

State of New Mexico
City of Anthony

*Basic Financial Statements and
Required Supplementary Information
For the Year Ended June 30, 2012
and Independent Auditors' Report*

**STATE OF NEW MEXICO
CITY OF ANTHONY**

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JUNE 30, 2012**

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**STATE OF NEW MEXICO
CITY OF ANTHONY**

DIRECTORY OF OFFICIALS

ELECTED OFFICIALS

Arnulfo Castañeda
Diana Morales-Murillo
James Scott
Pilar Madrid
Betty Gonzalez
Peggy Scott

Mayor
Trustee / Mayor Pro-Tem
Trustee
Trustee
Trustee
Judge

ADMINISTRATIVE OFFICIALS

Velma Navarrete

Finance Officer-Treasurer



WHITE+
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INDEPENDENT AUDITORS' REPORT

Hector H. Balderas,
New Mexico State Auditor
Mayor and Board of Trustees
City of Anthony
Anthony, New Mexico

We have audited the accompanying financial statements of the governmental activities, each major fund and the budgetary comparisons for the general fund and major special revenue funds of the City of Anthony (the "City"), as of and for the year ended June 30, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities and each major fund of the City, as of June 30, 2012, and the respective changes in financial position, thereof and the respective budgetary comparisons for the general fund 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 November 30, 2012, on our consideration of the City'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 control 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 - 8 be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the basic financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The additional schedules listed as "other supplemental information" in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

White + Samaniego + Campbell, LLP

El Paso, Texas
November 30, 2012

**STATE OF NEW MEXICO
CITY OF ANTHONY**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012**

This section of City of Anthony's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended June 30, 2012. Please read it in conjunction with the City's financial statements, which follow this section.

Financial Highlights

- The assets of the City of Anthony exceeded its liabilities at the close of the most recent fiscal year end by \$1,415,291 (net assets). Of this amount, \$1,390,632 (unrestricted net assets) may be used to meet the government's ongoing, obligations to citizens and creditors. \$19,238 of net assets is invested in capital assets.
- The government's total net assets increased by \$797,888 during the fiscal year. The majority of this is due to the City's ability to maintain expenses at a low level despite the changes in federal and state funding.
- As of June 30, 2012, the City's governmental funds reported combined ending fund balances of \$1,400,027. Of this total, \$5,421 is restricted for special revenue funds.
- At the close of the current fiscal year, unassigned fund balance of the general fund was \$1,394,606.

Overview of the Financial Statements

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the government, reporting the City's operations in more detail than the government-wide statements.
- The governmental funds statements tell how general government services were financed in the short term as well as what remains for future spending.

Government-Wide Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Anthony's finances, in a manner similar to a private-sector business.

The *statements of net assets* presents information on all of the City of Anthony's assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City of Anthony is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Anthony that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Anthony include general government, public safety, streets, and culture and recreation. The City has no business-type activities.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Anthony, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Anthony are governmental type funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows and outflows of expendable resources*, as well as on *balances of expendable resources* available at the end of the fiscal year. Such information may be useful in determining what financial resources are available in the near future to finance the City's programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains four individual governmental funds organized according to their type (general, special revenue and capital projects). Information is presented separately in governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances for the General Fund, Corrections Fund, Law Enforcement Fund, and Municipal Street Fund, which are considered to be major funds.

The City of Anthony adopts an annual appropriated budget for its general fund and all other funds. A budgetary comparison statement has been provided for the all of the governmental funds to demonstrate compliance with this budget.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 21 of this report.

Analysis of Net Assets

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$1,415,291 at the close of the current fiscal year.

The City of Anthony's net assets are made up of: \$19,238 of investment in capital assets, \$1,390,632 in unrestricted net assets, and \$5,421 in restricted net assets for special revenue funds.

Analysis of Changes in Net Assets

During the current fiscal year, the City's net assets in governmental activities increased by \$797,888. These increases are explained in the governmental activities discussion that follows.

Governmental Activities

Governmental activities increased the City's net assets by \$797,888. Revenues were \$1,251,939 for the year ended June 30, 2012 and consist primarily of gross receipt taxes, which totaled \$883,685. Expenses for the year ended June 30, 2012 totaled \$454,051. Total revenues and expenses from governmental activities are summarized below.

A summary of the statement of net assets is as follows:

	2012	2011
ASSETS		
Current and other assets	\$ 1,412,553	\$ 630,001
Capital assets, net of accumulated depreciation	<u>19,238</u>	<u>-</u>
Total assets	<u>\$ 1,431,791</u>	<u>\$ 630,001</u>
LIABILITIES		
Current and other liabilities	<u>\$ 16,500</u>	<u>\$ 12,598</u>
Total liabilities	<u>16,500</u>	<u>12,598</u>
NET ASSETS		
Restricted: Special Revenue Funds	5,421	-
Invested in capital assets	19,238	-
Unrestricted	<u>1,390,632</u>	<u>617,403</u>
Total net assets	<u>1,415,291</u>	<u>617,403</u>
Total liabilities and net assets	<u>\$ 1,431,791</u>	<u>\$ 630,001</u>

A summary of the statement of activities is as follows:

	2012	2011
REVENUES		
Program revenue:		
Charges for services	\$ -	\$ 3,541
Operating grant and contributions	28,535	-
Capital grants and contributions	-	-
General revenues:		
Taxes	1,000,228	702,426
Other income	223,176	2,924
Total revenues	<u>1,251,939</u>	<u>708,891</u>
EXPENSES		
General government	305,555	70,718
Public safety	115,907	20,770
Highways and streets	8,681	-
Cultural and recreation	<u>23,908</u>	<u>-</u>
Total expenses	<u>454,051</u>	<u>91,488</u>
Changes in net assets	<u>797,888</u>	<u>617,403</u>
Net assets - beginning	617,403	-
Net assets - ending	<u>\$ 1,415,291</u>	<u>\$ 617,403</u>

Financial Analysis of the City of Anthony as a Whole

As noted earlier, the City of Anthony uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds

The focus of the City of Anthony's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *expendable* resources. Such information is useful in assessing the City of Anthony's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of governmental funds reported by the City include the General Fund, Streets, and Special Revenue Funds.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,400,027. Of this amount, \$1,394,606, constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance, \$5,421, is restricted to indicate that it is not available for new spending because it has already been restricted to pay special revenue items.

Revenues for governmental functions overall totaled \$1,255,151 in the year ended June 30, 2012. Expenditures for governmental functions totaled \$473,289 in the year ended June 30, 2012. In the fiscal year-ended June 30, 2012, revenues for governmental functions exceeded expenditures by \$781,862.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the fund balance of the General Fund was \$1,394,606, which was classified as unassigned fund balance.

The fund balance of the City's General Fund increased \$781,862 during the current fiscal year.

General Fund Budgetary Highlights

The discussion that follows presents financial data based upon the budgetary basis of accounting. Please refer to the notes of the financial statements for an explanation of the differences of accounting regarding the budget.

During the current fiscal year, the City budgeted general fund revenues at \$952,894. The actual revenues for the fiscal year were \$1,138,101, an excess of \$185,207.

Increases in the original budget were made due to additional GRT income received during the fiscal year.

For the year ended June 30, 2012, expenditures were \$683,181 which was under budget by \$231,603.

Capital Asset and Debt Administration

The City of Anthony's capital assets for governmental as of June 30, 2012 amount to \$19,238 (net of accumulated depreciation). Capital assets include construction in progress and equipment. The City had no capital assets in the prior year, therefore all was purchased in the current fiscal year.

The City's long term debt consists of accrued compensated absences totaling \$3,974.

Contacting the City of Anthony's Financial Management

This financial report is designed to provide a general overview of the City of Anthony's finances for those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the City of Anthony Administration; PO Box 2663, Anthony, NM 88021.

BASIC FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
CITY OF ANTHONY**

**STATEMENT OF NET ASSETS
JUNE 30, 2012**

	Governmental Activities
ASSETS	
Cash	\$ 1,203,629
Receivables:	
Taxes	186,894
Gasoline tax	834
Motor vehicle fees	1,717
Franchise fees	18,719
Other assets	760
Capital assets, net of accumulated depreciation	<u>19,238</u>
Total assets	<u>\$ 1,431,791</u>
LIABILITIES AND NET ASSETS	
Accounts payable	\$ 2,263
Accrued expenses	10,263
Noncurrent liabilities:	
Compensated absences:	
Due within one year	<u>3,974</u>
Total liabilities	<u>16,500</u>
NET ASSETS	
Restricted for:	
Special revenue fund	5,421
Invested in capital assets	19,238
Unrestricted	<u>1,390,632</u>
Total net assets	<u>1,415,291</u>
Total liabilities and net assets	<u>\$ 1,431,791</u>

See accompanying notes to financial statements and independent auditors' report.

STATE OF NEW MEXICO
CITY OF ANTHONY

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012

Functions/Programs Primary Government:	Program Revenues			Capital Grants and Contributions	Governmental Activities	Total
	Expenses	Charges for Service	Operating Grants and Contributions			
Governmental Activities:						
General government	\$ 305,555	\$ -	\$ -	\$ -	\$ (305,555)	\$ (305,555)
Public safety	115,907	-	28,535	-	(87,372)	(87,372)
Highways and streets	8,681	-	-	-	(8,681)	(8,681)
Culture and recreation	23,908	-	-	-	(23,908)	(23,908)
Total governmental activities	\$ 454,051	\$ -	\$ 28,535	\$ -	(425,516)	(425,516)
General Revenues:						
Gross receipt taxes					883,685	883,685
Franchise fees					105,668	105,668
Motor vehicle taxes					10,875	10,875
Other					223,176	223,176
Total general revenues					1,223,404	1,223,404
Change in net assets					797,888	797,888
Net assets - beginning					617,403	617,403
Net assets - ending					\$ 1,415,291	\$ 1,415,291

See accompanying notes to financial statements and independent auditors' report.

GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

STATE OF NEW MEXICO
CITY OF ANTHONY

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2012

	General Fund	Municipal Streets	Corrections	Law Enforcement Protection	Total Governmental Funds
ASSETS					
Current Assets					
Cash and cash equivalents	\$ 1,199,042	\$ 4,587	\$ -	\$ -	\$ 1,203,629
Accounts receivable:					
Taxes					
Gross receipts tax	186,894	-	-	-	186,894
Gasoline tax	-	834	-	-	834
Motor vehicle department fees	1,717	-	-	-	1,717
Franchise fees	18,719	-	-	-	18,719
Other assets	760	-	-	-	760
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 1,407,132</u>	<u>\$ 5,421</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,412,553</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 2,263	\$ -	\$ -	\$ -	\$ 2,263
Accrued expenses	10,263	-	-	-	10,263
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	12,526	-	-	-	12,526
Fund balances:					
Restricted, reported in:					
Special revenue fund	-	5,421	-	-	5,421
Unassigned, reported in:					
General fund	1,394,606	-	-	-	1,394,606
	<u> </u>	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	1,394,606	5,421	-	-	1,400,027
Total liabilities and fund balances	<u>\$ 1,407,132</u>	<u>\$ 5,421</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,412,553</u>

See accompanying notes to financial statements and independent auditors' report.

STATE OF NEW MEXICO
CITY OF ANTHONY

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS TO
THE STATEMENT OF NET ASSETS
JUNE 30, 2012

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

Fund balances - total governmental funds	\$ 1,400,027
Accrued compensated absences not payable from current revenue	(3,974)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	
The cost of capital assets	20,639
Accumulated depreciation	<u>(1,401)</u>
Net assets - Statement of Net Assets	<u>\$ 1,415,291</u>

See accompanying notes to financial statements and independent auditors' report.

STATE OF NEW MEXICO
CITY OF ANTHONY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCES - GOVERNMENTAL FUNDS
JUNE 30, 2012

	General Fund	Municipal Streets	Corrections	Law Enforcement Protection	Total
Revenues:					
Taxes	\$ 1,000,228	\$ 4,759	\$ -	\$ -	\$ 1,004,987
Licenses and permits	11,698	-	1,329	-	13,027
Small government assistance	199,483	-	-	-	199,483
Grant	-	-	-	27,206	27,206
Miscellaneous	10,448	-	-	-	10,448
Total revenues	1,221,857	4,759	1,329	27,206	1,255,151
Expenditures:					
Current:					
General government	283,554	-	-	20,600	304,154
Public safety	114,796	-	1,111	-	115,907
Highways and streets	8,681	-	-	-	8,681
Culture and recreation	23,908	-	-	-	23,908
Capital outlay	20,639	-	-	-	20,639
Total expenditures	451,578	-	1,111	20,600	473,289
Excess (deficiency) of revenues over expenditures	770,279	4,759	218	6,606	781,862
Other financing sources (uses):					
Operating transfers in	11,583	-	-	-	11,583
Operating transfers out	-	(4,759)	(218)	(6,606)	(11,583)
Total other financing sources (uses)	11,583	(4,759)	(218)	(6,606)	-
Net changes in fund balances	781,862	-	-	-	781,862
Fund balance - beginning of year	612,744	5,421	-	-	618,165
Fund balance - end of year	\$ 1,394,606	\$ 5,421	\$ -	\$ -	\$ 1,400,027

See accompanying notes to financial statements and independent auditors' report.

STATE OF NEW MEXICO
CITY OF ANTHONY

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN THE FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
JUNE 30, 2012

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

Net change in fund balances - total governmental funds **\$ 781,862**

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. This is the amount by which depreciation expense exceeded capital outlay in the current period.

Depreciation expense	(1,401)	
Capital outlay	<u>20,639</u>	
Excess of capital outlay over depreciation expense		19,238

Accrued compensated absences are expensed under the accrual method, and not the modified accrual method. (3,212)

Change in net assets of governmental activities **\$ 797,888**

See accompanying notes to financial statements and independent auditors' report.

STATE OF NEW MEXICO
CITY OF ANTHONY

GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
JUNE 30, 2012

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget- Favorable (Unfavorable)
Revenues:				
Taxes	\$ 50,000	\$ 86,703	\$ 83,732	\$ (2,971)
Gross receipts	570,000	821,865	821,865	-
Licenses and permits	14,750	15,065	11,698	(3,367)
Grant	-	-	199,483	199,483
Motor vehicle	-	869	10,875	10,006
Fines and forfeits	3,000	3,000	-	(3,000)
Miscellaneous	25,392	25,392	10,448	(14,944)
Total revenues	663,142	952,894	1,138,101	185,207
Expenditures:				
Current:				
General government	503,770	459,928	283,554	176,374
Public safety	171,402	173,852	114,796	59,056
Culture and recreation	26,516	23,516	23,908	(392)
Highways & streets	22,885	25,885	8,681	(17,204)
Capital outlay	-	-	20,639	(20,639)
Total expenditures	724,573	683,181	451,578	231,603
Excess (deficiency) of revenues over expenditures	(61,431)	269,713	686,523	416,810
Other financing sources (uses):				
Operating transfers in (out)	-	-	11,583	11,583
Total other financing sources (uses)	-	-	11,583	11,583
Net changes in fund balances	(61,431)	269,713	698,106	428,393
Fund balance - beginning of year	501,006	501,006	501,006	-
Fund balance - end of year	\$ 439,575	\$ 770,719	\$ 1,199,112	\$ 428,393
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ 698,106	
Change in:				
Accounts receivable			83,756	
Accounts payable			-	
Accrued expenses			-	
Net changes in fund balance GAAP basis			<u>\$ 781,862</u>	

See accompanying notes to financial statements and independent auditors' report.

STATE OF NEW MEXICO
CITY OF ANTHONY

CORRECTIONS FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
JUNE 30, 2012

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget- Favorable (Unfavorable)
Revenues:				
Correction Fees	\$ 1,000	\$ 1,111	\$ 1,329	\$ 218
Total revenues	<u>1,000</u>	<u>1,111</u>	<u>1,329</u>	<u>218</u>
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	1,000	1,111	1,111	-
Highways and streets	-	-	-	-
Total expenditures	<u>1,000</u>	<u>1,111</u>	<u>1,111</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>218</u>	<u>218</u>
Other financing sources (uses):				
Operating transfers in	-	-	-	-
Operating transfers out	-	-	(218)	(218)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(218)</u>	<u>(218)</u>
Net changes in fund balances	-	-	-	-
Fund balance - beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ -	
Change in:				
Accounts receivable			-	
Accounts payable and accruals			-	
Accrued compensation and benefits			-	
Net changes in fund balance GAAP basis			<u>\$ -</u>	

See accompanying notes to financial statements and independent auditors' report.

**STATE OF NEW MEXICO
CITY OF ANTHONY**

**LAW ENFORCEMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
JUNE 30, 2012**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget- Favorable (Unfavorable)
Revenues:				
Law enforcement protection	\$ 20,600	\$ 20,600	\$ 27,206	\$ 6,606
Total revenues	<u>20,600</u>	<u>20,600</u>	<u>27,206</u>	<u>6,606</u>
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	20,600	20,600	20,600	-
Highways and streets	-	-	-	-
Total expenditures	<u>20,600</u>	<u>20,600</u>	<u>20,600</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>6,606</u>	<u>6,606</u>
Other financing sources (uses):				
Operating transfers out	-	-	(6,606)	(6,606)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(6,606)</u>	<u>(6,606)</u>
Net changes in fund balances	-	-	-	-
Fund balance - beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ -	
Change in:				
Accounts receivable			-	
Accounts payable and accruals			-	
Accrued compensation and benefits			-	
Net changes in fund balance GAAP basis			<u>\$ -</u>	

See accompanying notes to financial statements and independent auditors' report.

STATE OF NEW MEXICO
CITY OF ANTHONY

MUNICIPAL STREETS FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
JUNE 30, 2012

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget- Favorable (Unfavorable)
Revenues:				
Taxes	\$ 4,587	\$ 4,587	\$ 3,925	\$ (662)
Total revenues	<u>4,587</u>	<u>4,587</u>	<u>3,925</u>	<u>(662)</u>
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Highways and streets	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>4,587</u>	<u>4,587</u>	<u>3,925</u>	<u>(662)</u>
Other financing sources (uses):				
Operating transfers out	-	-	(4,759)	(4,759)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(4,759)</u>	<u>(4,759)</u>
Net changes in fund balances	4,587	4,587	(834)	(5,421)
Fund balance - beginning of year	<u>4,587</u>	<u>4,587</u>	<u>4,587</u>	<u>-</u>
Fund balance - end of year	<u>\$ 9,174</u>	<u>\$ 9,174</u>	<u>\$ 3,753</u>	<u>\$ (5,421)</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ (834)	
Change in:				
Accounts receivable			834	
Accounts payable and accruals			-	
Accrued compensation and benefits			-	
Net changes in fund balance GAAP basis			<u>\$ -</u>	

See accompanying notes to financial statements and independent auditors' report.

STATE OF NEW MEXICO
CITY OF ANTHONY

NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2012

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Anthony ("City") was incorporated in July 2010 under the laws of the state of New Mexico, operates under the Mayor-Council form of government. The City provides the following authorized services: public safety (police), culture and recreation and general administrative services.

The City's financial statements are prepared in accordance with generally accepted accounting principles ("GAAP"). The Governmental Accounting Standards Board ("GASB") is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board ("FASB") issued through November 30, 1989, when applicable, that do not conflict with or contradict GASB pronouncements. Although the City has the option to apply FASB pronouncements issued after that date to its business-type funds, the City has chosen not to do so. The more significant accounting policies established in GAAP and used by the City are discussed below.

A. Financial Reporting Entity

As required by GAAP, the financial statements present the City and entities for which the City is considered to be financially accountable. There are no component units for the fiscal year ended June 30, 2012.

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 City. 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 City has no business-type activities.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are 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. Major individual governmental funds are reported as separate columns in the fund financial statements.

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Governmental 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. For this purpose, the City 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 made.

The City follows the following revenue recognition principles applied to nonexchange transactions which are in accordance with GASB *Statement 33, Accounting and Reporting for Nonexchange Transactions*:

Derived tax revenues are recognized as revenue in the period when the underlying exchange transaction has occurred and the resources are available. Derived tax revenues include gross receipts tax and gasoline taxes.

Imposed nonexchange revenue other than property taxes are recognized in the period when an enforceable legal claim has arisen and the resources are available.

Government-mandated nonexchange transactions and voluntary nonexchange transactions are recognized when all applicable eligibility requirements have been met and the resources are available. These include grant revenues, state shared taxes and intergovernmental revenue. Grant revenues are recognized as revenues when the related costs are incurred.

Other revenues susceptible to accrual are investment income and charges for services. All other revenues are recognized when they are received and are not susceptible to accrual because they are usually not measurable until payment is actually received.

The City reports the following major governmental funds:

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

Municipal Streets. A special revenues fund that accounts for funds used to maintain roads for which the City is responsible. Funding is provided by the gas tax. Expenditures are restricted to the construction and maintenance of City roads. Authority is NMSA 7-1-6.27.

Corrections Fund. A special revenues fund that accounts for revenues and expenditures relating to the Corrections department. Financing is provided by

correction fees. Section 35-14-11, NMSA, 1978

Law Enforcement Fund. A special revenues fund that accounts for revenues and expenditures relating to Law Enforcement. Financing is provided by grants. Section 29-13-3F, NMSA

B. Cash

Cash includes amounts in demand deposits. Cash deposits are reported at carrying amount, which reasonably estimates fair value.

C. Capital Assets

Capital assets which include software, library books, property, plant, equipment, vehicles, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items) are reported in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year.

Governmental Accounting Standards Board (GASB) Statement No. 34, Basic Financial Statements and Managements Discussion and Analysis for State and Local Governments allows phase III governments an exemption from the retroactive application of the capitalization requirements to major general infrastructure assets. The City has elected not to retroactively record infrastructure assets.

Assets are recorded at historical cost or estimated historical cost if purchased or construction. 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. Major outlays for capital assets and improvements are capitalized as projects are constructed.

Capital assets are depreciated using the straight-line method over the following estimated useful lives:

Buildings, structures and improvements	10 - 40 years
Road Equipment	10 years
Furniture, fixtures and equipment	10 years
Vehicles	5 years
Infrastructure	25 years
Waste water system	25 years

D. Compensated Absences

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the general long-term debt account group. No expenditure is reported for these amounts.

E. Fund Balance

In the fund financial statements, governmental fund balances are classified as follows:

Restricted - Fund balance should be reported when constraints placed on the use of

resources are either:

- a. Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or
- b. Imposed by law through constitutional provisions or enabling legislation.
- c. Enabling legislation, as the term is used in this Statement, authorizes the government to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that a government can be compelled by an external party-such as citizens, public interest groups, or the judiciary-to use resources created by enabling legislation only for the purposes specified by the legislation.

Unassigned - fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

The City's policy is to apply restricted resources first, committed sources second, assigned resources third, and unassigned resources last when an expense is incurred for purposes for which all or any fund balance classification is available.

F. Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt, consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowings used for the acquisition, construction or improvements of those assets. Net assets invested in capital assets, net of related debt excludes unspent debt proceeds. Net assets are reported as restricted when there are limitations imposed on their use either through the enabling legislation adopted by the City or through external restrictions imposed by creditors, grantors or laws or regulations of other governments.

G. Interfund Transactions

Quasi-external transactions are accounted for as revenues, expenditures, or expenses. Transactions that constitute reimbursements to a fund for expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

H. Budgetary Information

Actual amounts on the budgetary basis are prepared on the cash basis of accounting which recognizes revenues when received and expenditures when paid. Annual budgets are adopted for the general and special revenue funds.

The City follows the following procedures for establishing the budgetary data reflected in the financial statements:

1. Prior to June 1, the City Clerk submits to the Board of Trustees a proposed operating budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them based on previous year's history. Public hearings are conducted at the Community Center to obtain taxpayer comments. Prior to July 1, the budget is legally enacted through passage of an ordinance.
2. The City Clerk is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any funds must be approved by the City Council and the New Mexico State Department of Finance, Division of Local Governments.
3. Formal budgetary integration is employed as a management control device during the year for the general fund and special revenue fund.
4. The level of classification detail in which expenditures of expenses may not legally exceed appropriations for each budget is in fund total.

I. Use of 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 the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

J. Implementation of New Accounting Standards

In February 2009, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 54 Fund Balance Reporting and Governmental Fund Type Definitions, which is effective for financial statements for periods beginning after June 15, 2010, and earlier application is encouraged. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The City is analyzing the effect that this statement will have on its financial statement, and currently believes it will have no significant effect on the financial statement for the upcoming year. The City incorporated this statement for the current fiscal year and believes it had no significant effect on the financial statement for the year.

In December 2009, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 57 OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans, which is effective upon issuance for certain provisions of the statement and for periods beginning after June 15, 2011 for other provisions. The objective of this Statement is to address issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit plans. The City is analyzing the effect that this statement will have on its financial statement, and currently believes it will have no significant effect on the financial statement for the upcoming year.

In December 2009, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 58 Accounting and Financial Reporting for Chapter 9 Bankruptcies, which is effective for reporting periods beginning after June 15, 2009. The objective of this Statement is to provide accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. It requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms (that is, approves) a new payment plan. The City incorporated this statement for the current fiscal year and believes it had no significant effect on the financial statement for the year.

In June 2010, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 59 Financial Instruments Omnibus, which is effective for financial statements for periods beginning after June 15, 2010. Earlier application is encouraged. The objective of this Statement is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools for which significant issues have been identified in practice. This Statement provides for the following amendments: National Council on Governmental Accounting Statement 4, Accounting and Financial Reporting Principles for Claims and Judgments and Compensated Absences, is updated to be consistent with the amendments to GASB Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, regarding certain financial guarantees. Statements No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, and No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, are amended to remove the fair value exemption for unallocated insurance contracts. The effect of this amendment is that investments in unallocated insurance contracts should be reported as interest-earning investment contracts according to the provisions of paragraph 8 of Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools. Statement 31, is clarified to indicate that a 2a7-like pool, as described in Statement 31, is an external investment pool that operates in conformity with the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended. Statement No. 40, Deposit and Investment Risk Disclosures, is amended to indicate that interest rate risk information should be disclosed only for debt investment pools—such as bond mutual funds and external bond investment pools—that do not meet the requirements to be reported as a 2a7-like pool. Statement 53 is amended to: – Clarify that the net settlement characteristic of Statement 53 that defines a derivative instrument is not met by a contract provision for a penalty payment for nonperformance – Provide that financial guarantee contracts included in the scope of Statement 53 are limited to financial guarantee contracts that are considered to be investment derivative instruments entered into primarily for the purpose of obtaining income or profit – Clarify that certain contracts based on specific volumes of sales or service revenues are excluded from the scope of Statement 53 – Provide that one of the “leveraged yield” criteria of Statement 53 is met if the initial rate of return on the companion instrument has the potential for at least a doubled yield. The City is analyzing the effect that this statement will have on its financial statement, and currently believes it will have no significant effect on the financial statement for the upcoming year.

In November 2010, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 60 Accounting and Financial Reporting for Service Concession Arrangements, which is effective for financial statements for periods beginning after December 15, 2011. The provisions of this Statement generally are required to be applied retroactively for all periods presented. The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. As used in this Statement, an SCA is an arrangement between a transferor (a government) and an operator (governmental or

nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a "facility") in exchange for significant consideration and (2) the operator collects and is compensated by fees from third parties. The City is analyzing the effect that this statement will have on its financial statement, and currently believes it will have no significant effect on the financial statement for the upcoming year.

In November 2010, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 61 The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34, which is effective for financial statements for periods beginning after June 15, 2012. Earlier application is encouraged. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, The Financial Reporting Entity, and the related financial reporting requirements of Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements. The City is analyzing the effect that this statement will have on its financial statement, and currently believes it will have no significant effect on the financial statement for the upcoming year.

In December 2010, the GASB issued Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. That Statement supersedes Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting. Statement 62 is effective for financial statements for periods beginning after December 15, 2011, with early application encouraged. The objective of this statement is to provide non-conflicting pronouncements between FASB and GASB. The City is analyzing the effect that this statement will have on its financial statement, and currently believes it will have no significant effect on the financial statement for the upcoming year.

In June 2011, the GASB issued Statement No. 63, Financial reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and net Position, which is effective for financial statements for periods beginning after December 15, 2011. Earlier application is encouraged. The objective of this statement is to provide financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, Elements of Financial Statements, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Concepts Statement 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, Basic Financial Statements—and Management's Discussion and Analysis—for State and Local Governments, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The City is analyzing the effect that this statement will have on its financial statement, and currently believes it will have no significant effect on the financial statement for the upcoming year.

In June 2011, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 64 Derivative Instruments: Application of Hedge Accounting Termination Provisions—an amendment of GASB Statement No. 53, which is effective for financial statements for periods beginning after June 15, 2011. Earlier application is encouraged. The

objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty's credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The City is analyzing the effect that this statement will have on its financial statement, and currently believes it will have no significant effect on the financial statement for the upcoming year.

In March 2012, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 65 Items Previously Reported as Assets and Liabilities, which is effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged. The objective of this Statement is to improve financial reporting by clarifying the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. The Village is analyzing the effect that this statement will have on its financial statement, and currently believes it will have no significant effect on the financial statement for the upcoming year.

In March 2012, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 66 Technical Corrections-2012- an amendment of GASB Statements No. 10 and No. 62, which is effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. The Village is analyzing the effect that this statement will have on its financial statement, and currently believes it will have no significant effect on the financial statement for the upcoming year.

2. CASH AND DEPOSITS

Deposits

Custodial Credit Risk - Deposits. Custodial credit risk is, in the event of the failure of a depository financial institution, the City will not be able to recover deposits or will not be able to recover collateral securities that are in the possession of an outside party. The City does not have a deposit policy for custodial credit risk. Deposits are exposed to custodial credit risk if they are not covered by depository insurance and are (1) uncollateralized, (2) collateralized with securities held by the pledging financial institution, or (3) collateralized with securities held by the pledging financial institution's trust department or agent but not in the City's name. As of June 30, 2012, the City's bank balance total of \$1,219,090 was exposed to credit risk in the amount of \$969,090 as follows:

Uninsured and collateral held by pledging bank's trust department not in the City's name	\$969,090
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In accordance with Section 6-10-17, NMSA, 1978 Compilation, the City is required to collateralize an amount equal to one-half of the public money in excess of FDIC insurance at each financial institution. At June 30, 2011, FDIC insurance is unlimited for non-interest bearing accounts and \$250,000 on interest bearing accounts.

The total balance in any single financial institution may at times exceed the FDIC coverage available to individual depositors. The City is required to obtain from each bank that is a depository for public funds pledged collateral in an aggregate amount equal to one half of the public money in each account.

Credit Risk. The City has no formal policy on managing credit risk. State law limits investments to United States Government obligations, commercial paper with A-1 or better ratings, corporate bonds with a BBB+ or better rating, asset backed obligations with an AAA or better rating, or repurchase agreements.

3. CAPITAL ASSETS

Governmental fund capital asset activity for the year was as follows:

	Balance June 30, 2011	Additions	Retirements	Balance June 30, 2012
Governmental Activities:				
Capital assets being depreciated:				
Equipment	-	20,639	-	20,639
Total capital assets being depreciated	-	20,639	-	20,639
Less accumulated depreciation for:				
Equipment	-	1,401	-	1,401
Total accumulated depreciation	-	1,401	-	1,401
Total capital assets being depreciated, net	-	19,238	-	19,238
Governmental activities capital assets, net	\$ -	\$ 19,238	\$ -	\$ 19,238

Depreciation expense for the year ended June 30, 2012 was charged to the following functions:

General government	\$ 1,401
Total Governmental Activities depreciated expense	\$ 1,401

4. INTER-FUND TRANSFERS AND BALANCES

The composition of interfund transfers for Governmental Activities during the year ended June 30, 2012 are as follows:

	Transfer In	Transfer Out
Governmental Funds:		
General Fund	\$ 11,583	\$ -
Corrections Fund	-	218
Law Enforcement Fund	-	6,606
Municipal Street Fund	-	4,759
	\$ 11,583	\$ 11,583

5. LONG-TERM OBLIGATIONS

Long-term liability activity for the year ended June 30, 2012, was as follows:

	Balance June 30, 2011	Additions	Reductions	Balance June 30, 2012	Due Within One Year
Governmental Activities:					
Compensated absences	\$ 762	\$ 4,837	\$ (1,625)	\$ 3,974	\$ 3,974

Accrued Compensated Absences. Employees accrue two hours per pay period if the employee has been with the City less than three years. In year four, the accrual amount increases one hour per pay period every four years up to a maximum of 5 hours per pay period. The maximum number of annual leave hours which may be accrued is 360 hours. Compensated absence balances have been liquidated within the general fund in prior years.

6. RISK MANAGEMENT

The City is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental, and accident benefits. The City participates in the New Mexico Self-Insurer's Fund risk pool. The New Mexico Self-Insurer's Fund risk pool operates as a common risk management and insurance program for workers compensation and property and casualty coverage.

These funds are funded entirely by member contributions and are administered by the New Mexico Self-insurer's Fund. The pools are authorized by joint powers agreements entered into by each participating entity as a separate and independent government and legal entity pursuant to the provisions of Section 11-1-1 et. Seq. NMSA 1978.

7. PERA PENSION PLAN

Plan Description: Substantially all of the City'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 Employees 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. That report may be obtained by writing to PERA, PO 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 9.15% (16.3% for police officers) of their gross salary and the City is required to make a matching contribution of 9.15% (18.5% for police officers). The contribution requirements of plan members and the City are established under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The City's contributions to PERA for the year ending June 30, 2012 was \$12,778 equal to the amount of the required contributions for each year.

STATE OF NEW MEXICO
CITY OF ANTHONY

SCHEDULE OF DEPOSIT ACCOUNTS
JUNE 30, 2012

Financial Institution/ Account Description	Type of Account	Financial Institution Balance	Reconciling Items	Reconciled Balance
<i>First New Mexico Bank</i>				
General Pooled Cash	Checking	\$ 1,219,090	\$ (15,461)	\$ 1,203,629

See accompanying notes to financial statements.

**STATE OF NEW MEXICO
CITY OF ANTHONY**

**SCHEDULE OF PLEDGED COLLATERAL
JUNE 30, 2012**

	Wells Fargo
Deposits at June 30, 2012	\$ 1,219,090
Less: FDIC coverage	<u>250,000</u>
Uninsured public funds	969,090
Pledged collateral held by the pledging bank's trust department or agent but not in the City's name	<u>1,106,209</u>
Uninsured and uncollateralized	<u>\$ -</u>
50% pledged collateral requirement per statute	\$ 484,545
Total pledged collateral	<u>1,106,209</u>
Pledged collateral over the requirements	<u>\$ (621,664)</u>

Pledged collateral at June 30, 2012 consists of the following:

Security	CUSIP	Maturity	Market Value
Mora NM ISD	616412EK4	7/1/17	\$ 378,557
Alamogordo NM	0114466GC9	8/1/2029	234,374
Gonzales TX	382010AS5	3/1/2029	207,530
Duncanville TX	265158HD2	2/15/2033	<u>285,748</u>
			<u>1,106,209</u>

The pledged securities are located at First New Mexico Bank in Las Cruces, NM.

**STATE OF NEW MEXICO
CITY OF ANTHONY**

**SCHEDULE OF JOINT POWERS AGREEMENTS
JUNE 30, 2012**

Joint Powers Agreement	Participant	Responsible Party	Description	Beginning and Ending Dates	Total estimated project amount and amount applicable to City	Amount Contributed by City during fiscal year	Audit Responsibility
Mesilla Valley Regional Dispatch Authority (MVRDA)	City of Las Cruces, Dona Ana County, Town of Mesilla, Village of Hatch, City of Sunland Park and City of Anthony	Dona Ana County	Jointly operate, maintain and administer a combined communications center to provide emergency dispatch services	Perpetual	Undeterminable	\$0	MVRDA

**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***

Mr. Hector H. Balderas, State Auditor and
The Mayor and
Board of Trustees
City of Anthony, New Mexico

We have audited the financial statements of the governmental activities, each major fund and the budgetary comparisons of the general fund and major special revenue fund of the City of Anthony (the City), as of and for the year ended June 30, 2012, and have issued our report thereon dated November 30, 2012. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City'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 City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

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 and correct misstatements on a timely basis. A material weakness is a deficiency, or a 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.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies in internal control over financial reporting (finding 11-01). 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.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of the City of Anthony's management, Board of Trustees, the Department of Finance and Administration, the New Mexico State Legislature, and the Office of the State Auditor and is not intended to be and should not be used by anyone other than these specified parties.

White + Samaniego + Campbell, LLP

El Paso, Texas
November 30, 2012

**STATE OF NEW MEXICO
CITY OF ANTHONY**

**PRIOR YEAR FINDINGS
JUNE 30, 2012**

11-01 Financial Statements and Disclosures - Significant Deficiency

Condition

The City relies upon their independent auditor to prepare the financial statements in accordance with generally accepted accounting principles (GAAP). The accounting staff lacks the knowledge to prepare such statements, as well as the ability to detect accuracy and completeness of all required notes that explain financial activity contained in the financial statements. The City requires the independent auditor to gather all necessary information in order to convert their cash basis accounting information into financial statements prepared in accordance with GAAP.

Criteria

Auditing standards adopted in the United States of America, in particular Statement on Auditing Standards (SAS) 109, paragraph 41 states the following: "Internal control is a process - effected by those charged with governance, management, and other personnel - designed to provide reasonable assurance about the achievement of the entity's objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with laws and regulations. Internal control over safeguarding of assets against unauthorized acquisition, use, or disposition may include control relating to financial reporting and operations objectives."

Appropriate internal control procedures over financial reporting include the ability to prepare financial statements in accordance with GAAP or at a minimum; management should have the ability to comprehend the requirements for financial reporting. Financial statements prepared in accordance with GAAP include all required statements of financial position, statements of changes in financial position, changes in cash flow and notes.

SAS 115, paragraph 11 provides examples of factors that may affect the likelihood that a control, or combination of controls could fail to prevent or detect a misstatement. One such example is "The nature of the financial statements accounts, disclosures, and assertions involved."

SAS 115, paragraph 15 provides a list of indicators of a control deficiency that should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control. One such example is "Ineffective oversight of the entity's financial reporting and internal control by those charged with governance."

Cause

The City's staff lacks the proper experience and training to prepare the financial statements and related disclosures.

Effect

Since the City personnel lack the ability to prepare, and did not prepare the financial statements, there is an increased risk that a misstatement of the City's financial statements that is more than inconsequential, will not be prevented or detected. Further, since the City accounting staff lacks the proper knowledge or training regarding the requirements of GAAP financial reporting, there is more than a remote possibility that a material misstatement of the financial statements will not be prevented or detected.

Recommendation

The City should have its current staff undergo training so they can develop the ability to prepare the financial statements and the related notes or employ an individual to serve in the position of director of finance, that has the ability to prepare financial statements in accordance with GAAP. Alternatively, the City could choose to consult with a separate accounting firm prior to and during the audit process that would assist the City in the preparation of the financial statements and related notes.

Management's Response

The City agrees with the finding. The City is in the process of evaluating and purchasing an accounting software that is specifically made for use with local governments, which will improve our financial reporting. Also, as the City grows, the personnel performing accounting functions will receive training to gain the required knowledge for preparing financial statements and the related disclosures.

**STATE OF NEW MEXICO
CITY OF ANTHONY**

**EXIT CONFERENCE
FOR THE YEAR ENDED JUNE 30, 2012**

An exit conference was conducted on November 30, 2012 with the following individuals in attendance:

City of Anthony Officials

Betty Gonzalez

Velma Navarette

Trustee

Finance officer-treasurer

White, Samaniego & Campbell, LLP

Cheryl Hutton-Tellez

Staff, audit department

Financial Statement Preparation

The financial statements were prepared by White + Samaniego + Campbell, LLP from the books and records of the City of Anthony. However, the contents of these financial statements remain the responsibility of the City's management.