

ANNUAL FINANCIAL REPORT

JUNE 30, 2015



STATE OF NEW MEXICO TOWN OF DEXTER

This page is intentionally left blank

INTRODUCTORY SECTION

STATE OF NEW MEXICO

Town of Dexter

Table of Contents

June 30, 2015

	<u>Exhibit</u>	<u>Page</u>
Introductory Section		
Table of Contents		4-5
Official Roster		6
Financial Section		
Independent Auditors' Report		8-9
Basic Financial Statements		
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	22-23
Statement of Revenues, Expenses and Changes in Net Position-Proprietary Funds	D-2	24
Statement of Cash Flows –Proprietary Funds	D-3	25
Notes to the Financial Statements		27-49
Required Supplementary Information		
<u>Schedule</u>		
Schedule of the Town's Proportionate Share of the Net Pension Liability of PERA Fund Division	I	
Municipal General		52
Municipal Police		53
Schedule of the Town's Contributions of PERA Fund Division	II	
Municipal General		54
Municipal Police		55
Notes to Required Supplementary Information		56
Supplementary Information		
<u>Statement</u>		
Nonmajor Fund Descriptions		59
Combining and Individual Fund Statements and Schedules		
Combining Balance Sheet – Nonmajor Governmental Funds	A-1	60-61
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Nonmajor Governmental Funds	A-2	62-63
Statement of Revenues, Expenditures and Changes in Fund Balance – Budgetary (Non-GAAP Basis) and Actual		
Governmental Funds:		
Corrections Special Revenue Fund	B-1	64
Emergency Medical Services Special Revenue Fund	B-2	65
Law Enforcement Special Revenue Fund	B-3	66
Streets Gas Tax Special Revenue Fund	B-4	67

STATE OF NEW MEXICO

Town of Dexter
Table of Contents
June 30, 2015

	<u>Statement/Schedule</u>	<u>Page</u>
Supplementary Information (continued)		
Recreation Special Revenue Fund	B-5	68
Health Clinic Special Revenue Fund	B-6	69
Statement of Revenues, Expenses and Changes in Net Position – Budget (GAAP Basis) and Actual –Proprietary Funds		
Joint Utility Fund	B-7	70
Supporting Schedules		
Schedule of Deposit and Investment Accounts	III	72
Schedule of Collateral Pledged by Depository for Public Funds	IV	73
Schedule of Memorandums of Understanding	V	74-75
Schedule of Vendor Information for Purchases Exceeding \$60,000 (Excluding GRT)	VI	76-77
Compliance Section		
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>		80-81
Schedule of Findings and Responses	VII	82-89
Other Disclosures		90

STATE OF NEW MEXICO

Town of Dexter

Official Roster

June 30, 2015

<u>Name</u>	<u>Town Council</u>	<u>Title</u>
Mitch Daubert		Mayor
Norman P. Caffall		Interim Mayor Pro Tem
Thomas Mireles		Councilor
Ron Chambers Jr.		Councilor
	<u>Administration</u>	
Ruby Parks		Town Clerk/Treasurer

FINANCIAL SECTION



Accounting & Consulting Group, LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Timothy Keller
New Mexico State Auditor and
The Town Council
Town of Dexter
Dexter, New Mexico

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activity, 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, 2015, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Town's nonmajor governmental funds and the budgetary comparisons for all nonmajor funds 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, 2015, 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 misstatements, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from 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 auditors' judgment, including the assessment of the 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 activity, each major fund, and the aggregate remaining fund information of the Town, as of June 30, 2015, 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, 2015, and the respective changes in financial position thereof and the respective budgetary comparisons for 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.

Accounting principles generally accepted in the United States of America require that the Schedules I through II and the Notes to the Required Supplementary Information on pages 52 through 56 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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. Schedules III through VI required by Section 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 III through V required by Section 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 basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic 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 or to 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, Schedules III through V required by Section 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and Schedule VI have 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 them.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2015 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 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
Roswell, New Mexico
December 14, 2015

This page is intentionally left blank

**BASIC
FINANCIAL STATEMENTS**

STATE OF NEW MEXICO

Town of Dexter

Statement of Net Position

June 30, 2015

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 1,415,163	\$ 651,654	\$ 2,066,817
Receivables:			
Property taxes	1,720	-	1,720
Other taxes	101,854	-	101,854
Other receivables	22,910	-	22,910
Customer receivables	-	56,460	56,460
	1,541,647	708,114	2,249,761
Total current assets			
Noncurrent assets			
Restricted cash and cash equivalents	-	46,083	46,083
Capital assets	7,918,028	2,196,522	10,114,550
Less: accumulated depreciation	(4,264,844)	(904,012)	(5,168,856)
	3,653,184	1,338,593	4,991,777
Total noncurrent assets			
	5,194,831	2,046,707	7,241,538
Total assets			
Deferred outflows of resources			
Employer contributions subsequent to the measurement date	46,393	7,495	53,888
	46,393	7,495	53,888
Total deferred outflows of resources			
	\$ 5,241,224	\$ 2,054,202	\$ 7,295,426
Total assets and deferred outflows of resources			

The accompanying notes are an integral part of these financial statements

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Liabilities			
Current liabilities			
Accounts payable	\$ 38,117	\$ 61,325	\$ 99,442
Accrued payroll	24,530	2,726	27,256
Water deposits payable	-	46,083	46,083
Accrued compensated absences	14,056	5,682	19,738
Accrued interest	-	5,005	5,005
Current portion of loans and bonds payable	-	8,000	8,000
Total current liabilities	<u>76,703</u>	<u>128,821</u>	<u>205,524</u>
Noncurrent liabilities			
Accrued compensated absences	-	4,081	4,081
Loans and bonds payable	-	80,000	80,000
Net pension liability	367,522	59,374	426,896
Total noncurrent liabilities	<u>367,522</u>	<u>143,455</u>	<u>510,977</u>
Total liabilities	<u>444,225</u>	<u>272,276</u>	<u>716,501</u>
Deferred inflows of resources			
Change in assumptions	18,494	2,988	21,482
Net difference between projected and actual investments earnings	139,394	22,520	161,914
Total deferred inflows of resources	<u>157,888</u>	<u>25,508</u>	<u>183,396</u>
Net Position			
Net investment in capital assets	3,653,184	1,204,510	4,857,694
Restricted for:			
Special revenue	325,001	-	325,001
Unrestricted	660,926	551,908	1,212,834
Total net position	<u>4,639,111</u>	<u>1,756,418</u>	<u>6,395,529</u>
Total liabilities deferred inflows of resources, and net position	<u>\$ 5,241,224</u>	<u>\$ 2,054,202</u>	<u>\$ 7,295,426</u>

STATE OF NEW MEXICO
Town of Dexter
Statement of Activities
For the Year Ended June 30, 2015

<u>Functions/Programs</u>	<u>Program Revenues</u>			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental Activities:				
General government	\$ 242,364	\$ 81,231	\$ 90,000	\$ -
Public safety	751,273	28,164	314,267	-
Public works	104,828	-	-	-
Culture and recreation	214,820	-	-	-
Health and welfare	24,392	-	-	-
Interest on long-term debt	1,008	-	-	-
<i>Total governmental activities</i>	<u>1,338,685</u>	<u>109,395</u>	<u>404,267</u>	<u>-</u>
Business-type Activities:				
Water and sewer	<u>608,602</u>	<u>480,097</u>	<u>-</u>	<u>8,483</u>
<i>Total business-type activities</i>	<u>608,602</u>	<u>480,097</u>	<u>-</u>	<u>8,483</u>
<i>Total primary government</i>	<u>\$ 1,947,287</u>	<u>\$ 589,492</u>	<u>\$ 404,267</u>	<u>\$ 8,483</u>

General Revenues:

Taxes:

Property taxes, levied for general purposes

Gross receipts taxes

Gasoline and motor vehicle taxes

Franchise taxes

Investment income (loss)

Miscellaneous income

Transfers in (out)

Gain on disposal of capital assets

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

Net (Expense) Revenue and Changes in Net Position

Governmental Activities	Business-Type Activities	Total
\$ (71,133)	\$ -	\$ (71,133)
(408,842)	-	(408,842)
(104,828)	-	(104,828)
(214,820)	-	(214,820)
(24,392)	-	(24,392)
(1,008)	-	(1,008)
<u>(825,023)</u>	<u>-</u>	<u>(825,023)</u>
-	(120,022)	(120,022)
-	(120,022)	(120,022)
(825,023)	(120,022)	(945,045)
14,495	-	14,495
635,909	-	635,909
23,267	-	23,267
28,039	-	28,039
7	501	508
67,789	16,178	83,967
(108,532)	108,532	-
37,595	-	37,595
<u>698,569</u>	<u>125,211</u>	<u>823,780</u>
<u>(126,454)</u>	<u>5,189</u>	<u>(121,265)</u>
5,269,881	1,832,703	7,102,584
<u>(504,316)</u>	<u>(81,474)</u>	<u>(585,790)</u>
<u>4,765,565</u>	<u>1,751,229</u>	<u>6,516,794</u>
<u>\$ 4,639,111</u>	<u>\$ 1,756,418</u>	<u>\$ 6,395,529</u>

STATE OF NEW MEXICO

Town of Dexter
Balance Sheet
Governmental Funds
June 30, 2015

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	\$ 1,122,330	\$ 96,184	\$ 196,649	\$ 1,415,163
Receivables:				
Property taxes	1,720	-	-	1,720
Other taxes	98,188	-	3,666	101,854
Other receivables	<u>3,063</u>	<u>-</u>	<u>19,847</u>	<u>22,910</u>
<i>Total assets</i>	<u>\$ 1,225,301</u>	<u>\$ 96,184</u>	<u>\$ 220,162</u>	<u>\$ 1,541,647</u>
<i>Liabilities, deferred inflows of resources, and fund balances</i>				
<i>Current liabilities</i>				
Accounts payable	\$ 23,107	\$ 13,712	1,298	\$ 38,117
Accrued payroll	<u>24,530</u>	<u>-</u>	<u>-</u>	<u>24,530</u>
<i>Total liabilities</i>	<u>47,637</u>	<u>13,712</u>	<u>1,298</u>	<u>62,647</u>
<i>Deferred inflows of resources</i>				
Property taxes	<u>1,128</u>	<u>-</u>	<u>-</u>	<u>1,128</u>
<i>Total deferred inflows of resources</i>	<u>1,128</u>	<u>-</u>	<u>-</u>	<u>1,128</u>
<i>Fund balances</i>				
<i>Spendable</i>				
<i>Restricted for:</i>				
Public safety	-	82,472	159,260	241,732
Public works	-	-	39,882	39,882
Health and welfare	-	-	19,722	19,722
Unassigned	<u>1,176,536</u>	<u>-</u>	<u>-</u>	<u>1,176,536</u>
<i>Total fund balances</i>	<u>1,176,536</u>	<u>82,472</u>	<u>218,864</u>	<u>1,477,872</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 1,225,301</u>	<u>\$ 96,184</u>	<u>\$ 220,162</u>	<u>\$ 1,541,647</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, 2015

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	\$	1,477,872
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		3,653,184
Deferred outflows and inflows or resources related to pension are applicable to future periods and, therefore, are not reported in the funds		
Employer contributions subsequent to the measurement date		46,393
Change in assumptions		(18,494)
Net difference between projected and actual investment earnings		(139,394)
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.		1,128
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		(14,056)
Net pension liability		(367,522)
		(381,578)
Total net position of governmental activities	\$	4,639,111

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Town of Dexter

Exhibit B-2

Page 1 of 2

Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

For the Year Ended June 30, 2015

	<u>General Fund</u>	<u>Fire Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<i>Revenues</i>				
Taxes				
Property	14,276	\$ -	\$ -	\$ 14,276
Gross receipts	635,909	-	-	635,909
Gasoline and motor vehicle taxes	2,117	-	21,150	23,267
Other	28,039	-	-	28,039
Intergovernmental income				
State operating grants	90,065	267,315	46,887	404,267
Charges for services	81,231	-	28,164	109,395
Investment income (loss)	5	-	2	7
Miscellaneous	48,180	179	19,430	67,789
<i>Total revenues</i>	<u>899,822</u>	<u>267,494</u>	<u>115,633</u>	<u>1,282,949</u>
<i>Expenditures</i>				
Current				
General government	206,597	-	-	206,597
Public safety	450,937	117,777	35,923	604,637
Public works	91,763	-	-	91,763
Culture and recreation	192,054	-	-	192,054
Health and welfare	-	-	4,801	4,801
Capital outlay	418,143	-	-	418,143
Debt service				
Principal	-	32,109	-	32,109
Interest	-	1,194	-	1,194
<i>Total expenditures</i>	<u>1,359,494</u>	<u>151,080</u>	<u>40,724</u>	<u>1,551,298</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(459,672)</u>	<u>116,414</u>	<u>74,909</u>	<u>(268,349)</u>
<i>Other financing sources (uses)</i>				
Transfers (in)/out	108,106	(175,000)	(41,638)	(108,532)
Proceeds from sale of capital assets	35,945	1,650	-	37,595
<i>Total other financing sources (uses)</i>	<u>144,051</u>	<u>(173,350)</u>	<u>(41,638)</u>	<u>(70,937)</u>
<i>Net change in fund balances</i>	(315,621)	(56,936)	33,271	(339,286)
<i>Fund balance - beginning of year</i>	<u>1,492,157</u>	<u>139,408</u>	<u>185,593</u>	<u>1,817,158</u>
<i>Fund balance - end of year</i>	<u>\$ 1,176,536</u>	<u>\$ 82,472</u>	<u>\$ 218,864</u>	<u>\$ 1,477,872</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, 2015

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	\$ (339,286)
--	--------------

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	418,143
Depreciation expense	(264,694)

Governmental funds report pension contributions as expenditures.
However, in the Statement of Activities, the cost of pension benefits
earned net of employee contributions is reported as pension expense:

Employer contributions subsequent to the measurement date	46,393
Pension expense	(21,094)

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

Increase in deferred revenue related to property taxes receivable	219
---	-----

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	186
Decrease in accrued compensated absences	1,570
Principal payments on loans payable	32,109

Change in net position of governmental activities	<u>\$ (126,454)</u>
---	---------------------

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, 2015

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property taxes	10,953	10,953	34,731	\$ 23,778
Gross receipts	600,000	600,000	593,653	(6,347)
Gas and motor vehicle	26,340	26,340	19,689	(6,651)
Other	28,000	28,000	29,424	1,424
Intergovernmental income				
State operating grants	212,822	212,822	137,389	(75,433)
Charges for services	-	-	81,231	81,231
Miscellaneous	116,435	116,435	150,583	34,148
<i>Total revenues</i>	<u>994,550</u>	<u>994,550</u>	<u>1,046,700</u>	<u>52,150</u>
<i>Expenditures</i>				
Current				
General government	253,967	253,967	180,546	73,421
Public safety	371,853	371,853	456,309	(84,456)
Public works	76,521	76,521	90,240	(13,719)
Culture and recreation	299,364	299,364	219,670	79,694
Health and welfare	-	-	-	-
Capital outlay	3,000	3,000	418,143	(415,143)
<i>Total expenditures</i>	<u>1,004,705</u>	<u>1,004,705</u>	<u>1,364,908</u>	<u>(360,203)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(10,155)</u>	<u>(10,155)</u>	<u>(318,208)</u>	<u>(308,053)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	(11,278)	(11,278)	-	11,278
Transfers in	21,433	21,433	95,469	74,036
<i>Total other financing sources (uses)</i>	<u>10,155</u>	<u>10,155</u>	<u>95,469</u>	<u>85,314</u>
<i>Net change in fund balance</i>	-	-	(222,739)	(222,739)
<i>Fund balance - beginning of year</i>	-	-	1,309,124	1,309,124
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,086,385</u>	<u>\$ 1,086,385</u>
Net change in fund balance (non-GAAP basis)				\$ (222,739)
Adjustments to revenues for property taxes, other taxes, and other receivables				(98,296)
Adjustment to expenditures for salaries, utilities, and supplies payable				5,414
Net change in fund balance (GAAP basis)				<u>\$ (315,621)</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, 2015

	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	-	-	267,315	267,315
Charges for services	-	-	-	-
Miscellaneous	212,488	336,428	179	(336,249)
<i>Total revenues</i>	<u>212,488</u>	<u>336,428</u>	<u>267,494</u>	<u>(68,934)</u>
<i>Expenditures</i>				
Current				
Public safety	293,872	293,872	107,266	186,606
Debt service				
Principal	30,976	30,976	32,109	(1,133)
Interest	2,324	2,324	1,194	1,130
<i>Total expenditures</i>	<u>327,172</u>	<u>327,172</u>	<u>140,569</u>	<u>186,603</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(114,684)</u>	<u>9,256</u>	<u>126,925</u>	<u>117,669</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	114,684	(9,256)	-	9,256
Transfers out	-	-	(175,000)	(175,000)
Proceeds from sale of capital assets	-	-	1,650	1,650
<i>Total other financing sources (uses)</i>	<u>114,684</u>	<u>(9,256)</u>	<u>(173,350)</u>	<u>(164,094)</u>
<i>Net change in fund balance</i>	-	-	(46,425)	(46,425)
<i>Fund balance - beginning of year</i>	-	-	142,609	142,609
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 96,184</u>	<u>\$ 96,184</u>
Net change in fund balance (non-GAAP basis)				\$ (46,425)
No adjustments to revenues				-
Adjustments to expenditures for supplies and maintenance payable				(10,511)
Net change in fund balance (GAAP basis)				<u>\$ (56,936)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Town of Dexter
Statement of Net Position
Proprietary Funds
June 30, 2015

	<u>Enterprise Fund</u>
	<u>Joint Utility</u>
<i>Assets and Deferred Outflows of Resources</i>	
<i>Current assets</i>	
Cash and cash equivalents	\$ 651,654
Customer receivables	56,460
<i>Total current assets</i>	<u>708,114</u>
<i>Noncurrent assets</i>	
Restricted cash and cash equivalents	46,083
Capital assets	2,196,522
Less: accumulated depreciation	(904,012)
<i>Total noncurrent assets</i>	<u>1,338,593</u>
<i>Total assets</i>	<u>2,046,707</u>
<i>Deferred outflows of resources</i>	
Employer contributions subsequent to the measurement date	<u>7,495</u>
<i>Total deferred outflows of resources</i>	<u>7,495</u>
<i>Total assets and deferred outflows of resources</i>	<u>\$ 2,054,202</u>

The accompanying notes are an integral part of these financial statements

	<u>Joint Utility</u>
<i>Liabilities, Deferred Inflows of Resources, and Net Position</i>	
<i>Liabilities</i>	
<i>Current liabilities</i>	
Accounts payable	\$ 61,325
Accrued payroll	2,726
Deposits held in trust	46,083
Accrued compensated absences	5,682
Accrued interest payable	5,005
Current portion of bonds payable	8,000
<i>Total current liabilities</i>	<u>128,821</u>
<i>Noncurrent liabilities</i>	
Accrued compensated absences	4,081
Bonds payable	80,000
Net pension liability	59,374
<i>Total noncurrent liabilities</i>	<u>143,455</u>
<i>Total liabilities</i>	<u>272,276</u>
<i>Deferred inflows of resources</i>	
Change in assumptions	2,988
Net difference between projected and actual investment earnings	22,520
<i>Total deferred inflows of resources</i>	<u>25,508</u>
<i>Net position</i>	
Net investment in capital assets	1,204,510
Unrestricted	551,908
<i>Total net position</i>	<u>1,756,418</u>
<i>Total liabilities, deferred inflows of resources, and net position</i>	<u>\$ 2,054,202</u>

STATE OF NEW MEXICO
Town of Dexter
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2015

Exhibit D-2

	<u>Enterprise fund</u>
	<u>Joint Utility</u>
<i>Operating revenues</i>	
Charges for services	\$ 480,097
<i>Total operating revenues</i>	480,097
<i>Operating expenses</i>	
Personnel services	182,776
Contractual services	61,651
Supplies	32,547
Maintenance and materials	20,593
Utilities	30,133
Depreciation	53,994
Other costs	216,442
<i>Total operating expenses</i>	598,136
<i>Operating income (loss)</i>	(118,039)
<i>Non-operating revenues (expenses)</i>	
Investment income	501
Miscellaneous revenue	16,178
Interest expense	(10,466)
<i>Total non-operating revenues (expenses)</i>	6,213
<i>Income (loss) before contributions and transfers</i>	(111,826)
<i>Capital grants and net transfers</i>	
Federal capital grants	8,483
Transfers in	108,532
<i>Total capital grants and net transfers</i>	117,015
<i>Change in net position</i>	5,189
<i>Net position, beginning of year</i>	1,832,703
<i>Prior period restatement (Note 19)</i>	(81,474)
<i>Net position, beginning of year as restated</i>	1,751,229
<i>Net position, end of year</i>	\$ 1,756,418

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, 2015

Exhibit D-3

	<u>Enterprise Fund</u>
	<u>Joint Utility</u>
<i>Cash flows from operating activities</i>	
Cash received from user charges	\$ 498,219
Cash payments to employees for services	(189,155)
Cash payments to suppliers for goods and services	(308,077)
<i>Net cash provided by operating activities</i>	987
<i>Cash flows from noncapital financing activities</i>	
Miscellaneous income	16,178
<i>Net cash provided (used) by noncapital financing activities</i>	16,178
<i>Cash flows from capital and related financing activities</i>	
Interest paid	(10,921)
Principal payments on long-term debt	(8,000)
Federal capital grants	8,483
Transfers in	108,532
Acquisition of capital assets	(80,043)
<i>Net cash (used) by capital and related financing activities</i>	18,051
<i>Cash flows from investing activities</i>	
Interest on investments	501
<i>Net cash provided by investing activities</i>	501
<i>Net increase in cash and cash equivalents</i>	35,717
<i>Cash and cash equivalents - beginning of year</i>	662,020
<i>Cash and cash equivalents - end of year</i>	\$ 697,737
<i>Reconciliation of operating income (loss) to net cash provided by operating activities:</i>	
Operating income (loss)	\$ (118,039)
Adjustments to reconcile operating income (loss) to net cash provided by operating activities:	
Depreciation	53,994
Pension expense	3,408
Employer contributions subsequent to the measurement date	(7,495)
Changes in assets and liabilities	
Receivables	18,122
Accounts payable	48,653
Accrued payroll expenses	(742)
Accrued compensated absences	1,858
Meter deposits	1,228
<i>Net cash provided by operating activities</i>	\$ 987

The accompanying notes are an integral part of these financial statements

This page is intentionally left blank

STATE OF NEW MEXICO
Town of Dexter
Notes to the Financial Statements
June 30, 2015

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 the 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 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, 2015, the Town adopted GASB Statements No. 68, *Accounting and Financial Reporting for Pensions- an Amendment of GASB Statement No. 27* ("GASB 68"), and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date- an Amendment of GASB Statement No. 68* ("GASB 71"). These two Statements are required to be implemented at the same time. GASB 68 addresses accounting and financial reporting for pensions that are provided to the employees of state and local governments through pension plans that are administered through trusts that have the following characteristics:

1. Contributions from employers and nonemployer contributing entities to the pension plan, and earnings on those contributions are irrevocable.
2. Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
3. Pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit plan, plan assets are also legally protected from creditors of the plan members.

GASB 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to pensions. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods

STATE OF NEW MEXICO
Town of Dexter
Notes to the Financial Statements
June 30, 2015

NOTE 1. Summary of Significant Accounting Policies (continued)

of employee service. As a result of the implementation of GASB 68, the government recognized a net pension liability (“NPL”) measured as of a date no later than the end of its prior fiscal year. If the government employer makes a contribution to the pension plan subsequent to the measurement date but prior to the end of the current fiscal year, GASB 68 requires the government to recognize that contribution as a deferred outflow of resources. In addition, GASB 68 requires the recognition of deferred outflows of resources and deferred inflows of resources for changes in the NPL that arise from other types of events, but does not require the government to recognize beginning deferred outflows of resources or deferred inflows of resources if the amounts are not practical to estimate. At transition to Statement 68, Statement 71 requires the employer or nonemployer contributing entity to recognize a beginning deferred outflow of resources for its pension contributions made subsequent to the measurement date of the beginning net pension liability but before the start of the government’s fiscal year, thus avoiding possible understatement of an employer or nonemployer contributing entity’s beginning net position and expense in the initial period of implementation. This pronouncement has materially impacted the financial statements and additional disclosures are included in the notes to the financial statements to highlight the effects.

During the year ended June 30, 2015, the Town also adopted GASB Statements No. 69 and 70. GASB Statement No. 69, *Government Combinations and Disposals of Government Operations* (“GASB 69”) establishes accounting and financial reporting standards related to government combinations (including mergers, acquisitions, and transfers of operations), and disposals of government operations. GASB Statement No. 70, *Accounting and Financial Reporting for Nonexchange Financial Guarantees* (“GASB 70”) improves accounting and financial reporting by state and local governments that extend and receive nonexchange financial guarantees. Neither of these pronouncements have materially impacted the Town’s financial statements.

A. Financial Reporting Entity

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

In evaluating how to define the Town for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statement No. 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 has no component units required to be reported under GASB Statements No. 14, No. 39, or No. 61.

STATE OF NEW MEXICO
Town of Dexter
Notes to the Financial Statements
June 30, 2015

NOTE 1. Summary of Significant Accounting Policies (continued)

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. *Governmental activities*, which normally are supported by taxes and intergovernmental revenues, are reported separately from *business-type activities (also known as proprietary or enterprise funds)*, 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 nonexchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Nonexchange 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, and (b) 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 position is reported in three parts: net investment in capital assets, restricted net position, and unrestricted net position.

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

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

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 (business-type activities and enterprise) 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 sixty (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

STATE OF NEW MEXICO
Town of Dexter
Notes to the Financial Statements
June 30, 2015

NOTE 1. Summary of Significant Accounting Policies (continued)

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

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. All other revenue items are considered to be measurable and available only when cash is received by the government.

Program revenues included in the Statement of Activities are derived directly from the program itself or from parties outside the Town's taxpayer or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the Town's general revenues. Program revenues are categorized as (a) charges for services, which include revenues collected for fees and use of Town facilities, etc., (b) program-specific operating grants, which include 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 *nonoperating* items. Operating revenues include activities that have the characteristics of an exchange transaction, such as a) sales and services and b) contracts and grants. Nonoperating revenues include activities that have the characteristics of nonexchange transactions, such as a) investment income and b) miscellaneous.

Operating expenses include activities that have the characteristics of an exchange transaction, such as a) employee salaries, benefits, and related expenses; b) utilities, supplies, and other services; c) professional fees; d) repairs and maintenance; and e) depreciation expenses related to Town capital assets and long-term debt. Nonoperating expenses include activities that have the characteristics of nonexchange transactions, such as interest on capital assets-related debt that are defined as nonoperating expenses by GASB Statement No. 9, *Reporting Cash Flows of Proprietary and Nonexpendable Trust Funds and Governmental Entities That Use Proprietary Fund Accounting*, and GASB Statement No. 34. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

Under the requirements of GASB Statement No. 34, the Town is required to present certain of its governmental funds as major based upon certain criteria. The major funds presented in the fund financial statements include the following, which include funds that were not required to be presented as major but were at the discretion of management:

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, 2015

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, 2015

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 10th and April 10th are considered delinquent and the Town may assess penalties and interest. The taxes attach as an enforceable lien on property thirty (30) days thereafter, at which time they become delinquent. Property taxes are collected by Chaves County and remitted monthly to the Town.

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

Capital Assets: Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. The Town of Dexter was a phase III government for purposes of implementing GASB 34. Therefore, the Town was not required to report its major general infrastructure assets retroactively to June 30, 1980. However, the Town has elected to account for infrastructure assets retroactive to June 30, 1980, in order to implement GASB 34. Information Technology Equipment including software is being capitalized and included in machinery and equipment in accordance with NMAC 2.20.1.9 C (5). Donated capital assets are recorded at estimated fair market value at the date of donation. During the year ended June 30, 2015, 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, 2015

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 \$1,128 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, 2015

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, 2015, the Town did not have any fund balances in nonspendable form.

Restricted and Committed Fund Balance: At June 30, 2015, the Town has presented restricted fund balance on the governmental funds balance sheet in the amount of \$241,732 for public safety, \$39,882 for public works, and \$19,722 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.

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:*
Consists 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.
- 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, the net pension liability and related items, and the current portion of compensated absences.

STATE OF NEW MEXICO
Town of Dexter
Notes to the Financial Statements
June 30, 2015

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	\$ (10,155)	\$ (10,155)
Fire Fund	(114,684)	9,256
Nonmajor Governmental Funds	(41,259)	(41,259)
	<u>Change in net position</u>	
Budgeted Funds:		
Joint Utility	\$ 11,165	\$ 10,165

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, 2015 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, 2015.

STATE OF NEW MEXICO
Town of Dexter
Notes to the Financial Statements
June 30, 2015

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.

According to the Federal Deposit Insurance Corporation (FDIC), public unit deposits are funds owned by the public unit. Time deposits, savings deposits, and negotiable order or withdrawal (NOW) accounts of a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demands deposits at the same institution.

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, 2015, \$2,020,598 of the Town’s deposits of \$2,270,598 was exposed to custodial credit risk. \$1,266,541 was uninsured and collateralized by collateral held by the pledging bank’s trust department, not in the Town’s name, and \$754,057 was uninsured and uncollateralized.

	Wells Fargo Bank, N.A.
Amount of deposits	\$ 2,270,598
FDIC coverage	(250,000)
Total uninsured public funds	2,020,598
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the Town's name	1,266,541
Uninsured and uncollateralized	\$ 754,057
Collateral requirement (50.00% of uninsured funds)	\$ 1,010,299
Pledged collateral	1,266,541
Over (under) collateralized	\$ 256,242

The collateral pledged is listed on Schedule IV 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, 2015

NOTE 3. Deposits and Investments (continued)

Reconciliation to the Statement of Net Position

Cash and cash equivalents per Exhibit A-1	\$ 2,066,817
Restricted cash and cash equivalents per Exhibit A-1	<u>46,083</u>
Total cash and cash equivalents	<u>2,112,900</u>
Add: outstanding checks	157,698
Less: deposits in transit	-
Less: petty cash	<u>-</u>
Bank balance of deposits	<u><u>\$ 2,270,598</u></u>

NOTE 4. Receivables

Governmental activities receivables as of June 30, 2015 are as follows:

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Taxes			
Property	\$ 1,720	\$ -	\$ 1,720
Gross receipts	98,188	-	98,188
Gasoline and motor vehicle	-	3,666	3,666
Miscellaneous	<u>3,063</u>	<u>19,847</u>	<u>22,910</u>
Totals by category	<u><u>\$ 102,971</u></u>	<u><u>\$ 23,513</u></u>	<u><u>\$ 126,484</u></u>

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

In accordance with GASB Statement No. 33, property tax revenues in the amount of \$1,128 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, 2015 are as follows:

	<u>Joint Utility Fund</u>
Customer Receivables	
Water	\$ 28,715
Sewer	10,796
Solid Waste	<u>16,949</u>
Total	<u><u>\$ 56,460</u></u>

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

STATE OF NEW MEXICO
Town of Dexter
Notes to the Financial Statements
June 30, 2015

NOTE 5. Transfers and Interfund Receivables

Net operating transfers, made to close out funds and to supplement other funding sources in the normal course of operations for the year ended June 30, 2015 were as follows:

<u>Transfers Out</u>	<u>Transfers In</u>	<u>Amount</u>
Primary Government		
General Fund	Joint Utility Fund	\$ 108,532
Fire Fund	General Fund	175,000
Law Enforcement Fund	General Fund	29,000
Streets Gas Tax Fund	General Fund	12,637
Recreation Fund	General Fund	<u>1</u>
	Total	<u>\$ 325,170</u>

NOTE 6. Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2015 follows. Land and construction in progress are not subject to depreciation.

	<u>Balance June 30, 2014</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2015</u>
Governmental activities				
Capital assets not being depreciated				
Land	\$ 68,000	\$ -	\$ -	\$ 68,000
Construction in progress	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets not being depreciated	<u>68,000</u>	<u>-</u>	<u>-</u>	<u>68,000</u>
Capital assets being depreciated:				
Buildings and improvements	2,073,499	214,143	-	2,287,642
Equipment and vehicles	2,024,345	204,000	146,283	2,082,062
Infrastructure	<u>3,480,324</u>	<u>-</u>	<u>-</u>	<u>3,480,324</u>
Total capital assets being depreciated	<u>7,578,168</u>	<u>418,143</u>	<u>146,283</u>	<u>7,850,028</u>
Less accumulated depreciation:				
Buildings and improvements	995,268	97,729	-	1,092,997
Equipment	1,379,574	150,293	146,283	1,383,584
Infrastructure	<u>1,771,591</u>	<u>16,672</u>	<u>-</u>	<u>1,788,263</u>
Total accumulated depreciation	<u>4,146,433</u>	<u>264,694</u>	<u>146,283</u>	<u>4,264,844</u>
Total capital assets, net of depreciation	<u>\$ 3,499,735</u>	<u>\$153,449</u>	<u>\$ -</u>	<u>\$ 3,653,184</u>

STATE OF NEW MEXICO
Town of Dexter
Notes to the Financial Statements
June 30, 2015

NOTE 6. Capital Assets (continued)

Depreciation expense for the year ended June 30, 2015 was charged to governmental activities as follows:

General government	\$ 42,176
Public safety	165,832
Public works	14,329
Culture & recreation	22,766
Health & welfare	<u>19,591</u>
	<u>\$ 264,694</u>

	Balance June 30, 2014	Additions	Deletions	Balance June 30, 2015
Business-type activities				
Land	\$ 26,000	\$ -	\$ -	\$ 26,000
Construction in progress	<u>-</u>	<u>34,287</u>	<u>-</u>	<u>34,287</u>
Total capital assets not being depreciated	<u>26,000</u>	<u>34,287</u>	<u>-</u>	<u>60,287</u>
Capital assets being depreciated:				
Buildings and improvements	1,724,885	-	-	1,724,885
Equipment and vehicles	365,594	45,756	-	411,350
Infrastructure	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets being depreciated	<u>2,090,479</u>	<u>45,756</u>	<u>-</u>	<u>2,136,235</u>
Less accumulated depreciation:				
Buildings and improvements	631,402	21,641	-	653,043
Equipment	218,616	29,303	-	247,919
Infrastructure	<u>-</u>	<u>3,050</u>	<u>-</u>	<u>3,050</u>
Total accumulated depreciation	<u>850,018</u>	<u>53,994</u>	<u>-</u>	<u>904,012</u>
Total capital assets, net of depreciation	<u>\$ 1,266,461</u>	<u>\$ 26,049</u>	<u>\$ -</u>	<u>\$ 1,292,510</u>

Depreciation expense of \$53,994 for the year ended June 30, 2015 was charged to the Joint Utility proprietary fund.

STATE OF NEW MEXICO
Town of Dexter
Notes to the Financial Statements
June 30, 2015

NOTE 7. Long-term Debt

Governmental Activities:

During the year ended June 30, 2015, the following changes occurred in the liabilities reported in the government-wide statement of net position:

	Balance June 30, 2014	Additions	Retirements	Balance June 30, 2015	Due Within One Year
Loans payable	\$ 32,109	\$ -	\$ 32,109	\$ -	\$ -
Compensated absences	15,626	18,230	19,800	14,056	14,056
Total long-term debt	<u>\$ 47,735</u>	<u>\$ 18,230</u>	<u>\$ 51,909</u>	<u>\$ 14,056</u>	<u>\$ 14,056</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, 2015, compensated absences decreased \$1,570 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.

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, 2015:

	Balance June 30, 2014	Additions	Retirements	Balance June 30, 2015	Due Within One Year
Bonds payable	\$ 96,000	\$ -	\$ 8,000	\$ 88,000	\$ 8,000
Compensated absences	9,389	6,056	5,682	9,763	5,682
Total long-term debt	<u>\$ 105,389</u>	<u>\$ 6,056</u>	<u>\$ 13,682</u>	<u>\$ 97,763</u>	<u>\$ 13,682</u>

The annual requirements to amortize the revenue bonds as of June 30, 2015, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal
2016	\$ 8,000
2017	9,000
2018	9,000
2019	10,000
2020	11,000
2021-2025	<u>41,000</u>
	<u>\$ 88,000</u>

STATE OF NEW MEXICO
Town of Dexter
Notes to the Financial Statements
June 30, 2015

NOTE 7. Long-term Debt (continued)

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, 2015, compensated absences increased \$374 from the prior year accrual. Compensated absences are liquidated by joint utility fund for employees of proprietary activities.

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, 2015, 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, 2015.

STATE OF NEW MEXICO
Town of Dexter
Notes to the Financial Statements
June 30, 2015

NOTE 9. Other Required Individual Fund Disclosures (continued)

B. Excess of expenditures over budgeted amounts. The following funds exceeded approved budgetary authority for the year ended June 30, 2015:

Fund Name	Amount
Governmental Funds	
General Fund	\$ 360,202
Emergency Medical Services Special Revenue Fund	2,362
	\$ 362,564
Proprietary Funds	
Joint Utility Fund	\$ 86,207
Total	\$ 448,771

C. Designated cash appropriations in excess of available balances. The following fund exceeded approved budgetary authority for the year ended June 30, 2015:

Governmental Funds

Law Enforcement Special Revenue Fund	\$ 2,331
--------------------------------------	----------

NOTE 10. Pension Plan- Public Employees Retirement Association

Plan Description. The Public Employees Retirement Fund (PERA) is a cost-sharing, multiple employer defined benefit pension plan. This fund has six divisions of members, including State General, State Police/Adult Correction Officer, Municipal General, Municipal Police/Detention Officers, Municipal Fire, and State Legislative Divisions; and offers twenty-four (24) different types of coverage within the PERA plan. All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of this plan. Certain coverage plans are only applicable to a specific division. Eligibility for membership in the PERA Fund is set forth in the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). Except as provided for in the Volunteer Firefighters Retirement Act (10-11A-1 to 10-11A-7, NMSA 1978); the Judicial Retirement Act (10-12B-1 to 10-12B-19, NMSA 1978); the Magistrate Retirement Act (10-12C-1 to 10-12C-18, NMSA 1978);, and the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978), and the provisions of Sections 29-4-1 through 29-4-11, NMSA 1978 governing the State Police Pension Fund, each employee and elected official of every affiliated public employer is required to be a member in the PERA Fund.

PERA issues a publicly available financial report and a comprehensive annual financial report that can be obtained at www.saonm.org using the Audit Report Search function for agency #366.

Benefits Provided. For a description of the benefits provided and recent changes to the benefits, see Note 1 in the PERA audited financial statements for the fiscal year end June 30, 2014 available at http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2014.pdf.

STATE OF NEW MEXICO
Town of Dexter
Notes to the Financial Statements
June 30, 2015

NOTE 10. Pension Plan- Public Employees Retirement Association (continued)

Contributions. The contribution requirements of defined benefit plan members and the Town are established in state statute under Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature. For the employer and employee contribution requirements in effect for fiscal year 2014 for the various PERA coverage options, for both Tier 1 and Tier II, see the tables available in the note disclosures on pages 29 through 31 of the PERA 2014 annual audit report at http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_2014.pdf. The PERA coverage options that apply to the Town are Municipal General and Municipal Police. Statutorily required contributions to the pension plan from the Town were \$53,888 there were no employer paid member benefits that were “picked up” by the employer were for the year ended June 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions. The PERA pension liability, net pension liability amounts, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2013. The total PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2014, using generally accepted accounting principles. Therefore, the employer’s portion was established as of the measurement date June 30, 2014.

The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members, and legislative members) for whom separate contribution rates are determined each year pursuant to Chapter 10, Article 11, NMSA 1978. Therefore, the calculations of the net pension liability, pension expense, and deferred inflows and outflows were performed separately for each of the membership groups: municipal general members, municipal police members, municipal fire members, state general members, state police members, and legislative members. The Town’s proportion of the net pension liability for each membership group that the employer participates in is based on the employer contributing entity’s percentage of that membership group’s total employer contributions for the fiscal year ended June 30, 2014. Only employer contributions for the pay period end dates that fell within the period of July 1, 2013 to June 30, 2014 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to fiscal year 2014 are included in the total contribution amounts. In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

For PERA Fund Division Municipal General, at June 30, 2015, the Town reported a liability of \$163,823 for its proportionate share of the net pension liability. At June 30, 2014, the Town’s proportion was 0.0210%, which was unchanged from its proportion measured as of June 30, 2013, due to the insignificance of the difference.

STATE OF NEW MEXICO
Town of Dexter
Notes to the Financial Statements
June 30, 2015

NOTE 10. Pension Plan- Public Employees Retirement Association (continued)

For the year ended June 30, 2015, the Town recognized PERA Fund Division Municipal General pension expense of \$6,835. At June 30, 2015, the Town reported PERA Fund Division Municipal General deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

General Fund Municipal General

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ -	\$ 111
Net difference between projected and actual earnings on pension plan investments	-	64,092
Employer contributions subsequent to the measurement date	18,687	-
Total	\$ 18,687	\$ 64,203

For PERA Fund Division Municipal General, \$18,687 reported as deferred outflows of resources related to pensions resulting from the Town's contributions subsequent to the measurement date June 30, 2014 will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30,

2016	\$ (16,051)
2017	(16,051)
2018	(16,051)
2019	(16,050)
2020	-
Thereafter	-

For PERA Fund Division Municipal Police, at June 30, 2015, the Town reported a liability of \$263,073 for its proportionate share of the net pension liability. At June 30, 2014, the Town's proportion was 0.0807%, which was unchanged from its proportion measured as of June 30, 2013, due to the insignificance of the difference.

For the year ended June 30, 2015, the Town recognized PERA Fund Division Municipal Police pension expense of \$17,667. At June 30, 2015, the Town reported PERA Fund Division Municipal Police deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

General Fund Municipal Police

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ -	\$ 21,371
Net difference between projected and actual earnings on pension plan investments	-	97,822
Employer contributions subsequent to the measurement date	35,201	-
Total	\$ 35,201	\$ 119,193

STATE OF NEW MEXICO
Town of Dexter
Notes to the Financial Statements
June 30, 2015

NOTE 10. Pension Plan- Public Employees Retirement Association (continued)

For PERA Fund Division Municipal Police, \$35,201 reported as deferred outflows of resources related to pensions resulting from the Town's contributions subsequent to the measurement date June 30, 2014 will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year ended June 30,</u>	
2016	\$ (29,772)
2017	(29,772)
2018	(29,772)
2019	(29,772)
2020	(105)
Thereafter	-

Actuarial Assumptions. As described above, the PERA fund member group pension liabilities and net pension liabilities are based on an actuarial valuation performed as of June 30, 2013 for each of the membership groups. Then, each PERA fund member group pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2014 using generally accepted actuarial principles. There were no significant events or changes in benefits provisions that required an adjustment to the roll-forward liabilities as of June 30, 2014.

These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2014 actuarial valuation:

Actuarial valuation date	June 30, 2013
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay
Asset valuation method	Fair value
Actuarial assumptions:	
Investment rate of return	7.75% annual rate, net of investment expense
Payroll growth	3.50% annual rate
Projected salary increases	3.50% to 14.25% annual rate
Includes inflation at	3.00% annual rate

STATE OF NEW MEXICO
Town of Dexter
Notes to the Financial Statements
June 30, 2015

NOTE 10. Pension Plan- Public Employees Retirement Association (continued)

The long-term expected rate of return on pension plan investments was determined using a statistical analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and most recent best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
US Equity	21.10%	5.00%
International Equity	24.80%	5.20%
Private Equity	7.00%	8.20%
Core and Global Fixed Income	26.10%	1.85%
Fixed Income Plus Sectors	5.00%	4.80%
Real Estate	5.00%	5.30%
Real Assets	7.00%	5.70%
Absolute Return	4.00%	4.15%
 Total	 <u><u>100.00%</u></u>	

Discount Rate. The discount rate used to measure the total pension liability was 7.75%. The projection of cash flows used to determine the discount rate assumed that future contributions will be made in accordance with statutory rates. On this basis, the pension plan's fiduciary net position together with the expected future contributions are sufficient to provide all projected future benefit payments of current plan members as determined in accordance with GASBS 67. Therefore, the 7.75% assumed long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Town's Proportionate Share of the Net Pension Liability to Changes in the Discount Rate. The following tables show the sensitivity of the net pension liability to changes in the discount rate. In particular, the tables present the Town's net pension liability in each PERA Fund Division that the Town participates in, under the current single rate assumption, as of it were calculated using a discount rate one percentage point lower (6.75%) or one percentage point higher (8.75%) than the single discount rate.

General Fund Municipal General

	<u>1.00% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1.00% Increase (8.75%)</u>
Proportionate share of the net pension liability	\$ 308,842	\$ 163,823	\$ 51,788

General Fund Municipal Police

	<u>1.00% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1.00% Increase (8.75%)</u>
Proportionate share of the net pension liability	\$ 501,681	\$ 263,073	\$ 84,908

STATE OF NEW MEXICO
Town of Dexter
Notes to the Financial Statements
June 30, 2015

NOTE 10. Pension Plan- Public Employees Retirement Association (continued)

Pension Plan Fiduciary Net Position. Detailed information about the pension plan's fiduciary net position is available in the separately issued fiscal year 2014 restated PERA financial report. The report is available at <http://www.pera.state.nm.us/publications.html>.

Payables to the Pension Plan. The Town had an outstanding balance of \$4,038 as of June 30, 2015 for legally required contributions to the pension plan.

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, 2015.

NOTE 15. Subsequent Events

The date to which events occurring after June 30, 2015, the date of the most recent statement of net position, have been evaluated for possible adjustment to the financial statements or disclosures is December 14, 2015, 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.

STATE OF NEW MEXICO
Town of Dexter
Notes to the Financial Statements
June 30, 2015

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)	\$ 16,137
Frazier Oil & Gas	Council Member – Thomas Mireles (Manager)	20,163

NOTE 19. Prior Period Restatement

The Town has restated modified accrual and government-wide net position as a result of the following:

Fund Level Restatements

<u>Fund Name</u>	<u>Net Position Originally Reported 6/30/14</u>	<u>Restate Net Pension Liability</u>	<u>Net Position Restated 6/30/14</u>
Joint Utility Fund	\$ 1,832,703	\$ (81,474)	\$ 1,751,229

Government-wide Restatements

<u>Fund Name</u>	<u>Fund Balance/Net Position Originally Reported 6/30/14</u>	<u>Fund Restatement</u>	<u>Restate Net Pension Liability</u>	<u>Fund Balance/Net Position Restated 6/30/14</u>
Governmental activities	\$ 5,269,880	\$ -	\$ (504,316)	\$ 4,765,564
Business-type activities	1,832,703	(81,474)	-	1,751,229
	<u>\$ 7,102,583</u>	<u>\$ (81,474)</u>	<u>\$ (504,316)</u>	<u>\$ 6,516,793</u>

The Town has restated government-wide net position in the amount of \$585,790 for the implementation of GASB Statement No. 68 and GASB Statement No. 71. The adjustment on the fund level and government-wide level reflects a beginning net pension liability of \$630,146 and deferred outflows of resources for employer contributions subsequent to the measurement date of \$44,356.

NOTE 20. Subsequent Pronouncements

In February 2015, GASB Statement No. 72 *Fair Value Measurement and Application*, was issued. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2015 with earlier application being encouraged. The Town is still evaluating how this pronouncement will affect the financial statements.

In June 2015, GASB Statement No. 73 *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, was issued. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2016 with earlier application being encouraged. The Town is still evaluating how this pronouncement will affect the financial statements.

STATE OF NEW MEXICO
Town of Dexter
Notes to the Financial Statements
June 30, 2015

NOTE 20. Subsequent Pronouncements (continued)

In June 2015, GASB Statement No. 74 *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, was issued. The provisions of this Statement are effective for fiscal years beginning after June 15, 2016. The Town is still evaluating how this pronouncement will affect the financial statements.

In June 2015, GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, was issued. The provisions of this Statement are effective for fiscal years beginning after June 15, 2017. The Town is still evaluating how this pronouncement will affect the financial statements.

In June 2015, GASB Statement No. 76 *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, was issued. The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2015 with earlier application being encouraged. The Town is still evaluating how this pronouncement will affect the financial statements.

In August 2015, GASB Statement No. 77 *Tax Abatement Disclosures*, was issued. The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2015 with earlier application being encouraged. The Town is still evaluating how this pronouncement will affect the financial statements.

This page is intentionally left blank

REQUIRED SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
Town of Dexter
Schedule of the Town's Proportionate Share of the
Net Pension Liability of PERA Fund
Public Employees Retirement Association (PERA) Plan
Municipal General Division
Last 10 Fiscal Years*

	2015 Measurement Date (as of and for the year ended June 30, 2014)
Proportion of the net pension liability (asset)	0.0210%
Proportionate share of the net pension liability (asset)	163,823
Covered employee payroll	169,900
Proportionate share of the net pension liability (asset) as a percentage of covered employee payroll	96.42%
Plan fiduciary net position as a percentage of the total pension liability	81.29%

* The amounts presented were determined as of June 30th. This schedule is presented to illustrate the requirement to show information for ten (10) years. However, until a full ten (10) year trend is compiled, the Town will present information for those years for which information is available.

STATE OF NEW MEXICO
Town of Dexter
Schedule of the Town's Proportionate Share of the
Net Pension Liability of PERA Fund
Public Employees Retirement Association (PERA) Plan
Municipal Police Division
Last 10 Fiscal Years*

	2015 Measurement Date (as of and for the year ended June 30, 2014)
Proportion of the net pension liability (asset)	0.0807%
Proportionate share of the net pension liability (asset)	263,073
Covered employee payroll	155,665
Proportionate share of the net pension liability (asset) as a percentage of covered employee payroll	169.00%
Plan fiduciary net position as a percentage of the total pension liability	81.29%

* The amounts presented were determined as of June 30th. This schedule is presented to illustrate the requirement to show information for ten (10) years. However, until a full ten (10) year trend is compiled, the Town will present information for those years for which information is available.

STATE OF NEW MEXICO
 Town of Dexter
 Schedule of the Town's Contributions
 Public Employees Retirement Association (PERA) Plan
 Municipal General Division
 Last 10 Fiscal Years*

	As of and for the year ended June 30, 2015 <hr/>
Contractually required contribution	\$ 18,687
Contributions in relation to the contractually required contribution	<hr/> 18,687
Contribution deficiency (excess)	-
Covered employee payroll	<hr/> 195,956
Contributions as a percentage of covered employee payroll	9.54%

* This schedule is presented to illustrate the requirement to show information for ten (10) years. However, until a full ten (10) year trend is compiled, the Town will present information for those years for which information is available.

STATE OF NEW MEXICO
 Town of Dexter
 Schedule of the Town's Contributions
 Public Employees Retirement Association (PERA) Plan
 Municipal Police Division
 Last 10 Fiscal Years*

	As of and for the year ended June 30, 2015
Contractually required contribution	\$ 35,201
Contributions in relation to the contractually required contribution	35,201
Contribution deficiency (excess)	-
Covered employee payroll	186,391
Contributions as a percentage of covered employee payroll	18.89%

* This schedule is presented to illustrate the requirement to show information for ten (10) years. However, until a full ten (10) year trend is compiled, the Town will present information for those years for which information is available.

STATE OF NEW MEXICO
Town of Dexter
Notes to Required Supplementary Information
June 30, 2015

Changes of Benefit Terms. The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA fiscal year 2014 audit available at http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2014.pdf.

Changes of Assumptions. The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2014 report is available at http://www.pera.state.nm.us/pdf/Investments/RetirementFundValuationReports/6-30-2014%20PERA%20Valuation%20Report_FINAL.pdf. The summary of key findings for the PERA Fund (on page two (2) of the report) states, “based on a recent experience study for the five-year period ending June 30, 2013, the economic and demographic assumptions were updated for this valuation. The changes in assumptions resulted in a decrease of \$30.8 million to Fund liabilities and an increase of 0.13% to the funded ratio. For details about changes in the actuarial assumptions, see Appendix B on page sixty (60) of the report.

SUPPLEMENTARY INFORMATION

This page is intentionally left blank

STATE OF NEW MEXICO
Town of Dexter
Nonmajor Fund Descriptions
June 30, 2015

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, 2015

	Special Revenue Funds		
	Corrections	Emergency Medical Services	Law Enforcement
<i>Assets</i>			
Cash and cash equivalents	\$ 119,810	\$ 15,237	\$ 5,664
Receivables:			
Other taxes	-	-	-
Other receivables	19,847	-	-
<i>Total assets</i>	\$ 139,657	\$ 15,237	\$ 5,664
<i>Liabilities</i>			
Accounts payable	\$ -	\$ 1,298	\$ -
<i>Total liabilities</i>	-	1,298	-
<i>Fund balances</i>			
Spendable			
Restricted for:			
Public safety	139,657	13,939	5,664
Public works	-	-	-
Health and welfare	-	-	-
<i>Total fund balances</i>	139,657	13,939	5,664
<i>Total liabilities and fund balances</i>	\$ 139,657	\$ 15,237	\$ 5,664

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>	
\$ 36,216	\$ -	\$ 19,722	\$ 196,649
3,666	-	-	3,666
<u>-</u>	<u>-</u>	<u>-</u>	<u>19,847</u>
<u>\$ 39,882</u>	<u>\$ -</u>	<u>\$ 19,722</u>	<u>\$ 220,162</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,298</u>
<u>-</u>	<u>-</u>	<u>-</u>	<u>1,298</u>
-	-	-	159,260
39,882	-	-	39,882
-	-	19,722	19,722
<u>39,882</u>	<u>-</u>	<u>19,722</u>	<u>218,864</u>
<u>\$ 39,882</u>	<u>\$ -</u>	<u>\$ 19,722</u>	<u>\$ 220,162</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, 2015

	Special Revenue Funds		
	Corrections	Emergency Medical Services	Law Enforcement
<i>Revenues</i>			
Taxes			
Gasoline and motor vehicle taxes	\$ -	\$ -	\$ -
Intergovernmental income			
State operating grants	-	19,854	27,033
Charges for services	28,164	-	-
Investment income (loss)	-	-	-
Miscellaneous	10,322	-	-
<i>Total revenues</i>	38,486	19,854	27,033
<i>Expenditures</i>			
Current			
Public safety	1,500	19,226	15,197
Health and welfare	-	-	-
<i>Total expenditures</i>	1,500	19,226	15,197
<i>Excess (deficiency) of revenues over expenditures</i>	36,986	628	11,836
<i>Other financing sources (uses)</i>			
Transfers out	-	-	(29,000)
<i>Total other financing sources (uses)</i>	-	-	(29,000)
<i>Net change in fund balances</i>	36,986	628	(17,164)
<i>Fund balances - beginning of year</i>	102,671	13,311	22,828
<i>Fund balances - end of year</i>	\$ 139,657	\$ 13,939	\$ 5,664

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>	
\$ 21,150	\$ -	\$ -	\$ 21,150
-	-	-	46,887
-	-	-	28,164
-	-	2	2
-	-	9,108	19,430
<u>21,150</u>	<u>-</u>	<u>9,110</u>	<u>115,633</u>
-	-	-	35,923
-	-	4,801	4,801
-	-	4,801	40,724
<u>21,150</u>	<u>-</u>	<u>4,309</u>	<u>74,909</u>
(12,637)	(1)	-	(41,638)
<u>(12,637)</u>	<u>(1)</u>	<u>-</u>	<u>(41,638)</u>
8,513	(1)	4,309	33,271
<u>31,369</u>	<u>1</u>	<u>15,413</u>	<u>185,593</u>
<u>\$ 39,882</u>	<u>\$ -</u>	<u>\$ 19,722</u>	<u>\$ 218,864</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, 2015

	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	7,600	7,600	9,071	1,471
Licenses and fees	-	-	-	-
Miscellaneous	-	-	10,322	10,322
<i>Total revenues</i>	<u>7,600</u>	<u>7,600</u>	<u>19,393</u>	<u>11,793</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	7,600	7,600	1,500	6,100
Public works	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>7,600</u>	<u>7,600</u>	<u>1,500</u>	<u>6,100</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>17,893</u>	<u>17,893</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>	-	-	17,893	17,893
<i>Fund balance - beginning of year</i>	-	-	101,917	101,917
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 119,810</u>	<u>\$ 119,810</u>
Net change in fund balance (non-GAAP basis)				\$ 17,893
Adjustments for fees receivable				19,093
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ 36,986</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, 2015

	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	-	-	19,854	19,854
Charges for services	15,566	15,566	-	(15,566)
Licenses and fees	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>15,566</u>	<u>15,566</u>	<u>19,854</u>	<u>4,288</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	15,566	15,566	17,928	(2,362)
Public works	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>15,566</u>	<u>15,566</u>	<u>17,928</u>	<u>(2,362)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	-	-	1,926	1,926
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
<i>Total other financing sources (uses)</i>	-	-	-	-
<i>Net change in fund balance</i>	-	-	1,926	1,926
<i>Fund balance - beginning of year</i>	-	-	13,311	13,311
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,237</u>	<u>\$ 15,237</u>
Net change in fund balance (non-GAAP basis)				\$ 1,926
No adjustments to revenues				-
Adjustment to expenditures for salaries, utilities, and supplies payable				(1,298)
Net change in fund balance (GAAP basis)				<u>\$ 628</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, 2015

	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	-	-	27,033	27,033
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Miscellaneous	29,833	29,833	-	(29,833)
<i>Total revenues</i>	<u>29,833</u>	<u>29,833</u>	<u>27,033</u>	<u>(2,800)</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	54,992	54,992	15,197	39,795
Public works	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>54,992</u>	<u>54,992</u>	<u>15,197</u>	<u>39,795</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(25,159)</u>	<u>(25,159)</u>	<u>11,836</u>	<u>36,995</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	25,159	25,159	-	(25,159)
Transfers out	-	-	(29,000)	(29,000)
<i>Total other financing sources (uses)</i>	<u>25,159</u>	<u>25,159</u>	<u>(29,000)</u>	<u>(54,159)</u>
<i>Net change in fund balance</i>	-	-	(17,164)	(17,164)
<i>Fund balance - beginning of year</i>	-	-	22,828	22,828
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,664</u>	<u>\$ 5,664</u>
Net change in fund balance (non-GAAP basis)				\$ (17,164)
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ (17,164)</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, 2015

	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	-	-	-	-
Other	23,000	23,000	4,847	(18,153)
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>4,847</u>	<u>(18,153)</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	40,100	40,100	-	40,100
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>40,100</u>	<u>40,100</u>	<u>-</u>	<u>40,100</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(17,100)</u>	<u>(17,100)</u>	<u>4,847</u>	<u>21,947</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	17,100	17,100	-	(17,100)
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>17,100</u>	<u>17,100</u>	<u>-</u>	<u>(17,100)</u>
<i>Net change in fund balance</i>	-	-	4,847	4,847
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>31,369</u>	<u>31,369</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 36,216</u>	<u>\$ 36,216</u>
Net change in fund balance (non-GAAP basis)				\$ 4,847
Adjustments to revenues for taxes receivable				16,303
Adjustment to expenditures for salaries, utilities, and supplies payable				<u>(12,637)</u>
Net change in fund balance (GAAP basis)				<u>\$ 8,513</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, 2015

	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	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</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)	-	-	-	-
Transfers out	-	-	(1)	(1)
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>(1)</u>	<u>(1)</u>
<i>Net change in fund balance</i>	-	-	(1)	(1)
<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>\$ -</u>	<u>\$ -</u>
Net change in fund balance (non-GAAP basis)				\$ (1)
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ (1)</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, 2015

	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	-	-	-	-
Interest income	-	-	2	2
Miscellaneous	12,200	12,200	9,108	(3,092)
<i>Total revenues</i>	<u>12,200</u>	<u>12,200</u>	<u>9,110</u>	<u>(3,090)</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Health and welfare	11,100	11,100	4,801	6,299
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>11,100</u>	<u>11,100</u>	<u>4,801</u>	<u>6,299</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>1,100</u>	<u>1,100</u>	<u>4,309</u>	<u>3,209</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>	-	-	4,309	4,309
<i>Fund balance - beginning of year</i>	-	-	15,413	15,413
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 19,722</u>	<u>\$ 19,722</u>
Net change in fund balance (non-GAAP basis)				\$ 4,309
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ 4,309</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, 2015

	Budget Amounts		Actual (GAAP Basis)	Variances Favorable (Unfavorable)
	Original	Final		Final to Actual
<i>Operating revenues</i>				
Charges for services	469,100	468,200	480,097	\$ 11,897
<i>Total operating revenues</i>	469,100	468,200	480,097	11,897
<i>Operating expenses</i>				
Personnel services	-	-	182,776	(182,776)
Contractual services	-	-	61,651	(61,651)
Supplies	-	-	32,547	(32,547)
Repairs and maintenance	-	-	20,593	(20,593)
Utilities	-	-	30,133	(30,133)
Other costs	457,935	457,935	216,442	241,493
<i>Total operating expenses</i>	457,935	457,935	544,142	(86,207)
<i>Operating income (loss)</i>	11,165	10,265	(64,045)	(74,310)
<i>Non-operating revenues (expenses)</i>				
Capital grant revenue	-	-	8,483	8,483
Miscellaneous revenue	-	-	16,679	16,679
Interest expense	-	-	(10,466)	(10,466)
<i>Total non-operating revenues (expenses)</i>	-	-	14,696	14,696
<i>Income before contributions and transfers</i>	11,165	10,265	(49,349)	(59,614)
Transfers in	-	-	108,532	108,532
<i>Change in net position</i>	\$ 11,165	\$ 10,265	59,183	\$ 48,918
<i>Revenues (expenses) not budgeted:</i>				
Depreciation and change in estimate			(53,994)	
<i>Change in net assets per Exhibit D-2</i>			5,189	
<i>Total net position, beginning of year</i>			1,832,703	
<i>Prior period restatement (Note 19)</i>			(81,474)	
<i>Net position, beginning of year as restated</i>			1,751,229	
<i>Total net position, end of year</i>			\$ 1,756,418	

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, 2015

Schedule III

Bank Name/Account Name	Account Type	Bank Balance	Deposits in Transit	Outstanding Checks	Book Balance
Wells Fargo Bank, N.A.					
General Fund	Checking	\$ 1,512,745	\$ -	\$ 156,348	\$ 1,356,397
Dexter Health Clinic Fund	NOW	19,744	-	22	19,722
CDBG Projects Fund	Checking	17,067	-	-	17,067
JUSGI 1974 and 1983 Fund	NOW	10,712	-	-	10,712
Repairs & Replacement Fund	NOW	38,944	-	-	38,944
Water Meter Fund	Checking	46,083	-	-	46,083
Utility Fund	Checking	526,597	-	1,328	525,269
Municipal Court Fund	Checking	100	-	-	100
Reserve Bond Fund	NOW	98,606	-	-	98,606
Total Wells Fargo Bank, N.A.		<u>2,270,598</u>	<u>-</u>	<u>157,698</u>	<u>2,112,900</u>
 Total		 <u>\$2,270,598</u>	 <u>\$ -</u>	 <u>\$ 157,698</u>	 <u>\$ 2,112,900</u>
Total deposits and investments					<u>\$ 2,112,900</u>
Deposits and investments per financial statements:					
Cash and cash equivalents - Exhibit A-1					\$ 2,066,817
Restricted cash and cash equivalents - Exhibit A-1					<u>46,083</u>
Total deposits and investments					<u>\$ 2,112,900</u>

See independent auditors' report

STATE OF NEW MEXICO

Schedule IV

Town of Dexter

Schedule of Collateral Pledged by Depository for Public Funds

June 30, 2015

Name of Depository	Description of Pledged Collateral	Maturity	CUSIP Number	Fair Market Value at June 30, 2015	Location of Safekeeper
Wells Fargo Bank, N.A.					
	FG J12874 4.000%	9/1/2025	3128PSFP7	\$ 18,959	Bank of New York Mellon, New York
	FN AJ6643 3.000%	12/1/2026	3138AYLZ0	17,374	Bank of New York Mellon, New York
	FN AL4430 4.000%	9/1/2043	3138EL4Q3	39,406	Bank of New York Mellon, New York
	FN AQ0440 3.500%	10/1/2042	3138MFP277	280,601	Bank of New York Mellon, New York
	FN AQ7887 3.000%	12/1/2042	3138MPXR1	3,057	Bank of New York Mellon, New York
	FN AT0229 3.000%	2/1/2043	3138WMHF1	42,714	Bank of New York Mellon, New York
	FN AT2722 3.000%	5/1/2043	3138WQAY8	835,962	Bank of New York Mellon, New York
	FN AB7507 3.000%	1/1/2043	31417EKV2	15,148	Bank of New York Mellon, New York
	FN AB9148 3.500%	4/1/2043	31417GEW2	3,121	Bank of New York Mellon, New York
	FN AE0216 4.000%	8/1/2040	314199AG27	10,199	
Total Pledged Collateral				<u>\$ 1,266,541</u>	

See independent auditors' report

STATE OF NEW MEXICO
Town of Dexter
Schedule of Memorandums of Understanding
June 30, 2015

<u>Participants</u>	<u>Responsible Party</u>	<u>Description</u>
Memorandums of Understanding		
Town of Dexter and Chaves County	Both	To provide emergency services, including law enforcement, fire and ambulance services.

<u>Begin Date</u>	<u>End Date</u>	<u>Estimated Amount of Project</u>	<u>Amount Contributed in Fiscal Year</u>	<u>Audit Responsibility</u>	<u>Fiscal Agent</u>	<u>Name of Govt. Agency Report Rev. & Exp.</u>
1/1/2014	6/30/2016	Unknown	Unknown	Both	None	Both

STATE OF NEW MEXICO
Town of Dexter
Schedule of Vendor Information for Purchases
Exceeding \$60,000 (Excluding GRT)
June 30, 2015

Prepared by Agency Staff Name: Ruby Parks (Chief Procurement Officer) on November 25, 2015

<u>RFB#/ RFP#</u>	<u>Type of Procurement</u>	<u>Awarded Vendor</u>	<u>Amount of Awarded Contract</u>	<u>Amount of Amended Contract</u>
-------------------	----------------------------	-----------------------	-----------------------------------	-----------------------------------

No items meeting the \$60,000 threshold reporting requirement were noted for the current year.

Name and Physical Address of <u>ALL</u> Vendor(s) That Responded	In-State/Out-of-State Vendor (Y or N) (Based on Statutory Definition)	Was the Vendor In-State and Chose Veteran's Preference (Y or N)	Description of Work
---	--	--	---------------------

This page is intentionally left blank

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**

Timothy Keller
New Mexico State Auditor
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 activity, each major fund, the aggregate remaining fund information, 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, 2015, 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 December 14, 2015.

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 opinion 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.

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. We did identify certain deficiencies in internal control, described in the accompanying Schedule of Findings and Responses that we consider to be material weaknesses as items FS 2013-001, FS 2015-001, FS 2015-002, FS 2015-004, and FS-2015-005.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying Schedule of Findings and Responses as items FS 2015-003 and FS 2015-006.

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
Roswell, New Mexico
December 14, 2015

STATE OF NEW MEXICO
Town of Dexter
Schedule of Findings and Responses
June 30, 2015

Section I – Summary of Auditors’ 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? | None noted |
| c. Noncompliance material to the financial statements noted? | None noted |

Section II – Prior Year Audit Findings

Prior Year Financial Statement Findings

Number

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

FS 2014-001 PERA Withholding Rates (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 Town was unable to resolve this finding in the current year due to limited staff as well as an adequate accounting software not being found. 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 over most accounting functions.
- The Town does not currently use a financial accounting system. Therefore, expense and receipt entries are manually input and are subject to error.
- The Town's capital asset listing is not tracked using an accounting system to automatically record and track capital assets.

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: The Town has not yet obtained a computerized accounting system to allow for electronic entries rather than manual ones.

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.

Views of Responsible Officials and Planned Corrective Actions: The governing body of the Town of Dexter did purchase QuickBooks to be utilized as the financial accounting system. However, during the setup process it was discovered that QuickBooks would not support the multiple accounting codes used at this municipality. Therefore, the Town had to divert back to using Excel. The governing body still continues to seek for an accounting system that will support the actual needs of the municipality by purchasing an accounting system which will allow for more accurate and efficient financial reporting and controls. The governing body continues to support the staff on any additional training needed for the Town Clerk/Treasurer and Payroll Clerk to allow for the municipality to reach its goals. Expected completion time is by the end of the 2016 fiscal year. As far as segregation of duties, the expected completion time is unknown when this finding will be resolved as the Town does not have the employees needed to effectively segregate duties.

Section III – Financial Statement Findings and Responses (continued)

FS 2015-001 DFA Cash Report Does Not Reconcile to the Town’s Cash (Material Weakness)

Condition: For the year ended June 30, 2015, the Town’s cash did not tie to the report submitted to the Department of Finance and Administration. The Town’s cash differed from the DFA report by \$285,328. The following funds were shown to be out of balance by the following:

101 General Fund	\$251,248
201 Correction	136,061
206 EMS	(9,769)
209 Fire Protection	94,362
216 Municipal Street	(130,061)
217 Recreation	(1)
299 Other	(93,680)
300 Capital Projects	(60)
403 Debt Service Other	(10,709)
500 Solid Waste	(115,614)
500 Water & Wastewater	237,488
500 Stone Well	(4,188)
500 Health Clinic	(22)
600 Internal Service	(51,216)
700 Trust and Agency	(41,003)

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

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

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

Cause: Town management is not ensuring that cash balances by fund or in total tie to the DFA report as well as there being a lack of internal controls in management ensuring that all cash is recorded on the general ledger.

Auditors’ Recommendations: We recommend the Town communicate with DFA regarding what the requirements are for reporting cash balances and report what is required by the DFA and ensure that cash balances reported to DFA tie to the trial balance.

Views of Responsible Officials and Planned Corrective Actions: The governing body of the Town of Dexter will support the Town Clerk/Treasurer to communicate and obtain any additional training from DFA in order to ensure cash balances are reported more efficiently. The Town Clerk/Treasurer is the position responsible for resolving this finding, and it is expected to be resolved no later than February 1, 2016.

Section III – Financial Statement Findings and Responses (continued)

FS 2015-002 Cash Internal Control Deficiencies (Material Weakness)

Condition: The Town does not have a comprehensive documented internal control structure. We noted the following areas in which the Town does not have sufficient key internal controls in place.

- Material journal entries of \$163,297 were required for cash.
- Formal bank reconciliations are not prepared and independently reviewed.
- Pooled cash is not reconciled by fund.

Criteria: *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

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

Cause: For the fiscal year 2015 management did not have a documented policy in place to follow to ensure internal controls were in place and working properly.

Auditors' Recommendations: The Town should begin preparing and independently reviewing formal bank reconciliations. The Town should also reconcile their pooled cash account by fund to ensure the correct balance of cash for each fund is recorded.

Views of Responsible Officials and Planned Corrective Action: The governing body of the Town of Dexter will support the Town Clerk/Treasurer on training to be able to combine the check register and receipt register Excel spreadsheets together to get an actual cash book balance of each fund by showing the bank balance along with total amount of checks not cashed and an open receipts. This will show the pooled cash account by fund as well as other accounts in total. This process will also be more efficient once the new accounting system is purchased. Expected completion date on combining the spreadsheets is no later than February 1, 2016, and the Town Clerk/Treasurer is the position responsible for resolving this finding.

Section III – Financial Statement Findings and Responses (continued)

FS 2015-003 Untimely Deposit (Finding that does not rise to the level of Significant Deficiency)

Condition: During our internal control testwork over cash receipts, it was noted that three out of five receipts were not deposited within 24 hours of receipt. The first and second receipts are in the amount of \$150.00 and \$50.00 and were deposited four days after receipt. The third receipt is in the amount of \$2,504.18 and was deposited 9 days after receipt.

Criteria: Good accounting practices require cash deposits to be made in a timely manner.

Effect: Checks may go missing between receipt and deposit creating a greater chance for a misappropriation of funds.

Cause: The Town of Dexter did not have adequate controls in place to ensure deposits were made within the 24 hour period.

Auditors' Recommendation: We recommend that the Town follow established policies and procedures for cash deposits.

Views of Responsible Officials and Planned Corrective Action: The governing body of the Town of Dexter will support the Town Clerk/Treasurer on developing a process for depositing any and all money in a timely manner to ensure no misappropriation of funds occur. The Town Clerk/Treasurer is the position responsible for resolving this finding, and it is expected to be resolved no later than February 1, 2016.

Section III – Financial Statement Findings and Responses (continued)

FS 2015-004 Improper Accrual of Accounts Receivable and Accounts Payable (Material Weakness)

Condition: The Town did not correctly identify accounts receivable and accounts payable items at year end. During testwork of subsequent receipts, it was noted that 13 out of 53 transactions were classified incorrectly, and entries of \$126,100 were needed to reasonably state the balance. During testwork of subsequent disbursements, it was noted that 7 out of 67 were not classified correctly, resulting in entries of \$9,940 to reasonably state the balance.

Criteria: *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

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

Cause: For the fiscal year 2015, management did not have the proper controls in place to ensure that all items which would comprise accounts receivable were captured.

Auditors' Recommendations: The Town should review receipts after the balance sheet date to determine which period they should be reported in, and keep a subledger documenting the items receivable at the balance sheet date.

Views of Responsible Officials and Planned Corrective Action: The governing body of the Town of Dexter will support the Town Clerk/Treasurer on training to be able to accurately create an accounts receivable and accounts payable listing at year end. The Town Clerk/Treasurer is the position responsible for resolving this finding, and it is expected to be resolved by no later than February 1, 2016. This process will also be more efficient once the new accounting system is purchased.

Section III – Financial Statement Findings and Responses (continued)

FS 2015-005 Capital Assets (Material Weakness)

Condition: During testwork for capital assets, the following issues were noted:

- During repairs and maintenance testwork, it was noted that one asset totaling \$175,000 was incorrectly recorded in repairs and maintenance and was incorrectly excluded from the listing.
- A capital asset inventory was not done over equipment.
- A capital asset listing for book purposes is not being maintained at the Town. The only listing being maintained is for insurance purposes.

Criteria: NMAC 2.20.1 states that each agency shall establish controls over its fixed assets for the primary purposes of safeguarding them and establishing accountability for their custody and use. It further goes on to describe that fixed assets acquired through purchase shall be recorded at cost, which includes monetary value exchanged and associated costs to prepare the asset for its intended use. These associated costs include freight or shipping taxes, site preparation and installation, testing, reconditioning, direct labor, materials, and equipment use. Repairs and maintenance on fixed assets, which are routine and necessary for continued safe and productive operation, should be charged to maintenance expense in the period in which they occur.

Section 12-6-10(A), NMSA 1978 requires that each agency to conduct an annual physical inventory of movable chattels and equipment on the inventory list at the end of each fiscal year. The agency shall certify the correctness of the inventory after the physical inventory.

Effect: Assets are more susceptible to being misclassified and materially misstating financial information.

Cause: The Town was unable to correctly identify assets in the current year and create an accurate capital assets listing in addition to ensuring that all equipment, land, and infrastructure assets were inventoried.

Auditors' Recommendation: We recommend that a capital asset inventory over all assets is prepared each year and certified by the Town Council as well as performing a rollforward of the capital asset listing each year. Calculations on depreciation should be done each year to ensure that assets are depreciating appropriately.

Views of Responsible Officials and Planned Corrective Action: The governing body of the Town of Dexter will support the Town Clerk/Treasurer on developing a process for performing a capital asset inventory over all assets to include, but not limited to, vehicles, land, office equipment, buildings, and infrastructure with an expected completion date of March 01, 2016. The Town Clerk/Treasurer is the position responsible for resolving this finding.

Section III – Financial Statement Findings and Responses (continued)

FS 2015-006 Expenditures in Excess of Budget (Finding That Does Not Rise to Significant Deficiency)

Condition: The Town overexpended its budget in the following funds:

General Fund	\$360,202
Emergency Medical Services Special Revenue Fund	2,362
Joint Utility Fund	86,207

In addition, the Town had a cash appropriation in excess of available balances for the following fund:

Law Enforcement Special Revenue Fund	\$2,331
--------------------------------------	---------

Criteria: Section 2.2.2.10(O)(1) of the New Mexico Administrative Code states that if actual expenditures exceed budgeted expenditures at the legal level of budgetary control, that fact must be reported in a finding and disclosed in the notes to the financial statements. It also states that if budgeted expenditures exceed budgeted revenues after prior year cash balances and applicable receivables required to balance the budget, that fact must also be reported as a finding.

Effect: Any expenditure in excess of the approved budget or budgeted decrease in cash in excess of appropriated amounts indicates a lack of controls in the purchasing process which leads to unauthorized purchases being made with Town money or the possibility of creating a negative fund balance.

Cause: The Town over expended its budget in the above fund and over appropriated its cash in the above fund because of inadequate monitoring of the budget.

Auditors' Recommendations: We recommend the Town establish policies and procedures governing the budgetary process and monitoring of the budget in order to properly prepare and adjust the budget in order to properly authorize all expenditures and not exceed prior year available balances.

Views of Responsible Officials and Planned Corrective Action: The governing body of the Town of Dexter will support the Town Clerk/Treasurer to establish policies and procedures governing the budgetary process and monitoring of the budget in order to properly prepare and adjust the budget. This process will also be more efficient once the new accounting system is purchased. The Town Clerk/Treasurer is the position responsible for resolving this finding and expected completion date is April 01, 2016.

STATE OF NEW MEXICO

Town of Dexter
Other Disclosures
June 30, 2015

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 December 14, 2015. In attendance were the following:

Representing the Town of Dexter:

Mitch Daubert	Mayor
Ruby Parks	Town Clerk/Treasurer

Representing Accounting & Consulting Group, LLP:

Jessica Huff, CPA	In-Charge Senior Accountant
-------------------	-----------------------------