

STATE OF NEW MEXICO
Town of Dexter
ANNUAL FINANCIAL REPORT
AND INDEPENDENT AUDITORS' REPORT
FOR THE YEAR ENDED JUNE 30, 2016



(This page is intentionally left blank)

INTRODUCTORY SECTION

**STATE OF NEW MEXICO
Town of Dexter
Table of Contents
June 30, 2016**

Page No.

INTRODUCTORY SECTION:

Official Roster7

FINANCIAL SECTION

Independent Auditors' Report..... 10-11

BASIC FINANCIAL STATEMENTS:

Government-Wide Financial Statements:

Statement of Net Position (Exhibit A-1) 15

Statement of Activities (Exhibit A-2) 16-17

Fund Financial Statements:

Balance Sheet – Governmental Funds (Exhibit B-1) 18-19

Reconciliation of the Balance Sheet – Governmental Funds to
the Statement of Net Position.....21

Statement of Revenues, Expenditures and Changes in Fund Balances –
Governmental Funds (Exhibit B-2)22-23

Reconciliation of the Statement of Revenues, Expenditures and Changes in
Fund Balances – Governmental Funds to the Statement of Activities25

Statement of Revenues and Expenditures – Budget (Non-GAAP Budgetary
Basis) and Actual (Non-GAAP Budgetary Basis):
General Fund (Exhibit C-1).....26

Statement of Revenues and Expenditures – Budget (Non-GAAP Budgetary
Basis) and Actual (Non-GAAP Budgetary Basis):
Fire Fund (Exhibit C-2)27

Proprietary Funds - Statement of Net Position (Exhibit D-1).....28

Proprietary Funds - Statement of Revenues, Expenditures and Changes in Net
Position (Exhibit D-2)29

Proprietary Funds - Statement of Cash Flows (Exhibit D-3)30

NOTES TO FINANCIAL STATEMENTS.....31-54

**STATE OF NEW MEXICO
Town of Dexter
Table of Contents
June 30, 2016**

REQUIRED SUPPLEMENTARY INFORMATION

Schedule of the Proportionate Share of the Net Pension liability –
of PERA – Municipal Police (Schedule I)..... 56

Schedule of the Proportionate Share of the Net Pension liability –
of PERA – Municipal General (Schedule I)..... 57

Schedule of Contributions PERA Fund Division – Municipal Police (Schedule II)..... 58

Schedule of Contributions PERA Fund Division – Municipal General (Schedule II)..... 59

Notes to the Schedule of Required Supplementary Information 60

SUPPLEMENTARY INFORMATION

Non-major Fund Descriptions..... 63

COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES

Combining Balance Sheets – Nonmajor Governmental Funds (Statement A-1).....64-65

Combining Statements of Revenues, Expenditures and Changes
in Fund Balances – Nonmajor Governmental Funds (Statement A-2)66-67

Statement of Revenues and Expenditures and Changes in
Fund Balances – Budget (Non-GAAP Budgetary Basis) and Actual:

Corrections (Statement B-1)..... 68

EMS (Statement B-2) 69

Law Enforcement (Statement B-3)..... 70

Street Gas Tax (Statement B-4) 71

Health Clinic (Statement B-5) 72

CDBG Major Capital Projects Fund (Statement B-6) 73

Statement of Revenues and Expenditures and Changes in Net Position – Budget (Non-GAAP Budgetary Basis) and Actual Proprietary Fund:

Joint Utility (Statement B-21)..... 74

SUPPORTING SCHEDULES

Schedule of Deposits (Schedule III) 76

Schedule of Collateral Pledged by Depository (Schedule IV) 77

Schedule of Memorandums of Understanding (Schedule V) 79

Schedule of Vendor Information for Purchases Exceeding \$60,000 (Schedule VI).....80-81

**STATE OF NEW MEXICO
Town of Dexter
Table of Contents
June 30, 2016**

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 Government Auditing Standards84-85

Schedule of Findings and Responses86-92

Exit Conference 93

**STATE OF NEW MEXICO
Town of Dexter
Official Roster
June 30, 2016**

TOWN COUNCIL

- Mitch Daubert Mayor
- Norm P. Caffall..... Councilor
- Thomas Mirles Councilor
- Ron Chambers Jr..... Councilor
- Justin Powell..... Councilor

TOWN OFFICIALS

- Ruby Parks Town Clerk/Treasurer

(This page is intentionally left blank)

FINANCIAL SECTION



Southwest Accounting Solutions, LLC

Auditors ~ Business Consultants ~ CPA

INDEPENDENT AUDITOR'S REPORT

Tim 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, 2016, and the related notes to the financial statements, which collectively comprise the Town's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the Town's nonmajor governmental funds and the budgetary comparisons for the major capital project fund and all nonmajor funds presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2016, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditor's 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 entity'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 entity'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.

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the Town as of June 30, 2016, 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 funds 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, 2016 and the respective changes in financial position, and the respective budgetary comparisons for the major capital projects fund and all nonmajor funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

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 56 through 60 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 was 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 6, 2016 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.

Southwest Accounting Solutions, LLC

Southwest Accounting Solutions, LLC
Albuquerque, New Mexico
December 6, 2016

(This page is intentionally left blank)

BASIC FINANCIAL STATEMENTS

(This page is intentionally left blank)

STATE OF NEW MEXICO
Town of Dexter
Statement of Net Position
June 30, 2016

Exhibit A-1

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets			
Current Assets			
Cash and cash equivalents	\$ 1,792,760	\$ 435,709	\$ 2,228,469
Property taxes receivable	1,720	-	1,720
Gross receipts taxes receivable	101,287	-	101,287
Other Taxes	8,710	-	8,710
Accounts Receivable	-	72,313	72,313
Total current assets	<u>1,904,477</u>	<u>508,022</u>	<u>2,412,499</u>
Noncurrent assets			
Customer Deposits	-	50,149	50,149
Capital assets	8,222,938	2,511,667	10,734,605
Less: Accumulated Depreciation	(4,456,915)	(947,007)	(5,403,922)
Total noncurrent assets	<u>3,766,023</u>	<u>1,614,809</u>	<u>5,380,832</u>
Deferred outflows of resources			
Deferred outflows of resources related to pensions	146,390	19,058	165,448
Total deferred outflows of resources	<u>146,390</u>	<u>19,058</u>	<u>165,448</u>
Total assets and deferred outflows of resources	<u>\$ 5,816,890</u>	<u>\$ 2,141,889</u>	<u>\$ 7,958,779</u>
Liabilities			
Current Liabilities			
Accounts payable	\$ 16,627	\$ 21,628	\$ 38,255
Accrued salaries and benefits	16,364	6,582	22,946
Accrued interest	-	4,505	4,505
Notes payable	-	9,000	9,000
Total current liabilities	<u>32,991</u>	<u>41,715</u>	<u>74,706</u>
Noncurrent liabilities			
Customer deposits	-	50,149	50,149
Notes payable	-	71,000	71,000
Compensated absences	8,450	14,120	22,570
Net pension liability	600,186	97,249	697,435
Total noncurrent liabilities	<u>608,636</u>	<u>232,518</u>	<u>841,154</u>
Total Liabilities	<u>641,627</u>	<u>274,233</u>	<u>915,860</u>
Deferred inflows of resources			
Deferred inflows of resources related to pensions	22,829	3,522	26,351
Total deferred inflows of resources	<u>22,829</u>	<u>3,522</u>	<u>26,351</u>
Net Position			
Net investment in capital assets	3,766,023	1,564,660	5,330,683
Restricted for:			
Special revenue	237,013	-	237,013
Capital projects	908	-	908
Unrestricted	1,148,490	299,474	1,447,964
Total net position	<u>5,152,434</u>	<u>1,864,134</u>	<u>7,016,568</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 5,816,890</u>	<u>\$ 2,141,889</u>	<u>\$ 7,958,779</u>

See Independent Auditors' Report and Notes to Financial Statements

STATE OF NEW MEXICO
Town of Dexter
Statement of Activities
For the Year Ended June 30, 2016

<u>Functions and Programs</u>	<u>Program Revenues</u>			
<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	
PRIMARY GOVERNMENT				
Governmental Activities				
General Government	\$ 185,757	\$ 57,564	\$ 94,435	\$ 214,142
Public Safety	757,303	7,326	370,166	-
Public Works	49,537	-	-	200,801
Culture and Recreation	62,066	-	-	-
Health and welfare	2,335	-	-	-
Total Governmental Activities	<u>1,056,998</u>	<u>64,890</u>	<u>464,601</u>	<u>414,943</u>
Business-Type Activities				
Joint Utility	583,509	546,856	-	-
Total Business-Type Activities	<u>583,509</u>	<u>546,856</u>	<u>-</u>	<u>-</u>
Total primary government	<u>\$ 1,640,507</u>	<u>\$ 611,746</u>	<u>\$ 464,601</u>	<u>\$ 414,943</u>

General Revenues:

Taxes:

Property taxes

Gross receipt taxes

Franchise taxes

Gas tax

Miscellaneous Income

Transfers

Subtotal, General Revenues

Change in Net Position

Net Position - beginning

Net Position - restatement (Note 15)

Net Position - as restated

Net Position - ending

See Independent Auditors' Report and Notes to Financial Statements

**Net (Expense) Revenue and
Changes in Net Position**

Government Activities	Business- Type Activities	Total
\$ 180,384	\$ -	\$ 180,384
(379,811)	-	(379,811)
151,264	-	151,264
(62,066)	-	(62,066)
(2,335)	-	(2,335)
<u>(112,564)</u>	<u>-</u>	<u>(112,564)</u>
-	(36,653)	(36,653)
-	(36,653)	(36,653)
<u>(112,564)</u>	<u>(36,653)</u>	<u>(149,217)</u>
11,670	-	11,670
559,518	-	559,518
28,128	-	28,128
19,243	-	19,243
63,914	-	63,914
(133,401)	133,401	-
<u>549,072</u>	<u>133,401</u>	<u>682,473</u>
436,508	96,748	533,256
4,639,111	1,756,418	6,395,529
76,815	10,968	87,783
<u>4,715,926</u>	<u>1,767,386</u>	<u>6,483,312</u>
<u>\$ 5,152,434</u>	<u>\$ 1,864,134</u>	<u>\$ 7,016,568</u>

**STATE OF NEW MEXICO
Town of Dexter
Balance Sheet -
Governmental Funds
June 30, 2016**

	<u>General Fund</u>	<u>Fire Fund</u>	<u>CDBG Capital Projects Fund</u>
Assets			
Cash and cash equivalents	\$ 1,559,413	\$ 213,610	\$ 908
Property taxes receivable	1,720	-	-
Gross receipts receivable	101,287	-	-
Other Taxes	5,044	-	-
Total assets	<u>\$ 1,667,464</u>	<u>\$ 213,610</u>	<u>\$ 908</u>
Liabilities and fund balance			
Liabilities			
Accounts payable	\$ 16,627	\$ -	\$ -
Accrued salaries and benefits	16,364	-	-
Total liabilities	<u>32,991</u>	<u>-</u>	<u>-</u>
Fund balance			
Restricted for:			
Public safety	-	213,610	-
Public works	-	-	908
Health and welfare	-	-	-
Unassigned	1,634,473	-	-
Total fund balance	<u>1,634,473</u>	<u>213,610</u>	<u>908</u>
Total liabilities and fund balance	<u>\$ 1,667,464</u>	<u>\$ 213,610</u>	<u>\$ 908</u>

See Independent Auditors' Report and Notes to Financial Statements

Other Governmental Funds	Total
\$ 18,829	\$ 1,792,760
-	1,720
-	101,287
3,666	8,710
<u>\$ 22,495</u>	<u>\$ 1,904,477</u>
\$ -	\$ 16,627
-	16,364
<u>-</u>	<u>32,991</u>
3,666	217,276
-	908
18,829	18,829
-	1,634,473
<u>22,495</u>	<u>1,871,486</u>
<u>\$ 22,495</u>	<u>\$ 1,904,477</u>

See Independent Auditors' Report and Notes to Financial Statements

(This page is intentionally left blank)

STATE OF NEW MEXICO
Town of Dexter
Reconciliation of the Balance Sheet –
Governmental Funds to the Statement of Net Position
June 30, 2016

Exhibit B-1
Page 2 of 2

Total Fund Balance - Governmental Funds \$ 1,871,486

Amounts reported for governmental activities in the statement of net position are different because:

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

Capital Assets	8,222,938
Less: Accumulated Depreciation	(4,456,915)

Deferred outflows and inflows relating to pension liabilities are not payable / collectible in the current period and therefore are not reported in the fund financial statements.

Deferred outflows related to pension	146,390
Deferred inflows related to pension	(22,829)

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

Accrued Compensated Absences	(8,450)
Notes payable	-
Net pension liability	(600,186)

Total net position of governmental activities	<u>\$ 5,152,434</u>
--	----------------------------

STATE OF NEW MEXICO
Town of Dexter
Statement of Revenues, Expenses, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2016

	<u>General Fund</u>	<u>Fire Fund</u>	<u>CDBG Capital Projects Fund</u>
Revenues			
Property taxes	\$ 11,670	\$ -	\$ -
Gross receipt taxes	559,518	-	-
Franchise taxes	28,128	-	-
Gas tax	-	-	-
Charges for services	57,564	-	-
State operating grants	94,435	339,389	-
State capital grants	214,142	-	-
Federal capital grants	-	-	200,801
Miscellaneous income	60,606	-	908
Total Revenues	<u>1,026,063</u>	<u>339,389</u>	<u>201,709</u>
Expenditures			
Current:			
General government	153,409	-	-
Public safety	352,159	215,888	-
Public works	-	-	-
Culture and recreation	51,257	-	-
Health and welfare	-	-	-
Capital outlay	219,943	24,702	-
Total expenditures	<u>776,768</u>	<u>240,590</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>249,295</u>	<u>98,799</u>	<u>201,709</u>
Other financing sources (uses)			
Transfers in	256,344	-	-
Transfers out	(93,306)	-	(200,801)
Total other financing sources (uses)	<u>163,038</u>	<u>-</u>	<u>(200,801)</u>
Net change in fund balance	412,333	98,799	908
Fund balance - beginning of year	1,176,536	82,472	-
Restatements (Note 15)	45,604	32,339	-
Fund balance - beginning of year restated	1,222,140	114,811	-
Fund balance - end of year	<u>\$ 1,634,473</u>	<u>\$ 213,610</u>	<u>\$ 908</u>

See Independent Auditors' Report and Notes to Financial Statements

Other Governmental Funds	Total
\$ -	\$ 11,670
-	559,518
-	28,128
19,243	19,243
7,326	64,890
30,777	464,601
-	214,142
-	200,801
2,400	63,914
<u>59,746</u>	<u>1,626,907</u>
-	153,409
57,374	625,421
40,910	40,910
-	51,257
1,928	1,928
60,265	304,910
<u>160,477</u>	<u>1,177,835</u>
<u>(100,731)</u>	<u>449,072</u>
45,716	302,060
<u>(141,354)</u>	<u>(435,461)</u>
<u>(95,638)</u>	<u>(133,401)</u>
<u>(196,369)</u>	<u>315,671</u>
<u>218,864</u>	<u>1,477,872</u>
-	77,943
<u>218,864</u>	<u>1,555,815</u>
<u>\$ 22,495</u>	<u>\$ 1,871,486</u>

(This page is intentionally left blank)

**Reconciliation of the Statement or Revenues, Expenses and Changes in Fund
Balances - Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2016**

Net Change in Fund Balance - Governmental Funds **\$ 315,671**

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

Governmental funds report capital outlay 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	304,910
Depreciation expense	(192,071)

Expenses reported in the statement of activities that do not require the use of
current financial resources and therefore are not reported as expenditures in the
governmental funds:

Change in pension liability	2,392
-----------------------------	-------

The issuance of long-term debt (e.g. bonds, notes, 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.

Change in accrued compensated absences	<u>5,606</u>
Change in Net Position of Governmental Activities	<u>\$ 436,508</u>

STATE OF NEW MEXICO

Exhibit C-1

Town of Dexter

General Fund

**Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final	Non-GAAP Basis	Final to actual
Revenues				
Taxes:				
Property Taxes	\$ 13,863	\$ 13,863	\$ 11,670	\$ (2,193)
Gross receipts	660,212	660,212	556,419	(103,793)
Gasoline and Motor vehicle	24,850	24,850	-	(24,850)
Other	-	-	-	-
Franchise tax	29,019	29,019	23,084	(5,935)
Intergovernmental income:				
State operating grants	142,800	142,800	113,855	(28,945)
State capital grants	-	-	214,142	214,142
Federal grants	-	-	-	-
Charges for services	65,513	65,513	57,564	(7,949)
License and fees	11,963	11,963	-	(11,963)
Investment income	-	-	-	-
Miscellaneous	38,492	38,492	63,669	25,177
Total revenue	<u>986,712</u>	<u>986,712</u>	<u>1,040,403</u>	<u>53,691</u>
Expenditures				
Current				
General government	298,720	298,720	161,575	137,145
Public safety	358,389	358,389	352,159	6,230
Public works	80,347	80,347	-	80,347
Culture and recreation	297,532	297,532	51,257	246,275
Capital outlay	-	-	214,142	(214,142)
Total expenditures	<u>1,034,988</u>	<u>1,034,988</u>	<u>779,133</u>	<u>255,855</u>
Excess (deficiency) of revenues over expenditures	<u>(48,276)</u>	<u>(48,276)</u>	<u>261,270</u>	<u>309,546</u>
Other financing resources (uses)				
Designated cash (budgeted increase in cash)	48,276	48,276	-	-
Transfers in	-	-	250,543	250,543
Transfers out	-	-	(93,306)	(93,306)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>157,237</u>	<u>157,237</u>
Net Change in fund balance	48,276	48,276	418,507	418,507
Fund balance - beginning of year	-	-	1,222,140	1,222,140
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,640,647</u>	<u>\$ 1,640,647</u>
Net change in fund balance (non-GAAP budgetary basis)			418,507	
Adjustments to revenue for changes in receivable			(14,340)	
Adjustment to expenditures for changes in payables			8,166	
Net Change in fund balance (GAAP basis)			<u>\$ 412,333</u>	

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
Town of Dexter
Fire Fund**

Exhibit C-2

**Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final	Non-GAAP Basis	Final to actual
Revenues				
Taxes:				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and Motor vehicle	-	-	-	-
Other	-	-	-	-
Franchise tax	-	-	-	-
Intergovernmental income:				
State operating grants	239,389	239,389	339,389	100,000
State capital grants	-	-	-	-
Federal grants	-	-	-	-
Charges for services	-	-	-	-
License and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
Total revenue	239,389	239,389	339,389	100,000
Expenditures				
Current				
General government	-	-	-	-
Public safety	186,833	186,833	215,888	(29,055)
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	24,702	(24,702)
Total expenditures	186,833	186,833	240,590	(53,757)
Excess (deficiency) of revenues over expenditures	52,556	52,556	98,799	46,243
Other financing resources (uses)				
Designated cash (budgeted increase in cash)	(52,556)	(52,556)		
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net Change in fund balance	(52,556)	(52,556)	98,799	98,799
Fund balance - beginning of year	-	-	114,811	114,811
Fund balance - end of year	\$ -	\$ -	\$ 213,610	\$ 213,610
Net change in fund balance (non-GAAP budgetary basis)			98,799	
Adjustments to revenue			-	
Adjustment to expenditures			-	
Net Change in fund balance (GAAP basis)			\$ 98,799	

See Independent Auditors' Report and Notes to Financial Statements

STATE OF NEW MEXICO
Town of Dexter
Statement of Net Position
Proprietary Funds
June 30, 2016

Exhibit D-1

	Joint Utility
Assets	
Current Assets	
Cash and cash equivalents	\$ 435,709
Accounts receivable	72,313
Total current assets	508,022
Noncurrent assets	
Customer deposits	50,149
Capital assets	2,511,667
Less: accumulated depreciation	(947,007)
Total noncurrent assets	1,614,809
Deferred outflows of resources	
Deferred outflows of resources related to pension	19,058
Total deferred outflows	19,058
Total assets, and deferred outflows of resources	\$ 2,141,889
 Liabilities deferred inflows, and net position	
Liabilities	
Current Liabilities	
Accounts payable	\$ 21,628
Accrued salaries and benefits	6,582
Accrued interest	4,505
Notes payable	9,000
Total current liabilities	41,715
Noncurrent liabilities	
Customer Deposits	50,149
Notes payable	71,000
Compensated absences	14,120
Pension Liability	97,249
Total noncurrent liabilities	232,518
Total Liabilities	274,233
Deferred inflows of resources	
Deferred inflows of resources related to pension	3,522
Total deferred inflows of resources	3,522
Net position	
Net investment in capital asset	1,564,660
Unrestricted	299,474
Total net position	1,864,134
Total liabilities, deferred inflows of resources and net position	\$ 2,141,889

See Independent Auditors' Report and Notes to Financial Statements

Town of Dexter
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2016

	Joint Utility
Operating revenues:	
Charges for services	\$ 546,856
Total operating revenues	546,856
Operating expenses:	
Depreciation and amortization	53,693
Personnel services	160,874
Contractual services	137,030
Supplies	29,097
Maintenance and Materials	28,388
Utilities	32,861
Miscellaneous	132,056
Total operating expense	573,999
Operating income (loss)	(27,143)
Non-operating revenues (expense):	
Interest expense	(9,510)
Total non-operating revenues (expense)	(9,510)
Income (loss) before contributions and transfers	(36,653)
Transfers in	246,256
Transfers out	(112,855)
Total contributions and transfers	133,401
Change in Net Position	96,748
Net Position, beginning of year	1,756,418
Restatement (note 15)	10,968
Net Position - beginning of the year, restated	1,767,386
Net Position - end of the year	\$ 1,864,134

STATE OF NEW MEXICO
Town of Dexter
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2016

Exhibit D-3

	Joint Utility
Cash flow from operating activities	
Cash received from customers	\$ 535,339
Cash payments to employees for services	(148,335)
Cash payments to suppliers for goods and services	(399,129)
Net cash provided buy operating activities	(12,125)
Cash flow from noncapital financing activities	
Transfers	133,401
Net cash flows provided by noncapital financing activities	133,401
Cash Flows from capital and related financing activities:	
Interest paid	(10,010)
Principal payments	(8,000)
Acquisition of capital assets	(315,145)
Net cash provided (used) by capital and related financing activities	(333,155)
Net increase (decrease) in cash and cash equivalents	(211,879)
Cash & cash equivalents - beginning of year	697,737
Cash & cash equivalents - end of year	\$ 485,858
Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Operating income (loss)	\$ (27,143)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities	
Depreciation	53,693
Pension Expense	4,326
Changes in assets & liabilities:	
Receivables	(15,583)
Accounts payable	(39,697)
Accrued salaries and benefits	3,856
Compensated absences	4,357
Customer deposits	4,066
Net cash provided (used) by operating activities	\$ (12,125)

STATE OF NEW MEXICO
Town of Dexter
Notes to the Financial Statements
For the Year Ended June 30, 2016

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.

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 Statements No. 39 and No. 61. Blended component units, although legally separate entities, are in substance part of the government's operations.

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.

STATE OF NEW MEXICO
Town of Dexter
Notes to the Financial Statements
For the Year Ended June 30, 2016

NOTE 1. Summary of Significant Accounting Policies (continued)

A. Financial Reporting Entity (continued)

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 on the criteria above the Town does not have any component units and is not a component unit of any other government agency.

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.

B. Government-wide and fund financial statements

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

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

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

STATE OF NEW MEXICO
Town of Dexter
Notes to the Financial Statements
For the Year Ended June 30, 2016

NOTE 1. Summary of Significant Accounting Policies (continued)

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 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 are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Sales and use taxes are classified as derived tax revenues and are recognized as revenue when the underlying exchange takes place and the revenues are measurable and available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. 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 includes revenues received from state and federal sources 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 allocated to separate functions on the Statement of Activities. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities when applicable.

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.

STATE OF NEW MEXICO
Town of Dexter
Notes to the Financial Statements
For the Year Ended June 30, 2016

NOTE 1. Summary of Significant Accounting Policies (continued)

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

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 governmental funds as major funds 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:

Governmental funds include:

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-I NMSA 1978.

The CDBG fund is used to account for federal capital grants which were used to make capital improvements to the Town's Joint Utility.

The Town reports the following proprietary funds as major funds. Proprietary funds include:

The Joint Utility Fund is used to account for the activities of the Town's water, sewer, and solid waste services provided to the residents of the Town. All activities necessary to provide such services are accounted for in this fund, including, but not limited to administration, operations, maintenance, financing and related debt service, and billing and collection.

STATE OF NEW MEXICO
Town of Dexter
Notes to the Financial Statements
For the Year Ended June 30, 2016

NOTE 1. Summary of Significant Accounting Policies (continued)

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

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.

D. Assets, Liabilities, Deferred Outflows and Inflows of Resources, Net Position and Fund Balance

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

State statutes authorize the Town to invest in certificates of deposit, obligations of the U.S. Government, interest-bearing savings accounts, certificates of deposit, bonds or other obligations of the US. Government that are guaranteed as to principal and interest by the U.S. government and the State Treasurer's Investment Pool.

Receivables and Payables: Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds or internal balances" (i.e., the current portion of interfund loans) or "advances to/from other funds or internal balances" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

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.

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.

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 100% collectable.

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.

STATE OF NEW MEXICO
Town of Dexter
Notes to the Financial Statements
For the Year Ended June 30, 2016

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred Outflows and Inflows of Resources, Net Position and Fund Balance (continued)

Prepaid Items: Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and proprietary financial statements. As of June 30 2016 the Town had no prepaid expenses.

Capital Assets: Capital assets, which include property, plant, utility systems, 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. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Information Technology Equipment including software is being capitalized and included in furniture, fixtures and equipment in accordance with NMAC 2.20.1.9 C (5). Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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. The total interest expense capitalized by the Town during the current fiscal year was \$0. No interest was included as part of the cost of capital assets under construction.

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

Asset	Years
Buildings & Improvements	20-40
Machinery and Equipment	3-15

Accrued Expenses: Accrued expenses are comprised of payroll expenditures based on amounts earned by the employees through June 30, 2016, along with applicable PERA and Retiree Health Care.

Unearned Revenues: Accounting principles generally accepted in the United States of America require that grant revenue be recognized at the time the related expense is made if the expenditure of funds is the prime factor for determining eligibility for reimbursement; therefore, amounts received and not expended in the Special Revenue Funds are shown as unearned revenues. In addition, property taxes receivable but uncollected within sixty (60) days of year-end are classified as unearned revenue. The Town did not have material unearned revenues as of June 30, 2016.

STATE OF NEW MEXICO
Town of Dexter
Notes to the Financial Statements
For the Year Ended June 30, 2016

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred Outflows and Inflows of Resources, Net Position and Fund Balance (continued)

Deferred Outflows of Resources Related to Pension: In addition to assets, the statement of Net Position reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a use of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until that time. The Town has three types of items that qualify for reporting in this category: difference between expected and actual experience in the amount of \$31,920, change in proportion and differences between contributions and proportionate share of contributions in the amount of \$51,084 and employer contributions subsequent to the measurement date in the amount of \$82,444. These amounts are reported in the Statement of Net Position. These amounts are deferred and recognized as an outflow of resources in the period that the amounts become due.

Deferred Inflows of Resources Related to Pension: In addition to liabilities, the Statement of Net Position reports a separate section for deferred inflows of resources. This separate financial statement element 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 (measureable 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 three types of deferred inflows of resources presented on the Statement of Net Position which arise due to the implementation of GASB Statement No. 68 and the related net pension liability. Accordingly, the items, difference between expected and actual experience in the amount of \$5,330, net difference between projected and actual investment earnings on pension plan assets in the amount of \$2,028, and change in assumptions in the amount of \$18,993. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Pensions: The Government wide financial statements and proprietary type funds report deferred outflows and deferred inflows for purposes of measuring the net pension liability. Deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the New Mexico Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, on the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

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.

STATE OF NEW MEXICO
Town of Dexter
Notes to the Financial Statements
For the Year Ended June 30, 2016

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred Outflows and Inflows of Resources, Net Position and Fund Balance (continued)

Qualified employees are entitled to accumulate sick leave at a rate of twelve days per year. Employees can carry over up to 480 hours of sick leave from year to year. Upon termination employees receive no pay for sick time accumulated.

Accrued Expenses: Accrued expenses are comprised of payroll expenditures based on amounts earned by the employees through June 30, 2016, along with applicable PERA and Retiree Health Care.

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.

Net Position: The government-wide financial statements utilize a net position presentation. Net position is categorized as follows:

Net Investment in Capital Assets - Net investment in capital assets consist of 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.

Restricted Net Position – Consist of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation.

Unrestricted Net Position – All other net position that do not meet the definition of “restricted” or “investment in capital assets, net of related debt.”

Fund Balance: During 2009, GASB adopted Statement No. 54 to clarify the fund balance reporting guidelines of GASB 54. The fund balance reporting established by GASB 54 must be followed by all five of the governmental-type funds used by state and local governments. Based on the requirements of GASB 54, the total fund balance can be conceptually separated into two primary components: 1) Non-spendable fund balance and 2) Spendable fund balance. Fund balance is reported in these five classifications:

Non-spendable – the non-spendable balance includes amounts that cannot be spent because they are not in spendable form or legally, contractually required to be maintained intact. The “not in spendable form” criterion includes items that are not expected to be converted to cash; it also includes the long-term amount of interfund loans.

STATE OF NEW MEXICO
Town of Dexter
Notes to the Financial Statements
For the Year Ended June 30, 2016

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred Outflows and Inflows of Resources, Net Position and Fund Balance (continued)

Restricted – Fund balance is reported as restricted when constraints placed on the use of resources are either externally imposed by creditors, grantors, contributors or laws and regulations of other governments or are imposed by law through constitutional provisions or enabling legislation.

Committed – This fund balance amount has spending limitations that are constrained by the government's highest level of decision-making authority.

Assigned – The assigned fund balance classification is intended to be used for specific purposes such as special revenue funds, capital project funds, debt service funds and permanent funds.

Unassigned – Unassigned fund balance is the residual classification for the General Fund and includes all spendable amount not contained in other classifications. In other governmental funds, the unassigned classification is used only to report a deficit balance resulting from overspending for specific purposes for which amounts had been restricted, committed or assigned.

The Town applies restricted resources first when outlays are incurred for purposes for which either restricted or unrestricted (committed, assigned, and unassigned) amounts are available. Similarly, within unrestricted fund balance, committed amounts are reduced first followed by assigned, and then unassigned amounts when expenditures are incurred for purposes for which amounts in any of the unrestricted fund balance classifications could be used.

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 accordance 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 allowance for uncollectible accounts in the enterprise funds, the current portion of accrued compensated absences, the net pension liability and related amounts, and the useful lives of capital assets.

STATE OF NEW MEXICO
Town of Dexter
Notes to the Financial Statements
For the Year Ended June 30, 2016

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 Councilors 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.

These budgets are prepared on the Non-GAAP budgetary basis, excluding encumbrances, and secure appropriation of funds for only one year. The budgetary information presented in these financial statements has been amended in accordance with the above procedures.

Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Capital Projects Funds, and Proprietary Funds.

The accompanying Statements of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual and Statement of Revenues, Expenses and Changes in Net Position (Non-GAAP Budgetary 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 generally accepted accounting principles, 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, 2016 is presented.

NOTE 3. Cash and Cash Equivalents

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 by collateral deposited as security or by bond given by the financial institution.

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 of 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.

All of the Town's accounts at an insured depository institution, including all noninterest-bearing transaction accounts, will be insured by the FDIC up to the standard maximum deposit insurance amount of \$250,000.

STATE OF NEW MEXICO
Town of Dexter
Notes to the Financial Statements
For the Year Ended June 30, 2016

NOTE 3. Cash and Cash Equivalents (continued)

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 put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). At June 30, 2016, \$2,014,103 of the Town's bank balance of \$2,282,977 were exposed to custodial credit risk. \$1,309,810 of the Town's cash deposits were uninsured and collateralized by collateral held by the pledging bank's trust department, not in the Town's name, and \$704,293 was uninsured and uncollateralized at June 30, 2016.

	<u>Wells Fargo</u>	<u>My Bank</u>	<u>Total</u>
Deposits	\$ 2,264,103	\$ 18,874	\$ 2,282,977
Less: FDIC Coverage	(250,000)	(18,874)	(268,874)
Total uninsured public funds	<u>2,014,103</u>	<u>-</u>	<u>2,014,103</u>
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the City's name	<u>1,309,810</u>	<u>-</u>	<u>1,309,810</u>
Uninsured and uncollateralized	<u>704,293</u>	<u>-</u>	<u>704,293</u>
Collateral requirements (50% of uninsured funds)	1,007,052	-	1,007,052
Pledged Collateral	<u>1,309,810</u>	<u>-</u>	<u>1,309,810</u>
Over (under) collateralized	<u>\$ 302,759</u>	<u>\$ -</u>	<u>\$ 302,759</u>

The Carrying Amount of deposits and investments shown above are included in the Town's Statement of Net position as follows:

Cash and cash equivalents - Governmental Activities Exhibit A-1	\$ 1,792,760
Cash and cash equivalents - Business-type Activities Exhibit A-1	435,709
Customer Deposits - Business-type Activities Exhibit A-1	<u>50,149</u>
Total cash and cash equivalents	2,278,618
Add: outstanding checks	4,758
Less: Petty Cash	<u>(399)</u>
Bank balance of deposits	<u>\$ 2,282,977</u>

STATE OF NEW MEXICO
Town of Dexter
Notes to the Financial Statements
For the Year Ended June 30, 2016

NOTE 4. Accounts and Taxes Receivable

Receivables as of June 30, 2015 are as follows:

	<u>Governmental Funds</u>	<u>Proprietary Funds</u>
Property taxes	\$ 1,720	\$ -
Gross receipts taxes	101,287	-
Gas Tax	3,666	-
Franchise Tax	5,044	-
Other receivables:		-
Customer Receivables, Net	-	72,313
Total Receivables, Net	<u><u>\$ 111,717</u></u>	<u><u>\$ 72,313</u></u>

The above governmental receivables are deemed 100% collectible. In accordance with GASB 33, property tax revenues receivables not collected within the period of availability was determined to be immaterial to the financial statements and was not reclassified as deferred inflow of resources in the governmental fund financial statements. The Town accrues an allowance for doubtful accounts related to its customer receivables in proprietary funds in the amount of \$3,217.

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, 2016 were as follows: .

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>
Corrections	General Fund	\$ 111,334
EMS	General Fund	11,104
Law Enforcement	General Fund	13,885
Law Enforcement	Street Gas Tax	3,666
Health Clinic	General Fund	1,365
CDBG	Joint Utility	195,000
CDBG	General Fund	5,801
General Fund	Street Gas Tax	42,050
General Fund	Joint Utility	51,256
Joint Utility	General Fund	112,855
Total		<u><u>\$ 548,316</u></u>

STATE OF NEW MEXICO
Town of Dexter
Notes to the Financial Statements
For the Year Ended June 30, 2016

NOTE 6. Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2016 follows (land and construction in progress are not subject to depreciation):

Governmental Activities:	Balance June 30, 2015	Additions	Balance June 30, 2016
Capital assets not being depreciated:			
Land	\$ 68,000	\$ -	\$ 68,000
Construction in process	-	157,701	157,701
Total capital assets, not depreciated	<u>2,220,608</u>	<u>157,701</u>	<u>225,701</u>
Capital assets depreciated:			
Buildings	2,287,642	60,265	2,347,907
Infrastructure	3,480,324	-	3,480,324
Machinery and equipment	2,082,062	86,944	2,169,006
Total capital assets, depreciated	<u>7,850,028</u>	<u>147,209</u>	<u>7,997,237</u>
Less accumulated depreciation:			
Buildings	1,092,997	50,032	1,143,029
Infrastructure	1,788,263	16,672	1,804,935
Machinery and equipment	1,383,584	125,367	1,508,951
Total accumulated depreciation	<u>4,264,844</u>	<u>\$ 192,071</u>	<u>4,456,915</u>
Capital Assets, Net	<u>\$ 11,869,663</u>		<u>\$ 3,766,023</u>

There were no deletions of capital assets in fiscal year 2016. Depreciation expense for the year ended June 30, 2016 was charged to governmental activities as follows.

General Government	\$ 33,756
Public Safety	137,612
Public Works	9,001
Culture and Recreation	11,278
Health and Welfare	424
Total depreciation expense, governmental activities	<u>\$ 192,071</u>

STATE OF NEW MEXICO
Town of Dexter
Notes to the Financial Statements
For the Year Ended June 30, 2016

NOTE 6. Capital Assets (continued)

Business-type activities:	Balance June 30, 2015	June 30, 2015 Restatement	June 30, 2015 Restated	Additions	Balance June 30, 2016
Capital assets not depreciated:					
Land	\$ 26,000	\$ -	\$ 26,000	\$ -	\$ 26,000
Construction in progress	34,287	-	34,287	261,736	296,023
Total capital assets not depreciated	<u>60,287</u>	<u>-</u>	<u>60,287</u>	<u>-</u>	<u>322,023</u>
Capital asset depreciated:					
Buildings	1,724,885	-	1,724,885	53,409	1,778,294
Machinery and equipment	411,350	-	411,350	-	411,350
Total capital assets, depreciated	<u>2,136,235</u>	<u>-</u>	<u>2,136,235</u>	<u>53,409</u>	<u>2,189,644</u>
Less accumulated depreciation:					
Buildings	656,093	-	656,093	26,026	682,119
Machinery and equipment	247,919	(10,698)	237,221	27,667	264,888
Total accumulated depreciation	<u>904,012</u>	<u>(10,698)</u>	<u>893,314</u>	<u>53,693</u>	<u>947,007</u>
Capital Assets, Net	<u>\$ 1,292,510</u>				<u>\$ 1,564,660</u>

NOTE 7. Long-term Debt

Governmental Activities

During the year ended June 30, 2016, the following changes occurred in the long term debt reported in the Government-Wide Statement of Net Position:

	Balance June 30, 2015	Additions	Retirements	Balance June 30, 2016	Due Within One Year
Compensated absences	14,056	4,139	9,745	8,450	-
Total long term debt	<u>\$ 14,056</u>	<u>\$ 4,139</u>	<u>\$ 9,745</u>	<u>\$ 8,450</u>	<u>\$ -</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, 2016, compensated absences decreased \$5,606 from the prior year accrual. Compensated absences are liquidated by the respective funds in which they are accrued. Typically compensated absences are paid out of the general fund.

STATE OF NEW MEXICO
Town of Dexter
Notes to the Financial Statements
For the Year Ended June 30, 2016

NOTE 7. Long-term Debt (continued)

Business-Type Activities

The proprietary funds have incurred various forms of debt which were used for the purposes of constructing, expanding, repairing and making improvements to its property, plant and equipment. The following schedule shows the changes to its various forms of debt during the fiscal year ended June 30, 2016:

	Balance June 30, 2015	Additions	Retirements	Balance June 30, 2016	Due Within One Year
Bonds payable	\$ 88,000	\$ -	\$ 8,000	\$ 80,000	\$ 9,000
Compensated absences	9,763	8,468	4,111	14,120	-
Total long term debt	<u>\$ 97,763</u>	<u>\$ 8,468</u>	<u>\$ 12,111</u>	<u>\$ 94,120</u>	<u>\$ 9,000</u>

The annual requirements to amortize the revenue bonds as of June 30, 2016, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2017	\$ 9,000	9,100	\$ 18,100
2018	9,000	8,076	17,076
2019	10,000	7,052	17,052
2020	11,000	5,915	16,915
2021	13,000	4,663	17,663
2022-2026	28,000	4,891	32,891
Total	<u>\$ 80,000</u>	<u>\$ 39,697</u>	<u>\$ 119,697</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, 2016, compensated absences increased \$4,357 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 not 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's have not changed significantly from prior years and coverage's are expected to be continued.

As of June 30, 2016, 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.

STATE OF NEW MEXICO
Town of Dexter
Notes to the Financial Statements
For the Year Ended June 30, 2016

NOTE 8. Risk Management (continued)

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. Pension Plan- Public Employees Retirement Association

General Information about the Pension Plan

Plan description:

The Public Employees Retirement Fund (PERA Fund) 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 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 <http://saonm.org/>.

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 ended June 30, 2014 available at [http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366 Public Employees Retirement Association 2015.pdf](http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366%20Public%20Employees%20Retirement%20Association%202015.pdf).

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 rates in effect for FY15 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures in the PERA FY15 annual audit report at: [http://osanm.org/media/audits/366 Public Employees Retirement Association 2015.pdf](http://osanm.org/media/audits/366%20Public%20Employees%20Retirement%20Association%202015.pdf).

The PERA coverage options that apply to the Town are: Municipal General and Municipal Police. The Municipal Fire Division does not apply to the Town. Statutorily required contributions to the pension plan from the Town were \$55,642 for the year ended June 30, 2016. The Town did not pick up any portion of the employees contributions.

STATE OF NEW MEXICO
Town of Dexter
Notes to the Financial Statements
For the Year Ended June 30, 2016

NOTE 9. Pension Plan- Public Employees Retirement Association (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:

The PERA pension liability amounts, net pension liability amounts, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2014. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2015, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2015.

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, 2015. Only employer contributions for the pay period end dates that fell within the period of July 1, 2014 to June 30, 2015 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2015 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.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

For PERA Fund Division Municipal General, at June 30, 2016, the Town reported a liability of \$240,622 (\$143,373 for governmental funds and \$97,249 for proprietary funds) for its proportionate share of the net pension liability. At June 30, 2015, the Town's proportion was .0236 percent, which was changed slightly from its proportion measured as of June 30, 2014.

STATE OF NEW MEXICO
Town of Dexter
Notes to the Financial Statements
For the Year Ended June 30, 2016

NOTE 9. Pension Plan- Public Employees Retirement Association (continued)

For the year ended June 30, 2016, the Town recognized PERA Fund Division Municipal General Pension expense of \$19,001. At June 30, 2016, the Town reported PERA Fund Division Municipal General deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	\$ 5,330
Changes of assumptions	-	94
Net difference between projected and actual earnings on pension plan investments	-	761
Changes in proportion and differences between Town's contributions and proportionate share of contributions	15,488	-
Town's contributions subsequent to the measurement date	<u>19,001</u>	<u>-</u>
Total	<u>\$ 34,489</u>	<u>\$ 6,185</u>

\$19,001 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</u>	<u>Amount</u>
2017	3,890
2018	3,890
2019	3,890
2020	(23,423)
Thereafter	<u>-</u>
Total	<u>\$ (11,753)</u>

STATE OF NEW MEXICO
Town of Dexter
Notes to the Financial Statements
For the Year Ended June 30, 2016

NOTE 9. Pension Plan- Public Employees Retirement Association (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

For PERA Fund Division Municipal Police, at June 30, 2016, the Town reported a liability of \$456,813 for its proportionate share of the net pension liability. At June 30, 2015, the Town's proportion was .0950 percent, which was changed slightly from its proportion measured as of June 30, 2014.

For the year ended June 30, 2016, the Town recognized PERA Fund Division Municipal Police pension expense of \$63,443. At June 30, 2016, the Town reported PERA Fund Division Municipal Police deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 31,920	\$ -
Changes of assumptions	-	18,899
Net difference between projected and actual earnings on pension plan investments	-	1,267
Changes in proportion and differences between Town's contributions and proportionate share of contributions	35,596	-
Town's contributions subsequent to the measurement date	63,443	-
Total	<u>\$ 130,959</u>	<u>\$ 20,166</u>

\$63,443 reported as deferred outflows of resources related to pensions resulting the Town's contributions subsequent to the measurement date June 30, 2015 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</u>	<u>Amount</u>
2017	6,373
2018	6,373
2019	6,373
2020	(12,935)
Thereafter	-
Total	<u>\$ 6,184</u>

**STATE OF NEW MEXICO
Town of Dexter
Notes to the Financial Statements
For the Year Ended June 30, 2016**

NOTE 9. Pension Plan- Public Employees Retirement Association (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued)

Valuation date to the Plan year ending June 30, 2014 using generally accepted actuarial principles. There were no significant events or changes in benefit 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, 2014
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay
Asset valuation method	Solved for based on statutory rates
Actuarial assumptions:	Fair value
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
For the Year Ended June 30, 2016**

NOTE 9. Pension Plan- Public Employees Retirement Association (continued)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (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>ALL FUNDS - Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	21.1%	5.00%
International Equity	24.8%	5.20%
Private Equity	7.0%	8.20%
Core and Global Fixed Income	26.1%	1.85%
Fixed Income Plus Sectors	5.0%	4.80%
Real Estate	5.0%	5.30%
Real Assets	7.0%	5.70%
Absolute Return	<u>4.0%</u>	4.15%
Total	100%	

STATE OF NEW MEXICO
Town of Dexter
Notes to the Financial Statements
For the Year Ended June 30, 2016

NOTE 9. Pension Plan- Public Employees Retirement Association (continued)

Discount rate

The discount rate used to measure the total pension liability was 7.75 percent. 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.

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 if 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.

<u>PERA Fund Division Municipal Government</u>	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
Town's proportionate share of the net pension liability	\$ 409,685	\$ 240,622	\$ 100,059
<u>PERA Fund Division Municipal Police</u>	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
Town's proportionate share of the net pension liability	\$ 754,400	\$ 456,813	\$ 212,692

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued FY15 Restated PERA financial report. The report is available at <http://www.pera.state.nm.us/publications.html>.

STATE OF NEW MEXICO
Town of Dexter
Notes to the Financial Statements
For the Year Ended June 30, 2016

NOTE 10. Subsequent Events

The date to which events occurring after June 30, 2016, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosures is December 6, 2016, which is the date on which the financial statements were available to be issued.

NOTE 11. 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 12. Restricted net position

The government-wide statement of net position reports \$237,921 of restricted amounts, all of which is restricted by enabling legislation.

NOTE 13. 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)	\$ 10,707
Frazier Oil & Gas	Council Member - Thomas Mirles (Manager)	\$ 9,978

NOTE 14. Other Required Disclosures

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

- A. Excess of expenditures over appropriations. The following fund exceeded approved budgetary authority for the year ended June 30, 2016:

<u>Fund</u>	<u>Amount</u>
Fire Fund	\$ 53,757
Corrections	\$ 28,049
Street Gas Tax	\$ 61,075
Joint Utility	\$ 40,365

- B. Designated cash appropriations in excess of available balances. The following fund had designated cash appropriations in excess of available balances at June 30, 2016:

<u>Fund</u>	<u>Amount</u>
Law Enforcement	\$ 21,095

STATE OF NEW MEXICO
Town of Dexter
Notes to the Financial Statements
For the Year Ended June 30, 2016

NOTE 15. Restatements

The Town has recorded restatements to net position to prior year's financial statements to correct errors in accumulative depreciation, and revenue cutoff.

Fund Name	Net position / Fund balance June 30, 2015	Prior Period Expenses, Revenues, and Transfers	Accumulated Depreciation	Correction of Reconciling Items	Restated Net Position June 30, 2015
Government Wide Restatements:					
Governmental Activities	\$ 4,639,111	\$ 77,988	\$ -	\$ (1,173)	\$ 4,715,926
Business-type Activities	1,756,418	-	10,968	-	1,767,386
Total	\$ 6,395,529	\$ 77,988	\$ 10,968	\$ (1,173)	\$ 6,483,312
Major Governmental Funds Restatements:					
General Fund	\$ 1,176,536	\$ 45,604	\$ -	\$ -	\$ 1,222,140
Fire Fund	82,472	32,384	-	-	114,856
Total Major Governmental Funds	\$ 1,259,008	\$ 77,988	\$ -	\$ -	\$ 1,336,996
Proprietary Fund Restatements:					
Joint Utility	\$ 1,756,418	\$ -	\$ 10,968	\$ -	\$ 1,767,386
Total Proprietary Fund Restatements	\$ 1,756,418	\$ -	\$ 10,968	\$ -	\$ 1,767,386

NOTE 16. Subsequent Pronouncements

In June 2015, GASB Statement No. 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, was issued. Effective Date: The provisions of this Statement are effective for fiscal years beginning after June 15, 2017. The standard will be implemented during the fiscal year ended June 30, 2018. The Town is still evaluating how this pronouncement will affect the Town.

In August 2015, GASB Statement No. 77 Tax Abatement Disclosures, was issued. Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2015. Earlier application is encouraged. The Town will implement this standard during the fiscal year ended June 30, 2017. The Town is still evaluating how this pronouncement will affect the financial statements.

GASB Statement No. 82, Pension Issues—an amendment of GASB Statements No. 67, No. 68, and No.73. Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2016, except for the requirements of paragraph 7 in a circumstance in which an employer's pension liability is measured as of a date other than the employer's most recent fiscal year-end. In that circumstance, the requirements of paragraph 7 are effective for that employer in the first reporting period in which the measurement date of the pension liability is on or after June 15, 2017. Earlier application is encouraged.

REQUIRED SUPPLEMENTAY INFORMATION

Town of Dexter

Schedules of Required Supplementary Information

Schedule of the Proportionate Share of the Net Pension Liability of PERA Fund

Division – Municipal Police

Public Employees Retirement Association (PERA) Plan Last 10 Fiscal Years*

MUNICIPAL POLICE FUND

	<u>2016</u>		<u>2015</u>
Town's proportion of the net pension liability (asset)	0.0913		0.0807%
Town's proportionate share of the net pension liability (asset)	\$ 456,813	\$	263,073
Town's covered-employee payroll	\$ 197,523	\$	155,665
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	231.27%		169.00%
Plan fiduciary net position as a percentage of the total pension liability	76.99%		81.29%

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

Town of Dexter

Schedules of Required Supplementary Information

Schedule of the Proportionate Share of the Net Pension Liability of PERA Fund

Division – Municipal General

Public Employees Retirement Association (PERA) Plan Last 10 Fiscal Years*

MUNICIPAL GENERAL FUND

	<u>2016</u>	<u>2015</u>
Town's proportion of the net pension liability (asset)	0.0499%	0.0210%
Town's proportionate share of the net pension liability (asset)	\$ 240,622	\$ 163,823
Town's covered-employee payroll	\$ 198,888	\$ 169,900
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	120.98%	96.42%
Plan fiduciary net position as a percentage of the total pension liability	76.99%	81.29%

*The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 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
Schedules of Contributions
Public Employees Retirement Association (PERA) Plan
PERA Fund Division - Municipal Police
Last 10 Years*

Schedule II

MUNICIPAL POLICE FUND

	<u>2016</u>		<u>2015</u>
Contractually required contribution	\$ 36,641	\$	35,201
Contributions in relation to the contractually required contribution	\$ 63,443	\$	35,201
Contribution deficiency (excess)	\$ (26,802)	\$	-
Town's covered-employee payroll	\$ 197,523	\$	155,665
Contributions as a percentage of covered-employee payroll	32.12%		22.61%

*The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 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
Schedules of Contributions
Public Employees Retirement Association (PERA) Plan
PERA Fund Division - Municipal General
Last 10 Years*

Schedule II

MUNICIPAL GENERAL FUND

	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 19,001	\$ 18,687
Contributions in relation to the contractually required contribution	19,001	18,687
Contribution deficiency (excess)	\$ -	\$ -
Town's covered-employee payroll	\$ 198,888	\$ 169,900
Contributions as a percentage of covered-employee payroll	9.55%	11.00%

*The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 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 the Schedule of Required Supplementary Information
For the year Ended June 30, 2016

Changes of benefit terms.

The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY15 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/6-30-2015%20PERA%20Valuation%20Report_FINAL.pdf. The summary of Key Findings for the PERA Fund (on page 2 of the report) states “based on a recent experience study for the five-year period ending June 30, 2014, 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 60 of the report.

SUPPLEMENTAY INFORMATION

(This page is intentionally left blank)

STATE OF NEW MEXICO
Town of Dexter
Nonmajor Fund Description
June 30, 2016

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
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2016

	Special Revenue Funds			
	Corrections Fund	EMS	Law Enforcement	Street Gas Tax
Assets				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Other Taxes	-	-	-	3,666
Total assets	\$ -	\$ -	\$ -	\$ 3,666
Liabilities and fund balance				
Liabilities				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Total liabilities	-	-	-	-
Fund balance				
Restricted for:				
Public safety	-	-	-	3,666
Health and welfare	-	-	-	-
Total fund balance	-	-	-	3,666
Total liabilities and fund balance	\$ -	\$ -	\$ -	\$ 3,666

See Independent Auditors' Report and Notes to Financial Statements

<u>Special Revenue</u>			
<u>Health Clinic</u>		<u>Total Other Governmental Funds</u>	
\$	18,829	\$	18,829
	-		3,666
<u>\$</u>	<u>18,829</u>	<u>\$</u>	<u>22,495</u>
\$	-	\$	-
	-		-
	-		3,666
	18,829		18,829
	18,829		22,495
<u>\$</u>	<u>18,829</u>	<u>\$</u>	<u>22,495</u>

STATE OF NEW MEXICO
Town of Dexter
Combining Statement of Revenues, Expenses, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2016

	<u>Special Revenue</u>			
	<u>Corrections Fund</u>	<u>EMS</u>	<u>Law Enforcement</u>	<u>Street Gas Tax</u>
Revenues				
Gas tax	\$ -	\$ -	\$ -	\$ 19,243
Charges for services	7,326	-	-	-
State operating grants	-	8,377	22,400	-
Federal capital grants	-	-	-	-
Miscellaneous income	-	-	-	-
Interest income	-	-	-	-
Grant Revenues	-	-	-	-
Total revenue	<u>7,326</u>	<u>8,377</u>	<u>22,400</u>	<u>19,243</u>
Expenditures				
Current:				
General government	-	-	-	-
Public safety	35,649	11,212	10,513	-
Public works	-	-	-	40,910
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	60,265
Total expenditures	<u>35,649</u>	<u>11,212</u>	<u>10,513</u>	<u>101,175</u>
Excess (deficiency) of revenues over expenditures	<u>(28,323)</u>	<u>(2,835)</u>	<u>11,887</u>	<u>(81,932)</u>
Other financing sources (uses)				
Transfer in	-	-	-	45,716
Transfer out	(111,334)	(11,104)	(17,551)	-
Total other financing sources (uses)	<u>(111,334)</u>	<u>(11,104)</u>	<u>(17,551)</u>	<u>45,716</u>
Net change in fund balance	(139,657)	(13,939)	(5,664)	(36,216)
Fund balance - beginning of year	139,657	13,939	5,664	39,882
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,666</u>

See Independent Auditors' Report and Notes to Financial Statements

<u>Special Revenue</u>			
<u>Health Clinic</u>		<u>Total Other Governmental Funds</u>	
\$ -		\$ 19,243	
-		7,326	
-		30,777	
-		-	
2,400		2,400	
-		-	
-		-	
<u>2,400</u>		<u>59,746</u>	
-		57,374	
-		40,910	
-		-	
1,928		1,928	
-		60,265	
<u>1,928</u>		<u>160,477</u>	
<u>472</u>		<u>(100,731)</u>	
-		45,716	
<u>(1,365)</u>		<u>(141,354)</u>	
<u>(1,365)</u>		<u>(95,638)</u>	
(893)		(196,369)	
<u>19,722</u>		<u>218,864</u>	
<u>\$ 18,829</u>		<u>\$ 22,495</u>	

STATE OF NEW MEXICO

Statement B-1

Town of Dexter

Corrections

**Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Non-GAAP</u>	<u>(Unfavorable)</u>
			<u>Basis</u>	<u>Final to actual</u>
Revenues				
Taxes:				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and Motor vehicle	-	-	-	-
Other	-	-	-	-
Franchise tax	-	-	-	-
Intergovernmental income:				
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Federal grants	-	-	-	-
Charges for services	-	-	-	-
License and fees	7,050	7,050	7,753	703
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
Total revenue	<u>7,050</u>	<u>7,050</u>	<u>7,753</u>	<u>703</u>
Expenditures				
Current				
General government	-	-	-	-
Public safety	7,600	7,600	35,649	(28,049)
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>7,600</u>	<u>7,600</u>	<u>35,649</u>	<u>(28,049)</u>
Excess (deficiency) of revenues over expenditures	<u>(550)</u>	<u>(550)</u>	<u>(27,896)</u>	<u>(27,346)</u>
Other financing resources (uses)				
Designated cash (budgeted increase in cash)	550	550	-	-
Transfers in	-	-	-	-
Transfers out	-	-	(111,334)	(111,334)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(111,334)</u>	<u>(111,334)</u>
Net Change in fund balance	550	550	(139,230)	(139,230)
Fund balance - beginning of year	-	-	139,657	139,657
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 427</u>	<u>\$ 427</u>
Net change in fund balance (non-GAAP budgetary basis)			(139,230)	
Adjustments to revenue for decrease in receivables			(427)	
Adjustment to expenditures			-	
Net Change in fund balance (GAAP basis)			<u>\$ (139,657)</u>	

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
Town of Dexter
EMS**

Statement B-2

**Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance</u>
	<u>Original</u>	<u>Final</u>	<u>Non-GAAP Basis</u>	<u>Favorable (Unfavorable) Final to actual</u>
Revenues				
Taxes:				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and Motor vehicle	-	-	-	-
Other	-	-	-	-
Franchise tax	-	-	-	-
Intergovernmental income:				
State operating grants	19,854	19,854	8,377	(11,477)
State capital grants	-	-	-	-
Federal grants	-	-	-	-
Charges for services	-	-	-	-
License and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
Total revenue	<u>19,854</u>	<u>19,854</u>	<u>8,377</u>	<u>(11,477)</u>
Expenditures				
Current				
General government	-	-	-	-
Public safety	19,000	19,000	11,212	7,788
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>19,000</u>	<u>19,000</u>	<u>11,212</u>	<u>7,788</u>
Excess (deficiency) of revenues over expenditures	<u>854</u>	<u>854</u>	<u>(2,835)</u>	<u>(3,689)</u>
Other financing resources (uses)				
Designated cash (budgeted increase in cash)	(854)	(854)		
Transfers in	-	-	-	-
Transfers out	-	-	(11,104)	(11,104)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(11,104)</u>	<u>(11,104)</u>
Net Change in fund balance	(854)	(854)	(13,939)	(13,939)
Fund balance - beginning of year	-	-	13,939	13,939
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (non-GAAP budgetary basis)			(13,939)	
Adjustments to revenue			-	
Adjustment to expenditures			-	
Net Change in fund balance (GAAP basis)			<u>\$ (13,939)</u>	

See Independent Auditors' Report and Notes to Financial Statements

STATE OF NEW MEXICO

Statement B-3

Town of Dexter

Law Enforcement

**Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual	Variance
	Original	Final	Non-GAAP Basis	Favorable (Unfavorable) Final to actual
Revenues				
Taxes:				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and Motor vehicle	-	-	-	-
Other	-	-	-	-
Franchise tax	-	-	-	-
Intergovernmental income:				
State operating grants	28,233	28,233	22,400	(5,833)
State capital grants	-	-	-	-
Federal grants	-	-	-	-
Charges for services	-	-	-	-
License and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
Total revenue	<u>28,233</u>	<u>28,233</u>	<u>22,400</u>	<u>(5,833)</u>
Expenditures				
Current				
General government	-	-	-	-
Public safety	54,992	54,992	10,513	44,479
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>54,992</u>	<u>54,992</u>	<u>10,513</u>	<u>44,479</u>
Excess (deficiency) of revenues over expenditures	<u>(26,759)</u>	<u>(26,759)</u>	<u>11,887</u>	<u>38,646</u>
Other financing resources (uses)				
Designated cash (budgeted increase in cash)	26,759	26,759	-	-
Transfers in	-	-	-	-
Transfers out	-	-	(17,551)	(17,551)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(17,551)</u>	<u>(17,551)</u>
Net Change in fund balance	26,759	26,759	(5,664)	(5,664)
Fund balance - beginning of year	-	-	5,664	5,664
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (non-GAAP budgetary basis)			(5,664)	
Adjustments to revenue			-	
Adjustment to expenditures			-	
Net Change in fund balance (GAAP basis)			<u>\$ (5,664)</u>	

See Independent Auditors' Report and Notes to Financial Statements

STATE OF NEW MEXICO

Statement B-4

Town of Dexter

Street Gas Tax

**Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual	Variance
	Original	Final	Non-GAAP Basis	Favorable (Unfavorable) Final to actual
Revenues				
Taxes:				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and Motor vehicle	23,000	23,000	19,243	(3,757)
Other	-	-	-	-
Franchise tax	-	-	-	-
Intergovernmental income:				
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Federal grants	-	-	-	-
Charges for services	-	-	-	-
License and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
Total revenue	<u>23,000</u>	<u>23,000</u>	<u>19,243</u>	<u>(3,757)</u>
Expenditures				
Current				
General government	-	-	-	-
Public safety	40,100	40,100	40,910	(810)
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	60,265	(60,265)
Total expenditures	<u>40,100</u>	<u>40,100</u>	<u>101,175</u>	<u>(61,075)</u>
Excess (deficiency) of revenues over expenditures	<u>(17,100)</u>	<u>(17,100)</u>	<u>(81,932)</u>	<u>(64,832)</u>
Other financing resources (uses)				
Designated cash (budgeted increase in cash)	17,100	17,100	-	-
Transfers in	-	-	45,716	45,716
Transfers out	-	-	-	-
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>45,716</u>	<u>45,716</u>
Net Change in fund balance	17,100	17,100	(36,216)	(36,216)
Fund balance - beginning of year	-	-	39,882	39,882
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,666</u>	<u>\$ 3,666</u>
Net change in fund balance (non-GAAP budgetary basis)			(36,216)	
Adjustments to revenue			-	
Adjustment to expenditures			-	
Net Change in fund balance (GAAP basis)			<u>\$ (36,216)</u>	

See Independent Auditors' Report and Notes to Financial Statements

STATE OF NEW MEXICO

Statement B-5

Town of Dexter

Health Clinic

**Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual	Variance
	Original	Final	Non-GAAP Basis	Favorable (Unfavorable) Final to actual
Revenues				
Taxes:				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and Motor vehicle	-	-	-	-
Other	-	-	-	-
Franchise tax	-	-	-	-
Intergovernmental income:				
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Federal grants	-	-	-	-
Charges for services	-	-	-	-
License and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	12,200	12,200	2,400	(9,800)
Total revenue	<u>12,200</u>	<u>12,200</u>	<u>2,400</u>	<u>(9,800)</u>
Expenditures				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Health & welfare	11,100	11,100	1,928	9,172
Capital outlay	-	-	-	-
Total expenditures	<u>11,100</u>	<u>11,100</u>	<u>1,928</u>	<u>9,172</u>
Excess (deficiency) of revenues over expenditures	<u>1,100</u>	<u>1,100</u>	<u>472</u>	<u>(628)</u>
Other financing resources (uses)				
Designated cash (budgeted increase in cash)	(1,100)	(1,100)	-	-
Transfers in	-	-	-	-
Transfers out	-	-	(1,365)	(1,365)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(1,365)</u>	<u>(1,365)</u>
Net Change in fund balance	(1,100)	(1,100)	(893)	(893)
Fund balance - beginning of year	-	-	19,722	19,722
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,829</u>	<u>\$ 18,829</u>
Net change in fund balance (non-GAAP budgetary basis)			(893)	
Adjustments to revenue			-	
Adjustment to expenditures			-	
Net Change in fund balance (GAAP basis)			<u>\$ (893)</u>	

See Independent Auditors' Report and Notes to Financial Statements

STATE OF NEW MEXICO

Statement B-6

Town of Dexter

CDBG Major Capital Projects fund

Statement of Revenues, Expenditures and Changes in Net Position

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variance
	Original	Final	Non-GAAP Basis	Favorable (Unfavorable) Final to actual
Revenues				
Taxes:				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and Motor vehicle	-	-	-	-
Other	-	-	-	-
Franchise tax	-	-	-	-
Intergovernmental income:				
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Federal grants	-	-	200,801	200,801
Charges for services	-	-	-	-
License and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	908	908
Total revenue	<u>-</u>	<u>-</u>	<u>201,709</u>	<u>201,709</u>
Expenditures				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>201,709</u>	<u>201,709</u>
Other financing resources (uses)				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	(200,801)	(200,801)
Total other financing sources (uses)	<u>-</u>	<u>-</u>	<u>(200,801)</u>	<u>(200,801)</u>
Net Change in fund balance	-	-	908	908
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 908</u>	<u>\$ 908</u>
Net change in fund balance (non-GAAP budgetary basis)			908	
Adjustments to revenue			-	
Adjustment to expenditures			-	
Net Change in fund balance (GAAP basis)			<u>\$ 908</u>	

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO
Town of Dexter
Joint Utility**

Statement B-7

**Statement of Revenues, Expenditures and Changes in Net Position
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance Favorable (unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Operating revenues:				
Charges for services	\$ 544,851	\$ 544,851	\$ 546,856	\$ 2,005
Total operating revenues	<u>544,851</u>	<u>544,851</u>	<u>546,856</u>	<u>2,005</u>
Operating expenses:				
Personnel services	147,187	147,187	156,548	(9,361)
Contractual services	128,836	128,836	137,030	(8,194)
Supplies	27,357	27,357	29,097	(1,740)
Maintenance and Materials	26,690	26,690	28,388	(1,698)
Utilities	30,896	30,896	32,861	(1,965)
Miscellaneous	124,159	124,159	132,056	(7,897)
Total operating expense	<u>485,125</u>	<u>485,125</u>	<u>515,980</u>	<u>(30,855)</u>
Operating income (loss)	<u>59,726</u>	<u>59,726</u>	<u>30,876</u>	<u>(28,850)</u>
Non-operating revenues (expense):				
Governmental contributions	-	-	-	-
Interest income	-	-	-	-
Interest Expense	-	-	(9,510)	(9,510)
Total non-operating revenues (expense)	<u>-</u>	<u>-</u>	<u>(9,510)</u>	<u>(9,510)</u>
Income (loss) before contributions and transfers				
Transfers in	-	-	246,256	246,256
Transfers out	-	(27,093)	(112,855)	(85,762)
Capital Grants	-	-	-	-
Total contributions and transfers	<u>-</u>	<u>(27,093)</u>	<u>133,401</u>	<u>160,494</u>
Change in Net Position	<u>\$ 59,726</u>	<u>\$ 32,633</u>	<u>154,767</u>	<u>\$ 122,134</u>
Adjustments to revenues			-	
Adjustments to expenses for depreciation expense and pension expense			(58,019)	
Net Position, beginning of year			<u>1,767,386</u>	
Net Position - end of the year			<u>\$ 1,864,134</u>	

See Independent Auditors' Report and Notes to Financial Statements

SUPPORTING SCHEDULES

STATE OF NEW MEXICO
Town of Dexter
Schedule of Deposits
June 30, 2016

Schedule III

<u>Account Name</u>	<u>Bank Balance</u>	<u>Deposits in Transit</u>	<u>Outstanding Checks</u>	<u>Book Balance</u>
Wells Fargo:				
General	\$ 1,633,197		\$ 4,499	\$ 1,628,698
Utility	435,702		93	435,609
JUSGI	10,714		-	10,714
Cash Reserve	98,615		-	98,615
Repair	34,697		-	34,697
CDBG	908		-	908
Meter Deposit	50,270		121	50,149
 My Bank:				
Health Clinic	18,874		45	18,829
 Total Deposits	 <u>\$ 2,282,977</u>	 <u>\$ -</u>	 <u>\$ 4,758</u>	 <u>2,278,219</u>
			Petty cash	<u>399</u>
			Total cash & cash equivalents	<u>2,278,618</u>
			Cash and cash equivalents - Exhibit A-1	2,228,469
			Customer Deposits Exhibit A-1	<u>50,149</u>
			Total cash & cash equivalents	<u>\$ 2,278,618</u>

See Independent Auditors' Report

STATE OF NEW MEXICO
Town of Dexter
Schedule of Collateral Pledged by Depository
June 30, 2016

Schedule IV

<u>Name of Depository</u>	<u>Description of Pledged Collateral</u>	<u>Maturity</u>	<u>CUSIP Number</u>	<u>Par/FMV Value at June 30, 2015</u>
Wells Fargo	FNMA	10/1/1941	3138A9Zt4	1,309,810
				<u>\$ 1,309,810</u>

See Independent Auditors' Report

(This page is intentionally left blank)

STATE OF NEW MEXICO
Town of Dexter
Schedule of Memorandums of Understanding
June 30, 2016

Scheduel V

Central Solid Waste Authority

Participants	Town of Dexter Chaves County
Responsible party	Town of Dexter Chaves County
Description	To provide emergency services, including law enforcement, fire and ambulance services.
Term of agreement	Indefinate
Amount of project	Unknown
City contributions	Unknown
Audit responsibility	Town of Dexter Chaves County

See Independent Auditors' Report

STATE OF NEW MEXICO
Town of Dexter
Schedule of Vendor Information for Purchases Exceeding \$60,000
June 30, 2016

Prepared by Ruby Parks Town Clerk / Treasurer on November 30, 2016

<i>Agency Number</i>	<i>Agency Name</i>	<i>Agency Type</i>	<i>RFB#/RFP# (if applicable)</i>	<i>Type of Procurement</i>	<i>Vendor Name</i>	<i>Did Vendor Win Contract?</i>	<i>\$ Amount of Awarded Contract</i>
6052	Town of Dexter	Municipalities	State Contract	Emergency	IPR. Ltd		
6052	Town of Dexter	Municipalities	State Contract	Competitive (RFP or RFB)	Don Chalmers	Winner	\$77,909.02
6052	Town of Dexter	Municipalities	13-L-1666	Competitive (RFP or RFB)	CES	Winner	\$151,949.63
6052	Town of Dexter	Municipalities	13-C-RS-I-1-G-023	Competitive (RFP or RFB)	Smith Co. Construction Inc.	Loser	
6052	Town of Dexter	Municipalities	13-C-RS-I-1-G-023	Competitive (RFP or RFB)	Renegade Xonstruction	Loser	
6052	Town of Dexter	Municipalities	13-C-RS-I-1-G-023	Competitive (RFP or RFB)	Total Contracting Services	Winner	\$200,206.25
6052	Town of Dexter	Municipalities	13-C-RS-I-1-G-023	Competitive (RFP or RFB)	Burn Construction	Loser	
6052	Town of Dexter	Municipalities	13-C-RS-I-1-G-023	Competitive (RFP or RFB)	Adame Construction	Loser	
6052	Town of Dexter	Municipalities	13-C-RS-I-1-G-023	Competitive (RFP or RFB)	A.A.C Construction	Loser	
6052	Town of Dexter	Municipalities	13-C-RS-I-1-G-023	Competitive (RFP or RFB)	J&D Contracting	Loser	
6052	Town of Dexter	Municipalities	13-C-RS-I-1-G-023	Competitive (RFP or RFB)	DuCross Construction, LLC	Loser	
6052	Town of Dexter	Municipalities	13-C-RS-I-1-G-023	Competitive (RFP or RFB)	Constructors, Inc.	Loser	

See Independent Auditors' Report

<i>\$ Amount of Amended Contract</i>	<i>Physical address of vendor (City, State)</i>	<i>Did the Vendor provide documentation of eligibility for in-state preference?</i>	<i>Did the Vendor provide documentation of eligibility for veterans' preference?</i>	<i>Brief Description of the Scope of Work</i>	<i>If the procurement is attributable to a Component Unit, Name of Component Unit</i>
	3740 Hawkins, Albuquerque, NM 87109	No	No	Emergency road repair on Lincon & Elford Streets under state Contract # 40-805-132-10324	No
	2500 Rio Rancho Blvd, Rio Rancho, New Mexico 87124	No	No	Purchase of 2 fire Truck @ \$38,954.51 each. Council & State Fire Marshall's approval	No
	Cooperative Educational Services, 4216 Balloon Park Rd., NE, Albuquerque, New Mexico, 87109	Yes	Yes	Dexter Sports Complex lighting	No
		Yes	Yes	Water System Improvements project 13-C-RS-I-G-023	No
		Yes	Yes	Water System Improvements project 13-C-RS-I-G-023	No
	Total Contracting Services 2424 Filvera SW, Albuquerque, New Mexico 87105	Yes	Yes	Water System Improvements project 13-C-RS-I-G-023	No
		Yes	Yes	Water System Improvements project 13-C-RS-I-G-023	No
		Yes	Yes	Water System Improvements project 13-C-RS-I-G-023	No
		Yes	Yes	Water System Improvements project 13-C-RS-I-G-023	No
		Yes	Yes	Water System Improvements project 13-C-RS-I-G-023	No
		Yes	Yes	Water System Improvements project 13-C-RS-I-G-023	No
		Yes	Yes	Water System Improvements project 13-C-RS-I-G-023	No
		Yes	Yes	Water System Improvements project 13-C-RS-I-G-023	No

(This page is intentionally left blank)

COMPLIANCE SECTION



Southwest Accounting Solutions, LLC

Auditors ~ Business Consultants ~ CPA

INDEPENDENT AUDITOR'S 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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information and the budgetary comparisons of the general fund and major special revenue fund, of the Town of Dexter (the Town), as of and for the year ended June 30, 2016, 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 6, 2016.

Internal Control over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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 (FS 2013-001, Fs 2015-001, 2015-002).

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Town's financial statements are free from 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 questioned costs as items 2015-006.

The Town's Response to Findings

The Town's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The Town's response was 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 results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Southwest Accounting Solutions, LLC

Southwest Accounting Solutions, LLC
Albuquerque, New Mexico
December 6, 2016

**STATE OF NEW MEXICO
Town of Dexter
Schedule of Findings and Responses
June 30, 2016**

SECTION I - SUMMARY OF AUDIT RESULTS

Financials Statements:

- | | |
|--|-------------------|
| 1. Type of auditors' report issued | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weakness identified? | Yes |
| b. Significant deficiencies identified? | No |
| c. Noncompliance material to the financial statements? | No |

STATE OF NEW MEXICO
Town of Dexter
Schedule of Findings and Responses
June 30, 2016

SECTION II – PRIOR YEAR AUDIT FINDINGS

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

FS 2015-001 DFA Cash Report Does Not Reconcile to the Town's Cash (Material Weakness) Repeated/Modified

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

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

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

FS 2015-005 Capital Assets (Material Weakness) Resolved

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

STATE OF NEW MEXICO
Town of Dexter
Schedule of Findings and Responses
June 30, 2016

SECTION III - AUDIT FINDINGS

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 and adequate accounting software. The internal control structure should include controls that allow the governing body to exercise effective oversight of internal controls and the financial reporting process. Further this was a prior year audit finding and management has not made any progress at correcting the issue. During our audit we noted the following areas of inadequate internal controls:

- 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
- No formal policies and procedures exist

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, controls are not in place to prevent or detect misstatements of accounting information.

Cause: The Town's financial accounting system is maintained in an excel document, there are no documented policies and procedures that address inherent weaknesses of the Town and implement mitigating controls, and bank reconciliations are not performed.

Auditors' Recommendations: We recommend the Town obtain and be trained in using a financial management system that is adequate for fund accounting. Further we recommend the Town Develop policies and procedures that address the Town's inherent weaknesses, and mitigating controls.

Management's response: Intends on converting to a computerized financial management system. Further the Town's management has scheduled training with the DFA Special Director to conduct training on pooled cash.

Managements Progress: Staff has registered for a class in QuickBooks.

Responsible Official: Town Council

Timeline: Fiscal year 2017.

STATE OF NEW MEXICO
Town of Dexter
Schedule of Findings and Responses
June 30, 2016

FS 2015-001 DFA Cash Report Does Not Reconcile to the Town's Cash (Material Weakness) Repeated/Modified

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 \$187,899. This was an issue in the proper years audit and management has not made any progress at correction the issue. The following differences were noted per what was reported to DFA as beginning cash balances in for fiscal year 2017 and the Town's fiscal year ending 2016 cash balances

<u>Fund</u>	<u>Town</u>	<u>DFA</u>	<u>Difference</u>
General Fund	1,559,413	955,656	603,757
Fire Fund	213,610	81,384	132,226
Corrections	-	80,012	(80,012)
Law Enforcement	-	25,159	(25,159)
Street Gas Tax	-	145,624	(145,624)
Recreation	-	1	(1)
Health Clinic	18,829	16,983	1,846
Other	-	121,706	(121,706)
CDBG	908	60	848
Revenue Bonds	-	96,659	(96,659)
Debt Service Fund Other	-	10,793	(10,793)
Joint Utility	485,858	468,361	17,497
Internal service Fund	-	49,055	(49,055)
Trust and agency funds	-	39,276	(39,276)
Total	2,278,618	2,090,729	187,889

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. Further the Town does not have adequate controls over cash.

Cause: Town management is not performing bank reconciliations and is unable to properly reconciling cash balances that are reported to DFA.

Auditors' Recommendations: We recommend the Town perform bank reconciliations on a monthly basis. We recommend the Town obtain help from DFA regarding what the requirements are for reporting cash balances and properly report the correct cash balances to DFA.

Management's response: Management will work with DAF Special Director to correct the differences between the Town's cash and DFA cash reported.

Managements Progress: Management has scheduled training with the DAF Special Director to conduct training on the issue.

Responsible Official: Town Clerk

Timeline: Fiscal year 2017.

STATE OF NEW MEXICO
Town of Dexter
Schedule of Findings and Responses
June 30, 2016

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

Condition: The Town does not properly track accumulated restricted resources and cash balances. This was an issue in the prior year audit finding and the town has not taken the appropriate steps to correct the issue. There were needed adjustments made to cash balances in the amounts of \$300 for the Town's cash drawers and (\$4,758) for the Town's outstanding checks.

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: Restricted cash is not properly being tracked and is subject to being spent on purposes other than the purposes imposed by external granting agencies. Further adequate controls over cash are not in place to prevent or detect misstatements of accounting information.

Cause: Management does not have an adequate financial management system to track cash that is accumulated from restricted and unrestricted revenue sources.

Auditors' Recommendations: The Town should invest in obtaining a financial accounting system that is adequately designed for fund accounting. Further management should be trained in fund accounting and the proper use of an adequate financial management system.

Management's response: Management will work with DAF Special Director on training on how to properly perform bank reconciliation.

Managements Progress: Management has scheduled training with the DAF Special Director to conduct training on the issue.

Responsible Official: Town Clerk

Timeline: Fiscal Year 2017.

STATE OF NEW MEXICO
Town of Dexter
Schedule of Findings and Responses
June 30, 2016

FS 2015-006 Expenditures in Excess of Budget and Cash Appropriations in Excess of Available Balances (Noncompliance) Repeated/Modified

Condition: The Town over expended its budget in the following funds:

<u>Fund</u>	<u>Amount</u>
Fire Fund	\$ 53,757
Corrections	\$ 28,049
Street Gas Tax	\$ 61,075
Joint Utility	\$ 40,365

When the Town’s budgeted expenditures exceed its budgeted revenue, the Town budgets “designated cash” left over from the previous year to make up the short fall. However, “designated cash” in the current year budget cannot exceed prior year cash and receivables in the same fund.

Designated cash appropriations exceeded available balances in the following fund:

<u>Fund</u>	<u>Amount</u>
Law Enforcement	\$ 21,095

Further these were issues in the prior year’s audit report and the town has not taken the appropriate steps at correcting the issue.

Criteria: All Town funds, with the exception of agency funds, are to be budgeted by the local governing body and submitted to the State of New Mexico Department of Finance and Administration – Local Government Division for approval. Once adopted, any claims or warrants in excess of budget are a violation of New Mexico State Statute 6- 6-6, 1978 Compilation. Per Section 6-6-11, NMSA 1978 (the Batemen Act), it is unlawful for any board of county commissioners, municipal governing body or any local school board, for any purpose whatever to become indebted or contract any debts of any kind or nature whatsoever during any current year which, at the end of such current year, is not and cannot then be paid out of the money actually collected and belonging to that current year, and any indebtedness for any current year which is not paid and cannot be paid, as above provided for, is void. In addition, Section 2.2.2.10. (P) (1), NMAC, states that the Town’s cash balances budgeted to absorb budget deficits cannot exceed the actual cash balance available at the end of the prior year.

Effect: Any expenditure in excess of the approved budget(s) shall be a liability against the officials so allowing or paying such claims or warrants, and recovery of such excess amounts so allowed or paid may be had against the bondsmen of such official. The effect of a budget with inadequate designated cash available to cover the excess of budgeted expenditures over budgeted revenue could result in the Town incurring debt to pay for current year budgeted expenditures, which would be noncompliance with the Batemen Act.

Cause: The Town has inadequate monitoring of budgeting procedures at year end.

Auditors’ Recommendations: We recommend all Town funds, with the exception of agency funds, be budgeted and approved by the Town Commission. Once adopted, budgets must be monitored for compliance with state statute. In addition, we recommend the Town’s cash balances budgeted to absorb budget deficits do not exceed the actual cash balances available at the end of the prior year.

STATE OF NEW MEXICO
Town of Dexter
Schedule of Findings and Responses
June 30, 2016

Management's response: Management will undergo training with the DFA special director on proper procedures on monitoring budgets. Further a financial management system conversion into an electronic format will help in budget monitoring.

Managements Progress: Management has scheduled training with the DAF Special Director to conduct training on the issue.

Responsible Official: Town Clerk

Timeline: Fiscal year 2017.

**STATE OF NEW MEXICO
Town of Dexter
Exit Conference
June 30, 2016**

Exit Conference

An exit conference was held on December 6, 2016. In attendance were the following:

Mitch Daubert
Ruby Parks

Mayor
Town Clerk/Treasurer

Representing Southwest Accounting Solutions, LLC:

Robert Peixotto, CPA

Managing Partner

Auditor Prepared Financial Statements

Southwest Accounting Solutions, LLC assisted the Town in the preparation of the GAAP-based financial statements and notes to the financial statements. The financial statements were prepared using the original books and records provided by the management of the Town. The responsibility for the financial statements remains with the Town.