

City of Portales
State of New Mexico



Audited Financial Statements
and Supplemental Information

June 30, 2007

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City of Portales

Official Roster June 30, 2007

City Council

Orlando Ortega, Jr	Mayor
Donald K. Shafer	Councilor, Mayor Pro-Tem
Alfredo Bachicha	Councilor
Robert De Los Santos	Councilor
Ronald Jackson	Councilor
Jake Lopez	Councilor
Michael Miller	Councilor
Dianne Parker	Councilor
Gary Watkins	Councilor

Administrative Officials

Debi Lee	City Manager
Marilyn Rapp	Trésasurer
Joan Martinez-Terry	City Clerk



FINANCIAL SECTION



JW Anderson & Associates, PC

Certified Public Accountants

Coppertree Office Park
4412 74th Street, Suite F-101
PO Box 6785
Lubbock, Texas 79493-6785
Office (806) 771-4000
Fax (806) 771-4005

INDEPENDENT AUDITORS' REPORT

Hector Balderas, State Auditor
State of New Mexico, and
Honorably Mayor and
Members of City Council
City of Portales
Portales, New Mexico

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, budgetary comparisons for the general fund and the major special revenue funds, and the aggregate remaining fund information of the City of Portales (Portales), as of and for the year ended June 30, 2007, which collectively comprise Portales's basic financial statements as listed in the table of contents. We have also audited the financial statements and budgetary comparisons of each of Portales's non-major governmental funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2007 as listed in the table of contents. These financial statements are the responsibility of Portales's management. Our responsibility is to express opinions on these financial statements based on our audit.

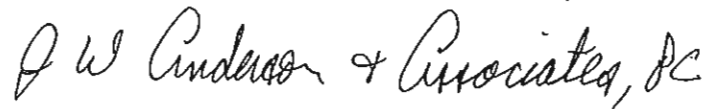
We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and each major fund, and the aggregate remaining fund information of the City of Portales as of June 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparison for the general fund and major special revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund of the City of Portales as of June 30, 2007, and the respective changes in financial position thereof, and budgetary comparisons of the nonmajor governmental funds and enterprise funds for the year ended in conformity with accounting principles generally accepted in the United States of America.

The City of Portales has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of the basic financial statements.

In accordance with *Government Auditing Standards*, we have also issued our report dated August 6, 2008 on our consideration of Portales's internal control over financial reporting and our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards and should be considered in assessing the results of our audit.

Our audit was performed for the purpose of forming opinions on the City of Portales' basic financial statements and the combining and individual fund financial statements and budgetary comparisons. The Schedule of Deposits and Temporary Investments and the Schedule of Collateral Pledged by Depository are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "J W Anderson & Associates, PC".

JW ANDERSON & ASSOCIATES, PC
A Professional Corporation
Lubbock, Texas
August 6, 2008

BASIC FINANCIAL STATEMENTS



CITY OF PORTALES, NEW MEXICO
 GOVERNMENT-WIDE STATEMENT OF NET ASSETS
 June 30, 2007

ASSETS	Governmental Activities	Business-Type Activities	Eliminations	Total 2007
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 2,386,993	\$ 1,619,498	\$ -	\$ 4,006,491
Accounts Receivable, Net	181,662	368,129	-	549,791
Taxes Receivable	1,164,557	71,499	-	1,236,056
Interest Receivable	905	4,254	-	5,159
Intergovernmental Receivables	32,852	-	-	32,852
Returned Checks	1,476	1,350	-	2,826
Inventory	-	34,815	-	34,815
Due From Other Funds	781,521	2,263	(783,784)	-
Total Current Assets	4,549,966	2,101,808	(783,784)	5,867,990
NONCURRENT ASSETS				
Restricted Assets				
Cash and Cash Equivalents	334,907	1,907,170	-	2,242,077
Bond Issue Costs, Net	-	51,042	-	51,042
Bond Reissue Costs, Net	-	79,646	-	79,646
Capital Assets, Net	7,300,501	13,640,000	-	20,940,501
Total Noncurrent Assets	7,635,408	15,677,858	-	23,313,266
Total Assets	\$ 12,185,374	\$ 17,779,666	\$ (783,784)	\$ 29,181,256
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accounts Payable	\$ 4,664	\$ -	\$ -	\$ 4,664
Accrued Interest	7,188	6,812	-	14,000
Accrued Wages	201,426	30,312	-	231,738
Accrued GGRT Taxes	16,390	-	-	16,390
Municipal Court Bonds	4,474	-	-	4,474
Due To Other Funds	780,192	3,592	(783,784)	-
Unapplied Credits	-	12,416	-	12,416
Current Portion of Compensated Absences	34,636	6,526	-	41,162
Current Portion of Long-Term Debt	297,040	609,571	-	906,611
Total Current Liabilities	1,346,010	669,229	(783,784)	1,231,455
NONCURRENT LIABILITIES				
Customer Deposits	-	196,681	-	196,681
Accrued Compensated Absences	294,755	42,389	-	337,144
Landfill Closure	-	712,843	-	712,843
Long Term Debt Due After One Year	1,294,854	3,714,646	-	5,009,500
Total NonCurrent Liabilities	1,589,609	4,666,559	-	6,256,168
Total Liabilities	2,935,619	5,335,788	(783,784)	7,487,623
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	5,708,607	9,315,783	-	15,024,390
Restricted for:				
Debt Service	239,760	465,523	-	705,283
Capital Projects	95,147	395,833	-	490,980
Water Conservation	-	1,022,472	-	1,022,472
Landfill Closure	-	712,843	-	712,843
Unrestricted	3,206,241	531,424	-	3,737,665
Total Net Assets	9,249,755	12,443,878	-	21,693,633
Total Liabilities and Net Assets	\$ 12,185,374	\$ 17,779,666	\$ (783,784)	\$ 29,181,256

CITY OF PORTALES, NEW MEXICO
 GOVERNMENT-WIDE STATEMENT OF ACTIVITIES
 Year Ended June 30, 2007

Functions and Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
PRIMARY GOVERNMENT				
Governmental Activities				
Administration	\$ 1,685,058	\$ 99,964	\$ 49,826	\$ 112,293
Municipal Court	124,478	99,577	150,173	-
Library	303,486	4,674	19,873	-
General Services	138,015	-	-	-
Fire and Emergency Management	1,776,559	596,161	303,910	143,467
Police	2,130,003	10,608	62,616	-
Senior Citizens	111,590	-	7,077	-
Streets	1,262,334	-	289,245	-
Parks and Recreation	786,633	67,542	23,588	57,364
Public Works and Transportation	108,435	-	51,170	-
Interest Expense	87,699	-	-	-
Unallocated Depreciation	772,339	-	-	-
Total Governmental Activities	9,286,629	878,526	957,478	313,124
Business Type Activities				
Water and Sewer	2,637,675	3,625,712	-	351,021
Solid Waste	934,815	910,096	-	-
Airport	421,651	146,297	-	265,574
Interest Expense	204,492	-	-	-
	<u>4,198,633</u>	<u>4,682,105</u>	<u>-</u>	<u>616,595</u>
Total Primary Government	\$ 13,485,262	\$ 5,560,631	\$ 957,478	\$ 929,719

General Revenues:

Taxes:

Gross Receipts
 Franchise
 Property
 Gasoline
 Lodgers
 Cigarette

Water Conservation Fees

Investment Earnings

Rentals, Reimbursements and Other

Transfers, Net

Total General Revenues and Transfers

Change in Net Assets

Net Assets - Beginning of Year as Previously Reported

Prior Period Adjustment

Net Assets - Beginning of Year as Restated

Net Assets - End of Year

Changes in Net Assets

Governmental Activities	Business-Type Activities	Total
\$ (1,422,975)	\$ -	\$ (1,422,975)
125,272	-	125,272
(278,939)	-	(278,939)
(138,015)	-	(138,015)
(733,021)	-	(733,021)
(2,056,779)	-	(2,056,779)
(104,513)	-	(104,513)
(973,089)	-	(973,089)
(638,139)	-	(638,139)
(57,265)	-	(57,265)
(87,699)	-	(87,699)
<u>(772,339)</u>	<u>-</u>	<u>(772,339)</u>
(7,137,501)	-	(7,137,501)
-	1,339,058	1,339,058
-	(24,719)	(24,719)
-	(9,780)	(9,780)
<u>-</u>	<u>(204,492)</u>	<u>(204,492)</u>
-	1,100,067	1,100,067
<u>(7,137,501)</u>	<u>1,100,067</u>	<u>(6,037,434)</u>
5,623,601	127,703	5,751,304
281,597	-	281,597
270,993	-	270,993
172,568	-	172,568
97,331	-	97,331
34,256	-	34,256
-	287,608	287,608
103,731	144,771	248,502
94,340	-	94,340
<u>1,164,458</u>	<u>(1,164,458)</u>	<u>-</u>
<u>7,842,875</u>	<u>(604,376)</u>	<u>7,238,499</u>
705,374	495,691	1,201,065
8,246,726	11,999,615	20,246,341
<u>297,655</u>	<u>(51,428)</u>	<u>246,227</u>
<u>8,544,381</u>	<u>11,948,187</u>	<u>20,492,568</u>
<u>\$ 9,249,755</u>	<u>\$ 12,443,878</u>	<u>\$ 21,693,633</u>

CITY OF PORTALES, NEW MEXICO
 BALANCE SHEETS
 GOVERNMENTAL FUNDS
 June 30, 2007

ASSETS	General Fund	Capital Repair and Replacement
ASSETS		
Cash and Cash Equivalents	\$ 1,324,103	\$ 13,574
Restricted Cash and Cash Equivalents	-	-
Accounts Receivable	181,662	-
Taxes Receivable	1,029,669	-
Interest Receivable	-	-
Intergovernmental Receivables	6,039	-
Returned Checks	1,476	-
Due From Other Funds	<u>774,876</u>	<u>-</u>
Total Assets	<u><u>\$ 3,317,825</u></u>	<u><u>\$ 13,574</u></u>
 LIABILITIES AND FUND BALANCE		
LIABILITIES		
Accounts Payable	\$ 4,664	\$ -
Accrued Interest	-	-
Accrued Wages	196,041	-
Accrued GGRT Taxes	16,390	-
Municipal Court Bonds	4,474	-
Due To Other Funds	<u>6,794</u>	<u>219,879</u>
Total Liabilities	228,363	219,879
 FUND BALANCES		
Unreserved - Reported in Special Revenue Funds	-	-
Unreserved	<u>3,089,462</u>	<u>(206,305)</u>
Total Fund Balances	<u>3,089,462</u>	<u>(206,305)</u>
Total Liabilities and Fund Balances	<u><u>\$ 3,317,825</u></u>	<u><u>\$ 13,574</u></u>

Capital Projects	Sales Tax Revenue Bonds	Other Nonmajor Funds	Total Governmental Funds
\$ 3,687	\$ 53,920	\$ 991,709	\$ 2,386,993
95,147	239,760	-	334,907
-	-	-	181,662
8,170	41,755	84,963	1,164,557
-	905	-	905
-	-	26,813	32,852
-	-	-	1,476
-	-	6,645	781,521
<u>\$ 107,004</u>	<u>\$ 336,340</u>	<u>\$ 1,110,130</u>	<u>\$ 4,884,873</u>
\$ -	\$ -	\$ -	\$ 4,664
3,394	3,605	189	7,188
-	-	5,385	201,426
-	-	-	16,390
-	-	-	4,474
-	-	553,519	780,192
<u>3,394</u>	<u>3,605</u>	<u>559,093</u>	<u>1,014,334</u>
-	-	551,037	551,037
103,610	332,735	-	3,319,502
<u>103,610</u>	<u>332,735</u>	<u>551,037</u>	<u>3,870,539</u>
<u>\$ 107,004</u>	<u>\$ 336,340</u>	<u>\$ 1,110,130</u>	<u>\$ 4,884,873</u>

CITY OF PORTALES, NEW MEXICO
 RECONCILIATION OF THE BALANCE SHEET OF
 GOVERNMENTAL FUNDS
 TO THE STATEMENT OF NET ASSETS
 June 30, 2007

Total Fund Balance - Governmental Funds	\$ 3,870,539
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	7,300,501
Certain liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities include:	
Compensated Absences	(329,391)
Bond and Note Obligations	(1,591,894)
	<hr/>
Net Assets of Governmental Activities	<u>\$ 9,249,755</u>

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CITY OF PORTALES, NEW MEXICO
 STATEMENTS OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 GOVERNMENTAL FUNDS
 Year Ended June 30, 2007

	General Fund	Capital Repair and Replacement
REVENUES		
Taxes		
Gross Receipts	\$ 5,086,402	\$ -
Franchise	281,597	-
Property	270,993	-
Other	-	-
Intergovernmental	78,992	328,905
Charges for Service	596,161	-
Licenses, Fees and Permits	124,769	-
Fines	83,824	-
Rentals	22,438	-
Grants and Contributions	3,292	-
Interest	60,489	-
Other	96,413	15,006
	<u>6,705,370</u>	<u>343,911</u>
Total Revenues	6,705,370	343,911
EXPENDITURES		
Current		
General Administration	1,560,336	44,878
Public Safety	3,483,384	102,576
Public Works	453,202	1,150
Culture and Recreation	1,123,075	(58,048)
Capital Outlay	-	635,033
Debt Service		
Principal	27,486	-
Interest and Administrative Fees	11,366	-
	<u>6,658,849</u>	<u>725,589</u>
Total Operating Expenses	6,658,849	725,589
Excess (Deficit) of Revenues over Expenditures	46,521	(381,678)
OTHER FINANCING SOURCES (USES)		
Transfers In	1,220,358	171,474
Transfers Out	(276,434)	-
	<u>943,924</u>	<u>171,474</u>
Total Other Financing Sources (Uses)	943,924	171,474
Net Change in Fund Balance after Transfers	990,445	(210,204)
Fund Balance, Beginning of Year - Previously Reported	2,096,620	3,899
Prior Period Adjustments	2,397	-
	<u>2,099,017</u>	<u>3,899</u>
Fund Balance, Beginning of Year - As Adjusted	2,099,017	3,899
Fund Balance, End of Year	<u><u>\$ 3,089,462</u></u>	<u><u>\$ (206,305)</u></u>

Capital Projects	Sales Tax Revenue Bonds	Other Nonmajor Funds	Total Governmental Funds
\$ 49,020	\$ 250,528	\$ 334,983	\$ 5,720,933
-	-	-	281,597
-	-	-	270,993
-	-	206,824	206,824
-	-	1,067,736	1,475,633
-	-	-	596,161
-	-	-	124,769
-	-	63,336	147,160
-	-	-	22,438
-	-	53,260	56,552
5,542	13,247	9,473	88,751
-	-	12,350	123,769
<u>54,562</u>	<u>263,775</u>	<u>1,747,962</u>	<u>9,115,580</u>
-	-	216,496	1,821,710
-	-	399,374	3,985,334
-	-	1,011,186	1,465,538
-	-	99,347	1,164,374
-	-	-	635,033
22,599	200,000	74,386	324,471
<u>22,286</u>	<u>51,963</u>	<u>10,348</u>	<u>95,963</u>
<u>44,885</u>	<u>251,963</u>	<u>1,811,137</u>	<u>9,492,423</u>
9,677	11,812	(63,175)	(376,843)
-	-	83,560	1,475,392
-	-	(34,500)	(310,934)
-	-	49,060	1,164,458
<u>9,677</u>	<u>11,812</u>	<u>(14,115)</u>	<u>787,615</u>
93,933	320,923	557,438	3,072,813
-	-	7,714	10,111
<u>93,933</u>	<u>320,923</u>	<u>565,152</u>	<u>3,082,924</u>
<u>\$ 103,610</u>	<u>\$ 332,735</u>	<u>\$ 551,037</u>	<u>\$ 3,870,539</u>

CITY OF PORTALES, NEW MEXICO
 RECONCILIATION TO THE STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE OF GOVERNMENTAL FUNDS
 TO THE STATEMENT OF ACTIVITIES
 Year Ended June 30, 2007

Net Changes in Fund Balance - Governmental Funds \$ 787,615

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

Governmental Funds to Statement of Activities Adjustments:

Governmental funds report capital outlays as expenditures. In the
 Statement of Activities, the cost of assets are allocated over their
 estimated useful lives in the form of depreciation. 635,033

Debt service is an expenditure for governmental funds consisting
 of both interest expense and principal for the Notes Payable.
 The principal portion reduces Notes Payable on the Governmental
 Activities Balance Sheet and is not an expense on the Statement
 of Activities 324,471

Statement of Activities to Governmental Funds Adjustments:

Receivables were recorded as income in the prior year but were
 received in the current fiscal year and reported in the funds (281,388)

Depreciation is recognized on the Statement of Activities as
 allocating the cost of the assets over their estimated useful lives (772,339)

The change in compensated absences liability is reported on the
 Statement of Activities but is not reflected in the Governmental funds 11,982

Change in Net Assets of Governmental Activities \$ 705,374

CITY OF PORTALES, NEW MEXICO
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
GENERAL FUND
Year Ended September 30, 2007

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
REVENUES				
Taxes				
Gross Receipts	\$ 4,051,000	\$ 4,293,740	\$ 5,086,402	\$ 792,662
Franchise	310,000	310,000	281,597	(28,403)
Property	265,000	265,000	270,993	5,993
Intergovernmental	69,189	78,742	78,992	250
Charges for Service	520,000	520,000	596,161	76,161
Licenses, Fees and Permits	142,300	142,300	124,769	(17,531)
Fines	91,100	91,100	83,824	(7,276)
Rentals	31,050	31,050	22,438	(8,612)
Grants and Contributions	500	3,091	3,292	201
Interest	40,000	40,000	60,489	20,489
Other	93,700	94,700	96,413	1,713
Total Revenues	5,613,839	5,869,723	6,705,370	835,647
EXPENDITURES				
Current				
Elected Officials	237,628	273,919	176,078	97,841
Community Development/Planning	212,985	209,206	186,752	22,454
Administration	351,054	352,550	332,702	19,848
Finance	551,898	537,602	507,875	29,727
Municipal Court	150,742	145,961	110,107	35,854
Library	271,867	273,422	260,377	13,045
General Services	140,409	144,974	138,015	6,959
Fire and Emergency Management	1,544,260	1,592,125	1,576,649	15,476
Police	1,944,593	1,985,204	1,906,735	78,469
Senior Citizens	93,949	115,868	111,590	4,278
Technology/IT	107,789	109,895	108,808	1,087
Streets	471,122	473,826	449,523	24,303
Parks	612,900	641,873	633,851	8,022
Recreation	135,730	129,306	117,256	12,050
Public Works	4,532	5,212	3,679	1,533
Debt Service				
Principal	-	-	27,486	(27,486)
Interest and Administrative Fees	-	-	11,366	(11,366)
Total Operating Expenses	6,831,458	6,990,943	6,658,849	332,094
Operating Gain	(1,217,619)	(1,121,220)	46,521	1,167,741
OTHER FINANCING SOURCES (USES)				
Transfers In	1,355,000	1,311,000	1,220,358	(90,642)
Transfers Out	(304,321)	(361,474)	(276,434)	85,040
Net Transfers	1,050,679	949,526	943,924	(5,602)
Net Change in Fund Balance after Transfers	(166,940)	(171,694)	990,445	1,162,139
Fund Balance, Beginning of Year - As Adjusted	2,099,017	2,099,017	2,099,017	-
Fund Balance, End of Year	\$ 1,932,077	\$ 1,927,323	\$ 3,089,462	\$ 2,318,676

CITY OF PORTALES, NEW MEXICO
 CAPITAL REPAIR AND REPLACEMENT FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
REVENUES				
Intergovernmental:				
Federal	\$ 479,750	\$ 582,530	\$ 219,111	\$ (363,419)
State	1,483,000	1,628,147	109,794	(1,518,353)
Other	6,000	91,275	15,006	(76,269)
Total Revenues	<u>1,968,750</u>	<u>2,301,952</u>	<u>343,911</u>	<u>(1,958,041)</u>
EXPENDITURES				
Current				
Noncapital Purchases	-	-	90,556	(90,556)
Capital Outlay	<u>2,133,071</u>	<u>2,473,426</u>	<u>635,033</u>	<u>1,838,393</u>
Total Operating Expenses	<u>2,133,071</u>	<u>2,473,426</u>	<u>725,589</u>	<u>1,747,837</u>
Operating Income (Loss)	(164,321)	(171,474)	(381,678)	(210,204)
OTHER FINANCING USES				
Transfers In	<u>164,321</u>	<u>171,474</u>	<u>171,474</u>	<u>-</u>
Total Other Financing Uses	<u>164,321</u>	<u>171,474</u>	<u>171,474</u>	<u>-</u>
Net Change in Fund Balance	-	-	(210,204)	(210,204)
Fund Balance, Beginning of Year	<u>3,899</u>	<u>3,899</u>	<u>3,899</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 3,899</u>	<u>\$ 3,899</u>	<u>\$ (206,305)</u>	<u>\$ (210,204)</u>

CITY OF PORTALES, NEW MEXICO
 CAPITAL PROJECTS FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
REVENUES				
Taxes:				
Gross Receipts	\$ 49,020	\$ 49,020	\$ 49,020	\$ -
Interest	<u>2,000</u>	<u>2,000</u>	<u>5,542</u>	<u>3,542</u>
Total Revenues	51,020	51,020	54,562	3,542
EXPENDITURES				
Debt Service				
Principal	22,599	22,599	22,599	-
Interest and Administrative Fees	<u>22,459</u>	<u>22,459</u>	<u>22,286</u>	<u>173</u>
Total Operating Expenses	<u>45,058</u>	<u>45,058</u>	<u>44,885</u>	<u>173</u>
Operating Income (Loss)	5,962	5,962	9,677	3,715
Fund Balance, Beginning of Year	<u>93,933</u>	<u>93,933</u>	<u>93,933</u>	-
Fund Balance, End of Year	<u>\$ 99,895</u>	<u>\$ 99,895</u>	<u>\$ 103,610</u>	<u>\$ 3,715</u>

CITY OF PORTALES, NEW MEXICO
 SALES TAX REVENUE BONDS FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
REVENUES				
Taxes:				
Gross Receipts	\$ 250,527	\$ 250,527	\$ 250,528	\$ 1
Interest	10,000	10,000	13,247	3,247
Total Revenues	<u>260,527</u>	<u>260,527</u>	<u>263,775</u>	<u>3,247</u>
EXPENDITURES				
Debt Service				
Principal	200,000	200,000	200,000	-
Interest and Administrative Fees	52,755	52,755	51,963	792
Total Operating Expenses	<u>252,755</u>	<u>252,755</u>	<u>251,963</u>	<u>792</u>
Operating Income (Loss)	<u>7,772</u>	<u>7,772</u>	<u>11,812</u>	<u>4,039</u>
Fund Balance, Beginning of Year	<u>320,923</u>	<u>320,923</u>	<u>320,923</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 328,695</u>	<u>\$ 328,695</u>	<u>\$ 332,735</u>	<u>\$ 4,039</u>

CITY OF PORTALES, NEW MEXICO
STATEMENTS OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2007

	Water and Sewer	Solid Waste	Airport	Total Proprietary Funds
ASSETS				
CURRENT ASSETS				
Cash and Cash Equivalents	\$ 1,234,852	\$ 383,099	\$ 1,547	\$ 1,619,498
Accounts Receivables, Net:	289,333	78,796	-	368,129
Taxes Receivable	48,258	23,241	-	71,499
Interest Receivable	4,254	-	-	4,254
Returned Checks	1,222	128	-	1,350
Inventory	-	-	34,815	34,815
Due From Other Funds	2,263	-	-	2,263
Total Current Assets	1,580,182	485,264	36,362	2,101,808
NONCURRENT ASSETS				
Restricted Assets				
Cash and Cash Equivalents	1,907,170	-	-	1,907,170
Bond Issue Costs, Net	51,042	-	-	51,042
Bond Reissue Costs, Net	79,646	-	-	79,646
Capital Assets, Net	11,019,976	318,525	2,301,499	13,640,000
Total NonCurrent Assets	13,057,834	318,525	2,301,499	15,677,858
Total Assets	\$ 14,638,016	\$ 803,789	\$ 2,337,861	\$ 17,779,666
LIABILITIES AND NET ASSETS				
CURRENT LIABILITIES				
Accrued Interest	\$ 6,812	\$ -	\$ -	\$ 6,812
Accrued Wages	18,228	10,633	1,451	30,312
Due To Other Funds	1,800	1,792	-	3,592
Unapplied Credits	852	11,564	-	12,416
Current Portion of Compensated Absences	4,828	1,547	151	6,526
Current Portion of Long-Term Debt	608,578	643	350	609,571
Total Current Liabilities	641,098	26,179	1,952	669,229
NONCURRENT LIABILITIES				
Customer Deposits	196,681	-	-	196,681
Accrued Compensated Absences	23,813	15,389	3,187	42,389
Landfill Closure	-	712,843	-	712,843
Long Term Debt Due After One Year	3,708,400	4,043	2,203	3,714,646
Total Noncurrent Liabilities	3,928,894	732,275	5,390	4,666,559
Total Liabilities	4,569,992	758,454	7,342	5,335,788
NET ASSETS				
Invested in Capital Assets, Net of Related Debt	6,702,998	313,839	2,298,946	9,315,783
Restricted for:				
Debt Service	465,523	-	-	465,523
Capital Projects	395,833	-	-	395,833
Water Conservation	1,022,472	-	-	1,022,472
Landfill Closure	-	712,843	-	712,843
Unrestricted	1,481,198	(981,347)	31,573	531,424
Total Net Assets	10,068,024	45,335	2,330,519	12,443,878
Total Liabilities and Net Assets	\$ 14,638,016	\$ 803,789	\$ 2,337,861	\$ 17,779,666

CITY OF PORTALES, NEW MEXICO
STATEMENTS OF REVENUES, EXPENSES AND CHANGES
IN NET ASSETS
PROPRIETARY FUNDS
Year Ended June 30, 2007

	Water and Sewer	Solid Waste	Airport	Total Proprietary Funds
OPERATING REVENUES				
Charges for Service	\$ 3,348,528	\$ 910,096	\$ -	\$ 4,258,624
Fuel Sales	-	-	102,434	102,434
Late Charges	54,871	-	622	55,493
Rentals	3,050	-	36,948	39,998
Tapping and Reconnect Fees	41,183	-	-	41,183
Other and Miscellaneous	178,080	-	6,293	184,373
Total Operating Revenues	3,625,712	910,096	146,297	4,682,105
OPERATING EXPENSES				
Current				
Salaries and Wages	450,321	234,699	27,929	712,949
Employee Benefits	191,388	72,354	6,419	270,161
Maintenance	689,111	67,933	19,671	776,715
Contracted and Purchased Services	140,696	440,222	63,479	644,397
Supplies	49,246	62,948	8,147	120,341
Noncapital Purchases	3,786	9,041	1,234	14,061
Operating Costs	518,362	7,493	106,832	632,687
Depreciation	570,489	40,125	187,940	798,554
Amortization	24,276	-	-	24,276
Total Operating Expenses	2,637,675	934,815	421,651	3,994,141
Operating Income (Loss)	988,037	(24,719)	(275,354)	687,964
NONOPERATING REVENUES (EXPENSES)				
Investment Income	123,141	21,630	-	144,771
Environmental Gross Receipts Tax	-	127,703	-	127,703
Water Conservation Fees	287,608	-	-	287,608
Grant Proceeds	351,021	-	265,574	616,595
Interest Expense	(203,911)	(376)	(205)	(204,492)
Total Nonoperating Revenues (Expenses)	557,859	148,957	265,369	972,185
Income Before Transfers	1,545,896	124,238	(9,985)	1,660,149
TRANSFERS				
Transfers In	946,117	-	55,900	1,002,017
Transfers Out	(2,041,475)	(125,000)	-	(2,166,475)
Total Operating Transfers	(1,095,358)	(125,000)	55,900	(1,164,458)
Net Income (Loss)	450,538	(762)	45,915	495,691
Net Assets, Beginning of Year	9,653,834	60,757	2,285,024	11,999,615
Prior Period Adjustment	(36,348)	(14,660)	(420)	(51,428)
Net Assets, Beginning of Year - As Adjusted	9,617,486	46,097	2,284,604	11,948,187
Net Assets, End of Year	\$ 10,068,024	\$ 45,335	\$ 2,330,519	\$ 12,443,878

CITY OF PORTALES, NEW MEXICO
STATEMENTS OF CASH FLOWS
PROPRIETARY FUNDS
Year Ended June 30, 2007

	Water and Sewer	Solid Waste	Airport	Total Proprietary Funds
CASH FLOWS FROM OPERATING ACTIVITIES				
Receipts from Customers	\$ 3,667,535	\$ 912,540	\$ 151,873	\$ 4,731,948
Payments to Suppliers and Contractors	(1,403,874)	(600,597)	(217,808)	(2,222,279)
Payments to and On Behalf of Employees	(651,722)	(311,562)	(34,029)	(997,313)
Net Cash Provided (Used) By Operating Activities	1,611,939	381	(99,964)	1,512,356
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Environmental Gross Receipts Tax	-	125,161	-	125,161
Landfill Closure Monitoring	-	(8,719)	-	(8,719)
Due To/From Other Funds	120,213	1,338	-	121,551
Water Conservation Fees	256,990	-	-	256,990
Grant Proceeds	45,358	-	11,536	56,894
Transfers, Net	(1,095,358)	(125,000)	55,900	(1,164,458)
Net Cash Provided (Used) By Noncapital Financing Activities	(672,797)	(7,220)	67,436	(612,581)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES				
Grant Proceeds	305,663	-	254,038	559,701
Interest Expense	(203,911)	(376)	(205)	(204,492)
Prinicipal Payments on Debt	(584,545)	(598)	(325)	(585,468)
Net Cash Provided (Used) By Capital Financing Activities	(482,793)	(974)	253,508	(230,259)
CASH FLOWS FROM INVESTING ACTIVITIES				
Purchase of Capital Assets	(25,701)	(116,087)	(220,774)	(362,562)
Cash Reclassed from Investments	145,080	-	-	145,080
Investment Income	118,887	21,630	-	140,517
Net Cash Provided (Used) By Investing Activities	238,266	(94,457)	(220,774)	(76,965)
Net Increase (Decrease) in Cash and Cash Equivalents	694,615	(102,270)	206	592,551
Cash and Cash Equivalents at Beginning of Year	2,447,407	485,369	1,341	2,934,117
Cash and Cash Equivalents at End of Year	\$ 3,142,022	\$ 383,099	\$ 1,547	\$ 3,526,668
Reconciliation to Cash and Cash Equivalents Balances at Year End				
Unrestricted Cash	\$ 1,234,852	\$ 383,099	\$ 1,547	\$ 1,619,498
Restricted Cash	1,907,170	-	-	1,907,170
Total Cash and Cash Equivalents	\$ 3,142,022	\$ 383,099	\$ 1,547	\$ 3,526,668
Reconciliation of Operating Income to Net Cash Flows Provided (Used) by Operating Activities				
Operating Income	\$ 988,037	\$ (24,719)	\$ (275,354)	\$ 687,964
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities				
Depreciation	570,489	40,125	187,940	798,554
Amortization	24,276	-	-	24,276
Changes in				
Accounts Receivable	31,856	(647)	5,576	36,785
Returned Checks	256	(23)	-	233
Inventory	-	-	(18,031)	(18,031)
Accounts Payable	(2,673)	(12,960)	(414)	(16,047)
Accrued Wages	(1,039)	854	115	(70)
Unapplied Credits	-	3,114	-	3,114
Compensated Absences	(8,974)	(5,363)	204	(14,133)
Customer Deposits	9,711	-	-	9,711
Net Cash Provided (Used) by Operating Activities	\$ 1,611,939	\$ 381	\$ (99,964)	\$ 1,512,356

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Portales (City) was incorporated under the laws of the State of New Mexico in 1907. Portales operates under a Council - Mayor form of government, providing services as authorized by its charter: public safety (police and fire), streets, sanitation, health and welfare, culture and recreation, public improvements, and general administrative services.

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. In June 1999, GASB approved Statement No. 34 "*Basic Financial Statements and Management Discussion and Analysis for State and Local Government.*" In June 2001, the GASB approved Statement No. 37, "*Basic Financial Statements and Management's Discussion and Analysis for State and Local Governments: Omnibus*" and Statement No. 38 "*Certain Financial Statement Note Disclosures.*" Statement No. 37 clarifies and modifies Statement No. 34 and should be implemented simultaneously with Statement No. 34. Statement No. 38 modifies establishes and rescinds certain financial statement disclosure requirements. The City of Portales implemented the provisions of the above statements effective July 1, 2003.

Reporting Entity – The City Council (the Council) is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the City is a financial reporting entity as defined by the Governmental Accounting Standards Board ("GASB") in its Statement No. 14, "*The Financial Reporting Entity.*" There are no component units included within the reporting entity as defined by Statement No. 14.

Government-Wide and Fund Financial Statements – The Statement of Net Assets and the Statement of Activities are government-wide financial statements. They report information on all of the City nonfiduciary activities with most of the interfund activities removed. Governmental activities include programs supported primarily by taxes, State funds, grants and other intergovernmental revenues. Business-type activities include operations that rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates how other people or entities that participate in programs the City operates have shared in the payment of the direct costs. The "*charges for services*" column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the City. Examples include user charges at recreation facilities, municipal court fines, licenses and fees and other administrative related items. The "*operating grants and contributions*" and "*capital grants and contributions*" columns include amounts paid by organizations outside to help meet the operational or capital requirements of a given function. Examples include grants under Housing and Urban Development's Community Development Block Grants or contributions from the State of New Mexico. If a revenue receipt is not considered program revenue, it is considered general revenue used to support all of the City's functions. Taxes are always considered general revenues.

Interfund activities between governmental funds or between governmental funds and proprietary funds appear as due to/due from on the Governmental Fund Balance Sheet and/or the Proprietary Fund Statement of Net Assets if any pending transfers exist at the end of the fiscal year, and as transfers in/transfers out on the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance and/or on the Proprietary Fund Statement of Revenues, Expenses and Changes in Fund Net Assets.

The fund financial statements provide reports on the financial condition and results of operations for two fund categories – governmental and proprietary. The City considers some governmental funds major and their financial condition and results of operations are reported in separate columns from the non-major governmental funds.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues result from providing goods and services in connection with a proprietary fund's principal ongoing operations; they usually come from exchange or exchange-like transactions. All other revenues are nonoperating. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. Other expenses are nonoperating.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation – The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting, as do the proprietary fund financial statements. Revenues are recorded when earned and expense are recorded when a liability is incurred, regardless of the timing of the related cash flows. 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 use the current financial resources measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt, which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The City considers all revenues available if they are collectible within 60 days after year end.

Revenues from local sources consist primarily of property, franchise, and gross receipts taxes. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include gross receipts and property taxes, grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from gross receipts taxes are recognized when the underlying transaction takes place. Revenue from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Miscellaneous revenues are recorded as revenue when received because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Grant funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes may require the City to refund all or part of the unused amount.

The Proprietary Fund Types are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The City applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict or contradict GASB pronouncements. As allowed by GASB Statement 20, the City has elected not to apply FASB pronouncements issued after November 30, 1989. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Assets. The fund equity is segregated into invested in capital assets net of related debt, restricted net assets, and unrestricted net assets.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

The government-wide and business-type activities fund statements utilize a net asset presentation. Net assets are categorized as follows:

Investment in Capital Assets, Net of Related Debt - This category reflects the portion of net assets that are associated with capital assets less any outstanding capital asset related debt.

Restricted Net Assets - Restricted net assets result from constraints placed on the use of net assets when externally imposed by creditors, grantors, laws and regulations of other governments, and imposed by law through constitutional provisions or enabling legislation.

Unrestricted Net Assets - This category reflects net assets of the City, not restricted for any project or other purpose.

Fund Accounting – The City uses funds to report its financial position and results of its operations. Fund accounting segregates funds according to their intended purpose and is designated to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain governmental functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts, which include assets, liabilities, fund balance/net assets, revenues and expenditures/expenses.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. The City records reserves to indicate that a portion of fund balance is legally restricted for a specific future use or is not available for appropriation and/or expenditure.

Governmental Funds are those through which most of the governmental functions of the City are financed. The City reports the following major governmental funds:

The General Fund – The general fund is the City of Portales’s primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund. The General Fund presented in the financial statements consists of several individual funds: General, Government Gross Receipts Tax, Municipal Court Bonds, Payroll, Revenue Clearing, and Disbursement funds.

Capital Replacement and Repair Fund – This fund accounts for the City’s capital assets and ongoing capital projects not associated with the enterprise funds.

Capital Projects Fund – This fund accounts for the City’s capital project in conjunction with the purchase and remodeling of the building for the City’s recreation center.

Sales Tax Revenue Bonds Fund – This fund accounts for the collection of allocated gross receipts taxes and the related debt service of the Sales Tax Revenue Bonds issued in November, 1997.

Additionally, the City reports the following non-major governmental funds:

Special Revenue Funds are used to account for the proceeds of specific revenue sources (other than special assessments or major capital outlays) that are restricted to expenditures for specified purposes.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Governmental Funds with Deficit Fund Balances - While the total unreserved fund balance is not in a deficit position, the City has three funds with deficit fund balances as of June 30, 2007: Capital Repair and Replacement fund of \$(206,305), Library fund of \$(290) and Municipal Street fund of \$(525,318). The City has made capital expenditures and encumbrances in these funds in anticipation of additional revenues and transfers.

Enterprise Funds are used for operations: (1) that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered through user charges; or (2) where the governing body has decided that periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The City reports the following enterprise funds:

Water and Sewer Fund – The Water and Sewer Fund is used to account for the provision of water services to the residents of the City of Portales. All activities necessary to provide such services are accounted for in this fund including administration, operations billing and maintenance. The Water and Sewer fund presented in the financial statements consists of several funds: Water and Sewer Improvement Bond Fund, Water and Wastewater Fund, Water Conservation Fund, and Water Improvement Fund.

Solid Waste Fund - The sanitation fund accounts for the billings and collections of the trash collection services.

Airport Fund - The airport fund accounts for the operations of the municipal airport.

Other Accounting Policies –

Cash Flows - For purposes of the statement of cash flows for proprietary funds, the City considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.

Inventories - The City reports inventories of supplies at cost including consumable maintenance and office items. Supplies are recorded as expenditures when they are consumed.

Long Term Debt - 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 assets. 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. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Compensated Absences - It is the City's policy to permit some employees to accumulate earned but unused vacation and sick pay benefits. All sick pay and vacation pay is accrued when incurred in the government-wide or proprietary fund financial statements.

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

Capital Assets - Capital assets, which include land, buildings, furniture and equipment and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. 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 expense during construction is capitalized in enterprise funds but not in governmental funds. Library books are not capitalized.

Buildings, furniture and equipment of the City are depreciated using the straight line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings and Building Improvements	30-40
Water and Sewer Plants	40
Streets	10-20
Vehicles, Machinery and Equipment	5-20
Computer Equipment and Software	3-5

Customer Deposits - Cash held in the Proprietary fund for customer deposits is restricted.

Use of Restricted Cash - When the City incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever they will have to be returned if they are not used.

Interfund Activity – In the process of aggregating data for the Statement of Net Assets and Statement of Activities, some amounts reported as interfund activity and balances in the fund have either been eliminated or reclassified. Interfund payables and receivables were eliminated to minimize their effect on assets and liabilities within the governmental activities column.

Risk Management - The City is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental, and accident benefits. Insurance coverage through New Mexico Self Insurers Fund (a State of New Mexico governmental agencies risk pool) is purchased for claims arising from such matters. Any settled claims have not exceeded this coverage in any preceding years.

NOTE B – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

Budgetary Data – The City Council adopts an annual budget for the General Fund, Special Revenue Funds and the Enterprise Funds by following the budgetary procedures outlined below. The City is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The City compares the final amended budget to actual revenues and expenditures based on the City’s modified accrual basis of accounting.

1. The City submits a proposed operating budget for the fiscal year commencing July 1, prior to June 30. The operating budget includes proposed expenditures and the means of financing them. A budget is proposed for the General, Special Revenue and Proprietary Funds.

CITY OF PORTALES, STATE OF NEW MEXICO
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 June 30, 2007

NOTE B – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY - Continued

2. Public hearings are conducted to obtain taxpayer comments. The budgets are then submitted to the Department of Finance and Administration - Local Government Division for review, adjustment and approval.
3. Prior to June 30, the budget is legally enacted through passage of a resolution and the council is authorized to transfer budgeted amounts between departments with any fund. Any revisions that alter the total expenditures of any fund must be approved by the Department of Finance and Administration, Local Government Division.
4. Budgets for budgeted funds are adopted on the modified accrual basis of accounting described in Note A. Budgetary comparisons have been presented in this report on the basis of the legally adopted budget.
5. Appropriations lapse at year end with any unspent cash balance being available for expenditures and appropriation in the subsequent year's budget.
6. The level of classification detail in which expenditures may not legally exceed appropriations for each budget is in fund total.

NOTE C – PRIOR PERIOD ADJUSTMENTS

Below details the prior period adjustment and its cumulative effect on the government wide net assets and governmental funds and proprietary funds statements.

<u>Prior Period Adjustments:</u>	<u>Statement of Net Assets</u>	<u>Fund Balance</u>
Governmental Activities –		
Balance at June 30, 2006 as Previously Reported	\$ 8,246,726	
Government-Wide:		
Notes Payable was overstated	26,000	
Net Capital Assets were understated	298,418	
Long –Term Intergovernmental Receivables were overstated	(36,874)	
General Fund:		
Fund Balance at June 30, 2006 as Previously Reported		\$2,096,620
Accounts Payable was overstated at June 30, 2006	2,397	<u>2,397</u>
Fund Balance at June 30, 2006, as Adjusted		<u>\$2,099,017</u>
Other Governmental Funds:		
Fund Balance at June 30, 2006, as Previously Reported		\$ 57,438
Criminal Justice Fund was incorrectly reported as a fiduciary fund	359	359
MainStreet Fund was incorrectly reported as a fiduciary fund	<u>7,355</u>	<u>7,355</u>
Fund Balance at June 30, 2006, as Adjusted	<u>\$ 8,544,381</u>	<u>\$ 65,152</u>

CITY OF PORTALES, STATE OF NEW MEXICO
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 June 30, 2007

NOTE C – PRIOR PERIOD ADJUSTMENTS – Continued

<u>Prior Period Adjustments:</u>	<u>Statement of Activities</u>	<u>Net Assets</u>
Business-Type Activities –		
Balance at June 30, 2006 as Previously Reported	\$ 11,999,615	
Water and Sewer Fund:		
Net Asset Balance at June 30, 2006 as Previously Reported		\$ 9,653,834
Note Payable to NMHRC was overstated	119	119
Accounts Payable were overstated	26	26
Note Payable to New Mexico Finance Authority was understated	(36,493)	<u>(36,493)</u>
Net Asset Balance at June 30, 2006, as Adjusted		<u>\$ 9,617,486</u>
Solid Waste Fund:		
Net Asset Balance at June 30, 2006 as Previously Reported		\$ 60,757
Net Capital Assets were overstated	(14,292)	(14,292)
Note Payable to NMHRC was understated	(368)	<u>(368)</u>
Net Asset Balance at June 30, 2006, as Adjusted		<u>\$ 46,097</u>
Airport Fund:		
Net Asset Balance at June 30, 2006 as Previously Reported		\$ 2,285,024
Note Payable to NMHRC was understated	<u>(420)</u>	<u>(420)</u>
Balance at June 30, 2006, as Adjusted	<u>\$ 11,948,187</u>	<u>\$ 2,284,604</u>

NOTE D – CASH DEPOSITS AND INVESTMENTS

State statutes authorize the investment of City funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. All invested funds of the City properly followed State deposit and investment requirements as of June 30, 2007.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more financial institution. 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.

In accordance with FDIC, public unit deposits are funds owned by the City. 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 \$100,000 in aggregate and separate from the \$100,000 coverage for public unit demand deposits at the same institution.

NOTE D – CASH DEPOSITS AND INVESTMENTS - Continued

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.

The rate of interest in non-demand interest-bearing accounts is set by the State Board of Finance, but the rate of interest will not be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of deposit.

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the government's deposits and investments may not be returned to it. The City does not have a formal deposit policy for custodial credit risk other than following state statutes. The City has not suffered any previous losses and management believes any risk of loss of funds is minimal.

Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the City for at least 50% of the amount on deposit with the institution, and 102% for amounts invested in repurchase agreements with the institution.

The types of collateral an institution is permitted to use as pledged securities are limited to direct obligations of the United States Government and all bonds issued by any agency or political subdivision of the State of New Mexico.

The schedules listed below disclose requirements on reporting the insured and uninsured portions of the City's deposits regarding custodial credit risk.

Interest Rate Risk - Interest rate risk is the risk that the change in interest rates will adversely affect the fair value of the investments. The City does not have a formal policy to manage its exposure to interest rate risk. The Bank of Albuquerque's repurchase agreement with Bank of America and the AP Institutional US Treasury Funds #52 has no rating as of June 30, 2007. The City's investments as of June 30, 2007 include the repurchase agreements having a Weighted Average Maturity (WAM) of 27 days. The fair value of the repurchase agreement investment is \$44,528 as of June 30, 2007.

New Mexico State Treasurer Local Government Investment Pool - The City maintains accounts with the New Mexico State Treasurer Local Government Investment Pool (LGIP), an external investment pool. The LGIP is not SEC registered, and as a government investment pool, exempt from disclosing concentration risk. The LGIP is rated AAAM by Standard and Poor's and has a weighted average maturity (WAM) of 24 days.

Section 6-10-10.1, NMSA 1978 empowers the State Treasurer, with the advice and consent of the State Board of Finance, to invest money held in the short-term investment funds in securities that are issued by the United States government or by its departments or agencies and are either backed by the full faith and credit of the United States government or are agencies sponsored by the United States government.

The LGIP investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments. The pool does not have unit shares and earnings are distributed monthly by the State Treasurer to the participants in proportion to the amount and length of time the participants have funds on deposit. Participation in the LGIP is voluntary and can be liquidated by the City at the city council's discretion. The City's balance in the LGIP account as of June 30, 2007 is \$1,585,000.

CITY OF PORTALES, STATE OF NEW MEXICO
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 June 30, 2007

NOTE D – CASH DEPOSITS AND INVESTMENTS - Continued

New Mexico Finance Authority Investment - The City maintains investment funds on account with the New Mexico Finance Authority (NMFA), which in turn invests the funds in the State Treasurer. NMFA's cash on deposit with the State Treasurer is invested by the State Treasurer in "overnight" repurchase programs. State statutes require that all deposits held by the State Treasurer be collateralized at a minimum level of 50%. Repurchase agreements are collateralized at 102% by the NMFA's internal policies. Funds held by the NMFA acting as trustee for the City are invested in money market accounts that invest in United States Treasury obligations and/or repurchase agreements secured by U.S. Treasury obligations. Separate financial statements of the NMFA and State Treasurer collateral, categories of risk, and market value of purchased investments which may differ from the cash deposited with the NMFA by the City.

Other Investments - The City also maintains approximately \$1,570,970 in investments outside of the internal investment pool in the LGIP. The funds are 30% invested in money market funds investing in federal government-backed securities and 70% in government and agency bonds. The investments are in compliance with state statutes regarding investments of governmental funds. These investments have not been rated.

Year Ended June 30, 2007	Portales National Bank	Wells Fargo Bank	New Mexico Finance Authority	Bank of Albuquerque	Linsco/ Private Ledger	Total
Total Cash Deposits	\$ 2,271,434	\$ 433,289	\$ 200,715	\$ -	\$ 480,230	\$ 3,385,668
AP Institutional US Treasury Fund #52 Held by the Trustee in City's Name	-	-	-	324,648	-	324,648
Securities Underlying a Repurchase Agreement Held by the Investment Trustee's Counterparty in the City's Name	-	-	-	44,528	-	44,528
Securities Held by the Investment Trustee in the City's Name	-	-	-	-	1,090,740	1,090,740
FDIC/SIPC Coverage	<u>(200,000)</u>	<u>(100,000)</u>	<u>-</u>	<u>-</u>	<u>(500,000)</u>	<u>(800,000)</u>
Uninsured Funds Subject to Custodial Credit Risk	2,071,434	333,289	200,715	369,176	1,070,970	4,045,584
Lloyd's of London Securities Insurance Protection	-	-	-	-	1,070,970	1,070,970
Collateralized by Securities Held by the Pledging Institution or By Its Trust Department Or Agent In the City's Name	<u>2,583,484</u>	<u>1,522,490</u>	<u>-</u>	<u>376,560</u>	<u>-</u>	<u>4,482,534</u>
Funds (Over) Under Collateralized - Total Funds Subject to Custodial Credit Risk	<u>\$ (512,050)</u>	<u>\$(1,189,201)</u>	<u>\$ 200,715</u>	<u>\$ (7,384)</u>	<u>\$ -</u>	<u>\$(1,909,350)</u>

CITY OF PORTALES, STATE OF NEW MEXICO
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 June 30, 2007

NOTE D – CASH DEPOSITS AND INVESTMENTS - Continued

Year Ended June 30, 2007	Portales National Bank	Wells Fargo Bank	New Mexico Finance Authority	Bank of Albuquerque	Linsco/ Private Ledger	Total
Collateral Requirements:						
50% of Uninsured Funds	\$ 1,035,717	\$ 166,644	\$ -	\$ -	\$ -	\$ 1,202,361
102% of Repo Agreement	-	-	-	45,419	-	45,419
Pledged Securities	<u>2,583,484</u>	<u>1,522,490</u>	<u>-</u>	<u>46,309</u>	<u>-</u>	<u>4,152,283</u>
(Over) Under Collateralized	<u>\$(1,547,767)</u>	<u>\$(1,355,846)</u>	<u>\$ -</u>	<u>\$ (890)</u>	<u>\$ -</u>	<u>\$(2,904,503)</u>

NOTE E – RECEIVABLES

Accounts receivable shown in the Business-type Activities at year end represents net balances due from customers of solid waste and utility services provided by the City. The City uses the reserve method to account for the allowance for bad debts and has reserved the following amounts of accounts receivable:

	Accounts Receivable	Allowance for Uncollectibles	Balance June 30, 2007
Water and Sewer	\$ 475,330	\$ (185,997)	\$289,333
Solid Waste	<u>121,366</u>	<u>(42,570)</u>	<u>78,796</u>
	<u>\$ 596,696</u>	<u>\$ (228,567)</u>	<u>\$ 368,129</u>

The General Fund accounts receivable balance of \$181,662 consists of ambulance charges outstanding at June 30, 2007. No reserve allowance has been established for the ambulance accounts receivable, as management believes the amounts are fully collectible from either third party insurance companies or from the patient. Management reevaluates the collectibility of the ambulance receivables on an ongoing basis.

Taxes receivable for the General Fund as of June 30, 2007 consist of the following tax categories and are considered fully collectible:

Tax	Amount
Gross Receipts	\$ 930,078
Franchise	80,965
Motor Vehicle	11,883
Property	<u>6,743</u>
	<u>\$ 1,029,669</u>

NOTE F – PROPERTY TAXES

The Roosevelt County Treasurer collects the City's share of property taxes assessed. Property taxes attach an enforceable lien on property as of January 1. Tax notices are sent by the County Treasurer to property owners by November 1 of each year to be paid in whole or in two installments by November 10 and April 10 of the following year. The County Treasurer collects such taxes and distributes them to the City on a monthly basis. The City accounts for its share of property taxes in the General Fund. Property tax revenues are considered available (1) when they become due or past due and receivable within the current period and (2) when they are expected to be collected during a 60-day period after the close of the fiscal year. The City has \$16,885 in uncollected property taxes, which is fully reserved as uncollectible. The City is prohibited from writing off real property taxes.

CITY OF PORTALES, STATE OF NEW MEXICO
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 June 30, 2007

NOTE G – INTERFUND TRANSFERS AND BALANCES

Interfund transfers are made for various purposes throughout the year. Transfers made by the City during the fiscal year ended June 30, 2007 and related interfund balances are listed below. All interfund balances are expected to clear out within the next fiscal year.

Transfers:

<u>From Fund</u>	<u>To Fund</u>	<u>Amount</u>	<u>Purpose</u>
General Fund	Library Fund	\$ 25,000	Subsidize Library Operations
Street Fund	Portales Area Transit	49,500	Subsidize P.A.T. Operations
General Fund	Capital Repair and Replacement	171,474	Fund Capital Asset Expenditures
General Fund	Planning	15,000	Subsidize Comprehensive Planning
Water and Sewer	Water and Sewer Improvement Bonds	390,607	Debt Service Payments
Solid Waste	General Fund	125,000	Subsidize General Fund Operations
Water and Sewer	General Fund	1,095,358	Subsidize General Fund Operations
General Fund	Airport Fund	55,900	Subsidize Airport Operations
Water and Sewer	Water Improvement	170,709	Fund Debt Service Payments
Water Improvement	Water and Sewer	384,801	Fund Capital Improvements
General Fund	Risk Management	<u>9,060</u>	Fund Risk Management Contingencies
		<u>\$ 2,492,409</u>	

Balances:

<u>From Fund</u>	<u>To Fund</u>	<u>Amount</u>	<u>Purpose</u>
Beautification/Litter Control	Water and Sewer	\$ 92	Fund Expenditure Reimbursement
Library Fund	General Fund	290	Fund Expenditure Reimbursement
General Fund	Lodgers Tax	6,244	Fund Expenditure Reimbursement
Streets Fund	General Fund	552,564	Fund Expenditure Reimbursement
Capital Repair and Replacement	General Fund	219,879	Fund Expenditure Reimbursement
Capital Projects	General Fund	473	Fund Expenditure Reimbursement
Water and Sewer	Capital Projects	401	Fund Expenditure Reimbursement
Energy Conservation	General Fund	100	Fund Expenditure Reimbursement
Solid Waste	Water and Sewer	1,623	Fund Expenditure Reimbursement
Solid Waste	General Fund	169	GGRT Collections Due
Water and Sewer	General Fund	168	GGRT Collections Due
General Fund	Water and Sewer	550	Fund Expenditure Reimbursement
Water and Sewer	General Fund	<u>1,231</u>	Fund Expenditure Reimbursement
		<u>\$ 783,784</u>	

CITY OF PORTALES, STATE OF NEW MEXICO
NOTES TO FINANCIAL STATEMENTS - CONTINUED
June 30, 2007

NOTE H – CAPITAL ASSET ACTIVITY

Capital asset activity for the City for the year ended June 30, 2007, was as follows:

	Balance June 30, 2006	Adjustments	Additions and Transfers In	Deletions and Transfers Out	Balance June 30, 2007
Governmental Activities:					
Assets Not Depreciated:					
Land	\$ 698,102	\$ -	\$ -	\$ -	\$ 698,102
Construction in Progress	<u>23,863</u>	<u>-</u>	<u>205,903</u>	<u>(23,863)</u>	<u>205,903</u>
Total Assets Not Depreciated	721,965	-	205,903	(23,863)	904,005
Depreciable Assets:					
Buildings	5,897,413	-	-	-	5,897,413
Improvements	2,069,720	1	41,610	-	2,111,331
Machinery & Equipment	5,728,637	(3,202,528)	150,245	(15,409)	2,660,945
Furniture & Fixtures	-	178,776	-	-	178,776
Vehicles	<u>-</u>	<u>3,391,177</u>	<u>237,275</u>	<u>(221,030)</u>	<u>3,407,422</u>
Total Depreciable Assets	13,695,770	367,426	429,130	(236,439)	14,255,887
Accumulated Depreciation:					
Buildings	(2,598,662)	1	(177,800)	-	(2,776,461)
Improvements	(821,851)	-	(74,722)	-	(896,573)
Machinery & Equipment	(3,820,959)	2,063,091	(208,060)	15,409	(1,950,519)
Furniture & Fixtures	-	(98,225)	(16,264)	-	(114,489)
Vehicles	<u>-</u>	<u>(2,033,875)</u>	<u>(295,493)</u>	<u>208,019</u>	<u>(2,121,349)</u>
Total Accumulated Depreciation	<u>(7,241,472)</u>	<u>(69,008)</u>	<u>(772,339)</u>	<u>223,428</u>	<u>(7,859,391)</u>
Net Depreciable Assets	<u>6,454,298</u>	<u>298,418</u>	<u>(343,209)</u>	<u>(13,011)</u>	<u>6,396,496</u>
Net Governmental Capital Assets	<u>\$ 7,176,263</u>	<u>\$ 298,418</u>	<u>\$ (137,306)</u>	<u>\$ (36,874)</u>	<u>\$ 7,300,501</u>
Business-Type Activities:					
Assets Not Depreciated:					
Land	\$4,589,846	\$ 3,501	\$ -	\$ -	\$ 4,593,347
Construction in Progress	<u>454,974</u>	<u>-</u>	<u>-</u>	<u>(454,974)</u>	<u>-</u>
Total Assets Not Depreciated	5,044,820	3,501	-	(454,974)	4,593,347
Depreciable Assets:					
Buildings	1,155,440	-	-	-	1,155,440
Improvements	17,509,495	-	239,979	-	17,749,474
Machinery & Equipment	2,937,659	(1,000,350)	760,187	(9,779)	2,687,717
Furniture & Fixtures	-	4,929	-	-	4,929
Vehicles	<u>-</u>	<u>950,444</u>	<u>139,638</u>	<u>-</u>	<u>1,090,082</u>
Total Depreciable Assets	21,602,594	(44,977)	1,139,804	(9,779)	22,687,642
Accumulated Depreciation:					
Buildings	(818,694)	1	(23,120)	-	(841,813)
Improvements	(9,932,376)	(1)	(508,564)	-	(10,440,941)
Machinery & Equipment	(2,107,253)	719,508	(203,824)	9,779	(1,581,790)
Furniture & Fixtures	-	(2,495)	(493)	-	(2,988)
Vehicles	<u>-</u>	<u>(689,829)</u>	<u>(83,628)</u>	<u>-</u>	<u>(773,457)</u>
Total Accumulated Depreciation	<u>(12,858,323)</u>	<u>27,184</u>	<u>(819,629)</u>	<u>-</u>	<u>(13,640,989)</u>
Net Depreciable Assets	<u>8,744,271</u>	<u>(17,793)</u>	<u>320,175</u>	<u>(454,974)</u>	<u>9,046,653</u>
Net Business-type Capital Assets	<u>\$ 13,789,091</u>	<u>\$ (14,292)</u>	<u>\$ 320,175</u>	<u>\$ (454,974)</u>	<u>\$ 13,640,000</u>

CITY OF PORTALES, STATE OF NEW MEXICO
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 June 30, 2007

NOTE H – CAPITAL ASSET ACTIVITY - Continued

The City reported \$772,339 of depreciation in general fixed assets in use by governmental funds on the Government-Wide Statement of Activities. The City chose not to allocate the depreciation to the various governmental functions, instead presenting the amount separately from the departmental functions on the statement.

The City also reported \$798,554 of depreciation expense for the current year, with an additional \$11,268 of accumulated depreciation transferred in from governmental activities, totalling a net increase of \$819,629 to accumulated depreciation for the fiscal year ended June 30, 2007.

NOTE I – LONG TERM DEBT

A summary of changes in long-term debt, including capital lease obligations, for the year ended June 30, 2007 is as follows:

	Balance June 30, 2006	Adjustments	Additions	Reductions	Balance June 30, 2007
Governmental Activities:					
Sales Tax Refund/Improv. Bonds	\$ 1,080,000	\$ -	\$ -	\$ (200,000)	\$ 880,000
NMFA – Recreation Center	425,594	-	-	(22,599)	402,995
Lasalle Bank – HVAC System	48,012	-	-	(11,773)	36,239
Municipal Court Building	45,331	-	-	(14,372)	30,959
John Deere Credit	15,393	-	-	(15,393)	-
Kansas St. Bank – Fire Truck	169,129	-	-	(21,219)	147,910
Parking Lot	52,000	(26,000)	-	(26,000)	-
NM Retiree Health Care Authority	<u>106,906</u>	-	-	<u>(13,115)</u>	<u>93,791</u>
Total Governmental Debt	<u>\$ 1,942,365</u>	<u>\$ (26,000)</u>	<u>\$ -</u>	<u>\$ (324,471)</u>	<u>\$ 1,591,894</u>
Business-Type Activities:					
Water/Sewer Revenue Bonds	\$ 2,000,000	\$ -	\$ -	\$ (295,000)	\$ 1,705,000
NMFA – Blackwater Well Field	2,611,549	36,493	-	(218,949)	2,429,093
Land Capital Lease	245,000	-	-	(70,000)	175,000
NMRHCA	<u>15,974</u>	<u>669</u>	-	<u>(1,519)</u>	<u>15,124</u>
	<u>\$ 4,872,523</u>	<u>\$ 37,162</u>	<u>\$ -</u>	<u>\$ (585,468)</u>	<u>\$ 4,324,217</u>

Scheduled principal and interest payments on the City's long term debt are as follows:

Year Ended June 30,	Governmental			Business-Type		
	Principal	Interest	Total	Principal	Interest	Total
2008	\$297,040	\$ 81,847	\$ 378,887	\$ 609,571	\$ 190,646	\$ 800,217
2009	314,802	66,620	381,422	633,735	166,935	800,670
2010	308,124	50,858	358,982	623,577	141,658	765,235
2011	290,500	35,481	325,981	614,084	114,836	728,920
2012	78,023	20,601	98,624	645,302	86,605	731,907
2013 - 2017	216,101	55,393	271,494	1,197,948	144,990	1,342,938
2018 - 2019	<u>87,304</u>	<u>7,186</u>	<u>94,490</u>	-	-	-
Total	<u>\$1,591,894</u>	<u>\$ 317,986</u>	<u>\$1,855,880</u>	<u>\$4,324,217</u>	<u>\$ 845,670</u>	<u>\$ 5,169,887</u>

CITY OF PORTALES, STATE OF NEW MEXICO
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 June 30, 2007

NOTE I – LONG TERM DEBT - Continued

Below are the terms, amounts due within one year, and maturity dates of the City's outstanding long term debt.

Description	Interest Rate	Payment Frequency	Payment Amount	Maturity Date	Due Within One Year	Servicing Fund
<i>Governmental Activities:</i>						
Sales Tax Refund/Improv. Bonds	Varies to 5.00%	Semiannual Interest, Annual Principal	Approximately \$253,000 Annually	June, 2011	\$210,000	Sales Tax Revenue
NMFA – Recreation Center	Varies to 5.47%	Monthly	\$4,085	May, 2019	22,677	Capital Projects
Lasalle Bank – HVAC System	6.25%	Quarterly	\$3,625	December, 2009	12,712	Energy Conservation
Municipal Court Building	8.01%	Monthly	\$1,457	May, 2009	15,563	General
Kansas St. Bank – Fire Truck	4.30%	Annual	\$28,491	March, 2013	22,133	Fire Protection
NM Retiree Health Care Authority	7.50%	Monthly	\$1,782	June, 2013	<u>13,955</u>	General
					<u>\$297,040</u>	
<i>Business-Type Activities:</i>						
Water/Sewer Revenue Bonds	Varies to 4.90%	Semiannual Interest, Annual Principal	Approximately \$391,000 Annually	June, 2012	\$310,000	Water and Sewer
NMFA – Blackwater Well Field	Varies to 4.79%	Monthly	\$27,918	May, 2016	227,320	Water and Sewer
Land Capital Lease	0% - Imputed at 4%	Semiannual	\$35,000	December, 2009	70,000	Water and Sewer
NMRHC	7.50%	Monthly	\$261	June, 2013	<u>2,251</u>	Solid Waste, Airport, Water and Sewer
					<u>\$609,571</u>	

NOTE J – ACCRUED COMPENSATED ABSENCES

The City pays any accumulated accrued vacation leave in a lump cash payment to employee upon retirement or to the employee's estate in the event of death. Compensation for sick leave is limited to time-off and is not monetarily compensated. The Water and Sewer, Solid Waste, Airport, General Fund, or Portales Area Transit special revenue fund, as appropriate, are used to liquidate the liability. The City does not pay accrued sick leave upon termination. The liability also includes the City's portion of employment taxes related to the hours and time accrued by the employee.

CITY OF PORTALES, STATE OF NEW MEXICO
 NOTES TO FINANCIAL STATEMENTS - CONTINUED
 June 30, 2007

NOTE J – ACCRUED COMPENSATED ABSENCES – Continued

	Balance June 30, 2006	Additions	Reductions	Balance June 30, 2007	Due Within One Year
Governmental Activities:	\$ 341,373	\$ 289,793	\$ (301,775)	\$ 329,391	\$ 207,598
Business-Type Activities:	<u>63,048</u>	<u>40,975</u>	<u>(55,108)</u>	<u>48,915</u>	<u>\$ 38,790</u>
	<u>\$ 404,421</u>	<u>\$ 330,768</u>	<u>\$ (356,883)</u>	<u>\$ 378,306</u>	<u>\$ 41,162</u>

NOTE K – RETIREMENT AND HEALTH CARE PLANS

Plan Description – Substantially all of the City of Portales’s full-time employees participate in a public employee retirement system authorized under the Public Employees’ Retirement Act (PERA) (Chapter 10, Article 11, NMSA 1978). PERA is the administrator of the plan, which is a multiple-employer defined benefit retirement plan. The plan provides for retirement, disability benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to PERA, PO Box 2123, Santa Fe, NM 87501-2123.

Funding Policy –. The contribution requirements of plan members and the City of Portales are established in Chapter 10, Article 7C, NMSA 1978. The requirements may be amended by acts of the legislature. The City of Portales’s contributions percentages and amounts to PERA for the current and prior fiscal years are scheduled below.

	Employee Contribution	City Contribution	Total Contribution
General	9.15%	9.15%	18.30%
Fire	16.20%	21.25%	37.45%
Police	7.00%	18.50%	25.50%

	Employee Contribution	City Contribution	Total Contribution
Fiscal year ending June 30:			
2007	\$ 396,745	\$ 537,562	\$ 934,307
2006	364,133	494,871	859,004
2005	353,801	477,102	830,903

Retiree Health Care – The Retiree Health Care Act (Chapter 10, Article 7C NMSA, 1978) provides comprehensive core group health insurance for persons who have retired from certain public services in New Mexico. The Retiree Health Care Authority is the administrator of the plan. The purpose is to provide eligible retirees, their spouses, dependents, and surviving spouses and dependents with health insurance consisting of a plan, or optional plan, of benefits that can be purchased by funds flowing into the Retiree Health Care Fund and by co-payments or out-of-pocket payments of eligible retirees.

Monies flow to Retiree Health Care Fund on pay-as-you-go basis from eligible employers and eligible retirees. Eligible employers consist of institutions of higher education, Cities, or other entities participating in Public City Insurance Authority, State agencies or courts, magistrate courts, municipalities or counties, which are affiliated under or covered by the Education Retirement Act, Public Employees Retirement Act, Volunteer Firefighters Retirement Act, Judicial Retirement Act or Magistrate Retirement Act.

NOTE K – DEFINED BENEFIT PENSION PLAN - Continued

Eligible retirees are: (1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the Retiree Health Care Act on the person's behalf, unless that person retired before the employer's NMRHCA effective date, in which event the time period required for employees and employer contributions shall become the period of time between the employer's effective date and the date of retirement; or (2) retirees defined by the Act who retired prior to July 1, 1990 and former legislators who served at least two years. Participants may also enroll in optional coverage plans.

Each participating employer makes contributions to the fund in the amount of one point three percent (1.3%) of each participating employee's annual salary. Each Participating employee contributes to the fund an employee contribution equal to sixty-five one hundredths of one percent (.65%) of the employee's annual salary. Each participating retiree pays a monthly premium of fifty-seven dollars and sixty-five cents (\$57.65) for the basic single plan and an additional five dollars (\$5.00) if the eligible participant retired prior to July 1, 1990, and made no contributions to the plan.

Contributions from participating employers and employees become the property of the Retiree Health Care Fund and are not refundable under any circumstances, including termination of employment or termination of the participating employer's operation or participation in the Retiree Health Care Act. The employer, employee, and retiree contributions are required to be remitted to the Retiree Health Care Act. The employer, employee, and retiree contributions are required to be remitted to the Retiree Health Care Authority on a monthly basis.

The Retiree Health Care Authority issues a separate, publicly available audited financial report that includes post employment benefit expenditures of premiums and claims paid, participant contributions (employer, employee, and retiree), and net expenditures for the fiscal year. The report also includes the approximate number of retirees participating in the plan. That report may be obtained by writing to the Retiree Health Care Authority, Albuquerque State Government Center, 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

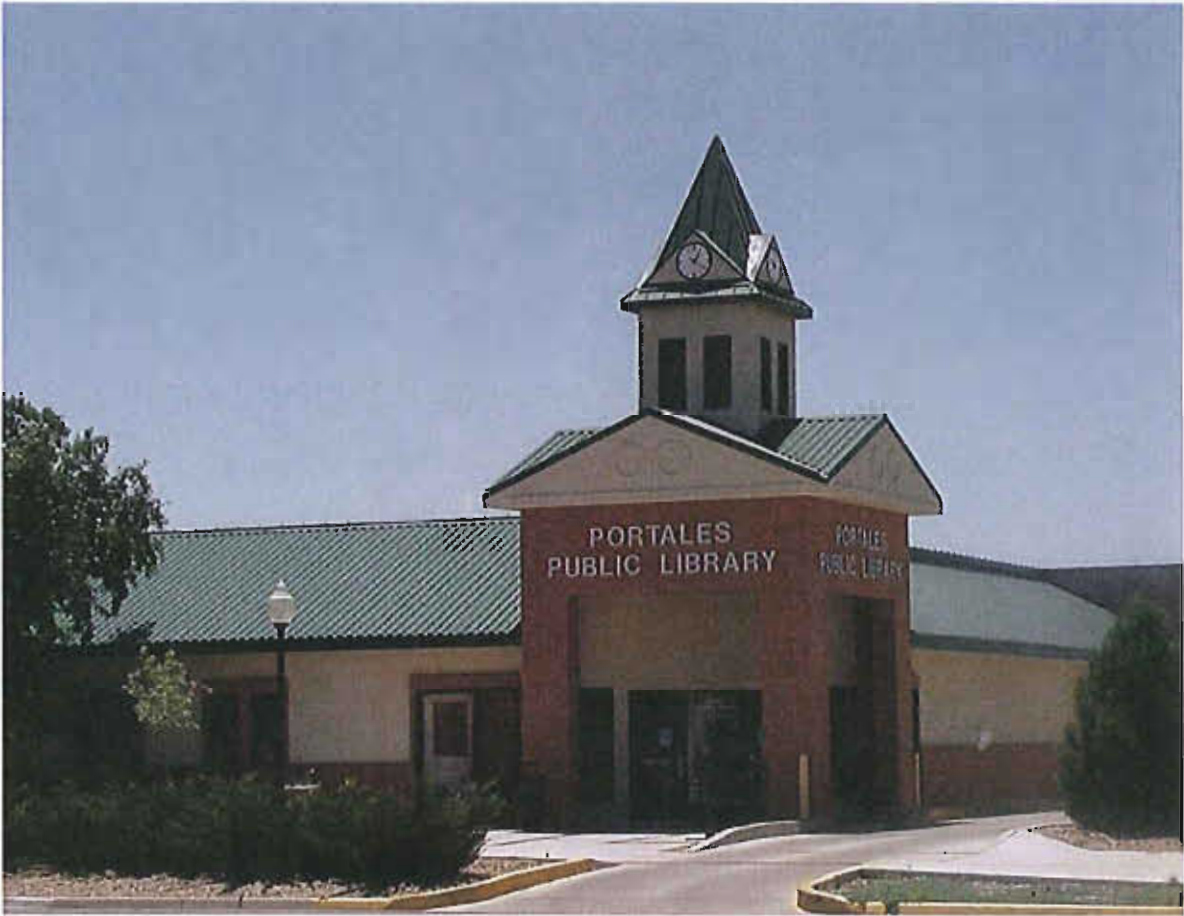
For the fiscal year ended June 30, 2007, the City remitted approximately \$51,053 in employer contributions and \$25,526 in employee contributions to the Retiree Health Care Authority.

NOTE L – COMMITMENTS AND SUBSEQUENT EVENTS

The City of Portales has submitted a \$2 million loan request from the New Mexico Environment Department under their Rural Infrastructure Program (RIP) to address the failing 24" waterline that has historically broken causing a discontinuation of water service to the community. This project, referred to as the Water Distribution System Project, is under contract for professional services with Smith Engineering who was hired in May 2008 to finalize the design of a looped system along with the placement of a minimum of 5 valves. Previously, Smith Engineering worked with the City in 2005 to evaluate the line, the reasons for the break and to offer recommendations to the City for grant applications. The first phase of construction will be the installation of the valves placed strategically on the 24" waterline to isolate any future breaks. The second phase will be the construction phase of a looped waterline to ensure redundancy of water supply. The estimated project completion date is for December 2008.

The City has several capital projects in progress at various states of completion. The majority of these capital projects are being funded by reimbursement type grants, which require the City to incur the expenditure then submit a request for reimbursement to the grantor. These requests must be made before the respective grants expire.

COMBINING FUND STATEMENTS AND SCHEDULES



SPECIAL REVENUE FUNDS

Special Revenue funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts and major capital projects) that are legally restricted to expenditures for specified purposes.

Correction Fund - Accounts for the operation and maintenance of public holding cells and local correctional facilities through the assessment of traffic violations within the City's jurisdiction (33-3-25 NMSA 1978).

Emergency Medical Services Fund – Accounts for the state funding and expenditures of emergency medical equipment and supplies for the fire department (24-10A-1 NMSA 1978).

Enhanced 911 Fund – Accounts for state inkind support and operations fo the Enhanced 911 emergency system (63-9d-11 NMSA 1978).

Fire Protection Fund – Accounts for state fire allotment funds received for the operations and maintenance of the fire department (59A-53-5 NMSA 1978).

Beautification/Litter Control Fund – Accounts for the state grant funds necessary to aid in the litter contol and beautification of the municipality (67-16-1 NMSA 1978).

Law Enforcement Protection Fund – Accounts for the state grant funds for law enforcement support and operations (29-131 NMSA 1978).

Library Fund – Accounts for the state, county, and private grants and donations to purchase books and provide library supplies and operational expense (3-18-14 NMSA 1978).

Lodgers Tax - Accounts for the special assessment tax on motel room rentals used for the promotion of the City (3-38-13 NMSA 1978).

Municipal Streets - Accounts for the special assessment gasoline tax received from the state and used for the maintenance and improvement of city streets (SP-HM-4648).

Recreation Fund – Accounts for operations and maintenance of recreation facilities financed by a specific tax on cigarette sales and other grants and donations (7-12-1 NMSA 1978).

Local DWI Fund – Accounts for state driving while intoxicated fines and other state grants for the education and prevention of driving while intoxicated arrests (6-4-8 NMSA 1978).

Law Enforcement Special Service Fund – Accounts for the revenue received from traffic safety fees to promote law enforcement education in the community (29-13-9 NMSA 1978).

CDBG Rehabilitation Loan Repayment Fund – Accounts for the collection and disbursement of the federal and state grants collected by the City on behalf of the citizens to assist in eligible single family home improvements (PL 93-383 Title I, Housing and Community Development Act of 1974).

Portales Area Transit Fund – Accounts for the state grants received and ridership fees charged to operate and maintain the local public transportation system (City Council).

Community Development Block Grant Fund – Accounts for the state and federal funding received for the improvement of streets in designated parts of the City (7-1-6.11 NMSA 1978).

Comprehensive Plan – Accounts for the state grants received for the development of a comprehensive plan for the City (City Council).

SPECIAL REVENUE FUNDS
(Continued)

Energy Conservation Lease Debt Service – Accounts for the dedicated gross receipts taxes collected to fund the debt service on the HVAC system (City Council).

Risk Management – Accounts for the expenditures of unemployment and other insurance premiums paid by the City (5-11-46 NMSA 1978).

Criminal Justice – Accounts for the state courts fees collected through municipal court on behalf of the state (35-14-11 NMSA 1978).

MainStreet – Accounts for the donations and grants received and the related expenditures in conjunction with the Mainstreet Portales project (City Council).

Economic Development – Accounts for the grants received and the related expenditures in conjunction with the promotion of economic development within the City (City Council).

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CITY OF PORTALES, NEW MEXICO
 COMBINING BALANCE SHEETS
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2007

Fund Name	ASSETS				Total
	Cash and Cash Equivalents	Taxes Receivable	Intergovernmental Receivable	Due From Other Funds	
Corrections	\$ 18,604	\$ -	\$ -	\$ -	\$ 18,604
Emergency Medical Services	1,269	-	-	-	1,269
Enhanced 911	5	-	-	-	5
Fire Protection	70,491	-	-	-	70,491
Beautification/Litter Control	123	-	2,286	-	2,409
Law Enforcement Protection	3,242	-	-	-	3,242
Library	-	-	-	-	-
Lodgers Tax	150,207	15,554	-	6,244	172,005
Municipal Street	10,736	16,510	-	-	27,246
Recreation	41,284	9,304	-	-	50,588
Local DWI Program	40,356	-	18,444	-	58,800
Law Enforcement Special Service	7,094	-	-	-	7,094
CDBG Rehabilitation Loan Repayment	8,115	-	-	-	8,115
Portales Area Transit	1,205	-	6,083	-	7,288
Community Development Block Grant	20,380	-	-	401	20,781
Comprehensive Plan	1,144	-	-	-	1,144
Energy Conservation Lease Debt Service	7,350	2,417	-	-	9,767
Risk Management	90,001	-	-	-	90,001
Criminal Justice	2,406	-	-	-	2,406
MainStreet	9,265	-	-	-	9,265
Economic Development	508,432	41,178	-	-	549,610
	<u>\$ 991,709</u>	<u>\$ 84,963</u>	<u>\$ 26,813</u>	<u>\$ 6,645</u>	<u>\$ 1,110,130</u>

LIABILITIES				FUND BALANCE	TOTAL LIABILITIES AND FUND BALANCE
Accrued Interest	Accrued Wages	Due To Other Funds	Total	Unreserved	
\$ -	\$ -	\$ -	\$ -	\$ 18,604	\$ 18,604
-	-	-	-	1,269	1,269
-	-	-	-	5	5
-	-	-	-	70,491	70,491
-	-	92	92	2,317	2,409
-	-	-	-	3,242	3,242
-	-	290	290	(290)	-
-	-	-	-	172,005	172,005
-	-	552,564	552,564	(525,318)	27,246
-	2,589	-	2,589	47,999	50,588
-	-	-	-	58,800	58,800
-	-	-	-	7,094	7,094
-	-	-	-	8,115	8,115
-	2,796	-	2,796	4,492	7,288
-	-	473	473	20,308	20,781
-	-	-	-	1,144	1,144
189	-	100	289	9,478	9,767
-	-	-	-	90,001	90,001
-	-	-	-	2,406	2,406
-	-	-	-	9,265	9,265
-	-	-	-	549,610	549,610
<u>\$ 189</u>	<u>\$ 5,385</u>	<u>\$ 553,519</u>	<u>\$ 559,093</u>	<u>\$ 551,037</u>	<u>\$ 1,110,130</u>

CITY OF PORTALES, NEW MEXICO
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2007

REVENUES						
Fund Name	Inter- Governmental	Taxes	Fees, Fines and Forfeitures	Grants and Contributions	Interest and Other	Total
Corrections	\$ -	\$ -	\$26,300	\$ -	\$ -	\$ 26,300
Emergency Medical Services	16,795	-	-	7,650	-	24,445
Enhanced 911	79,940	-	-	-	-	79,940
Fire Protection	160,938	-	-	875	28	161,841
Beautification/Litter Control	10,143	-	-	-	-	10,143
Law Enforcement Protection	34,400	-	-	-	-	34,400
Library	6,529	-	-	13,343	-	19,872
Lodgers Tax	-	97,331	-	-	4,764	102,095
Municipal Street	462,745	172,568	-	-	-	635,313
Recreation	-	34,256	800	19,296	-	54,352
Local DWI Program	124,977	-	23,290	1,906	-	150,173
Law Enforcement Special Service	-	-	330	5,190	-	5,520
CDBG Rehabilitation Loan Repayment	-	-	-	-	-	-
Portales Area Transit	54,271	-	2,008	-	-	56,279
Community Development Block Grant	86,998	-	-	-	-	86,998
Comprehensive Plan	30,000	-	-	-	-	30,000
Energy Conservation Lease Debt Service	-	14,501	-	-	-	14,501
Risk Management	-	-	-	-	17,031	17,031
Criminal Justice	-	-	10,608	-	-	10,608
MainStreet	-	-	-	5,000	-	5,000
Economic Development	-	223,151	-	-	-	223,151
Total	<u>\$1,067,736</u>	<u>\$ 541,807</u>	<u>\$63,336</u>	<u>\$ 53,260</u>	<u>\$21,823</u>	<u>\$1,747,962</u>

EXPENDITURES							Excess (Deficiency) of Revenues Over Expenditures
General Government	<i>Current</i>			<i>Debt Service</i>		Total	
	Public Safety	Public Works	Culture and Recreation	Principal	Interest		
\$ -	\$ 23,704	\$ -	\$ -	\$ -	\$ -	\$ 23,704	\$ 2,596
-	24,830	-	-	-	-	24,830	(385)
-	79,940	-	-	-	-	79,940	-
-	95,139	-	-	21,220	7,271	123,630	38,211
9,739	-	-	-	-	-	9,739	404
-	10,334	-	23,801	-	-	34,135	265
-	-	-	43,108	-	-	43,108	(23,236)
32,270	-	-	-	-	-	32,270	69,825
-	-	811,558	-	15,393	374	827,325	(192,012)
-	-	-	32,438	-	-	32,438	21,914
-	149,391	-	-	-	-	149,391	782
-	7,475	-	-	-	-	7,475	(1,955)
-	-	-	-	-	-	-	-
-	-	104,756	-	-	-	104,756	(48,477)
-	-	94,872	-	-	-	94,872	(7,874)
44,996	-	-	-	-	-	44,996	(14,996)
-	-	-	-	11,773	2,681	14,454	47
28,827	-	-	-	-	-	28,827	(11,796)
-	8,561	-	-	-	-	8,561	2,047
3,090	-	-	-	-	-	3,090	1,910
97,574	-	-	-	26,000	22	123,596	99,555
<u>\$ 216,496</u>	<u>\$ 399,374</u>	<u>\$1,011,186</u>	<u>\$ 99,347</u>	<u>\$74,386</u>	<u>\$10,348</u>	<u>\$1,811,137</u>	<u>\$ (63,175)</u>

CITY OF PORTALES, NEW MEXICO
 COMBINING STATEMENT OF REVENUES, EXPENDITURES
 AND CHANGES IN FUND BALANCE - Continued
 NONMAJOR GOVERNMENTAL FUNDS
 June 30, 2007

Fund Name	Excess (Deficiency) of Revenues Over Expenditures	Other Financing Sources (Uses)			Net Change in Fund Balance	Beginning Fund Balance	Ending Fund Balance
		Transfers In	Transfers Out	Total			
Corrections	\$ 2,596	\$ -	\$ -	\$ -	\$ 2,596	\$ 16,008	\$ 18,604
Emergency Medical Services	(385)	-	-	-	(385)	1,654	1,269
Enhanced 911	-	-	-	-	-	5	5
Fire Protection	38,211	-	-	-	38,211	32,280	70,491
Beautification/Litter Control	404	-	-	-	404	1,913	2,317
Law Enforcement Protection	265	-	-	-	265	2,977	3,242
Library	(23,236)	25,000	-	25,000	1,764	(2,054)	(290)
Lodgers Tax	69,825	-	-	-	69,825	102,180	172,005
Municipal Street	(192,012)	-	(49,500)	(49,500)	(241,512)	(283,806)	(525,318)
Recreation	21,914	-	-	-	21,914	26,085	47,999
Local DWI Program	782	-	-	-	782	58,018	58,800
Law Enforcement Special Service	(1,955)	-	-	-	(1,955)	9,049	7,094
CDBG Rehabilitation Loan Repayment	-	-	-	-	-	8,115	8,115
Portales Area Transit	(48,477)	49,500	-	49,500	1,023	3,469	4,492
Community Development Block Grant	(7,874)	-	-	-	(7,874)	28,182	20,308
Comprehensive Plan	(14,996)	-	15,000	15,000	4	1,140	1,144
Energy Conservation Lease Debt Service	47	-	-	-	47	9,431	9,478
Risk Management	(11,796)	9,060	-	9,060	(2,736)	92,737	90,001
Criminal Justice	2,047	-	-	-	2,047	359	2,406
MainStreet	1,910	-	-	-	1,910	7,355	9,265
Economic Development	99,555	-	-	-	99,555	450,055	549,610
Total	\$ (63,175)	\$ 83,560	\$ (34,500)	\$ 49,060	\$ (14,115)	\$ 565,152	\$ 551,037

CITY OF PORTALES, NEW MEXICO
CORRECTION SPECIAL REVENUE
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
REVENUES				
Fees:				
Correction Fees	\$ 26,000	\$ 26,000	\$ 26,300	\$ 300
Total Revenues	26,000	26,000	26,300	300
EXPENDITURES				
Current				
Supplies	46,000	46,000	23,704	22,296
Total Operating Expenses	46,000	46,000	23,704	22,296
Operating Income (Loss)	(20,000)	(20,000)	2,596	22,596
OTHER FINANCING USES				
Transfers In	20,000	20,000	-	20,000
Total Other Financing Uses	20,000	20,000	-	(20,000)
Net Change in Fund Balance	-	-	2,596	2,596
Fund Balance, Beginning of Year	16,008	16,008	16,008	-
Fund Balance, End of Year	\$ 16,008	\$ 16,008	\$ 18,604	\$ 2,596

CITY OF PORTALES, NEW MEXICO
 EMERGENCY MEDICAL SERVICES SPECIAL REVENUE FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
REVENUES				
Intergovernmental:				
State EMS Grant	\$ 16,766	\$ 16,795	\$ 16,795	\$ -
Contributions	-	7,650	7,650	-
Total Revenues	<u>16,766</u>	<u>24,445</u>	<u>24,445</u>	<u>-</u>
EXPENDITURES				
Current				
Supplies	-	4,400	4,398	2
Operating Costs	2,000	7,400	7,371	29
Capital Outlay	<u>14,766</u>	<u>13,100</u>	<u>13,061</u>	<u>39</u>
Total Operating Expenses	<u>16,766</u>	<u>24,900</u>	<u>24,830</u>	<u>70</u>
Operating Income (Loss)	<u>-</u>	<u>(455)</u>	<u>(385)</u>	<u>70</u>
Fund Balance, Beginning of Year	<u>1,654</u>	<u>1,654</u>	<u>1,654</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 1,654</u>	<u>\$ 1,199</u>	<u>\$ 1,269</u>	<u>\$ 70</u>

CITY OF PORTALES, NEW MEXICO
 ENHANCED 911 SPECIAL REVENUE FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
REVENUES				
Intergovernmental				
State E-911 Inkind Grant	\$ -	\$ 48,600	\$ 79,940	\$ 31,340
Total Revenues	-	48,600	79,940	31,340
EXPENDITURES				
Current				
Inkind Operating Costs	-	48,600	79,940	(31,340)
Total Operating Expenses	-	48,600	79,940	(31,340)
Operating Income (Loss)	-	-	-	-
Fund Balance, Beginning of Year	5	5	5	-
Fund Balance, End of Year	\$ 5	\$ 5	\$ 5	\$ -

CITY OF PORTALES, NEW MEXICO
 FIRE PROTECTION SPECIAL REVENUE FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
REVENUES				
Intergovernmental:				
State Fire Marshall Allotment	\$ 173,008	\$ 173,008	\$ 160,938	\$ (12,070)
Contributions	-	875	875	-
Interest Income	-	-	28	28
Total Revenues	173,008	173,883	161,841	(12,042)
EXPENDITURES				
Current				
Travel	5,000	5,000	2,309	2,691
Repairs and Maintenance	40,000	40,875	40,848	27
Supplies	5,000	5,000	702	4,298
Noncapital Purchases	4,000	4,000	-	4,000
Operating Costs	30,000	30,000	29,728	272
Capital Outlay	60,517	60,517	21,553	38,964
Debt Service				
Principal	21,220	21,220	21,220	-
Interest	7,271	7,271	7,271	-
Total Operating Expenses	173,008	173,883	123,631	50,252
Operating Income (Loss)	-	-	38,210	38,210
OTHER FINANCING USES				
Transfers In	-	-	-	-
Total Other Financing Uses	-	-	-	-
Net Change in Fund Balance	-	-	38,210	38,210
Fund Balance, Beginning of Year	32,281	32,281	32,281	-
Fund Balance, End of Year	\$ 32,281	\$ 32,281	\$ 70,491	\$ 38,210

CITY OF PORTALES, NEW MEXICO
 BEAUTIFICATION/LITTER CONTROL SPECIAL REVENUE FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
REVENUES				
Intergovernmental:				
State Beautification Grant	\$ 10,000	\$ 10,000	\$ 10,143	\$ 143
Total Revenues	<u>10,000</u>	<u>10,000</u>	<u>10,143</u>	<u>143</u>
EXPENDITURES				
Current				
Salaries and Wages	6,492	6,755	6,516	239
Employee Benefits	508	517	516	1
Supplies	950	2,480	2,587	(107)
Noncapital Purchases	1,000	111	-	111
Operating Costs	<u>1,050</u>	<u>137</u>	<u>120</u>	<u>17</u>
Total Operating Expenses	<u>10,000</u>	<u>10,000</u>	<u>9,739</u>	<u>261</u>
Operating Income (Loss)	<u>-</u>	<u>-</u>	<u>404</u>	<u>404</u>
OTHER FINANCING USES				
Transfers In	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total Other Financing Uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>-</u>	<u>-</u>	<u>404</u>	<u>404</u>
Fund Balance, Beginning of Year	<u>1,913</u>	<u>1,913</u>	<u>1,913</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 1,913</u>	<u>\$ 1,913</u>	<u>\$ 2,317</u>	<u>\$ 404</u>

CITY OF PORTALES, NEW MEXICO
LAW ENFORCEMENT PROTECTION SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
REVENUES				
Intergovernmental:				
State Law Enforcement Protection Grant	\$ 34,400	\$ 34,400	\$ 34,400	\$ -
Total Revenues	<u>34,400</u>	<u>34,400</u>	<u>34,400</u>	<u>-</u>
EXPENDITURES				
Current				
Noncapital Purchases	7,000	5,400	5,334	66
Operating Costs	8,400	5,000	5,000	-
Capital Outlay	<u>19,000</u>	<u>24,000</u>	<u>23,801</u>	<u>199</u>
Total Operating Expenses	<u>34,400</u>	<u>34,400</u>	<u>34,135</u>	<u>265</u>
Net Change in Fund Balance	<u>-</u>	<u>-</u>	<u>265</u>	<u>265</u>
Fund Balance, Beginning of Year	<u>2,977</u>	<u>2,977</u>	<u>2,977</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 2,977</u>	<u>\$ 2,977</u>	<u>\$ 3,242</u>	<u>\$ 265</u>

CITY OF PORTALES, NEW MEXICO
LIBRARY SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
REVENUES				
Intergovernmental:				
Library Grant	\$ 4,000	\$ 3,121	\$ 3,121	\$ -
GO Bond Issue	4,167	4,167	3,408	(759)
Grants and Contributions				
E-Rate Grant	3,697	3,585	3,488	(97)
Contributions	9,155	9,155	9,855	700
Total Revenues	<u>21,019</u>	<u>20,028</u>	<u>19,872</u>	<u>(156)</u>
EXPENDITURES				
Current				
Supplies	3,697	3,585	3,351	234
Noncapital Library Acquisitions	35,167	34,288	32,602	1,686
Operating Costs	7,155	7,155	7,155	-
Total Operating Expenses	<u>46,019</u>	<u>45,028</u>	<u>43,108</u>	<u>1,920</u>
Operating Income (Loss)	<u>(25,000)</u>	<u>(25,000)</u>	<u>(23,236)</u>	<u>1,764</u>
OTHER FINANCING USES				
Transfers In	25,000	25,000	25,000	-
Total Other Financing Uses	<u>25,000</u>	<u>25,000</u>	<u>25,000</u>	<u>-</u>
Net Change in Fund Balance	<u>-</u>	<u>-</u>	<u>1,764</u>	<u>1,764</u>
Fund Balance, Beginning of Year	<u>(2,054)</u>	<u>(2,054)</u>	<u>(2,054)</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ (2,054)</u>	<u>\$ (2,054)</u>	<u>\$ (290)</u>	<u>\$ 1,764</u>

CITY OF PORTALES, NEW MEXICO
 LODGERS TAX SPECIAL REVENUE FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
REVENUES				
Taxes:				
Lodgers' Taxes	\$ 60,000	\$ 66,000	\$ 97,331	\$ 31,331
Interest Income	2,000	2,000	4,764	2,764
Total Revenues	<u>62,000</u>	<u>68,000</u>	<u>102,095</u>	<u>34,095</u>
EXPENDITURES				
Current				
Supplies	5,000	5,000	3,750	1,250
Operating Costs	<u>44,980</u>	<u>50,980</u>	<u>28,520</u>	<u>22,460</u>
Total Operating Expenses	<u>49,980</u>	<u>55,980</u>	<u>32,270</u>	<u>23,710</u>
Operating Income (Loss)	12,020	12,020	69,825	57,805
OTHER FINANCING USES				
Transfers Out	<u>(5,000)</u>	<u>(5,000)</u>	-	<u>(5,000)</u>
Total Other Financing Uses	<u>(5,000)</u>	<u>(5,000)</u>	-	<u>5,000</u>
Net Change in Fund Balance	7,020	7,020	69,825	62,805
Fund Balance, Beginning of Year	<u>2,977</u>	<u>2,977</u>	<u>102,180</u>	<u>(99,203)</u>
Fund Balance, End of Year	<u>\$ 9,997</u>	<u>\$ 9,997</u>	<u>\$ 172,005</u>	<u>\$ (36,398)</u>

CITY OF PORTALES, NEW MEXICO
MUNICIPAL STREETS SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
REVENUES				
Intergovernmental:				
State Allocations	\$ 1,044,822	\$ 1,044,822	\$ 462,745	\$ (582,077)
Taxes:				
Gasoline Taxes	<u>200,000</u>	<u>200,000</u>	<u>172,568</u>	<u>(27,432)</u>
Total Revenues	1,244,822	1,244,822	635,313	(609,509)
EXPENDITURES				
Current				
Repairs and Maintenance	1,054,822	1,054,822	642,775	412,047
Supplies	109,000	109,000	168,783	(59,783)
Debt Service				
Principal	-	-	15,393	(15,393)
Interest	<u>-</u>	<u>-</u>	<u>374</u>	<u>(374)</u>
Total Operating Expenses	<u>1,163,822</u>	<u>1,163,822</u>	<u>827,325</u>	<u>336,497</u>
Operating Income (Loss)	81,000	81,000	(192,012)	(273,012)
OTHER FINANCING USES				
Transfers Out	<u>(52,520)</u>	<u>(52,520)</u>	<u>(49,500)</u>	<u>(3,020)</u>
Total Other Financing Uses	<u>(52,520)</u>	<u>(52,520)</u>	<u>(49,500)</u>	<u>3,020</u>
Net Change in Fund Balance	28,480	28,480	(241,512)	(269,992)
Fund Balance, Beginning of Year	<u>(283,806)</u>	<u>(283,806)</u>	<u>(283,806)</u>	<u>-</u>
Fund Balance, End of Year	<u><u>\$ (255,326)</u></u>	<u><u>\$ (255,326)</u></u>	<u><u>\$ (525,318)</u></u>	<u><u>\$ (269,992)</u></u>

CITY OF PORTALES, NEW MEXICO
RECREATION SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
REVENUES				
Taxes:				
Cigarette	\$ 35,100	\$ 35,100	\$ 34,256	\$ (844)
Fees, Fines and Forfeits:				
Summer Program Fees	4,000	4,000	800	(3,200)
Grants and Contributions:				
Hubbard Grant	2,500	2,500	7,500	5,000
Other Donations	-	-	11,796	11,796
Total Revenues	<u>41,600</u>	<u>41,600</u>	<u>54,352</u>	<u>12,752</u>
EXPENDITURES				
Current				
Salaries and Wages	30,723	30,623	19,197	11,426
Employee Benefits	2,425	2,425	1,596	829
Supplies	13,227	13,027	10,930	2,097
Noncapital Purchases	500	200	-	200
Other Operating Costs	700	1,300	715	585
Total Operating Expenses	<u>47,575</u>	<u>47,575</u>	<u>32,438</u>	<u>15,137</u>
Operating Income (Loss)	<u>(5,975)</u>	<u>(5,975)</u>	<u>21,914</u>	<u>27,889</u>
OTHER FINANCING USES				
Transfers In	-	-	-	-
Total Other Financing Uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	<u>(5,975)</u>	<u>(5,975)</u>	<u>21,914</u>	<u>27,889</u>
Fund Balance, Beginning of Year	<u>26,085</u>	<u>26,085</u>	<u>26,085</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 20,110</u>	<u>\$ 20,110</u>	<u>\$ 47,999</u>	<u>\$ 27,889</u>

CITY OF PORTALES, NEW MEXICO
LOCAL DWI PROGRAM SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
REVENUES				
Intergovernmental:				
State Grants	\$ 113,138	\$ 113,138	\$ 124,977	\$ 11,839
Fees, Fines and Forfeits:				
Fees and Screenings	-	23,260	23,290	30
Contributions	500	500	1,906	1,406
Total Revenues	<u>113,638</u>	<u>136,898</u>	<u>150,173</u>	<u>13,275</u>
EXPENDITURES				
Current				
Supplies	2,031	2,031	3,304	(1,273)
Noncapital Purchases	2,000	38,162	31,918	6,244
Operating Costs	109,607	118,705	114,169	4,536
Total Operating Expenses	<u>113,638</u>	<u>158,898</u>	<u>149,391</u>	<u>9,507</u>
Operating Income (Loss)	-	(22,000)	782	22,782
OTHER FINANCING USES				
Transfers Out	-	-	-	-
Total Other Financing Uses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in Fund Balance	-	(22,000)	782	22,782
Fund Balance, Beginning of Year	<u>58,018</u>	<u>58,018</u>	<u>58,018</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 58,018</u>	<u>\$ 36,018</u>	<u>\$ 58,800</u>	<u>\$ 22,782</u>

CITY OF PORTALES, NEW MEXICO
LAW ENFORCEMENT SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
REVENUES				
Fees, Fines and Forfeits:				
Fees	\$ 19,000	\$ 19,000	\$ 330	\$ (18,670)
Contributions	6,500	6,500	5,190	(1,310)
Total Revenues	<u>25,500</u>	<u>25,500</u>	<u>5,520</u>	<u>(19,980)</u>
EXPENDITURES				
Current				
Supplies	7,500	7,500	3,875	3,625
Noncapital Purchases	11,000	11,000	3,600	7,400
Operating Costs	7,000	7,000		7,000
Total Operating Expenses	<u>25,500</u>	<u>25,500</u>	<u>7,475</u>	<u>18,025</u>
Net Change in Fund Balance	-	-	(1,955)	(1,955)
Fund Balance, Beginning of Year	<u>9,049</u>	<u>9,049</u>	<u>9,049</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 9,049</u>	<u>\$ 9,049</u>	<u>\$ 7,094</u>	<u>\$ (1,955)</u>

CITY OF PORTALES, NEW MEXICO
 PORTALES AREA TRANSIT SPECIAL REVENUE FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
REVENUES				
Intergovernmental:				
State Grants	\$ 24,555	\$ 94,165	\$ 54,271	\$ (39,894)
Fees, Fines and Forfeits:				
Fees	600	1,600	2,008	408
Total Revenues	<u>25,155</u>	<u>95,765</u>	<u>56,279</u>	<u>(39,486)</u>
EXPENDITURES				
Current				
Salaries and Wages	20,645	90,542	67,170	23,372
Employee Benefits	4,612	26,325	19,340	6,985
Travel	891	3,172	1,972	1,200
Repairs and Maintenance	759	1,064	108	956
Supplies	3,200	13,872	7,993	5,879
Operating Costs	8,293	14,079	8,172	5,907
Total Operating Expenses	<u>38,400</u>	<u>149,054</u>	<u>104,755</u>	<u>44,299</u>
Operating Income (Loss)	<u>(13,245)</u>	<u>(53,289)</u>	<u>(48,476)</u>	<u>4,813</u>
OTHER FINANCING USES				
Transfers In	49,500	49,500	49,500	-
Total Other Financing Uses	<u>49,500</u>	<u>49,500</u>	<u>49,500</u>	<u>-</u>
Net Change in Fund Balance	<u>36,255</u>	<u>(3,789)</u>	<u>1,024</u>	<u>4,813</u>
Fund Balance, Beginning of Year	<u>3,469</u>	<u>3,469</u>	<u>3,469</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 39,724</u>	<u>\$ (320)</u>	<u>\$ 4,493</u>	<u>\$ 4,813</u>

CITY OF PORTALES, NEW MEXICO
COMMUNITY DEVELOPMENT BLOCK GRANT SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
REVENUES				
Intergovernmental:				
Federal Grants	\$ 86,998	\$ 536,998	\$ 86,998	\$ (450,000)
Total Revenues	86,998	536,998	86,998	(450,000)
EXPENDITURES				
Current				
Operating Costs	117,799	625,675	94,872	530,803
Total Operating Expenses	117,799	625,675	94,872	530,803
Operating Income (Loss)	(30,801)	(88,677)	(7,874)	80,803
OTHER FINANCING USES				
Transfers In	3,020	53,020	-	53,020
Total Other Financing Uses	3,020	53,020	-	(53,020)
Net Change in Fund Balance	(27,781)	(35,657)	(7,874)	27,783
Fund Balance, Beginning of Year	28,182	28,182	28,182	-
Fund Balance, End of Year	\$ 401	\$ (7,475)	\$ 20,308	\$ 27,783

CITY OF PORTALES, NEW MEXICO
 COMPREHENSIVE PLAN SPECIAL REVENUE FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
REVENUES				
Intergovernmental:				
State Grants	\$ 30,000	\$ 30,000	\$ 30,000	\$ -
Total Revenues	<u>30,000</u>	<u>30,000</u>	<u>30,000</u>	<u>-</u>
EXPENDITURES				
Current				
Operating Costs	<u>45,000</u>	<u>45,000</u>	<u>44,996</u>	<u>4</u>
Total Operating Expenses	<u>45,000</u>	<u>45,000</u>	<u>44,996</u>	<u>4</u>
Operating Income (Loss)	<u>(15,000)</u>	<u>(15,000)</u>	<u>(14,996)</u>	<u>4</u>
OTHER FINANCING USES				
Transfers In	<u>15,000</u>	<u>15,000</u>	<u>15,000</u>	<u>-</u>
Total Other Financing Uses	<u>15,000</u>	<u>15,000</u>	<u>15,000</u>	<u>-</u>
Net Change in Fund Balance	<u>-</u>	<u>-</u>	<u>4</u>	<u>4</u>
Fund Balance, Beginning of Year	<u>1,140</u>	<u>1,140</u>	<u>1,140</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 1,140</u>	<u>\$ 1,140</u>	<u>\$ 1,144</u>	<u>\$ 4</u>

CITY OF PORTALES, NEW MEXICO
ENERGY CONSERVATION LEASE SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
REVENUES				
Taxes:				
Gross Receipts Taxes	\$ 14,501	\$ 14,501	\$ 14,501	\$ -
Total Revenues	<u>14,501</u>	<u>14,501</u>	<u>14,501</u>	<u>-</u>
EXPENDITURES				
Debt Service				
Principal	11,948	11,948	11,773	175
Interest	<u>2,553</u>	<u>2,553</u>	<u>2,681</u>	<u>(128)</u>
Total Operating Expenses	<u>14,501</u>	<u>14,501</u>	<u>14,454</u>	<u>47</u>
Operating Income (Loss)	<u>-</u>	<u>-</u>	<u>47</u>	<u>47</u>
Fund Balance, Beginning of Year	<u>9,431</u>	<u>9,431</u>	<u>9,431</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 9,431</u>	<u>\$ 9,431</u>	<u>\$ 9,478</u>	<u>\$ 47</u>

CITY OF PORTALES, NEW MEXICO
RISK MANAGEMENT SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
REVENUES				
Interest and Other:				
Investment Income	\$ 4,200	\$ 4,200	\$ 4,681	\$ 481
Reimbursements and Refunds	-	12,350	12,350	-
Total Revenues	<u>4,200</u>	<u>16,550</u>	<u>17,031</u>	<u>481</u>
EXPENDITURES				
Current				
Operating Costs	<u>24,200</u>	<u>36,550</u>	<u>28,828</u>	<u>7,722</u>
Total Operating Expenses	<u>24,200</u>	<u>36,550</u>	<u>28,828</u>	<u>7,722</u>
Operating Income (Loss)	<u>(20,000)</u>	<u>(20,000)</u>	<u>(11,797)</u>	<u>8,203</u>
OTHER FINANCING USES				
Transfers In	<u>20,000</u>	<u>20,000</u>	<u>9,060</u>	<u>10,940</u>
Total Other Financing Uses	<u>20,000</u>	<u>20,000</u>	<u>9,060</u>	<u>(10,940)</u>
Net Change in Fund Balance	<u>-</u>	<u>-</u>	<u>(2,737)</u>	<u>(2,737)</u>
Fund Balance, Beginning of Year	<u>92,738</u>	<u>92,738</u>	<u>92,738</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 92,738</u>	<u>\$ 92,738</u>	<u>\$ 90,001</u>	<u>\$ (2,737)</u>

CITY OF PORTALES, NEW MEXICO
 CRIMINAL JUSTICE SPECIAL REVENUE FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
REVENUES				
Fees, Fines and Forfeits:				
Fees	\$ 10,120	\$ 10,120	\$ 10,608	\$ 488
Total Revenues	10,120	10,120	10,608	488
EXPENDITURES				
Current				
Operating Costs	10,120	10,120	8,561	1,559
Total Operating Expenses	10,120	10,120	8,561	1,559
Net Change in Fund Balance	-	-	2,047	2,047
Fund Balance, Beginning of Year	359	359	359	-
Fund Balance, End of Year	\$ 359	\$ 359	\$ 2,406	\$ 2,047

CITY OF PORTALES, NEW MEXICO
 MAINSTREET SPECIAL REVENUE FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
REVENUES				
Contributions	\$ -	\$ -	\$ 5,000	\$ 5,000
Total Revenues	-	-	5,000	5,000
EXPENDITURES				
Current				
Supplies	-	230	50	180
Noncapital Purchases	-	3,020	3,040	(20)
Operating Costs	-	4,104	-	4,104
Total Operating Expenses	-	7,354	3,090	4,264
Net Change in Fund Balance	-	(7,354)	1,910	9,264
Fund Balance, Beginning of Year	7,355	7,355	7,355	-
Fund Balance, End of Year	\$ 7,355	\$ 1	\$ 9,265	\$ 9,264

CITY OF PORTALES, NEW MEXICO
 ECONOMIC DEVELOPMENT SPECIAL REVENUE FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND BALANCE - BUDGET AND ACTUAL
 Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance with Final Budget Favorable (Unfavorable)
REVENUES				
Taxes:				
Gross Receipts Taxes	\$ 170,000	\$ 170,000	\$ 223,151	\$ 53,151
Total Revenues	170,000	170,000	223,151	53,151
EXPENDITURES				
Current				
Operating Costs	550,408	550,408	97,574	452,834
Debt Service				
Principal	26,000	26,000	26,000	-
Interest	22	22	22	-
Total Operating Expenses	576,430	576,430	123,596	452,834
Operating Income (Loss)	(406,430)	(406,430)	99,555	505,985
Fund Balance, Beginning of Year	450,055	450,055	450,055	-
Fund Balance, End of Year	\$ 43,625	\$ 43,625	\$ 549,610	\$ 505,985

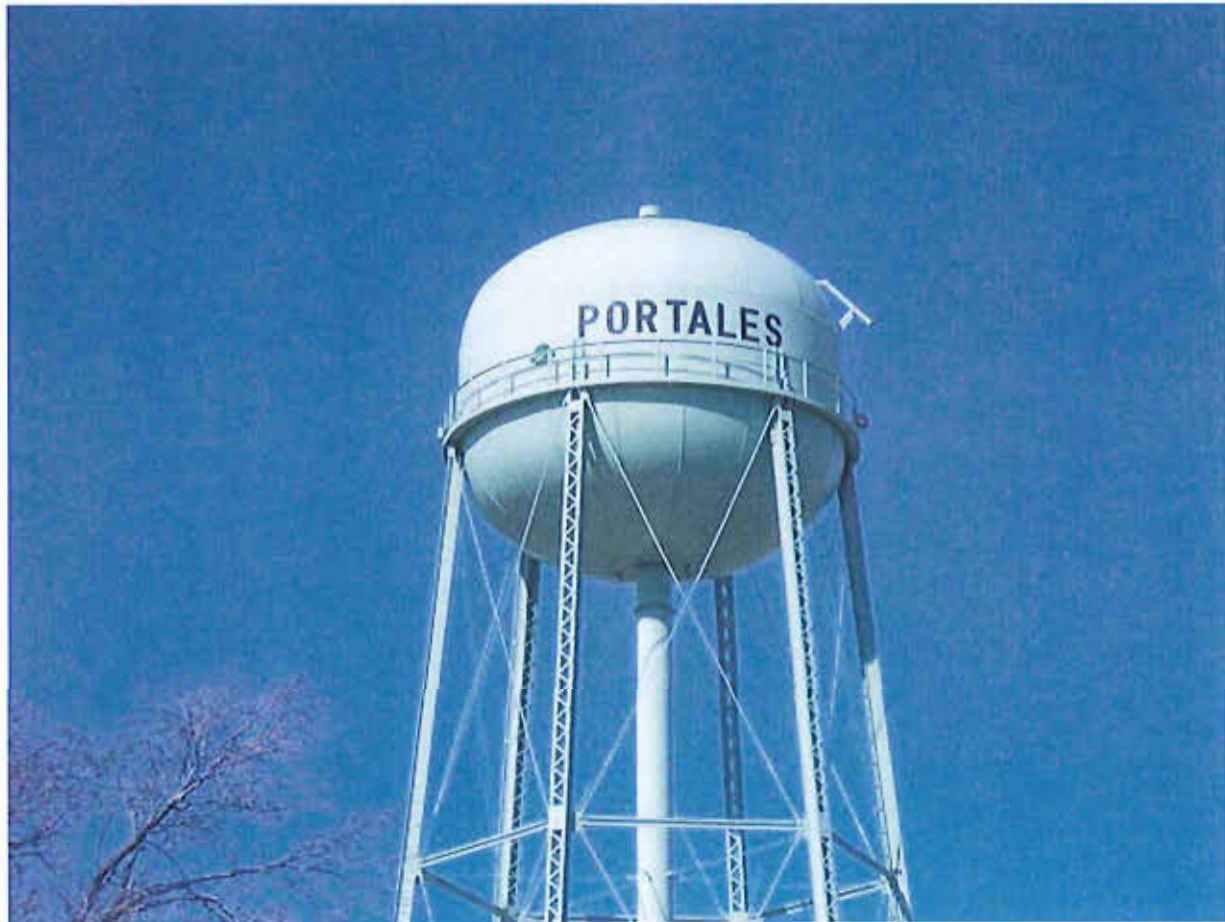
ENTERPRISE FUNDS

BUDGET VS. ACTUAL

Water and Sewer Fund – The Water and Sewer Fund is used to account for the provision of water and sewer services to the residents of the City of Portales. All activities necessary to provide such services are accounted for in this fund including administration, operations billing and maintenance.

Solid Waste Fund - The sanitation fund accounts for the billings and collections of the trash collection services.

Airport Fund - The airport fund accounts for operations of the airport.



CITY OF PORTALES, NEW MEXICO
WATER AND SEWER FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND NET ASSETS - BUDGET AND ACTUAL
Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES				
Charges for Service	\$ 3,404,000	\$ 3,404,000	\$ 3,348,528	\$ (55,472)
Late Charges	60,000	60,000	54,871	(5,129)
Rentals	3,000	3,000	3,050	50
Tapping and Reconnect Fees	54,000	54,000	41,183	(12,817)
Other	-	147,501	178,080	30,579
Total Revenues	3,521,000	3,668,501	3,625,712	(42,789)
OPERATING EXPENDITURES				
Current				
Salaries and Wages	429,357	482,842	450,321	32,521
Employee Benefits	186,116	191,539	191,388	151
Maintenance	198,050	964,033	689,111	274,922
Contracted and Purchased Services	113,200	156,400	140,696	15,704
Supplies	54,500	48,400	49,246	(846)
Noncapital Purchases	8,700	8,700	3,786	4,914
Operating Costs	545,302	592,003	518,362	73,641
Capital Outlay	1,263,801	828,900	791,675	37,225
Debt Service	586,606	586,606	584,545	2,061
Total Operating Expenses	3,385,632	3,859,423	3,419,130	440,293
Operating Income (Loss)	135,368	(190,922)	206,582	397,504
NONOPERATING REVENUE (EXPENSES)				
Investment Income	71,500	74,500	123,141	48,641
Water Conservation Fees	258,300	258,300	287,608	29,308
Grant Proceeds	645,521	645,521	351,021	(294,500)
Interest Expense	(204,120)	(204,120)	(203,911)	209
Total Nonoperating Revenues (Expenses)	771,201	774,201	557,859	(216,342)
Net Income Before Transfers	906,569	583,279	764,441	181,162
TRANSFERS				
Transfers In	915,409	946,119	946,117	(2)
Transfers Out	(2,115,409)	(2,102,119)	(2,041,475)	60,644
Total Operating Transfers	(1,200,000)	(1,156,000)	(1,095,358)	60,642
Net Income (Loss)	(293,431)	(572,721)	(330,917)	241,804
Fund Balance, Beginning of Year - As Adjusted	9,617,486	9,617,486	9,617,486	-
Fund Balance, End of Year	\$ 9,324,055	\$ 9,044,765	\$ 9,286,569	\$ 302,446

Reconciliation of Net Loss for Budgetary Basis to
Statement of Activities for Proprietary Funds

Net Income After Transfers - Budgetary Basis \$ (330,917)

Amounts reported in the Statement of Activities differ because:

Capital Outlay is a budget expenditure but is reported on the Proprietary
Funds Statement of Net Assets 791,675

Budgeted debt service expenditures reduce Water & Sewer liabilities
and are not reported in Proprietary Funds Statement of Activities 584,545

Depreciation is reported in the Proprietary Funds Statement of
Activities but is not a budget expenditure item (570,489)

Amortization is reported in the Proprietary Funds Statement of
Activities but is not a budget expenditure item (24,276)

Net Income After Transfers - Financial Statement Basis **\$ 450,538**

CITY OF PORTALES, NEW MEXICO
SOLID WASTE FUND
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND NET ASSETS - BUDGET AND ACTUAL
Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES				
Charges for Service	\$ 940,800	\$ 940,800	\$ 910,096	\$ (30,704)
Total Revenues	940,800	940,800	910,096	(30,704)
OPERATING EXPENDITURES				
Current				
Salaries and Wages	240,700	239,548	234,699	4,849
Employee Benefits	79,593	73,151	72,354	797
Maintenance	52,500	67,400	67,933	(533)
Contracted and Purchased Services	383,200	437,905	440,222	(2,317)
Supplies	64,050	62,800	62,948	(148)
Noncapital Purchases	9,800	9,800	9,041	759
Operating Costs	26,112	26,112	7,493	18,619
Capital Outlay	150,000	117,000	116,087	913
Debt Service	596	596	598	(2)
Total Operating Expenses	<u>1,006,551</u>	<u>1,034,312</u>	<u>1,011,375</u>	<u>22,937</u>
Operating Income	(65,751)	(93,512)	(101,279)	(7,767)
NONOPERATING REVENUE (EXPENSES)				
Investment Income	15,000	21,600	21,630	30
Environmental Gross Receipts Tax	104,000	125,161	127,703	2,542
Grant Proceeds	125,000	125,000	-	(125,000)
Interest Expense	(376)	(376)	(376)	-
Total Nonoperating Revenues (Expenses)	<u>243,624</u>	<u>271,385</u>	<u>148,957</u>	<u>(122,428)</u>
Net Income Before Transfers	177,873	177,873	47,678	(130,195)
TRANSFERS				
Transfers Out	(150,000)	(150,000)	(125,000)	25,000
Total Operating Transfers	<u>(150,000)</u>	<u>(150,000)</u>	<u>(125,000)</u>	<u>25,000</u>
Net Income	27,873	27,873	(77,322)	(105,195)
Fund Balance, Beginning of Year - As Adjusted	<u>46,097</u>	<u>46,097</u>	<u>46,097</u>	<u>-</u>
Fund Balance, End of Year	<u>\$ 73,970</u>	<u>\$ 73,970</u>	<u>\$ (31,225)</u>	<u>\$ (80,195)</u>
Reconciliation of Net Income for Budgetary Basis to Statement of Activities for Proprietary Funds				
Net Income After Transfers - Budgetary Basis			\$ (77,322)	
Amounts reported in the Statement of Activities differ because:				
Capital Outlay is a budget expenditure but is reported on the Proprietary Funds Statement of Net Assets			116,087	
Budgeted debt service expenditures reduce Water & Sewer liabilities and are not reported in Proprietary Funds Statement of Activities			598	
Depreciation is reported in the Proprietary Funds Statement of Activities but is not a budget expenditure item			<u>(40,125)</u>	
Net Income After Transfers - Financial Statement Basis			<u>\$ (762)</u>	

CITY OF PORTALES, NEW MEXICO
 AIRPORT FUND
 STATEMENT OF REVENUES, EXPENDITURES, AND
 CHANGES IN FUND NET ASSETS - BUDGET AND ACTUAL
 Year Ended June 30, 2007

	Original Budget	Final Budget	Actual	Variance Favorable (Unfavorable)
OPERATING REVENUES				
Fuel Sales	\$ 95,000	\$ 117,727	\$ 102,434	\$ (15,293)
Late Charges	500	500	622	122
Rentals	27,000	27,000	36,948	9,948
Other and Miscellaneous	1,329	1,329	6,293	4,964
Total Revenues	123,829	146,556	146,297	(259)
OPERATING EXPENDITURES				
Current				
Salaries and Wages	27,470	28,753	27,929	824
Employee Benefits	9,014	9,181	6,419	2,762
Maintenance	10,000	17,700	19,671	(1,971)
Contracted and Purchased Services	700	63,750	63,479	271
Supplies	8,500	8,500	8,147	353
Noncapital Purchases	1,250	1,250	1,234	16
Operating Costs	124,613	133,890	106,832	27,058
Capital Outlay	496,219	437,469	232,042	205,427
Debt Service	325	325	325	-
Total Operating Expenses	678,091	700,818	466,078	234,740
Operating Loss	(554,262)	(554,262)	(319,781)	234,481
NONOPERATING REVENUE (EXPENSES)				
Grant Proceeds	494,467	494,467	265,574	(228,893)
Interest Expense	(205)	(205)	(205)	-
Total Nonoperating Revenues	494,262	494,262	265,369	(228,893)
Net Loss Before Transfers	(60,000)	(60,000)	(54,412)	5,588
TRANSFERS				
Transfers In	60,000	60,000	55,900	(4,100)
Total Operating Transfers	60,000	60,000	55,900	(4,100)
Net Income	-	-	1,488	1,488
Fund Balance, Beginning of Year - As Adjusted	2,284,604	2,284,604	2,284,604	-
Fund Balance, End of Year	\$ 2,284,604	\$ 2,284,604	\$ 2,286,092	\$ (2,612)

**Reconciliation of Net Income for Budgetary Basis to
 Statement of Activities for Proprietary Funds**

Net Income After Transfers - Budgetary Basis \$ 1,488

Amounts reported in the Statement of Activities differ because:

Capital Outlay is a budget expenditure but is reported on the Proprietary
 Funds Statement of Net Assets 232,042

Budgeted debt service expenditures reduce Airport Fund liabilities
 and are not reported in Proprietary Funds Statement of Activities 325

Depreciation is reported in the Proprietary Funds Statement of
 Activities but is not a budget expenditure item (187,940)

Net Income After Transfers - Financial Statement Basis \$ 45,915

SUPPLEMENTAL INFORMATION



CITY OF PORTALES, NEW MEXICO
SCHEDULE OF DEPOSITS AND TEMPORARY INVESTMENTS
BY DEPOSITORY FOR PUBLIC FUNDS
ALL FUNDS
Year Ending June 30, 2007

Account Description	Account Number	Account Type	Fund Type	Bank Balance June 30, 2007	Net Reconciling Items	Reconciled Balance June 30, 2007
Portales National Bank						
CDBG Capital Projects	40304	Checking	Governmental	\$ 20,380	\$ -	\$ 20,380
Comprehensive Plan	55425	Checking	Governmental	1,144	-	1,144
Energy Conservation Lease	61476	Checking	Governmental	7,350	-	7,350
Economic Development	55069	Checking	Governmental	508,432	-	508,432
Municipal Court Bonds	7404	Checking	Governmental	4,843	-	4,843
Revenue Clearing	12068	Checking	Governmental	8,010	(7,460)	550
			Total Checking	<u>550,159</u>	<u>(7,460)</u>	<u>542,699</u>
General Fund	12033	Interest	Governmental	1,072,337	(28,387)	1,043,950
Lodgers Tax	12076	Interest	Governmental	150,207	-	150,207
Building Capital Projects	11568	Interest	Governmental	3,687	-	3,687
Sales Tax	12181	Interest	Governmental	48,689	176	48,865
W&S Improvement	12203	Interest	Business-type	75,115	283	75,398
Solid Waste	12114	Interest	Business-type	182,574	500	183,074
Payroll	12122	Interest	Governmental	57,117	(23,009)	34,108
Disbursement	12068	Interest	Governmental	131,549	(112,832)	18,717
			Total Interest Bearing	<u>1,721,275</u>	<u>(163,269)</u>	<u>1,558,006</u>
			Total Deposits	<u>\$ 2,271,434</u>	<u>\$ (170,729)</u>	<u>\$ 2,100,705</u>
Wells Fargo						
Water	190-0064785	Checking	Business-type	\$ 277,803	(15,002)	\$ 262,801
Water Conservation	190-0198498	Checking	Business-type	86,056	387	86,443
Water Improvement	190-00034363	Checking	Business-type	69,430	1,403	70,833
			Total Deposits	<u>\$ 433,289</u>	<u>\$ (13,212)</u>	<u>\$ 420,077</u>
New Mexico State Treasurer - Local Government Investment Pool						
General Fund	7290-1568	Savings	Governmental	\$ 450,000	\$ -	\$ 450,000
Risk Management Reserve	7238-1574	Savings	Governmental	90,000	-	90,000
Water/Wastewater	7228-1580	Savings	Business-type	400,000	-	400,000
Water Meter Reserve	7427-1564	Savings	Business-type	120,000	-	120,000
Water Improvement Reserve	7225-1578	Savings	Business-type	325,000	-	325,000
Solid Waste	7236-1576	Savings	Business-type	200,000	-	200,000
			Total Deposits	<u>\$ 1,585,000</u>	<u>\$ -</u>	<u>\$ 1,585,000</u>
New Mexico Finance Authority Held at Bank of Albuquerque Trust Services						
Rec Center Financing	Portales	Savings	Governmental	45,894	-	45,894
Water & Wastewater	Portales3	Savings	Business-type	323,282	-	323,282
			Total Deposits	<u>\$ 369,176</u>	<u>\$ -</u>	<u>\$ 369,176</u>
New Mexico Finance Authority						
Rec Center Financing	Portales	Savings	Governmental	49,253	-	49,253
Water & Wastewater	Portales3	Savings	Business-type	151,462	-	151,462
			Total Deposits	<u>\$ 200,715</u>	<u>\$ -</u>	<u>\$ 200,715</u>
Linsco/Private Ledger						
98 Water/Sewer Reserve Fund	2171-8277	Savings	Business-type	390,126	-	390,126
Water Conservation Reserve	4344-5955	Savings	Business-type	936,029	-	936,029
97 Sales Tax Reserve Fund	2907-7396	Savings	Governmental	244,815	-	244,815
			Total Deposits	<u>\$ 1,570,970</u>	<u>\$ -</u>	<u>\$ 1,570,970</u>

Reconciliation of Accounts to Government-wide Balance Sheet

	Governmental Activities	Business-Type Activities	Total 2007
Cash and Cash Equivalents			
Unrestricted	\$ 2,386,993	\$ 1,619,498	\$ 4,006,491
Restricted	334,907	1,907,170	2,242,077
	<u>\$ 2,721,900</u>	<u>\$ 3,526,668</u>	<u>\$ 6,248,568</u>
Cash Source			
Portales National Bank	\$ 1,840,838	\$ 259,867	\$ 2,100,705
Wells Fargo	-	420,077	420,077
NM State Treasurer	540,000	1,045,000	1,585,000
NMFA - Bank of Albuquerque	45,894	323,282	369,176
NMFA	49,253	151,462	200,715
Linsco/Private Ledger	244,815	1,326,155	1,570,970
Petty Cash	1,100.00	825.00	1,925
	<u>\$ 2,721,900</u>	<u>\$ 3,526,668</u>	<u>\$ 6,248,568</u>

CITY OF PORTALES, NEW MEXICO
SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY
FOR PUBLIC FUNDS
Year Ending June 30, 2007

Name of Depository	Pledged Collateral	Maturity	CUSIP	Name and Location of Custodian	Par Value June 30, 2007	Fair Market Value June 30, 2007
Portales National Bank						
	Curry County Noncall Fr	08/01/2007	231327AV9	Texas Independent Bankers, Dallas TX	\$ 315,000	\$ 315,010
	FHLB NonCall Fr	10/05/2007	3133X8X56	Texas Independent Bankers, Dallas TX	500,000	497,188
	FHLB NonCall Fr	03/10/2008	3133XAT56	Texas Independent Bankers, Dallas TX	500,000	495,313
	Roosevelt Cnty Gross NonCall Fr	06/01/2008	776461AB1	Texas Independent Bankers, Dallas TX	100,000	100,016
	FHLB Call After 11/4/04 Fr	11/05/2008	3133X1WC7	Texas Independent Bankers, Dallas TX	150,000	147,683
	U.S Treasury Note	02/15/2009	912828BZ2	Texas Independent Bankers, Dallas TX	100,000	96,844
	U.S Treasury Note	02/15/2009	912828BZ2	Texas Independent Bankers, Dallas TX	150,000	145,266
	Mora ISD NonCall Fr	07/01/2009	616412DB5	Texas Independent Bankers, Dallas TX	150,000	150,978
	FHLMC NonCall Fr	07/15/2009	3134A4US1	Texas Independent Bankers, Dallas TX	500,000	490,313
	FHLMC NonCall Fr	11/15/2011	3128X3K69	Texas Independent Bankers, Dallas TX	150,000	144,873
	Pledged to Meet 50% Collateral Requirements				2,615,000	2,583,484
Wells Fargo						
	FNMA 30 Year Loan	05/01/2036	31409CV69	Wells Fargo, San Francisco, CA	1,190,000	1,046,088
	FNMA 30 Year Loan	03/01/2036	31409C2C8	Wells Fargo, San Francisco, CA	230,000	193,797
	FNMA 30 Year Loan	05/01/2036	31409T5B0	Wells Fargo, San Francisco, CA	110,000	87,919
	GNMA 30 Year Loan	06/20/2031	36225BNS3	Wells Fargo, San Francisco, CA	1,800,000	194,686
	Pledged to Meet 50% Collateral Requirements				3,330,000	1,522,490
Bank of Albuquerque						
	US Treasury	01/15/2025	912810FR4	FHLB, Tulsa OK	43,397	46,309
	Pledged to Meet 104% Collateral Requirements				43,397	46,309
	Total Pledged Collateral - All Depositors				\$ 5,988,397	\$ 4,152,283

CITY OF PORTALES, NEW MEXICO
 SCHEDULE OF JOINT POWERS AGREEMENTS
 Year Ending June 30, 2007

Other Participant	Agreement Description	Effective Date	Ending Date	Project Cost	Fiscal Year Contributions	Party Responsible for: Operations/ Revenues and Expenditure Reporting/ Audit Responsibility (If Any)
Region V Drug Task Force	Regional Drug Enforcement	October 10, 2005	Perpetual	Not Specified	Unknown	Region V Drug Task Force
Portales Municipal Schools	School Resource Officer Program	May 28, 1999	Perpetual	Not Specified	Unknown	City of Portales
Portales Municipal Schools	Wheeler Park Usage	April 18, 2006	Perpetual	Not Specified	Unknown	City of Portales
Roosevelt County	Law Enforcement Complex Usage	January 19, 1999	Perpetual	Not Specified	Unknown	Roosevelt County
Roosevelt County	County Jail Usage for City	December 3, 2002	Perpetual	Not Specified	Unknown	Roosevelt County
Eastern New Mexico Rural Water Authority	Ute Pipeline Project	February 4, 2002	Perpetual	Not Specified	Unknown	Eastern New Mexico Rural Water Authority
Eastern New Mexico University	Police, Fire and Ambulance Services	February 10, 1982	Perpetual	Not Specified	Unknown	City of Portales
New Mexico Energy, Minerals & Natural Resources Department	Wildfire Suppression and Protection	January 29, 1993	Perpetual	Not Specified	Unknown	City of Portales
Roosevelt County and Villages of Causey, Dora, Floyd & Elida	Enhanced 911 and Emergency Management Services	June 1, 1993	Perpetual	Not Specified	Unknown	City of Portales

COMPLIANCE



**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***

Hector Balderas, State Auditor
State of New Mexico, and
Honorably Mayor and
Members of City Council
City of Portales
Portales, New Mexico

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, the combining and individual funds and all budgetary comparisons of the city of Portales, New Mexico as of and for the year ended June 30, 2007, which collectively comprise the City's basic financial statements and audited supplemental information and have issued our report thereon dated August 6, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City of Portales's internal control over financial reporting as a basis for designing our auditing procedures 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 City of Portales's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Portales's internal control over financial reporting.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City of Portales's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City of Portales's financial statements that is more than inconsequential will not be prevented or detected by the City of Portales's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City of Portales's internal control.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

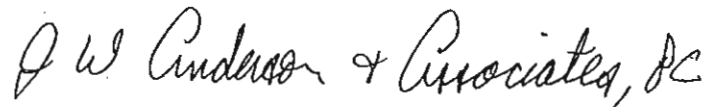
Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Portales's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

However, we noted certain matters that are required to be reported under *Government Auditing Standards January 2007 Revision* paragraphs 5.14 and 5.16 and Section 12-6-5 NMSA 1978 which are described in the accompanying Schedule of Audit Findings and Questioned Costs as 2006-2, 2006-7, and 2007-1.

The City of Portales's response to the findings identified in our audit is described in the accompanying schedule of findings. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of City Council and management, the Office of the State Auditor, the New Mexico Legislature, New Mexico Department of Finance and Administration – Local Government Division and applicable state and federal awarding agencies and pass-through agencies, and is not intended to be and should not be used by anyone other than these specified parties.



JW Anderson & Associates, PC
Certified Public Accountants
Lubbock, Texas
August 6, 2008

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO
EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE
WITH OMB CIRCULAR A-133**

Hector Balderas, State Auditor
State of New Mexico, and
Honorably Mayor and
Members of City Council
City of Portales
Portales, New Mexico

Compliance

We have audited the compliance of City of Portales (City) with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the years ended June 30, 2007. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audits.

We conducted our audits of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audits to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about The City's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinion. Our audits do not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the years ended June 30, 2007.

Internal Control Over Compliance

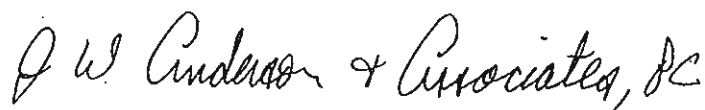
The management of the City is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered The City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *control deficiency* in an entity's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A *significant deficiency* is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

This report is intended solely for the information and use of City Council and management, the Office of the State Auditor, the New Mexico Legislature, New Mexico Department of Finance and Administration – Local Government Division and applicable state and federal awarding agencies and pass-through agencies, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in cursive script that reads "J W Anderson & Associates, PC".

JW ANDERSON & ASSOCIATES, PC
A Professional Corporation
Lubbock, Texas
August 6, 2008

CITY OF PORTALES, NEW MEXICO
 SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
 Year Ending June 30, 2007

Federal Grantor/Pass-Through Grantor Program Title	Federal or State Grant Number	Federal CFDA Number	Federal Program Expenses
<u>U.S. Department of Homeland Security</u>			
Passed Through the State of New Mexico			
Commercial Equipment Direct Assistance Program (CEDAP)	2006-GE-T6-0064	97.096	* \$ 219,111
Assistance to Fire Fighters	EMW-2003-FP-02017	97.044	2,705
State Domestic Preparedness Equipment Support Program	2004-GE-T4-0005-Roosevelt	97.004	41,730
State and Local All Hazards Emergency Operations Planning	2004-GE-T4-0005PLA	97.051	10,700
Total Department of Homeland Security			\$ 274,246
<u>U.S. Department of Housing and Urban and Development</u>			
Passed Through the State of New Mexico			
Small Cities Program	05-C-RS-I-I-G-46	14.219	\$ 94,873
Total Department of Housing and Urban Development			\$ 94,873
<u>U.S. Department of Transportation</u>			
Direct Program			
Federal Transit Capital Investment Grants	AIP 3-35-0061-012-2006	20.500	\$ 59,223
Airport Improvement Program	PRZ-06-001	20.106	* 260,298
Total Department of Health and Human Services			\$ 319,521
Total Expenditures of Federal Awards			\$ 688,640

* Indicates a major program

CITY OF PORTALES
STATE OF NEW MEXICO
NOTES TO SCHEDULES OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2007

NOTE A - GENERAL

The accompanying Schedule of Expenditures of Federal Awards on page presents the activity of all federal financial assistance programs of City of Portales. The City of Portales, as a reporting entity, is defined in Note A of the City's financial statements.

The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

NOTE B - BASIS OF ACCOUNTING

The accompanying Schedule of Expenditures of Federal Awards is presented using the accrual basis of accounting, which is described in Note A of the City's financial statements.

CITY OF PORTALES
STATE OF NEW MEXICO
SCHEDULES OF FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2007

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements

Type of auditors’ reports issued: **Unqualified**

Internal control over financial reporting:

- Control deficiencies identified? _____ Yes X None reported
- Material weaknesses identified? _____ Yes X None reported
- Noncompliance material to financial statements noted? _____ Yes X No

Federal Awards

Internal control over major programs:

- Control deficiencies identified? _____ Yes X None reported
- Material weaknesses identified? _____ Yes X None reported

Type of auditors’ report issued on compliance for major programs: **Unqualified**

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133? _____ Yes X No

Identification of major programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
97.096	Commercial Equipment Direct Assistance Program
20.106	Airport Improvement Program

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low-risk auditee? _____ Yes X No

CITY OF PORTALES
STATE OF NEW MEXICO
SCHEDULES OF FINDINGS AND QUESTIONED COSTS - Continued
For the Year Ended June 30, 2007

SECTION II – FINANCIAL STATEMENT FINDINGS AND QUESTIONED COSTS

2006-02	Late Audit Report
2007-01	Ambulance Receivables

SECTION III – FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2006-07	Data Collection Not Timely Filed
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CITY OF PORTALES, STATE OF NEW MEXICO
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2007

Prior Year -

<u>Finding</u>	<u>Description</u>	<u>Status</u>
2006-01	Budget Monitoring	Resolved
2006-02	Late Audit Report	Repeated in 2007
2006-03	Capital Assets	Resolved
2006-04	Long Term Debt	Resolved
2006-05	Audit Review	Resolved
2006-06	Schedule of Expenditures of Federal Awards	Resolved
2006-07	Data Collection Not Timely Filed	Repeated in 2007

CITY OF PORTALES, STATE OF NEW MEXICO
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2007

Current Year -

2006-02 Late Audit Report

CONDITION - The audit report for fiscal year 2007 was not submitted by December 1, 2007, causing City to be out of compliance with New Mexico State Auditor Rule 2.2.2.9A (1),.

CRITERIA - New Mexico State Auditor Rule 2.2.2.9A (1) requires audit reports for municipalities to be submitted by December 1st following the end of the fiscal year.

CAUSE - The 2006 fiscal year audit was released to the public in November, 2007, causing the 2007 fiscal year audit to be late. This was compounded by the Independent Public Accountant incurring an involuntary reduction in audit personnel, which caused additional delays in submission.

EFFECT – The City’s financial status and other information is not available to the public and various state agencies in a timely manner.

RECOMMENDATION - We recommend the City be proactive in the audit report preparation.

MANAGEMENT’S RESPONSE - The City will proactively work with the Independent Public Accountants to expedite the preparation of current and future financial statement audits.

CITY OF PORTALES, STATE OF NEW MEXICO
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2007

Current Year -

2006-07 Data Collection Report Not Timely Filed - Repeated

CONDITION - The data collection report was not filed with the federal clearinghouse by March 31, 2008, causing the City to be out of compliance with OMB Circular A-133 for the fiscal year ending June 30, 2007.

CRITERIA - OMB Circular A-133 Section 320 states that the auditee should submit the data collection form and the reporting package to the federal clearinghouse within nine months of year end.

CAUSE - The late submission of the audit report caused the delay in submitting the data collection report.

EFFECT - Future receipt of federal funding may be hindered.

RECOMMENDATION - The City should ensure the data collection report is filed timely and follow the filing with the completed audit when it becomes available.

MANAGEMENT'S RESPONSE - The City will work toward ensuring compliance with the OMB circular with the current and future data collection report filings.

CITY OF PORTALES, STATE OF NEW MEXICO
SCHEDULE OF AUDIT FINDINGS AND QUESTIONED COSTS
For the Year Ended June 30, 2007

Current Year -

2007-01 Ambulance Receivables

CONDITION – Internal controls for ambulance billing and receivables need to be strengthened. The billing and outstanding receivables are handled by an employee at the fire department with minimal monitoring and supervision from the Treasurer.

CRITERIA - Adequate internal controls are required to properly maintain the authorization, recording, and custody of the ambulance billing records and receivables.

CAUSE - The City does not have the necessary supervisory review of the ambulance billing and receivables activities.

EFFECT - Lack of proper internal controls over a revenue source for the City can lead to fraud or misappropriation of assets.

RECOMMENDATION - The City should strengthen the supervisory and internal controls of the ambulance billing activities to ensure proper recording and management of the billings.

MANAGEMENT'S RESPONSE – The Treasurer will take a more proactive role in the management, monitoring and recording of ambulance billings and receivables by fire department personnel.

CITY OF PORTALES, STATE OF NEW MEXICO
EXIT CONFERENCE
For the Year Ended June 30, 2007

The contents of this report were discussed with the City of Portales on August 6, 2008. The following individuals were available for the conference:

City of Portales

Debi Lee, City Manager
Marilyn Rapp, City Treasurer
Donald K. Shafer, Council Member

J.W. Anderson & Associates, PC

Larry Anderson, President
Scott Northam, Audit Manager

The financial statements of City of Portales were prepared from original books and records provided by and with assistance from the management of the City and J.W. Anderson & Associates, PC.

Although Statement of Auditing Standards No. 112 - *Communicating Internal Control Related Matters Identified in an Audit* strongly emphasizes that the City of Portales prepare its own financial statements, the consensus between the City management and the auditors was that it would be more time and cost efficient for the auditors to prepare the financial statements and the related notes. Accordingly, the City has designated a competent management-level individual to oversee the auditors' services and have made all management decisions and performed all management functions. The City has reviewed, approved, and accepted responsibility for the accompanying financial statements and related notes, and for ensuring that the underlying accounting records adequately support the preparation of the financial statements in accordance with generally accepted accounting principles and that the records are current and in balance.