4,122</u>	<u>4,122</u>	<u>3,056</u>	<u>1,066</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(122)</u>	<u>(122)</u>	<u>1,331</u>	<u>1,453</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	122	122		(122)
<i>Total other financing sources (uses)</i>	<u>122</u>	<u>122</u>	<u> </u>	<u>(122)</u>
<i>Net change in fund balance</i>	0	0	1,331	1,331
<i>Fund balance - beginning of year</i>	<u>0</u>	<u>0</u>	<u>7,103</u>	<u>7,103</u>
<i>Fund balance - end of year</i>	<u><u>\$ 0</u></u>	<u><u>\$ 0</u></u>	<u><u>\$ 8,434</u></u>	<u><u>\$ 8,434</u></u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO

Statement B-7

Town of Springer

Streets Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances</u>
	<u>Original</u>	<u>Final</u>	<u>(Non-GAAP Budgetary Basis)</u>	<u>(Unfavorable)</u>
<i>Revenues:</i>				
Taxes				
Gasoline and oil	\$ 5,000	\$ 5,000	\$ 7,070	\$ 2,070
Intergovernmental income:				
State capital grants	<u>22,500</u>	<u>30,000</u>	<u>45,000</u>	<u>15,000</u>
<i>Total revenues</i>	<u>27,500</u>	<u>35,000</u>	<u>52,070</u>	<u>17,070</u>
<i>Expenditures:</i>				
Current:				
Public works	<u>35,000</u>	<u>35,000</u>	<u>62,154</u>	<u>(27,154)</u>
<i>Total expenditures</i>	<u>35,000</u>	<u>35,000</u>	<u>62,154</u>	<u>(27,154)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(7,500)</u>		<u>(10,084)</u>	<u>(10,084)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)		(7,500)		7,500
Transfers in	<u>7,500</u>	<u>7,500</u>	<u>3,957</u>	<u>(3,543)</u>
<i>Total other financing sources (uses)</i>	<u>7,500</u>	<u>0</u>	<u>3,957</u>	<u>3,957</u>
<i>Net change in fund balance</i>	0	0	(6,127)	(6,127)
<i>Fund balance - beginning of year</i>	<u>0</u>	<u>0</u>	<u>(84,719)</u>	<u>(84,719)</u>
<i>Fund balance - end of year</i>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (90,846)</u>	<u>\$ (90,846)</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO

Statement B-8

Town of Springer

Juvenile Recreation Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes				
Gross receipts	\$	\$	\$	\$
Intergovernmental income:				
Charges for services		500	25	(475)
Licenses and fees		1,500	2,461	961
Miscellaneous	<u>8,000</u>	<u>6,000</u>	<u>225</u>	<u>(5,775)</u>
<i>Total revenues</i>	<u>8,000</u>	<u>8,000</u>	<u>2,712</u>	<u>(5,288)</u>
<i>Expenditures:</i>				
Current:				
Culture and recreation	<u>66,821</u>	<u>66,821</u>	<u>56,529</u>	<u>10,292</u>
<i>Total expenditures</i>	<u>66,821</u>	<u>66,821</u>	<u>56,529</u>	<u>10,292</u>
<i>Excess (deficiency) of revenues over expenditures</i>	(58,821)	(58,821)	(53,817)	5,004
<i>Other financing sources (uses)</i>				
Transfers in	<u>37,000</u>	<u>37,000</u>	<u>35,374</u>	<u>(1,626)</u>
<i>Total other financing sources (uses)</i>	<u>37,000</u>	<u>37,000</u>	<u>35,374</u>	<u>(1,626)</u>
<i>Net change in fund balance</i>	(21,821)	(21,821)	(18,443)	3,378
<i>Fund balance - beginning of year</i>	<u>0</u>	<u>0</u>	<u>(70,342)</u>	<u>(70,342)</u>
<i>Fund balance - end of year</i>	<u>\$</u>	<u>\$</u>	<u>\$ (88,785)</u>	<u>\$ (66,964)</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO

Statement B-9

Town of Springer

Fire Discretionary Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances</u>
	<u>Original</u>	<u>Final</u>	<u>(Non-GAAP Budgetary Basis)</u>	<u>Favorable (Unfavorable) Final to Actual</u>
<i>Revenues:</i>				
<i>Total revenues</i>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
<i>Expenditures:</i>				
Current:				
Public works	<u> </u>	<u> 4,950</u>	<u> </u>	<u> 4,950</u>
<i>Total expenditures</i>	<u> 0</u>	<u> 4,950</u>	<u> 0</u>	<u> 4,950</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u> 0</u>	<u> (4,950)</u>	<u> 0</u>	<u> 4,950</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	<u> 0</u>	<u> 4,950</u>	<u> 0</u>	<u> (4,950)</u>
<i>Total other financing sources (uses)</i>	<u> 0</u>	<u> 4,950</u>	<u> 0</u>	<u> (4,950)</u>
<i>Net change in fund balance</i>	<u> 0</u>	<u> 0</u>	<u> 0</u>	<u> 0</u>
<i>Fund balance - beginning of year</i>	<u> 0</u>	<u> 0</u>	<u> 10,802</u>	<u> 10,802</u>
<i>Fund balance - end of year</i>	\$ <u><u> 0</u></u>	\$ <u><u> 0</u></u>	\$ <u><u> 10,802</u></u>	\$ <u><u> 10,802</u></u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO

Statement B-10

Town of Springer

CDBG Sewer System Improvements Capital Projects Fund
 Statement of Revenues, Expenditures and Changes in Fund Balance
 Budget (Non-GAAP Budgetary Basis) and Actual
 For the Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances</u>
	<u>Original</u>	<u>Final</u>	<u>(Non-GAAP Budgetary Basis)</u>	<u>Favorable (Unfavorable)</u>
				<u>Final to Actual</u>
<i>Revenues:</i>				
<i>Total revenues</i>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
<i>Expenditures:</i>				
<i>Total expenditures</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Fund balance - beginning of year</i>	<u>0</u>	<u>0</u>	<u>(1,160)</u>	<u>(1,160)</u>
<i>Fund balance - end of year</i>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>(1,160)</u></u>	<u><u>(1,160)</u></u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
Town of Springer
CDBG Water Siphon Capital Projects Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2012

Statement B-11

	Budgeted Amounts		Actual (Non-GAAP Budgetary Basis)	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		
<i>Revenues:</i>				
Intergovernmental income:				
State capital grants	\$ 775,000	\$ 775,000	\$ 213,749	\$ (561,251)
<i>Total revenues</i>	<u>775,000</u>	<u>775,000</u>	<u>213,749</u>	<u>(561,251)</u>
<i>Expenditures:</i>				
Capital outlay	1,070,145	775,000	213,749	561,251
<i>Total expenditures</i>	<u>1,070,145</u>	<u>775,000</u>	<u>213,749</u>	<u>561,251</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(295,145)</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Other financing sources (uses)</i>				
<i>Fund balance - beginning of year</i>	<u>0</u>	<u>0</u>	<u>(90,299)</u>	<u>(90,299)</u>
<i>Fund balance - end of year</i>	<u>\$ (295,145)</u>	<u>\$ 0</u>	<u>\$ (90,299)</u>	<u>\$ (90,299)</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO

Statement B-12

Town of Springer

RUS Water Improvements Capital Projects Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances</u>
	<u>Original</u>	<u>Final</u>	<u>(Non-GAAP Budgetary Basis)</u>	<u>Favorable (Unfavorable) Final to Actual</u>
<i>Revenues:</i>				
<i>Total revenues</i>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
<i>Expenditures:</i>				
<i>Total expenditures</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Fund balance - beginning of year</i>	<u>0</u>	<u>0</u>	<u>32,329</u>	<u>32,329</u>
<i>Fund balance - end of year</i>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>32,329</u></u>	<u><u>32,329</u></u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO

Statement B-13

Town of Springer

Rehab of Dams 1 and 2 Capital Projects Fund (Major)
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances</u>
	<u>Original</u>	<u>Final</u>	<u>(Non-GAAP Budgetary Basis)</u>	<u>Favorable (Unfavorable) Final to Actual</u>
<i>Revenues:</i>				
Intergovernmental income:				
Federal capital grants			<u>143,422</u>	<u>143,422</u>
<i>Total revenues</i>	<u>0</u>	<u>0</u>	<u>143,422</u>	<u>143,422</u>
<i>Expenditures:</i>				
Current:				
Capital outlay			<u>143,422</u>	<u>(143,422)</u>
<i>Total expenditures</i>	<u>0</u>	<u>0</u>	<u>143,422</u>	<u>(143,422)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Fund balance - beginning of year</i>	<u>0</u>	<u>0</u>	<u>(26,848)</u>	<u>(26,848)</u>
<i>Fund balance - end of year</i>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (26,848)</u>	<u>\$ (26,848)</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO

Statement B-14

Town of Springer

Legislative Appropriations - Water Capital Projects Fund (Major)
 Statement of Revenues, Expenditures and Changes in Fund Balance
 Budget (Non-GAAP Budgetary Basis) and Actual
 For the Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances</u>
	<u>Original</u>	<u>Final</u>	<u>(Non-GAAP Budgetary Basis)</u>	<u>Favorable (Unfavorable) Final to Actual</u>
<i>Revenues:</i>				
<i>Total revenues</i>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
<i>Expenditures:</i>				
<i>Total expenditures</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Fund balance - beginning of year</i>	<u>0</u>	<u>0</u>	<u>(173,729)</u>	<u>(173,729)</u>
<i>Fund balance - end of year</i>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>(173,729)</u></u>	<u><u>(173,729)</u></u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO

Statement B-15

Town of Springer

CO-OP Grant Capital Projects Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
<i>Total revenues</i>	\$ 0	\$ 0	\$ 0	\$ 0
<i>Expenditures:</i>				
<i>Total expenditures</i>	0	0	0	0
<i>Excess (deficiency) of revenues over expenditures</i>	0	0	0	0
<i>Fund balance - beginning of year</i>	0	0	37,609	37,609
<i>Fund balance - end of year</i>	<u>0</u>	<u>0</u>	<u>37,609</u>	<u>37,609</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO

Statement B-16

Town of Springer

Sewer Lagoon Capital Projects Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances</u>
	<u>Original</u>	<u>Final</u>	<u>(Non-GAAP Budgetary Basis)</u>	<u>Favorable (Unfavorable) Final to Actual</u>
<i>Revenues:</i>				
<i>Total revenues</i>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
<i>Expenditures:</i>				
Current:				
General government	<u> </u>	<u> </u>	<u> 28</u>	<u> (28)</u>
<i>Total expenditures</i>	<u> 0</u>	<u> 0</u>	<u> 28</u>	<u> (28)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	0	0	(28)	(28)
<i>Fund balance - beginning of year</i>	<u> 0</u>	<u> 0</u>	<u> 48,636</u>	<u> 48,636</u>
<i>Fund balance - end of year</i>	\$ <u><u> 0</u></u>	\$ <u><u> 0</u></u>	\$ <u><u> 48,608</u></u>	\$ <u><u> 48,608</u></u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO

Statement B-17

Town of Springer

Scenic Byways Capital Projects Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances</u>
	<u>Original</u>	<u>Final</u>	<u>(Non-GAAP Budgetary Basis)</u>	<u>Favorable (Unfavorable) Final to Actual</u>
<i>Revenues:</i>				
<i>Total revenues</i>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
<i>Expenditures:</i>				
<i>Total expenditures</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Fund balance - beginning of year</i>	<u>0</u>	<u>0</u>	<u>(2,431)</u>	<u>(2,431)</u>
<i>Fund balance - end of year</i>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>(2,431)</u></u>	<u><u>(2,431)</u></u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO

Statement B-18

Town of Springer

Airport Improvements Capital Projects Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Intergovernmental income:				
State capital grants	\$ _____	\$ _____	\$ 295,128	\$ 295,128
<i>Total revenues</i>	<u>0</u>	<u>0</u>	<u>295,128</u>	<u>295,128</u>
<i>Expenditures:</i>				
Capital outlay	_____	_____	292,414	(292,414)
<i>Total expenditures</i>	<u>0</u>	<u>0</u>	<u>292,414</u>	<u>(292,414)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	0	0	2,714	587,542
<i>Other financing sources (uses)</i>				
Transfers in	_____	_____	1,242	1,242
<i>Total other financing sources (uses)</i>	<u>0</u>	<u>0</u>	<u>1,242</u>	<u>1,242</u>
<i>Net change in fund balance</i>	0	0	3,956	588,784
<i>Fund balance - beginning of year</i>	<u>0</u>	<u>0</u>	<u>(61,109)</u>	<u>(61,109)</u>
<i>Fund balance - end of year</i>	<u><u>0</u></u>	<u><u>0</u></u>	<u><u>(57,153)</u></u>	<u><u>527,675</u></u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO

Statement C-1

Town of Springer

Statement of Revenues, Expenditures and Changes in Net Assets

Budget (GAAP Budgetary Basis) and Actual

Joint Utilities Proprietary Fund

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variances
	Original	Final	(GAAP Budgetary)	Favorable (Unfavorable) Final to Actual
<i>Operating revenues:</i>				
Charges for services	\$ 1,356,058	\$ 1,356,058	\$ 1,380,662	\$ 24,604
<i>Total operating revenues</i>	<u>1,356,058</u>	<u>1,356,058</u>	<u>1,380,662</u>	<u>24,604</u>
<i>Operating expenditures:</i>				
General and administrative	1,068,313	1,068,313	952,963	115,350
Personnel services	232,549	232,549	268,342	(35,793)
Contractual services	37,200	37,200	63,856	(26,656)
Supplies	5,000	5,000	31,351	(26,351)
Maintenance and materials	19,900	19,900	12,042	7,858
Utilities	52,200	52,200	41,335	10,865
Debt service				
Interest	48,400	47,856	47,752	104
Depreciation			116,802	(116,802)
Amortization expense			188	(188)
<i>Total operating expenditures</i>	<u>1,463,562</u>	<u>1,463,018</u>	<u>1,534,631</u>	<u>(71,613)</u>
<i>Operating income (loss)</i>	<u>(107,504)</u>	<u>(106,960)</u>	<u>(153,969)</u>	<u>(47,009)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	(105,204)	(105,204)		105,204
Miscellaneous	2,000	2,000	4,772	2,772
Transfers in	62,400	61,856	61,758	(98)
Transfers out	(62,100)	(62,100)	(61,858)	242
<i>Total other financing sources (uses)</i>	<u>107,504</u>	<u>106,960</u>	<u>4,672</u>	<u>108,120</u>
<i>Change in net assets</i>	0	0	(149,297)	61,111
<i>Total net assets, beginning of year</i>	<u>0</u>	<u>0</u>	<u>2,056,312</u>	<u>0</u>
<i>Net assets- end of year</i>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 1,907,015</u>	<u>\$ 61,111</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO

Statement C-2

Town of Springer

Statement of Revenues, Expenditures and Changes in Net Assets

Budget (GAAP Budgetary Basis) and Actual

Cemetery Proprietary Fund

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variances
	Original	Final	(GAAP Budgetary)	Favorable (Unfavorable) Final to Actual
<i>Operating revenues:</i>				
Charges for services	\$ 2,000	\$ 2,000	\$ 1,275	\$ (725)
<i>Total operating revenues</i>	<u>2,000</u>	<u>2,000</u>	<u>1,275</u>	<u>(725)</u>
<i>Operating expenditures:</i>				
Supplies	400	400	2,149	(1,749)
Maintenance and materials	<u>1,400</u>	<u>1,400</u>	<u>3,421</u>	<u>(2,021)</u>
<i>Total operating expenditures</i>	<u>1,800</u>	<u>1,800</u>	<u>5,570</u>	<u>(3,770)</u>
<i>Operating income (loss)</i>	<u>200</u>	<u>200</u>	<u>(4,295)</u>	<u>(4,495)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	(200)	(200)		200
Miscellaneous			<u>4,685</u>	<u>4,685</u>
<i>Total other financing sources (uses)</i>	<u>(200)</u>	<u>(200)</u>	<u>4,685</u>	<u>4,885</u>
<i>Change in net assets</i>	0	0	390	390
<i>Total net assets, beginning of year</i>	<u>0</u>	<u>0</u>	<u>6,364</u>	<u>0</u>
<i>Net assets- end of year</i>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 6,754</u>	<u>\$ 390</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO

Statement C-3

Town of Springer

Statement of Revenues, Expenditures and Changes in Net Assets

Budget (GAAP Budgetary Basis) and Actual

Museum Proprietary Fund

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variances
	Original	Final	(GAAP Budgetary)	Favorable (Unfavorable) Final to Actual
<i>Operating revenues:</i>				
Charges for services	\$ 600	\$ 600	\$ 586	\$ (14)
<i>Total operating revenues</i>	<u>600</u>	<u>600</u>	<u>586</u>	<u>(14)</u>
<i>Operating expenditures:</i>				
General and administrative	10,081	10,081	4,169	5,912
Personnel services	10,081	10,081	3,872	6,209
Supplies	100	100	166	(66)
Maintenance and materials	119	119	291	(172)
Utilities	2,700	2,700	2,275	425
Depreciation			2,756	(2,756)
<i>Total operating expenditures</i>	<u>23,081</u>	<u>23,081</u>	<u>13,529</u>	<u>9,552</u>
<i>Operating income (loss)</i>	<u>(22,481)</u>	<u>(22,481)</u>	<u>(12,943)</u>	<u>9,538</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	9,481	8,881		
Miscellaneous			309	309
Transfers in	<u>13,000</u>	<u>13,600</u>	<u>100</u>	<u>(13,500)</u>
<i>Total other financing sources (uses)</i>	<u>22,481</u>	<u>22,481</u>	<u>409</u>	<u>(13,191)</u>
<i>Change in net assets</i>	0	0	(12,534)	(3,653)
<i>Total net assets, beginning of year</i>	<u>0</u>	<u>0</u>	<u>51,421</u>	<u>51,421</u>
<i>Net assets- end of year</i>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 38,887</u>	<u>\$ 47,768</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
Town of Springer
Combining Statement of Net Assets
Nonmajor Proprietary Fund
For the Year Ended June 30, 2012

Statement D-1

	<u>Cemetery</u>	<u>Museum</u>	<u>Total</u>
<i>Assets</i>			
<i>Current assets</i>			
Cash and cash equivalents	\$ 1,870	\$	\$ 1,870
Due from other Fund	<u>4,884</u>	<u> </u>	<u>4,884</u>
<i>Total current assets</i>	<u>6,754</u>	<u>0</u>	<u>6,754</u>
<i>Noncurrent assets</i>			
Capital assets		107,496	107,496
Less: accumulated depreciation	<u> </u>	<u>(29,766)</u>	<u>(29,766)</u>
<i>Total noncurrent assets</i>		<u>77,730</u>	<u>77,730</u>
<i>Total Assets</i>	<u>\$ 6,754</u>	<u>\$ 77,730</u>	<u>\$ 84,484</u>
<i>Liabilities and Net Assets</i>			
<i>Liabilities:</i>			
<i>Current liabilities</i>			
Due to other funds	<u>\$</u>	<u>\$ 38,843</u>	<u>\$ 38,843</u>
<i>Total current liabilities</i>	<u>0</u>	<u>38,843</u>	<u>38,843</u>
<i>Noncurrent liabilities</i>			
<i>Total noncurrent liabilities</i>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Total liabilities</i>	<u>0</u>	<u>38,843</u>	<u>38,843</u>
<i>Net Assets:</i>			
Invested in capital assets, net of related debt		77,730	77,730
Unrestricted net assets	<u>6,754</u>	<u>(38,843)</u>	<u>(32,089)</u>
<i>Total net assets</i>	<u>6,754</u>	<u>38,887</u>	<u>45,641</u>
<i>Total Liabilities and Net Assets</i>	<u>\$ 6,754</u>	<u>\$ 77,730</u>	<u>\$ 84,484</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO

Statement D-2

Town of Springer

Combining Statement of Revenues, Expenses and Changes in Fund Net Assets

Nonmajor Proprietary Fund

For the Year Ended June 30, 2012

	<u>Cemetery</u>	<u>Museum</u>	<u>Total</u>
<i>Operating revenues:</i>			
Operating revenues:	\$ 1,275	\$ 586	\$ 1,861
<i>Total operating revenues</i>	<u>1,275</u>	<u>586</u>	<u>1,861</u>
<i>Operating expenses:</i>			
General and administrative		4,169	4,169
Personnel services		3,872	3,872
Supplies and purchased power	2,149	166	2,315
Maintenance and materials	3,421	291	3,712
Utilities		2,275	2,275
Depreciation		<u>2,756</u>	<u>2,756</u>
<i>Total operating expenses</i>	<u>5,570</u>	<u>13,529</u>	<u>19,099</u>
<i>Operating income (loss)</i>	<u>(4,295)</u>	<u>(12,943)</u>	<u>(17,238)</u>
<i>Non-operating revenues (expenses):</i>			
Miscellaneous	<u>4,685</u>	<u>309</u>	<u>4,994</u>
<i>Total non-operating revenues (expenses)</i>	<u>4,685</u>	<u>309</u>	<u>4,994</u>
Transfers in		<u>100</u>	<u>100</u>
<i>Capital grants and net transfers</i>	<u>0</u>	<u>100</u>	<u>100</u>
<i>Change in net assets</i>	390	(12,534)	(12,144)
<i>Net assets, beginning of year</i>	<u>6,364</u>	<u>51,421</u>	<u>57,785</u>
<i>Net assets, end of year</i>	<u>\$ 6,754</u>	<u>\$ 38,887</u>	<u>\$ 45,641</u>

The accompanying notes are an integral part of these financial statements.

SUPPORTING SCHEDULES

Housing Authority of the Town of Springer
(A Component Unit of the Town of Springer)
Springer, NM
Financial Data Schedule
June 30, 2012

Schedule I

Line Item #	Account Description	Low Rent Public Housing	Public Housing Capital Fund Program	TOTAL
111	Cash - Unrestricted	\$ 180,713	\$	\$ 180,713
113	Cash - Other Restricted			
114	Cash - Tenant Security Deposits	<u>12,494</u>		<u>12,494</u>
100	Total Cash	<u>193,207</u>	<u>0</u>	<u>193,207</u>
121	Accounts Receivable - PHA projects			
124	Accounts Receivable - Other Government			
125	Accounts Receivable - Miscellaneous	307		307
126	Accounts Receivable - Tenants	1,702		1,702
126.1	Allowance for Doubtful Accts - Tenants	(953)		(953)
126.2	Allowance for Doubtful Accts - Other			
128	Fraud Recovery			
128.1	Allowance for Doubtful Accts - Fraud			
120	Total Receivables, Net of Allowance for Doubtful Accts	<u>1,056</u>	<u>0</u>	<u>1,056</u>
131	Investments - Unrestricted	72,638		72,638
132	Investments - Restricted			
142	Prepaid Expenses and Other Assets	8,316		8,316
143	Inventories	10,379		10,379
143.1	Allowance for Obsolete Inventories	<u>(1,038)</u>		<u>(1,038)</u>
150	Total Current Assets	<u>284,558</u>	<u>0</u>	<u>284,558</u>
161	Land	41,101		41,101
162	Buildings	2,526,593	4,942	2,531,535
163	Furniture, Equipment and Machinery - Dwellings	218,192	15,000	233,192
164	Furniture, Equipment and Machinery - Administration	80,787	36,814	117,601
166	Leasehold Improvements			
166	Accumulated Depreciation	(2,330,932)	(13,630)	(2,344,562)
166	Construction in Process			
168	Infrastructure			
160	Total Capital Assets, Net of Accumulated Depreciation	<u>535,741</u>	<u>43,126</u>	<u>578,867</u>
180	Total Non-Current Assets	<u>535,741</u>	<u>43,126</u>	<u>578,867</u>
190	Total Assets	<u>\$ 820,299</u>	<u>\$ 43,126</u>	<u>\$ 863,425</u>

Housing Authority of the Town of Springer
(A Component Unit of the Town of Springer)
Springer, NM
Financial Data Schedule
June 30, 2012

Schedule I

Line Item #	Account Description	Low Rent Public Housing	Public Housing Capital Fund Program	TOTAL
311	Bank Overdraft	\$	\$	\$
312	Accounts Payable <= 90 Days	2,436		2,436
322	Accrued Compensated Absences - Current Portion	2,942		2,942
341	Tenant Security Deposits	12,494		12,494
346	Accrued Liabilities - Other	<u>8,635</u>		<u>8,635</u>
310	Total Current Liabilities	<u>26,507</u>	<u>0</u>	<u>26,507</u>
354	Accrued Compensated Absences - Current Portion	<u>1,881</u>		<u>1,881</u>
350	Total Noncurrent Liabilities	<u>1,881</u>	<u>0</u>	<u>1,881</u>
300	Total Liabilities	<u>28,388</u>	<u>0</u>	<u>28,388</u>
508.1	Invested in capital assets, net of related debt	535,741	43,126	578,867
511.1	Restricted net assets			
512.1	Unrestricted net assets	<u>256,170</u>		<u>256,170</u>
513	<i>Total Equity/Net Assets</i>	<u>791,911</u>	<u>43,126</u>	<u>835,037</u>
600	<i>Total Liabilities and Equity/Net Assets</i>	<u>\$ 820,299</u>	<u>\$ 43,126</u>	<u>\$ 863,425</u>

Housing Authority of the Town of Springer
(A Component Unit of the Town of Springer)
Springer, NM
Financial Data Schedule
June 30, 2012

Schedule I

Line Item #	Account Description	Low Rent Public Housing	Public Housing Capital Fund Program	TOTAL
70300	Net Tenant Rental Revenue	\$ 134,871	\$	\$ 134,871
70400	Tenant Revenue - Other	<u>701</u>	<u> </u>	<u>701</u>
70500	Total Tenant Revenue	<u>135,572</u>	<u>0</u>	<u>135,572</u>
70600	HUD PHA Operating Grants	131,427		131,427
70610	Capital Grants	<u> </u>	<u>35,180</u>	<u>35,180</u>
70700	Total Fee Revenue	<u>131,427</u>	<u>35,180</u>	<u>166,607</u>
71100	Investment Income - Unrestricted	261		261
71400	Fraud Recovery			
71500	Other Revenue	<u> </u>	<u> </u>	<u> </u>
70000	Total Revenue	<u>267,260</u>	<u>35,180</u>	<u>302,440</u>
91100	Administrative Salaries	54,441		54,441
91200	Audit Fees	409	6,000	6,409
91300	Management Fees			
91310	Bookkeeping Fee	3,138		3,138
91400	Advertising & Marketing			
91500	Employee Benefit Contributions - Administrative	18,386		18,386
91600	Office Expenses	10,065		10,065
91700	Legal Expenses	3,205		3,205
91800	Travel	242		242
91900	Other	<u>1,132</u>	<u> </u>	<u>1,132</u>
91000	Total Operating - Administrative	<u>91,018</u>	<u>6,000</u>	<u>97,018</u>
92400	Tenant Services - Other	<u> </u>	<u> </u>	<u> </u>
92500	Total Tenant Services	<u>0</u>	<u>0</u>	<u>0</u>
93100	Water	10,581		10,581
93200	Electricity	1,774		1,774
93300	Gas	39,058		39,058
93600	Sewer	17,038		17,038
93800	Other Utilities	<u> </u>	<u> </u>	<u> </u>
93000	Total Utilities	<u>68,451</u>	<u>0</u>	<u>68,451</u>
94100	Ordinary Maintenance and Operations - Labor	76,876		76,876
94200	Ordinary Maintenance and Operations - Materials & Other	16,497	13,588	30,085
94300	Ordinary Maintenance and Operations - Contract Cost	744		744
94500	Employee Benefit Contributions - Ordinary Maintenance	<u>18,543</u>	<u> </u>	<u>18,543</u>
94000	Total Maintenance	<u>112,660</u>	<u>13,588</u>	<u>126,248</u>

Housing Authority of the Town of Springer
(A Component Unit of the Town of Springer)
Springer, NM
Financial Data Schedule
June 30, 2012

Schedule I

Line Item #	Account Description	Low Rent Public Housing	Public Housing Capital Fund Program	TOTAL
96110	Property Insurance	4,722		4,722
96120	Liability Insurance	3,304		3,304
96130	Workmen's Compensation	5,252		5,252
96140	All Other Insurance	4,453		4,453
96100	Total Insurance Premiums	17,731	0	17,731
96200	Other General Expenses	498		498
96210	Compensated Absences	6,894		6,894
96300	Payments in Lieu of Taxes			
96400	Bad debt - Tenant Rents	<u>945</u>		<u>945</u>
96000	Total Other General Expenses	8,337	0	8,337
96900	Total Operating Expenses	298,197	19,588	317,785
97000	Excess Operating Revenue over Operating Expenses	(30,937)	15,592	(15,345)
97400	Depreciation Expense	<u>87,476</u>	<u>8,693</u>	<u>96,169</u>
90000	Total Expense	<u>385,673</u>	<u>28,281</u>	<u>413,954</u>
10010	Operating Transfers In	15,592		15,592
10020	Operating Transfer Out		<u>(15,592)</u>	<u>(15,592)</u>
10100	Total Other Financing Sources (Uses)	<u>15,592</u>	<u>(15,592)</u>	<u>0</u>
10000	Excess (Deficiency) of Total Rev Over (Under) Total Exp	<u>\$ (102,821)</u>	<u>\$ (8,693)</u>	<u>\$ (111,514)</u>
11030	Beginning Equity	\$ 690,038	\$ 256,513	\$ 946,551
11040	Prior Period Adj, Equity Transfers, Correction of Errors	\$ 204,694	\$ (204,694)	\$
11050	Changes in Compensated Absence Balance	\$ 2,194	\$	\$ 2,194
11190	Unit Months Available	672		672
11210	Number of Unit Months Leased	639		639

STATE OF NEW MEXICO
Town of Springer
Schedule of Collateral Pledged By Depository
For Public Funds
June 30, 2012

Schedule II

<u>Name of Depository</u>	<u>Description of Pledged Collateral</u>	<u>Maturity</u>	<u>CUSIP Number</u>	<u>Fair Market Value at June 30, 2012</u>	<u>Location of Safekeeper</u>
Wells Fargo Bank	FN AH3394	01/01/2041	3138A4XY6	\$ 118,431	Wells Fargo, San Francisco, CA
	FN AJ5097	11/01/2026	3138AWUX9	4,739	Wells Fargo, San Francisco, CA
	FN AL0832	09/01/2026	3138EG4S0	<u>385,672</u>	Wells Fargo, San Francisco, CA
	Total Pledged Collateral			<u>\$ 508,842</u>	

See independent auditor's report

STATE OF NEW MEXICO
Town of Springer
Schedule of Deposits and Investments
By Depository
June 30, 2012

Schedule III
Page 1 of 2

General Government

Account	Account Type	Wells Fargo Bank	International Bank	Total
General Account	Checking	\$ 900,269	\$	\$ 900,269
Revenue Bond Account	Checking			
Cemetery Memorial Fund	Checking	1,870		1,870
Construction Account	Checking	938		938
Veteran's Memorial Fund	Checking	104		104
Springer CDBG	Checking			
Community/Recreation Centre	Checking		2,879	2,879
Payroll Account	Checking		40,350	40,350
Meter Deposit Account	Checking		43,189	43,189
Municipal Court Escrow Account	Checking		2,854	2,854
Veterans Memorial Fund	Checking		<u>92</u>	<u>92</u>
 Total per bank		 <u>903,181</u>	 <u>89,364</u>	 <u>992,545</u>
Reconciling Items		<u>(133,668)</u>	<u>(37,638)</u>	<u>(171,306)</u>
Reconciled balance -June 30, 2012		<u>\$ 769,513</u>	<u>\$ 54,638</u>	
 Total deposits				 <u>\$ 821,239</u>
 Cash and cash equivalents and investments per financial statements:				
Governmental Activities - Exhibit A-1				\$ 777,596
Business-type Activities - Exhibit A-1				43,038
Agency funds - Exhibit E-1				<u>605</u>
 Total cash and cash equivalents				 <u>\$ 821,239</u>

See independent auditor's report

STATE OF NEW MEXICO
Town of Springer
Schedule of Deposits and Investments
By Depository
June 30, 2012

Schedule III
Page 2 of 2

Component Unit-Housing Authority

<u>Account</u>	<u>Account Type</u>	<u>Wells Fargo Bank</u>
Public Fund- regular checking	Checking	\$ 180,867
Public Fund- Interest checking	Checking	12,347
CFP- regular checking	Checking	(7)
Certificate of deposit- investments	CD	39,422
Certificate of deposit- investments	CD	<u>33,216</u>
Total per bank		265,845
Petty cash		0
Reconciled balance - June 30, 2012		<u>\$ 265,845</u>
Cash and cash equivalents per discretely presented component unit financial statements:		
Cash and cash equivalents- Exhibit A-1		\$ 180,713
Investments- Exhibit A-1		72,638
Restricted cash and cash equivalents- Exhibit A-1		<u>12,494</u>
Total cash and cash equivalents		<u>\$ 265,845</u>

STATE OF NEW MEXICO

Schedule IV

Town of Springer

Schedule of Changes In Fiduciary Assets and Liabilities - Agency Funds

For the Year Ended June 30, 2012

	Balance <u>July 01, 2011</u>	<u>Additions</u>	<u>Deletions</u>	Balance June 30, 2012
<i>Municipal Court Escrow Fund</i>				
Assets				
Cash and cash equivalents	\$ <u>345</u>	\$ <u>7,113</u>	\$ <u>7,048</u>	\$ <u>410</u>
Total assets	\$ <u><u>345</u></u>	\$ <u><u>7,113</u></u>	\$ <u><u>7,048</u></u>	\$ <u><u>410</u></u>
Liabilities				
Due to other entities	\$ <u>345</u>	\$ <u>7,113</u>	\$ <u>7,048</u>	\$ <u>410</u>
Total liabilities	\$ <u><u>345</u></u>	\$ <u><u>7,113</u></u>	\$ <u><u>7,048</u></u>	\$ <u><u>410</u></u>
<i>Veterans Memorial Fund</i>				
Assets				
Cash and cash equivalents	\$ <u>495</u>	\$ <u> </u>	\$ <u>300</u>	\$ <u>195</u>
Total assets	\$ <u><u>495</u></u>	\$ <u><u>0</u></u>	\$ <u><u>300</u></u>	\$ <u><u>195</u></u>
Liabilities				
Due to other entities	\$ <u>495</u>	\$ <u> </u>	\$ <u>300</u>	\$ <u>195</u>
Total liabilities	\$ <u><u>495</u></u>	\$ <u><u>0</u></u>	\$ <u><u>300</u></u>	\$ <u><u>195</u></u>
<i>Total Agency Funds</i>				
Assets				
Cash and cash equivalents	\$ <u>840</u>	\$ <u>7,113</u>	\$ <u>7,348</u>	\$ <u>605</u>
Total assets	\$ <u><u>840</u></u>	\$ <u><u>7,113</u></u>	\$ <u><u>7,348</u></u>	\$ <u><u>605</u></u>
Liabilities				
Due to other entities	\$ <u>840</u>	\$ <u>7,113</u>	\$ <u>7,348</u>	\$ <u>605</u>
Total liabilities	\$ <u><u>840</u></u>	\$ <u><u>7,113</u></u>	\$ <u><u>7,348</u></u>	\$ <u><u>605</u></u>

See independent auditor's report

COMPLIANCE SECTION

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

Hector Balderas
New Mexico State Auditor
The Office of Management and Budget
To the Honorable Mayor and Town Trustee's
Town of Springer
Springer, New Mexico

We were engaged to audit the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, the budgetary comparison of the general fund and major special revenue funds, and the combining and individual funds and related budgetary comparisons presented as supplemental information of the Town of Springer (Town), as of and for the year ended June 30, 2012, which collectively comprise the Town's basic financial statements as listed in the table of contents and have issued our report thereon dated May 24, 2013. We were also engaged to audit the financial statements of each of the Town's nonmajor governmental funds, the budgetary comparisons for the proprietary funds, and the remaining nonmajor governmental funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2012, as listed in the table of contents. We did not express an opinion on the financial statements because of inadequacy of accounting records. Further, Our report includes a reference to other auditors. Except as discussed in the previous sentence, we conducted our audit in accordance with auditing standards generally accepted in the United State of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Other auditors audited the financial statements of the Town of Springer's Housing Authority, as described in our report on the Town's financial statements. This report includes our consideration of the results of the other auditor's testing of internal control over financial reporting and compliance and other matters that are reported on separately by those other auditors. However, this report, insofar as it relates to the results of the other auditors, is based solely on the reports of the other auditors.

Internal Control Over Financial Reporting

Management of Town of Springer is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered Town of Springer's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Town of Springer's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town of Springer's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. *A material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items FS 03-08, FS 06-05, FS 06-07, FS 06-09, FS 09-05, FS 09-06, FS 10-02, FS 10-03 and FS 11-01 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in accompanying schedule of findings and questioned costs as items FS 09-03 and FS 12-01 to be significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town of Springer's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items FS 05-08, FS 05-09, FS 11-02 and FS 12-02.

The Town of Springer's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Town of Springer's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, others within the Town of Springer, the audit committee, the State Auditor, the New Mexico Legislature, the New Mexico Department of Finance and Administration, and applicable federal grantors, and is not intended to be and should not be used by anyone other than these parties.

Harshwal & Company LLP
Certified Public Accountants

Harshwal & Company LLP

Albuquerque, New Mexico
May 24, 2013

**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS THAT
COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND
ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH
OMB CIRCULAR A-133**

Hector Balderas
New Mexico State Auditor
The Office of Management and Budget
To the Honorable Mayor and Town Trustee's
Town of Springer
Springer, New Mexico

Compliance

We have audited Town of Springer's compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have direct and material effect on each of Town of Springer's major federal programs for the year ended June 30, 2012. The Town of Springer's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the Town of Springer's management. Our responsibility is to express an opinion on the Town of Springer's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the Town of Springer's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the Town of Springer's compliance with those requirements.

As described in item FA 09-01, in the accompanying schedule of findings and questioned costs, the Town of Springer did not comply with requirements regarding federal reporting, which is applicable to its Water and Wastewater Loan and Grant Program. Compliance with such requirements is necessary, in our opinion, for the Town to comply with the requirements applicable to that program.

In our opinion, because of the effects of the noncompliance described in the preceding paragraph, the Town of Springer did not comply in all material respects, with the requirements referred to above that are applicable to its Water and Wastewater Loan and Grant Program.

SAN DIEGO

7960 Silvertown Avenue, Suite 206, San Diego, CA 92126
T 858.939.0017 F 858.964.3754

92

www.harshwal.com

ALBUQUERQUE

6739 Academy Road NE, Suite 130, Albuquerque, NM 87109
T 505.814.1201 F 505.214.5733

Internal Control Over Compliance

Management of the Town of Springer is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the Town of Springer's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the Town of Springer's internal control over compliance.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item FA 2007-11, FA 2009-01 & FA 2012-01 to be material weaknesses.

The Town of Springer's responses to the finding identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the Town of Springer's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of management, others within Town of Springer, the audit committee, the State Auditor, the Town Trustee's, the New Mexico Legislature, the New Mexico Department of Finance and Administration, and applicable federal and state grantors, and is not intended to be and should not be used by anyone other than these specified parties.

Harshwal & Company LLP
Certified Public Accountants

Harshwal & Company LLP

Albuquerque, New Mexico
May 24, 2013

STATE OF NEW MEXICO
 Town of Springer
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2012

Schedule V

<u>Federal Grantor Program Title</u>	<u>Federal CFDA Number</u>	<u>Federal Expenditures</u>
<u>U.S. Department of Agriculture</u>		
Water and Wastewater Loan Grant Program	10.760	\$ _____
Total USDA Expenditures		\$ <u><u>0</u></u>

Notes to Schedule of Expenditures of Federal Awards

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) is presented on the accrual basis of accounting, which is the same basis as was used to prepare the fund financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

2. Loans Outstanding

The Town of Springer had the following loan balances outstanding at June 30, 2012. Loans made during the year are included in the federal expenditures presented in the schedule.

<u>Cluster/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Amount Outstanding</u>
Water & Wastewater Loan Grant Program	10.760	\$ 1,004,801

3. Subrecipients

The Town did not provide any federal awards to sub-recipients during the year.

STATE OF NEW MEXICO
Town of Springer
Schedule of Findings and Questioned Costs
June 30, 2012

Schedule VI

A. SUMMARY OF AUDIT RESULTS

Financial Statements:

- | | |
|--|------------|
| 1. Type of auditors' report issued | Disclaimer |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | Yes |
| b. Significant deficiencies identified not considered to be material weaknesses? | Yes |
| c. Noncompliance material to the financial statements noted? | Yes |

Federal Awards:

- | | |
|---|---------|
| 1. Internal control over major programs: | |
| a. Material weaknesses identified? | Yes |
| b. Significant deficiencies identified not considered to be material weaknesses? | No |
| 2. Type of auditors' report issued on compliance for major programs | Adverse |
| 3. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? | Yes |

4. Identification of major programs:

<u>CFDA Number</u>	<u>Federal Program</u>
10.760	Water and Wastewater Loan and Grant Program

*Related to loan amount over \$1,000,000.

- | | |
|---|------------|
| 5. Dollar threshold used to distinguish between type A and type B programs: | \$ 300,000 |
| 6. Auditee qualified as low-risk auditee? | No |

STATE OF NEW MEXICO
Town of Springer
Schedule of Findings and Questioned Costs
June 30, 2012

B. FINANCIAL STATEMENT FINDINGS – PRIMARY GOVERNMENT

FS 03-08 Material Weakness - Inadequate Capital Asset Records

Condition: The Town did not perform a physical inventory of movable chattels and equipment. The Town could not provide the auditors with a list of their capital assets at historical cost showing when each item was purchased. The Town does not have a depreciation schedule for its governmental capital assets or its proprietary funds. The Town does not know how depreciation on its capital assets was calculated in previous fiscal years. The Town does not have a system of internal controls in place to safeguard its assets or to ensure that capital assets are not misstated in the Town's financial statements.

Criteria: Section 12-6-10, NMSA 1978, requires the Town to conduct an annual physical inventory of movable chattels and equipment, certify the correctness of that inventory, and provide a copy of it to the Town's auditors.

GASB 34 requires that capital assets be reported at historical cost including ancillary charges directly attributable to asset acquisition - such as freight and transportation charges, site preparation costs, and professional fees. Donated capital assets should be reported at their estimated fair value at the time of acquisition. Capital assets includes land, improvements to land easements, buildings, building improvements, vehicles, machinery, equipment, works of art and historical treasures, infrastructure, and all other tangible or intangible assets that are used in operations and that have initial useful lives extending beyond a single reporting period. Examples of infrastructure assets include roads, bridges, tunnels, drainage systems, water and sewer systems, dams, and lighting systems.

Proprietary fund capital assets were required to be depreciated prior to GASB 34. With the implementation of GASB 34 in FY04 capital assets related to the Town's governmental activities must also be depreciated over their estimated useful lives unless they are inexhaustible assets, such as land and land improvements.

Section 2.20.1.8, FIXED ASSET ACCOUNTING SYSTEM, of New Mexico Administrative Code requires that:

A. Agencies should implement systematic and well-documented methods for accounting for their fixed assets. A computerized system is recommended, with appropriate controls on access and authorization of transactions.

B. The information to be recorded and maintained on its fixed assets must include at a minimum the following:

- (1) agency name or commonly used initials used to identify the agency;
- (2) fixed asset number or fixed asset number plus component number;
- (3) a description using words meaningful for identification;
- (4) location, specifically a building and room number. If the asset is movable, the name and location of the fixed asset coordinator should be used;
- (5) manufacturer name (NOT the vendor's name, unless vendor is the manufacturer);
- (6) model number or model name;
- (7) serial number, or vehicle identification number (VIN) for vehicles in agency's use and possession. If the fixed asset has no serial number, e.g., a custom-built asset, absence should be acknowledged by coding this as "none";
- (8) estimated useful life or units expected to be produced;
- (9) date acquired (month and year);
- (10) cost (according to the valuation methods described in Section 10 [now 2.20.1.10 NMAC];
- (11) fund and organization that purchased the asset, or to which it was transferred.

STATE OF NEW MEXICO
Town of Springer
Schedule of Findings and Questioned Costs
June 30, 2012

B. FINANCIAL STATEMENT FINDINGS – PRIMARY GOVERNMENT (CONTINUED)

FS 03-08 Material Weakness - Inadequate Capital Asset Records (continued)

C. The system must be capable of generating lists of fixed assets in sequences useful for managing them. It must track all transactions including acquisitions, depreciation (if needed), betterments and dispositions. It must generate all necessary accounting entries to the agency's general ledger.

Effect: The Town's financial statements may be materially misstated due to the Town's lack of information about its capital assets. The Town's capital assets are at risk for being misappropriated because they are not properly accounted for and inventoried each year.

Cause: The Town does not have the appropriate software and procedures in place to capitalize and depreciate its capital assets. The Town has experienced turnover of key accounting personnel.

Auditors' Recommendations: We recommend that the Town obtain appropriate capital asset and depreciation accounting software. We recommend that the Town perform an annual physical inventory count. We recommend that the Town create the required capital asset records as described in the criteria section. If determining historical cost of some assets is not practical because of inadequate records, we recommend that estimated historical cost be used as described in GASB 34 paragraph 158 through 160. We recommend that the Town develop a current depreciation schedule for its capital assets. We recommend that the capital asset software be able to generate accurate reports that provide sufficient information to reconcile capital asset additions and deletions, current year depreciation expense and accumulated depreciation to facilitate roll forward schedules each fiscal year. We recommend that the Town contract with a consultant to obtain assistance if necessary, to accomplish this work.

Agency's Response: As Town Clerk, I have tasked each department to itemize a list of assets for compliance. The Town of Springer will keep a list with the suggested components under B for the asset list on an Excel Spreadsheet by department. When the Town of Springer has sufficient funding available, a new software will be purchased for better compliance with asset management. The Town of Springer will work to impose an appropriate depreciation schedule as recommended.

STATE OF NEW MEXICO
Town of Springer
Schedule of Findings and Questioned Costs
June 30, 2012

B. FINANCIAL STATEMENT FINDINGS – PRIMARY GOVERNMENT (CONTINUED)

FS 05-08 Non Compliance – Actual Expenditures Exceed Budgeted Expenditures

Condition: The following funds had expenditures that exceeded the respective budget as of June 30, 2012:

Fund	Amount
Law Enforcement Special Revenue Fund	3,580
Street Special Revenue Fund	27,154
Rehab of Dams 1&2 Capital Projects Fund	143,422
Sewer Lagoon Capital Projects Fund	28
Airport Improvements Capital Projects Fund	292,414
Joint Utilities Proprietary Fund	71,613
Cemetery Proprietary Fund	3,770

Criteria: Section 6-6-6 of the New Mexico state statutes restricts all officials and governing authorities from approving claims in excess of the approved budget. Additionally, Section 6-6-6 prohibits any payments in excess of the approved budget. Town officials and governing authorities have the obligation to follow applicable state statutes

Effect: Noncompliance with New Mexico state statutes could subject officials and employees to penalties and fines required by state statutes.

Cause: Inadequate monitoring of budget to actual on a line item basis within funds.

Auditors' Recommendation: We recommend that the Town increase monitoring of its budget to actual comparisons and use budget adjustments to avoid having expenditures exceed the budget.

Agency's Response: This finding is due to a late budget adjustment being approved by the Town of Springer. Currently the Town Clerk is managing the budget and presents budget adjustments when required. The Town of Springer did not over expend in the final budget. The Town of Springer will increase the monitoring of the budget to actual monthly and quarterly comparisons against the approved DFA Budget. The Clerk will prepare and distribute to the Governing Body the budget analysis report on a monthly basis as well as the quarterly report prepared for the Department of Finance and administration. These reports will be approved at monthly board meetings.

STATE OF NEW MEXICO
Town of Springer
Schedule of Findings and Questioned Costs
June 30, 2012

B. FINANCIAL STATEMENT FINDINGS – PRIMARY GOVERNMENT (CONTINUED)

FS 05-09 Non Compliance - Late Filing of Audit Report

Condition: The Town did not issue its 2012 audit report by the December 01, 2012 deadline.

Criteria: The Town of Springer is required to submit their audit reports for the year ended June 30, 2012 on or before December 01, 2012 subsequent to the entities' fiscal year end in accordance with State Statute (Chapter 12, Section 6: NMSA 1978) and Section 2.2.2.9.A (1) of NMAC.

Effect: The Town could be affected by a late submission by not catching problems in a timely fashion to correct findings. The financial statements are not available for use by the Town in a timely fashion for purposes such as debt applications.

Cause: The Town was unable to submit the June 30, 2012 audit report on a timely basis because the prior year audit was late, and certain items held up the submission of the 2012 audit report.

Auditors' Recommendation: The Town must ensure that all future audit reports are filed in a timely manner. The Town should ensure this process is timely in the future through communication with the auditor and timely close out of accounting records at year end.

Agency's Response: The Town of Springer is diligently working towards eliminating this finding by ensuring all audits are prepared and turned in in a timely manner. The FY 13 audit will be submitted on time.

STATE OF NEW MEXICO
Town of Springer
Schedule of Findings and Questioned Costs
June 30, 2012

B. FINANCIAL STATEMENT FINDINGS – PRIMARY GOVERNMENT (CONTINUED)

FS 06-05 Material Weakness - Town Not Preparing Financial Statements

Condition: The financial statements and related disclosures are not being prepared by the Town. The Town does not have procedures in place to detect and correct material misstatements in the financial statements.

Criteria: According to the American Institute of Certified Public Accountants' Statement on Auditing Standards No. 112, a system of internal control over financial reporting does not stop at the general ledger. Well-designed systems should be implemented and should include controls over financial statement preparation, footnote disclosure preparation, and should give the entity the ability to catch material errors that may affect the financial statements.

Effect: When sufficient controls over the preparation of financial statements and related disclosures are not designed, implemented and operating effectively, an entity's ability to prevent or detect a misstatement in its financial statements is limited.

Cause: The Town personnel do not have the time to prepare the Town's financial statements, or have adequate training to understand the elements of external financial reporting including the preparation of financial statements, the preparation of the related footnote disclosures, or the ability to recognize material errors.

Auditors' Recommendation: We recommend the Town's management and personnel receive training on understanding the requirements of external financial reporting. The training should include, but not be limited to:

- Selection of appropriate accounting policies:
- Understanding the financial reporting entity
- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements
- Required supplementary information, including Management's discussion and analysis
- Supplementary information required by the Office of the State Auditor

In addition, we recommend that the Town develop and implement policies and procedures designed to prevent or detect possible misstatements in its financial statements and related footnote disclosures.

Agency's Response: The Town of Springer Clerk will address and provide the financial statements as requested by the Auditor. The software being used is QuickBooks and it will be restructured going through a structure to change and to correct this reporting. Currently, the software tracks all revenues and expenditures in the appropriate funds; however, the program needs to be structured to give an accurate report of all financial accounts at any given time. If necessary, the Town of Springer will evaluate the cost for a new accounting software to ensure these reports are accurate. The Town of Springer will diligently work towards obtaining and training to prepare for the necessary financial reports within the QuickBooks's Program; any other reports will be requested for the auditor to create during the audit as part of the audit contract.

STATE OF NEW MEXICO
Town of Springer
Schedule of Findings and Questioned Costs
June 30, 2012

B. FINANCIAL STATEMENT FINDINGS – PRIMARY GOVERNMENT (CONTINUED)

FS 06-07 Material Weakness - Deficiencies in Internal Control Structure Design, Operation, and Oversight

Condition: The Town does not have a comprehensive documented internal control structure. The Town's internal control were not operating effectively throughout the audit period. This resulted in accounting records that were not reconciled and the Town not being ready for audit. The Town lacked documentation for budget adjustments, record retention, ability to show the age of delinquent accounts receivable, internal controls over grant monitoring and compliance, segregation of duties in the disbursement and payroll cycle, controls over bank reconciliation, IT controls over the QuickBooks accounting software including controls over modifications of vendor and customer master files.

Criteria: A. Every Town shall establish and maintain an internal control structure to provide management with reasonable assurance that assets are safe-guarded against loss from unauthorized use or disposition, that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP, and that state and federal programs are managed in compliance with applicable laws and regulations. The internal control structure shall include written administrative controls (rules, procedures and practices, and policies that affect the organization) and accounting controls (activity cycles, financial statement captions, accounting applications including computer systems) that are in accordance with GAAP.

B. Each Town shall develop, establish and maintain a structure of internal accounting controls and written procedures to provide for segregation of duties, a system of authorization and recording procedures, and sound accounting practices in performance of duties and functions. The duties to be segregated are the authorization to execute a transaction, recording the transaction, and custody of assets involved in the transaction.

1. Town management must ensure that protection of the public trust is a major focus when granting the authorization to execute business of the Town.
2. Employees handling significant amounts of cash must be adequately bonded. Access to assets is permitted only in accordance with Town authorization.
3. Receipts, checks or warrants, purchase orders, and vouchers shall be sequentially pre-numbered.
4. The Town shall have proper safeguards to protect unused checks and other pre-numbered forms, undeposited cash and other receipts, and facsimile signature plates.
5. Transactions are to be recorded as necessary to permit preparation of financial statements in conformity with GAAP. In addition, Towns shall establish any other criteria applicable to such statements to maintain accountability for assets.

Towns shall conduct independent checks on performance and proper valuation of recorded amounts, such as clerical checks, reconciliation's, comparison of assets with recorded accountability, computer-programmed controls, management review of reports that summarize the detail of account balances, and user review of computer generated reports.

C. An internal control structure is required to demonstrate the Town's ability to record, process, summarize and report financial data consistent with the following financial statement assertions:

1. rights and ownership;
2. existence and occurrence;
3. valuation and allocations;
4. completeness; and,
5. presentation and disclosure.

STATE OF NEW MEXICO
Town of Springer
Schedule of Findings and Questioned Costs
June 30, 2012

B. FINANCIAL STATEMENT FINDINGS – PRIMARY GOVERNMENT (CONTINUED)

FS 06-07 Material Weakness - Deficiencies in Internal Control Structure Design, Operation, and Oversight (continued)

D. The internal control structure shall demonstrate that the Town identifies applicable laws and regulations, and that procedures are designed to provide reasonable assurance that the Town complies with those laws and regulations. Internal control procedures shall be established, implemented and documented through Town correspondence, manuals, training, and other additional methods. Appropriate internal control procedures shall be adopted by the local board within a Town to safeguard its assets, check the accuracy and reliability of its accounting data, promote operational efficiency, and encourage adherence to prescribed managerial policies. The internal control structure shall address all Town transactions.

The SAS No. 115 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, “inadequate documentation of the components of internal control.” SAS 115 paragraph 19 states that ineffective oversight of the agency’s financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

Effect: Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow to properly safeguard assets. Adequate controls are not in place to safeguard assets and prevent or detect intentional or unintentional misstatements of accounting information.

Cause: For the fiscal year 2012, management did not have a documented internal control policy in place for employees to follow and for management and the board to monitor compliance with.

Auditors’ Recommendation: The Town should update its documented comprehensive internal control structure and ensure that it is followed. Anytime the Town receives a new grant it should check with the grant contact person to determine whether the grant is federal or non federal funds. Management should maintain a comprehensive list of the Town’s federal awards throughout the year. Revenues and expenditures of federal funds should be accounted for separately from those of non-federal funds. Management should follow and ensure that all staff follows the Town’s documented internal control procedures. The body charged with governance should provide effective oversight of the internal control and financial reporting processes.

Agency’s Response: All of these have been corrected during the FY12 cycle as the deputy and utility clerk have been receipting all funds and the clerk has been the oversight in which all accounts were reviewed for accuracy. The Town Clerk is then responsible for reconciling the financial books against the bank to maintain internal control issues of all funds. The Town Clerk then provides monthly and quarterly financial reports at every month’s meetings. The clerk Treasurer explained to the staff how grant monies are to be deposited. There will be a folder created for each grant and will contain the proper filing of all documents. All staff that is in receipt of the money for the Town of Springer including the Clerk will be bonded due to the significant amounts that are receipted each day. The accounts will be reconciled on a monthly basis to the QuickBooks’s accounting software. This process will ensure a more accurate accountability system for all financials in the office for tracking all transactions. A policy SOP is available to staff to follow the recording, processing, summarizing, and reporting of financial controls. The following policies are on file: Purchasing Procedures, Deposit and receipt of all monies, recording of all transactions to the QuickBooks’s software and outlining specific staff with duties.

STATE OF NEW MEXICO
Town of Springer
Schedule of Findings and Questioned Costs
June 30, 2012

B. FINANCIAL STATEMENT FINDINGS – PRIMARY GOVERNMENT (CONTINUED)

FS 06-09 Material Weakness - Trial Balance and Cash Activity Not Recorded

Condition: During our procedures and review of the trial balance, we noted that the assets, liabilities, and fund balance accounts are not being segregated by fund and are being pooled in each class of accounts with no way to distinguish individual funds. Bank reconciliations were untimely and there were no evidence of review from appropriate management personnel for all cash accounts including activity funds.

Criteria: All Towns shall establish and maintain a general ledger in accordance with established rules and regulations. Generally accepted accounting principles dictate that the general ledger will be comprised of individual funds and account groups using the Town's chart of accounts and shall be reconciled every fiscal year with department records. Towns shall use funds and account groups to report their financial position and operating results. Funds are classified into three broad categories: a) governmental funds, b) proprietary funds and c) fiduciary funds. There are two account groups: a) general fixed assets and b) general long-term debt. In accordance with GASB 34, Towns shall use a full accrual basis of accounting in preparation of annual financial statements and cash basis of accounting for budgeting and reporting. A governmental accounting system must make it possible to present fairly and with full disclosure the funds of the governmental unit in conformity with generally accepted accounting principles per NCGAS 1 paragraph 1. Governmental accounting systems should be organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self-balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities or attaining certain objectives in accordance with special regulations, restriction, or limitation.

Good accounting practices and internal controls over cash require that the bank statements be reconciled on a timely basis to the Town's general ledger, at least monthly. Any transfers between bank accounts that are a reflection of transfers between funds in the general ledger should be recorded in the general ledger on a timely basis. Any bank fees or other activity not previously recorded should be recorded in the general ledger when the bank reconciliation's are performed.

Government Accounting Standards Board (GASB) Statement No. 34 paragraph 112(a) describes interfund loans as amounts provided with a requirement for repayment. Interfund loans should be reported as interfund receivables in lender funds and interfund payables in borrower funds. If repayment is not expected within a reasonable time, the interfund balances should be reduced and the amount that is not expected to be repaid should be reported as a transfer from the fund that made the loan to the fund that received the loan.

Effect: We were unable to rely on the Town's trial balance as a whole. Being unable to rely on the Town's trial balance increases the risk of a material misstatements, fraudulent activity, and irregularities occurring and not being detected or prevented.

Cause: Town of Springer received a disclaimer of opinion on its financial statements in the fiscal year ended June 30, 2011. The Town of Springer did not make the necessary correcting entries into its general ledger during the fiscal year ended June 30, 2012. The Town posted cross fund entries due to not distinguishing individual asset, liability, and fund balance accounts in there chart of accounts.

Auditors' Recommendation: We recommend that the Town perform extra research and work on each fund in order to determine the correct cash balance in each fund and make the necessary adjustments so that the actual cash balance is reflected in each fund. We recommend the Town implement procedures to review the Town trial balance and reconcile it timely to ensure accuracy. We also recommend that the Town initiate policies and procedures to ensure that the required adjustments are made to the general ledger on a timely basis.

STATE OF NEW MEXICO
Town of Springer
Schedule of Findings and Questioned Costs
June 30, 2012

B. FINANCIAL STATEMENT FINDINGS – PRIMARY GOVERNMENT (CONTINUED)

FS 06-09 Material Weakness - Trial Balance and Cash Activity Not Recorded (continued)

Agency's Response: The Town of Springer recently made necessary changes in staff and the new Clerk; Shawn Jeffrey will diligently work towards improved policies and procedures of segregating each fund within the QuickBooks's software. The goal is to set up the program to compute a more accurate financial picture of all activity of the funds as well as a correct balance in each fund. Currently, the Town of Springer is in the process of working with the audit firm and administration to determine accurate cash balances as of the fiscal year. The financial situation, reporting and audit are the most important issues in order to move forward and adhere to all compliance issues.

STATE OF NEW MEXICO
Town of Springer
Schedule of Findings and Questioned Costs
June 30, 2012

B. FINANCIAL STATEMENT FINDINGS – PRIMARY GOVERNMENT (CONTINUED)

FS 09-03 Significant Deficiency - DFA Cash Report Does not Reconcile to the Town's Accounting Records

Condition: For the year ended June 30, 2012, the Town's trial balance reported \$821,240 of cash and the Department of Finance and Administration (DFA) report reported \$817,493 of cash.

Criteria: Per Section 6-6-3 NMSA 1978, every local public body shall:

- Keep all the books, records and accounts in their respective offices in the form prescribed by the local government division
- Make all reports as may be required by the local government division, and
- Conform to the rules and regulations adopted by the local government division.

Effect: The information that is reported to DFA is incomplete and could lead to inappropriate funding of the Town.

Cause: The Town was unable to reconcile cash accurately and report these correct amounts to DFA.

Auditors' Recommendation: We recommend the Town communicate with DFA regarding what the requirements are for reporting cash balances and report what is required by DFA.

Agency's Response: Currently, all reports and supporting documents are sent to DFA for review and comment during the quarterly report cycle. The Town of Springer has diligently worked on monitoring all records to ensure correct reporting to the Department of Finance on a timely basis. All necessary budget adjustments will be approved by the Governing Body in a timely manner and then forward to DFA for their approval.

The Town of Springer will follow procedure to submit the required forms to the USDA in a timely manner; and thoroughly understand all requirements of the water and wastewater loan and grant program compliance supplement.

STATE OF NEW MEXICO
Town of Springer
Schedule of Findings and Questioned Costs
June 30, 2012

B. FINANCIAL STATEMENT FINDINGS – PRIMARY GOVERNMENT (CONTINUED)

FS 09-05 Material Weakness - Inadequate Review of Manual Journal Entries

Condition: During the 2012 fiscal year, the Town did not have procedures in place for authorization and review of manual journal entries.

Criteria: Good accounting practice requires that manual adjusting entries be authorized and reviewed by someone other than the person initiating the adjusting entry.

Effect: Without proper review processes, there is a greater risk that improper adjustments could be made. Improper adjustments result in balances being materially misstated. Also, the risk of fraudulent acts increases without proper review.

Cause: The Town was unaware of the significance of internal controls needed for manual journal entries.

Auditors' Recommendation: We recommend that all journal entries require a second person's review prior to posting to the accounting records.

Agency's Response: All journal entries are receipted by the Deputy Clerk and the Clerk all accounts are reconciled to the bank statements and the financial books. The Clerk posts journal entries and during the posting process the entries are entered while the deputy clerk verifies the correct process and proceedings for internal control.

STATE OF NEW MEXICO
Town of Springer
Schedule of Findings and Questioned Costs
June 30, 2012

B. FINANCIAL STATEMENT FINDINGS – PRIMARY GOVERNMENT (CONTINUED)

FS 09-06 Material Weakness - Inadequate Documentation for Travel and Per Diem Expenditures

Condition: The Town does not have adequate internal controls over travel and per diem expenditures. The Town did not have sufficient documentation for six disbursements totalling \$1,280 and was unable to provide us with any supporting documentation for two disbursements totalling \$257 out of 20 samples tested. Further, in two disbursements totalling \$456, the town did not have appropriate authorization.

Criteria: Each Town shall establish and implement written policies and procedures for travel and training. Travel policies and procedures shall be in compliance with the Per Diem and Mileage Act, Sections 10-8-1 through 10-8-8, NMSA 1978, and Department of Finance and Administration (DFA) regulations. Internal control structure is required to demonstrate the Town's ability to record, process, summarize and report financial statement assertions of existence and occurrence.

Effect: Unauthorized travel and per diem expenditures may be processed and paid without proper approval and rate calculation. Noncompliance with statutes may subject officials and employees to punishment as defined by state statutes.

Cause: The Town did not maintain policies and procedures to ensure that documentation is properly reviewed to ensure compliance with State Statutes.

Auditors' Recommendation: We recommend the Town review all supporting documentation and retain all documents to ensure compliance with 10-8-4 NMSA. The policy should be clear, written, and communicated to all to whom it applies and enforced uniformly.

Agency's Response: All travel is approved by the Mayor and department heads, proper process is then executed. Records of all leave are on file every pay period.

Currently the Town of Springer follows the state mileage & per diem act for the State of New Mexico. This Act is followed for all who receives a mileage & per diem check. The current form is correct as by state statute and will be approved by the governing Body on a yearly basis.

STATE OF NEW MEXICO
Town of Springer
Schedule of Findings and Questioned Costs
June 30, 2012

B. FINANCIAL STATEMENT FINDINGS – PRIMARY GOVERNMENT (CONTINUED)

FS 10-02 Material Weakness – Lack of Internal Control over Fuel Cards

Condition: We tested 100% of total 81 transactions of all the fuel cards. During our testwork it was noted that in 81 instances totalling \$46,904, the Town was not able to provide any supporting documentation to support the fuel card payments other than the posting to the general ledger, March and April 2012 payments were overdue, and there were no controls over use of fuel cards.

Criteria: The Town is required to establish and implement written policies and procedures for purchasing which shall be in compliance with the procurement Code, Section 13-1-21 et seq., NMSA 1978.

Effect: Having lack of authorization for purchases and overdue payments made increases the risk for misappropriation, budget over expending, unallowable expenses, or fraudulent activities.

Cause: There was an oversight in the internal control process, and items were not authorized through a P.O. before the purchase was made.

Auditors' Recommendation: It is our recommendation that the internal controls that are in place are followed for all nonrecurring items.

Agency's Response: The Town has implemented a more secure process for the usage of the fuel cards. Receipts are turned in on a monthly basis, each card is assigned to a user, for each department, all fuel bills are filed and reviewed.

The Town of Springer does not have any credit cards only fuel cards. Internal controls are in place for the use of purchasing nonrecurring items. A written policy will be created and reviewed for approval by the Governing Body. The process will include each employee using the fuel card will enter their personal identification number, the mileage to the vehicle, and be expected to produce a receipt for the fuel purchased. A mileage log will be kept in the vehicle to compute the fuel transactions. All fuel bills and receipts will be attached to the check in which it is paid. The Town of Springer Clerk will reconcile and review all transactions along with the board.

STATE OF NEW MEXICO
Town of Springer
Schedule of Findings and Questioned Costs
June 30, 2012

B. FINANCIAL STATEMENT FINDINGS – PRIMARY GOVERNMENT (CONTINUED)

FS 10-03 Material Weakness- Internal Control over Cash Disbursements

Condition: During our testwork of cash disbursements, out of 40 items tested, in 3 disbursements totalling \$3,505, the purchase order was approved by same person who requested the items. The Town approved purchase order before the service/purchase. The date on invoice preceded the dates on purchase requisition in one of the item. The amount was \$936. Two items totalling \$270 had purchase order missing.

Criteria: According to the Town's Purchasing Policies a purchase requisition and purchase order must be issued for all non-routine and non-recurring purchases. Several instance were noted where the Town did not follow the stated policy as disbursements had little and/or no supporting documentation. The Town is required to implement written policies and procedures for purchasing which shall be in compliance with the procurement Code, Section 13-1-21 et seq., NMSA 1978.

Effect: When purchases are made without proper authorization, items could be procured that are inappropriate and/or unallowed and the risk of misappropriation is increased.

Cause: There is a lack of internal control structure over Cash Disbursements. The Town Purchasing Policy is not adequately safeguarding the Town's assets by allowing the purchasing policy to be bypassed.

Auditors' Recommendation: We recommend all Requisition/Purchase Orders be completed and authorized for all purchases regardless of amount. We also recommend the Town train employees on the purchasing procedure and implement new procedures to properly review and approved expenditures.

Agency's Response: All requisitions are distributed by the Deputy Clerk as requested by each department. All invoices are kept on file with PO orders and bills. Each purchase order is reviewed to make sure the request is within the approved budget.
All requisitions/purchase orders will be completed and authorized for all purchases that have been approved in the budget for the perspective department. The Clerk/Deputy Clerk will set up training for all city employees for the requisition/purchase order procedure and implementation of new procedures. The town of Springer will adhere to the correct purchasing process implemented by the Town policy as well as the procurements code for the State of New Mexico. All employees will be required to follow policy.

STATE OF NEW MEXICO
Town of Springer
Schedule of Findings and Questioned Costs
June 30, 2012

B. FINANCIAL STATEMENT FINDINGS – PRIMARY GOVERNMENT (CONTINUED)

FS 11-01 Material Weakness – Fund Accounting

Condition: While reviewing the Town's trial balance, we found that the Town's accounting system does not give consideration to a set of self balancing funds and accounts. Accounting transactions are taking place that leave most of the funds out of balance during the year.

Criteria: The general ledger of the Town should be maintained on the basis of funds and account groups, each of which should be considered a separate accounting entity. The operations of each fund will be accounted for with a set of self balancing accounts that comprises its assets, liabilities, fund equity, revenues, and expenditures, as appropriate. Government resources should be allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled.

Effect: The accounting software may not have been configured properly to close the items to respective fund balance.

Cause: Using inadequate accounting software is the cause of this problem.

Auditor's Recommendation: We recommend the Town to take necessary steps to implement a fund accounting system to properly account for its funds.

Agency's Response: The Town Clerk is in the process of re-structuring the Quickbooks fund accounting system to reflect an up to date balance of each account.

STATE OF NEW MEXICO
Town of Springer
Schedule of Findings and Questioned Costs
June 30, 2012

B. FINANCIAL STATEMENT FINDINGS – PRIMARY GOVERNMENT (CONTINUED)

FS 11-02 Non Compliance – Late Submission of IPA Recommendation Form and Audit Contract

Condition: The Town did not submit the IPA recommendation form and audit contract to the State Auditor by the required deadline of May 15, 2012.

Criteria: As indicated in Section 2.2.2.8(B) NMAC, 13.1.130 NMSA 1978, and 13-1-117.1 NMSA 1978, the Town shall submit the completed IPA Recommendation Form for Audits and the completed and signed audit contract to the State Auditor for approval by May 15.

Effect: The Town was not in compliance with the New Mexico State Audit Rule 2.2.2.8(B), 13.1.130 NMSA 1978, and 13-1-117.1 NMSA 1978.

Cause: The Town's audit report was submitted late in the prior year.

Auditor's Recommendation: The Town's management should ensure IPA recommendation form and contract be executed and be submitted to New Mexico Office of the State Auditor for review and approval on a timely manner.

Agency's Response: The current administration is aware of the procurement of an auditor for the fiscal year auditing cycle. The next audit contract will be fully excuted on time.

STATE OF NEW MEXICO
Town of Springer
Schedule of Findings and Questioned Costs
June 30, 2012

B. FINANCIAL STATEMENT FINDINGS – PRIMARY GOVERNMENT (CONTINUED)

FS 12-01 Significant Deficiency – IRS Form 941

Condition: During our review of the required payroll reports, we noted the 941 payroll report for the quarter ending March 31, 2012 was filed on May 24, 2012. The report was due by April 30, 2012.

Criteria: The Internal Revenue Service requires employers to file their quarterly 941 payroll reports by the end of the month following the quarter.

Effect: Though, there have been no instances of penalties and interest due during the period, the Town was not in compliance with the Internal Revenue Service due date requirements.

Cause: Late filing was an oversight on the part of the Town due to lack of adequate internal controls.

Auditor's Recommendation: We recommend the Town set up a system to remind them of the due dates of the reports so that each report is filed timely in accordance with laws and regulations.

Agency's Response: The 941 reports are current and taxes have been paid and no penalties have been assessed. It is a priority to the Town of Springer to make sure all taxes are in compliance.

STATE OF NEW MEXICO
Town of Springer
Schedule of Findings and Questioned Costs
June 30, 2012

B. FINANCIAL STATEMENT FINDINGS – PRIMARY GOVERNMENT (CONTINUED)

FS 12-02 Non Compliance –Violation of Open Meeting Act

Condition: During the review of the Town’s Council minutes, we noted two instances where the minutes were not available and two other instances where past minutes were not officially signed when a quorum was present.

Criteria: Section 10-15-1G NMSA 1978 (Open Meetings Act) requires that draft minutes should be prepared within ten working days after the meeting date and in order to make the minutes official they must be approved, amended or disapproved at the next meeting where a quorum is present. Approval of the past minutes should always appear as an agenda item for all regular meeting.

Effect: The Town's Council minutes are not readily available for public inspection. The actions of the Town's Council are not fully transparent to the public.

Cause: The Town Council is not in compliance with New Mexico state statutes and requirements of Open Meeting Act for preparation and approval of minutes.

Auditor’s Recommendation: We recommend that the Clerk review the Open Meetings Act for understanding and that the minutes are prepared in accordance with the requirements of the act.

Agency’s Response: The Town of Springer minutes are readily available for public review and will be provided by the Town Clerk, Custodian of Records. All minutes have been composed, approved signed and bound for each meeting.

STATE OF NEW MEXICO
Town of Springer
Schedule of Findings and Questioned Costs
June 30, 2012

C. FINANCIAL STATEMENT FINDINGS – COMPONENT UNIT

None.

STATE OF NEW MEXICO
Town of Springer
Schedule of Findings and Questioned Costs
June 30, 2012

D. FEDERAL AWARD FINDINGS – PRIMARY GOVERNMENT

FA 2007-11 Material Weakness — Lack of Adequate Internal Controls over Compliance

Information on Federal Award:

Funding agency: U.S. Department of Agriculture – Rural Development
Title: Water and Wastewater Loan and Grant Program
CFDA Number: 10.760

Condition: The Town of Springer does not have a comprehensive documented internal control structure.

Criteria: The Town is required to follow the audit requirements stipulated by *United States Department of Agriculture Rural Utilities Services* RUS Bulletin 1780-30 when maintaining an outstanding Rural Development loan balance of \$1,000,000 or more. Those requirements stipulate that as a condition of receiving Federal awards, non-Federal entities agree to comply with applicable laws, regulations, and the provisions of contract and grant agreements, and to maintain internal control to provide reasonable assurance of compliance with these requirements.

Questioned Costs: None

Effect: Lack of adequate internal controls results in an inability to ensure compliance with applicable requirements of Federal programs and could result in reduced funding for programs.

Cause: The Town was unaware of the requirements noted above.

Auditors' Recommendation: Management should ensure that a comprehensive internal control structure is designed and implemented. The body charged with governance should provide effective oversight of the internal control.

Agency's Response: All internal controls have been implemented for the grant implementation process.

The Town of Springer will implement correct organization of the grant files which includes all reporting requirements per grant agreement. Grant requirements will be reviewed and implemented and kept in files for review.

STATE OF NEW MEXICO
Town of Springer
Schedule of Findings and Questioned Costs
June 30, 2012

D. FEDERAL AWARD FINDINGS – PRIMARY GOVERNMENT (CONTINUED)

FA 2009-01 Material Weakness — Noncompliance with Federal Reporting Requirements

Information on Federal Award:

Funding agency: U.S. Department of Agriculture – Rural Development
Title: Water and Wastewater Loan and Grant Program
CFDA Number: 10.760

Condition: During our audit performed in accordance with Water and Waste requirements, the Town did not submit annual audited financial statements within 150 days of the entity's fiscal year-end. Neither Form RD 442-2 Statement of Budget, Income, and Equity nor Form RD 442-3 Balance Sheet were submitted to the grantors as required by the USDA.

Criteria: "In years after the program funds are expended and construction is completed, and the only ongoing financial activity of the program is the payment of principal and interest on outstanding loan balances, the prior loan balances are not considered to have continuing compliance requirements under OMB Circular A-133 § ___.205(d). Prior loans that do not have continuing compliance requirements other than to repay the loans are not considered Federal awards expended and, therefore, are not required to be audited under OMB Circular A-133. However, this does not relieve the borrower of the requirement to file financial reports on these loans (which are not required to be audited) or otherwise comply with program requirements (e.g., maintaining insurance, depositing funds in federally insured banks, obtaining prior approval for sales of plant)".

The Water and Wastewater Loan and Grant Program Compliance Supplement reporting requirements states that the Town must submit annual audited financials within 150 days of the entity's fiscal year end or Form RD 442-2 Statement of Budget, Income, and Equity and Form RD 442-3 Balance Sheet.

Questioned Costs: None

Effect: Grantor agencies can impose more sanctions and may not lift the sanctions already imposed, when audits are not submitted in a timely manner.

Cause: The Town did not have sufficient information to prepare the financials prior to the deadline.

Auditors' Recommendation: We recommend that the Town put in place a procedure to submit the required forms to the USDA in a timely manner, and thoroughly understand all requirements of the Water and Wastewater Loan and Grant Program Compliance Supplement.

Agency's Response: The Clerk will contact the USDA administration to ensure proper reporting documents are turned in on time.

STATE OF NEW MEXICO
Town of Springer
Schedule of Findings and Questioned Costs
June 30, 2012

D. FEDERAL AWARD FINDINGS – PRIMARY GOVERNMENT (CONTINUED)

FA 2012-01 Material Weakness — Noncompliance with Debt Covenants

Condition: The Town has not established "reserve accounts" related to its bond issues.

Criteria: Per the U.S. Department of Agriculture, Rural Economic and Community Development, Rural Utilities Service (RUS) letter of conditions dated July 16, 1996, for the Series 1997A, \$294,800 Joint Electric, Water and Sewer System Improvement Revenue Bond, the Town is required to:

Maintain reserves sufficient to assure that loan installments will be paid on time, for emergency maintenance, for extensions to facilities, and for replacement of short-lived assets which have a useful life significantly less than the repayment period of the loan;

Maintain the sewer system accounting separate from all other accounts.

Per the U.S. Department of Agriculture, Rural Development, Rural Utilities Service (RUS) letter of conditions dated January 28, 1999, for the Series 2003, \$576,500 Joint Electric, Water and Sewer System, Improvement Revenue Bonds, the Town is required to:

Establish an account designated as the Reserve Account, and each month set aside into that account an amount at least equal to one-tenth of one yearly payment. The reserves will be sufficient to assure that loan installments will be paid on time, for emergency maintenance, for extensions to facilities, and for replacement of short-lived assets which have a useful life significantly less than the repayment period of the loan. Borrowers issuing debt pledging facility revenues as security will plan their reserve to provide for at least an annual reserve equal to one-tenth of an average annual loan installment each year for the life of the loan.

Effect: Noncompliance with debt covenant restrictions could result in the debt being called due, as well as future lending from the USDA could be limited or not given.

Cause: The Town has experienced significant turnover in finance personnel and does not have internal controls in place to ensure compliance with the bond requirements.

Auditors' Recommendations: We recommend that the Town implement a procedure to review the requirements related to its bond issues and comply with the requirements.

Agency's Response: The Town staff is currently in the process of reviewing bond requirements and will ensure all payments will be made by the due date. The electric utility has a constant reserve in the account to cover any necessary emergency repairs to the system

STATE OF NEW MEXICO
Town of Springer
Schedule of Findings and Questioned Costs
June 30, 2012

Schedule V

D. PRIOR YEAR AUDIT FINDINGS

PRIMARY GOVERNMENT FINANCIAL STATEMENTS:

- FS 03-08 — Inadequate Capital Asset Records - Repeated
- FS 05-08 — Actual Expenditures Exceed Budgeted Expenditures - Repeated and Modified
- FS 05-09 — Late Filing of Audit Report - Repeated
- FS 06-05 — Town Not Preparing Financial Statements - Repeated
- FS-06-06 — Internal Control Deficiencies – Payroll - Resolved
- FS 06-07 — Deficiencies in Internal Control Structure Design, Operation, and Oversight - Repeated and Modified
- FS 06-08 — Non Compliance with Procurement Code - Resolved
- FS 06-09 — Trial Balance and Cash Activity Not Recorded - Repeated and Modified
- FS 09-03 — DFA Cash Report Does not Reconcile to the Town’s Accounting Records - Repeated and Modified
- FS 09-05 — Inadequate Review of Manual Journal Entries - Repeated
- FS 09-06 — Inadequate Documentation for Travel and Per Diem Expenditures - Repeated and Modified
- FS 10-02 — Lack of Internal Control over Fuel Cards - Repeated and Modified
- FS 10-03 — Internal Control over Cash Disbursements - Repeated and Modified
- FS 10-06 — Gross Pay is Not Correct - Resolved
- FS 11-01 — Fund Accounting - Repeated
- FS 11-02 — Late submission of the IPA Recommendation Form and Audit Contract - Repeated and Modified

FEDERAL AWARD FINDINGS – PRIMARY GOVERNMENT:

- FA 2007-11 — Lack of Adequate Internal Controls over Compliance - Repeated
- FA 09-01 — Noncompliance with Federal Reporting Requirements - Repeated and Modified

FINANCIAL AUDIT FINDINGS – COMPONENT UNIT:

- 2010-01 - Unable to locate petty cash fund - Resolved

STATE OF NEW MEXICO
Town of Springer
Other Disclosures
Year Ended June 30, 2012

A. AUDITOR PREPARED FINANCIAL STATEMENTS

Although it would be preferred and desirable for the Town to prepare its own GAAP-basis financial statements, it is felt that the Town's personnel have neither the time nor the expertise to prepare them. Therefore, the outside auditor prepared the GAAP-basis financial statements and footnotes for inclusion in the annual audit report. Town management is responsible for the financial statements.

B. EXIT CONFERENCE

The contents of the report for the Town of Springer were discussed on May 24, 2013. The following individuals were in attendance.

Town of Springer Officials

Danny Cruz, Mayor
Shawn Jefferey, Clerk Treasurer

Harshwal & Company LLP

Sanwar Harshwal, Partner
Deepa Adhikari, Senior Auditor