

**STATE OF NEW MEXICO**  
**Town of Dexter**  
**ANNUAL FINANCIAL REPORT**  
**AND INDEPENDENT AUDITORS' REPORT**  
**FOR THE YEAR ENDED JUNE 30, 2018**



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## **INTRODUCTORY SECTION**

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Town of Dexter  
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Town of Dexter  
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**STATE OF NEW MEXICO  
Town of Dexter  
Official Roster  
June 30, 2018**

**TOWN COUNCIL**

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

**TOWN OFFICIALS**

- Ruby Parks ..... Town Clerk/Treasurer

## **FINANCIAL SECTION**



Auditors~Consultants~CPA

## INDEPENDENT AUDITOR'S REPORT

Wayne Johnson  
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 activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and the major special revenue funds of the Town of Dexter (the Town) as of and for the year ended June 30, 2018, and the related notes to the financial statements which collectively comprise the Town's basic financial statements 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 responsibility 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 an opinion 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 Governmental 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, and accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of the accounting policies used and the reasonableness of significant accounting estimates made by management, as well as 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 opinion.



## **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, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of the Town as of June 30, 2018, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

## **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 Schedules I, Schedule II, and the Notes to the RSI on pages 50-54, 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 the 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 financial statements that collectively comprise the Town's basic financial statements. The combining and individual non-major fund financial statements and Schedule III and IV required by Section 2.2.2 NMAC is presented for purposes of additional analysis and is not a required part of the basic financial statements.

The combining and individual non-major fund financial statements and Schedules III and IV is 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, the combining and individual non-major fund financial statements and Schedules III and IV is fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

*Other Reporting Required by Government Auditing Standards*

In accordance with Government Auditing Standards, we have also issued our report dated November 30, 2018 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  
November 30, 2018

## **BASIC FINANCIAL STATEMENTS**

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**STATE OF NEW MEXICO**  
**Town of Dexter**  
**Statement of Net Position**  
**June 30, 2018**

Exhibit A-1

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Assets</b>			
<b>Current Assets</b>			
Cash and cash equivalents	\$ 1,848,800	\$ 344,634	\$ 2,193,434
Restricted cash	-	54,742	54,742
Property taxes receivable	1,374	-	1,374
Gross receipts taxes receivable	46,728	-	46,728
Other taxes receivable	9,037	-	9,037
Grants receivable	62,139	-	62,139
Customer receivables, net	-	73,166	73,166
<b>Total current assets</b>	<u>1,968,078</u>	<u>472,542</u>	<u>2,440,620</u>
<b>Noncurrent assets</b>			
Customer deposits			
Capital assets	8,734,043	2,805,693	11,539,736
Less: Accumulated depreciation	(4,740,825)	(1,077,722)	(5,818,547)
<b>Total noncurrent assets</b>	<u>3,993,218</u>	<u>1,727,971</u>	<u>5,721,189</u>
<b>Deferred outflows of resources</b>			
Deferred outflows of resources related to pensions	300,074	44,077	344,151
<b>Total deferred outflows of resources</b>	<u>300,074</u>	<u>44,077</u>	<u>344,151</u>
<b>Total assets and deferred outflows of resources</b>	<u>\$ 6,261,370</u>	<u>\$ 2,244,590</u>	<u>\$ 8,505,960</u>
<b>Liabilities</b>			
<b>Current Liabilities</b>			
Accounts payable	\$ 16,894	\$ 16,015	\$ 32,909
Accrued salaries and benefits	11,818	5,080	16,898
Compensated absences	4,709	5,272	9,981
Notes payable	40,271	-	40,271
<b>Total current liabilities</b>	<u>73,692</u>	<u>26,367</u>	<u>100,059</u>
<b>Noncurrent liabilities</b>			
Customer deposits	-	54,742	54,742
Notes payable	127,679	-	127,679
Compensated absences	14,454	11,795	26,249
Net pension liability	798,697	129,475	928,172
<b>Total noncurrent liabilities</b>	<u>940,830</u>	<u>196,012</u>	<u>1,136,842</u>
<b>Total Liabilities</b>	<u>1,014,522</u>	<u>222,379</u>	<u>1,236,901</u>
<b>Deferred inflows of resources</b>			
Deferred inflows of resources related to pensions	139,085	22,447	161,532
<b>Total deferred inflows of resources</b>	<u>139,085</u>	<u>22,447</u>	<u>161,532</u>
<b>Net Position</b>			
Net investment in capital assets	3,993,218	1,727,971	5,721,189
<b>Restricted for:</b>			
Special revenue	268,581	-	268,581
Capital projects	60	-	60
Unrestricted	845,904	271,793	1,117,697
<b>Total net position</b>	<u>5,107,763</u>	<u>1,999,764</u>	<u>7,107,527</u>
<b>Total liabilities, deferred inflows of resources, and net position</b>	<u>\$ 6,261,370</u>	<u>\$ 2,244,590</u>	<u>\$ 8,505,960</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, 2018**

<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>	
<b>PRIMARY GOVERNMENT</b>				
<b>Governmental Activities</b>				
General government	\$ 398,544	\$ 99,483	\$ 93,331	\$ 85,119
Public safety	736,040	5,544	284,886	-
Public works	115,277	-	-	-
Culture and recreation	295,012	-	-	-
Health and welfare	4,905	-	-	-
Interest on long-term debt	5,779	-	-	-
<b>Total Governmental Activities</b>	<u>1,555,557</u>	<u>105,027</u>	<u>378,217</u>	<u>85,119</u>
<b>Business-Type Activities</b>				
Joint Utility	733,485	603,777	-	-
<b>Total Business-Type Activities</b>	<u>733,485</u>	<u>603,777</u>	<u>-</u>	<u>-</u>
<b>Total Primary Government</b>	<u>\$ 2,289,042</u>	<u>\$ 708,804</u>	<u>\$ 378,217</u>	<u>\$ 85,119</u>
<b>General Revenues:</b>				
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 - ending				

See Independent Auditors' Report and Notes to Financial Statements

<b>Net (Expense) Revenue and Changes in Net Position</b>		
<b>Government Activities</b>	<b>Business- Type Activities</b>	<b>Total</b>
\$ (120,611)	\$ -	\$ (120,611)
(445,610)	-	(445,610)
(115,277)	-	(115,277)
(295,012)	-	(295,012)
(4,905)	-	(4,905)
(5,779)	-	(5,779)
<u>(987,194)</u>	<u>-</u>	<u>(987,194)</u>
<u>-</u>	<u>(129,708)</u>	<u>(129,708)</u>
<u>-</u>	<u>(129,708)</u>	<u>(129,708)</u>
<u>(987,194)</u>	<u>(129,708)</u>	<u>(1,116,902)</u>
16,466	-	16,466
646,845	-	646,845
24,460	-	24,460
22,332	-	22,332
143,472	-	143,472
<u>(9,560)</u>	<u>9,560</u>	<u>-</u>
<u>844,015</u>	<u>9,560</u>	<u>853,575</u>
(143,179)	(120,148)	(263,327)
5,250,942	2,119,912	7,370,854
<u>\$ 5,107,763</u>	<u>\$ 1,999,764</u>	<u>\$ 7,107,527</u>

**STATE OF NEW MEXICO**  
**Town of Dexter**  
**Balance Sheet -**  
**Governmental Funds**  
**June 30, 2018**

Exhibit B-1  
Page 1 of 2

	<u>General Fund</u>	<u>Fire</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>Assets</b>				
Cash and cash equivalents	\$ 1,670,502	\$ 145,675	\$ 32,623	\$ 1,848,800
Property taxes receivable	1,374	-	-	1,374
Gross receipts receivable	46,728	-	-	46,728
Other taxes receivable	5,215	-	3,822.00	9,037
Other Receivables	62,139	-	-	62,139
<b>Total assets</b>	<u>\$ 1,785,958</u>	<u>\$ 145,675</u>	<u>\$ 36,445</u>	<u>\$ 1,968,078</u>
<b>Liabilities and fund balance</b>				
<b>Liabilities</b>				
Accounts payable	\$ 16,894	\$ -	\$ -	\$ 16,894
Accrued salaries and benefits	11,818	-	-	11,818
<b>Total liabilities</b>	<u>28,712</u>	<u>-</u>	<u>-</u>	<u>28,712</u>
<b>Fund balance</b>				
Restricted for:				
General government		-	-	-
Public safety	-	145,675	-	145,675
Public works	-	-	3,822	3,822
Capital projects	-	-	60	60
Health and welfare	-	-	32,563	32,563
Minimum fund balance	86,521	-	-	86,521
Unassigned	1,670,725	-	-	1,670,725
<b>Total fund balance</b>	<u>1,757,246</u>	<u>145,675</u>	<u>36,445</u>	<u>1,939,366</u>
<b>Total liabilities and fund balance</b>	<u>\$ 1,785,958</u>	<u>\$ 145,675</u>	<u>\$ 36,445</u>	<u>\$ 1,968,078</u>

See Independent Auditors' Report and Notes to Financial Statements



**STATE OF NEW MEXICO**  
**Town of Dexter**  
**Reconciliation of the Balance Sheet –**  
**Governmental Funds to the Statement of Net Position**  
**June 30, 2018**

Exhibit B-1  
Page 2 of 2

**Total Fund Balance - Governmental Funds** \$ 1,939,366

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 fund financial statements

Capital assets	8,734,043
Less: Accumulated depreciation	(4,740,825)

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	300,074
Deferred inflows related to pension	(139,085)

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	(19,163)
Net pension liability	(798,697)

<b>Total net position of governmental activities</b>	<b><u><u>\$ 5,107,763</u></u></b>
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**STATE OF NEW MEXICO**  
**Town of Dexter**  
**Statement of Revenues, Expenses, and Changes in Fund Balances**  
**Governmental Funds**  
**For the Year Ended June 30, 2018**

	<u>General Fund</u>	<u>Fire</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<b>Revenues</b>				
Property taxes	\$ 16,466	\$ -	\$ -	\$ 16,466
Gross receipt taxes	646,845	-	-	646,845
Franchise taxes	24,460	-	-	24,460
Gas tax	-	-	22,332	22,332
Charges for services	99,483	-	5,544	105,027
State operating grants	93,331	255,299	29,587	378,217
State capital grants	85,119	-	-	85,119
Miscellaneous income	135,661	-	7,811	143,472
<b>Total Revenues</b>	<u>1,101,365</u>	<u>255,299</u>	<u>65,274</u>	<u>1,421,938</u>
<b>Expenditures</b>				
Current:				
General government	299,809	-	-	299,809
Public safety	408,797	113,404	31,494	553,695
Public works	-	-	86,719	86,719
Culture and recreation	221,927	-	-	221,927
Health and welfare	-	-	3,688	3,688
Capital outlay	107,721	258,228	-	365,949
Debt service:				
Principal	-	39,178	-	39,178
Interest	-	5,779	-	5,779
<b>Total expenditures</b>	<u>1,038,254</u>	<u>416,589</u>	<u>121,901</u>	<u>1,576,744</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>63,111</u>	<u>(161,290)</u>	<u>(56,627)</u>	<u>(154,806)</u>
<b>Other financing sources (uses)</b>				
Transfers in	11,170	48,854	64,374	124,398
Transfers out	(130,321)	-	(3,637)	(133,958)
Issuance of long term debt	-	207,128	-	207,128
<b>Total other financing sources (uses)</b>	<u>(119,151)</u>	<u>255,982</u>	<u>60,737</u>	<u>197,568</u>
<b>Net change in fund balance</b>	<u>(56,040)</u>	<u>94,692</u>	<u>4,110</u>	<u>42,762</u>
Fund balance - beginning of year	1,813,286	50,983	32,335	1,896,604
<b>Fund balance - end of year</b>	<u>\$ 1,757,246</u>	<u>\$ 145,675</u>	<u>\$ 36,445</u>	<u>\$ 1,939,366</u>

See Independent Auditors' Report and Notes to Financial Statements

**Reconciliation of the Statement of Revenues, Expenses and Changes in Fund  
Balances - Governmental Funds to the Statement of Activities  
For the Year Ended June 30, 2018**

**Net Change in Fund Balance - Governmental Funds** **\$ 42,762**

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	365,949
Depreciation expense	(256,881)

Loss on disposal of worthless capital asset does not affect governmental funds financial resources. However in the statement of Activities the cost of a capital asset is netted against the assets accumulative depreciation resulting in a loss that is realized on the statement of Activities.

Loss on disposal of assets	(50,220)
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Governmental funds report Town pension contributions as expenditures. However in the statement of activities, the cost of pension benefits earned, net of employee contributions, is reported as pension expense:

Pension expense	(76,092)
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In the fund financial statements debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due. In the statement of activities these expenses are recorded when a liability is incurred, regardless of the timing of related cash flows

Net proceeds from debt issuance	(207,128)
Change in accrued compensated absences	(747)
Principal payments on bonds and notes payable	39,178

**Change in Net Position of Governmental Activities** **\$ (143,179)**

## 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, 2018**

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final	Non-GAAP Basis	Final to actual
<b>Revenues</b>				
<b>Taxes:</b>				
Property Taxes	\$ 10,973	\$ 10,973	\$ 16,494	\$ 5,521
Gross receipts	660,212	683,682	714,607	30,925
Gasoline and Motor vehicle	-	-	-	-
Other	-	-	-	-
Franchise tax	29,019	29,019	24,372	(4,647)
<b>Intergovernmental income:</b>				
State operating grants	93,574	93,574	93,331	(243)
State capital grants	142,800	142,800	22,980	(119,820)
Federal grants	-	-	-	-
Charges for services	65,513	65,513	99,483	33,970
License and fees	200	200	-	(200)
Investment income	-	-	-	-
Miscellaneous	73,499	73,499	135,661	62,162
<b>Total revenue</b>	<u>1,075,790</u>	<u>1,099,260</u>	<u>1,106,928</u>	<u>7,668</u>
<b>Expenditures</b>				
<b>Current</b>				
General government	364,645	364,645	291,852	72,793
Public safety	358,389	358,389	408,797	(50,408)
Public works	-	-	-	-
Culture and recreation	297,532	297,532	315,225	(17,693)
Capital outlay	14,423	14,423	14,423	-
<b>Total expenditures</b>	<u>1,034,989</u>	<u>1,034,989</u>	<u>1,030,297</u>	<u>4,692</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>40,801</u>	<u>64,271</u>	<u>76,631</u>	<u>12,360</u>
<b>Other financing resources (uses)</b>				
Designated cash (budgeted increase in cash)	(40,801)	(64,271)		
Transfers in	-	-	11,170	11,170
Transfers out	-	-	(130,321)	(130,321)
<b>Total other financing sources (uses)</b>	<u>-</u>	<u>-</u>	<u>(119,151)</u>	<u>(119,151)</u>
Net Change in fund balance	<u>(40,801)</u>	<u>(64,271)</u>	<u>(42,520)</u>	<u>(42,520)</u>
Fund balance - beginning of year			1,813,286	
<b>Fund balance - end of year</b>			<u>\$ 1,770,766</u>	
<b>Net change in fund balance (non-GAAP budgetary basis)</b>			(42,520)	
Adjustments to revenue for changes in receivable			11,813	
Adjustment to expenditures for changes in payables			(25,333)	
<b>Net Change in fund balance (GAAP basis)</b>			<u>\$ (56,040)</u>	

See Independent Auditors' Report and Notes to Financial Statements

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

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, 2018**

	Budgeted Amounts		Actual	Variance Favorable (Unfavorable)
	Original	Final	Non-GAAP Basis	Final to actual
<b>Revenues</b>				
<b>Taxes:</b>				
Property Taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and Motor vehicle	-	-	-	-
Other	-	-	-	-
Franchise tax	-	-	-	-
<b>Intergovernmental income:</b>				
State operating grants	262,022	262,022	255,299	(6,723)
State capital grants	-	-	-	-
Federal grants	-	-	-	-
Charges for services	-	-	-	-
License and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<b>Total revenue</b>	<b>262,022</b>	<b>262,022</b>	<b>255,299</b>	<b>(6,723)</b>
<b>Expenditures</b>				
<b>Current</b>				
General government	-	-	-	-
Public safety	180,000	185,833	209,461	(23,628)
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
<b>Total expenditures</b>	<b>180,000</b>	<b>185,833</b>	<b>209,461</b>	<b>(23,628)</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>82,022</b>	<b>76,189</b>	<b>45,838</b>	<b>(30,351)</b>
<b>Other financing resources (uses)</b>				
Designated cash (budgeted increase in cash)	(82,022)	(76,189)		
Transfers in	-	-	48,854	(48,854)
Transfers out	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>-</b>	<b>48,854</b>	<b>(48,854)</b>
Net Change in fund balance	<b>(82,022)</b>	<b>(76,189)</b>	<b>94,692</b>	<b>94,692</b>
Fund balance - beginning of year			50,983	
<b>Fund balance - end of year</b>			<b>\$ 145,675</b>	
<b>Net change in fund balance (non-GAAP budgetary basis)</b>			<b>94,692</b>	
Adjustments to revenue			-	
Adjustment to expenditures			-	
<b>Net Change in fund balance (GAAP basis)</b>			<b>\$ 94,692</b>	

See Independent Auditors' Report and Notes to Financial Statements

**STATE OF NEW MEXICO**  
**Town of Dexter**  
**Statement of Net Position**  
**Proprietary Funds**  
**June 30, 2018**

Exhibit D-1

	<b>Joint Utility</b>
<b>Assets</b>	
<b>Current Assets</b>	
Cash and cash equivalents	\$ 344,634
Restricted cash	54,742
Accounts receivable-customer	73,166
<b>Total current assets</b>	<b>472,542</b>
<b>Noncurrent assets</b>	
Capital assets	2,805,693
Less: Accumulated depreciation	(1,077,722)
<b>Total noncurrent assets</b>	<b>1,727,971</b>
<b>Deferred outflows of resources</b>	
Deferred outflows of resources related to pension	44,077
<b>Total deferred outflows</b>	<b>44,077</b>
<b>Total assets, and deferred outflows of resources</b>	<b>\$ 2,244,590</b>
<b>Liabilities, deferred inflows and net position</b>	
<b>Current Liabilities</b>	
Accounts payable	\$ 16,015
Accrued salaries and benefits	5,080
Compensated absences	5,272
<b>Total current liabilities</b>	<b>26,367</b>
<b>Noncurrent liabilities</b>	
Customer deposits	54,742
Compensated absences	11,795
Pension liability	129,475
<b>Total noncurrent liabilities</b>	<b>196,012</b>
<b>Total liabilities</b>	<b>222,379</b>
<b>Deferred inflows of resources</b>	
Deferred inflows of resources related to pension	22,447
<b>Total deferred inflows of resources</b>	<b>22,447</b>
<b>Net position</b>	
Net investment in capital asset	1,727,971
Unrestricted	271,793
<b>Total net position</b>	<b>1,999,764</b>
<b>Total liabilities, deferred inflows of resources and net position</b>	<b>\$ 2,244,590</b>

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, 2018**

	<b>Joint Utility</b>
<b>Operating revenues:</b>	
Charges for services	\$ 603,777
<b>Total operating revenues</b>	<b>603,777</b>
<b>Operating expenses:</b>	
Depreciation and amortization	74,341
Personnel services	252,704
Contractual services	170,802
Supplies	48,758
Maintenance and materials	55,338
Utilities	48,369
Miscellaneous	67,581
<b>Total operating expense</b>	<b>717,893</b>
<b>Operating income (loss)</b>	<b>(114,116)</b>
<b>Non-operating revenues (expense):</b>	
State capital grants	-
Loss on disposal of capital assets	(15,592)
<b>Total non-operating revenues (expense)</b>	<b>(15,592)</b>
<b>Income (loss) before contributions and transfers</b>	<b>(129,708)</b>
Transfers in	17,093
Transfers out	(7,533)
<b>Total contributions and transfers</b>	<b>9,560</b>
<b>Change in Net Position</b>	<b>(120,148)</b>
Net Position - beginning of the year	2,119,912
<b>Net Position - end of the year</b>	<b>\$ 1,999,764</b>

**STATE OF NEW MEXICO  
Town of Dexter  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2018**

Exhibit D-3

	<b>Joint Utility</b>
<b>Cash flow from operating activities:</b>	
Cash received from customers	\$ 604,397
Cash payments to employees for services	(241,376)
Cash payments to suppliers for goods and services	(387,096)
<b>Net cash provided buy operating activities</b>	<b>(24,075)</b>
<b>Cash flow from noncapital financing activities:</b>	
Governmental contributions	76,433
Transfers	9,560
<b>Net cash flows provided by noncapital financing activities</b>	<b>85,993</b>
Net increase (decrease) in cash and cash equivalents	61,918
Cash & cash equivalents - beginning of year	337,458
<b>Cash &amp; cash equivalents - end of year</b>	<b>\$ 399,376</b>
<b>Reconciliation of operating income (loss to net cash provided (used) by operating activities</b>	
Operating income (loss)	\$ (114,116)
<b>Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities</b>	
Depreciation	74,341
Pension Expense	12,387
<b>Changes in assets &amp; liabilities:</b>	
Receivables	(2,625)
Accounts payable	3,752
Accrued salaries and benefits	(1,502)
Compensated absences	443
Customer deposits	3,245
<b>Net cash provided (used) by operating activities</b>	<b>\$ (24,075)</b>

See Independent Auditors' Report and Notes to Financial Statements



**STATE OF NEW MEXICO**  
**Town of Dexter**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2018**

**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, 2018**

**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.

**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 is reported in three parts-net investment in capital assets; restricted net position; and unrestricted net position.

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

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

**STATE OF NEW MEXICO**  
**Town of Dexter**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2018**

**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 non-operating items. Operating revenues include activities that have the characteristics of an exchange transaction, such as a) sales and services and b) contracts and grants. Non-operating revenues include activities that have the characteristics of non-exchange 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, 2018**

**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. Non-operating expenses include activities that have the characteristics of non-exchange transactions, such as interest on capital assets-related debt that are defined as non-operating expenses by GASB Statement No. 9, Reporting Cash Flows of Proprietary and Non-expendable 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 non-operating revenues and expenses.

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

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 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, 2018**

**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 1st 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.

**STATE OF NEW MEXICO**  
**Town of Dexter**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2018**

**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, 2017 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, 2018, 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, 2018.

**STATE OF NEW MEXICO**  
**Town of Dexter**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2018**

**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 deferred outflows of \$344,151 at June 30, 2018. 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 deferred inflows of \$161,532 at June 30, 2018. 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, 2018**

**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 48 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, 2018, along with applicable PERA.

**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, 2018**

**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 amounts 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.

Minimum Fund Balance Policy: The Town's policy for maintaining a minimum amount of fund balance for operations is to minimize any sudden and unplanned discontinuity to programs and operations and for unforeseen contingencies. At a minimum, the budget shall ensure that the Town holds cash reserves of 1/12th the General Fund expenditures for the upcoming budget year. The Town has presented restricted fund balance on the governmental funds balance sheet in the amount of \$86,521 to meet minimum fund balance requirements for the General Fund

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, 2018**

**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 as the legal level of budgetary control is at the fund level.

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

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, and Capital Projects Funds. The Town is required to balance its budgets each year. Accordingly, amounts that are in excess or deficient are presented as changes in cash designated for expenditures, not as an excess or deficiency of revenues over expenditures. The Town Council may approve amendments to the appropriated budget, which are required when a change is made affecting budgeted ending fund balance.

The accompanying Statements of Revenues, Expenditures, and Changes in Fund Balance – Budget (non-GAAP Budgetary Basis) and Actual presents 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, 2018 is presented as part of the budgetary statements.

**NOTE 3. Cash and Cash Equivalents**

State statutes authorize the investment of Town funds in a wide variety of instruments including certificates of deposit and other similar obligations, the state investment pool, money market accounts, and United States Government obligations. The Town is not aware of any invested funds that did not meet the State investment requirements as of June 30, 2018.

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.

**STATE OF NEW MEXICO**  
**Town of Dexter**  
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**For the Year Ended June 30, 2018**

**NOTE 3. Cash and Cash Equivalents (continued)**

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 time deposits, savings deposits, and interest bearing NOW accounts of a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution.

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, 2018, \$2,006,328 of the Town's bank balance of \$2,288,891 was exposed to custodial credit risk. \$1,211,282 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 \$795,146 was uninsured and uncollateralized at June 30, 2018.

	Wells Fargo	My Bank	Total
Deposits	\$ 2,256,328	\$ 32,563	2,288,891
Less: FDIC Coverage	(250,000)	(32,563)	(282,563)
Total uninsured public funds	<u>2,006,328</u>	<u>-</u>	<u>2,006,328</u>
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the City's name	<u>1,211,182</u>	<u>-</u>	<u>1,211,182</u>
Uninsured and uncollateralized	<u>795,146</u>	<u>-</u>	<u>795,146</u>
Collateral requirements (50% of uninsured funds)	1,003,164	-	1,003,164
Pledged Collateral	<u>1,211,182</u>	<u>-</u>	<u>1,211,182</u>
Over (under) collateralized	<u>\$ 208,018</u>	<u>\$ -</u>	<u>\$ 208,018</u>

**STATE OF NEW MEXICO**  
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**NOTE 3. Cash and Cash Equivalents (continued)**

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	\$ 1,848,800
Cash and cash equivalents - Business-type Activities Exhibit A-1	344,634
Restricted Cash - Business-type Activities Exhibit A-1	54,742
Total cash and cash equivalents	2,248,176
Add: Outstanding checks	40,815
Less: Petty Cash	(100)
Bank balance of deposits	\$ 2,288,891

**NOTE 4. Accounts and Taxes Receivable**

Receivables as of June 30, 2017 are as follows:

	<b>Governmental Funds</b>	<b>Proprietary Funds</b>
Property taxes	\$ 1,374	\$ -
Gross receipts taxes	46,728	-
Gas tax	3,822	-
Franchise Tax	5,215	
<b>Other receivables:</b>		
Grants receivable	62,139	-
Customer Receivables, net	-	73,166
Total Receivables, Net	\$ 119,278	\$ 73,166

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 \$4,111.

**STATE OF NEW MEXICO**  
**Town of Dexter**  
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**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, 2018 were as follows:

<u>Transfers From</u>	<u>Transfers To</u>	<u>Amount</u>
General Fund	Joint Utility	17,093
General Fund	Fire	48,854
General Fund	Streets Gas Tax	64,374
Corrections	General Fund	3,637
Joint Utility	General Fund	7,533
Total		<u>141,491</u>

**NOTE 6. Capital Assets**

A summary of capital assets and changes occurring during the year ended June 30, 2018 follows (land and construction in progress are not subject to depreciation):

<b>Governmental Activities:</b>	<u>Balance June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2018</u>
Capital assets not being depreciated:				
Land	\$ 68,000	\$ -	\$ -	\$ 68,000
Total capital assets, not depreciated	<u>68,000</u>	<u>-</u>	<u>-</u>	<u>68,000</u>
Capital assets depreciated:				
Buildings and improvements	2,347,908	-	(21,553)	2,326,355
Infrastructure	3,790,155	-	-	3,790,155
Machinery and equipment	2,438,666	365,949	(255,082)	2,549,533
Total capital assets, depreciated	<u>8,576,729</u>	<u>365,949</u>	<u>(276,635)</u>	<u>8,666,043</u>
Less accumulated depreciation:				
Buildings and improvements	1,194,188	50,667	(6,578)	1,238,277
Infrastructure	1,888,703	83,768	-	1,972,471
Machinery and equipment	1,627,477	122,447	(219,847)	1,530,077
Total accumulated depreciation	<u>4,710,368</u>	<u>\$ 256,882</u>	<u>\$ (226,425)</u>	<u>4,740,825</u>
Capital Assets, Net	<u>\$ 3,934,361</u>			<u>\$ 3,993,218</u>

Depreciation expense for the year ended June 30, 2018 was charged to governmental activities as follows:

General Government	\$ 66,059
Public Safety	122,001
Public Works	19,108
Culture and Recreation	48,899
Health and Welfare	812
Total depreciation expense, governmental activities	<u>\$ 256,879</u>

**STATE OF NEW MEXICO**  
**Town of Dexter**  
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**NOTE 6. Capital Assets (continued)**

<b>Business-type activities:</b>	<b>Balance June 30, 2017</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2018</b>
Capital assets not depreciated:				
Land	\$ 26,000	\$ -	\$ -	\$ 26,000
Total capital assets not depreciated	<u>26,000</u>	<u>-</u>	<u>-</u>	<u>26,000</u>
Capital asset depreciated:				
Buildings	2,407,507	-	(37,965)	2,369,542
Machinery and equipment	411,351	-	(1,200)	410,151
Total capital assets, depreciated	<u>2,818,858</u>	<u>-</u>	<u>(39,165)</u>	<u>2,779,693</u>
Less accumulated depreciation:				
Machinery and equipment	292,555	51,331	(22,373)	321,513
Buildings	734,399	23,010	(1,200)	756,209
Total accumulated depreciation	<u>1,026,954</u>	<u>74,341</u>	<u>(23,573)</u>	<u>1,077,722</u>
Capital Assets, Net	<u>\$ 1,817,904</u>			<u>\$ 1,727,971</u>

**NOTE 7. Long-term Debt**

**Governmental Activities**

During the year ended June 30, 2018, the following changes occurred in the long term debt reported in the Government-Wide Statement of Net Position:

	<b>Balance June 30, 2017</b>	<b>Additions</b>	<b>Retirements</b>	<b>Balance June 30, 2018</b>	<b>Due Within One Year</b>
Type 5 Fire Truck	\$ -	\$ 207,128	\$ 39,178	\$ 167,950	\$ 40,271
Compensated absences	18,406	5,466	4,709	19,163	4,709
Total long term debt	<u>\$ 18,406</u>	<u>\$ 212,594</u>	<u>\$ 43,887</u>	<u>\$ 187,113</u>	<u>\$ 44,980</u>

**Type 5 Fire Truck** – In FY 2018 the Town purchased a Type 5 Fire Truck, with terms running through November 11, 2021, with a total amount financed of \$207,128. This vehicle is to be used for Fire protection Services for the Town.

The future obligations to amortize the debt service on the Towns fire truck are as follows:

<b>Fiscal Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2019	\$ 40,271	\$ 4,686	\$ 44,957
2020	41,394	3,562	44,956
2021	42,549	2,407	44,956
2022	43,736	1,220	44,956
	<u>\$ 167,950</u>	<u>\$ 11,875</u>	<u>\$ 179,825</u>

**STATE OF NEW MEXICO**  
**Town of Dexter**  
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**NOTE 7. Long-term Debt**

**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 in Governmental Activities compensated absences increased \$757 from the prior year accrual. Typically compensated absences are paid out of the general fund.

**Business-Type Activities**

The proprietary funds have incurred various forms of debt which were used for the purposes of constructing, expanding, repairing and making improvements to its property, plant and equipment. The following schedule shows the changes to its various forms of debt during the fiscal year ended June 30, 2018:

	<u>Balance June 30,</u> <u>2017</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance June 30,</u> <u>2018</u>	<u>Due Within</u> <u>One Year</u>
Compensated absences	16,624	5,715	5,272	17,067	5,272
Total long term debt	<u>\$ 16,624</u>	<u>\$ 5,715</u>	<u>\$ 5,272</u>	<u>\$ 17,067</u>	<u>\$ 5,272</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 in Business-type funds compensated absences increased \$443 from the prior year accrual. This liability is liquidated by the Joint Utility.

**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, 2018, 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.

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.

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**Town of Dexter**  
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**For the Year Ended June 30, 2018**

**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, 2017:

**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 fiscal year 2017 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures in the PERA FY17 annual audit report at:

[http://osanm.org/media/audits/366\\_Public\\_Employees\\_Retirement\\_Association\\_2017.pdf](http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_2017.pdf).



**STATE OF NEW MEXICO**  
**Town of Dexter**  
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**NOTE 9. Pension Plan- Public Employees Retirement Association (continued)**

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 \$62,606 for the year ended June 30, 2018. The Town did not pick up any portion of the employees contributions.

Contributions. See PERA's comprehensive annual financial report for contributions provided descriptions:

<b>PERA Contribution Rates and Pension Factors as of July 1, 2017</b>						
Coverage Plan	Employee Contribution		Employer Contribution Percentage	Pension Factor per		Pension Maximum as a Percentage of the Final Average
	Annual Salary less than \$20,000	Annual Salary greater than \$20,000		TIER 1	TIER 2	
<b>STATE PLAN</b>						
State Plan 3	7.42%	8.92%	16.99%	3.0%	2.5%	90%
<b>MUNICIPAL PLANS 1 - 4</b>						
Municipal Plan 1 (plan open to new employers)	7.0%	8.5%	7.4%	2.0%	2.0%	90%
Municipal Plan 2 (plan open to new employers)	9.15%	10.65%	9.55%	2.5%	2.0%	90%
Municipal Plan 3 (plan closed to new employers 6/95)	13.15%	14.65%	9.55%	3.0%	2.5%	90%
Municipal Plan 4 (plan closed to new employers 6/00)	15.65%	17.15%	12.05%	3.0%	2.5%	90%
<b>MUNICIPAL POLICE PLANS 1 - 5</b>						
Municipal Police Plan 1	7.0%	8.5%	10.40%	2.0%	2.0%	90%
Municipal Police Plan 2	7.0%	8.5%	15.40%	2.5%	2.0%	90%
Municipal Police Plan 3	7.0%	8.5%	18.90%	2.5%	2.0%	90%
Municipal Police Plan 4	12.35%	13.85%	18.90%	3.0%	2.5%	90%
Municipal Police Plan 5	16.3%	17.8%	18.90%	3.5%	3.0%	90%
<b>MUNICIPAL FIRE PLANS 1 - 5</b>						
Municipal Fire Plan 1	8.0%	9.5%	11.40%	2.0%	2.0%	90%
Municipal Fire Plan 2	8.0%	9.5%	17.9%	2.5%	2.0%	90%
Municipal Fire Plan 3	8.0%	9.5%	21.65%	2.5%	2.0%	90%
Municipal Fire Plan 4	12.8%	14.3%	21.65%	3.0%	2.5%	90%
Municipal Fire Plan 5	16.2%	17.7%	21.65%	3.5%	3.0%	90%
<b>MUNICIPAL DETENTION OFFICER PLAN 1</b>						
Municipal Detention Officer Plan 1	16.65%	18.15%	17.05%	3.0%	3.0%	90%
<b>STATE POLICE AND ADULT CORRECTIONAL OFFICER PLANS, ETC.</b>						
State Police and Adult Correctional Officer Plan 1	7.6%	9.1%	25.50%	3.0%	3.0%	90%
State Plan 3 - Peace Officer	7.42%	8.92%	16.99%	3.0%	3.0%	90%
Juvenile Correctional Officer Plan 2	4.78%	6.28%	26.12%	3.0%	3.0%	90%

**STATE OF NEW MEXICO**  
**Town of Dexter**  
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**For the Year Ended June 30, 2018**

**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, 2017. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2017, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2017.

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, 2017. Only employer contributions for the pay period end dates that fell within the period of July 1, 2016 to June 30, 2017 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to fiscal year 2017 are included in the total contribution amounts. In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

For PERA Fund Division Municipal General, at June 30, 2018, the Town reported a liability of \$402,607 for its proportionate share of the net pension liability. At June 30, 2018, the Town's proportion was .0293%, which was changed slightly from its proportion measured as of June 30, 2017.

**STATE OF NEW MEXICO**  
**Town of Dexter**  
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**NOTE 9. Pension Plan- Public Employees Retirement Association (continued)**

For the year ended June 30, 2018, the Town recognized PERA Fund Division Municipal General Pension expense of \$34,879. At June 30, 2018, the Town reported PERA Fund Division Municipal General deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ 15,820	\$ 20,621
Changes of assumptions	18,566	4,160
Net difference between projected and actual earnings on pension plan investments	33,031	-
Changes in proportion and differences between Town's contributions and proportionate share of contributions	46,560	-
Town's contributions subsequent to the measurement date	<u>20,197</u>	<u>-</u>
Total	<u><u>134,174</u></u>	<u><u>24,781</u></u>

\$20,197 reported as deferred outflows of resources related to pensions resulting from the Town contributions subsequent to the measurement date June 30, 2017 will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. 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>
2019	33,716
2020	52,549
2021	12,584
2022	(9,653)
Thereafter	<u>-</u>
Total	<u><u>\$ 89,196</u></u>

For PERA Fund Division Municipal Police, at June 30, 2017, the Town reported a liability of \$525,565 for its proportionate share of the net pension liability. At June 30, 2018, the Town's proportion was .0946%, which was changed slightly from its proportion measured as of June 30, 2017.

**STATE OF NEW MEXICO**  
**Town of Dexter**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2018**

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

For the year ended June 30, 2018, the Town recognized PERA Fund Division Municipal Police pension expense of \$50,100. At June 30, 2018, the Town reported PERA Fund Division Municipal Police 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	\$ 31,921	\$ 98,197
Changes of assumptions	31,269	12,221
Net difference between projected and actual earnings on pension plan investments	43,327	-
Changes in proportion and differences between Town's contributions and proportionate share of contributions	61,472	26,333
Town's contributions subsequent to the measurement date	42,988	-
Total	<u>210,977</u>	<u>136,751</u>

\$42,988 reported as deferred outflows of resources related to pensions resulting from the Town's contributions subsequent to the measurement date June 30, 2017 will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. 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>
2019	15,946
2020	30,815
2021	(4,147)
2022	(12,376)
Thereafter	-
Total	<u>\$ 30,238</u>

**Actuarial Assumptions:** The total pension liability at June 30, 2018 was determined using the following actuarial assumptions:

Actuarial valuation date	June 30, 2017
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay, Open
Asset valuation method	4 year smoothed market value
Actuarial assumptions:	Fair value
Investment rate of return	7.51% annual rate, net of investment expense
Projected benefit payment	100 years
Payroll growth	2.75-3.25% annual rate
Projected salary increases	2.75% to 14.00% annual rate
Includes inflation at	2.25%-2.75% annual rate
Mortality assumption	RP-2000 Mortality Tables
Experience study dates	July 1, 2010 through June 30, 2016

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**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>
Global Equity	43.5%	7.39%
Risk Reduction	21.5%	1.79%
Credit Oriented	15.0%	5.77%
Real Assets	20.0%	4.15%
Total	100%	

**Discount rate**

The discount rate used to measure the total pension liability was 7.51%. 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 7.51% 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 (6.51%) or one percentage point higher (8.51%) than the single discount rate.

<u>PERA Fund Division Municipal Government</u>	<u>1% Decrease (6.51%)</u>	<u>Current Discount Rate (7.51%)</u>	<u>1% Increase (8.51%)</u>
Town's proportionate share of the net pension liability	\$ 631,018	\$ 402,607	\$ 212,651

  

<u>PERA Fund Division Municipal Police</u>	<u>1% Decrease (6.51%)</u>	<u>Current Discount Rate (7.51%)</u>	<u>1% Increase (8.51%)</u>
Town's proportionate share of the net pension liability	\$ 838,131	\$ 525,565	\$ 269,059

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**For the Year Ended June 30, 2018**

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

**Pension plan fiduciary net position:** Detailed information about the pension plan’s fiduciary net position is available in the separately issued FY17 Restated PERA financial report. The report is available at <http://www.pera.state.nm.us/publications.html>.

**NOTE 10. Subsequent Events**

The date to which events occurring after June 30, 2018, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosures is November 30, 2018, 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 \$268,641 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)	\$ 15,370
Frazier Oil & Gas	Council Member - Thomas Mirles (Manager)	\$ 13,873

**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, 2018:

<u>Fund</u>	<u>Amount</u>
Fire Fund	\$ 23,628

**NOTE 15. GASB 77 Disclosures (Tax Abatements)**

Management and Governance of the Town are not aware of any tax abatement agreements that existed as of June 30, 2018.

**STATE OF NEW MEXICO**  
**Town of Dexter**  
**Notes to the Financial Statements**  
**For the Year Ended June 30, 2018**

**NOTE 16. Joint Power agreements**

**Emergency Services**

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	Indefinite
Amount of project	Unknown
City contributions	Unknown
Audit responsibility	Town of Dexter Chaves County

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**REQUIRED SUPPLEMENTARY INFORMATION**

**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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Town's proportion of the net pension liability (asset)	0.02930%	0.02680%	0.0499%	0.0210%
Town's proportionate share of the net pension liability (asset)	\$ 402,607	\$ 428,173	\$ 240,622	\$ 163,823
Town's covered-employee payroll	\$ 230,142	\$ 222,073	\$ 198,888	\$ 169,900
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	174.94%	192.81%	120.98%	96.42%
Plan fiduciary net position as a percentage of the total pension liability	73.74%	68.99%	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.

**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>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Town's proportion of the net pension liability (asset)	0.0946%	0.0840%	0.0913%	0.0807%
Town's proportionate share of the net pension liability (asset)	\$ 525,565	\$ 619,777	\$ 456,813	\$ 263,073
Town's covered-employee payroll	\$ 231,425	\$ 217,898	\$ 197,523	\$ 155,665
Town's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	227.10%	284.43%	231.27%	169.00%
Plan fiduciary net position as a percentage of the total pension liability	73.74%	68.99%	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 General**  
**Last 10 Years\***

**MUNICIPAL GENERAL FUND**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 19,677	\$ 18,987	\$ 19,001	\$ 18,687
Contributions in relation to the contractually required contribution	\$ 20,197	\$ 18,991	19,001	18,687
Contribution deficiency (excess)	\$ (520)	\$ (4)	\$ -	\$ -
Town's covered-employee payroll	\$ 230,142	\$ 222,073	\$ 198,888	\$ 169,900
Contributions as a percentage of covered-employee payroll	8.78%	8.55%	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**  
**Schedules of Contributions**  
**Public Employees Retirement Association (PERA) Plan**  
**PERA Fund Division - Municipal Police**  
**Last 10 Years\***

**MUNICIPAL POLICE FUND**

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 42,929	\$ 40,420	\$ 36,641	\$ 35,201
Contributions in relation to the contractually required contribution	\$ 42,988	\$ 40,420	\$ 63,443	\$ 35,201
Contribution deficiency (excess)	\$ (59)	\$ 0	\$ (26,802)	\$ -
Town's covered-employee payroll	\$ 231,425	\$ 217,898	\$ 197,523	\$ 155,665
Contributions as a percentage of covered-employee payroll	18.58%	18.55%	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**  
**Notes to the Schedule of Required Supplementary Information (PERA)**  
**For the Year Ended June 30, 2018**

**Changes of benefit terms.**

The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY17 audit available at:

[http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366\\_Public\\_Employees\\_Retirement\\_Association\\_2017.pdf](http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2017.pdf).

**Changes of assumptions**

Change in assumptions: The PERA salary scale, inflation and payroll assumptions were updated to reflect assumptions used in the PERA June 30, 2016 pension valuation. Assumptions including the following were updated: Per capita costs, future trend for health costs and medical election assumptions..

The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2017 report is available at [http://www.pera.state.nm.us/pdf/Investments/RetirementFundValuationReports/6-30-2017%20PERA%20Valuation%20Report\\_FINAL.pdf](http://www.pera.state.nm.us/pdf/Investments/RetirementFundValuationReports/6-30-2017%20PERA%20Valuation%20Report_FINAL.pdf).

## **SUPPLEMENTARY INFORMATION**

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**STATE OF NEW MEXICO**  
**Town of Dexter**  
**Nonmajor Fund Description**  
**June 30, 2018**

**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 (EMS)** - 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** - is used 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.

**Health Clinic** - To account for the receipts and expenditures related to the Towns 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.

**CDBG** - to account for federal capital grants which were used to make capital improvements to the Town's Joint Utility. This fund was created under the authority of the federal grant.

**STATE OF NEW MEXICO**  
**Town of Dexter**  
**Combining Balance Sheet**  
**Nonmajor Governmental Funds**  
**June 30, 2018**

**Special Revenue Funds**

	<u>Corrections</u>	<u>EMS</u>	<u>Law Enforcement</u>	<u>Street Gas Tax</u>	<u>Health Clinic</u>
<b>Assets</b>					
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -	\$ 32,563
Other taxes receivable	-	-	-	3,822	-
<b>Total assets</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,822</u>	<u>\$ 32,563</u>
<b>Receivable</b>					
<b>Liabilities</b>					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
<b>Total liabilities</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<b>Fund balance</b>					
Restricted for:					
Public works	-	-	-	3,822	-
Capital projects	-	-	-	-	-
Health and welfare	-	-	-	-	32,563
<b>Total fund balance</b>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,822</u>	<u>32,563</u>
<b>Total liabilities and fund balance</b>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,822</u>	<u>\$ 32,563</u>

See Independent Auditors' Report and Notes to Financial Statements

<u>Capital Projects</u>		
<u>CDBG</u>		<u>Total Other Governmental Funds</u>
\$ 60		\$ 32,623
-		3,822
<u>\$ 60</u>		<u>\$ 36,445</u>
\$ -		\$ -
<u>-</u>		<u>-</u>
-		3,822
60		60
-		32,563
<u>60</u>		<u>\$ 36,445</u>
<u>\$ 60</u>		<u>\$ 36,445</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, 2018**

	<b>Special Revenue</b>				
	<b>Corrections</b>	<b>EMS</b>	<b>Law Enforcement</b>	<b>Street Gas Tax</b>	<b>Health Clinic</b>
<b>Revenues</b>					
Gas tax	\$ -	\$ -	\$ -	\$ 22,332	\$ -
Charges for services	5,544	-	-	-	-
State operating grants	-	7,187	22,400	-	-
Miscellaneous income	-	-	-	-	7,811
<b>Total revenue</b>	<b>5,544</b>	<b>7,187</b>	<b>22,400</b>	<b>22,332</b>	<b>7,811</b>
<b>Expenditures</b>					
Current:					
Public safety	1,907	7,187	22,400	-	-
Public works	-	-	-	86,719	-
Health and welfare	-	-	-	-	3,688
<b>Total expenditures</b>	<b>1,907</b>	<b>7,187</b>	<b>22,400</b>	<b>86,719</b>	<b>3,688</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>3,637</b>	<b>-</b>	<b>-</b>	<b>(64,387)</b>	<b>4,123</b>
<b>Other financing sources (uses)</b>					
Transfer in	-	-	-	64,374	-
Transfer out	(3,637)	-	-	-	-
<b>Total other financing sources (uses)</b>	<b>(3,637)</b>	<b>-</b>	<b>-</b>	<b>64,374</b>	<b>-</b>
Net change in fund balance	-	-	-	(13)	4,123
Fund balance - beginning of year	-	-	-	3,835	28,440
<b>Fund balance - end of year</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 3,822</b>	<b>\$ 32,563</b>

See Independent Auditors' Report and Notes to Financial Statements

<u>Capital Projects</u>			
<u>CDBG</u>		<u>Total Other Governmental Funds</u>	
\$	-	\$	22,332
	-		5,544
	-		29,587
	-		7,811
	-		65,274
	-		31,494
	-		86,719
	-		3,688
	-		121,901
	-		(56,627)
	-		64,374
	-		(3,637)
	-		60,737
	-		4,110
	60		32,335
\$	60	\$	36,445

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## **SUPPORTING SCHEDULES**

**STATE OF NEW MEXICO  
Town of Dexter  
Schedule of Deposits  
June 30, 2018**

Schedule III

<u>Account Name</u>	<u>Bank Balance</u>	<u>Deposits in Transit</u>	<u>Outstanding Checks</u>	<u>Book Balance</u>
<b>Wells Fargo:</b>				
General	\$ 1,702,595		\$ 30,569	\$ 1,672,026
Utility	352,853		8,219	344,634
JUSGI	10,715		-	10,715
Cash Reserve	98,633		-	98,633
Repair	34,703		-	34,703
CDBG	2,087		2,027	60
Meter Deposit	54,742		-	54,742
<b>My Bank:</b>				
Health Clinic	32,563		-	32,563
<b>Total Deposits</b>	<b><u>\$ 2,288,891</u></b>	<b><u>\$ -</u></b>	<b><u>\$ 40,815</u></b>	<b><u>\$ 2,248,076</u></b>
			Petty cash	<u>100</u>
			Total cash & cash equivalents	<u>2,248,176</u>
			Cash and cash equivalents - Exhibit A-1	2,193,434
			Restricted cash - Exhibit A-1	<u>54,742</u>
			Total cash & cash equivalents	<u>\$ 2,248,176</u>

See Independent Auditors' Report



**STATE OF NEW MEXICO**  
**Town of Dexter**  
**Schedule of Collateral Pledged by Depository**  
**June 30, 2018**

Schedule IV

<u>Name of Depository</u>	<u>Description of Pledged Collateral</u>	<u>Maturity</u>	<u>CUSIP Number</u>	<u>FMV Value at June 30, 2018</u>
Wells Fargo	FNMA	3/1/2041	31374CNU6	\$ 228,284
Wells Fargo	FNMA	2/1/2042	3138E7VC5	25,298
Wells Fargo	FNMA	5/1/2046	3140F4KG0	953,764
Wells Fargo	FNMA	7/1/2042	31417CLM5	3,836
				\$ 1,211,182

See Independent Auditors' Report

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## **COMPLIANCE SECTION**



Auditors~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*

Wayne Johnson  
New Mexico State Auditor and  
The Town Council  
Town of Dexter  
Dexter, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information and the budgetary comparisons of the general fund and major special revenue funds of the Town of Dexter (the Town), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the Town's, basic financial statements and have issued our report thereon dated November 30, 2018.

**Internal Control over Financial Reporting**

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

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

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

*A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany schedule of findings and responses to be significant deficiencies (FS 2015-001)

**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 responses as item FS 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 it.

### **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

November 30, 2018

**STATE OF NEW MEXICO  
Town of Dexter  
Schedule of Findings and Responses  
June 30, 2018**

**SECTION I - SUMMARY OF AUDIT RESULTS**

***Financials Statements:***

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

**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 / Fund Accounting (Material Weakness) Repeated/Modified

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, 2018**

**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 or 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 performed manually and are subject to error.
- The Town's capital asset listing is not tracked using an accounting system to automatically record and track additions, deletions, and depreciation
- No formal policies and procedures exist
- The Town's ability to detect errors or fraud in the accounting software are not adequately designed in relation to the size of the Town
- The Town is unable to adequately track restricted resources in the financial management system (FMS) used by the Town.

The above issues were noted in the Town's prior year's audit and the Town has not taken the appropriate steps to correct these issues.

**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, there is a high risk that errors and fraud will not be prevented or detected in a timely manner.

**Cause:** The Town's financial accounting system is maintained in an excel document. There are no documented policies and procedures that address this inherent weakness to the Town, and there have been no mitigating controls implemented to address the risk.

**Auditors' Recommendations:** We recommend the Town obtain and be trained in using a financial management system (FMS) that is adequate for fund accounting and depreciating capital assets. We recommend the Town develop policies and procedures that address the Town's inherent weaknesses, and implement mitigating controls.

**Management's response:** The Town is in the process of converting to a computerized financial management system.

**Managements Progress:** None

**STATE OF NEW MEXICO**  
**Town of Dexter**  
**Schedule of Findings and Responses**  
**June 30, 2018**

**Responsible Official:** Town Council

**Timeline:** Fiscal year 2020.

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

**Condition:** For the year ended June 30, 2018, the Town's cash did not tie to the report submitted to the Department of Finance and Administration. The Town's cash was understated on the DFA report by \$196,190. Further, the Town's financial management system in excel reported differences in cash balances in special revenue funds reported to the DFA and balances in every fund in the FMS. This was an issue in the prior year's audit and management has not made any progress at correction the issue.

**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 not properly reconciling cash balances that are reported to DFA.

**Auditors' Recommendations:** We recommend the Town obtain an adequate fund accounting software that is designed for fund accounting that will allow the Town to track cash balances per fund, and properly report cash balances to the DFA. Further, bank reconciliations should be reconciled to cash balances reported to the DFA.

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

**Managements Progress:** Management will schedule training with the DFA Special Director to conduct training on the issue, the Town hopes to have a DFA official assist with the corrections in 2019. Training was planned in 2018 but did not occur.

**Responsible Official:** Town Council

**Timeline:** Fiscal year 2019



**STATE OF NEW MEXICO**  
**Town of Dexter**  
**Schedule of Findings and Responses**  
**June 30, 2018**

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

**Condition:** The Town does not properly track restricted revenues and cash balances. The Town reported various transfers from special revenue funds to other funds due to restricted revenue sources and cash balances not adequately being tracked for their restricted purpose. This was an issue in the prior year's audit and the Town has not taken the appropriate steps to correct the issue.

**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. Further special revenue funds are an account established by a government to collect money that must be used for a specific project. Special revenue funds provide an extra level of accountability and transparency to taxpayers that their tax dollars will go toward an intended purpose.

**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, the Town is at risk in regards to external granting agencies reducing funding due to their inadequate controls over restricted cash.

**Cause:** Management does not have an adequate financial management system to track revenues, expenses, and accumulated restricted cash.

**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 that meets the needs of the Town.

**Management's response:** Management is currently looking into various financial management systems that are designed for fund accounting.

**Managements Progress:** None

**Responsible Official:** Town Council

**Timeline:** Fiscal Year 2019

**STATE OF NEW MEXICO  
Town of Dexter  
Schedule of Findings and Responses  
June 30, 2018**

**FS 2015-006 Expenditures in Excess of Budget (Other Non-compliance)  
Repeated/Modified**

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

Fund	Amount
Fire Fund	\$ 23,628

This was a finding in the previous years audit report and the Town did not take appropriate corrective action during the year.

**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.

**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.

**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.

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

**Managements Progress:** None

**Responsible Official:** Town Clerk

**Timeline:** Fiscal year 2019

**STATE OF NEW MEXICO  
Town of Dexter  
Exit Conference  
June 30, 2018**

**Exit Conference**

An exit conference was held on November 30, 2018. In attendance were the following:

Mitch Daubert  
Ruby Parks

Mayor  
Town Clerk/Treasurer

Representing Southwest Accounting Solutions, LLC:

Robert Peixotto, CPA

Managing Member

**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.