



State of New Mexico Town of Dexter Annual Financial Report June 30, 2013



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Certified Public Accountants

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INTRODUCTORY SECTION

STATE OF NEW MEXICO

Town of Dexter

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STATE OF NEW MEXICO

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STATE OF NEW MEXICO

Town of Dexter

Official Roster

June 30, 2013

<u>Name</u>	<u>Town Council</u>	<u>Title</u>
David L. White		Mayor
Mitch Daubert		Mayor Pro-Tem
Jim Berry		Councilman
Norman Caffall		Councilman
Thomas Mireles		Councilman

Administration

Ruby Parks	Clerk/Treasurer
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FINANCIAL SECTION



Accounting & Consulting Group, LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Hector Balderas
New Mexico State Auditor and
The Town Council
Town of Dexter
Dexter, New Mexico

Report on Financial Statements

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 fund of the Town of Dexter (the Town), as of and for the year ended June 30, 2013, and the related notes to the financial statements 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 and the joint utility fund presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2013, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the Town's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Town's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinions.

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 Town of Dexter, as of June 30, 2013, and the respective changes in financial position and where applicable, cash flows thereof, for the year then ended in accordance 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, 2013, and the respective changes in financial position for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the budget comparisons referred to above present fairly, in all material respects, the respective budgetary basis of accounting as prescribed in the New Mexico Administrative Code, as more fully described in Note 2 to the financial statements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Other Information

Our audit was conducted for the purpose of forming opinions on the Town's financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The introductory section and Supporting Schedules I through II required by 2.2.2 NMAC are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

The Supporting Schedules I through II required by 2.2.2 NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the financial statements. Such 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 basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Supporting Schedules I through II required by 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2013, on our consideration of the Town's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal 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* in considering the Town's internal control over financial reporting and compliance.

Accounting & Consulting Group, LLP

Accounting & Consulting Group, LLP
Albuquerque, NM
November 25, 2013

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**BASIC
FINANCIAL STATEMENTS**

STATE OF NEW MEXICO

Town of Dexter

Statement of Net Position

June 30, 2013

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 1,571,918	\$ 678,410	\$ 2,250,328
Receivables:			
Property taxes	1,396	-	1,396
Other taxes	125,284	-	125,284
Due from other governments	10,009	-	10,009
Miscellaneous	1,996	-	1,996
Customer receivables, net	-	67,651	67,651
Total current assets	<u>1,710,603</u>	<u>746,061</u>	<u>2,456,664</u>
Noncurrent assets			
Restricted cash and cash equivalents	-	41,380	41,380
Restricted investments	27,757	-	27,757
Capital assets	7,481,828	2,086,234	9,568,062
Less: accumulated depreciation	<u>(3,799,939)</u>	<u>(841,709)</u>	<u>(4,641,648)</u>
Total noncurrent assets	<u>3,709,646</u>	<u>1,285,905</u>	<u>4,995,551</u>
Total assets	<u>\$ 5,420,249</u>	<u>\$ 2,031,966</u>	<u>\$ 7,452,215</u>

The accompanying notes are an integral part of these financial statements

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Liabilities			
Current liabilities			
Accounts payable	\$ 57,513	\$ 22,975	\$ 80,488
Accrued payroll	23,910	3,396	27,306
Deposits held in trust for others	-	41,380	41,380
Accrued compensated absences	14,267	6,636	20,903
Accrued interest	361	5,858	6,219
Current portion of loans and notes payable	30,976	7,000	37,976
Total current liabilities	127,027	87,245	214,272
Noncurrent liabilities			
Accrued compensated absences	13,383	1,113	14,496
Loans and notes payable	32,109	96,000	128,109
Total noncurrent liabilities	45,492	97,113	142,605
Total liabilities	172,519	184,358	356,877
Net Position			
Net investment in capital assets	3,618,804	1,141,525	4,760,329
Restricted for:			
Special revenue	338,851	-	338,851
Unrestricted	1,290,075	664,703	1,954,778
Total net position	5,247,730	1,847,608	7,095,338
Total liabilities and net position	\$ 5,420,249	\$ 2,031,966	\$ 7,452,215

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
Town of Dexter
Statement of Activities
For the Year Ended June 30, 2013

<u>Functions/Programs</u>	<u>Program Revenues</u>			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General government	\$ 192,517	\$ 8,930	\$ 97,845	\$ -
Public safety	669,975	17,135	266,355	10,009
Public works	228,872	-	-	-
Culture and recreation	213,462	41,978	-	-
Health and welfare	9,860	9,256	-	-
Interest on long-term debt	3,228	-	-	-
<i>Total governmental activities</i>	<u>1,317,914</u>	<u>77,299</u>	<u>364,200</u>	<u>10,009</u>
Business-type Activities:				
Water	288,542	295,170	1,700	-
Sewer	72,049	107,262	-	-
Solid waste	149,322	157,202	-	-
<i>Total business-type activities</i>	<u>509,913</u>	<u>559,634</u>	<u>1,700</u>	<u>-</u>
<i>Total primary government</i>	<u>\$ 1,827,827</u>	<u>\$ 636,933</u>	<u>\$ 365,900</u>	<u>\$ 10,009</u>

General Revenues:

Taxes:

Property taxes, levied for general purposes

Gross receipts taxes

Gasoline and motor vehicle taxes

Franchise taxes

Miscellaneous income

Total general revenues

Change in net position

Net position, beginning

Net position, ending

The accompanying notes are an integral part of these financial statements

Net (Expense) Revenue and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ (85,742)	\$ -	\$ (85,742)
(376,476)	-	(376,476)
(228,872)	-	(228,872)
(171,484)	-	(171,484)
(604)	-	(604)
(3,228)	-	(3,228)
<u>(866,406)</u>	<u>-</u>	<u>(866,406)</u>
-	8,328	8,328
-	35,213	35,213
-	7,880	7,880
<u>-</u>	<u>51,421</u>	<u>51,421</u>
(866,406)	51,421	(814,985)
13,824	-	13,824
743,237	-	743,237
28,990	-	28,990
7,275	-	7,275
1,000	-	1,000
<u>794,326</u>	<u>-</u>	<u>794,326</u>
(72,080)	51,421	(20,659)
<u>5,319,810</u>	<u>1,796,187</u>	<u>7,115,997</u>
<u>\$ 5,247,730</u>	<u>\$ 1,847,608</u>	<u>\$ 7,095,338</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Town of Dexter
Balance Sheet
Governmental Funds
June 30, 2013Exhibit B-1
Page 1 of 2

	General Fund	Fire Fund	Other Governmental Funds	Total
<i>Assets</i>				
Cash and cash equivalents	\$ 1,228,373	\$ 135,215	\$ 208,330	\$ 1,571,918
Restricted investments	-	27,757	-	27,757
Receivables:				
Property taxes	1,396	-	-	1,396
Other taxes	122,146	-	3,138	125,284
Due from other governments	10,009	-	-	10,009
Other receivables	1,660	-	336	1,996
Due from other funds	1,858	-	-	1,858
<i>Total assets</i>	<u>\$ 1,365,442</u>	<u>\$ 162,972</u>	<u>\$ 211,804</u>	<u>\$ 1,740,218</u>
<i>Liabilities</i>				
Accounts payable	\$ 23,446	\$ 34,067	\$ -	\$ 57,513
Accrued payroll	23,910	-	-	23,910
Deferred revenue - property taxes	909	-	-	909
Due to other funds	-	-	1,858	1,858
<i>Total liabilities</i>	<u>48,265</u>	<u>34,067</u>	<u>1,858</u>	<u>84,190</u>
<i>Fund balances</i>				
Spendable				
Restricted for:				
Public safety	-	-	88,357	88,357
Culture and recreation	-	-	1	1
Public works	-	-	104,056	104,056
Fire protection	-	128,905	-	128,905
Health and welfare	-	-	19,054	19,054
Committed for:				
Minimum fund balance	82,142	-	-	82,142
Unassigned	1,235,035	-	(1,522)	1,233,513
<i>Total fund balances</i>	<u>1,317,177</u>	<u>128,905</u>	<u>209,946</u>	<u>1,656,028</u>
<i>Total liabilities and fund balances</i>	<u>\$ 1,365,442</u>	<u>\$ 162,972</u>	<u>\$ 211,804</u>	<u>\$ 1,740,218</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Town of Dexter

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Position

June 30, 2013

Exhibit B-1

Page 2 of 2

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

Fund balances - total governmental funds	\$	1,656,028
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		3,681,889
Delinquent property taxes not collected within sixty days after year end are not considered "available" revenues and are considered to be deferred revenue in the fund financial statements, but are considered revenue in the Statement of Activities.		909
Interest on long-term debt is not accrued in the fund financial statements unless it is due and payable: Accrued interest		(361)
Some liabilities, including bonds payable, loans and contracts are not due and payable in the current period and, therefore, are not reported in the funds: Accrued compensated absences Loans payable		(27,650) (63,085)
Total net position of governmental activities	\$	<u>5,247,730</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Town of Dexter

Exhibit B-2

Page 1 of 2

Statement of Revenues, Expenditures and Changes in Fund Balances
 Governmental Funds
 For the Year Ended June 30, 2013

	<u>General Fund</u>	<u>Fire Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<i>Revenues</i>				
Taxes				
Property	\$ 12,915	\$ -	\$ -	\$ 12,915
Gross receipts	743,237	-	-	743,237
Gasoline and motor vehicle taxes	4,355	-	24,635	28,990
Other	7,275	-	-	7,275
Intergovernmental income				
State operating grants	97,845	223,722	42,633	364,200
State capital grants	10,009	-	-	10,009
Charges for services	54,955	-	9,256	64,211
Licenses and fees	710	-	12,378	13,088
Miscellaneous	1,000	-	-	1,000
<i>Total revenues</i>	<u>932,301</u>	<u>223,722</u>	<u>88,902</u>	<u>1,244,925</u>
<i>Expenditures</i>				
Current				
General government	178,697	-	-	178,697
Public safety	372,157	171,856	25,502	569,515
Public works	3,177	-	68,293	71,470
Culture and recreation	179,600	-	-	179,600
Health and welfare	-	-	6,760	6,760
Capital outlay	-	10,009	47,080	57,089
Debt service				
Principal	-	29,904	-	29,904
Interest	-	3,394	-	3,394
<i>Total expenditures</i>	<u>733,631</u>	<u>215,163</u>	<u>147,635</u>	<u>1,096,429</u>
<i>Net change in fund balances</i>	198,670	8,559	(58,733)	148,496
<i>Fund balance - beginning of year</i>	<u>1,118,507</u>	<u>120,346</u>	<u>268,679</u>	<u>1,507,532</u>
<i>Fund balance - end of year</i>	<u>\$ 1,317,177</u>	<u>\$ 128,905</u>	<u>\$ 209,946</u>	<u>\$ 1,656,028</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Town of Dexter

Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2013

Exhibit B-2

Page 2 of 2

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

Net change in fund balances - total governmental funds	\$	148,496
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Governmental funds report capital outlays as expenditures. However, in
the Statement of Activities, the cost of those assets is allocated over their
estimated useful lives and reported as depreciation expense:

Capital expenditures recorded in capital outlay		57,089
Depreciation expense		(304,707)

Revenues in the Statement of Activities that do not provide current financial
resources are not reported as revenue in the funds:

Increase in deferred revenue related to property taxes receivable		909
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The issuance of long-term debt (e.g. bonds, loans, leases) provides current financial
resources to governmental funds, while the repayment of the principal of long-term
debt consumes the current financial resources of governmental funds. Neither
transaction, however, has any effect on net position.

Decrease in accrued interest		166
Increase in accrued compensated absences		(3,937)
Principal payments on loans payable		29,904
		29,904

Change in net position of governmental activities	\$	(72,080)
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STATE OF NEW MEXICO

Exhibit C-1

Town of Dexter

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budgetary (Non-GAAP Basis) and Actual

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property taxes	\$ 12,500	\$ 12,500	\$ 12,428	\$ (72)
Gross receipts	632,000	632,000	631,911	(89)
Gas and motor vehicle	-	-	-	-
Other	1,000	1,000	810	(190)
Intergovernmental income				
State operating grants	212,899	212,899	158,937	(53,962)
Charges for services	55,500	55,500	54,955	(545)
Licenses and fees	100	100	50	(50)
Miscellaneous	1,000	1,000	-	(1,000)
<i>Total revenues</i>	<u>914,999</u>	<u>914,999</u>	<u>859,091</u>	<u>(55,908)</u>
<i>Expenditures</i>				
Current				
General government	215,867	215,867	192,835	23,032
Public safety	408,953	408,953	356,100	52,853
Public works	-	-	-	-
Culture and recreation	284,364	284,364	157,287	127,077
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
<i>Total expenditures</i>	<u>909,184</u>	<u>909,184</u>	<u>706,222</u>	<u>202,962</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>5,815</u>	<u>5,815</u>	<u>152,869</u>	<u>147,054</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	(5,815)	(5,815)	-	5,815
<i>Total other financing sources (uses)</i>	<u>(5,815)</u>	<u>(5,815)</u>	<u>-</u>	<u>5,815</u>
<i>Net change in fund balance</i>	-	-	152,869	152,869
<i>Fund balance - beginning of year</i>	-	-	1,077,362	1,077,362
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,230,231</u>	<u>\$ 1,230,231</u>
Net change in fund balance (GAAP basis)				\$ 152,869
Adjustments to revenues for property taxes, other taxes, and other receivables				73,210
Adjustment to expenditures for salaries and accounts payable				(27,409)
Net change in fund balance (GAAP basis)				<u>\$ 198,670</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Exhibit C-2

Town of Dexter

Fire Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budgetary (Non-GAAP Basis) and Actual

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gas and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
State operating grants	212,488	212,488	223,722	11,234
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>212,488</u>	<u>212,488</u>	<u>223,722</u>	<u>11,234</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	260,574	260,574	150,267	110,307
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	29,904	29,904	29,904	-
Interest	3,394	3,394	3,394	-
<i>Total expenditures</i>	<u>293,872</u>	<u>293,872</u>	<u>183,565</u>	<u>110,307</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(81,384)</u>	<u>(81,384)</u>	<u>40,157</u>	<u>121,541</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	81,384	81,384	-	(81,384)
<i>Total other financing sources (uses)</i>	<u>81,384</u>	<u>81,384</u>	<u>-</u>	<u>(81,384)</u>
<i>Net change in fund balance</i>	-	-	40,157	40,157
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>122,815</u>	<u>122,815</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 162,972</u>	<u>\$ 162,972</u>
Net change in fund balance (GAAP basis)				\$ 40,157
No adjustments to revenues				-
Adjustments to expenditures for salaries and accounts payable				<u>(31,598)</u>
Net change in fund balance (GAAP basis)				<u>\$ 8,559</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Exhibit D-1

Town of Dexter
Statement of Net Position
Proprietary Funds
June 30, 2013

	<u>Enterprise Fund</u>
	<u>Joint Utility</u>
<i>Assets</i>	
<i>Current assets</i>	
Cash and cash equivalents	\$ 678,410
Customer receivables, net	67,651
<i>Total current assets</i>	<u>746,061</u>
<i>Noncurrent assets</i>	
Restricted cash and cash equivalents	41,380
Capital assets	2,086,234
Less: accumulated depreciation	(841,709)
<i>Total noncurrent assets</i>	<u>1,285,905</u>
<i>Total assets</i>	<u>\$ 2,031,966</u>
<i>Liabilities and net position</i>	
<i>Liabilities</i>	
<i>Current liabilities</i>	
Accounts payable	\$ 22,975
Accrued payroll	3,396
Meter deposits payable	41,380
Accrued compensated absences	6,636
Accrued interest payable	5,858
Current portion of loans and contracts payable	7,000
<i>Total current liabilities</i>	<u>87,245</u>
<i>Noncurrent liabilities</i>	
Accrued compensated absences	1,113
Loans payable	96,000
<i>Total noncurrent liabilities</i>	<u>97,113</u>
<i>Total liabilities</i>	<u>184,358</u>
<i>Net position</i>	
Net investment in capital assets	1,141,525
Unrestricted	706,083
<i>Total net position</i>	<u>1,847,608</u>
<i>Total liabilities and net position</i>	<u>\$ 2,031,966</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Exhibit D-2

Town of Dexter
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2013

	<u>Enterprise fund</u>
	<u>Joint Utility</u>
<i>Operating revenues</i>	
Charges for services	\$ 559,634
<i>Total operating revenues</i>	<u>559,634</u>
<i>Operating expenses</i>	
Personnel services	109,798
Contractual services	236,814
Supplies	34,216
Repairs and maintenance	31,839
Utilities	28,810
Depreciation	51,136
Other costs	5,185
<i>Total operating expenses</i>	<u>497,798</u>
<i>Operating income (loss)</i>	<u>61,836</u>
<i>Non-operating revenues (expenses)</i>	
Interest expense	<u>(12,115)</u>
<i>Total non-operating revenues (expenses)</i>	<u>(12,115)</u>
<i>Income (loss) before contributions and transfers</i>	<u>49,721</u>
State operating grants	<u>1,700</u>
<i>Change in net position</i>	51,421
<i>Net position, beginning of year</i>	<u>1,796,187</u>
<i>Net position, end of year</i>	<u><u>\$ 1,847,608</u></u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
Town of Dexter
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2013

Exhibit D-3

	<u>Enterprise Fund</u>
	<u>Joint Utility</u>
<i>Cash flows from operating activities</i>	
Cash received from user charges	\$ 537,515
Cash payments to employees for services	(108,524)
Cash payments to suppliers for goods and services	(332,308)
<i>Net cash provided by operating activities</i>	<u>96,683</u>
 <i>Cash flows from noncapital financing activities</i>	
State operating grants	<u>1,700</u>
<i>Net cash provided (used) by noncapital financing activities</i>	<u>1,700</u>
 <i>Cash flows from capital and related financing activities</i>	
Interest paid	(12,513)
Principal payments on long-term debt	(7,000)
Acquisition of capital assets	(23,286)
<i>Net cash (used) by capital and related financing activities</i>	<u>(42,799)</u>
 <i>Net increase in cash and cash equivalents</i>	55,584
 <i>Cash and cash equivalents - beginning of year</i>	<u>664,206</u>
 <i>Cash and cash equivalents - end of year</i>	<u>\$ 719,790</u>
 <i>Reconciliation of operating income (loss) to net cash provided by operating activities:</i>	
Operating income (loss)	\$ 61,836
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation	51,136
Changes in assets and liabilities	
Receivables	(22,119)
Accounts payable	2,281
Accrued payroll expenses	1,891
Accrued compensated absences	(617)
Meter deposits	2,275
 <i>Net cash provided by operating activities</i>	<u>\$ 96,683</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
Town of Dexter
Notes to the Financial Statements
June 30, 2013

NOTE 1. Summary of Significant Accounting Policies

The Town of Dexter (Town) 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), highways and streets, public utilities (water, wastewater, and solid waste), health and social services, culture-recreation, education, public improvements, planning and zoning, and general administrative services.

The Town of Dexter is a body politic and corporate under the name and form of government selected by its qualified electors. The Town may:

1. Sue or be sued;
2. Enter into contracts and leases;
3. Acquire and hold property, both real and personal;
4. Have common seal, which may be altered at pleasure;
5. Exercise such other privileges that are incident to corporations of like character or degree that are not inconsistent with the laws of New Mexico;
6. Protect generally the property of its municipality and its inhabitants;
7. Preserve peace and order within the municipality; and
8. Establish rates for services provided by municipal utilities and revenue-producing projects, including amounts which the governing body determines to be reasonable in the operation of similar facilities.

This summary of significant accounting policies of the Town is presented to assist in the understanding of Town's financial statements. The financial statements and notes are the representation of Town's management who is responsible for their integrity and objectivity.

The financial statements of the Town have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units.

During the year ended June 30, 2013, the Town adopted GASB Statements No. 60 through 63. GASB Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements did not affect the Town as the Town does not have any Service Concession Arrangements. GASB Statement No. 61, The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No 34, modifies certain requirements for inclusion of component units in the financial reporting entity. GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in FASB and AICPA Pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources. The more significant of the Town's accounting policies are described below.

A. Financial Reporting Entity

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

STATE OF NEW MEXICO
Town of Dexter
Notes to the Financial Statements
June 30, 2013

NOTE 1. Summary of Significant Accounting Policies (continued)

A. *Financial Reporting Entity (continued)*

In evaluating how to define the Town, for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statements No. 14, as amended by GASB Statement No. 39 and GASB Statement No. 61. Blended component units, although legally separate entities, are in substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

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

A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens.

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity. Based upon the application of these criteria, the Town does not have any component units required to be reported under GASB Statements No. 14 as amended by GASB Statement No. 39 and GASB Statement No. 61.

B. *Government-wide and fund financial statements*

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

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

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

STATE OF NEW MEXICO
Town of Dexter
Notes to the Financial Statements
June 30, 2013

NOTE 1. Summary of Significant Accounting Policies (continued)

B. Government-wide and fund financial statements (continued)

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segments 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, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

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

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

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

The Town reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. This fund includes state shared gross receipts tax income fund and state shared gas tax income funds.

The *Fire Special Revenue Fund* is used to account for the operation and maintenance of the Town Fire Department. This fund is funded by an annual fire allotment from the State of New Mexico as provided by Section 59A-53-1 NMSA 1978.

STATE OF NEW MEXICO
Town of Dexter
Notes to the Financial Statements
June 30, 2013

NOTE 1. Summary of Significant Accounting Policies (continued)

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

The Town reports its proprietary funds as major funds. Proprietary funds include:

The *Joint Utility Fund* is used to account for the activities of the Town's water, sewer, and solid waste services provided 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 collection.

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

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

The Town reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. The Town does not currently employ indirect cost allocation systems. Depreciation expense is specifically identified by function and is included in the direct expense of each function. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenue of the Town's enterprise fund is charges for services for the Town's utilities. Operating expenses for enterprise funds include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

D. Assets, Liabilities and Net Position or Equity

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

State statutes authorize the Town to invest in Certificates of Deposit, obligations of the U.S. Government, and the State Treasurer's Investment Pool. Investments for the Town are reported at fair value. The State Treasurer's Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares. Restricted investments have been reclassified from prior year classification of restricted cash and cash equivalents, due to the maturity date, and therefore are more accurately considered restricted investments.

STATE OF NEW MEXICO
Town of Dexter
Notes to the Financial Statements
June 30, 2013

NOTE 1. Summary of Significant Accounting Policies (continued)

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

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

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources in the event they are not received within 60 days of year end.

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. In the government-wide and governmental fund financial statements, delinquent property taxes are recorded when levied. Property taxes are considered to be 100% collectible.

The Town estimates the allowance for uncollectible accounts based off the days delinquent. The Town has estimated all accounts that are greater than 120 days to be uncollectible.

Property taxes are levied on November 1 based on the assessed value of property as listed on the previous January 1 and are due in two payments by November 10th and April 10th. Property taxes uncollected after November 10th and April 10th are considered delinquent and the Town may assess penalties and interest. The taxes attach as an enforceable lien on property thirty (30) days thereafter, at which time they become delinquent. Property taxes are collected by Chaves County and remitted monthly to the Town.

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

Capital Assets: Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. The Town of Dexter was a phase III government for purposes of implementing GASB 34. Therefore, the Town was not required to report its major general infrastructure assets retroactively to June 30, 1980. However, the Town has elected to account for infrastructure assets retroactive to June 30, 1980, in order to implement GASB 34. Information Technology Equipment including software is being capitalized and included in machinery and equipment in accordance with NMAC 2.20.1.9 C (5). Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Library books and periodicals are estimated to have a useful life of less than one year or are under the capitalization threshold and are expensed when purchased.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. There was no interest expense capitalized by the Town during the current fiscal year.

STATE OF NEW MEXICO
Town of Dexter
Notes to the Financial Statements
June 30, 2013

NOTE 1. Summary of Significant Accounting Policies (continued)

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

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

<u>Assets</u>	<u>Years</u>
Buildings	40
Infrastructure	20
Equipment	3-15

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

Compensated Absences: The Town’s employees earn personal leave at a rate of 12 to 24 days per year based on years of service. Employees can carry over unused personal leave each year with a cap of 240 hours at the calendar year end.

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as expenditure and a fund liability of the governmental or proprietary fund that will pay it. In prior years, substantially all of the related expenditures have been liquidated by the general fund. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the government-wide statement of net position.

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

Fund Balance Classification Policies and Procedures: For committed fund balance, the Town's highest level of decision-making authority is the Town Council. The formal action that is required to be taken to establish a fund balance commitment is the Town Council.

For assigned fund balance, the Town Council or an official or body to which the Town Council delegates the authority is authorized to assign amounts to a specific purpose. The authorization policy is in governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

STATE OF NEW MEXICO
Town of Dexter
Notes to the Financial Statements
June 30, 2013

NOTE 1. Summary of Significant Accounting Policies (continued)

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

For the classification of fund balances, the Town considers restricted or unrestricted amounts to have been spent when an expenditure is incurred for the purposes for which both restricted and unrestricted fund balance is available. Also for the classification of fund balances, the Town considers committed, assigned, or unassigned amounts to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Nonspendable Fund Balance: At June 30, 2013, the Town did not have any fund balances in nonspendable form.

Restricted and Committed Fund Balance: At June 30, 2013, the Town has presented restricted fund balance on the governmental funds balance sheet in the amount of \$88,357 for public safety, \$1 for culture and recreation, \$104,056 for public works, \$128,905 for fire protection, and \$19,054 for health and welfare. The Town has no committed fund balances. The details of these fund balance items are located on the governmental funds balance sheet as detailed on page 16.

Minimum Fund Balance Policy: The Town's policy for maintaining a minimum amount of fund balance for operations is to minimize any sudden and unplanned discontinuity to programs and operations and for unforeseen contingencies. At a minimum, the budget shall ensure that the Town holds cash reserves of 1/12th the General Fund expenditures. The amount at June 30, 2013 for the Town is \$82,142.

Net Position: Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets: Net position invested in capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted net position: Consist of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation. Descriptions for the related restrictions for net position restricted for special revenue funds are described on pages 27-28 and 45.
- c. Unrestricted net position: All other net position that does not meet the definition of "restricted" or "net investment in capital assets."

Interfund Transactions: Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund from 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.

All other interfund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

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

STATE OF NEW MEXICO
Town of Dexter
Notes to the Financial Statements
June 30, 2013

NOTE 2. Stewardship, Compliance and Accountability

Budgetary Information

Annual budgets of the Town are prepared prior to June 1 and must be approved by resolution of the Town Councilors, and submitted to the Department of Finance and Administration for State approval. Once the budget has been formally approved, any amendments must also be approved by the Town Council Members and the Department of Finance and Administration. A separate budget is prepared for each fund. Line items within each budget may be over-expended; however, it is not legally permissible to over-expend any budget in total by fund.

Governmental fund budgets are prepared on a Non-GAAP cash basis, excluding encumbrances, and secure appropriation of funds for only one year. Carryover funds must be re-appropriated in the budget of the subsequent fiscal year.

Proprietary fund budgets are prepared on the GAAP basis, excluding encumbrances, and secure appropriation of funds for only one year. Carryover funds must be re-appropriated in the budget of the subsequent fiscal year.

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

	<u>Excess (deficiency) of revenues over expenditures</u>	
	<u>Original Budget</u>	<u>Final Budget</u>
Budgeted Funds:		
General Fund	\$ 5,815	\$ 5,815
Fire Fund	\$ (81,384)	\$ (81,384)
Nonmajor Governmental Funds	\$ (117,680)	\$ (117,680)
	<u>Change in net position</u>	
Budgeted Funds:		
Joint Utility	\$ 32,735	\$ 12,438

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

NOTE 3. Deposits and Investments

State statutes authorize the investment of Town funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. The Town is not aware of any invested funds that did not meet the State investment requirements as of June 30, 2013.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the Town. Deposits may be made to the extent that they are insured by an agency of the United States or collateralized as required by statute.

The rate of interest in non-demand interest-bearing accounts shall be set by the State Board of Finance, but in no case shall the rate of interest be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of deposit.

STATE OF NEW MEXICO
Town of Dexter
Notes to the Financial Statements
June 30, 2013

NOTE 3. Deposits and Investments (continued)

Excess funds may be temporarily invested in securities which are issued by the State or by the United States government, or by their departments or agencies, and which are either direct obligations of the State or the United States or are backed by the full faith and credit of those governments.

By operation of federal law, beginning January 1, 2013, funds deposited in a noninterest-bearing transaction account no longer will receive unlimited deposit insurance coverage by the Federal Deposit Insurance Corporation (FDIC). Beginning January 1, 2013, all of the Town's accounts at an insured depository institution, including all noninterest-bearing transaction accounts, will be insured by the FDIC up to the standard maximum deposit insurance amount as follows:

- Up to \$250,000 for the combined total of all time and savings deposits (including NOW accounts)
- Up to \$250,000 for the combined amount of all interest-bearing and non-interest bearing demand deposit accounts

Custodial Credit Risk – Deposits Custodial credit risk is the risk that in the event of a bank failure, the Town's deposits may not be returned to it. The Town does not have a deposit policy for custodial credit risk, other than following state statutes as set forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). At June 30, 2013, \$1,876,935 of the Town's deposits of \$2,306,755 were exposed to custodial credit risk. \$1,010,434 was uninsured and collateralized by collateral held by the pledging bank's trust department, not in the Town's name, and \$866,501 was uninsured and uncollateralized.

	Wells Fargo Bank, N.A.
Amount of deposits	\$ 2,306,755
FDIC Coverage	(429,820)
Total uninsured public funds	1,876,935
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the Town's name	
	1,010,434
Uninsured and uncollateralized	\$ 866,501
Collateral requirement (50% of uninsured funds)	
	\$ 938,468
Pledged Collateral	1,010,434
Over (Under) collateralized	\$ 71,967

The collateral pledged is listed on Schedule II in this report. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, district or political subdivision of the State of New Mexico.

STATE OF NEW MEXICO
Town of Dexter
Notes to the Financial Statements
June 30, 2013

NOTE 3. Deposits and Investments (continued)

Investments

The Town has investments held in U.S. Treasury Money Market Mutual Funds in connection with New Mexico Finance Authority (NMFA) loans. These investments are managed by NMFA, on deposit with the State Treasurer's office, in NMFA's name for the benefit of the Town.

The Town's investments at June 30, 2013 include the following:

<u>Investments</u>	<u>Rated</u>	<u>Weighted Average Maturity</u>	<u>Fair Value</u>
U.S. Treasury Money Market Mutual Funds *	AA+ **	>365 Days	\$ 27,606
New Mexico State Treasurer Debt Service *	AA+ **	>365 Days	151
			<u>\$ 27,757</u>

*Restricted investments per Exhibit A-1

** Based off Standards & Poor's rating

Cash and cash equivalents per Exhibit A-1	\$ 2,250,328
Restricted cash and cash equivalents per Exhibit A-1	41,380
Restricted investments per Exhibit A-1	27,757
Plus outstanding checks	17,045
Less U.S. Treasury Money Market Mutual Funds	(27,757)
Unreconciled difference	(1,558)
Less petty cash	(440)
	<u>\$ 2,306,755</u>
Bank balance of deposits	<u>\$ 2,306,755</u>

Interest Rate Risk – Investments. The Town does not have a formal policy limiting investment maturities that would help manage its exposure to fair value losses from increasing interest rates.

Concentration of Credit Risk – Investments. For an investment, concentration of credit risk is when any one issuer is 5% or more of the investment portfolio of the Town. The investments in U.S Treasury Money Market Mutual Funds represents 99% of the Town's investment portfolio. Since the Town only purchases investments with the highest credit rating, the additional concentration is not viewed to be an additional risk by the Town. The Town's policy related to concentration credit risk is to comply with the state statute as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978).

STATE OF NEW MEXICO
Town of Dexter
Notes to the Financial Statements
June 30, 2013

NOTE 4. Receivables

Governmental activities receivables as of June 30, 2013 are as follows:

	General	Total Nonmajor Funds	Total
Property taxes	\$ 1,396	\$ -	\$ 1,396
Other taxes:			
Gross receipts taxes	122,146	-	122,146
Gasoline and oil taxes	-	3,138	3,138
Other receivables:			
Licenses and fees	-	336	336
Intergovernmental-grants:			
State	10,009	-	10,009
Miscellaneous	1,660	-	1,660
Totals by category	\$ 135,211	\$ 3,474	\$ 138,685

Receivables for governmental activities are considered to be 100% collectible.

Governmental funds report *deferred revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities in the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. Deferred revenue related to property taxes receivable for the Town for the year ended June 30, 2013 was \$909.

Business-type activities receivables as of June 30, 2013 are as follows:

	Joint Utility Fund
Customer Receivables	
Water	\$ 40,549
Sewer	11,124
Solid Waste	15,978
Totals by category	\$ 67,651

Receivables for business-type activities are considered to be 100% collectible.

NOTE 5. Transfers and Interfund Receivables

There were no operating transfers during the year ended June 30, 2013.

Internal balances have primarily been recorded when funds overdraw their share of pooled cash. The composition of interfund balances as of June 30, 2013 is as follows:

Due from Other Funds	Due to Other Funds	Amount
General Fund	Emergency Medical Services Fund	\$ 438
General Fund	Law Enforcement Fund	1,420
		\$ 1,858

All interfund transactions are short-term and are expected to be repaid within the next fiscal year.

STATE OF NEW MEXICO
Town of Dexter
Notes to the Financial Statements
June 30, 2013

NOTE 6. Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2013 follows. Land and construction in progress are not subject to depreciation.

Governmental activities:	<u>Balance June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2013</u>
Capital assets not being depreciated:				
Land	\$ 68,000	\$ -	\$ -	\$ 68,000
Construction in progress	<u>-</u>	<u>10,009</u>	<u>-</u>	<u>10,009</u>
Total capital assets not being depreciated	<u>68,000</u>	<u>10,009</u>	<u>-</u>	<u>78,009</u>
Capital assets being depreciated:				
Infrastructure	3,480,324	-	-	3,480,324
Buildings	1,920,145	-	-	1,920,145
Equipment	<u>1,956,270</u>	<u>47,080</u>	<u>-</u>	<u>2,003,350</u>
Total capital assets being depreciated	<u>7,356,739</u>	<u>47,080</u>	<u>-</u>	<u>7,403,819</u>
Total capital assets	<u>7,424,739</u>	<u>57,089</u>	<u>-</u>	<u>7,481,828</u>
Less accumulated depreciation:				
Infrastructure	(1,707,870)	(145,702)	-	(1,853,572)
Buildings	(703,092)	(52,578)	-	(755,670)
Equipment	<u>(1,084,270)</u>	<u>(106,427)</u>	<u>-</u>	<u>(1,190,697)</u>
Total accumulated depreciation	<u>(3,495,232)</u>	<u>(304,707)</u>	<u>-</u>	<u>(3,799,939)</u>
Total capital assets, net of depreciation	<u>\$ 3,929,507</u>	<u>\$ (247,618)</u>	<u>\$ -</u>	<u>\$ 3,681,889</u>

Depreciation expense for the year ended June 30, 2013 was charged to governmental activities as follows:

Governmental Funds:	
General Government	\$ 9,883
Public Safety	100,460
Public Works	157,402
Culture and recreation	33,862
Health and Welfare	<u>3,099</u>
	<u>\$ 304,707</u>

STATE OF NEW MEXICO
Town of Dexter
Notes to the Financial Statements
June 30, 2013

NOTE 6. Capital Assets (continued)

Business-type activities:	<u>Balance June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2013</u>
Capital assets not being depreciated:				
Land	\$ 26,000	\$ -	\$ -	\$ 26,000
Construction in progress	-	-	-	-
Total capital assets not being depreciated	<u>26,000</u>	<u>-</u>	<u>-</u>	<u>26,000</u>
Capital assets being depreciated:				
Buildings and infrastructure	1,715,635	-	-	1,715,635
Equipment	<u>321,313</u>	<u>23,286</u>	<u>-</u>	<u>344,599</u>
Total capital assets being depreciated	<u>2,036,948</u>	<u>23,286</u>	<u>-</u>	<u>2,060,234</u>
Total capital assets	<u>2,062,948</u>	<u>23,286</u>	<u>-</u>	<u>2,086,234</u>
Less accumulated depreciation:				
Buildings and infrastructure	(633,949)	(31,373)	-	(665,322)
Equipment	<u>(156,624)</u>	<u>(19,763)</u>	<u>-</u>	<u>(176,387)</u>
Total accumulated depreciation	<u>(790,573)</u>	<u>(51,136)</u>	<u>-</u>	<u>(841,709)</u>
Total capital assets, net of depreciation	<u>\$ 1,272,375</u>	<u>\$ (27,850)</u>	<u>\$ -</u>	<u>\$ 1,244,525</u>

Depreciation expense for the year ended June 30, 2013 was charged to business-type activities as follows:

Joint Utility	<u>\$ 51,136</u>
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STATE OF NEW MEXICO
Town of Dexter
Notes to the Financial Statements
June 30, 2013

NOTE 7. Long-term Debt

Governmental Activities:

During the year ended June 30, 2013, the following changes occurred in the liabilities reported in the government-wide statement of net position:

	Balance June 30, 2012	Additions	Retirements	Balance June 30, 2013	Due Within One Year
NMFA Loan	\$ 92,989	\$ -	\$ 29,904	\$ 63,085	\$ 30,976
Compensated Absences	23,713	18,204	14,267	27,650	14,267
Total Long-Term Debt	\$ 116,702	\$ 18,204	\$ 44,171	\$ 90,735	\$ 45,243

NMFA Loans

The Town entered into a loan agreement with the New Mexico Finance Authority, wherein the Town pledged revenue derived from Fire Protection annual allocations to cover debt service. This revenue is subject to intercept agreements. The NMFA loan information is as follows:

Description	Date of Issue	Due Date	Interest Rate	Original Amount of Issue	Balance June 30, 2013
NMFA Fire Pumper Loan Dexter #5	11/19/04	05/19/15	1.9%-4.43%	\$ 275,338	\$ 63,085

The annual requirements to amortize the NMFA loans as of June 30, 2013, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2014	\$ 30,976	\$ 2,167	\$ 33,143
2015	32,109	1,113	33,222
	\$ 63,085	\$ 3,280	\$ 66,365

In prior years, the fire fund has typically been used to liquidate long-term liabilities related to the Fire Pumper Loan.

Compensated Absences- Employees of the Town are able to accrue a limited amount of vacation and other compensatory time during the year. During fiscal year June 30, 2013, compensated absences increased \$3,937 from the prior year accrual. Compensated absences are liquidated by the respective funds in which they are accrued. Typically compensated absences are paid out of the general fund.

STATE OF NEW MEXICO
Town of Dexter
Notes to the Financial Statements
June 30, 2013

NOTE 7. Long-term Debt (continued)

Proprietary Funds:

The proprietary funds have incurred various forms of debt which were used for the purposes of constructing, expanding, repairing and making improvements to its property, plant and equipment. The following schedule shows the changes to its various forms of debt during the fiscal year ended June 30, 2013:

	Balance June 30, 2012	Additions	Retirements	Balance June 30, 2013	Due Within One Year
Joint Utility Serial Bonds	\$ 110,000	\$ -	\$ 7,000	\$ 103,000	\$ 7,000
Compensated Absences	8,366	6,016	6,633	7,749	6,633
Total Long-Term Debt	\$ 118,366	\$ 6,016	\$ 13,633	\$ 110,749	\$ 13,633

Revenue Bonds

At June 30, 2013, the Town had the following revenue bonds outstanding:

Description	Date of Issue	Due Date	Interest Rate	Original Amount of Issue	Balance June 30, 2013
Joint Utility Series 1983	01/01/83	01/01/23	11.38%	\$ 170,000	\$ 103,000

The annual requirements to amortize the revenue bonds as of June 30, 2013, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2014	\$ 7,000	\$ 11,716	\$ 18,716
2015	8,000	10,920	18,920
2016	8,000	10,010	18,010
2017	9,000	9,100	18,100
2018	9,000	8,076	17,076
2019-2023	62,000	22,522	84,522
	\$ 103,000	\$ 72,344	\$ 175,344

Compensated Absences- Employees of the Town are able to accrue a limited amount of vacation and other compensatory time during the year. During fiscal year June 30, 2013, compensated absences decreased \$617 from the prior year accrual. Compensated absences are liquidated by joint utility fund for employees of proprietary activities.

STATE OF NEW MEXICO
Town of Dexter
Notes to the Financial Statements
June 30, 2013

NOTE 8. Risk Management

The Town is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of property, errors and omissions and natural disasters. The Town participates in the New Mexico Self-Insurers' Fund risk pool.

The Town has not filed any claims for which the settlement amount exceeded the insurance coverage during the past three years. However, should a claim be filed against the Town which exceeds the insurance coverage, the Town would be responsible for a loss in excess of the coverage amounts. As claims are filed, the New Mexico Self-Insurers' Fund assesses and estimates the potential for loss and handles all aspects of the claim. Insurance coverage has not changed significantly from prior years and coverage's are expected to be continued.

At June 30, 2013, no unpaid claims have been filed which exceed the policy limits and to the best of management's knowledge and belief all known and unknown claims will be covered by insurance. The Town is not aware of any major lawsuits that have been filed.

New Mexico Self-Insurers' Fund has not provided information on an entity by entity basis that would allow for a reconciliation of changes in the aggregate liabilities for claims for the current fiscal year and the prior fiscal year.

NOTE 9. Other Required Individual Fund Disclosures

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

- A. Deficit fund balance of individual funds. The following funds had a deficit fund balance as of June 30, 2013:

Emergency Medical Services Fund	\$ 102
Law Enforcement Fund	<u>1,420</u>
Total	<u>\$ 1,522</u>

- B. Actual expenditures in excess of amount budgeted at the budgetary authority level. Budgetary legal level of control is at the fund level. There were no funds that exceeded approved budgetary authority for the year ended June 30, 2013.
- C. Designated cash appropriations in excess of available balances. There were no funds which had designated cash appropriations in excess of available balances for the year ended June 30, 2013.

NOTE 10. Pension Plan- Public Employees Retirement Association

Plan Description. Substantially all of the Town of Dexter'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 the following percentages of their gross salary: 7.0% for law enforcement and 9.15% municipal employees. The Town is required to contribute the following percentages of the gross covered salary: 18.5% for law enforcement employees and 9.15% for municipal employees. 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 years ending June 30, 2013, 2012 and 2011 were \$76,024, \$78,703, and \$71,530, respectively, which equal the amount of the required contributions for each fiscal year.

STATE OF NEW MEXICO
Town of Dexter
Notes to the Financial Statements
June 30, 2013

NOTE 11. Post-Employment Benefits – State Retiree Health Care Plan

The Town of Dexter does not participate in the State Retiree Health Care Plan.

NOTE 12. Contingent Liabilities

The Town is party to various claims and lawsuits arising in the normal course of business. The Town is insured through the New Mexico Self Insurers Fund. In the opinion of management, the outcome of these matters will not have a material effect on the financial position of the Town.

NOTE 13. Federal and State Grants

In the normal course of operations, the Town receives grant funds from various federal and state agencies. Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as a result of these audits is not believed to be material.

NOTE 14. Construction and Other Significant Commitments

The Town has committed to pay for construction contracts that were not completed at June 30, 2013 in the amount of \$250,000 relating to a Fire Station Renovation.

NOTE 15. Subsequent Events

The date to which events occurring after June 30, 2013, the date of the most recent statement of net position, have been evaluated for possible adjustment to the financial statements or disclosures is November 25, 2013, which is the date on which the financial statements were issued. No events requiring disclosure were noted.

NOTE 16. Concentrations

The Town depends on financial resources flowing from, or associated with, both the Federal Government and the State of New Mexico. Because of this dependency, the Town is subject to changes in the specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations.

NOTE 17. Restricted Net Position

The government-wide statement of net position reports \$338,851 of restricted net position, all of which is restricted by enabling legislation. See pages 27-28 and 45 for descriptions of the related restrictions for special revenue funds.

NOTE 18. Related Parties

The Town conducted transactions with several entities which are considered related parties. These related party transactions are as follows:

<u>Vendor</u>	<u>Related Party</u>	<u>Amount</u>
Daubert Oil & Gas	Mayor Pro-Tem – Mitch Daubert (Owner)	\$ 16,714
Frazier Oil & Gas	Council Member – Thomas Mireles (Manager)	12,047

STATE OF NEW MEXICO
Town of Dexter
Notes to the Financial Statements
June 30, 2013

NOTE 19. Subsequent Pronouncements

In March 2012, GASB Statement No. 65 *Items Previously Reported as Assets and Liabilities* was issued. Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged. The Town will implement this standard during fiscal year June 30, 2014.

In March 2012, GASB Statement No. 66 *Technical Corrections-2012—an amendment of GASB Statements No. 10 and No. 62* was issued. Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged. The Town will implement this standard during fiscal year June 30, 2014.

In June 2012, GASB Statement No. 67 *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25* was issued. Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2013. Earlier application is encouraged. The standard is expected to have no effect on the Town in upcoming years.

In June 2012, GASB Statement No. 68 *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27* was issued. Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014. Earlier application is encouraged. The Town will implement this standard during the fiscal year June 30, 2016.

In January 2013, GASB Statement No. 69 *Government Combinations and Disposals of Government Operations* was issued. Effective Date: The provisions of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013. Earlier application is encouraged. The provisions of this Statement generally are required to be applied prospectively. The Town is still evaluating how this standard will affect the Town.

In April 2013, GASB Statement No 70 *Accounting and Financial Reporting for Nonexchange Financial Guarantees* was issued. Effective Date: The provisions of this Statement are effective for reporting periods beginning after June 15, 2013. Earlier application is encouraged. Except for disclosures related to cumulative amounts paid or received in relation to a financial guarantee, the provisions of this Statement are required to be applied retroactively. Disclosures related to cumulative amounts paid or received in relation to a financial guarantee may be applied prospectively. The Town is still evaluating how this reporting standard will affect the Town.

SUPPLEMENTARY INFORMATION

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STATE OF NEW MEXICO
Town of Dexter
Nonmajor Fund Descriptions
June 30, 2013

Special Revenue Funds

Corrections

To account for the assessment of corrections fees, judicial education fees and court automation fees to be collected as court costs and to be used as provided in Section 35-14-11 NMSA 1978.

Emergency Medical Services

To account for the operation and maintenance of the Town EMS Department with funding provided primarily from an annual EMS allotment and fees collected for emergency transportation. The fund was created by the authority of Section 24-10A-3 NMSA 1978.

Law Enforcement

To account for funds received from the State of New Mexico for law enforcement purposes as part of the Law Enforcement Protection Act. The fund was created by the authority of Section 29-13-3 NMSA 1978.

Streets Gas Tax

To account for the receipts and expenditures of special gasoline taxes authorized under Section 7-1-6.1 NMSA 1978 which are restricted for use in repairing and maintaining roads and streets within the Town. This fund was created under the authority provided by Section 3-31-1 NMSA 1978.

Recreation

To account for the operation and maintenance of the Town's youth recreation program with funding provided by the state shared cigarette tax. The fund was created by the authority of Section 7-12-15 NMSA 1978.

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 Section 24-1A-3.1 NMSA 1978.

STATE OF NEW MEXICO
Town of Dexter
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2013

	Special Revenue Funds		
	Corrections	Emergency Medical Services	Law Enforcement
<i>Assets</i>			
Cash and cash equivalents	\$ 88,357	\$ -	\$ -
Restricted cash and cash equivalents	-	-	-
Investments	-	-	-
Receivables:			
Property taxes	-	-	-
Other taxes	-	-	-
Due from other governments	-	-	-
Other receivables	-	336	-
	<u>\$ 88,357</u>	<u>\$ 336</u>	<u>\$ -</u>
<i>Total assets</i>	<u>\$ 88,357</u>	<u>\$ 336</u>	<u>\$ -</u>
<i>Liabilities</i>			
Accounts payable	\$ -	\$ -	\$ -
Accrued payroll	-	-	-
Deposits held in trust for others	-	-	-
Deferred revenue-property taxes	-	-	-
Due to other funds	-	438	1,420
	<u>-</u>	<u>438</u>	<u>1,420</u>
<i>Total liabilities</i>	<u>-</u>	<u>438</u>	<u>1,420</u>
<i>Fund balances</i>			
Spendable			
Restricted for:			
Public safety	88,357	-	-
Culture and recreation	-	-	-
Public works	-	-	-
Fire protection	-	-	-
Health and welfare	-	-	-
Unassigned	-	(102)	(1,420)
	<u>88,357</u>	<u>(102)</u>	<u>(1,420)</u>
<i>Total fund balances</i>	<u>88,357</u>	<u>(102)</u>	<u>(1,420)</u>
<i>Total liabilities and fund balances</i>	<u>\$ 88,357</u>	<u>\$ 336</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

<u>Special Revenue Funds</u>			Total Nonmajor Governmental Funds
<u>Streets Gas Tax</u>	<u>Recreation</u>	<u>Health Clinic</u>	
\$ 100,918	\$ 1	\$ 19,054	\$ 208,330
-	-	-	-
-	-	-	-
-	-	-	-
3,138	-	-	3,138
-	-	-	-
-	-	-	336
<u>\$ 104,056</u>	<u>\$ 1</u>	<u>\$ 19,054</u>	<u>\$ 211,804</u>
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	1,858
<u>-</u>	<u>-</u>	<u>-</u>	<u>1,858</u>
-	-	-	88,357
-	1	-	1
104,056	-	-	104,056
-	-	-	-
-	-	19,054	19,054
-	-	-	(1,522)
<u>104,056</u>	<u>1</u>	<u>19,054</u>	<u>209,946</u>
<u>\$ 104,056</u>	<u>\$ 1</u>	<u>\$ 19,054</u>	<u>\$ 211,804</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
Town of Dexter
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2013

	Special Revenue Funds		
	Corrections	Emergency Medical Services	Law Enforcement
<i>Revenues</i>			
Taxes			
Gross receipts	\$ -	\$ -	\$ -
Gasoline and motor vehicle taxes	-	-	-
Other	-	-	-
Intergovernmental income			
State operating grants	-	9,733	32,900
Charges for services	-	-	-
Licenses and fees	12,042	336	-
Miscellaneous	-	-	-
<i>Total revenues</i>	12,042	10,069	32,900
<i>Expenditures</i>			
Current			
General government	-	-	-
Public safety	3,697	9,406	12,399
Public works	-	-	-
Culture and recreation	-	-	-
Health and welfare	-	-	-
Capital outlay	-	-	47,080
Debt service			
Principal	-	-	-
Interest	-	-	-
<i>Total expenditures</i>	3,697	9,406	59,479
<i>Net change in fund balances</i>	8,345	663	(26,579)
<i>Fund balances - beginning of year</i>	80,012	(765)	25,159
<i>Fund balances - end of year</i>	\$ 88,357	\$ (102)	\$ (1,420)

The accompanying notes are an integral part of these financial statements

<u>Special Revenue Funds</u>			<u>Total Nonmajor Governmental Funds</u>
<u>Streets Gas Tax</u>	<u>Recreation</u>	<u>Health Clinic</u>	
\$ -	\$ -	\$ -	\$ -
24,635	-	-	24,635
-	-	-	-
-	-	-	42,633
-	-	9,256	9,256
-	-	-	12,378
-	-	-	-
<u>24,635</u>	<u>-</u>	<u>9,256</u>	<u>88,902</u>
-	-	-	-
-	-	-	25,502
68,293	-	-	68,293
-	-	-	-
-	-	6,760	6,760
-	-	-	47,080
-	-	-	-
-	-	-	-
<u>68,293</u>	<u>-</u>	<u>6,760</u>	<u>147,635</u>
(43,658)	-	2,496	(58,733)
<u>147,714</u>	<u>1</u>	<u>16,558</u>	<u>268,679</u>
<u>\$ 104,056</u>	<u>\$ 1</u>	<u>\$ 19,054</u>	<u>\$ 209,946</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-1

Town of Dexter

Corrections Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budgetary (Non-GAAP Basis) and Actual

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gas and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
State operating grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	7,600	7,600	12,042	4,442
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>7,600</u>	<u>7,600</u>	<u>12,042</u>	<u>4,442</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	7,600	7,600	3,697	3,903
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>7,600</u>	<u>7,600</u>	<u>3,697</u>	<u>3,903</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>8,345</u>	<u>8,345</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	-	-	8,345	8,345
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>80,012</u>	<u>80,012</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 88,357</u>	<u>\$ 88,357</u>
Net change in fund balance (GAAP basis)				\$ 8,345
No adjustments to revenues				-
No adjustments to expenditures.				-
Net change in fund balance (GAAP basis)				<u>\$ 8,345</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-2

Town of Dexter

Emergency Medical Services Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budgetary (Non-GAAP Basis) and Actual
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gas and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
State operating grants	15,556	15,556	9,733	(5,823)
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>15,556</u>	<u>15,556</u>	<u>9,733</u>	<u>(5,823)</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	15,556	15,556	10,171	5,385
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>15,556</u>	<u>15,556</u>	<u>10,171</u>	<u>5,385</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>(438)</u>	<u>(438)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	-	-	(438)	(438)
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (438)</u>	<u>\$ (438)</u>
Net change in fund balance (GAAP basis)				\$ (438)
Adjustments to revenues for fees receivable				336
Adjustments to expenditures for accrued salaries.				765
Net change in fund balance (GAAP basis)				<u>\$ 663</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-3

Town of Dexter

Law Enforcement Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budgetary (Non-GAAP Basis) and Actual

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gas and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
State operating grants	29,833	40,333	32,900	(7,433)
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>29,833</u>	<u>40,333</u>	<u>32,900</u>	<u>(7,433)</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	54,992	65,492	59,479	6,013
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>54,992</u>	<u>65,492</u>	<u>59,479</u>	<u>6,013</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(25,159)</u>	<u>(25,159)</u>	<u>(26,579)</u>	<u>(1,420)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	25,159	25,159	-	(25,159)
<i>Total other financing sources (uses)</i>	<u>25,159</u>	<u>25,159</u>	<u>-</u>	<u>(25,159)</u>
<i>Net change in fund balance</i>	-	-	(26,579)	(26,579)
<i>Fund balance - beginning of year</i>	-	-	25,159	25,159
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,420)</u>	<u>\$ (1,420)</u>
Net change in fund balance (GAAP basis)				\$ (26,579)
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ (26,579)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-4

Town of Dexter
Streets Gas Tax Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budgetary (Non-GAAP Basis) and Actual
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final	(Non-GAAP Basis)	Final to Actual
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gas and motor vehicle	23,000	23,000	23,587	587
Other	-	-	-	-
Intergovernmental income				
State operating grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>23,000</u>	<u>23,000</u>	<u>23,587</u>	<u>587</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	116,621	116,621	68,293	48,328
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>116,621</u>	<u>116,621</u>	<u>68,293</u>	<u>48,328</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(93,621)</u>	<u>(93,621)</u>	<u>(44,706)</u>	<u>48,915</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	93,621	93,621	-	(93,621)
<i>Total other financing sources (uses)</i>	<u>93,621</u>	<u>93,621</u>	<u>-</u>	<u>(93,621)</u>
<i>Net change in fund balance</i>	-	-	(44,706)	(44,706)
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>145,624</u>	<u>145,624</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 100,918</u>	<u>\$ 100,918</u>
Net change in fund balance (GAAP basis)				\$ (44,706)
Adjustments to revenues for fuel taxes receivable				1,048
No adjustments to expenditures				<u>-</u>
Net change in fund balance (GAAP basis)				<u>\$ (43,658)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-5

Town of Dexter

Recreation Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budgetary (Non-GAAP Basis) and Actual

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variations
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gas and motor vehicle	-	-	-	-
Other	500	500	-	(500)
Intergovernmental income				
State operating grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>500</u>	<u>500</u>	<u>-</u>	<u>(500)</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	500	500	-	500
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>500</u>	<u>500</u>	<u>-</u>	<u>500</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	-	-	-	-
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>1</u>	<u>1</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 1</u>
Net change in fund balance (GAAP basis)				\$ -
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-6

Town of Dexter

Health Clinic Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budgetary (Non-GAAP Basis) and Actual

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gas and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
State operating grants	-	-	-	-
Charges for services	12,200	12,200	9,256	(2,944)
Licenses and fees	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>12,200</u>	<u>12,200</u>	<u>9,256</u>	<u>(2,944)</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	11,100	11,100	7,185	3,915
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>11,100</u>	<u>11,100</u>	<u>7,185</u>	<u>3,915</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>1,100</u>	<u>1,100</u>	<u>2,071</u>	<u>971</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	(1,100)	(1,100)	-	1,100
<i>Total other financing sources (uses)</i>	<u>(1,100)</u>	<u>(1,100)</u>	<u>-</u>	<u>1,100</u>
<i>Net change in fund balance</i>	-	-	2,071	2,071
<i>Fund balance - beginning of year</i>	-	-	16,983	16,983
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,054</u>	<u>\$ 19,054</u>
Net change in fund balance (GAAP basis)				\$ 2,071
No adjustments to revenues				-
Adjustments to expenditures for accrued salaries.				425
Net change in fund balance (GAAP basis)				<u>\$ 2,496</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-7

Town of Dexter

Joint Utility Fund

Statement of Revenues, Expenses and Changes in Net Position
 Budget (GAAP Basis) and Actual - Proprietary Funds
 For the Year Ended June 30, 2013

	Budget Amounts		Actual (GAAP Basis)	Variances Favorable (Unfavorable)
	Original	Final		Final to Actual
<i>Operating revenues</i>				
Charges for services	\$ 525,798	\$ 525,798	\$ 559,634	\$ 33,836
<i>Total operating revenues</i>	525,798	525,798	559,634	33,836
<i>Operating expenses</i>				
Personnel services	110,000	110,000	109,798	202
Contractual services	237,685	236,982	236,814	168
Supplies	35,000	35,000	34,216	784
Repairs and maintenance	11,000	32,000	31,839	161
Utilities	29,000	29,000	28,810	190
Depreciation	51,250	51,250	51,136	114
Other costs	9,013	9,013	5,185	3,828
<i>Total operating expenses</i>	482,948	503,245	497,798	5,447
<i>Operating income (loss)</i>	42,850	22,553	61,836	39,283
<i>Non-operating revenues (expenses)</i>				
Interest expense	(12,115)	(12,115)	(12,115)	-
<i>Total non-operating revenues (expenses)</i>	(12,115)	(12,115)	(12,115)	-
<i>Income before contributions and transfers</i>	30,735	10,438	49,721	39,283
State and federal operating grants	2,000	2,000	1,700	(300)
<i>Change in net position</i>	\$ 32,735	\$ 12,438	51,421	\$ 38,983
<i>Total net position, beginning of year</i>			1,796,187	
<i>Total net position, end of year</i>			\$ 1,847,608	

The accompanying notes are an integral part of these financial statements

SUPPORTING SCHEDULES

STATE OF NEW MEXICO
Town of Dexter
Schedule of Deposit and Investment Accounts
June 30, 2013

Schedule I

Bank Name/Account Name	Account Type	Bank Balance	Deposits in Transit	Outstanding Checks	Book Balance
Wells Fargo Bank, N.A.					
General Fund	Checking	\$ 1,559,785	\$ -	\$ 13,878	\$ 1,545,907
Dexter Health Clinic Fund	NOW	19,332	-	157	19,175
CDBG Projects Fund	Checking	60	-	-	60
JUSGI 1974 and 1983 Fund	NOW	10,710	-	-	10,710
Repairs & Replacement Fund	NOW	51,220	-	-	51,220
Water Meter Fund	Checking	41,264	-	83	41,181
Utility Fund	Checking	525,725	-	2,927	522,798
Municipal Court Fund	Checking	100	-	-	100
Reserve Bond Fund	NOW	98,559	-	-	98,559
Total Wells Fargo Bank, N.A.		<u>2,306,755</u>	<u>-</u>	<u>17,045</u>	<u>2,289,710</u>
New Mexico Finance Authority - Investments					
NMFA Loan Dexter 5 - State Treasurer Cash	Investment	151	-	-	151
NMFA Loan Dexter 5 - Reserve Funds	Investment	27,606	-	-	27,606
Total New Mexico Finance Authority		<u>27,757</u>	<u>-</u>	<u>-</u>	<u>27,757</u>
Total		<u>\$2,334,512</u>	<u>\$ -</u>	<u>\$ 17,045</u>	<u>\$ 2,317,467</u>
Unreconciled difference					1,558
Add: petty cash					<u>440</u>
Total deposits and investments					<u>\$ 2,319,465</u>
Deposits and investments per financial statements:					
Cash and cash equivalents - Exhibit A-1					\$ 2,250,328
Restricted cash and cash equivalents - Exhibit A-1					41,380
Restricted investments- Exhibit A-1					<u>27,757</u>
Total deposits and investments					<u>\$ 2,319,465</u>

See independent auditors' report

STATE OF NEW MEXICO

Schedule II

Town of Dexter

Schedule of Collateral Pledged by Depository for Public Funds

June 30, 2013

Name of Depository	Description of Pledged Collateral	Maturity	CUSIP Number	Fair Market/Par Value at June 30, 2013	Location of Safekeeper
Wells Fargo Bank, N.A.					
	FN AI8345 2.902%	8/1/2041	3138ANHX	\$ 33,502	Bank of New York Mellon, New York
	FN AR9199 3.000%	3/1/2043	3138W7GH	24,298	Bank of New York Mellon, New York
	FN AB6309 3.000%	9/1/2042	31417DAK9	4,578	Bank of New York Mellon, New York
	FN AE0215 4.000%	12/1/2039	31419AGZ4	12,785	Bank of New York Mellon, New York
	FN AT2722 3.000%	5/1/2043	3138WQAY	4,888	Bank of New York Mellon, New York
	FN AE0385 4.000%	9/1/2040	31419ANB9	12,560	Bank of New York Mellon, New York
	FN AT4979 3.000%	4/1/2043	3138WSQ92	4,804	Bank of New York Mellon, New York
	FN AR2633 3.000%	2/1/2043	3138NY4T9	9,664	Bank of New York Mellon, New York
	FN AH8825 4.500%	3/1/2041	3138AAYX	20,815	Bank of New York Mellon, New York
	FN AO9665 3.000%	7/1/2042	3138M1W3	9,437	Bank of New York Mellon, New York
	FN AE4310 4.000%	9/1/2040	31419EYG8	9,267	Bank of New York Mellon, New York
	FN AB7505 3.000%	1/1/2043	31417EKT7	24,072	Bank of New York Mellon, New York
	FN AR9213 3.000%	3/1/2043	3138W7GX	24,296	Bank of New York Mellon, New York
	FN AJ3790 3.000%	11/1/2026	3138AVF83	20,415	Bank of New York Mellon, New York
	FN AB7507 3.000%	1/1/2043	31417EKV2	4,833	Bank of New York Mellon, New York
	FN AB7730 3.000%	1/1/2043	31417ESU6	14,420	Bank of New York Mellon, New York
	FN AQ9185 3.000%	1/1/2043	3138MRF30	38,454	Bank of New York Mellon, New York
	FN AJ4758 3.000%	11/1/2026	3138AWJC8	20,576	Bank of New York Mellon, New York
	FG J16662 3.000%	9/1/2026	3128PWMK	716,770	Bank of New York Mellon, New York
Total Pledged Collateral				<u>\$ 1,010,434</u>	

See independent auditors' report

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COMPLIANCE SECTION



Accounting & Consulting Group, LLP
Certified Public Accountants

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*

Independent Auditors' Report

Hector Balderas
New Mexico State Auditor and
The Town Council
Town of Dexter
Dexter, New Mexico

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information and the budgetary comparisons of the general fund and major special revenue fund of the Town of Dexter (the Town) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements, and the combining and individual funds and related budgetary comparisons of the Town, presented as supplementary information, and have issued our report thereon dated November 25, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the Town's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the Town's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 Town's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as item FS 2013-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings as item 11-1 to be a significant deficiency.

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 described in the accompanying schedule of findings and responses as items 11-1, 12-1, FS 2013-01, FS 2013-002, FS 2013-003, and FS 2013-004.

The Town's Response to Findings

The Town's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The Town's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the Town's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Town's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Accounting + Consulting Group, LLP

Accounting & Consulting Group, LLP
Albuquerque, NM
November 25, 2013

STATE OF NEW MEXICO
Town of Dexter
Schedule of Findings and Responses
June 30, 2013

Section I – Summary of Audit Results

Financial Statements:

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

Section II – Prior Year Audit Findings

Prior Year Financial Statement Findings

<u>Number</u>	<u>Title</u>	<u>Status</u>
11-1	Fraudulent & Excessive Fuel Purchases (Significant Deficiency)	Repeated and Modified
11-6	Late Audit Report (Compliance)	Resolved
12-1	Employee Not Paid Overtime Correctly (Significant Deficiency)	Repeated and Modified

Section III – Financial Statement Findings and Responses

11-1 Deficiency in Internal Control Over Fuel Purchases (Significant Deficiency/Compliance) – Repeated and Modified

Condition: During our testwork over fuel purchases and related party transactions we noted the following:

- Out of 481 fuel logs collected with monthly billings, 64 fuel logs were missing key information (i.e. odometer readings) or were not properly filled out.
- Procedures in place over fuel logs are not adequately designed or operating effectively in order to provide management of the Town with adequate information.

Criteria: As required by NMSA 1978 Section 6-6-3, the Town should design and maintain an internal control structure that enables it to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. The SAS No. 115 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, “inadequate documentation of the components of internal control.” SAS 115 paragraph 15 states that ineffective oversight of the agency’s financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

Effect: Because controls over fuel usage have weaknesses in design, key controls are not in place to properly safeguard assets and prevent or detect material misstatements due to errors or fraud.

Cause: The Town has implemented controls over fuel purchases; however those controls are not designed in a way to effectively provide management with adequate information.

Auditors’ Recommendations: The Town should amend controls over fuel purchase logs that would effectively provide management with relevant information regarding the proper usage of fuel cards. Management and the Town Council should encourage and enforce policies to ensure that procedures are enforced.

Agency’s Response: The governing body of the Town of Dexter implemented the new fuel log as a result of the previous audit and going forward will reinforce the previous guidelines set by department heads and approved by council. We will also communicate the importance of completely filling out each section of the fuel log. This will be monitored by the Clerk to ensure fuel logs are complete to include all sections of the log.

12-1 Employees Not Paid Overtime Correctly (Other Matter) – Repeated and Modified

Condition: During our payroll testwork, we noted that one employee was not paid properly for 2 hours of overtime. The total amount this employee was underpaid was \$8.31.

Criteria: According to Section 50-4-22 D. NMSA 1978 employees shall be paid time and a half for each overtime hour worked. Overtime is defined as any hours more than forty in a week.

Effect: By miscalculating overtime, the Town is possibly underpaying employees.

Cause: During the audit year a new employee took over payroll duties. The person generating payroll mistakenly believed that overtime was hours over 80 in a pay period, not hours over 40 in a work week.

Auditors’ Recommendations: We recommend that the Town seek training for employees in payroll positions to become more familiar with employment law in order to avoid errors in the future.

Agency’s Response: The governing body of the Town of Dexter will encourage and support office staff to enroll in any payroll training and any other office training to ensure the office has the experience and knowledge in the event a position becomes vacant.

Section III – Financial Statement Findings and Responses (continued)

FS 2013-001 Deficiencies in Internal Control Structure, Design, Operation, and Oversight (Material Weakness/Compliance)

Condition: The Town does not have a comprehensive documented internal control structure. The internal control structure should include controls that allow the governing body to exercise effective oversight of internal controls and the financial reporting process. Also, controls in certain specific areas are not operating as designed. These include:

- There is inadequate segregation of duties in the following areas:
 - Cash Receipts
 - Cash Disbursements
 - Payroll
- The Town does not currently use a financial accounting system or chart of accounts.
- Bank reconciliations are manually performed and are not currently reviewed.
- There was an unreconciled difference in cash of \$1,558.
- Controls over cash disbursements are not effectively designed or operating in the following areas:
 - Expenses are not properly coded by line items.
 - Accounts payable listings are not able to be generated at year end.
 - Expense entries are manually input and subject to error.
 - There was one instance noted during our review of bank statements where a check was manually entered twice in the general ledger. The difference between the bank and the general ledger was \$327.37.
- Controls over cash receipts are not effectively designed or operating in the following areas:
 - There are not policies to ensure that deposits are made in a timely manner.
 - Accounts receivables listing are not able to be generated at year end.
 - Receipt entries are manually input and subject to error.
 - One item out of five tested did not tie from the bank statement to the general ledger. There was a manual error of \$6 between the bank and the ledger.
- Controls over payroll are not effectively designed or operating in the following areas:
 - Employee pay rates can be modified without notice or any review/approval.
 - No record of approved pay rates is included in employee files.
 - There is no detailed review of employee payroll information before payroll checks are generated.
 - There was one instance out of five tested where we noted that an employee time sheet was not signed by a supervisor.

Criteria: *The Codification of Statements on Auditing Standards (SAS AU)* paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements. Also, as required by NMSA 1978 Section 6-6-3, the Town should design and maintain an internal control structure that will keep all books, records and accounts in the form prescribed by the local government division. Under SAS 115, the internal control and financial reporting process should have adequate oversight provided by the body charged with governance.

Effect: Because there is not an adequate internal control structure or oversight by the governing body, complete and accurate financial data cannot be verified, assets are not properly safeguarded, reconciliations are not performed, or at a minimum not performed on a timely basis, and adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

Cause: During fiscal year 2013, there was a change in staff in the Clerk/Treasurer position. There was a period the position was vacant, and new staff did not have expertise and/or training to implement an adequate internal control structure.

Auditors' Recommendations: The Town should ensure that a comprehensive internal control structure is designed, documented and implemented. The Town Council should provide effective oversight of the internal control and financial reporting process. The Town should implement a financial accounting system.

Section III – Financial Statement Findings and Responses (continued)

FS 2013-001 Deficiencies in Internal Control Structure, Design, Operation, and Oversight (Material Weakness) (continued)

Agency's Response: The governing body of the Town of Dexter has purchased a financial accounting system and is in the process of implementation. This will allow for controls to be better monitored. The governing body will also encourage and support the clerk/treasurer to enroll in any training classes provided by the NM Municipal League.

FS 2013-002 Certification of Capital Asset Inventory (Other Matter)

Condition: The Town did not perform a physical inventory of capital assets for the year ended June 30, 2013. The Town also failed to obtain a certification from the Town Council as required by state statute.

Criteria: 2.20.1.16.E NMAC states “The results of the physical inventory shall be recorded in a written inventory report, certified as to correctness and signed by the governing authority of the agency.”

Effect: The Town is not in compliance with 2.20.1.16.E NMAC regarding their annual capital asset inventory and certification.

Cause: During the year ended June 30, 2013, the Town had a change in the Clerk/Treasurer position. There were several months this position was vacant, and the new Clerk/Treasurer was unaware of these requirements.

Auditors' Recommendations: The Town should implement procedures to have an annual capital asset inventory, and have this inventory certified by the Town Council. The count reports created during the annual physical inventory should be compiled to be certified by the Town Council.

Agency's Response: The Town of Dexter Governing body will implement a procedure to have all capital assets inventoried by department heads and to be presented to council during the yearly budget process for certification.

FS 2013-003 Travel and Per Diem (Other Matter)

Condition: During our testwork over Travel and Per Diem, it was noted that:

- A travel advance for per diem in the amount of \$276 was requested more than 20 days before the travel date.

Criteria: 2.42.2.10.A. NMAC states “Requests for travel advances shall not be submitted more than two weeks prior to the travel unless, by processing the request earlier, significant savings can be realized for travel by common carrier or for registration fees for seminars or conferences.”

Effect: The Town is not in compliance with 2.42.2.10.A. NMAC regarding travel advances.

Cause: The Town does not have controls in place to meet requirements regarding travel and per diem advances.

Auditors' Recommendations: The Town should implement controls over travel and per diem that are in compliance with the Travel and Per Diem Act. The Town should also require proof of attendance prior to reimbursement of travel expenses.

Agency's Response: Check # 36731, shows that purchase of an airline ticket in the amount of \$517.60 and per diem in the amount of \$276.00 were processed together. Going forward the Town of Dexter Governing body will implement a process that will pay any pre-travel separate from per diem in order to stay compliant with the Travel and Per Diem Act.

Section III – Financial Statement Findings and Responses (continued)

FS 2013-004 Late Submission of Audit Contract to Office of the State Auditor (Other Matter)

Condition: The Town did not submit their IPA recommendation form and contract to the Office of the State Auditor by the statutory deadline for the year ended June 30, 2013.

Criteria: 2.2.2.8(G)(6)(c) NMAC states that the IPA recommendation form and contract for municipalities are due to the Office of the State Auditor by May 15, 2013.

Effect: The Town is not in compliance with 2.2.2.8(G)(6)(c) NMAC regarding their submission of IPA recommendation forms and contracts.

Cause: During the year ended June 30, 2013, the Town had a change in the Clerk/Treasurer position. There were several months this position was vacant, and the new Clerk/Treasurer was unfamiliar with the IPA selection process and unaware of this requirement.

Auditors' Recommendations: The Town should implement controls to ensure that their IPA selection form and contract are submitted in a timely manner.

Agency's Response: The governing body of the Town of Dexter will implement time lines to ensure that the IPA selection and forms are submitted in a timely manner.

STATE OF NEW MEXICO

Town of Dexter
Other Disclosures
June 30, 2013

OTHER DISCLOSURES

Auditor Prepared Financial Statements

Accounting and Consulting Group, LLP prepared the GAAP-basis financial statements and footnotes of the Town of Dexter from the original books and records provided to them by the management of the Town. The responsibility for the financial statements remains with the Town.

Exit Conference

An exit conference was held on November 26, 2013 in a closed executive session in compliance with the Open Meetings Act. In attendance were the following:

Representing the Town of Dexter:

David L. White, Mayor
Mitch Daubert, Mayor Pro-tem
Jim Berry, Councilman
Norman Caffall, Councilman
Thomas Mireles, Councilman
Ruby Parks, Clerk/Treasurer

Representing Accounting & Consulting Group, LLP:

Benjamin A. Martinez, CPA Senior Auditor