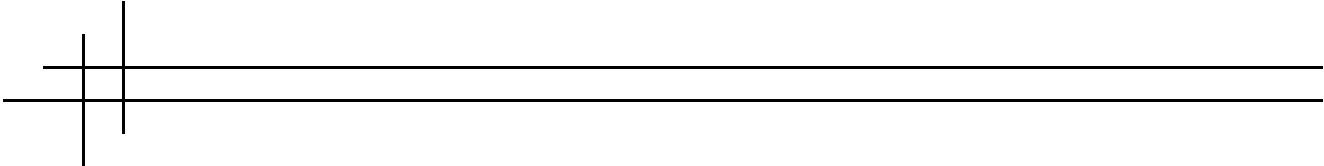




STATE OF NEW MEXICO
TOWN OF DEXTER

ANNUAL FINANCIAL REPORT
June 30, 2011

De'Aun Willoughby CPA, PC
Certified Public Accountant
Melrose, New Mexico



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TOWN OF DEXTER
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STATE OF NEW MEXICO
TOWN OF DEXTER
Official Roster
June 30, 2011

TOWN COUNCIL

David L White	Mayor
Norman Caffall	Councilman
Andy Lopez	Councilman
Mitch Daubert	Councilman
Jim Berry	Councilman

ADMINISTRATIVE OFFICIALS

Kay Roberts	Clerk/Treasurer
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De'Aun Willoughby CPA, PC

Certified Public Accountant

P.O. Box 223 Melrose, NM 88124

(575) 253-4313

Independent Auditor's Report

Mr. Hector Balderas
State Auditor of the State of New Mexico
Board Members of the Town of Dexter

Mr. Balderas and Members of the Board

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information and the budgetary comparisons for the general fund and major special revenue funds of the Town of Dexter, (Town), as of and for the year ended June 30, 2011, which collectively comprise the Town's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Town's nonmajor governmental funds and the budgetary comparisons for all nonmajor funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2011, as listed in the table of contents. These financial statements are the responsibility of the Town'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, the business-type activities, each major fund, and the aggregate remaining fund information of the Town as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund and major special revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund of the Town as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for all nonmajor funds 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 March 29, 2012, 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 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 *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

The Town has not presented management's discussion and analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the basic financial statements and the combining and individual fund financial statements. 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 has been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

 De'Ann Willoughby, CPA PC

March 29, 2012

FINANCIAL SECTION

STATE OF NEW MEXICO
TOWN OF DEXTER
Government-Wide Statement of Net Assets
June 30, 2011

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 1,278,615	\$ 382,294	\$ 1,660,909
Receivables	65,803	47,227	113,030
Total Current Assets	<u>1,344,418</u>	<u>429,521</u>	<u>1,773,939</u>
Noncurrent Assets			
Restricted Cash	0	226,048	226,048
Capital Assets	7,262,738	1,609,927	8,872,665
Less: Accumulated Depreciation	(3,191,941)	(728,992)	(3,920,933)
Total Noncurrent Assets	<u>4,070,797</u>	<u>880,935</u>	<u>4,951,732</u>
Total Assets	<u>5,415,215</u>	<u>1,536,504</u>	<u>6,951,719</u>
LIABILITIES			
Current Liabilities			
Accounts Payable	18,673	14,005	32,678
Accrued Interest	6,890	6,890	13,780
Current Portion of Long-Term Debt	28,895	10,000	38,895
Total Current Liabilities	<u>54,458</u>	<u>30,895</u>	<u>85,353</u>
Noncurrent Liabilities			
Compensated Absences	21,788	8,063	29,851
Customer Deposits	0	37,245	37,245
Bonds and Notes	92,989	106,000	198,989
Total Noncurrent Liabilities	<u>114,777</u>	<u>151,308</u>	<u>266,085</u>
Total Liabilities	<u>169,235</u>	<u>182,203</u>	<u>351,438</u>
NET ASSETS			
Invested in Capital Assets, Net of Related Debt	3,948,913	758,045	4,706,958
Unrestricted	1,297,067	596,256	1,893,323
Total Net Assets	<u>\$ 5,245,980</u>	<u>\$ 1,354,301</u>	<u>\$ 6,600,281</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
TOWN OF DEXTER
 Government-Wide Statement of Activities
 For the Year Ended June 30, 2011

Functions/Programs	Program Revenues				Net(Expenses) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General Government	\$ 199,627	\$ 0	\$ 88,012	\$ 0	\$ (111,615)	\$ 0	\$ (111,615)
Public Safety	625,658	19,891	261,465	0	(344,302)	0	(344,302)
Public Works	286,291	7,245	0	34,106	(244,940)	0	(244,940)
Culture & Recreation	168,336	38,363	0	0	(129,973)	0	(129,973)
Health & Welfare	14,394	0	0	0	(14,394)	0	(14,394)
Interest on Long-Term Obligations	12,251	0	0	0	(12,251)	0	(12,251)
Total Governmental Activities	<u>1,306,557</u>	<u>65,499</u>	<u>349,477</u>	<u>34,106</u>	<u>(857,475)</u>	<u>0</u>	<u>(857,475)</u>
Business-type Activities							
Water	245,456	237,890	0	6,761	0	(805)	(805)
Sewer	80,361	88,129	0	0	0	7,768	7,768
Sanitation	117,905	124,075	0	0	0	6,170	6,170
Total Business-type Activities	<u>443,722</u>	<u>450,094</u>	<u>0</u>	<u>6,761</u>	<u>0</u>	<u>13,133</u>	<u>13,133</u>
Total Primary Government	<u>\$ 1,750,279</u>	<u>\$ 515,593</u>	<u>\$ 349,477</u>	<u>\$ 40,867</u>	<u>(857,475)</u>	<u>13,133</u>	<u>(844,342)</u>
General Revenues							
Gross Receipts Taxes					566,042	0	566,042
Property Taxes					10,793	0	10,793
Gasoline Taxes					23,155	0	23,155
Franchise Taxes					24,060	0	24,060
Motor Vehicle					27,649	0	27,649
Other Taxes					364	0	364
Miscellaneous					56,935	103	57,038
Total General Revenues					<u>708,998</u>	<u>103</u>	<u>709,101</u>
Change in Net Assets					(148,477)	13,236	(135,241)
Net Assets - beginning					5,394,457	1,341,065	6,735,522
Net Assets - ending					<u>\$ 5,245,980</u>	<u>\$ 1,354,301</u>	<u>\$ 6,600,281</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
TOWN OF DEXTER
 GOVERNMENTAL FUNDS
 Balance Sheet
 June 30, 2011

	<u>General</u>	<u>Special Revenue</u>	
		<u>Fire</u>	<u>Streets</u>
ASSETS			
Cash and Cash Equivalents	\$ 1,019,759	\$ 45,726	\$ 123,509
Receivables			
Taxes	63,844	0	1,959
Total Assets	<u>\$ 1,083,603</u>	<u>\$ 45,726</u>	<u>\$ 125,468</u>
 LIABILITIES AND FUND BALANCE			
Liabilities			
Current Liabilities			
Accounts Payable	\$ 8,941	\$ 7,480	\$ 0
Total Liabilities	<u>8,941</u>	<u>7,480</u>	<u>0</u>
 Fund Balances			
Restricted for, reported in Special Revenue Funds	0	38,246	125,468
Unassigned- General Fund	1,074,662	0	0
Total Fund Balances	<u>1,074,662</u>	<u>38,246</u>	<u>125,468</u>
 Total Liabilities and Fund Balances	 <u>\$ 1,083,603</u>	 <u>\$ 45,726</u>	 <u>\$ 125,468</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
TOWN OF DEXTER
 GOVERNMENTAL FUNDS
 Balance Sheet
 June 30, 2011

	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
ASSETS		
Cash and Cash Equivalents	\$ 89,621	\$ 1,278,615
Receivables		
Taxes	0	65,803
Total Assets	<u>\$ 89,621</u>	<u>\$ 1,344,418</u>
 LIABILITIES AND FUND BALANCE		
Liabilities		
Current Liabilities		
Accounts Payable	\$ 2,252	\$ 18,673
Total Liabilities	<u>2,252</u>	<u>18,673</u>
Fund Balances		
Restricted for, reported in Special Revenue Funds	87,369	251,083
Unassigned- General Fund	0	1,074,662
Total Fund Balances	<u>87,369</u>	<u>1,325,745</u>
Total Liabilities and Fund Balances	<u>\$ 89,621</u>	<u>\$ 1,344,418</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
TOWN OF DEXTER
 Reconciliation of the Governmental Funds
 Balance Sheet to the Statement of Net Assets
 June 30, 2011

Total Fund Balance - Governmental Funds \$ 1,325,745

Amounts reported for governmental activities in the Statement of Net Assets
 are different because:

Capital assets used in governmental activities are not financial
 resources and therefore are not reported as assets in
 governmental funds.

The cost of capital assets	\$ 7,262,738	
Accumulated depreciation is	<u>(3,191,941)</u>	4,070,797

Long-term and certain other liabilities, including bonds payable,
 are not due and payable in the current period and therefore are not
 reported as liabilities in the funds. Long-term and other liabilities
 at year end consist of :

Bonds payable	(121,884)	
Accrued interest on bonds	(6,890)	
Compensated Absences	<u>(21,788)</u>	<u>(150,562)</u>

Total Net Assets - Governmental Activities \$ 5,245,980

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
TOWN OF DEXTER
GOVERNMENTAL FUNDS
Statement of Revenues, Expenditures and Changes
in Fund Balance
For the Year Ended June 30, 2011

	General	Special Revenue	
		Fire	Streets
Revenues			
Taxes			
Gross Receipts	\$ 566,042	\$ 0	\$ 0
Property	10,793	0	0
Gasoline	0	0	23,155
Franchise	24,060	0	0
Motor Vehicle	27,649	0	0
Other	353	0	0
Charges for Services	65,498	0	0
License & Permits	1,805	0	0
Fees and Fines	9,882	0	0
County Subsidy	0	5,833	0
State Grants	88,011	214,566	34,106
Federal Grant	0	0	0
Miscellaneous	29,724	229	0
Total Revenues	<u>823,817</u>	<u>220,628</u>	<u>57,261</u>
Expenditures			
Current			
General	186,682	0	0
Public Safety	348,082	161,927	0
Public Works	100,233	0	26,788
Culture & Recreation	137,537	0	0
Health & Welfare	0	0	0
Capital Outlay	76,063	32,000	75,498
Debt Service			
Principal	0	53,561	0
Interest	0	6,346	0
Total Expenditures	<u>848,597</u>	<u>253,834</u>	<u>102,286</u>
Excess (Deficiency) of Revenues Over Expenditures	(24,780)	(33,206)	(45,025)
Fund Balances at Beginning of Year	<u>1,099,443</u>	<u>71,452</u>	<u>170,492</u>
Fund Balance End of Year	<u>\$ 1,074,663</u>	<u>\$ 38,246</u>	<u>\$ 125,467</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
TOWN OF DEXTER
GOVERNMENTAL FUNDS
Statement of Revenues, Expenditures and Changes
in Fund Balance
For the Year Ended June 30, 2011

	Non-Major Governmental Funds	Total Governmental Funds
Revenues		
Taxes		
Gross Receipts	\$ 0	\$ 566,042
Property	0	10,793
Gasoline	0	23,155
Franchise	0	24,060
Motor Vehicle	0	27,649
Other	11	364
Charges for Services	0	65,498
License & Permits	0	1,805
Fees and Fines	7,449	17,331
County Subsidy	11,666	17,499
State Grants	29,400	366,083
Federal Grant	0	0
Miscellaneous	10,653	40,606
Total Revenues	<u>59,179</u>	<u>1,160,885</u>
Expenditures		
Current		
General	0	186,682
Public Safety	26,028	536,037
Public Works	0	127,021
Culture & Recreation	1,250	138,787
Health & Welfare	11,310	11,310
Capital Outlay	32,000	215,561
Debt Service		
Principal	0	53,561
Interest	0	6,346
Total Expenditures	<u>70,588</u>	<u>1,275,305</u>
Excess (Deficiency) of Revenues Over Expenditures	(11,409)	(114,420)
Fund Balances at Beginning of Year	<u>98,778</u>	<u>1,440,165</u>
Fund Balance End of Year	<u>\$ 87,369</u>	<u>\$ 1,325,745</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
TOWN OF DEXTER
 Reconciliation of the Governmental Funds
 Statement of Revenues, Expenditures and Changes in Fund Balance
 To the Statement of Activities
 June 30, 2011

Net Change in Fund Balance \$ (114,420)

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the Statement of Net Assets and allocated over their estimated useful lives as annual depreciation expenses in the Statement of Activities.

Depreciation expense	\$ (295,291)	
Loss on Sale of Property	(2,805)	
Capital Outlays	<u>215,561</u>	(82,535)

Repayment of bond principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Assets. 53,561

In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.

Accrued Interest, June 30, 2010	985	
Accrued Interest, June 30, 2011	<u>(6,890)</u>	(5,905)

Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds.

Compensated Absences, June 30, 2010	22,610	
Compensated Absences, June 30, 2011	<u>(21,788)</u>	<u>822</u>

Changes in Net Assets of Governmental Activities \$ (148,477)

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO

TOWN OF DEXTER

GENERAL FUND

Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Taxes				
Gross Receipts	\$ 600,000	\$ 560,641	\$ 560,641	\$ 0
Property Taxes	10,682	10,851	10,851	0
Franchise Taxes	30,000	25,084	25,083	(1)
Motor Vehicle Taxes	19,040	26,909	27,109	200
Other Taxes	0	465	465	0
Charges for Services	56,720	65,498	65,499	1
License & Permits	2,130	1,805	1,805	0
Fees & Fines	10,000	9,882	9,882	0
State & Local Grants	53,982	88,012	88,012	0
Miscellaneous	16,200	23,539	29,722	6,183
Total Revenues	<u>798,754</u>	<u>812,686</u>	<u>819,069</u>	<u>6,383</u>
Expenditures				
Executive				
Personnel Services	7,985	7,342	7,342	0
Operating Expense	11,208	24,023	24,023	0
Total Executive	<u>19,193</u>	<u>31,365</u>	<u>31,365</u>	<u>0</u>
Financial				
Personnel Services	119,922	120,215	120,215	0
Operating Expense	16,033	15,497	15,518	(21)
Total Financial	<u>135,955</u>	<u>135,712</u>	<u>135,733</u>	<u>(21)</u>
Judicial				
Personnel Services	20,964	14,204	14,201	3
Operating Expense	11,480	8,594	8,597	(3)
Total Judicial	<u>32,444</u>	<u>22,798</u>	<u>22,798</u>	<u>0</u>
Public Safety				
Personnel Services	248,092	249,968	249,626	342
Operating Expense	58,811	71,200	71,542	(342)
Total Public Safety	<u>306,903</u>	<u>321,168</u>	<u>321,168</u>	<u>0</u>
Fire				
Operating Expense	0	11,505	11,505	0
Total Fire	<u>0</u>	<u>11,505</u>	<u>11,505</u>	<u>0</u>
Ambulance				
Operating Expense	11,818	20,526	20,528	(2)
Capital Outlay	35,000	23,884	23,884	0
Total Ambulance	<u>\$ 46,818</u>	<u>\$ 44,410</u>	<u>\$ 44,412</u>	<u>\$ (2)</u>

STATE OF NEW MEXICO
TOWN OF DEXTER
GENERAL FUND

Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Highway & Streets				
Personnel Services	\$ 53,973	\$ 38,486	\$ 38,485	\$ 1
Operating Expense	43,237	25,520	25,521	(1)
Total Highway & Streets	<u>97,210</u>	<u>64,006</u>	<u>64,006</u>	<u>0</u>
Motor Vehicle Department				
Personnel Services	34,849	27,976	27,977	(1)
Operating Expense	7,618	11,478	11,377	101
Total Motor Vehicle Department	<u>42,467</u>	<u>39,454</u>	<u>39,354</u>	<u>100</u>
Parks				
Personnel Services	85,065	74,464	74,464	0
Operating Expense	85,797	68,963	63,079	5,884
Capital Purchases	27,000	46,296	52,179	(5,883)
Total Parks	<u>197,862</u>	<u>189,723</u>	<u>189,722</u>	<u>1</u>
Library				
Operating Expense	1,000	1,401	1,402	(1)
Total Library	<u>1,000</u>	<u>1,401</u>	<u>1,402</u>	<u>(1)</u>
Total Expenditures	<u>879,852</u>	<u>861,542</u>	<u>861,465</u>	<u>77</u>
Excess (Deficiency) of Revenues Over Expenditures	(81,098)	(48,856)	(42,396)	6,460
Cash Balance Beginning of Year	<u>1,062,155</u>	<u>1,062,155</u>	<u>1,062,155</u>	<u>0</u>
Cash Balance End of Year	\$ <u>981,057</u>	\$ <u>1,013,299</u>	\$ <u>1,019,759</u>	\$ <u>6,460</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (42,396)	
Net change in Taxes Receivable			4,749	
Net change in Accounts Payable			1,393	
Net change in Accrued Salaries & Benefits			11,474	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			\$ <u>(24,780)</u>	

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
TOWN OF DEXTER
SPECIAL REVENUE FUND-FIRE
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
State Grant	\$ 220,125	\$ 214,566	\$ 214,566	\$ 0
County Subsidy	5,833	5,833	5,833	0
Interest Income	0	101	229	128
Total Revenues	<u>225,958</u>	<u>220,500</u>	<u>220,628</u>	<u>128</u>
Expenditures				
Public Safety				
Operating	202,252	192,449	160,449	32,000
Capital Outlay	0	0	32,000	(32,000)
Debt Service				
Principal	59,241	59,241	53,561	5,680
Interest	0	0	6,346	(6,346)
Total Expenditures	<u>261,493</u>	<u>251,690</u>	<u>252,356</u>	<u>(666)</u>
Excess (Deficiency) of Revenues Over Expenditures	(35,535)	(31,190)	(31,728)	(538)
Cash Balance Beginning of Year	<u>77,454</u>	<u>77,454</u>	<u>77,454</u>	<u>0</u>
Cash Balance End of Year	\$ <u>41,919</u>	\$ <u>46,264</u>	\$ <u>45,726</u>	\$ <u>(538)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (31,728)	
Net change in Accounts Payable			(1,478)	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (33,206)</u>	

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
TOWN OF DEXTER
SPECIAL REVENUE FUND-STREETS GAS TAX
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Special Gas Tax	\$ 27,100	\$ 23,568	\$ 23,568	\$ 0
Regular Gas Tax	0	34,106	34,106	0
Total Revenues	<u>27,100</u>	<u>57,674</u>	<u>57,674</u>	<u>0</u>
Expenditures				
Public Works				
Operating Expenses	0	0	26,787	(26,787)
Capital Outlay	90,527	102,285	75,498	26,787
Total Expenditures	<u>90,527</u>	<u>102,285</u>	<u>102,285</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	(63,427)	(44,611)	(44,611)	0
Cash Balance Beginning of Year	<u>168,120</u>	<u>168,120</u>	<u>168,120</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 104,693</u>	<u>\$ 123,509</u>	<u>\$ 123,509</u>	<u>\$ 0</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (44,611)	
Net Change in Taxes Receivable			(414)	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (45,025)</u>	

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
TOWN OF DEXTER
 PROPRIETARY FUND
 Statement of Net Assets
 June 30, 2011

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 382,294
Receivables (net of allowance for uncollectible accounts)	
Accounts	47,227
Total Current Assets	<u>429,521</u>

Noncurrent Assets

Restricted Cash	226,048
Capital Assets	1,609,927
Less: Accumulated Depreciation	<u>(728,992)</u>
Total Noncurrent Assets	<u>1,106,983</u>

Total Assets	<u>1,536,504</u>
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LIABILITIES

Current Liabilities

Accounts Payable	14,005
Accrued Interest	6,890
Compensated Absences	8,063
Current Portion of Long-Term Debt	<u>10,000</u>
Total Current Liabilities	<u>38,958</u>

Noncurrent Liabilities

Customer Deposits	37,245
Long Term Debt	<u>106,000</u>
Total Noncurrent Liabilities	<u>143,245</u>

Total Liabilities	<u>182,203</u>
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NET ASSETS

Invested in Capital Assets, Net of

Related Debt	764,935
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Unrestricted

Total Net Assets	<u>\$ 1,354,301</u>
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The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
TOWN OF DEXTER
 PROPRIETARY FUND
 Statement of Revenue, Expenses and Changes in Fund Net Assets
 For the Year Ended June 30, 2011

Operating Revenues	
Sales & Service	\$ 450,094
Total Operating Revenues	<u>450,094</u>
Operating Expenses	
Salaries & Benefits	106,359
Operating Expense	269,186
Depreciation	46,480
Total Operating Expenses	<u>422,025</u>
Operating Income (Loss)	<u>28,069</u>
Nonoperating Revenue (Expenses)	
Interest Income	103
Federal Grant	6,761
Interest Expense	<u>(21,697)</u>
Total Nonoperating Revenue (Expenses)	<u>(14,833)</u>
Change in Net Assets	13,236
Total Net Assets - Beginning	<u>1,341,065</u>
Total Net Assets - Ending	<u>\$ 1,354,301</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
TOWN OF DEXTER
 PROPRIETARY FUND
 Combined Statement of Cash Flows
 For the Year Ended June 30, 2011

Cash Flows from Operating Activities	
Cash Received From Customers	\$ 453,771
Cash Paid to Suppliers and Employees	(374,509)
Net Cash Provided by Operating Activities	<u>79,262</u>
Cash Flows from Capital & Related Financing Activities	
Principal Paid	(22,688)
Interest Paid	(21,697)
Net Cash Provided by Capital & Related Financing Activities	<u>(44,385)</u>
Cash Flows from Investing Activities	
Interest Received	103
Net Cash Provided by Investing Activities	<u>103</u>
Net Increase (Decrease) in Cash	34,980
Cash, Beginning of the Year	<u>573,362</u>
Cash, End of the Year	<u>\$ 608,342</u>
Reconciliation of Cash	
Cash in the Bank	\$ 382,294
Restricted Cash in the Bank	226,048
	<u>\$ 608,342</u>
Reconciliation of Net Income to Net Cash Provided by Operating Activities	
Operating Income (Loss)	\$ 28,069
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities	
Depreciation	46,480
Change in Assets and Liabilities	
(Increase) Decrease in Accounts Receivable	(4,852)
(Increase) Decrease in Inventory	7,433
Increase (Decrease) in Accounts Payable	2,452
Increase (Decrease) in Accrued Salaries	(2,033)
Increase (Decrease) in Accrued Interest	(466)
Increase (Decrease) in Compensated Absenses	521
Increase (Decrease) in Meter Deposits	1,658
Net Cash Provided by Operating Activities	<u>\$ 79,262</u>

The notes to the financial statements are an integral part of this statement.

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the Town of Dexter (Town), has 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. Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) prior to November 30, 1989 that do not conflict with or contradict GASB pronouncements. The more significant of the Town's accounting policies are described below.

Financial Reporting Entity

The Town of Dexter was incorporated under the laws of the State of New Mexico. The Town operates under a Council-Mayor form of government and provides the following services as authorized by its charter: public safety (police and fire), streets, sanitation, culture-recreation, public improvements, planning and zoning, and general administrative services.

GASB Statement No. 14 established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the Town is considered a primary government, since it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement No. 14, fiscally independent means that the Town may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges and issue bonded debt.

The Town has no component units, defined by GASB Statement No. 14 as other legally separate organizations for which the elected Town members are financially accountable. There are no other primary governments with which the Town Board Members are financially accountable. There are no other primary governments with which the Town has a significant relationship.

The accounts of the Town are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

The funds of the Town are classified into two categories: governmental and proprietary. In turn, each category is divided into separate fund types. The fund classification and a description of each existing fund type follows below.

Basis of Presentation and Basis of Accounting

Government-Wide Financial Statements (GWFS)

The government-wide financial statements (the statement of net assets and the statement of changes in net assets) report information on all of the activities of the Town. Fiduciary funds are not included in the GWFS. Fiduciary Funds are reported only in the Statement of Fiduciary Net Assets at the fund financial statement level. The effect of interfund activity, within the governmental and business-type activities columns, 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 activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services, or privileges provided by a given program 2) operating grants and contributions that are restricted to meeting the operational requirements of a particular program, which includes the small cities assistance, fire protection, EMS and LEPF, operating expenses and capital purchases and 3) capital grants or contributions restricted to meeting capital requirements of a particular program. Taxes and other items not properly included amount program revenues are reported instead as general revenues.

The Town segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The Town has presented the following major governmental funds:

General Fund - The General Fund is the general operating fund of the Town and accounts for all revenues and expenditures of the Town not encompassed within other funds.

Fire Fund - To account for the operation and maintenance of the Town Fire Department. Financing is primarily from an annual state fire allotment. The fund was created by the authority of state grant

Streets Gas Tax-To account for the receipts and expenditures of special gasoline tax which is restricted for use in repairing and maintaining roads and streets within the municipality. The fund was created by the authority of state grant provisions. (NMSA 29-13-3)

Proprietary Funds - Proprietary Fund Financial Statements include a Statement of Net Assets, a Statement of Revenues, Expenses and Changes in Fund Net Assets, and a Statement of Cash Flows for each major proprietary fund and non-major funds aggregated. A column representing internal service funds is also presented in these statements. However, internal service balances and activities have been combined with the governmental activities in the Government-Wide financial statements.

The Proprietary Funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. Accordingly, all assets and liabilities (whether current or non current) are included on the Statement of Net Assets. The Statement of Revenues, Expenses and Changes in Fund Net Assets presents increases (revenues) and decreases (expenses) in total net assets. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period on which the liability is incurred.

Operating revenues in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

Additionally, the Town reports the following non-major funds types:

Special Revenue Funds - Special Revenue Funds are used to account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

Fiduciary Fund - The Fiduciary funds account for assets held by the Town in a trustee or agent capacity.

Measurement Focus and Basis of Accounting

The government wide, proprietary, and fiduciary fund financial statements are reported using the economic resources measurement focus. The government wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in the Town gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Derived tax revenue, such as franchise and sales tax revenue, is recognized when the underlying exchange transaction occurs.

Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method revenues are recognized when measurable and available. The Town considers all revenues reported in the governmental funds to be available if the revenues are collected within thirty days after year-end. Property taxes, sales taxes, franchise tax, licenses, and interest are considered to be susceptible to accrual. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreement, the Town funds certain programs by a combination of specific cost reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available to financial the program. It is the Town's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

Budgetary Control

1. Prior to June 1, the Town's Clerk-Treasurer submits the budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Prior to July 1, the budget is legally enacted through passage of an ordinance and then must be approved by Local Government Division of the State Department of Finance and Administration.
3. The Town treasurer is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Town Trustees and the State Department of Finance and Administration.
4. Formal budgetary integration is employed as a management control device during the year for all funds.
5. Legal budget control for expenditures is by fund.

Cash and Cash Equivalents

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.

The Town is authorized under the provisions of Chapter 6, Article 10, paragraph 10, NMSA 1978, to deposit its money in banks, savings and loan associations and/or credit unions whose accounts are insured by an agency of the United States.

Investments

All money not immediately necessary for the public uses of the Town may be invested in :

- (a) bonds or negotiable securities of the United States, the state or any county, municipality or Town which has a taxable valuation of real property for the last preceding year of at least one million dollars (1,000,000) and has not defaulted in the payment of any interest or sinking fund obligation or failed to meet any bonds at maturity at any time within five years last preceding; or
- (b) securities that are issued by the United States government or by its agencies or instrumentalities and that are either direct obligations of the United States or are backed by the full faith and credit of the United States government or agencies guaranteed by the United States government.
- (c) in contracts with banks, savings and loan associations or credit unions for the present purchase and resale at a specified time in the future of specific securities at specified prices at a price differential representing the interest income to be earned by the investor. The contract shall be shown on the books of the financial institution as being the property of the investor and the designation shall be contemporaneous with the investment. The contract shall be fully secured by obligations of the United States having a market value of at least one hundred two percent of the contract. The collateral required for investment in the contracts provided for in this subsection shall be shown on the books of the financial institution as being the property of the investor and the designation shall be contemporaneous with investment.

Prepaid Items

Prepaid balances are for payments made by the Town in the current year to provide services occurring in the subsequent fiscal year, and the reserve for prepaid items has been recorded to signify that a portion of fund balance is not available for other subsequent expenditures.

Receivables and Payables

Receivables include property taxes, interfund loans that are expected to be paid back and amount due from state government agencies related to various grant agreements. Payables represent routine monthly bills for services rendered and products purchased and accrued salaries and benefits.

Elimination and Reclassifications of Certain Receivables and Payables

In the process of aggregating data for the Statement of Net Assets and the Statement of Activities, some amounts reported as interfund activity and balances in the funds were eliminated or reclassified. Interfund receivables and payables were eliminated to minimize the "grossing up" effect on assets and liabilities within the governmental activities column.

Capital Assets

Capital assets, which includes property, plant, equipment (including software), and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. Capital assets are recorded at historical costs and depreciated over their estimated useful lives (with no salvage value). Capital assets are defined by the Town as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Donated capital assets are recorded at their estimated fair market value on the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The construction period interest is not capitalized in the proprietary funds.

Estimated useful life is management's estimate of how long the asset is expected to meet service demands. Straight line depreciation is used based on the following estimated useful lives:

Buildings, Improvements and Infrastructure	20-50 Years
Equipment	3-15 Years

Revenue

The policy for defining the proprietary fund's operating revenues and expenses is how individual transactions would be categorized for purposes of preparing a statement of cash flows. Transactions for which cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities normally are not reported as components of operating income.

Accumulated Unpaid Vacation and Sick Leave Benefits

Upon retirement or death of certain employees, the Town pays any accrued vacation leave in a lump cash payment to such employee or his/her estate. All amounts as of June 30, 2011 are considered non-current, and any payments are made from the proprietary or general fund, where employee earns vacation pay.

STATE OF NEW MEXICO
TOWN OF DEXTER
Notes to the Financial Statements
June 30, 2011

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 borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed by creditors, grantors or laws or regulations of other governments. When an expense is incurred for purposes for which both restricted and unrestricted net assets are available it will first be applied to restricted resources.

NOTE B: RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS STATEMENTS

The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - all Governmental Fund Types is presented on the budgetary basis to provide a comparison of actual results with the budget. The major differences between the budget basis and GAAP (Generally Accepted Accounting Principles) basis are that:

- A. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- B. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

The adjustments necessary to convert the results of operations for the year from GAAP basis to the budget basis for the governmental funds are presented on each individual Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget and Actual (Budgetary Basis).

NOTE C: DEPOSITS AND INVESTMENTS

The Town is required by New Mexico State Statute (Section 6-10-17) to be 50% collateralized. Following is a schedule calculating the requirement and disclosing the pledged securities.

Wells Fargo Bank

<u>Name of Account</u>	Balance Per Bank 6/30/11	Reconciled Balance	Type
CDBG Projects	\$ 60	\$ 60	Checking
General Fund	1,222,287	1,222,192	Checking
Dexter Health Clinic	15,044	15,044	Checking
Repairs & Replacement	46,887	46,887	Checking
Reserve Bond	94,724	94,724	Checking
JUSGI 1075 & 1983	10,790	10,790	Checking
Utility Fund	418,217	418,217	Checking
Water Meter	38,169	37,662	Checking
TOTAL Deposited	<u>1,846,178</u>	<u>\$ 1,845,576</u>	
Less: FDIC Coverage	<u>(250,000)</u>		
Uninsured Amount	1,596,178		
50% collateral requirement	798,089		
Pledged securities	<u>1,176,080</u>		
Over (Under) requirement	<u>\$ 377,991</u>		

STATE OF NEW MEXICO
TOWN OF DEXTER
Notes to the Financial Statements
June 30, 2011

The difference between the bank balance and the reconciled balance is outstanding deposits, outstanding checks and pending bank adjustments.

The following securities are pledged:

<u>Description</u>	<u>CUSIP #</u>	<u>Market Value</u>	<u>Maturity Date</u>
FGH00895	3128MS7G9	\$ 73,322	6/1/2037
FED NATL MTG ASSN POOL #254549	31371KWJ6	213,365	12/1/2032
FED NATL MTG ASSN POOL #256349	31371MWJ2	117,944	7/1/2036
FED NATL MTG ASSN POOL #879100	31409UUZ6	149,016	5/1/2036
FED NATL MTG ASSN POOL #880203	31409V3L5	104,286	2/1/2036
FED NATL MTG ASSN POOL #891444	31410MLZ1	284,315	4/1/2036
FED NATL MTG ASSN POOL #895631	31410SA80	65,327	5/1/2036
FED NATL MTG ASSN POOL #915969	31411VT25	20,893	4/1/2037
FED NATL MTG ASSN POOL #975338	31414TBF7	133,772	5/1/2038
FED NATL MTG ASSN POOL #988841	31415TP20	13,840	8/1/2038
		<u>\$ 1,176,080</u>	

All Pledged is with Wells Fargo in San Francisco, CA

Custodial Credit Risk-Deposits

<u>Depository Account</u>	<u>Bank Balance</u>
Insured	\$ 250,000
Collateralized:	
Collateral held by the pledging bank in Town's name	1,176,080
Uninsured and uncollateralized	420,098
Total Deposits	<u>\$ 1,846,178</u>

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2011 \$420,098 of the Town's bank balance of \$1,846,178 was exposed to custodial credit risk.

During the year ending June 30, 2011 the Town had the following cash balance with Bank of America-NMFA for debt service reserve:

<u>Name of Account</u>	<u>Balance Per Bank 6/30/11</u>	<u>Reconciled Balance</u>	<u>Type</u>
Town of Dexter	\$ 27,656	\$ 27,656	Savings
Town of Dexter	13,725	13,725	Savings
TOTAL Deposited	<u>\$ 41,381</u>	<u>\$ 41,381</u>	

NOTE D: RESTRICTED CASH

Restricted cash of \$35,996 are the water deposits and is held for refunds as needed. The balance of \$190,052 is reserved for drilling and developing new sources of water for the Town.

STATE OF NEW MEXICO
TOWN OF DEXTER
Notes to the Financial Statements
June 30, 2011

NOTE E: CAPITAL ASSETS

Capital Assets Balances and Activity for the fiscal year, is as follows:

	Beginning Balance 6/30/10	Increases	Decreases	Ending Balance 6/30/11
Governmental Activities				
Capital Assets, not being Depreciated				
Land	\$ 68,000	\$ 0	\$ 0	\$ 68,000
Construction in Progress	46,712	0	46,712	0
Total Capital Assets, not being Depreciated	<u>114,712</u>	<u>0</u>	<u>46,712</u>	<u>68,000</u>
Capital Assets, being Depreciated				
Infrastructure	3,404,826	75,498	0	3,480,324
Buildings	1,840,753	79,392	0	1,920,145
Equipment	1,775,569	107,383	88,683	1,794,269
Total Capital Assets, being Depreciated	<u>7,021,148</u>	<u>262,273</u>	<u>88,683</u>	<u>7,194,738</u>
Total Capital Assets	<u>7,135,860</u>	<u>262,273</u>	<u>135,395</u>	<u>7,262,738</u>
Less Accumulated Depreciation				
Infrastructure	1,416,527	145,702	0	1,562,229
Buildings	597,157	52,578	0	649,735
Equipment	968,844	97,011	85,878	979,977
Total Accumulated Depreciation	<u>2,982,528</u>	<u>295,291</u>	<u>85,878</u>	<u>3,191,941</u>
Capital Assets, net	<u>\$ 4,153,332</u>	<u>\$ (33,018)</u>	<u>\$ 49,517</u>	<u>\$ 4,070,797</u>

Depreciation expense was charged to governmental activities as follows:

General	\$ 12,548
Public Safety	86,693
Public Works	158,690
Culture & Recreation	34,275
Health & Welfare	3,085
Total depreciation expenses	<u>\$ 295,291</u>

STATE OF NEW MEXICO
TOWN OF DEXTER
Notes to the Financial Statements
June 30, 2011

Business-Type Activities	Beginning Balance 6/30/10	Increases	Decreases	Ending Balance 6/30/11
Capital Assets, not being Depreciated				
Land	\$ 26,000	\$ 0	\$ 0	\$ 26,000
Total Capital Assets, not being Depreciated	26,000	0	0	26,000
Capital Assets, being Depreciated				
Infrastructure	0	0	0	0
Buildings	1,255,853	6,761	0	1,262,614
Equipment	334,113	0	12,800	321,313
Total Capital Assets, being Depreciated	1,589,966	6,761	12,800	1,583,927
Total Capital Assets	1,615,966	6,761	12,800	1,609,927
Less Accumulated Depreciation				
Buildings	556,101	31,373	0	587,474
Equipment	139,212	15,106	12,800	141,518
Total Accumulated Depreciation	695,313	46,479	12,800	728,992
Capital Assets, net	\$ 920,653	\$ (39,718)	\$ 0	\$ 880,935

NOTE F: LONG TERM DEBT

Governmental Funds

A summary of activity in the Long-Term Debt is as follows:

	Beginning Balance 6/30/10	Additions	Reductions	Ending Balance 6/30/11	Amounts Due Within One Year
Notes Payable	\$ 175,445	\$ 0	\$ 53,561	\$ 121,884	\$ 28,895
Total Notes Payable	175,445	0	53,561	121,884	28,895
Other Liabilities					
Compensated Absences	22,610	20,451	21,273	21,788	0
Total Other Liabilities	22,610	20,451	21,273	21,788	0
Long-Term	\$ 198,055	\$ 20,451	\$ 74,834	\$ 143,672	\$ 28,895

The compensated absences ultimately will be liquidated by the General Fund or Utility Fund as they have been in the past.

All activities of bonds and loans payable at June 30, 2011 are comprised of the following individual issues:

STATE OF NEW MEXICO
TOWN OF DEXTER
Notes to the Financial Statements
June 30, 2011

2001 NMFA Loan, due in annual installments of \$22,908 to \$25,610 including interest, at 4.54% to 5.37% through May, 2011.	\$	0
2004 NMFA Loan, due in annual installments of \$24,764 to \$32,109 including interest, at 1.9% to 4.43% through May, 2015.		121,884
	\$	<u>121,884</u>

The annual requirements to amortize both of the above described loans as of June 30, 2011, including interest payments are as follows:

	Principal	Interest	Total
2012	\$ 28,895	\$ 3,629	\$ 32,524
2013	29,904	2,664	32,568
2014	30,976	1,140	32,116
2015	32,109	556	32,665
	<u>\$ 121,884</u>	<u>\$ 7,989</u>	<u>\$ 129,873</u>

Proprietary Funds

A summary of activity in the Long-Term Debt is as follows:

	Beginning Balance 6/30/10	Additions	Reductions	Ending Balance 6/30/11	Amounts Due Within One Year
Bonds Payable	\$ 138,688	\$ 0	\$ 22,688	\$ 116,000	\$ 10,000
Compensated Absences	7,542	5,660	5,139	8,063	0
Total	<u>\$ 146,230</u>	<u>\$ 5,660</u>	<u>\$ 27,827</u>	<u>\$ 124,063</u>	<u>\$ 10,000</u>

All activities of bonds and loans payable at June 30, 2010 are comprised of the following individual

	Balance
1974 Utility Serial Bonds issued January, 1974, held by GE Capital, due in installments of \$6,000 to \$8,034, including interest, through January, 2014. The loan was paid in full this year by paying extra principal.	\$ 0
1983 Utility Serial Bonds issued January, 1983, held by GE Capital, due in annual installments of \$3,000 to 18,584 including interest, through January, 2023, interest at 11.375%.	116,000
Total	<u>\$ 116,000</u>

STATE OF NEW MEXICO
TOWN OF DEXTER
Notes to the Financial Statements
June 30, 2011

The annual requirements to two above bonds as of June 30, 2011, including interest payments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ 6,000	\$ 13,195	\$ 19,195
2013	7,000	12,513	19,513
2014	7,000	11,716	18,716
2015	8,000	10,920	18,920
2016	8,000	10,010	18,010
2017-2021	52,000	34,808	86,808
2022-2023	28,000	4,891	32,891
	<u>\$ 116,000</u>	<u>\$ 98,053</u>	<u>\$ 214,053</u>

NOTE G: PROPERTY TAXES

The County collects the Town's share of property taxes assessed. Property taxes attach an enforceable lien on property as of January 1st. Tax notices are sent by the County treasurer to property owners by November 1st of each year to be paid in whole or in two installments by November 10th and April 10th of each year. The County collects such taxes and distributes them to the Town on a monthly basis. The Town accounts for its share of property taxes in the General Fund. Only those collections received are recorded as revenues for the budget presentation.

NOTE H: DEFINED BENEFIT PENSION PLAN

Plan Description. Substantially all of the Town'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 benefits, 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, P.O. Box 2123, Santa Fe, NM 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 7% of the gross salary. The Town is required to contribute 7% for all employee's with the exception of police officers which require the Town to contribute 10% of the gross covered salary. The contribution requirements of plan members and the Town are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The Town's contributions to PERA for the fiscal years ending June 30, 2011, 2010 and 2009 were \$71,530, \$70,657, and \$65,185, respectively, which equal the amount of the required contributions for each fiscal year.

NOTE I: POST-EMPLOYMENT BENEFITS

The Town does not participate in the State of New Mexico Retiree Health Care plan.

STATE OF NEW MEXICO
TOWN OF DEXTER
Notes to the Financial Statements
June 30, 2011

NOTE J: RECEIVABLES

Receivables as of June 30, 2011, were as follows:

<u>Receivables</u>	<u>General</u>	<u>Streets</u>	<u>Non Major</u>	<u>Utilities</u>
Gross Receipts Tax	\$ 55,635	\$ 0	\$ 0	\$ 0
Gas Taxes	0	1,959	0	0
Franchise Taxes	4,761	0	0	0
Property Taxes	214	0	0	0
Other Taxes	3,234	0	0	0
Accounts Receivables	0	0	0	47,227
	<u>\$ 63,844</u>	<u>\$ 1,959</u>	<u>\$ 0</u>	<u>\$ 47,227</u>

NOTE K: INTERFUND TRANSFERS

There were no interfund transfers or interfund balances.

NOTE L: RISK MANAGEMENT

The Town participates in the New Mexico Self-Insurers Fund for medical insurance coverage for their employees. Commercial Insurance covers all other losses. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years. There are no claim liabilities at year end.

NOTE M: SURETY BOND

The officials and certain employees of the Town are covered by a surety bond as required by Section 12-6-7, NMSA, 1978 Compilation.

NOTE N. BUDGET

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

Excess of expenditures over appropriations. The following funds exceeded approved budgetary authority for the year ended June 30, 2011:

Major Funds	<u>Amount</u>
Fire Fund	(666)

NOTE O. DEFICIT FUND BALANCE

The EMS Fund had a deficit fund balance of \$(2,085).

**SUPPLEMENTAL INFORMATION RELATED TO
NON MAJOR FUNDS**

NONMAJOR FUNDS

SPECIAL REVENUE FUNDS

Emergency Medical Services

To account for the operation and maintenance of the Town EMS Department. Financing is primarily from an annual EMS allotment and fees collected for emergency transportation. The fund was created by the authority of state grant provisions. (NMSA 59A-53-1)

Law Enforcement

To account for funds received from the State of New Mexico for law enforcement purposes. The fund was created by the authority of state grant provisions. (NMSA 29-13-3)

Correction

To account for the collection of fines which are used to supplement the cost of prisoner housing. The fund was created by the authority of state statute. (Section 29-1301 NASA 1978)

Recreation

To account for the operation and maintenance of the Town's youth recreation program. Financing is provided by the state shared cigarette tax. The fund was created by the authority of state statute. (NMSA 7-12-15)

Health Clinic

To account for the receipts and expenditures related to the Town's Health Clinic. Funding is provided by the State Department of Health, Public Health Division, to provide primary health care services and rental income collected and reserved for maintenance of the Health Clinic Building. The fund was created by State Grant Provisions. NMSA 24-1A-3.1

STATE OF NEW MEXICO
TOWN OF DEXTER
NONMAJOR FUNDS
Combining Balance Sheet
June 30, 2011

	Special Revenue Funds		
	Emergency Medical Services	Law Enforcement	Corrections
ASSETS			
Cash and Cash Equivalents	\$ 0	\$ 0	\$ 74,577
Total Assets	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 74,577</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts Payable	\$ 2,085	\$ 0	\$ 0
Total Liabilities	<u>2,085</u>	<u>0</u>	<u>0</u>
Fund Balance			
Reserved			
Special Revenue	(2,085)	0	74,577
Total Fund Balance	<u>(2,085)</u>	<u>0</u>	<u>74,577</u>
Total Liabilities and Fund Balance	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 74,577</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
TOWN OF DEXTER
 NONMAJOR FUNDS
 Combining Balance Sheet
 June 30, 2011

	<u>Special Revenue Funds</u>		
	<u>Recreation</u>	<u>Health Clinic</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 0	\$ 15,044	\$ 89,621
Total Assets	<u>\$ 0</u>	<u>\$ 15,044</u>	<u>\$ 89,621</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts Payable	\$ 0	\$ 167	\$ 2,252
Total Liabilities	<u>0</u>	<u>167</u>	<u>2,252</u>
Fund Balance			
Reserved			
Special Revenue	0	14,877	87,369
Total Fund Balance	<u>0</u>	<u>14,877</u>	<u>87,369</u>
Total Liabilities and Fund Balance	<u>\$ 0</u>	<u>\$ 15,044</u>	<u>\$ 89,621</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
TOWN OF DEXTER
NONMAJOR FUNDS
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance
For the Year Ended June 30, 2011

	Special Revenue Funds		
	Emergency Medical Services	Law Enforcement	Corrections
	<u> </u>	<u> </u>	<u> </u>
Revenues			
Other Taxes	\$ 0	\$ 0	\$ 0
Fees & Fines	0	0	7,449
County Subsidy	5,833	5,833	0
State Grants	7,000	22,400	0
Miscellaneous	0	0	0
Total Revenues	<u>12,833</u>	<u>28,233</u>	<u>7,449</u>
Expenditures			
Current			
Public Safety	14,918	8,944	2,166
Culture & Recreation	0	0	0
Health & Welfare	0	0	0
Capital Outlay	0	32,000	0
Total Expenditures	<u>14,918</u>	<u>40,944</u>	<u>2,166</u>
Excess (Deficiency) of Revenues Over Expenditures	(2,085)	(12,711)	5,283
Fund Balances at Beginning of Year	<u>0</u>	<u>12,711</u>	<u>69,294</u>
Fund Balance End of Year	<u>\$ (2,085)</u>	<u>\$ 0</u>	<u>\$ 74,577</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
TOWN OF DEXTER
NONMAJOR FUNDS
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance
For the Year Ended June 30, 2011

	<u>Special Revenue Funds</u>		
	<u>Recreation</u>	<u>Health Clinic</u>	<u>Total</u>
Revenues			
Other Taxes	\$ 11	\$ 0	\$ 11
Fees & Fines	0	0	7,449
County Subsidy	0	0	11,666
State Grants	0	0	29,400
Miscellaneous	0	10,653	10,653
Total Revenues	<u>11</u>	<u>10,653</u>	<u>59,179</u>
Expenditures			
Current			
Public Safety	0	0	26,028
Culture & Recreation	1,250	0	1,250
Health & Welfare	0	11,310	11,310
Capital Outlay	0	0	32,000
Total Expenditures	<u>1,250</u>	<u>11,310</u>	<u>70,588</u>
Excess (Deficiency) of Revenues Over Expenditures	(1,239)	(657)	(11,409)
Fund Balances at Beginning of Year	<u>1,239</u>	<u>15,534</u>	<u>98,778</u>
Fund Balance End of Year	<u>\$ 0</u>	<u>\$ 14,877</u>	<u>\$ 87,369</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
TOWN OF DEXTER
SPECIAL REVENUE FUND-EMERGENCY MEDICAL SERVICES
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
State & Local Grant	\$ 12,833	\$ 12,833	\$ 12,833	\$ 0
Total Revenues	<u>12,833</u>	<u>12,833</u>	<u>12,833</u>	<u>0</u>
Expenditures				
Public Safety				
Operating Expense	12,833	12,833	12,833	0
Total Expenditures	<u>12,833</u>	<u>12,833</u>	<u>12,833</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	0	0
Cash Balance Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 0	
Net Changes in Accounts Payable			<u>(2,085)</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (2,085)</u>	

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
TOWN OF DEXTER
SPECIAL REVENUE FUND-LAW ENFORCEMENT
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
State Grant	\$ 22,400	\$ 22,400	\$ 22,400	\$ 0
County Grant	5,833	5,833	5,833	0
Miscellaneous	0	0	0	0
Total Revenues	<u>28,233</u>	<u>28,233</u>	<u>28,233</u>	<u>0</u>
Expenditures				
Public Safety				
Operating Expense	40,944	40,944	8,944	32,000
Capital Outlay	0	0	32,000	(32,000)
Total Expenditures	<u>40,944</u>	<u>40,944</u>	<u>40,944</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	(12,711)	(12,711)	(12,711)	0
Cash Balance Beginning of Year	<u>12,711</u>	<u>12,711</u>	<u>12,711</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			<u>\$ (12,711)</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (12,711)</u>	

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
TOWN OF DEXTER
SPECIAL REVENUE FUND-CORRECTION
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Correction Fees	\$ 7,050	\$ 7,449	\$ 7,449	\$ 0
Total Revenues	<u>7,050</u>	<u>7,449</u>	<u>7,449</u>	<u>0</u>
Expenditures				
Public Safety				
Judicial	750	726	726	0
Automation	1,800	1,440	1,440	0
Housing of Prisoners	4,500	0	0	0
Total Expenditures	<u>7,050</u>	<u>2,166</u>	<u>2,166</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	0	5,283	5,283	0
Cash Balance Beginning of Year	<u>69,294</u>	<u>69,294</u>	<u>69,294</u>	<u>0</u>
Cash Balance End of Year	\$ <u>69,294</u>	\$ <u>74,577</u>	\$ <u>74,577</u>	\$ <u>0</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ <u>5,283</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			\$ <u>5,283</u>	

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
TOWN OF DEXTER
SPECIAL REVENUE FUND-RECREATION
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Cigarette Tax	\$ 0	\$ 233	\$ 233	\$ 0
Other	500	0	0	0
Total Revenues	<u>500</u>	<u>233</u>	<u>233</u>	<u>0</u>
Expenditures				
Culture & Recreation				
Operating Expense	500	1,249	1,249	0
Total Expenditures	<u>500</u>	<u>1,249</u>	<u>1,249</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	0	(1,016)	(1,016)	0
Cash Balance Beginning of Year	<u>1,016</u>	<u>1,016</u>	<u>1,016</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 1,016</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (1,016)	
Net Change in Taxes Receivable			<u>(223)</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (1,239)</u>	

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
TOWN OF DEXTER
SPECIAL REVENUE FUND-HEALTH CLINIC
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Lease Income	\$ 9,000	\$ 9,000	\$ 9,000	\$ 0
Reimbursement	3,000	1,649	1,649	0
Interest Income	200	4	4	0
Total Revenues	<u>12,200</u>	<u>10,653</u>	<u>10,653</u>	<u>0</u>
Expenditures				
Health & Welfare				
Operating Expense	<u>8,600</u>	<u>12,201</u>	<u>12,201</u>	<u>0</u>
Total Expenditures	<u>8,600</u>	<u>12,201</u>	<u>12,201</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	3,600	(1,548)	(1,548)	0
Cash Balance Beginning of Year	<u>16,592</u>	<u>16,592</u>	<u>16,592</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 20,192</u>	<u>\$ 15,044</u>	<u>\$ 15,044</u>	<u>\$ 0</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (1,548)	
Net Changes in Accounts Payable			891	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (657)</u>	

The notes to the financial statements are an integral part of this statement.

ENTERPRISE FUNDS

Utility

To account for the provision of water, sewer and sanitation to the residents of the Town. All activities necessary to provide such services are accounted for in this fund, including, but not limited to administration, operations, maintenance, financing and related debt service, and billing and collections.

STATE OF NEW MEXICO

TOWN OF DEXTER

PROPRIETARY FUND-UTILITY

Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Sales & Service	\$ 375,600	\$ 375,600	\$ 446,907	\$ 71,307
Federal Grant	459,782	459,782	6,761	(453,021)
Miscellaneous	39,650	39,650	103	(39,547)
Total Revenues	<u>875,032</u>	<u>875,032</u>	<u>453,771</u>	<u>(381,714)</u>
Expenditures				
Water				
Salaries & Benefits	70,322	71,286	70,906	380
Operating Expense	89,420	102,444	102,436	8
Capital Outlay	459,782	459,782	6,761	453,021
Sewer				
Salaries & Benefits	51,590	43,588	43,594	(6)
Operating Expense	33,300	40,535	40,528	7
Sanitation				
Operating Expense	370,632	374,538	117,071	257,467
Debt Service				
Principal	11,000	22,688	22,688	0
Interest	14,713	14,807	14,807	0
Total Expenditures	<u>1,100,759</u>	<u>1,129,668</u>	<u>418,791</u>	<u>710,877</u>
Excess (Deficiency) of Revenues Over Expenditures	(225,727)	(254,636)	34,980	289,616
Cash Balance Beginning of Year	<u>573,362</u>	<u>573,362</u>	<u>573,362</u>	<u>0</u>
Cash Balance End of Year	\$ <u>347,635</u>	\$ <u>318,726</u>	\$ <u>608,342</u>	\$ <u>289,616</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 34,980	
Capital Outlay			6,761	
Depreciation			(46,480)	
Principal Paid			22,688	
Net Changes in Accounts Receivable			4,852	
Net Changes in Inventory			(7,433)	
Net Changes in Accounts Payable			(2,452)	
Net Changes in Accrued Salaries			2,033	
Net Changes in Accrued Interest			466	
Net Changes in Compensated Absences			(521)	
Net Change in Customer Deposits			(1,658)	
Change in Net Assets			<u>\$ 13,236</u>	

The notes to the financial statements are an integral part of this statement.

De'Aun Willoughby CPA, PC

Certified Public Accountant

P.O. Box 223 Melrose, NM 88124

(575) 253-4313

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 Balderas
State Auditor of the State of New Mexico
Board Members of the Town of Dexter

Mr. Balderas and Members of the Board

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, the budgetary comparisons for the general fund and major special revenue funds and the combining and individual funds and related budgetary comparison presented as supplemental information of the Town of Dexter (Town) as of and for the year ended June 30, 2011, and have issued our report thereon dated March 29, 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

In planning and performing our audit, we considered the Town'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's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control over financial reporting.

Our consideration of the 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.

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. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses listed as 11-1, 11-2, 11-3, 11-4 and 11-5.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town'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 describe in the accompanying schedule of findings and responses as items 11-1, 11-2, 11-3, 11-4, 11-5 and 11-6.

The Town's responses to the findings identified in our audit as described in the accompanying schedule of findings and responses. We did not audit the Town's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, the New Mexico State Legislature and its committees, the Office of the State Auditor, the New Mexico Department of Finance and Administration - Local Government and federal awarding agencies and pass through entities and is not intended to be and should not be used by anyone other than these specified parties.

De'Ann Willoughby CPA PC

March 29, 2012

Prior Year Audit Findings

There were no prior year findings.

Current Year Audit Findings

11-1 Embezzlement-Compliance and Internal Control-Significant Deficiency

Condition

(1) A review of all Fleet Services bills for gasoline and diesel revealed all the fuel purchased could not have been consumed by the Town's fire and police vehicles and it is assumed some of the fuel went into personal vehicles.

(2) A fraudulent invoice was paid that did not and was not issued by the local business represented on the invoice. The local business did not receive the money from the fraudulent invoice.

(3) The following purchases were made from the fire department: forty eight embroidered jackets including names for a total cost of \$4,385, twenty pair of boots for a total cost of \$6,108, eleven turnout coats and pants with name patches for a total of \$17,358, sixty custom badges for a total of \$4,697 and one hundred sixty five tee shirts including youth sizes were purchased for a total of \$1,338. Although some of the expenditures may be appropriate all are listed to point out the excessiveness of the spending in the department.

(4) There are two Suburbans owned by the Town that are used by the Fire Marshall and the Assistant Fire Marshall for personal use including the transportation of family members and other non-volunteers of the fire or EMS departments. The monetary value of the personal use of the vehicles was not included on the W-2s of the volunteers. The Suburbans are for transportation of volunteers to training. There can be no explanation of why the Suburbans are used 24 hours a day by the Fire Marshall and the Assistant Fire Marshall.

(5) Most of the invoices from NAPA of Hagerman were signed by a volunteer fireman that appears to have repaired fire vehicles owned by the Town for no monetary value. Additional discussion revealed the volunteer may not be a legal citizen of the United States. It is unclear what he received in return for his services.

(6) An invoice of \$794.88 was presented to be paid but was not paid for a repair of a vehicle that was not on the Town's inventory list, the depreciation schedule or the insurance listing. It is assumed to be a personal vehicle.

(7) There was a reimbursement for a receipt that included a dog toy. There is not a police dog at the Town's law enforcement department.

(8) Pharmaceutical drugs purchased were greater than could have possibly have been used by the patients served by the EMS volunteers.

(9) The Town was audited by the State Fire Marshall. The total cost to the Town for disallowed expenditures was \$12,249.95.

Criteria

N.M.S.A 1978, Section 30.16.8 Embezzlement. Embezzlement consists of a person embezzling or converting to the person's own use anything of value, with which the person has been entrusted, with fraudulent intent to deprive the owner thereof.

Cause

The volunteers apparently feel as though they should be compensated in some manner for their services and are "helping themselves". The governing body apparently feels the same or cannot stop the actions of the volunteers in the fire, EMS or the employees of the police department.

Effect

Public monies are being diverted for personal gain which is a criminal act.

Recommendation

The Office of State Auditor and District Attorney should be notified for additional investigation.

Response

The recommendation of the auditor will be considered.

11-2 Emergency Medical Services-Compliance and Internal Control-Significant Deficiency

Condition

Tuition fees were paid for ten individuals a total of \$7,800 to attend emergency medical training to become certified able to serve the Town as EMS volunteers. Some of the individuals did not live in or around the Town of Dexter, in fact they lived in Roswell. Five of the individuals did not complete the courses with a passing score. There was not available budget to cover the expenditure. The procurement process was not followed.

Criteria

10.25.10.14(2) NMAC states that schools, courses and conferences attended shall be related to the services and shall be of content relevant to the needs of the department.

Cause

Effect

The Town is paying for training that does not benefit the Town.

Recommendation

Training should be a reimbursement when a certificate is received by a volunteer that lives in the area that can serve the Town's EMS.

Response

This finding has been resolved. No one will be reimbursed until the Town receives the certificate.

11-3 Personnel Policy-Compliance and Internal Control-Significant Deficiency

Condition

We noted that there is not personnel policy stating that the town will pay for 100% of medical insurance for employees and there dependents.

Criteria

Good accounting controls and best practices requires that the entity follows the board approve policy.

Cause

The Towns personnel policy is not up to date.

Effect

Without policies, benefits may be over or under paid subjecting the Town to potential future payments and penalties.

Recommendation

We recommend that the board review the current personnel policy to insure that the policies are being adhere to.

Response

A police will be presented to a board meeting in April, 2012.

11-4 Fringe Benefits-Compliance and Internal Control-Significant Deficiency Condition

Employees and volunteers have Town owned cell phones. Personal use has not been included in the W-2s as required by the Internal Revenue Service

Criteria

IRS Employee Income Tax Compliance Issues, NMSA 2.2.2.10 H and Generally Accepted Government Auditing Standards (GAGAS) issued by the U. S. General Accounting Office required employee fringe benefits to be reported as wages.

Employee fringe benefits are presumed by the IRS to be income to the employee unless they are specifically excluded from income by the tax code. Any employee fringe benefits not excluded from income by the tax code must be reported on the employee's W-2. Examples of such fringe benefits could be: meal allowances paid to employees for meals away from home when overnight travel is not involved; discounted housing like school district teacherages, dues for membership in clubs organized for business, pleasure, recreation, or other social purpose (except Rotary & Kiwanis Club); cash and non-cash awards, and employee insurance benefits for dependents who do not meet the IRS definition of a "dependent." Personal use of a government agency vehicle is always taxable income to the employee unless the vehicle is a qualified non-personal use vehicle [Rev.1.274-5T(k)(3)] provided to the employee as a "working condition fringe benefit."

Cause

Management was unaware of the requirement to report fringe benefits on the employee's W-2.

Effect

The fringe benefits are required to be reported on the W-2s. This violation exposes the Town to penalties and employees are under paying their federal and state income tax.

Recommendation

We recommend that the Town adopt a policy to require that fringe benefits are included so that the Town may be in compliance with NMAC and IRS.

Response

This finding has been resolved by issuing W-2s for the fringe benefits.

11-5 Expenditures Over Budget-Compliance and Internal Control-Significant Deficiency Condition

The Town incurred expenditures in excess of the approved budget in the following fund.

Major Funds

	<u>Amount</u>
Fire Fund	(666)

Criteria

Section 6-6-6, NMSA 1978, requires the Town to keep expenditures within budgeted amounts.

Cause

Purchases were approved in excess of available budget or budget adjustments were not approved to cover the expenditures approved.

Effect

State statute may have been violated subjecting those responsible to the penalty provisions of the statute.

Recommendation

The Town should consider preparing and reviewing budget to actual reports on a monthly basis.

Response

The interest and fiscal charges from NMFA exceeded the budgeted amount.

11-6 Late Audit Report-Compliance

Condition

The audit report was no submitted to the State Auditor after the required deadline of December 1, 2011.

Criteria

Towns audits are to be submitted to the State Auditor by December 1 as required by NMAC 2.2.2.9A (1) (d).

Cause

The auditor needed additional time to complete the audit because of the severity of the audit

Effect

The users of the financial statements such as legislators, creditors, bondholders, state and federal grantors, etc., do not have timely audit reports and financial statements for their review. Late audit report could have an effect on state and federal funding.

Recommendation

The audit should be filed timely.

Response

We will be sure the audit is filed timely.

Financial Statement Preparation

The financial statements were prepared by De'Aun Willoughby CPA. However, they are the responsibility of management.

Exit Conference

An exit conference was held on March 29, 2012. In attendance were David L White-Mayor, Mitch Daubert-Councilman, Kay Roberts-Clerk/Treasurer and De'Aun Willoughby, CPA.