



# State of New Mexico Town of Dexter Annual Financial Report June 30, 2014



**Accounting &  
Consulting Group, LLP**  
Certified Public Accountants

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## **INTRODUCTORY SECTION**

STATE OF NEW MEXICO

Town of Dexter

Table of Contents

June 30, 2014

	<u>Exhibit</u>	<u>Page</u>
<b>Introductory Section</b>		
Table of Contents		4-5
Official Roster		6
<b>Financial Section</b>		
Independent Auditors' Report		8-9
<b>Basic Financial Statements</b>		
Government-wide Financial Statements		
Statement of Net Position	A-1	12-13
Statement of Activities	A-2	14-15
Fund Financial Statements		
Balance Sheet – Governmental Funds	B-1	16
Reconciliation of the Balance Sheet to the Statement of Net Position		17
Statement of Revenues, Expenditures, and Changes in Fund Balances – Governmental Funds	B-2	18
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities		19
Statement of Revenues, Expenditures and Changes in Fund Balance Budgetary (Non-GAAP Basis) and Actual General Fund	C-1	20
Fire Special Revenue Fund	C-2	21
Statement of Net Position-Proprietary Funds	D-1	22
Statement of Revenues, Expenses and Changes in Net Position-Proprietary Funds	D-2	23
Statement of Cash Flows –Proprietary Funds	D-3	24
Notes to the Financial Statements		25-42
<b>Supplementary Information</b>		
Nonmajor Fund Descriptions	<u>Statement</u>	45
Combining and Individual Fund Statements and Schedules		
Combining Balance Sheet – Nonmajor Governmental Funds	A-1	46-47
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	A-2	48-49
Statement of Revenues, Expenditures and Changes in Fund Balance – Budgetary (Non-GAAP Basis) and Actual Governmental Funds:		
Corrections Special Revenue Fund	B-1	50
Emergency Medical Services Special Revenue Fund	B-2	51
Law Enforcement Special Revenue Fund	B-3	52
Streets Gas Tax Special Revenue Fund	B-4	53
Recreation Special Revenue Fund	B-5	54
Health Clinic Special Revenue Fund	B-6	55
Statement of Revenues, Expenses and Changes in Net Position – Budget (GAAP Basis) and Actual –Proprietary Funds Joint Utility Fund	B-7	56

**STATE OF NEW MEXICO**

Town of Dexter  
Table of Contents  
June 30, 2014

	<u>Schedule</u>	<u>Page</u>
<b>Supporting Schedules</b>		
Schedule of Deposit and Investment Accounts	I	58
Schedule of Collateral Pledged by Depository for Public Funds	II	59
<b>Compliance Section</b>		
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		62-63
Schedule of Findings and Responses	III	64-66
<b>Other Disclosures</b>		67

**STATE OF NEW MEXICO**

Town of Dexter

Official Roster

June 30, 2014

<u>Name</u>	<u>Town Council</u>	<u>Title</u>
Mitch Daubert		Mayor
Jim Berry		Mayor Pro-Tem
Norman P. Caffall		Councilman
Thomas Mireles		Councilman
Ron Chambers Jr.		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, 2014, 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 the major proprietary fund and all nonmajor funds 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, 2014, 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.

### Auditors' 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 audit 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, 2014, and the respective changes in financial position and where applicable, cash flows thereof and the respective budgetary comparisons for the general fund and major special revenue fund 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, 2014, and the respective changes in financial position thereof and the respective budgetary comparisons of the major proprietary fund and all nonmajor funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## Other Matters

### *Required Supplementary Information*

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require 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 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 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, 2014, 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, 2014

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**BASIC  
FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO**

Town of Dexter

Statement of Net Position

June 30, 2014

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$ 1,608,692	\$ 617,165	\$ 2,225,857
Receivables:			
Property taxes	1,245	-	1,245
Other taxes	105,220	-	105,220
Due from other governments	129,991	-	129,991
Other receivables	1,291	-	1,291
Customer receivables	-	74,582	74,582
Total current assets	<u>1,846,439</u>	<u>691,747</u>	<u>2,538,186</u>
Noncurrent assets			
Restricted cash and cash equivalents	2,372	44,855	47,227
Restricted investments	25,508	-	25,508
Capital assets	7,646,168	2,116,479	9,762,647
Less: accumulated depreciation	<u>(4,146,433)</u>	<u>(850,018)</u>	<u>(4,996,451)</u>
Total noncurrent assets	<u>3,527,615</u>	<u>1,311,316</u>	<u>4,838,931</u>
Total assets	<u>\$ 5,374,054</u>	<u>\$ 2,003,063</u>	<u>\$ 7,377,117</u>

The accompanying notes are an integral part of these financial statements

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Liabilities</b>			
Current liabilities			
Accounts payable	\$ 43,644	\$ 12,672	\$ 56,316
Accrued payroll	12,608	1,984	14,592
Water deposits payable	-	44,855	44,855
Accrued compensated absences	15,626	3,824	19,450
Accrued interest	186	5,460	5,646
Current portion of loans and bonds payable	32,109	8,000	40,109
Total current liabilities	104,173	76,795	180,968
Noncurrent liabilities			
Accrued compensated absences	-	5,565	5,565
Loans and bonds payable	-	88,000	88,000
Total noncurrent liabilities	-	93,565	93,565
Total liabilities	104,173	170,360	274,533
<b>Net Position</b>			
Net investment in capital assets	3,467,626	1,170,461	4,638,087
Restricted for:			
Debt service	27,880	-	27,880
Special revenue	297,121	-	297,121
Unrestricted	1,477,254	662,242	2,139,496
Total net position	5,269,881	1,832,703	7,102,584
Total liabilities and net position	\$ 5,374,054	\$ 2,003,063	\$ 7,377,117

**STATE OF NEW MEXICO**  
Town of Dexter  
Statement of Activities  
For the Year Ended June 30, 2014

<u>Functions/Programs</u>	<u>Program Revenues</u>			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
<b>Governmental Activities:</b>				
General government	\$ 183,230	\$ 18,600	\$ 90,000	\$ -
Public safety	650,291	29,148	252,428	129,991
Public works	288,410	-	-	-
Culture and recreation	262,008	52,089	-	-
Health and welfare	10,131	2,401	-	-
Interest on long-term debt	2,149	-	-	-
<i>Total governmental activities</i>	<u>1,396,219</u>	<u>102,238</u>	<u>342,428</u>	<u>129,991</u>
<b>Business-type Activities:</b>				
Water	206,984	245,858	-	-
Sewer	85,190	109,196	-	-
Solid waste	132,522	181,021	-	-
<i>Total business-type activities</i>	<u>424,696</u>	<u>536,075</u>	<u>-</u>	<u>-</u>
<i>Total primary government</i>	<u>\$ 1,820,915</u>	<u>\$ 638,313</u>	<u>\$ 342,428</u>	<u>\$ 129,991</u>

**General Revenues:**

Taxes:
Property taxes, levied for general purposes
Gross receipts taxes
Gasoline and motor vehicle taxes
Franchise taxes
Miscellaneous income
Transfers in (out)
 Total general revenues
 Change in net position
 Net position, beginning
 Prior period restatement (See Note 19)
 Net position, beginning as restated
 Net position, ending

The accompanying notes are an integral part of these financial statements

<b>Net (Expense) Revenue and Changes in Net Position</b>		
<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
\$ (74,630)	\$ -	\$ (74,630)
(238,724)	-	(238,724)
(288,410)	-	(288,410)
(209,919)	-	(209,919)
(7,730)	-	(7,730)
(2,149)	-	(2,149)
<u>(821,562)</u>	<u>-</u>	<u>(821,562)</u>
-	38,874	38,874
-	24,006	24,006
-	48,499	48,499
<u>-</u>	<u>111,379</u>	<u>111,379</u>
(821,562)	111,379	(710,183)
13,359	-	13,359
626,464	-	626,464
38,051	-	38,051
23,911	-	23,911
15,644	-	15,644
(18,716)	18,716	-
<u>698,713</u>	<u>18,716</u>	<u>717,429</u>
<u>(122,849)</u>	<u>130,095</u>	<u>7,246</u>
5,247,730	1,847,608	7,095,338
<u>145,000</u>	<u>(145,000)</u>	<u>-</u>
<u>5,392,730</u>	<u>1,702,608</u>	<u>7,095,338</u>
<u>\$ 5,269,881</u>	<u>\$ 1,832,703</u>	<u>\$ 7,102,584</u>

**STATE OF NEW MEXICO**

Town of Dexter  
Balance Sheet  
Governmental Funds  
June 30, 2014

Exhibit B-1  
Page 1 of 2

	<u>General Fund</u>	<u>Fire Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<i>Assets</i>				
Cash and cash equivalents	\$ 1,309,124	\$ 114,729	\$ 184,839	\$ 1,608,692
Restricted cash	-	2,372	-	2,372
Restricted investments	-	25,508	-	25,508
Receivables:				
Property taxes	1,245	-	-	1,245
Other taxes	105,220	-	-	105,220
Due from other governments	129,991	-	-	129,991
Other receivables	537	-	754	1,291
<i>Total assets</i>	<u>\$ 1,546,117</u>	<u>\$ 142,609</u>	<u>\$ 185,593</u>	<u>\$ 1,874,319</u>
<i>Liabilities, deferred inflows of resources, and fund balance</i>				
<i>Current liabilities</i>				
Accounts payable	\$ 40,443	\$ 3,201	\$ -	\$ 43,644
Accrued payroll	12,608	-	-	12,608
<i>Total liabilities</i>	<u>53,051</u>	<u>3,201</u>	<u>-</u>	<u>56,252</u>
<i>Deferred inflows of resources</i>				
Unavailable revenue- property taxes	909	-	-	909
<i>Total deferred inflows of resources</i>	<u>909</u>	<u>-</u>	<u>-</u>	<u>909</u>
<i>Fund balances</i>				
<i>Spendable</i>				
<i>Restricted for:</i>				
Debt service	-	27,880	-	27,880
Public safety	-	-	138,810	138,810
Culture and recreation	-	-	1	1
Public works	-	-	31,369	31,369
Fire protection	-	111,528	-	111,528
Health and welfare	-	-	15,413	15,413
<i>Committed for:</i>				
Minimum fund balance	78,001	-	-	78,001
Unassigned	1,414,156	-	-	1,414,156
<i>Total fund balances</i>	<u>1,492,157</u>	<u>139,408</u>	<u>185,593</u>	<u>1,817,158</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 1,546,117</u>	<u>\$ 142,609</u>	<u>\$ 185,593</u>	<u>\$ 1,874,319</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, 2014

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	\$	1,817,158
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		3,499,735
Delinquent property taxes not collected within sixty days after year end are not considered "available" revenues and are considered to be deferred inflows of resources 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		(186)
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		(15,626)
Loans payable		(32,109)
		(47,735)
Total net position of governmental activities	\$	5,269,881

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Town of Dexter

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

Governmental Funds

For the Year Ended June 30, 2014

Exhibit B-2

Page 1 of 2

	General Fund	Fire Fund	Other Governmental Funds	Total
<i>Revenues</i>				
Taxes				
Property	\$ 13,359	\$ -	\$ -	\$ 13,359
Gross receipts	626,464	-	-	626,464
Gasoline and motor vehicle taxes	20,255	-	17,796	38,051
Other	23,911	-	-	23,911
Intergovernmental income				
State operating grants	90,000	207,342	45,086	342,428
State capital grants	129,991	-	-	129,991
Charges for services	70,689	-	2,401	73,090
Licenses and fees	89	-	29,059	29,148
Miscellaneous	15,644	-	-	15,644
<i>Total revenues</i>	<u>990,402</u>	<u>207,342</u>	<u>94,342</u>	<u>1,292,086</u>
<i>Expenditures</i>				
Current				
General government	237,605	-	-	237,605
Public safety	332,085	163,539	22,170	517,794
Public works	827	-	79,985	80,812
Culture and recreation	217,347	-	-	217,347
Health and welfare	-	-	6,042	6,042
Capital outlay	153,842	-	10,498	164,340
Debt service				
Principal	-	30,976	-	30,976
Interest	-	2,324	-	2,324
<i>Total expenditures</i>	<u>941,706</u>	<u>196,839</u>	<u>118,695</u>	<u>1,257,240</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>48,696</u>	<u>10,503</u>	<u>(24,353)</u>	<u>34,846</u>
<i>Other financing sources (uses)</i>				
Transfers out	(18,716)	-	-	(18,716)
<i>Total other financing sources (uses)</i>	<u>(18,716)</u>	<u>-</u>	<u>-</u>	<u>(18,716)</u>
<i>Net change in fund balances</i>	<u>29,980</u>	<u>10,503</u>	<u>(24,353)</u>	<u>16,130</u>
<i>Fund balance - beginning of year</i>	1,317,177	128,905	209,946	1,656,028
<i>Prior period restatement (Note 19)</i>	<u>145,000</u>	<u>-</u>	<u>-</u>	<u>145,000</u>
<i>Fund balance - beginning of year as restated</i>	<u>1,462,177</u>	<u>128,905</u>	<u>209,946</u>	<u>1,801,028</u>
<i>Fund balance - end of year</i>	<u>\$ 1,492,157</u>	<u>\$ 139,408</u>	<u>\$ 185,593</u>	<u>\$ 1,817,158</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, 2014

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	\$	16,130
--	----	--------

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		164,340
Depreciation expense		(401,880)
Change in estimate - depreciation adjustment		55,386

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		175
Decrease in accrued compensated absences		12,024
Principal payments on loans payable		30,976
		30,976
Change in net position of governmental activities	\$	(122,849)

## 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, 2014

	Budgeted Amounts		Actual (Non-GAAP Basis)	Variances Favorable (Unfavorable)
	Original	Final		Final to Actual
<i>Revenues</i>				
Taxes				
Property taxes	\$ 10,953	\$ 10,953	\$ 13,510	\$ 2,557
Gross receipts	600,000	600,000	638,266	38,266
Gas and motor vehicle	26,340	26,340	23,362	(2,978)
Other	28,000	28,000	25,928	(2,072)
Intergovernmental income				
State operating grants	72,822	72,822	90,000	17,178
Charges for services	65,805	65,805	70,689	4,884
Licenses and fees	10,000	10,000	212	(9,788)
Miscellaneous	40,615	40,615	16,644	(23,971)
<i>Total revenues</i>	<u>994,535</u>	<u>994,535</u>	<u>888,620</u>	<u>24,076</u>
<i>Expenditures</i>				
Current				
General government	282,967	282,967	245,864	37,103
Public safety	371,853	371,853	338,654	33,199
Public works	-	-	-	-
Culture and recreation	283,364	283,364	197,651	85,713
Health and welfare	-	-	-	-
Capital outlay	-	-	153,842	(153,842)
<i>Total expenditures</i>	<u>938,184</u>	<u>938,184</u>	<u>936,011</u>	<u>2,173</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>56,351</u>	<u>56,351</u>	<u>(47,391)</u>	<u>26,249</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	(31,178)	(31,178)	-	31,178
Transfers out	(25,173)	(25,173)	(18,716)	6,457
<i>Total other financing sources (uses)</i>	<u>(56,351)</u>	<u>(56,351)</u>	<u>(18,716)</u>	<u>37,635</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>(66,107)</u>	<u>63,884</u>
<i>Fund balance - beginning of year</i>	-	-	1,230,231	1,230,231
<i>Prior period restatement (Note 19)</i>	-	-	145,000	145,000
<i>Fund balance - beginning of year as restated</i>	-	-	1,375,231	1,375,231
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,309,124</u>	<u>\$ 1,439,115</u>
Net change in fund balance (GAAP basis)				\$ (66,107)
Adjustments to revenues for property taxes, other taxes, and other receivables				101,782
Adjustment to expenditures for salaries, utilities, and supplies payable				(5,695)
Net change in fund balance (GAAP basis)				<u>\$ 29,980</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, 2014

	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	207,342	(5,146)
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>212,488</u>	<u>212,488</u>	<u>207,342</u>	<u>(5,146)</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	260,572	260,572	194,405	66,167
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	30,976	30,976	30,976	-
Interest	2,324	2,324	2,324	-
<i>Total expenditures</i>	<u>293,872</u>	<u>293,872</u>	<u>227,705</u>	<u>66,167</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(81,384)</u>	<u>(81,384)</u>	<u>(20,363)</u>	<u>61,021</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>	-	-	(20,363)	(20,363)
<i>Fund balance - beginning of year</i>	-	-	162,972	162,972
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 142,609</u>	<u>\$ 142,609</u>
Net change in fund balance (GAAP basis)				\$ (20,363)
No adjustments to revenues				-
Adjustments to expenditures for supplies and maintenance payable				<u>30,866</u>
Net change in fund balance (GAAP basis)				<u>\$ 10,503</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, 2014

	<u>Enterprise Fund</u>
	<u>Joint Utility</u>
<i>Assets</i>	
<i>Current assets</i>	
Cash and cash equivalents	\$ 617,165
Customer receivables	74,582
<i>Total current assets</i>	<u>691,747</u>
<i>Noncurrent assets</i>	
Restricted cash and cash equivalents	44,855
Capital assets	2,116,479
Less: accumulated depreciation	(850,018)
<i>Total noncurrent assets</i>	<u>1,311,316</u>
<i>Total assets</i>	<u>\$ 2,003,063</u>
<i>Liabilities and net position</i>	
<i>Liabilities</i>	
<i>Current liabilities</i>	
Accounts payable	\$ 12,672
Accrued payroll	1,984
Meter deposits payable	44,855
Accrued compensated absences	3,824
Accrued interest payable	5,460
Current portion of bonds payable	8,000
<i>Total current liabilities</i>	<u>76,795</u>
<i>Noncurrent liabilities</i>	
Accrued compensated absences	5,565
Bonds payable	88,000
<i>Total noncurrent liabilities</i>	<u>93,565</u>
<i>Total liabilities</i>	<u>170,360</u>
<i>Net position</i>	
Net investment in capital assets	1,170,461
Unrestricted	662,242
<i>Total net position</i>	<u>1,832,703</u>
<i>Total liabilities and net position</i>	<u>\$ 2,003,063</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
Town of Dexter  
Statement of Revenues, Expenses and Changes in Net Position  
Proprietary Funds  
For the Year Ended June 30, 2014

Exhibit D-2

	<u>Enterprise fund</u>
	<u>Joint Utility</u>
<i>Operating revenues</i>	
Charges for services	\$ 536,075
<i>Total operating revenues</i>	536,075
<i>Operating expenses</i>	
Personnel services	69,045
Contractual services	231,296
Supplies	32,163
Repairs and maintenance	48,216
Utilities	19,038
Depreciation and change in estimate	8,309
Other costs	5,311
<i>Total operating expenses</i>	413,378
<i>Operating income (loss)</i>	122,697
<i>Non-operating revenues (expenses)</i>	
Interest expense	(11,318)
<i>Total non-operating revenues (expenses)</i>	(11,318)
<i>Income (loss) before contributions and transfers</i>	111,379
Transfers in	18,716
<i>Change in net position</i>	130,095
<i>Net position, beginning of year</i>	1,847,608
<i>Prior period restatement (Note 19)</i>	(145,000)
<i>Net position, beginning of year as restated</i>	1,702,608
<i>Net position, end of year</i>	\$ 1,832,703

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, 2014

Exhibit D-3

	<u>Enterprise Fund</u>
	<u>Joint Utility</u>
<i>Cash flows from operating activities</i>	
Cash received from user charges	\$ 529,144
Cash payments to employees for services	(68,817)
Cash payments to suppliers for goods and services	(342,852)
<i>Net cash provided by operating activities</i>	117,475
 <i>Cash flows from capital and related financing activities</i>	
Interest paid	(11,716)
Principal payments on long-term debt	(7,000)
Transfers in	18,716
Acquisition of capital assets	(30,245)
<i>Net cash (used) by capital and related financing activities</i>	(30,245)
 <i>Net increase in cash and cash equivalents</i>	87,230
 <i>Cash and cash equivalents - beginning of year, as adjusted (see note 19)</i>	574,790
 <i>Cash and cash equivalents - end of year</i>	\$ 662,020
 <i>Reconciliation of operating income (loss) to net cash provided by operating activities:</i>	
Operating income (loss)	\$ 122,697
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation/change in estimate	8,309
Changes in assets and liabilities	
Receivables	(6,931)
Accounts payable	(10,303)
Accrued payroll expenses	(1,412)
Accrued compensated absences	1,640
Meter deposits	3,475
<i>Net cash provided by operating activities</i>	\$ 117,475

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, 2014

**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, 2014, the Town adopted Governmental Accounting Standards Board Statement No. 65 (GASB), Items Previously Reported as Assets and Liabilities, establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The implementation of GASB 65 is expected to affect the Town by reclassifying unearned revenues – property taxes as a deferred inflow of resources and removing previously recorded bond issuance costs and related accumulated amortization. The implementation of GASB 65 had no effect on the Statement of Activities the town had no unamortized amount of bond issuance cost at July 1, 2013. The implementation of GASB 65 is expected to affect the Town by reclassifying unearned revenues- property taxes as a deferred inflow of resources instead of a liability in the amount of \$909 in the Balance Sheet – Governmental Funds.

**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, 2014

**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, 2014

**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, 2014

**NOTE 1. Summary of Significant Accounting Policies (continued)**

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

The Town reports its proprietary fund as major. The proprietary fund is as follows:

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, Deferred Inflows of Resources, 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, 2014

**NOTE 1. Summary of Significant Accounting Policies (continued)**

***D. Assets, Liabilities, Deferred Inflows of Resources, 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 10<sup>th</sup> and April 10<sup>th</sup> 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. During the year ended June 30, 2014, the Town received no donated capital assets.

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

Major outlays for capital assets and improvements are capitalized as projects are constructed. 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, 2014

**NOTE 1. Summary of Significant Accounting Policies (continued)**

***D. Assets, Liabilities, Deferred Inflows of Resources, 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 Inflows of Resources:** In addition to liabilities, the balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Revenue must be susceptible to accrual (measurable and available to finance expenditures of the current fiscal period) to be recognized. If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by a corresponding liability for deferred inflows of resources. The Town has only one type of item, which arises under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue - property taxes, is reported only in the governmental funds balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The Town has recorded \$909 related to property taxes considered “unavailable.”

**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 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, 2014

**NOTE 1. Summary of Significant Accounting Policies (continued)**

***D. Assets, Liabilities, Deferred Inflows of Resources, 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, 2014, the Town did not have any fund balances in nonspendable form.

**Restricted and Committed Fund Balance:** At June 30, 2014, the Town has presented restricted fund balance on the governmental funds balance sheet in the amount of \$27,880 for debt service, \$138,810 for public safety, \$1 for culture and recreation, \$31,369 for public works, \$111,528 for fire protection, and \$15,413 for health and welfare. The Town has committed fund balance as noted below to meet minimum fund balance requirements. 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 on the budgetary basis. The amount required for minimum fund balance at June 30, 2014 for the Town is \$78,001.

**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, 2014

**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	\$ 56,351	\$ 56,351
Fire Fund	\$ (81,384)	\$ (81,384)
Nonmajor Governmental Funds	\$ (92,521)	\$ (92,521)
	<u>Change in net position</u>	
Budgeted Funds:		
Joint Utility	\$ (37,259)	\$ (37,259)

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.

Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP), a reconciliation of resultant basis, perspective, equity and timing differences in the excess (deficiency) of revenues and other sources of financial resources for the year ended June 30, 2014 is presented. Reconciliations between the Non-GAAP budgetary basis amounts and the financial statements on the GAAP basis by fund can be found on each individual budgetary statement.

**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, 2014.



**STATE OF NEW MEXICO**  
Town of Dexter  
Notes to the Financial Statements  
June 30, 2014

**NOTE 3. Deposits and Investments (continued)**

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.

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, 2014, \$1,872,546 of the Town's deposits of \$2,298,612 was exposed to custodial credit risk. \$959,058 was uninsured and collateralized by collateral held by the pledging bank's trust department, not in the Town's name, and \$913,488 was uninsured and uncollateralized.

	Wells Fargo Bank, N.A.
Amount of deposits	\$ 2,298,612
FDIC Coverage	(426,066)
Total uninsured public funds	1,872,546
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the Town's name	
	959,058
Uninsured and uncollateralized	\$ 913,488
Collateral requirement (50% of uninsured funds)	
	\$ 936,273
Pledged Collateral	959,058
Over (Under) collateralized	\$ 22,785

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, 2014

**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 Bank of New York Mellon, in NMFA's name for the benefit of the Town.

The Town's investments at June 30, 2014 include the following:

<u>Investments</u>	<u>Rated</u>	<u>Weighted Average Maturity</u>	<u>Fair Value</u>
U.S. Treasury Notes *	Aaa ***	>365 Days	\$ 16,246
U.S. Agency Notes *	Aaa ***	>365 Days	9,262
Premier US Government Money Market**	Aaa ***	>365 Days	2,137
New Mexico State Treasurer Debt Service **	Aaa ***	>365 Days	235
			<u>\$ 27,880</u>

\* Restricted investments per Exhibit A-1

\*\* Restricted cash per Exhibit A-1

\*\*\* Based off Moody's rating

Cash and cash equivalents per Exhibit A-1	\$ 2,225,857
Restricted cash and cash equivalents per Exhibit A-1	47,227
Restricted investments per Exhibit A-1	25,508
Plus: outstanding checks	26,863
Plus: unreconciled difference	1,577
Less: NMFA Investments	(27,880)
Less: deposits in transit	(95)
Less: petty cash	(445)
	<u>\$ 2,298,612</u>
Bank balance of deposits	

*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 Notes and U.S. Agency Notes represents an total of 99% of the Town's investment portfolio. Investments issued and explicitly guaranteed by the U.S. government are excluded from this requirement. Since these notes are issued by the U.S. government, 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).

The Town utilizes pooled accounts for their funds. Cash and investments of the General, Special Revenue, and Proprietary funds are pooled and held in multiple accounts.

**STATE OF NEW MEXICO**  
Town of Dexter  
Notes to the Financial Statements  
June 30, 2014

**NOTE 4. Receivables**

Governmental activities receivables as of June 30, 2014 are as follows:

	<b>General</b>	<b>Total Nonmajor Funds</b>	<b>Total</b>
Property taxes	\$ 1,245	\$ -	\$ 1,245
Other taxes:			
Gross receipts taxes	105,220	-	105,220
Intergovernmental-grants:			
State	129,991	-	129,991
Other receivables:			
Licenses and fees	537	754	1,291
Totals by category	\$ 236,993	\$ 754	\$ 237,747

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

In accordance with GASB Statement No. 33, property tax revenues in the amount of \$909 that were not collected within the period of availability have been reclassified as deferred inflows of resources in the governmental fund financial statements.

Business-type activities receivables as of June 30, 2014 are as follows:

	<b>Joint Utility Fund</b>
Customer Receivables	
Water	\$ 34,166
Sewer	11,023
Solid Waste	29,393
Totals by category	\$ 74,582

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

**NOTE 5. Transfers and Interfund Receivables**

There were operating transfers from the General Fund to the Joint Utility fund totaling \$18,716 during the year ended June 30, 2014.

Internal balances are primarily recorded when funds overdraw their share of pooled cash. There were no interfund balances as of June 30, 2014.

**STATE OF NEW MEXICO**  
Town of Dexter  
Notes to the Financial Statements  
June 30, 2014

**NOTE 6. Capital Assets**

A summary of capital assets and changes occurring during the year ended June 30, 2014 follows. Land and construction in progress are not subject to depreciation.

<b>Governmental activities:</b>	<u>Balance June 30, 2013</u>	<u>Adjustments to Estimate</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2014</u>
Capital assets not being depreciated:					
Land	\$ 68,000	\$ -	\$ -	\$ -	\$ 68,000
Construction in progress	10,009	-	143,345	(153,354)	-
Total capital assets not being depreciated	<u>78,009</u>	<u>-</u>	<u>143,345</u>	<u>(153,354)</u>	<u>68,000</u>
Capital assets being depreciated:					
Infrastructure	3,480,324	-	-	-	3,480,324
Buildings	1,920,145	-	153,354	-	2,073,499
Equipment	2,003,350	-	20,995	-	2,024,345
Total capital assets being depreciated	<u>7,403,819</u>	<u>-</u>	<u>174,349</u>	<u>-</u>	<u>7,578,168</u>
Total capital assets	<u>7,481,828</u>	<u>-</u>	<u>317,694</u>	<u>(153,354)</u>	<u>7,646,168</u>
Less accumulated depreciation:					
Infrastructure	(1,853,572)	255,997	(174,016)	-	(1,771,591)
Buildings	(755,670)	(190,955)	(48,643)	-	(995,268)
Equipment	(1,190,697)	(9,656)	(179,221)	-	(1,379,574)
Total accumulated depreciation	<u>(3,799,939)</u>	<u>55,386</u>	<u>(401,880)</u>	<u>-</u>	<u>(4,146,433)</u>
Total capital assets, net of depreciation	<u>\$ 3,681,889</u>	<u>\$ 55,386</u>	<u>\$ (84,186)</u>	<u>\$ (153,354)</u>	<u>\$ 3,499,735</u>

During the year ended June 30, 2014, the Town has reassessed the useful lives of certain assets used in governmental activities and has made changes in the depreciation calculation for the current year. As a result, a change of estimate adjustment has been recorded to adjust accumulated depreciation balances. The effect of the adjustment was an increase in net capital assets of governmental activities of \$55,386.

Depreciation expense for the year ended June 30, 2014 was charged to governmental activities as follows:

<b>Governmental Funds:</b>	
General Government	\$ 13,035
Public Safety	132,497
Public Works	207,598
Culture and recreation	44,661
Health and Welfare	4,089
	<u>\$ 401,880</u>

**STATE OF NEW MEXICO**  
Town of Dexter  
Notes to the Financial Statements  
June 30, 2014

**NOTE 6. Capital Assets (continued)**

<b>Business-type activities:</b>	<u>Balance June 30, 2013</u>	<u>Adjustments to Estimate</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2014</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>-</u>	<u>26,000</u>
Capital assets being depreciated:					
Buildings and infrastructure	1,715,635	-	9,250	-	1,724,885
Equipment	344,599	-	20,995	-	365,594
Total capital assets being depreciated	<u>2,060,234</u>	<u>-</u>	<u>30,245</u>	<u>-</u>	<u>2,090,479</u>
Total capital assets	<u>2,086,234</u>	<u>-</u>	<u>30,245</u>	<u>-</u>	<u>2,116,479</u>
Less accumulated depreciation:					
Buildings and infrastructure	(665,322)	76,008	(42,088)	-	(631,402)
Equipment	(176,387)	(12,351)	(29,878)	-	(218,616)
Total accumulated depreciation	<u>(841,709)</u>	<u>63,657</u>	<u>(71,966)</u>	<u>-</u>	<u>(850,018)</u>
Total capital assets, net of depreciation	<u>\$ 1,244,525</u>	<u>\$ 63,657</u>	<u>\$ (41,721)</u>	<u>\$ -</u>	<u>\$ 1,266,461</u>

During the year ended June 30, 2014, the Town has reassessed the useful lives of certain assets used in business-type activities and has made changes in the depreciation calculation for the current year. As a result, a change of estimate adjustment has been recorded to adjust accumulated depreciation balances. The effect of the adjustment was an increase in net capital assets for business-type activities of \$63,657.

Depreciation expense for the year ended June 30, 2014 was charged to business-type activities as follows:

Water	\$ 47,362
Sewer	<u>24,604</u>
	<u>\$ 71,966</u>

**STATE OF NEW MEXICO**  
Town of Dexter  
Notes to the Financial Statements  
June 30, 2014

**NOTE 7. Long-term Debt**

**Governmental Activities:**

During the year ended June 30, 2014, the following changes occurred in the liabilities reported in the government-wide statement of net position:

	Balance June 30, 2013	Additions	Retirements	Balance June 30, 2014	Due Within One Year
NMFA Loan	\$ 63,085	\$ -	\$ 30,976	\$ 32,109	\$ 32,109
Compensated Absences	<u>27,650</u>	<u>16,963</u>	<u>28,987</u>	<u>15,626</u>	<u>15,626</u>
Total Long-Term Debt	<u>\$ 90,735</u>	<u>\$ 16,963</u>	<u>\$ 59,963</u>	<u>\$ 47,735</u>	<u>\$ 47,735</u>

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, 2014
NMFA Fire Pumper Loan Dexter #5	11/19/04	05/19/15	1.9%-4.43%	\$ 275,338	<u>\$ 32,109</u> <u>\$ 32,109</u>

The annual requirements to amortize the NMFA loans as of June 30, 2014, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2015	\$ 32,109	\$ 1,113	\$ 33,222
	<u>\$ 32,109</u>	<u>\$ 1,113</u>	<u>\$ 33,222</u>

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, 2014, compensated absences decreased \$12,024 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, 2014

**NOTE 7. Long-term Debt (continued)**

**Business-type Activities:**

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, 2014:

	Balance June 30, 2013	Additions	Retirements	Balance June 30, 2014	Due Within One Year
Joint Utility Serial Bonds	\$ 103,000	\$ -	\$ 7,000	\$ 96,000	\$ 8,000
Compensated Absences	7,749	5,464	3,824	9,389	3,824
<b>Total Long-Term Debt</b>	<b>\$ 110,749</b>	<b>\$ 5,464</b>	<b>\$ 10,824</b>	<b>\$ 105,389</b>	<b>\$ 11,824</b>

**Revenue Bonds**

At June 30, 2014, the Town had the following revenue bonds outstanding:

Description	Date of Issue	Due Date	Interest Rate	Original Amount of Issue	Balance June 30, 2014
Joint Utility Series 1983	01/01/83	01/01/23	11.38%	\$ 170,000	\$ 96,000
					<u>\$ 96,000</u>

The annual requirements to amortize the revenue bonds as of June 30, 2014, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
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	10,000	7,053	17,053
2020-2023	52,000	15,470	67,470
	<u>\$ 96,000</u>	<u>\$ 60,629</u>	<u>\$ 156,629</u>

**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, 2014, compensated absences increased \$1,640 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, 2014

**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, 2014, 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. There were no funds with deficit fund balance for the year ended June 30, 2014.
- 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, 2014.
- 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, 2014.

**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](http://www.pera.state.nm.us).

*Funding Policy.* Plan members are required to contribute the following percentages of their gross salary: 8.50% for law enforcement and 10.65% 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, 2014, 2013 and 2012 were \$75,473, \$76,024, and \$78,703, 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, 2014

**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 no construction or other significant commitments noted as of June 30, 2014.

**NOTE 15. Subsequent Events**

The date to which events occurring after June 30, 2014, 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, 2014, 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 \$325,001 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 – Mitch Daubert (Owner)	\$ 16,704
Frazier Oil & Gas	Council Member – Thomas Mireles (Manager)	19,939

**STATE OF NEW MEXICO**  
Town of Dexter  
Notes to the Financial Statements  
June 30, 2014

**NOTE 19. Prior Period Restatement**

In prior years, two of the Town's bank accounts related to the General Fund were improperly reported within the Joint Utility Fund in the amount of \$145,000. A restatement of \$145,000 is reflected in the Government Wide, fund financial statement, and budgetary statements as an increase to the General Fund and a decrease to the Joint Utility Fund. The overall effect of this restatement to the Town is \$0.

**NOTE 20. Subsequent Pronouncements**

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, 2015. The implementation of GASB Statement No. 68 is expected to substantially affect the Town's financial statements.

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 November 2013, GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to Measurement Date – an amendment of GASB Statement No. 68*, Effective Date: The provisions of this Statement are effective for fiscal years beginning after June 15, 2014. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement 68. The standard will be implemented during fiscal year June 30, 2015.

**SUPPLEMENTARY INFORMATION**

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**STATE OF NEW MEXICO**  
Town of Dexter  
Nonmajor Fund Descriptions  
June 30, 2014

**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, 2014

	Special Revenue Funds		
	Corrections	Emergency Medical Services	Law Enforcement
<i>Assets</i>			
Cash and cash equivalents	\$ 101,917	\$ 13,311	\$ 22,828
Receivables:			
Other receivables	754	-	-
<i>Total assets</i>	\$ 102,671	\$ 13,311	\$ 22,828
<i>Fund balances</i>			
Spendable			
Restricted for:			
Public safety	\$ 102,671	\$ 13,311	\$ 22,828
Culture and recreation	-	-	-
Public works	-	-	-
Health and welfare	-	-	-
<i>Total fund balances</i>	\$ 102,671	\$ 13,311	\$ 22,828

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>	
\$ 31,369	\$ 1	\$ 15,413	\$ 184,839
<u>-</u>	<u>-</u>	<u>-</u>	<u>754</u>
<u>\$ 31,369</u>	<u>\$ 1</u>	<u>\$ 15,413</u>	<u>\$ 185,593</u>
\$ -	\$ -	\$ -	\$ 138,810
-	1	-	1
31,369	-	-	31,369
-	-	15,413	15,413
<u>\$ 31,369</u>	<u>\$ 1</u>	<u>\$ 15,413</u>	<u>\$ 185,593</u>

**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, 2014

	Special Revenue Funds		
	Corrections	Emergency Medical Services	Law Enforcement
<i>Revenues</i>			
Taxes			
Gasoline and motor vehicle taxes	\$ -	\$ -	\$ -
Intergovernmental income			
State operating grants	-	16,853	28,233
Charges for services	-	-	-
Licenses and fees	18,107	10,952	-
<i>Total revenues</i>	18,107	27,805	28,233
<i>Expenditures</i>			
Current			
General government	-	-	-
Public safety	3,793	14,392	3,985
Public works	-	-	-
Health and welfare	-	-	-
Capital outlay	-	-	-
<i>Total expenditures</i>	3,793	14,392	3,985
<i>Net change in fund balances</i>	14,314	13,413	24,248
<i>Fund balances - beginning of year</i>	88,357	(102)	(1,420)
<i>Fund balances - end of year</i>	\$ 102,671	\$ 13,311	\$ 22,828

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>	
\$ 17,796	\$ -	\$ -	\$ 17,796
-	-	-	45,086
-	-	2,401	2,401
-	-	-	29,059
<u>17,796</u>	<u>-</u>	<u>2,401</u>	<u>94,342</u>
-	-	-	-
-	-	-	22,170
79,985	-	-	79,985
-	-	6,042	6,042
10,498	-	-	10,498
<u>90,483</u>	<u>-</u>	<u>6,042</u>	<u>118,695</u>
(72,687)	-	(3,641)	(24,353)
<u>104,056</u>	<u>1</u>	<u>19,054</u>	<u>209,946</u>
<u>\$ 31,369</u>	<u>\$ 1</u>	<u>\$ 15,413</u>	<u>\$ 185,593</u>

## 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, 2014

	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	17,353	9,753
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>7,600</u>	<u>7,600</u>	<u>17,353</u>	<u>9,753</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	7,600	7,600	3,793	3,807
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>3,793</u>	<u>3,807</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>13,560</u>	<u>13,560</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>	-	-	13,560	13,560
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>88,357</u>	<u>88,357</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 101,917</u>	<u>\$ 101,917</u>
Net change in fund balance (GAAP basis)				\$ 13,560
Adjustments for fees receivable				754
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ 14,314</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, 2014

	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	9,733	9,733	16,853	7,120
Charges for services	-	-	-	-
Licenses and fees	5,833	5,833	11,288	5,455
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>15,566</u>	<u>15,566</u>	<u>28,141</u>	<u>12,575</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	15,566	15,566	14,392	1,174
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>15,566</u>	<u>15,566</u>	<u>14,392</u>	<u>1,174</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>13,749</u>	<u>13,749</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>	-	-	13,749	13,749
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>(438)</u>	<u>(438)</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,311</u>	<u>\$ 13,311</u>
Net change in fund balance (GAAP basis)				\$ 13,749
Adjustments to revenues for fees receivable				(336)
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ 13,413</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, 2014

	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	-	-	-	-
Intergovernmental income				
State operating grants	29,833	29,833	28,233	(1,600)
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>29,833</u>	<u>29,833</u>	<u>28,233</u>	<u>(1,600)</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	29,833	29,833	3,985	25,848
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>29,833</u>	<u>29,833</u>	<u>3,985</u>	<u>25,848</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>24,248</u>	<u>24,248</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>	-	-	24,248	24,248
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>(1,420)</u>	<u>(1,420)</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,828</u>	<u>\$ 22,828</u>
Net change in fund balance (GAAP basis)				\$ 24,248
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ 24,248</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, 2014

	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	20,934	(2,066)
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>20,934</u>	<u>(2,066)</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	116,621	116,621	79,985	36,636
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	10,498	(10,498)
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>116,621</u>	<u>116,621</u>	<u>90,483</u>	<u>26,138</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(93,621)</u>	<u>(93,621)</u>	<u>(69,549)</u>	<u>24,072</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>	-	-	(69,549)	(69,549)
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>100,918</u>	<u>100,918</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,369</u>	<u>\$ 31,369</u>
Net change in fund balance (GAAP basis)				\$ (69,549)
Adjustments to revenues for fuel taxes receivable				(3,138)
No adjustments to expenditures				<u>-</u>
Net change in fund balance (GAAP basis)				<u>\$ (72,687)</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, 2014

	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	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, 2014

	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	2,401	(9,799)
Licenses and fees	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>12,200</u>	<u>12,200</u>	<u>2,401</u>	<u>(9,799)</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	11,100	11,100	6,042	5,058
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>11,100</u>	<u>11,100</u>	<u>6,042</u>	<u>5,058</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>1,100</u>	<u>1,100</u>	<u>(3,641)</u>	<u>(4,741)</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>	-	-	(3,641)	(3,641)
<i>Fund balance - beginning of year</i>	-	-	19,054	19,054
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,413</u>	<u>\$ 15,413</u>
Net change in fund balance (GAAP basis)				\$ (3,641)
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ (3,641)</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, 2014

	Budget Amounts		Actual (GAAP Basis)	Variances Favorable (Unfavorable)
	Original	Final		Final to Actual
<i>Operating revenues</i>				
Charges for services	\$ 469,130	\$ 469,130	\$ 536,075	\$ 66,945
<i>Total operating revenues</i>	469,130	469,130	536,075	66,945
<i>Operating expenses</i>				
Personnel services	-	-	69,045	(69,045)
Contractual services	486,876	486,876	231,296	255,580
Supplies	-	-	32,163	(32,163)
Repairs and maintenance	-	-	48,216	(48,216)
Utilities	-	-	19,038	(19,038)
Other costs	19,513	19,513	5,311	14,202
<i>Total operating expenses</i>	506,389	506,389	405,069	101,320
<i>Operating income (loss)</i>	(37,259)	(37,259)	131,006	168,265
<i>Non-operating revenues (expenses)</i>				
Interest expense	-	-	(11,318)	(11,318)
<i>Total non-operating revenues (expenses)</i>	-	-	(11,318)	(11,318)
<i>Income before contributions and transfers</i>	(37,259)	(37,259)	119,688	156,947
Transfers in	27,093	27,093	18,716	(8,377)
<i>Change in net position</i>	\$ (10,166)	\$ (10,166)	138,404	\$ 148,570
<i>Revenues (expenses) not budgeted:</i>				
Depreciation and change in estimate			(8,309)	
<i>Change in net assets per Exhibit D-2</i>			130,095	
<i>Total net position, beginning of year</i>			1,847,608	
<i>Prior period restatement (Note 19)</i>			(145,000)	
<i>Net position, beginning of year as restated</i>			1,702,608	
<i>Total net position, end of year</i>			\$ 1,832,703	

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, 2014

Schedule I

Bank Name/Account Name	Account Type	Bank Balance	Deposits in Transit	Outstanding Checks	Book Balance
<b>Wells Fargo Bank, N.A.</b>					
General Fund	Checking	\$ 1,464,124	\$ 95	\$ 7,522	\$ 1,456,697
Dexter Health Clinic Fund	NOW	15,534	-	-	15,534
CDBG Projects Fund	Checking	60	-	-	60
JUSGI 1974 and 1983 Fund	NOW	10,711	-	-	10,711
Repairs & Replacement Fund	NOW	51,224	-	12,284	38,940
Water Meter Fund	Checking	44,978	-	225	44,753
Utility Fund	Checking	613,284	-	6,832	606,452
Municipal Court Fund	Checking	100	-	-	100
Reserve Bond Fund	NOW	98,597	-	-	98,597
Total Wells Fargo Bank, N.A.		<u>2,298,612</u>	<u>95</u>	<u>26,863</u>	<u>2,271,844</u>
<b>New Mexico Finance Authority - Investments</b>					
NMFA Loan Dexter 5 - Debt Service	Investment	235	-	-	235
NMFA Loan Dexter 5 - Reserve Funds	Investment	27,645	-	-	27,645
Total New Mexico Finance Authority		<u>27,880</u>	<u>-</u>	<u>-</u>	<u>27,880</u>
<b>Total</b>		<u>\$2,326,492</u>	<u>\$ 95</u>	<u>\$ 26,863</u>	<u>\$ 2,299,724</u>
Unreconciled difference					(1,577)
Add: petty cash					<u>445</u>
Total deposits and investments					<u>\$ 2,298,592</u>
Deposits and investments per financial statements:					
Cash and cash equivalents - Exhibit A-1					\$ 2,225,857
Restricted cash and cash equivalents - Exhibit A-1					47,227
Restricted investments- Exhibit A-1					<u>25,508</u>
Total deposits and investments					<u>\$ 2,298,592</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, 2014

<u>Name of Depository</u>	<u>Description of Pledged Collateral</u>	<u>Maturity</u>	<u>CUSIP Number</u>	<u>Fair Market/Par Value at June 30, 2014</u>	<u>Location of Safekeeper</u>
<b>Wells Fargo Bank, N.A.</b>					
	FN AJ7717 3.000%	12/1/2026	3138E0SF7	\$ 15,471	Bank of New York Mellon, New York
	FN AQ9991 3.000%	2/1/2043	3138MSC56	934,310	Bank of New York Mellon, New York
	FN AR2634 3.000%	2/1/2043	3138NY4U6	<u>9,277</u>	Bank of New York Mellon, New York
Total Pledged Collateral				<u>\$ 959,058</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, 2014, 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, 2014.

**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 a certain deficiency in internal control that we consider to be a material weakness.

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.

## 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 an instance of noncompliance or other matter that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and responses as item FS 2014-001.

## 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, 2014

**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? | No         |
| c. Noncompliance material to the financial statements noted?                     | No         |

**Section II – Prior Year Audit Findings**

**Prior Year Financial Statement Findings**

**Number**

- 11-1 Deficiency in Internal Control Over Fuel Purchases (Significant Deficiency/Compliance) – Resolved  
12-1 Employee Not Paid Overtime Correctly (Significant Deficiency) – Resolved  
FS 2013-001 Deficiencies in Internal Control Structure, Design, Operation, and Oversight (Material Weakness) – Repeated and Modified  
FS 2013-002 Certification of Capital Asset Inventory (Other Matter) – Resolved  
FS 2013-003 Travel and Per Diem (Other Matter) – Resolved  
FS 2013-004 Late Submission of Audit Contract to Office of the State Auditor (Other Matter) – Resolved



**Section III – Financial Statement Findings and Responses**

**FS 2013-001 Deficiencies in Internal Control Structure, Design, Operation, and Oversight (Material Weakness) – Repeated/Modified**

*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.
- The Town’s capital asset listing is not tracked using an accounting system to automatically record and track capital assets.
- Bank reconciliations are manually performed and are not currently reviewed.
- There was an unreconciled difference in cash of \$1,577.
- Controls over cash disbursements are not effectively designed or operating in the following areas:
  - Accounts payable listings are not able to be generated at year end.
  - Expense entries are manually input and subject to error.
- 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.
  - For 2 out of 5 cash receipts tested, deposits were not 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.

*Criteria:* AU-C Section 200 paragraph .05 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 AU-C Section 200, 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. Training and implementation is ongoing, but has not been fully completed.

*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. Town staff are continuing to receive training and procedures are being implemented toward achieving these goals. The Town should continue in this training and implementation process.

*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 and/or any other sources. The governing body continues to seek local support and training on the QuickBooks accounting system in order to efficiently implement and monitor controls, generate financial reports needed monthly, quarterly, and annually.

**Section III – Financial Statement Findings and Responses (continued)**

**FS 2014-001 – PERA Withholding Rates – (Other Matter)**

*Condition:* The Town did not update their PERA withholding rates when performing payroll calculations for the first 9 pay periods of fiscal year 2014.

*Criteria:* Per 10-11-126.A NMSA 1978, affiliated public employers are required to remit contributions to the association in accordance with the procedures and schedules established by the association. Per Section 2 of the PERA Employer Guide, contributions are due to the association no later than the 5<sup>th</sup> working day after the payday applicable to the payroll period being reported. If an employer fails to make the required member deductions, the employer will be responsible for correcting the omission and will be assessed interest charges.

*Effect:* The Town had to make a payment to PERA for the difference between collected amounts for the above noted pay periods, and was charged additional interest. As a result, in November of 2013 the Town had to make a payment to PERA totaling \$1,513.79 to catch up for the under-withheld amounts.

*Cause:* Procedures were not in place at the beginning of the fiscal year to make note of changes in PERA withholding rates and to ensure that withholding rates were updated as of the first full pay period beginning after July 1, 2013.

*Auditors' Recommendations:* The Town should implement procedures at the beginning of each fiscal year to evaluate withholding rates for PERA (and any other withholdings that could change annually) to ensure that

*Agency's Response:* The governing body of the Town of Dexter will implement a process to have PERA rates checked on July 1 of each fiscal year to ensure that current withholding rates are utilized and to prevent errors going forward.

**STATE OF NEW MEXICO**

Town of Dexter  
Other Disclosures  
June 30, 2014

**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 25, 2014. In attendance were the following:

**Representing the Town of Dexter:**

Mitch Daubert, Mayor  
Norman Caffall, Councilman  
Ruby Parks, Clerk/Treasurer

**Representing Accounting & Consulting Group, LLP:**

Ryan Miller, CPA                      Director  
Benjamin Martinez, CPA              Senior Auditor