

STATE OF NEW MEXICO
CITY OF PORTALES

Basic Financial Statements and
Required Supplementary Information
For the Year Ended June 30, 2010
and Independent Auditors' Report

**STATE OF NEW MEXICO
CITY OF PORTALES**

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JUNE 30, 2010**

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**STATE OF NEW MEXICO
CITY OF PORTALES**

DIRECTORY OF OFFICIALS

CITY COUNCIL

Sharon King
Antonio Salquero
Alfredo Bachicha
Oscar Robinson
Ronald Jackson
Leo Lovett
Michael Miller
Dianne Parker
Gary Watkins

Mayor
City Councilor
City Councilor
City Councilor
City Councilor
City Councilor
City Councilor
City Councilor
City Councilor

ADMINISTRATIVE OFFICIALS

Thomas Howell
Marilyn Rapp
Joan Martinez-Terry

City Manager
Treasurer
City Clerk



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INDEPENDENT AUDITORS' REPORT

Hector H. Balderas,
New Mexico State Auditor
Honorable 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, the aggregate remaining fund information, and the budgetary comparisons for the general fund and the major special revenue funds of the City of Portales (the "City"), as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the City's nonmajor governmental funds and the budgetary comparisons for the major enterprise funds and all nonmajor funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the City'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. 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, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons 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 as of June 30, 2010, and the respective changes in financial position thereof and the respective budgetary comparisons for the major enterprise funds and all nonmajor governmental funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2010, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 3 through 8 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the basic financial statements, and the combining and individual fund financial statements and budgetary comparisons. The accompanying 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 financial statements. The additional schedules listed as "other supplemental information" in the table of contents are presented for purposes of additional analysis and are not a required part of the 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.

Strickler & Prieto, LLP

November 24, 2010

**STATE OF NEW MEXICO
CITY OF PORTALES**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2010**

The following is an overview of the financial condition of the City of Portales, New Mexico (the "City"), for the fiscal year ended June 30, 2010. This narrative highlights the major aspects of the City's financial status for this period, and should be considered in conjunction with the information presented in other sections of this audit report.

OVERVIEW OF FINANCIAL STATEMENTS

This annual report consists of a series of financial statements. The basic financial statements include two kinds of statements that present different views of the City:

Government-wide Statements

Government-wide statements report information about the City as a whole using accounting methods similar to those used by private-sector companies. The statement of net assets includes all of the government's assets and liabilities. All of the current year's revenues and expenses are accounted for in the statement of activities, regardless of when cash is received or paid.

The government-wide financial statements of the City are divided into two categories:

- Governmental activities - Most of the City's basic services are included here, such as police, fire and general administration. Gross receipts and property taxes finance most of these activities.
- Business type activities - The City charges fees to customers to help cover the cost of certain services it provides. The City's water, sewer, solid waste and airport are included here.

Fund Financial Statements

The fund financial statements provide more detailed information about the City's most significant funds-not the City as a whole. Funds are accounting devices that the City uses to keep track of specific sources of funding and spending for particular purposes.

The City has three types of funds:

- Governmental funds - Most of the City's basic services are included in governmental funds, which focus on (1) how cash and other financial assets that can readily be converted to cash flow in and out and (2) the balances left at year-end that are available for spending. Consequently, the governmental funds statements provide a detailed short-term view that helps you determine whether there are more or fewer financial resources that can be spent in the near future to finance the City's programs.
- Proprietary funds - Services for which the City charges customers a fee are generally reported in proprietary funds.
- Fiduciary funds - The City is responsible for other assets that, because of a trust arrangement, can be used only for the trust beneficiaries. The City is responsible for ensuring that the assets reported in these funds are used for their intended purposes.

The financial statements also include notes that explain some of the information in the financial statements and provide more detailed data. The statements are followed by a section of required supplementary information that further explains and supports the information in the financial statements.

FINANCIAL ANALYSIS OF THE CITY AS A WHOLE

Net assets and total liabilities may serve over time as useful indicators of a government's financial condition. Net assets for the City as a whole increased by \$2,856,701 in the year ended June 30, 2010. This increase reflects an ongoing investment in buildings, infrastructure, equipment and vehicles to assist the City in providing services to the community. Total liabilities decreased by \$1,267,248 during this time period. This decrease indicates that the City was able to add assets, while reducing related liabilities. Based on these indicators, one can conclude that the government's financial condition is sound. The net assets of the City of Portales exceeded liabilities by \$23,277,257 for the fiscal year ended June 30, 2010. The largest portion, \$19,584,535, reflects the City's investment in capital assets (e.g. land, buildings, machinery and equipment); less any related debt still outstanding that was issued to acquire those items. The City uses these assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since capital assets cannot be used to liquidate these liabilities. The remaining balance of unrestricted net assets of \$6,659,677 may be used to meet the City's ongoing obligations to citizens and creditors. At the end of the current fiscal year, the City is able to report positive balances in all categories of net assets.

A condensed statement of net assets is as follows:

	CITY OF PORTALES					
	Net Assets					
	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	2010	2009	2010	2009	2010	2009
ASSETS						
Current assets	\$ 5,769,210	\$ 5,295,009	\$ 2,700,627	\$ 2,118,008	\$ 8,469,837	\$ 7,413,017
Restricted cash and cash equivalents	137,326	134,271	3,236,397	2,964,704	3,373,723	3,098,975
Bond issue costs, net	-	-	14,178	28,357	14,178	28,357
Bond reissue costs, net	-	-	22,124	44,247	22,124	44,247
Capital assets, net	10,572,301	9,617,665	13,416,012	14,077,092	23,988,313	23,694,757
Total assets	\$ 16,478,837	\$ 15,046,945	\$ 19,389,338	\$ 19,232,408	\$ 35,868,175	\$ 34,279,353
LIABILITIES AND NET ASSETS						
Current liabilities	\$ 703,236	\$ 1,022,169	\$ 848,046	\$ 882,911	\$ 1,551,282	\$ 1,905,080
Customer deposits	-	-	227,613	217,010	227,613	217,010
Accrued compensated absences	310,084	274,569	42,913	41,305	352,997	315,874
Landfill closure	-	-	706,380	706,380	706,380	706,380
Long term debt due after one year	497,949	863,781	2,959,238	3,554,583	3,457,187	4,418,364
Total liabilities	1,511,269	2,160,519	4,784,190	5,402,189	6,295,459	7,562,708
NET ASSETS						
Invested in capital assets, net of related debt	9,785,315	8,425,310	9,799,220	9,855,544	19,584,535	18,280,854
Restricted for:						
Debt service	23,406	23,939	505,353	532,430	528,759	556,369
Capital projects	113,919	110,332	972,557	783,548	1,086,476	893,880
Water conservation	-	-	1,006,889	947,802	1,006,889	947,802
Landfill closure	-	-	706,380	706,380	706,380	706,380
Unrestricted	5,044,928	4,326,845	1,614,749	1,004,515	6,659,677	5,331,360
Total net assets	14,967,568	12,886,426	14,605,148	13,830,219	29,572,716	26,716,645
Total liabilities and net assets	\$ 16,478,837	\$ 15,046,945	\$ 19,389,338	\$ 19,232,408	\$ 35,868,175	\$ 34,279,353

Governmental activities were able to increase total assets by \$1,431,892 from June 30, 2009 to June 30, 2010. The largest part of this increase was for net capital assets which increased by \$954,636. Projects completed during this timeframe include the Yam Theatre renovation and pool remodel. Governmental activities also added current assets valued at \$474,201 in the 2009-2010 fiscal year.

Governmental liabilities decreased by \$649,249 for the year ended June 30, 2010. Current and long term debt was paid down by \$684,764. No new debt was incurred by governmental funds during the fiscal year. Accrued compensated absences increased by \$35,515.

Business type activities also increased total assets during the fiscal year. Total assets increased by \$156,930. The asset categories with the largest increases were current assets (increase of \$582,619) and restricted assets (increase of \$271,693). Capital assets (net) decreased from \$14,077,092 to \$13,416,012, a reduction of \$661,080. Business type activity capital assets include well, water systems, and airport improvements.

Total liabilities decreased for business type activities during the fiscal year. Current liabilities decreased by \$34,865 and long term liabilities decreased by \$595,345. The City did not incur any additional long term liabilities during the fiscal year.

A condensed comparative statement of activities is as follows:

**CITY OF PORTALES
CONDENSED STATEMENT OF ACTIVITIES**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Totals</u>	
	2010	2009	2010	2009	2010	2009
REVENUES:						
Program revenues:						
Charges for services	\$ 919,007	\$ 941,240	\$ 5,082,106	\$ 5,190,648	\$ 6,001,113	\$ 6,131,888
Operating grants and contributions	1,787,353	1,369,376	40,600	-	1,827,953	1,369,376
Capital grants and contributions	735,353	1,888,765	466,263	285,956	1,201,616	2,174,721
General revenues:						
Gross receipts taxes	5,408,670	5,265,357	122,932	119,760	5,531,602	5,385,117
Other taxes	907,744	934,311	-	-	907,744	934,311
Water conservation fees	-	-	329,856	278,701	329,856	278,701
Investments	37,643	9,821	84,543	7,202	122,186	17,023
Rentals, reimbursements & other	149,491	168,474	-	-	149,491	168,474
Transfers, net	893,105	1,307,048	(893,105)	(1,307,048)	-	-
Total revenues	\$ 10,838,366	\$ 11,884,392	\$ 5,233,195	\$ 4,575,219	\$ 16,071,561	\$ 16,459,611
Expenses:						
General government	\$ 8,702,808	\$ 9,296,876	\$ -	\$ -	\$ 8,702,808	\$ 9,296,876
Water & sewer	-	-	2,894,685	2,589,408	2,894,685	2,589,408
Solid waste	-	-	1,072,785	1,115,189	1,072,785	1,115,189
Airport	-	-	341,223	353,901	341,223	353,901
Interest expense	54,416	66,483	149,573	157,622	203,989	224,105
Total expenses	8,757,224	9,363,359	4,458,266	4,216,120	13,215,490	13,579,479
Change in net assets:	2,081,142	2,521,033	774,929	359,099	2,856,071	2,880,132
Net assets, beginning of the year	12,886,426	10,365,393	13,830,219	13,471,120	26,716,645	23,836,513
Net assets, end of year	\$ 14,967,568	\$ 12,886,426	\$ 14,605,148	\$ 13,830,219	\$ 29,572,716	\$ 26,716,645

COMPARISON OF REVENUES AND EXPENSES BY FUNCTION

Revenues (excluding net transfers) for governmental activities decreased by 6% during the 2010 fiscal year. The reason for this decrease was a large decrease in operating and capital grants, which decreased by 23% for the year ended June 30, 2010. The State of New Mexico reduced the amount of grants awarded due to budget problems at the state level. Gross receipt tax collections were up by 2.7% for this fiscal year, increasing from \$5,265,357 to \$5,408,670. Several large construction projects were completed within the City limits during the fiscal year, which caused an increase in gross receipts from construction. Investment income was up for governmental activities, increasing from \$9,821 to \$37,643. This increase was due to a shift from cash to government and agency bonds.

General government expenses decreased by 6.5% during the fiscal year. Expenses were reduced due to fewer capital projects and a reduction in discretionary expenditures. City management monitored expenditures throughout the year to ensure that they were in line with revenues.

Revenues for business type activities (excluding net transfers) increased by 32.8% during the 2010 fiscal year. Charges for services revenue dropped by 2.1%. This decrease was due to a wetter, cooler summer and water conservation efforts. Gross receipts collections for business type activities increased by 2.7%, reflecting the same percentage increase experienced by the governmental activities. Investment income for business type activities increased from \$7,202 to \$84,543 due to a switch to investing in government and agency bonds.

Expenses for water and sewer increased by 11.8% during the fiscal year ended June 30, 2010. The increases can be accounted for by filling vacant positions and increased maintenance costs. Expenses in solid waste decreased by 3.8%. The decrease can be attributed to employee turnover and salary savings. Expenses for the airport decreased by 3.6% during the fiscal year. This decrease was due to a reduction in maintenance costs.

FINANCIAL ANALYSIS OF THE CITY'S FUNDS

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, outflows and balances of spendable resources. Such information is useful in assessing the City of Portales' financing requirements. Specifically, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. At the end of the 2010 fiscal year, the City's governmental funds reported a combined ending fund balance of \$5,515,276. The general fund balance of \$2,895,756 represents fifty-three percent of the total governmental fund balances. The general fund balance increased by \$266,107 in 2010. Taxes receivable increased by \$236,992 due to increased gross receipts tax collections.

General fund revenues totaled \$6,560,015 for the fiscal year, while expenditures were \$6,914,463. Expenditures exceeded revenues by \$354,448 prior to transfers in and out of the general fund.

During the year, the general fund received \$948,437 from other City funds, while it transferred \$327,882. The net transfer in of \$620,555 decreased the excess expenditures over revenues resulting in a net increase of fund balance of \$266,107. An increase in fund balance is indicative of prudent management of the City's funds during difficult economic conditions.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. An analysis of the major proprietary funds is as follows:

Proprietary funds increased total assets from \$19,232,408 in 2009 to \$19,389,338 in 2010. This was a 0.8% increase. The water fund made up the largest portion of this increase with total assets of \$15,959,928, which is 82% of total proprietary assets. Water fund decreased total assets by \$307,273, which is a 1.9% decrease. This decrease was in the value of capital assets, which was reduced by depreciation. Solid waste increased total assets by 20%, or \$196,588. Airport assets increased 13% to \$2,224,485. The increase in Airport assets was due to a grant that allowed the construction of a snowplow shed.

Proprietary fund liabilities decreased by \$555,939 during 2010. This was an 11% decrease. Water liabilities decreased 13%, solid waste liabilities increased 15%, and airport liabilities decreased 13%. Increased accounts payable accruals caused solid waste liabilities to increase.

GENERAL FUND BUDGETARY HIGHLIGHTS

The discussion that follows presents financial data based upon the budgetary basis of accounting. Please refer to the notes of the financial statements for an explanation of the differences of accounting regarding the budget. During the fiscal year, the City revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

During the 2010 fiscal year, the general fund revenue budget was increased by \$66,190. As discussed above, budget adjustments are made for various reasons. At the end of the fiscal year, gross receipts taxes were over budget by \$585,657. Management was conservative when budgeting gross receipts based upon the reduction in collections the previous year. Intergovernmental revenues were under budget by \$175,685. This category includes state and federal grants. Several grants were reverted to the state because of the state budget crisis and the budget was not adjusted. Charges for services was also under budget by \$140,092. The largest item in this category is ambulance receivables, which were reduced due to the bad economy.

Expenditures were budgeted to exceed revenues by \$1,453,794 before net transfers. All expenditure categories were under budget by \$1,006,806. Categories in which expenditures were significantly under budgeted amounts included fire and police. The City's policy is to budget based upon expected expenditures, but City employees are encouraged to spend only what is needed to accomplish the task at hand, which accounts for the expenditure savings.

CAPITAL ASSET AND DEBT ADMINISTRATION

Capital Assets

The City's investment in capital assets as of June 30, 2010 was \$23,988,313 (net of accumulated depreciation.) This investment in capital assets includes land, improvements, buildings, utility systems, machinery, and equipment. Governmental capital assets, net, increased by \$954,636. The largest increase was in improvements, which had a net increase of \$2,675,841. Much of this increase was due to completion of the Courthouse Square project which was listed as construction in progress in 2009. Construction in progress for governmental activities decreased by \$1,408,271 during the 2010 fiscal year. Business-type activities experienced a total net capital asset decrease of \$661,080. The reason for this decrease was depreciation.

A capital asset summary follows below:

CAPITAL ASSETS NET OF ACCUMULATED DEPRECIATION

	Governmental Activities		Business-type Activities		Totals	
	2010	2009	2010	2009	2010	2009
Land	\$ 698,102	\$ 698,102	\$ 4,593,347	\$ 4,593,347	\$ 5,291,449	\$ 5,291,449
Construction in progress	208,844	1,617,115	186,878	216,463	395,722	1,833,578
Buildings	3,063,354	3,137,058	637,523	281,141	3,700,877	3,418,199
Improvements	5,233,514	2,557,673	5,820,923	6,279,670	11,054,437	8,837,343
Machinery and equipment	417,927	522,314	1,796,314	2,210,809	2,214,241	2,733,123
Furniture and fixtures	29,011	46,449	466	955	29,477	47,404
Vehicles	921,549	1,038,954	380,561	494,707	1,302,110	1,533,661
Totals	\$ 10,572,301	\$ 9,617,665	\$ 13,416,012	\$ 14,077,092	\$ 23,988,313	\$ 23,694,757

Long-term Debt:

At the end of the 2010 fiscal year, the City had total long term debt outstanding of \$5,506,269, which consisted of notes payable, bonds, landfill post closure obligations and compensated absences payable. Governmental activity long term debt outstanding as of June 30, 2010 was \$1,133,507 and business type long term debt outstanding was \$4,372,762. During the fiscal year, governmental funds reduced long term debt by \$365,681 and business type funds decreased long term debt by \$602,918.

LONG TERM DEBT

	Governmental Activities		Business-type Activities		Totals	
	2010	2009	2010	2009	2010	2009
Notes payable	\$ 566,986	\$ 742,355	\$ 2,886,772	\$ 3,116,548	\$ 3,453,758	\$ 3,858,903
Bonds payable	220,000	450,000	730,000	1,070,000	950,000	1,520,000
Land capital lease	-	-	-	35,000	-	35,000
Landfill post closure	-	-	706,380	706,380	706,380	706,380
Compensated absences	346,521	306,833	49,610	47,752	396,131	354,585
Totals	<u>\$ 1,133,507</u>	<u>\$ 1,499,188</u>	<u>\$ 4,372,762</u>	<u>\$ 4,975,680</u>	<u>\$ 5,506,269</u>	<u>\$ 6,474,868</u>

CURRENTLY KNOWN FACTS, DECISIONS, OR CONDITIONS

The State of New Mexico is still experiencing the effects of the recession. The unemployment rate statewide as of September, 2010 was approximately 8%. The unemployment rate for Roosevelt County was 5.4% for the same month. Portales is the largest community within Roosevelt County. A comparison of the state to county unemployment rates indicates that the local economy is producing more jobs than the state as a whole. Portales has a diversified economy with agriculture, light manufacturing, retail, trucking and a state university providing varied opportunities for employment.

Cannon Air Force Base, situated between Portales and Clovis to the north, is expanding its operations. This expansion is bringing more population to the area. The increased population is promoting interest in new home construction in Portales. In the 2009-2010 year, the City issued 57 new home construction permits compared to 23 new home permits the year before.

At this time, the prospect of capital project funding from the State is limited; however, the City is actively pursuing federal stimulus grants. Currently, the City has federal awards for police, local growth planning, and waste water plant planning and design. Management is also exploring other grant and private award avenues to assist in equipment replacement and infrastructure repair and renewal.

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the City's finances and to show the City's accountability for the money it receives. Questions concerning any of the information provided in this report or requests for additional information should be addressed to the Finance Director, 100 W. First Street, Portales, NM 88130.

BASIC FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
CITY OF PORTALES**

**STATEMENT OF NET ASSETS
JUNE 30, 2010**

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 3,306,910	\$ 1,512,494	\$ 4,819,404
Investments	737,147	679,371	1,416,518
Receivables:			
Accounts	174,738	443,327	618,065
Taxes	1,210,828	23,768	1,234,596
Intergovernmental	336,984	-	336,984
Interest	136	703	839
Returned checks	2,066	1,942	4,008
Inventory	-	39,423	39,423
Internal balances	401	(401)	-
	<u>5,769,210</u>	<u>2,700,627</u>	<u>8,469,837</u>
Total current assets			
NONCURRENT ASSETS			
Restricted assets:			
Cash and cash equivalents	137,326	2,793,113	2,930,439
Investments	-	443,284	443,284
Bond issue costs, net	-	14,178	14,178
Bond reissue costs, net	-	22,124	22,124
Capital assets not being depreciated	906,946	4,780,226	5,687,172
Capital assets being depreciated, net	9,665,355	8,635,786	18,301,141
	<u>10,709,627</u>	<u>16,688,711</u>	<u>27,398,338</u>
Total noncurrent assets			
Total assets	<u>\$ 16,478,837</u>	<u>\$ 19,389,338</u>	<u>\$ 35,868,175</u>
LIABILITIES AND NET ASSETS			
Accounts payable	\$ 103,629	\$ 106,983	\$ 210,612
Accrued interest	4,520	15,281	19,801
Accrued salaries	250,881	39,209	290,090
Accrued GGRT taxes	18,732	-	18,732
Unapplied credits	-	22,342	22,342
Current portion of compensated absences	36,437	6,697	43,134
Current portion of long term debt	289,037	657,534	946,571
	<u>703,236</u>	<u>848,046</u>	<u>1,551,282</u>
Total current liabilities			
NONCURRENT LIABILITIES			
Customer deposits	-	227,613	227,613
Accrued compensated absences	310,084	42,913	352,997
Landfill closure	-	706,380	706,380
Long term debt due after one year	497,949	2,959,238	3,457,187
	<u>808,033</u>	<u>3,936,144</u>	<u>4,744,177</u>
Total noncurrent liabilities			
Total liabilities	1,511,269	4,784,190	6,295,459
NET ASSETS			
Invested in capital assets, net of related debt	9,785,315	9,799,220	19,584,535
Restricted for:			
Debt service	23,406	505,353	528,759
Capital projects	113,919	972,557	1,086,476
Water conservation	-	1,006,889	1,006,889
Landfill closure	-	706,380	706,380
Unrestricted	5,044,928	1,614,749	6,659,677
	<u>14,967,568</u>	<u>14,605,148</u>	<u>29,572,716</u>
Total net assets			
Total liabilities and net assets	<u>\$ 16,478,837</u>	<u>\$ 19,389,338</u>	<u>\$ 35,868,175</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO
CITY OF PORTALES

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

Functions/Programs	Program Revenues			Net (Expenses) Revenue and Changes in Net Assets			
	Expenses	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental activities:							
Administration	\$ 1,117,341	\$ 146,666	\$ 67,244	\$ 26,527	\$ (876,904)	\$ -	\$ (876,904)
Municipal court	274,268	105,820	169,570	229,646	230,768	-	230,768
Library	350,444	7,102	49,093	-	(294,249)	-	(294,249)
General services	159,795	-	-	-	(159,795)	-	(159,795)
Fire and emergency management	1,719,394	573,951	523,693	-	(621,750)	-	(621,750)
Police	2,121,042	20,725	46,648	-	(2,053,669)	-	(2,053,669)
Senior citizens	42,832	-	156	-	(42,676)	-	(42,676)
Streets	717,967	-	415,236	-	101,067	-	101,067
Parks and recreation	1,198,399	58,161	449,782	-	(690,456)	-	(690,456)
Public works and transportation	162,039	6,582	65,931	75,382	(14,144)	-	(14,144)
Interest expense	54,416	-	-	-	(54,416)	-	(54,416)
Unallocated depreciation	839,287	-	-	-	(839,287)	-	(839,287)
Total governmental activities	8,757,224	919,007	1,787,353	735,353	(5,315,511)	-	(5,315,511)
Business - type activities:							
Water and sewer	3,044,258	3,783,716	19,452	53,812	-	812,722	812,722
Solid waste	1,072,785	1,161,851	-	-	-	89,066	89,066
Airport	341,223	136,539	21,148	412,451	-	228,915	228,915
Total business - type activities	4,458,266	5,082,106	40,600	466,263	-	1,130,703	1,130,703
Total primary government	\$ 13,215,490	\$ 6,001,113	\$ 1,827,953	\$ 1,201,616	(5,315,511)	1,130,703	(4,184,808)
General Revenues:							
Gross receipts taxes					5,408,670	122,932	5,531,602
Franchise taxes					306,506	-	306,506
Property taxes					279,197	-	279,197
Gasoline taxes					194,210	-	194,210
Lodger's taxes					89,613	-	89,613
Cigarette taxes					38,218	-	38,218
Water conservation fees					-	329,856	329,856
Investment earnings					37,643	84,543	122,186
Rentals, reimbursements and other					149,491	-	149,491
Transfers, net					893,105	(893,105)	-
Total general revenues and transfers					7,396,653	(355,774)	7,040,879
Change in net assets					2,081,142	774,929	2,856,071
Net assets - beginning of year					12,886,426	13,830,219	26,716,645
Net assets - end of year					\$ 14,967,568	\$ 14,605,148	\$ 29,572,716

See accompanying notes to financial statements.

FUND FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
CITY OF PORTALES**

**BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2010**

	General Fund	Capital Repair and Replacement	Municipal Street Fund	Other Nonmajor Funds	Total Governmental Funds
ASSETS					
Cash and cash equivalents	\$ 1,306,456	\$ 78,689	\$ 11,783	\$ 1,909,982	\$ 3,306,910
Restricted cash and cash equivalents	-	-	-	137,326	137,326
Investments	647,494	-	-	89,653	737,147
Receivables:					
Accounts	102,529	10,719	61,490	-	174,738
Taxes	1,054,510	-	33,824	122,494	1,210,828
Intergovernmental	1,256	15,913	104,341	215,474	336,984
Interest	-	-	-	136	136
Returned checks	2,066	-	-	-	2,066
Due from other funds	121,502	-	-	401	121,903
Total assets	\$ 3,235,813	\$ 105,321	\$ 211,438	\$ 2,475,466	\$ 6,028,038
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 68,120	\$ 1,899	\$ 14,649	\$ 18,961	\$ 103,629
Accrued interest	-	-	-	4,520	4,520
Accrued salaries	244,668	-	-	6,213	250,881
Accrued GGRT Bonds	18,732	-	-	-	18,732
Deferred revenue	8,537	-	-	4,961	13,498
Due to other funds	-	-	-	121,502	121,502
Total liabilities	340,057	1,899	14,649	156,157	512,762
Fund balances:					
Unreserved					
Undesignated, reported in:					
General fund	2,895,756	-	-	-	2,895,756
Special revenue fund	-	-	196,789	1,849,520	2,046,309
Capital projects fund	-	103,422	-	123,110	226,532
Debt service fund	-	-	-	346,679	346,679
Total fund balances	2,895,756	103,422	196,789	2,319,309	5,515,276
Total liabilities and fund balances	\$ 3,235,813	\$ 105,321	\$ 211,438	\$ 2,475,466	\$ 6,028,038

See accompanying notes to financial statements.

**STATE OF NEW MEXICO
CITY OF PORTALES**

**RECONCILIATION OF THE BALANCE SHEET TO THE
STATEMENT OF NET ASSETS
JUNE 30, 2010**

Amounts reported for government activities in the statement of net assets are different because:

Fund balances - total governmental funds	\$ 5,515,276
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	10,572,301
Certain revenues do not meet the measurable and available criteria for revenue recognition in governmental funds, accordingly, these revenues are deferred in the funds.	13,498
Long-term liabilities are not due and payable in the current period and therefore are not reported in the funds. This includes compensated absences of \$346,521 and note obligations of \$786,986.	<u>(1,133,507)</u>
Net assets - statement of net assets	<u>\$ 14,967,568</u>

See accompanying notes to financial statements.

**STATE OF NEW MEXICO
CITY OF PORTALES**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES - GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010**

	General Fund	Capital Repair and Replacement	Municipal Street Fund	Other Nonmajor Funds	Total Governmental Funds
REVENUES:					
Taxes:					
Gross receipts	\$ 4,865,883	\$ -	\$ -	\$ 673,033	\$ 5,538,916
Franchise	306,506	-	-	-	306,506
Property	270,815	-	-	-	270,815
Other	-	-	194,210	-	194,210
Intergovernmental	52,147	416,068	416,639	613,256	1,498,110
Charges for services	574,802	-	-	-	574,802
Licenses, fees and permits	180,910	-	-	112,346	293,256
Fines	87,765	-	-	-	87,765
Rentals	35,710	-	-	-	35,710
Federal operating grants	26,527	229,646	237,904	241,276	735,353
Other grants and contributions	46,655	162,973	-	49,651	259,279
Interest	19,706	-	-	24,851	44,557
Other	92,589	12,099	-	-	104,688
Total revenues	6,560,015	820,786	848,753	1,714,413	9,943,967
EXPENDITURES:					
General government	1,091,573	22,704	-	252,009	1,366,286
Public safety	3,658,111	23,857	-	321,085	4,003,053
Public works	505,401	-	214,618	159,987	880,006
Culture and recreation	1,471,793	3,058	-	129,223	1,604,074
Capital outlay	166,207	890,533	256,816	457,869	1,771,425
Debt service:					
Principal	16,128	-	-	389,241	405,369
Interest and administrative fees	5,250	-	-	49,166	54,416
Total expenditures	6,914,463	940,152	471,434	1,758,580	10,084,629
Excess (deficiency) of revenues over expenditures	(354,448)	(119,366)	377,319	(44,167)	(140,662)
Other financing sources (uses):					
Proceeds from issuance of debt	948,437	68,485	32,912	202,449	1,252,283
Transfers in	(327,882)	-	(31,296)	-	(359,178)
Transfers out	-	-	-	-	-
Total other financing sources (uses)	620,555	68,485	1,616	202,449	893,105
Net changes in fund balances	266,107	(50,881)	378,935	158,282	752,443
Fund balance - beginning of year	2,629,649	154,303	(182,146)	2,161,027	4,762,833
Fund balance - end of year	\$ 2,895,756	\$ 103,422	\$ 196,789	\$ 2,319,309	\$ 5,515,276

See accompanying notes to financial statements.

STATE OF NEW MEXICO
CITY OF PORTALES

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN THE FUND BALANCES OF GOVERNMENTAL FUNDS TO THE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

Net change in fund balances - total governmental funds	\$ 752,443
The changes in net assets reported for governmental activities in the statement of activities are different because:	
Governmental funds report capital outlays as expenditures. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays of \$1,801,011 exceeded depreciation expense of \$839,287 in the current period.	961,724
Disposition of capital assets.	(7,088)
Uncollected property tax revenue is reported as deferred revenue in the governmental funds, but is current revenue in the statement of activities. This is current year deferred revenue of \$13,498 less prior year deferred revenue of \$5,116.	8,382
Issuance of note obligations is revenue in the governmental funds but increases the liability in the statement of net assets. Repayment of bond and note principal is an expenditure in the governmental funds but reduces the liability in the statement of net assets. This is the amount by which note obligation issuance of \$0 was exceeded by principal repayments of \$405,369.	405,369
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. This is the amount by which compensated absences liability changed from the previous year.	<u>(39,688)</u>
Change in net assets of governmental activities	<u>\$ 2,081,142</u>

See accompanying notes to financial statements.

**STATE OF NEW MEXICO
CITY OF PORTALES**

**GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010**

	Budgeted Amounts			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual	
Revenues:				
Taxes:				
Gross receipts	\$ 4,280,226	\$ 4,280,226	\$ 4,865,883	\$ 585,657
Franchise	322,300	322,300	306,506	(15,794)
Property	316,238	316,238	270,815	(45,423)
Intergovernmental	227,487	274,487	98,802	(175,685)
Charges for services	704,750	714,894	574,802	(140,092)
Licenses, fees and permits	39,800	44,155	180,910	136,755
Fines	112,830	112,830	87,765	(25,065)
Rentals	22,324	22,324	35,710	13,386
Grants and contributions	3,000	7,691	26,527	18,836
Interest	10,500	10,500	19,706	9,206
Other	73,750	73,750	92,589	18,839
Total revenues	6,113,205	6,179,395	6,560,015	380,620
Expenditures:				
Current:				
Legislative	180,996	193,615	196,626	(3,011)
Community development/planning	167,830	167,130	143,298	23,832
Administration	218,992	216,481	162,386	54,095
Finance	457,528	457,528	391,443	66,085
Municipal court	138,572	138,572	116,467	22,105
Library	307,981	307,481	283,849	23,632
General services	183,124	183,124	153,515	29,609
Fire and ambulance	1,710,185	1,708,435	1,554,166	154,269
Emergency management	38,625	38,625	-	38,625
Police	2,258,255	2,288,395	1,971,876	316,519
Senior citizens	50,997	50,697	40,540	10,157
Technology/IT	86,573	77,834	63,993	13,841
Streets	535,128	534,978	476,150	58,828
Parks	673,688	672,988	530,717	142,271
Recreation	144,597	144,297	37,606	106,691
Public works	5,730	5,730	2,102	3,628
Human resources	447,979	447,279	501,649	(54,370)
Total expenditures	7,606,780	7,633,189	6,626,383	1,006,806
Deficit of revenues over expenditures	(1,493,575)	(1,453,794)	(66,368)	1,387,426
Other financing sources (uses):				
Operating transfers in	1,375,000	1,390,245	948,437	(441,808)
Operating transfers out	(229,000)	(311,946)	(327,882)	(15,936)
Total other financing sources (uses)	1,146,000	1,078,299	620,555	(457,744)
Net changes in fund balances	(347,575)	(375,495)	554,187	929,682
Fund balance - beginning of year	2,657,464	2,657,464	2,657,464	-
Fund balance - end of year	\$ 2,309,889	\$ 2,281,969	\$ 3,211,651	\$ 929,682
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ 554,187	
Net revenue accruals			-	
Net expenditure accruals			(288,080)	
Net changes in fund balance GAAP basis			\$ 266,107	

See accompanying notes to financial statements.

STATE OF NEW MEXICO
CITY OF PORTALES

MUNICIPAL STREET SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010

	Budgeted Amounts			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual	
Revenues:				
Intergovernmental:				
State allocations	\$ 358,161	\$ 358,161	\$ 654,543	\$ 296,382
Taxes:				
Gasoline taxes	180,000	180,000	194,210	14,210
Total revenue	538,161	538,161	848,753	310,592
Expenditures:				
Current:				
Supplies	75,000	75,000	176,653	(101,653)
Capital outlay	477,161	477,161	306,722	170,439
Total expenditures	552,161	552,161	483,375	68,786
Deficit of revenues over expenditures	(14,000)	(14,000)	365,378	379,378
Other financial uses				
Transfers in	14,000	14,000	1,616	(12,384)
Transfers out	(42,644)	(42,644)	-	42,644
Net change in fund balances	(42,644)	(42,644)	366,994	409,638
Fund balance - beginning of year	(180,529)	(180,529)	(180,529)	-
Fund balance - end of year	<u>\$ (223,173)</u>	<u>\$ (223,173)</u>	<u>\$ 186,465</u>	<u>\$ 409,638</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ 366,994	
Net revenue accruals			-	
Net expenditure accruals			11,941	
Net changes in fund balance GAAP basis			<u>\$ 378,935</u>	

See accompanying notes to financial statements.

PROPRIETARY FUNDS

**STATE OF NEW MEXICO
CITY OF PORTALES**

**STATEMENT OF NET ASSETS - PROPRIETARY FUNDS
JUNE 30, 2010**

	Water and Sewer Fund	Solid Waste Fund	Airport Fund	Total Proprietary Funds
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	\$ 1,013,240	\$ 499,085	\$ 169	\$ 1,512,494
Investments	480,142	199,229	-	679,371
Receivables:				
Accounts	340,431	102,896	-	443,327
Taxes	-	23,768	-	23,768
Interest	703	-	-	703
Returned checks	1,837	105	-	1,942
Inventory	-	-	39,423	39,423
Due from (to) other funds	(401)	-	-	(401)
Total current assets	1,835,952	825,083	39,592	2,700,627
NONCURRENT ASSETS:				
Restricted assets:				
Cash and cash equivalents	2,793,113	-	-	2,793,113
Investment	443,284	-	-	443,284
Bond issue costs, net	14,178	-	-	14,178
Bond reissue costs, net	22,124	-	-	22,124
Capital assets, net	10,851,277	340,250	2,224,485	13,416,012
Total noncurrent assets	14,123,976	340,250	2,224,485	16,688,711
Total assets	\$ 15,959,928	\$ 1,165,333	\$ 2,264,077	\$ 19,389,338
LIABILITIES				
CURRENT LIABILITIES:				
Accounts payable	56,742	49,141	1,100	106,983
Accrued interest	15,281	-	-	15,281
Accrued salaries	23,542	14,046	1,621	39,209
Unapplied credits	3,061	19,281	-	22,342
Current portion of compensated absences	4,954	1,588	155	6,697
Current portion of long term debt	656,218	852	464	657,534
Total current liabilities	759,798	84,908	3,340	848,046
NONCURRENT LIABILITIES:				
Customer deposits	227,613	-	-	227,613
Accrued compensated absences	28,007	10,377	4,529	42,913
Landfill closure	-	706,380	-	706,380
Long term debt due after one year	2,956,670	1,662	906	2,959,238
Total non-current liabilities	3,212,290	718,419	5,435	3,936,144
Total liabilities	3,972,088	803,327	8,775	4,784,190
NET ASSETS				
Invested in capital assets, net of related debt	7,238,389	337,736	2,223,095	9,799,220
Restricted for:				
Debt service	532,430	-	-	532,430
Capital projects	783,548	-	-	783,548
Water conservation	947,802	-	-	947,802
Landfill closure	-	706,380	-	706,380
Unrestricted	2,485,671	(682,110)	32,207	1,835,768
Total net assets	11,987,840	362,006	2,255,302	14,605,148
Total liabilities and net assets	\$ 15,959,928	\$ 1,165,333	\$ 2,264,077	\$ 19,389,338

See accompanying notes to financial statements.

**STATE OF NEW MEXICO
CITY OF PORTALES**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS -
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010**

	Water and Sewer Fund	Solid Waste Fund	Airport Fund	Total Proprietary Funds
Operating revenues:				
Charges for services	\$ 3,582,366	\$ 1,161,851	\$ -	\$ 4,744,217
Fuel sales	-	-	97,250	97,250
Late charges	68,904	-	348	69,252
Rentals	2,400	-	38,284	40,684
Tapping and reconnect fees	125,883	-	-	125,883
Other and miscellaneous	4,163	-	657	4,820
Total operating revenues	3,783,716	1,161,851	136,539	5,082,106
Operating expenses:				
Salaries and wages	441,796	236,603	29,604	708,003
Employee benefits	180,552	130,430	7,785	318,767
Maintenance	853,434	78,508	15,107	947,049
Contracted and purchased services	108,187	484,658	574	593,419
Supplies	59,778	63,266	6,277	129,321
Noncapital purchases	602	7,269	2,030	9,901
Operating costs	412,015	7,459	115,775	535,249
Depreciation	802,019	64,592	164,013	1,030,624
Amortization	36,302	-	-	36,302
Total operating expenses	2,894,685	1,072,785	341,165	4,308,635
Operating income (loss)	889,031	89,066	(204,626)	773,471
Non-operating revenues (expenses):				
Investment income	63,211	21,332	-	84,543
Environmental gross receipts tax	-	122,932	-	122,932
Water conservation fees	329,856	-	-	329,856
Grant proceeds	73,264	-	433,599	506,863
Interest expense	(149,573)	-	-	(149,573)
Gain on sale of asset	-	-	(58)	(58)
Total non-operating revenues (expenses)	316,758	144,264	433,541	894,563
Income (loss) before transfers	1,205,789	233,330	228,915	1,668,034
Transfers:				
Transfers in	606,272	-	40,088	646,360
Transfers out	(1,490,715)	(48,750)	-	(1,539,465)
Total transfers	(884,443)	(48,750)	40,088	(893,105)
Change in net assets	321,346	184,580	269,003	774,929
Net assets - beginning of year	11,666,494	177,426	1,986,299	13,830,219
Net assets - end of year	\$ 11,987,840	\$ 362,006	\$ 2,255,302	\$ 14,605,148

See accompanying notes to financial statements.

**STATE OF NEW MEXICO
CITY OF PORTALES**

**STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2010**

	Water and Sever Fund	Solid Waste Fund	Airport Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:				
Cash received from customers	\$ 3,826,072	\$ 1,151,715	\$ 136,539	\$ 5,114,326
Payments to suppliers and contractors	(1,506,375)	(635,490)	(140,801)	(2,282,666)
Payments to employees for services	(583,402)	(362,649)	(33,939)	(979,990)
Net cash provided by (used in) operating activities	1,736,295	153,576	(38,201)	1,851,670
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:				
Environmental gross receipts tax	-	122,932	-	122,932
Due to / from other funds	135	(169)	-	(34)
Water conservation fees	329,856	-	-	329,856
Net transfers in (out)	(884,443)	(48,750)	40,088	(893,105)
Net cash provided by (used in) non-capital and related financing activities	(554,452)	74,013	40,088	(440,351)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:				
Grant proceeds	73,264	-	433,599	506,863
Interest expense	(133,863)	-	-	(133,863)
Purchase of capital assets	-	-	(435,240)	(435,240)
Proceeds from sale of capital assets	63,106	2,303	229	65,638
Principal payments on debt	(622,371)	(837)	(456)	(623,664)
Net cash provided by (used in) capital financing activities	(619,864)	1,466	(1,868)	(620,266)
CASH FLOWS FROM INVESTING ACTIVITIES:				
Investment income	44,064	17,328	-	61,392
Net cash used in investing activities	44,064	17,328	-	61,392
Net increase in cash	606,043	246,383	19	852,445
Cash and cash equivalents, beginning of year	3,200,310	252,702	150	3,453,162
Cash and cash equivalents, end of year	\$ 3,806,353	\$ 499,085	\$ 169	\$ 4,305,607
Reconciliation to cash and cash equivalents balances at year end:				
Unrestricted cash	\$ 1,013,240	\$ 499,085	\$ 169	\$ 1,512,494
Restricted cash	2,793,113	-	-	2,793,113
Total cash and cash equivalents	\$ 3,806,353	\$ 499,085	\$ 169	\$ 4,305,607
SCHEDULE OF NONCASH FINANCING AND INVESTING TRANSACTIONS:				
Issuance of long-term note payable for additions to water improvement system	\$ 18,888	\$ -	\$ -	\$ 18,888
RECONCILIATION OF OPERATING INCOME TO NET CASH:				
Provided by (used in) operating activities:				
Operating income (loss)	\$ 889,031	\$ 89,066	\$ (204,626)	\$ 773,471
Adjustment to reconcile operating income to net cash provided by (used in) operating activities:				
Depreciation	802,019	64,592	164,013	1,030,624
Amortization	36,302	-	-	36,302
Changes in assets and liabilities:				
Receivables	30,901	(12,927)	-	17,974
Inventory	-	-	3,344	3,344
Accounts payable	(36,057)	5,670	(1,038)	(31,425)
Accrued wages	1,878	3,277	121	5,276
Unapplied credits	852	2,791	-	3,643
Compensated absences	766	1,107	(15)	1,858
Customer deposits	10,603	-	-	10,603
Net cash provided by (used in) operating activities	\$ 1,736,295	\$ 153,576	\$ (38,201)	\$ 1,851,670

See accompanying notes to financial statements.

STATE OF NEW MEXICO
CITY OF PORTALES

NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2010

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Portales (the "City") is a political subdivision of the state of New Mexico, and operates under the Mayor-Council form of government. The City provides the following authorized services: public safety (police and fire), streets, water, sanitation, health and welfare, culture and recreation, public improvements, and general administrative services.

The City's financial statements are prepared in accordance with generally accepted accounting principles ("GAAP"). The Governmental Accounting Standards Board ("GASB") is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board ("FASB") issued through November 30, 1989, when applicable, that do not conflict with or contradict GASB pronouncements. Although the City has the option to apply FASB pronouncements issued after that date to its business-type funds, the City has chosen not to do so. The more significant accounting policies established in GAAP and used by the City are discussed below.

A. 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.

B. Basis of Presentation

Government-Wide and Fund Financial Statements—The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity and 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or activity and 3) grants and contributions that are restricted to meeting the capital requirements of a particular function or activity.

Taxes and other items not properly included among program revenues are reported instead as general revenues. The net cost (by function of governmental-type activity) is normally covered by general revenues (property, sales, franchise taxes, intergovernmental revenues, interest income, etc.). The City does not allocate indirect costs.

Separate fund based financial statements are provided for governmental funds and proprietary funds. Major individual government funds and major individual proprietary funds are reported as separate columns in the fund financial statements. The nonmajor funds are combined in a column in the fund financial statements. The nonmajor funds are detailed in the combining section of the statements.

The water and sewer fund, solid waste fund, and airport fund are the major proprietary funds. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category for the governmental and proprietary combined) for the determination of major funds.

The government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on the major individual funds of the governmental and business-type categories. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

C. Measurement Focus, Basis of Accounting

Government-Wide Financial Statements—The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Derived tax revenues (i.e., sales taxes) are recognized in the period when the exchange transaction on the tax is imposed or when the resources are received, whichever occurs first.

Governmental Fund Financial Statements—The governmental fund level financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is made.

Ad valorem, franchise, and sales tax revenues associated with the current fiscal period are recognized under the susceptible to accrual concept. Licenses and permits, charges for services, fines and forfeitures, contributions, and miscellaneous revenues are recorded as revenues when received in cash, as the resulting receivable is immaterial. Investment earnings are recorded as earned since they are measurable and available. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues.

In one, monies must be expended for the specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

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

Business-type activities and all proprietary funds are accounted for on a flow of economic resources measurement focus and the full accrual basis of accounting. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases and decreases (e.g., revenues and expenses) in net total assets.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principle ongoing operations. The principle operating revenues of the City's water and sewer, solid waste and airport funds are charges to customers for sales and services. Operating expenses for the proprietary funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses.

The City reports the following major governmental funds:

General Fund—The general fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

Capital Repair and Replacement Fund—This capital project fund accounts for the City's capital assets and ongoing capital projects not associated with the proprietary funds.

Municipal Street—This special revenue fund accounts for the special assessment gasoline tax received from the state and used for the maintenance and improvement of city streets.

Governmental Funds with Deficit Fund Balance—While the total unreserved fund balance is not in a deficit position, the City has three funds with deficit balances as of June 30, 2010: Correction fund of \$(993), Portales Area Transit fund of \$(12,835) and Regional Growth Planning Fund of \$(11,297). The City has made capital expenditures and encumbrances in these funds in anticipation of additional revenues and transfers.

The City reports the following major business-type 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 solid waste 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.

D. Assets, Liabilities and Net Assets or Equity

Cash and Cash Equivalents—For purpose of the statement of cash flows, the City considers all highly liquid investments, including restricted assets, with a maturity when purchased of three months or less to be cash equivalents.

Deposits and Investments—Investments in the City's cash are stated at cost, which approximates fair value. State statutes authorize the City to invest in certificates of deposit, obligations of the state and the U.S. government, and the New Mexico State Treasurer's investments pool. Cash is reported at book value. All other investments are carried at fair market value using quoted market prices. Interest income, realized gains and losses on investment transactions, and amortization of premiums/discounts on investment purchases are included for financial statement purposes as investment income and are allocated to participating funds based on the specific identification of the source of funds for a given investment.

Receivables and Payables—Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as interfund balance. Long term advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in equal semiannual installments by November 10th and April 10th of the subsequent year with levies becoming delinquent 30 days thereafter unless a timely protest has been made. Taxes are collected on behalf of the City by the Roosevelt County Treasurers, and are distributed in the month of the collection.

Inventory—Proprietary fund inventories are recorded at the lower of cost or market on a first-in, first-out basis, and consist of operating supplies held for use in operations and are recorded as an expense when consumed rather than when purchased.

Restricted Assets—Certain long-term assets in the proprietary funds are classified as restricted assets on the balance sheet because their use is limited to payments for debt service or other purposes such as "deposits held in trust for others."

Interfund Activity—Interfund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported as interfund balance as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related

cost as reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

Capital Assets—Capital assets include: property, plant, utility systems, equipment, and infrastructure assets. Infrastructure includes streets, sidewalks, bridges, drainage systems, lighting systems and similar items. Such assets are reported in the applicable governmental or business-type activities columns the government-wide financial statements. The government defines capital assets as assets with an initial individual cost of more than \$5,000, and an estimated useful life in excess of two years. Assets are capitalized at historical cost or estimated historical cost if purchased or constructed. It is the policy of the City not to capitalize computer software. Donated assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add value of the asset or materially extend the asset's lives are not capitalized.

As allowed by GASB Statement No. 34, the City had retroactively reported all infrastructure assets owned by the municipality.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-like activities is included as part of the capitalized value of the assets under construction.

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

	Years
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

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.

Deferred Revenues—Within the governmental funds, revenues must be available in order to be recognized. Revenues such as real estate taxes that are not available are recorded as deferred revenues and reflected as a liability within the balance sheet.

Long-Term Debt—In the government-wide fund financial statements, long-term debt is reported as liabilities in the applicable governmental or business-type activities within the 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 period. The face amount of debt issued is 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.

Customer deposits—Cash held in the proprietary funds for customer deposits is restricted.

Net Assets—The government-wide financial statements utilize a net assets 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 outstanding capital asset related debt.

Restricted net assets—This category reflects the portion of net assets that have third party limitations on their use.

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

Fund Equity—In the fund financial statements, governmental funds report reservations of fund balance that are not available for appropriation or are legally restricted. Designations represent tentative managerial plans that are subject to change.

Use of Estimates—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events—Management has evaluated events through November 24, 2010, the date the financial statements were available to be issued.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Data—The City Council adopts an annual budget for the General Fund, Special Revenue Funds, Capital Projects Funds, Debt Service 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.

The following procedures are followed in establishing the budgetary data reflected in the general-purpose financial statements:

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, Capital Projects, Debt Service and Proprietary Funds.
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. 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.

3. CASH 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, 2010.

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 \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution.

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.

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 AAA by Standard and Poor's and has a weighted average maturity of 50 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, 2010 is \$1,859,802.

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 \$1,689,890 in investments outside of the internal investment pool in the LGIP. The funds are invested in money market funds investing in federal government-backed securities. The investments are in compliance with state statutes regarding investments of governmental funds. These investments have not been rated.

All deposits are collateralized with eligible securities, as described by New Mexico State Statute, in amounts equal to at least 50% of the City carrying value of the deposits (demand and certificates of deposit).

Such collateral, as permitted by the state statutes is held in each respective depository bank's collateral pool at a Federal Reserve Bank, or member bank other than the depository bank, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds with the exception of deposit insurance provided by the Federal Deposit Insurance Corporation.

A summary of the cash deposits at June 30, 2010 is as follows:

	First Community Bank	New Mexico Finance Authority	Linsco/ Private Ledger	Total
Total cash deposits	\$ 5,617,002	\$ 642,678	\$ 1,674,110	\$ 7,933,790
FDIC/SPIC coverage	<u>(5,704,084)</u>	<u>-</u>	<u>(500,000)</u>	<u>(6,204,084)</u>
Uninsured funds subject to custodial credit risk	(87,082)	642,678	1,174,110	1,729,706
Lloyd's of London securities insurance protection	<u>-</u>	<u>-</u>	<u>1,174,110</u>	<u>1,174,110</u>
Funds (over) under collateralized - total funds subject to custodial credit risk	<u>\$ (87,082)</u>	<u>\$ 642,678</u>	<u>\$ -</u>	<u>\$ 555,596</u>

The following summarizes the collateral requirements at June 30, 2010:

50% of uninsured funds	<u>\$ (43,541)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (43,541)</u>
(Over) under collateralized	<u>\$ (43,541)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (43,541)</u>

According to the Federal Deposit Insurance Corporation, public unit deposits are owned by the public unit. Time deposits, savings deposits and interest bearing money market accounts at a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution.

4. ACCOUNTS RECEIVABLE

Accounts receivable reported in the business-type activities at June 30, 2010 represent net balances due from customers of water and sewer and solid waste services provided by the City. The following is the detail of the business-type receivables at June 30, 2010:

	Accounts Receivable	Allowance for Uncollectibles	Total
Water and sewer	\$ 601,084	\$ (260,653)	\$ 340,431
Solid waste	<u>148,299</u>	<u>(45,403)</u>	<u>102,896</u>
	<u>\$ 749,383</u>	<u>\$ (306,056)</u>	<u>\$ 443,327</u>

The general fund receivable of \$102,529 consists of ambulance charges outstanding at June 30, 2010. No allowance for uncollectible accounts has been established for the ambulance accounts receivable, as management believes the amounts are fully collectible from either third party insurance companies or the patient. Management reevaluates the collectibility of the ambulance receivables on an ongoing basis.

Taxes receivable for the general fund are considered fully collectible and consist of the following:

Taxes Receivable	
Gross receipts taxes	\$ 949,199
Franchise	84,535
Property taxes	12,654
Other	8,122
	<u>\$ 1,054,510</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year deferred revenue which related to delinquent property taxes was \$13,498.

5. INTERFUND RECEIVABLES, PAYABLE AND TRANSFERS

Interfund transfers reflect a temporary transfer of cash due to temporary needs within the fund. The composition of interfund transfers during the year ended June 30, 2010 is as follows:

TRANSFERS:

From Fund	To Fund	Amount	Purpose
General Fund	Solid Waste	\$ 48,750	Subsidize general fund operations
General Fund	Water and Sewer	884,443	Subsidize general fund operations
General Fund	Payroll Fund	7,271	Subsidize general fund operations
General Fund	Disbursement Fund	7,974	Subsidize general fund operations
Correction Fund	General Fund	15,500	Subsidize general fund operations
Emergency Medical Services	General Fund	29,743	Subsidize general fund operations
Library Fund	General Fund	25,000	Fund library operations
Municipal Street Fund	General Fund	14,000	Fund street expenditures
Portales Area Transit	General Fund	49,500	Subsidize P.A.T. operations
Capital Repair and Replacement	General Fund	87,397	Fund capital expenditures
CDBG - Capital Projects	General Fund	50,000	Fund match for federal CDBG grant
Planning	General Fund	1,410	Fund match for planning grant
Airport Enterprise	General Fund	48,088	Subsidize airport operations
CDBG - Capital Projects	Capital Repair & Replacement	18,912	Fund capital expenditures
CDBG - Capital Projects	Municipal Street Fund	31,296	Subsidize CDBG operations
Portales Area Transit	General Fund	49,500	Subsidize P.A.T. operations
Municipal Street Fund	General Fund	14,000	Fund street expenditures
CDBG - Capital Projects	Municipal Fund	31,296	Subsidize CDBG operations
W&S Improv. Revenue Bonds	Water & Sewer	427,227	Debt service payments
Water & Sewer	Water Improvement	179,045	Fund capital improvements reserve
		<u>\$ 2,020,352</u>	

BALANCES:

From Fund	To Fund	Amount	Purpose
General Fund	Regional Growth Planning	\$ 2,919	Fund Expenditure Reimbursement
General Fund	Capital Projects	108,813	Fund Expenditure Reimbursement
Capital Projects	Water and Sewer	401	Fund Expenditure Reimbursement
General Fund	Beautification/Litter Control	2,455	Fund Expenditure Reimbursement
General Fund	Portales Area Transit	7,315	Fund Expenditure Reimbursement

6. CAPITAL ASSETS

A summary of capital assets and changes occurring during the year ended June 30, 2010 is as follows:

	Balance June 30, 2009	Additions	Retirements and Transfers	Balance June 30, 2010
Governmental Activities:				
Assets not being depreciated:				
Land	\$ 698,102	\$ -	\$ -	\$ 698,102
Construction in progress	1,617,115	1,036,258	(2,444,529)	208,844
Total assets not being depreciated	2,315,217	1,036,258	(2,444,529)	906,946
Assets being depreciated:				
Buildings	6,279,054	-	121,977	6,401,031
Improvements	3,634,545	549,290	2,304,970	6,488,805
Machinery and equipment	2,742,693	14,286	(214,034)	2,542,945
Furniture and fixtures	203,872	-	(3,400)	200,472
Vehicles	3,518,436	201,177	(91,975)	3,627,638
Total assets being depreciated	16,378,600	764,753	2,117,538	19,260,891
Less accumulated depreciation for:				
Buildings	(3,141,996)	(195,681)	-	(3,337,677)
Improvements	(1,076,872)	(184,555)	6,136	(1,255,291)
Machinery and equipment	(2,220,379)	(126,856)	222,217	(2,125,018)
Furniture and fixtures	(157,423)	(17,438)	3,400	(171,461)
Vehicles	(2,479,482)	(314,757)	88,150	(2,706,089)
Total accumulated depreciation	(9,076,152)	(839,287)	319,903	(9,595,536)
Total assets being depreciated, net	7,302,448	(74,534)	2,437,441	9,665,355
Governmental capital assets, net	<u>\$ 9,617,665</u>	<u>\$ 961,724</u>	<u>\$ (7,088)</u>	<u>\$ 10,572,301</u>
Business-type Activities:				
Assets not being depreciated:				
Land	\$ 4,593,347	\$ -	\$ -	\$ 4,593,347
Construction in progress	216,463	-	(29,584)	186,879
Total assets not being depreciated	4,809,810	-	(29,584)	4,780,226
Assets being depreciated:				
Buildings	1,167,691	385,099	-	1,552,790
Improvements	17,749,474	50,142	(2,294)	17,797,322
Machinery and equipment	4,220,513	-	(116,894)	4,103,619
Furniture and fixtures	4,929	-	-	4,929
Vehicles	1,339,304	-	(42,208)	1,297,096
Total assets being depreciated	24,481,911	435,241	(161,396)	24,755,756
Less accumulated depreciation for:				
Buildings	(886,550)	(28,717)	-	(915,267)
Improvements	(11,469,804)	(508,889)	2,293	(11,976,400)
Machinery and equipment	(2,009,704)	(378,383)	80,782	(2,307,305)
Furniture and fixtures	(3,974)	(489)	-	(4,463)
Vehicles	(844,597)	(114,146)	42,208	(916,535)
Total accumulated depreciation	(15,214,629)	(1,030,624)	125,283	(16,119,970)
Total assets being depreciated, net	9,267,282	(595,383)	(36,113)	8,635,786
Business-type capital assets, net	<u>\$ 14,077,092</u>	<u>\$ (595,383)</u>	<u>\$ (65,697)</u>	<u>\$ 13,416,012</u>

The City reported \$839,287 of depreciation in general fixed assets in use by governmental funds on the Government-Wide Statement of Activities. The City did not allocate the depreciation to the various governmental functions, instead presenting the amount separately from the departmental functions on the statement.

7. LONG TERM DEBT

A summary of changes in long-term debt, including capital lease obligations for the year ended June 30, 2010, was as follows:

	Balance June 30, 2009	Additions	Reductions	Balance June 30, 2010
Governmental Activities:				
Sales Tax Refund/Improv. Bonds	\$ 450,000	\$ -	\$ (230,000)	\$ 220,000
NMFA – Recreation Center	352,560	-	(27,840)	324,720
Lasalle Bank – HVAC System	9,026	-	(7,250)	1,776
Kansas St. Bank – Fire Truck	102,691	-	(102,691)	-
NM Retiree Health Care Authority	64,623	-	(16,132)	48,491
NMFA Loan - Fire Pumper Truck	213,455	-	(21,456)	191,999
Total Governmental Debt	\$ 1,192,355	\$ -	\$ (405,369)	\$ 786,986
Business-Type Activities:				
Water/Sewer Revenue Bonds	\$ 1,070,000	\$ -	\$ (340,000)	\$ 730,000
NMFA – Blackwater Well Field	1,965,464	-	(245,962)	1,719,502
Land Capital Lease	35,000	-	(35,000)	-
NMRHCA	10,816	-	(2,702)	8,114
Water Improvement	1,140,268	18,888	-	1,159,156
Total Business-Type Debt	\$ 4,221,548	\$ 18,888	\$ (623,664)	\$ 3,616,772

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

Year Ended June 30,	Governmental			Business-		
	Principal	Interest	Total	Principal	Type Interest	Total
2011	\$ 289,037	\$ 47,509	\$ 336,546	\$ 657,534	\$ 144,206	\$ 801,740
2012	74,227	32,647	106,874	690,055	115,269	805,324
2013	68,540	18,391	86,931	327,166	84,200	411,366
2014	56,816	15,035	71,851	339,138	70,644	409,782
2015	57,518	12,804	70,322	354,108	56,396	410,504
2016 - 2020	240,848	26,012	266,860	1,248,771	226,394	1,475,165
Total	\$ 786,986	\$ 152,398	\$ 939,384	\$ 3,616,772	\$ 697,109	\$ 4,313,881

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
Governmental Activities:						
Sales Tax Refund/Improv. Bonds	Varies to 5.00%	Semiannual Interest, Annual Principal	Approximately \$253,000 Annually	June 2011	\$ 220,000	Sales Tax Revenue
NMFA – Recreation Center	Varies to 5.47%	Monthly	\$4,085	May 2019	27,925	Capital Projects
Lasalle Bank – HVAC System	6.25%	Quarterly	\$3,625	December 2009	1,776	Energy Conservation
NM Retiree Health Care Authority	7.50%	Monthly	\$1,782	June 2013	17,373	General
NMFA – Fire Pumper Truck Varlesto	3.77%	Annual	\$26,676	May 2008	<u>21,963</u>	Fire Protection
					<u>\$289,037</u>	
Business-Type Activities:						
Water/Sewer Revenue Bonds	Varies to 4.90%	Semiannual Interest, Annual Principal	Approximately \$391,000 Annually	June 2012	\$ 355,000	Water and Sewer
NMFA – Blackwater Well Field	Varies to 4.79%	Monthly	\$27,918	May 2016	256,267	Water and Sewer
Water Improvement	3%	Annual	\$78,308.8	September 2029	\$43,358	Water Conservation
NMRHCA	7.50%	Monthly	\$261	June 2013	<u>2,909</u>	Solid Waste, Airport, Water and Sewer
					<u>\$ 657,534</u>	

8. ACCRUED COMPENSATED ABSENCES

The City pays any accumulated accrued vacation leave in a lump cash payment to employees 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.

	Balance June 30, 2009	Additions	Reductions	Balance June 30, 2010	Due Within One Year
Governmental Activities	\$ 306,833	\$ 266,676	\$ (226,988)	\$ 346,521	\$ 36,437
Business-Type Activities	47,752	37,552	(35,694)	49,610	6,697
	<u>\$ 354,585</u>	<u>\$ 304,228</u>	<u>\$ (262,682)</u>	<u>\$ 396,131</u>	<u>\$ 43,134</u>

9. REVENUE BONDS

The City has the capacity and has issued both Sales Tax and Revenue Bonds whereby the City has pledged income derived from the Gross Receipts Tax and billings on water to pay the required debt service on the bonds. Moody's Investors Service affirmed the A3 underlying rating for both the Sales Tax and Revenue Bonds in July, 2009. No new bonds were issued in the current year.

10. LANDFILL CLOSURE AND POST-CLOSURE COSTS

State and federal laws and regulations require that the City place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure of the landfill site. In addition to operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized based on the future closure and post-closure care costs that will be incurred near or after the date the landfill no longer accepts waste.

The recognition of these landfill closure and post-closure care costs is based on the amount of the landfill used during the year. The landfill was closed in 1997. The estimated liability for landfill closure and postclosure care costs is \$706,380 as of June 30, 2010, which is based on 100 percent usage (filled) of the landfill. The estimated total current cost of the landfill closure and postclosure care is based on the amount that would be paid if all equipment, facilities, and services required to monitor and maintain the landfill were acquired as of June 30, 2010. However, the actual cost of post-closure care may be higher due to inflation, changes in technology, or changes in state and federal landfill laws and regulations.

11. 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. The City participates in the New Mexico Self-Insurer's Fund risk pool. The New Mexico Self-Insurer's Fund risk pool operates as a common risk management and insurance program for workers compensation and property and casualty coverage.

These funds are funded entirely by member contributions and are administered by the New Mexico Self-Insurer's Fund. The pools are authorized by joint powers agreements entered into by each participating entity as a separate and independent government and legal entity pursuant to the provisions of Section 11-1-1 et. Seq. NMSA 1978. The City's contributions for the year ended June 30, 2010 were \$453,054.

The City has not filed any claims for which the settlement amount exceeded the insurance coverage in any preceding years. However, should a claim be filed against the Authority which exceeds the insurance coverage, the City would be responsible for a loss in excess of the coverage amounts. As claims are filed, the New Mexico Self-Insurer's Fund assesses and estimates the potential for loss.

At June 30, 2010 no unpaid claims have been filed which exceed the policy limits and to the best of management's knowledge and belief all known and unknown claims will be covered by insurance. No major lawsuits have been filed against the City.

12. PENSION PLAN - PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

Plan Description—Substantially all of the City's full time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11 NMSA 1978). The Public Employee Retirement Association (PERA) is the administrator of the plan, which is a cost sharing, multiple employer defined benefit retirement plan. The plan provides for retirement, disability benefits, survivor benefits, and cost of living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to PERA, P. O. Box 2123, Santa Fe, New Mexico 87504 2123. The report is also available on PERA's website at www.pera.state.nm.us.

Funding Policy—Plan members are required to contribute 9.15% for general employees, 16.2% for fire department employees and 7% for police department employees of their gross salary. The City is required to contribute 9.15% for general employees, 21.25% for fire department employees and 18.5% for police department employees of their gross covered salary. The contribution requirements of plan members and the City are established in State statute under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The City's contributions to PERA for the years ended June 30, 2010, 2009, and 2008 were \$574,328, \$590,505 and \$571,314, respectively, which equal the amount of the required contributions for each fiscal year.

13. POST EMPLOYMENT BENEFITS - STATE RETIREE HEALTH CARE PLAN

Plan Description—The City contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA, 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

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 RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which the event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; 4) former governing authority members who served at least four years.

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the postemployment healthcare plan. The report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, NM 87107.

Funding Policy—The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. The statute requires each participating employer to contribute 1.3% of each participating employee's annual salary; each participating employee is required to contribute .65% of their salary. Employers joining the program after 1/1/98 are also required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

The RHCA plan is financed on a pay-as-you-go basis. The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico State Legislature.

The City's contributions to the RHCA for the years ended June 30, 2010, 2009, and 2008 were \$55,745, \$56,895, and \$55,007, respectively, in employer contributions to the Retiree Health Care Authority.

14. COMMITMENTS AND CONTINGENCIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the City expects such amount, if any, to be immaterial.

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.

The City is involved in various claims and lawsuits arising in the normal course of business. The City is insured through the New Mexico City Insurance Authority. In the opinion of management, the outcome of these matters will not have a material effect on the financial position of the City.

15. ACCOUNTING STANDARDS

In December 2009, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 57, OPEB Measurements by Agent Employers and Agent Multiple-Employer Plans which is effective for financial statements for periods beginning after June 15, 2011. The objective of this Statement is to address issues related to the use of the alternative measurement method and the frequency and timing of measurements by employers that participate in agent multiple-employer other postemployment benefit plans. The City is analyzing the effect that this statement will have on its financial statements, and currently believes it will have no significant effect on the financial statements for the upcoming year.

In December 2009, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 58, Accounting and Financial Reporting for Chapter 9 Bankruptcies which is effective for financial statements for periods beginning after June 15, 2009. This Statement establishes accounting and financial reporting guidance for governments that have petitioned for protection from creditors by filing for bankruptcy under Chapter 9 of the United States Bankruptcy Code. The City incorporated this statement for the current fiscal year, and believes it had no significant effect on the financial statements for the year.

In June 2010, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 59, Financial Instruments Omnibus GASB which is effective for financial statements for periods beginning after June 15, 2010, with earlier application encouraged. The objective of this Statement is to update and improve existing standards regarding financial reporting and disclosure requirements of certain financial instruments and external investment pools. The City is analyzing the effect that this statement will have on its financial statements, and currently believes it will have no significant effect on the financial statements for the upcoming year.

SUPPLEMENTARY INFORMATION

**STATE OF NEW MEXICO
CITY OF PORTALES**

**DESCRIPTION OF NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2010**

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.

Emergency Medical Services Fund – Accounts for the state funding and expenditures of emergency medical equipment and supplies for the fire department.

Enhanced 911 Fund – Accounts for state inkind support and operations for the Enhanced 911 emergency system.

Fire Protection Fund – Accounts for state fire allotment funds received for the operations and maintenance of the fire department.

Beautification/Litter Control Fund – Accounts for the state grant funds necessary to aid in the litter control and beautification of the municipality.

Law Enforcement Protection Fund – Accounts for the state grant funds for law enforcement support and operations.

Library Fund – Accounts for the state, county, and private grants and donations to purchase books and provide library supplies and operational expense.

Lodgers Tax – Accounts for the special assessment tax on motel room rentals used for the promotion of the City.

Recreation Fund – Accounts for operations and maintenance of recreation facilities financed by a specific tax on cigarette sales and other grants and donations.

Local DWI Fund – Accounts for state driving while intoxicated fines and other state grants for the education and prevention of driving while intoxicated arrests.

Law Enforcement Special Service Fund -- Accounts for the revenue received from traffic safety fees to promote law enforcement education in the community.

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.

SPECIAL REVENUE FUNDS

(Continued)

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

Regional Growth Planning Fund - Accounts for the federal grant received for planning and implementation of a regional growth plan in response to the expansion of Cannon Air Force Base.

Community Development Block Grant Fund – Accounts for the state and federal funding received for the improvement of streets in designated parts of the City.

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

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

Risk Management – Accounts for the expenditures of unemployment and other insurance premiums paid by the City.

Criminal Justice – Accounts for the state courts fees collected through municipal court on behalf of the state.

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

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

CAPITAL PROJECTS 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.

DEBT SERVICE FUNDS

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.

STATE OF NEW MEXICO
CITY OF PORTALES

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2010

	Special Revenue Funds							
	Correction Fund	Emergency Medical Services Fund	Enhanced 911 Fund	Fire Protection Fund	Beautification/Litter Control Fund	Law Enforcement Protection Fund	Library Fund	
ASSETS								
Cash and cash equivalents	\$ 1,977	\$ 20,000	\$ 5	\$ 101,196	\$ -	\$ -	\$ 19,207	
Restricted cash and cash equivalents	-	-	-	23,406	-	-	-	
Investments	-	-	-	-	-	-	-	
Taxes receivable	-	-	-	-	-	-	-	
Intergovernmental receivable	-	-	-	-	8,702	-	633	
Accrued interest receivable	-	-	-	2	-	-	-	
Due from other funds	-	-	-	-	-	-	-	
Total assets	\$ 1,977	\$ 20,000	\$ 5	\$ 124,604	\$ 8,702	\$ -	\$ 19,840	
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	\$ 2,970	\$ -	\$ -	\$ 2,951	\$ 2	\$ -	\$ 1,376	
Accrued interest	-	-	-	842	-	-	-	
Accrued salaries	-	-	-	-	-	-	-	
Deferred revenue	-	-	-	-	-	-	-	
Due to other funds	-	-	-	-	2,455	-	-	
Total liabilities	2,970	-	-	3,793	2,457	-	1,376	
Fund balances:								
Unreserved:								
Undesignated, reported in:								
Special revenue fund	(993)	20,000	5	120,811	6,245	-	18,464	
Capital projects fund	-	-	-	-	-	-	-	
Debt service fund	-	-	-	-	-	-	-	
Total fund balances	(993)	20,000	5	120,811	6,245	-	18,464	
Total liabilities and fund balances	\$ 1,977	\$ 20,000	\$ 5	\$ 124,604	\$ 8,702	\$ -	\$ 19,840	

Continued

STATE OF NEW MEXICO
CITY OF PORTALES

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2010

	Special Revenue Funds							Regional Growth Planning Fund
	Lodgers Tax Fund	Recreation Fund	Local DWI Program Fund	Law Enforcement Special Service Fund	CDBG Rehabilitation Loan Repayment Fund	Portales Area Transit Fund		
ASSETS								
Cash and cash equivalents	\$ 140,479	\$ 142,082	\$ 74,829	\$ 33,967	\$ 8,115	\$ 124	\$ -	
Restricted cash and cash equivalents	-	-	-	-	-	-	-	
Investments	-	-	-	-	-	-	-	
Taxes receivable	19,276	5,789	-	-	-	-	-	
Intergovernmental receivable	-	-	35,283	-	-	4,962	-	
Accrued interest receivable	-	-	-	-	-	-	-	
Due from other funds	-	-	-	-	-	-	-	
Total assets	\$ 159,755	\$ 147,871	\$ 110,112	\$ 33,967	\$ 8,115	\$ 5,086	\$ -	
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	\$ 19	\$ 678	\$ -	\$ -	\$ -	\$ 1,497	\$ 8,378	
Accrued interest	-	-	-	-	-	-	-	
Accrued salaries	-	2,065	-	-	-	4,148	-	
Deferred revenue	-	-	-	-	-	4,961	-	
Due to other funds	-	-	-	-	-	7,315	2,919	
Total liabilities	19	2,743	-	-	-	17,921	11,297	
Fund balances:								
Unreserved:								
Undesignated, reported in:								
Special revenue fund	159,736	145,128	110,112	33,967	8,115	(12,835)	(11,297)	
Capital projects fund	-	-	-	-	-	-	-	
Debt service funds	-	-	-	-	-	-	-	
Total fund balances	159,736	145,128	110,112	33,967	8,115	(12,835)	(11,297)	
Total liabilities and fund balances	\$ 159,755	\$ 147,871	\$ 110,112	\$ 33,967	\$ 8,115	\$ 5,086	\$ -	

Continued

STATE OF NEW MEXICO
CITY OF PORTALES

COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2010

	Special Revenue Funds							
	Community Development Block Grant Fund	Comprehensive Plan Fund	Energy Conservation Lease Debt Service Fund	Risk Management Fund	Criminal Justice Fund	MainStreet Fund	Economic Development Fund	
ASSETS								
Cash and cash equivalents	\$ 61,251	\$ -	\$ -	\$ 5,645	\$ 4,019	\$ 379	\$ 987,218	
Restricted cash and cash equivalents	-	-	-	-	-	-	-	
Investments	-	-	-	89,653	-	-	-	
Taxes receivable	-	-	-	-	-	-	47,505	
Intergovernmental receivable	165,894	-	-	-	-	-	-	
Accrued interest receivable	-	-	-	-	-	-	-	
Due from other funds	401	-	-	-	-	-	-	
Total assets	\$ 227,546	\$ -	\$ -	\$ 95,298	\$ 4,019	\$ 379	\$ 1,034,723	
LIABILITIES AND FUND BALANCES								
Liabilities:								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 692	\$ -	\$ 398	
Accrued interest	-	-	-	-	-	-	-	
Accrued salaries	-	-	-	-	-	-	-	
Deferred revenue	-	-	-	-	-	-	-	
Due to other funds	108,813	-	-	-	-	-	-	
Total liabilities	108,813	-	-	-	692	-	398	
Fund balances:								
Unreserved:								
Undesignated, reported in:								
Special revenue fund	118,733	-	-	95,298	3,327	379	1,034,325	
Capital projects fund	-	-	-	-	-	-	-	
Debt service fund	-	-	-	-	-	-	-	
Total fund balances	118,733	-	-	95,298	3,327	379	1,034,325	
Total liabilities and fund balances	\$ 227,546	\$ -	\$ -	\$ 95,298	\$ 4,019	\$ 379	\$ 1,034,723	

Continued

**STATE OF NEW MEXICO
CITY OF PORTALES
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2010**

	Total Nonmajor Special Revenue Funds	Capital Projects Funds	Debt Service Funds	Total Nonmajor Governmental Funds
	Special Revenue	Capital Projects	Sales Tax Revenue Bonds	
ASSETS				
Cash and cash equivalents	\$ 1,600,493	\$ 3,798	\$ 305,691	\$ 1,909,982
Restricted cash and cash equivalents	23,406	113,920	-	137,326
Investments	89,653	-	-	89,653
Taxes receivable	72,570	8,170	41,754	122,494
Intergovernmental receivable	215,474	-	-	215,474
Accrued interest receivable	2	14	120	136
Due from other funds	401	-	-	401
Total assets	\$ 2,001,999	\$ 125,902	\$ 347,565	\$ 2,475,466
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable	\$ 18,961	\$ -	\$ -	\$ 18,961
Accrued interest	842	2,792	886	4,520
Accrued salaries	6,213	-	-	6,213
Deferred revenue	4,961	-	-	4,961
Due to other funds	121,502	-	-	121,502
Total liabilities	152,479	2,792	886	156,157
Fund balances:				
Unreserved:				
Undesignated, reported in:				
Special revenue funds	1,849,520	-	-	1,849,520
Capital projects funds	-	123,110	-	123,110
Debt service funds	-	-	346,679	346,679
Total fund balances	1,849,520	123,110	346,679	2,319,309
Total liabilities and fund balances	\$ 2,001,999	\$ 125,902	\$ 347,565	\$ 2,475,466

Concluded

STATE OF NEW MEXICO
CITY OF PORTALES

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Special Revenue Funds									
	Corrections Fund	Emergency Medical Services Fund	Enhanced 911 Fund	Fire Protection Plan Fund	Beautification/ Litter Control Fund	Law Enforcement Protection Fund	Library Fund			
Revenues:										
Intergovernmental	\$ -	\$ 21,619	\$ 76,095	\$ 203,819	\$ 15,961	\$ 32,000	\$ 37,887			
Taxes	-	-	-	-	-	-	-			
Fees, fines and forfeitures	20,666	-	-	-	-	-	-			
Federal operating grants	-	-	-	-	-	-	-			
Other grants and contributions	-	20,000	-	-	-	-	11,206			
Interest and other	14	82	-	615	-	118	64			
Total revenues	20,680	41,701	76,095	204,434	15,961	32,118	49,157			
Expenditures:										
General government	-	-	-	-	10,848	-	-			
Public safety	37,592	3,720	76,095	27,962	-	17,776	-			
Public works	-	-	-	-	-	-	-			
Culture and recreation	-	-	-	-	-	14,370	55,259			
Capital outlay	-	55,550	-	-	-	-	-			
Debt service	-	-	-	124,150	-	-	-			
Principal	-	-	-	9,021	-	-	-			
Interest	-	-	-	-	-	-	-			
Total expenditures	37,592	59,270	76,095	161,133	10,848	32,146	55,259			
Excess (deficit) of revenues over expenditures	(16,912)	(17,569)	-	43,301	5,113	(28)	(6,102)			
Other financing sources:										
Transfers in (out)	15,500	29,743	-	-	-	-	25,000			
Total other financing sources	15,500	29,743	-	-	-	-	25,000			
Net changes in fund balances	(1,412)	12,174	-	43,301	5,113	(28)	18,898			
Fund balance - beginning of year	419	7,826	5	77,510	1,132	28	(434)			
Fund balance - end of year	(993)	20,000	5	120,811	6,245	-	18,464			

Continued

STATE OF NEW MEXICO
CITY OF PORTALES

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Special Revenue Funds							
	Lodgers Tax Fund	Recreation Fund	Local DWI Program Fund	Law Enforcement Special Service Fund	CDBG Rehabilitation Loan Repayment Fund	Portales Area Transit Fund	Regional Growth Planning Fund	
Revenues:								
Intergovernmental	\$ -	\$ -	\$ 141,440	\$ -	\$ -	\$ 65,941	\$ -	
Taxes	89,614	38,218	-	-	-	-	-	
Fees, fines and forfeitures	-	48,709	21,710	5,601	-	6,572	-	
Federal operating grants	-	-	-	-	-	75,382	-	
Other grants and contributions	-	11,091	500	6,153	-	-	-	
Interest and other	450	-	408	-	-	8	-	
Total revenues	90,064	98,018	164,058	11,754	-	147,903	-	
Expenditures:								
General government	152,165	-	-	-	-	-	-	
Public safety	-	-	144,618	4,810	-	-	-	
Public works	-	-	-	-	-	148,690	11,297	
Culture and recreation	-	59,594	-	-	-	-	-	
Capital outlay	-	-	-	-	-	75,372	-	
Debt service	-	-	-	-	-	-	-	
Principal	-	-	-	-	-	-	-	
Interest	-	-	-	-	-	-	-	
Total expenditures	152,165	59,594	144,618	4,810	-	224,062	11,297	
Excess (deficit) of revenues over expenditures	(62,101)	38,424	19,440	6,944	-	(76,159)	(11,297)	
Other financing sources:								
Transfers in (out)	-	-	-	-	-	49,500	-	
Total other financing sources	-	-	-	-	-	49,500	-	
Net changes in fund balances	(62,101)	38,424	19,440	6,944	-	(26,659)	(11,297)	
Fund balance - beginning of year	221,837	106,704	90,672	27,023	8,115	13,824	-	
Fund balance - end of year	\$ 159,736	\$ 145,128	\$ 110,112	\$ 33,967	\$ 8,115	\$ (12,835)	\$ (11,297)	

Continued

STATE OF NEW MEXICO
CITY OF PORTALES

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Special Revenue Funds							
	Community Development Block Grant Fund	Comprehensive Plan Fund	Energy Conservation Lease Debt Service Fund	Risk Management Fund	Criminal Justice Fund	MainStreet Fund	Economic Development Fund	
Revenues:								
Intergovernmental	\$ -	\$ 18,494	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes	-	-	-	-	-	-	-	245,654
Fees, fines and forfeitures	-	-	-	-	9,088	-	-	-
Federal operating grants	165,894	-	-	-	-	-	-	-
Other grants and contributions	701	-	-	-	-	-	-	-
Interest and other	-	-	(2,416)	2,124	-	42	-	14,805
Total revenues	166,595	18,494	(2,416)	2,124	9,088	42	-	260,459
Expenditures:								
General government	24,916	-	-	6,976	-	10,481	-	46,623
Public safety	-	-	-	-	8,512	-	-	-
Public works	-	-	-	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-	-
Capital outlay	165,894	19,904	-	-	-	-	-	141,149
Debt service	-	-	7,251	-	-	-	-	-
Principal	-	-	(37)	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-
Total expenditures	190,810	19,904	7,214	6,976	8,512	10,481	-	187,772
Excess (deficit) of revenues over expenditures	(24,215)	(1,410)	(9,630)	(4,852)	576	(10,439)	-	72,687
Other financing sources:								
Transfers in (out)	81,296	1,410	-	-	-	-	-	-
Total other financing sources	81,296	1,410	-	-	-	-	-	-
Net changes in fund balances	57,081	-	(9,630)	(4,852)	576	(10,439)	-	72,687
Fund balance - beginning of year	61,652	-	9,630	100,150	2,751	10,818	-	961,638
Fund balance - end of year	\$ 118,733	\$ -	\$ -	\$ 95,298	\$ 3,327	\$ 379	\$ -	\$ 1,034,325

Continued

STATE OF NEW MEXICO
CITY OF PORTALES

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Total Nonmajor Special Revenue Funds	Capital Projects Funds	Debt Service Funds	Total Nonmajor Governmental Funds
	Special Revenue	Capital Projects	Sales Tax Revenue Bonds	
Revenues:				
Intergovernmental	\$ 613,256	\$ -	\$ -	\$ 613,256
Taxes	373,486	49,020	250,527	673,033
Fees, fines and forfeitures	112,346	-	-	112,346
Federal operating grants	241,276	-	-	241,276
Other grants and contributions	49,651	-	-	49,651
Interest and other	16,314	1,295	7,242	24,851
Total revenues	1,165,053	50,315	257,769	1,714,413
Expenditures:				
General government	252,009	-	-	252,009
Public safety	321,085	-	-	321,085
Public works	159,987	-	-	159,987
Culture and recreation	129,223	-	-	129,223
Capital outlay	457,869	-	-	457,869
Debt service				
Principal	131,401	27,840	230,000	389,241
Interest	8,984	18,663	21,519	49,166
Total expenditures	1,460,558	46,503	251,519	1,758,580
Excess (deficit) of revenues over expenditures	(295,505)	3,812	6,250	(44,167)
Other financing sources:				
Transfers in	202,449	-	-	202,449
Total other financing sources	202,449	-	-	202,449
Net changes in fund balances	(93,056)	3,812	6,250	158,282
Fund balance - beginning of year	1,701,300	119,298	340,429	2,161,027
Fund balance - end of year	\$ 1,608,244	\$ 123,110	\$ 346,679	\$ 2,319,309

Concluded

SPECIAL REVENUE FUNDS

STATE OF NEW MEXICO
CITY OF PORTALES

CORRECTION SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON
BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Correction fees	\$ 22,000	\$ 22,000	\$ 20,666	\$ (1,334)
Interest income	-	-	14	14
	<u>22,000</u>	<u>22,000</u>	<u>20,680</u>	<u>(1,320)</u>
Expenditures:				
Current:				
Supplies	<u>37,500</u>	<u>38,115</u>	<u>34,622</u>	<u>3,493</u>
Other financing uses:				
Transfers in	15,500	15,500	15,500	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balance	-	(615)	1,558	2,173
Fund balance - beginning of year	<u>3,224</u>	<u>3,224</u>	<u>3,224</u>	<u>-</u>
Fund balance - end of year	<u>\$ 3,224</u>	<u>\$ 2,609</u>	<u>\$ 4,782</u>	<u>\$ 2,173</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ 1,558	
Net revenue accruals			-	
Net expenditure accruals			<u>(2,970)</u>	
Net changes in fund balance GAAP basis			<u>\$ (1,412)</u>	

See accompanying notes to financial statements.

STATE OF NEW MEXICO
CITY OF PORTALES

EMERGENCY MEDICAL SERVICES SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON
BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Intergovernmental:				
State EMS Grant	\$ 23,000	\$ 23,000	\$ 41,619	\$ 18,619
Interest	-	-	82	82
	<u>23,000</u>	<u>23,000</u>	<u>41,701</u>	<u>18,701</u>
Expenditures:				
Current:				
Supplies	500	500	-	500
Operating costs	12,800	4,085	3,720	365
Capital outlay	<u>9,700</u>	<u>55,550</u>	<u>55,550</u>	<u>-</u>
Total expenditures	23,000	60,135	59,270	865
Other financing uses:				
Transfers in	<u>-</u>	<u>29,744</u>	<u>29,743</u>	<u>(1)</u>
Net change in fund balance	-	(7,391)	12,174	19,565
Fund balance - beginning of year	<u>7,826</u>	<u>7,826</u>	<u>7,826</u>	<u>-</u>
Fund balance - end of year	<u>\$ 7,826</u>	<u>\$ 435</u>	<u>\$ 20,000</u>	<u>\$ 19,565</u>

See accompanying notes to financial statements.

**STATE OF NEW MEXICO
CITY OF PORTALES**

**E-911 GRANT SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON
BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Intergovernmental:				
State E-911 Inkind Grant	\$ 79,940	\$ 79,940	\$ 76,095	\$ (3,845)
Expenditures:				
Current:				
Purchased property services	49,291	49,291	48,795	496
Other operating costs	30,649	30,649	27,300	3,349
Total expenditures	<u>79,940</u>	<u>79,940</u>	<u>76,095</u>	<u>3,845</u>
Net change in fund balance	-	-	-	-
Fund balance - beginning of year	<u>5</u>	<u>5</u>	<u>5</u>	<u>-</u>
Fund balance - end of year	<u>\$ 5</u>	<u>\$ 5</u>	<u>\$ 5</u>	<u>\$ -</u>

See accompanying notes to financial statements.

**STATE OF NEW MEXICO
CITY OF PORTALES**

**FIRE PROTECTION SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON
BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Budgeted Amounts</u>		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental:				
State Fire Marshall Allotment	\$ 168,276	\$ 168,276	\$ 203,819	\$ 35,543
Contributions	-	-	-	-
Interest income	1,300	1,300	615	(685)
Total revenues	169,576	169,576	204,434	34,858
Expenditures:				
Current:				
Purchased property services	40,000	30,000	-	30,000
Supplies	28,000	26,800	1,209	25,591
Operating costs	10,000	8,000	23,802	(15,802)
Capital outlay	34,766	25,069	-	25,069
Debt service:				
Principal	45,533	124,151	124,150	1
Interest	9,977	10,130	9,021	1,109
Total expenditures	168,276	224,150	158,182	65,968
Other financing sources:				
Proceeds from issuance of debt	-	-	-	-
Net changes in fund balance	1,300	(54,574)	46,252	100,826
Fund balance - beginning of year	77,510	77,510	77,510	-
Fund balance - end of year	<u>\$ 78,810</u>	<u>\$ 22,936</u>	<u>\$ 123,762</u>	<u>\$ 100,826</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ 46,252	
Net revenue accruals			-	
Net expenditure accruals			(2,951)	
Net changes in fund balance GAAP basis			<u>\$ 43,301</u>	

See accompanying notes to financial statements.

STATE OF NEW MEXICO
CITY OF PORTALES

**BEAUTIFICATION / LITTER CONTROL SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND
BALANCE BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON
BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Intergovernmental:				
State Beautification Grant	\$ 10,400	\$ 13,630	\$ 15,961	\$ 2,331
Expenditures:				
Current:				
Salaries and wages	-	995	(76)	1,071
Employee benefits	-	77	76	1
Supplies	3,800	4,708	2,722	1,986
Noncapital purchases	-	-	-	-
Operating costs	6,600	7,850	8,126	(276)
Total expenditures	10,400	13,630	10,848	2,782
Net change in fund balances	-	-	5,113	5,113
Fund balance - beginning of year	2,202	2,202	2,202	-
Fund balance - end of year	\$ 2,202	\$ 2,202	\$ 7,315	\$ 5,113

See accompanying notes to financial statements.

**STATE OF NEW MEXICO
CITY OF PORTALES**

**LAW ENFORCEMENT SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Intergovernmental:				
State Law Enforcement Protection Grant	\$ 32,000	\$ 32,000	\$ 32,000	\$ -
Interest	-	118	118	-
Total revenues	32,000	32,118	32,118	-
Expenditures:				
Current:				
Noncapital purchases	10,000	11,386	11,386	-
Operating cost	12,000	6,390	6,390	-
Capital outlay	10,000	14,370	14,370	-
Total expenditures	32,000	32,146	32,146	-
Net change in fund balances	-	(28)	(28)	-
Fund balance - beginning of year	28	28	28	-
Fund balance - end of year	\$ 28	\$ -	\$ -	\$ -

See accompanying notes to financial statements.

STATE OF NEW MEXICO
CITY OF PORTALES

LIBRARY SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Intergovernmental:				
Library Grant	\$ 3,121	\$ 6,330	\$ 6,727	\$ 397
Go Bond Issue	41,291	41,291	31,160	(10,131)
Grants and contributions:				
E-Rate Grant	8,343	8,343	1,927	(6,416)
Contributions	13,292	13,292	9,279	(4,013)
Interest	-	-	64	-
Total revenues	66,047	69,256	49,157	(20,163)
Expenditures:				
Current:				
Capital outlay	-	-	-	-
Noncapital library acquisitions	91,047	94,256	54,172	40,084
Total expenditures	91,047	94,256	54,172	40,084
Deficit of revenues over expenditures	(25,000)	(25,000)	(5,015)	19,985
Other financing uses				
Transfers in	25,000	25,000	25,000	-
Net change in fund balance	-	-	19,985	19,985
Fund balance - beginning of year	(225)	(225)	(225)	-
Fund balance - end of year	<u>\$ (225)</u>	<u>\$ (225)</u>	<u>\$ 19,985</u>	<u>\$ 19,985</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ 19,985	
Net revenue accruals			-	
Net expenditure accruals			<u>(1,087)</u>	
Net changes in fund balance GAAP basis			<u>\$ 18,898</u>	

See accompanying notes to financial statements.

STATE OF NEW MEXICO
CITY OF PORTALES

LODGERS TAX PROMOTIONAL SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Taxes:				
Lodgers' taxes	\$ 84,000	\$ 84,000	\$ 89,614	\$ 5,614
Fees, fines and forfeitures	-	-	-	-
Interest income	480	480	450	(30)
Total revenues	84,480	84,480	90,064	5,584
Expenditures:				
Current:				
Supplies	500	500	-	500
Operating costs	201,620	201,620	157,490	44,130
Total expenditures	202,120	202,120	157,490	44,630
Net change in fund balances	(117,640)	(117,640)	(67,426)	50,214
Fund balance - beginning of year	227,181	227,181	227,181	-
Fund balance - end of year	\$ 109,541	\$ 109,541	\$ 159,755	\$ 50,214
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ (67,426)	
Net revenue accruals			-	
Net expenditure accruals			5,325	
Net changes in fund balance GAAP basis			\$ (62,101)	

See accompanying notes to financial statements.

**STATE OF NEW MEXICO
CITY OF PORTALES**

**JUVENILE RECREATION SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Taxes:				
Cigarette	\$ 33,000	\$ 33,000	\$ 38,218	\$ 5,218
Recreation summer program	19,000	49,905	48,709	(1,196)
Vending/concession proceeds	4,800	4,800	-	(4,800)
Grants and contributions:				
Hubbard Grant	-	6,000	6,000	-
Other donations	2,000	2,000	5,091	3,091
Total revenues	58,800	95,705	98,018	2,313
Expenditures:				
Current:				
Salaries and wages	24,162	28,479	22,351	6,128
Employee benefits	2,157	2,861	2,217	644
Supplies	18,500	35,810	28,491	7,319
Contractual services	-	1,521	1,521	-
Other operating costs	300	2,002	2,798	(796)
Total expenditures	45,119	70,673	57,378	13,295
Net change in fund balance	13,681	25,032	40,640	15,608
Fund balance - beginning of year	107,024	107,024	107,024	-
Fund balance - end of year	\$ 120,705	\$ 132,056	\$ 147,664	\$ 15,608
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ 40,640	
Net revenue accruals			-	
Net expenditure accruals			(2,216)	
Net changes in fund balance GAAP basis			\$ 38,424	

See accompanying notes to financial statements.

STATE OF NEW MEXICO
CITY OF PORTALES

LOCAL DWI PROGRAM SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Intergovernmental:				
State grants	\$ 125,666	\$ 141,560	\$ 141,440	\$ (120)
Fees, fines and forfeitures:				
Fees and screenings	18,450	39,551	21,710	(17,841)
D.A.R.E. program	-	-	-	-
Contributions	-	-	908	908
Total revenues	<u>144,116</u>	<u>181,111</u>	<u>164,058</u>	<u>(17,053)</u>
Expenditures:				
Current:				
Contractual services	120,950	129,150	119,802	9,348
Travel	4,700	7,047	3,506	3,541
Supplies	8,354	10,473	5,323	5,150
Repairs and Maintenance	1,112	1,112	-	1,112
Operating costs	9,000	30,100	16,287	13,813
Capital Outlay	-	6,695	-	-
Total expenditures	<u>144,116</u>	<u>184,577</u>	<u>144,918</u>	<u>39,659</u>
Net change in fund balance	-	(3,466)	19,140	22,606
Fund balance - beginning of year	<u>90,972</u>	<u>90,972</u>	<u>90,972</u>	<u>-</u>
Fund balance - end of year	<u>\$ 90,972</u>	<u>\$ 87,506</u>	<u>\$ 110,112</u>	<u>\$ 22,606</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ 19,140	
Net revenue accruals			-	
Net expenditure accruals			<u>300</u>	
Net changes in fund balance GAAP basis			<u>\$ 19,440</u>	

See accompanying notes to financial statements.

**STATE OF NEW MEXICO
CITY OF PORTALES**

**LAW ENFORCEMENT SPECIAL SERVICES SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Fees, fines and forfeitures:				
Fees	\$ 5,000	\$ 5,000	\$ 5,601	\$ 601
Contributions	5,000	5,000	6,153	1,153
Total revenues	10,000	10,000	11,754	1,754
Expenditures:				
Current:				
Supplies	11,000	11,000	4,810	6,190
Operating costs	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	11,000	11,000	4,810	6,190
Net change in fund balance	(1,000)	(1,000)	6,944	7,944
Fund balance - beginning of year	27,023	27,023	27,023	-
Fund balance - end of year	<u>\$ 26,023</u>	<u>\$ 26,023</u>	<u>\$ 33,967</u>	<u>\$ 7,944</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO
CITY OF PORTALES

**CDBG REHABILITATION LOAN REPAYMENT SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Current:				
General government	-	-	-	-
Net change in fund balance	-	-	-	-
Fund balance - beginning of year	8,115	8,115	8,115	-
Fund balance - end of year	<u>\$ 8,115</u>	<u>\$ 8,115</u>	<u>\$ 8,115</u>	<u>\$ -</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO
CITY OF PORTALES

PORTALES AREA TRANSIT SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Intergovernmental:				
State grants	\$ 106,400	\$ 206,206	\$ 141,313	\$ (64,893)
Fees, fines and forfeitures:				
Fees	1,800	9,000	6,590	(2,410)
Total revenues	108,200	215,206	147,903	(67,303)
Expenditures:				
Current:				
Salaries and wages	63,696	103,041	92,022	11,019
Employee benefits	17,544	31,766	28,308	3,458
Travel	-	2,000	128	1,872
Repairs and maintenance	-	25	45	(20)
Supplies	-	21,108	20,080	1,028
Operating costs	-	12,549	78,936	(66,387)
Capital outlay	76,400	76,400	-	76,400
Total expenditures	157,640	246,889	219,519	27,370
Deficit of revenues over expenditures	(49,440)	(31,683)	(71,616)	(39,933)
Other financing sources:				
Transfers in	49,500	49,500	49,500	-
Net change in fund balance	60	17,817	(22,116)	(39,933)
Fund balance - beginning of year	14,713	14,713	14,713	-
Fund balance - end of year	\$ 14,773	\$ 32,530	\$ (7,403)	\$ (39,933)
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ (22,116)	
Net revenue accruals			-	
Net expenditure accruals			(4,543)	
Net changes in fund balance GAAP basis			\$ (26,659)	

See accompanying notes to financial statements.

**STATE OF NEW MEXICO
CITY OF PORTALES**

**REGIONAL GROWTH PLANNING SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Intergovernmental:				
State grants	\$ -	\$ 2,920	\$ -	\$ (2,920)
Expenditures:				
Current:				
Contractual services	-	-	-	-
Supplies	-	2,920	419	2,501
Operating costs	-	-	2,500	(2,500)
Total expenditures	-	2,920	2,919	1
Deficit of revenues over expenditures	-	-	(2,919)	(2,919)
Other financing sources:				
Transfers in	-	-	-	-
Net change in fund balance	-	-	(2,919)	(2,919)
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	\$ -	\$ -	\$ (2,919)	\$ (2,919)
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ (2,919)	
Net revenue accruals			-	
Net expenditure accruals			(8,378)	
Net changes in fund balance GAAP basis			\$ (11,297)	

See accompanying notes to financial statements.

**STATE OF NEW MEXICO
CITY OF PORTALES**

**COMMUNITY DEVELOPMENT BLOCK GRANT SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental:				
Federal grants	\$ 500,000	\$ 500,000	\$ 165,894	\$ (334,106)
State grants	50,000	50,000	701	(50,701)
Total revenues	550,000	550,000	166,595	(384,807)
Expenditures:				
Current:				
Operating costs	-	-	24,916	(24,916)
Capital outlay	703,895	703,895	165,894	538,001
Total expenditures	703,895	703,895	190,810	513,085
Deficit of revenues over expenditures	(153,895)	(153,895)	(24,215)	129,680
Other financing sources:				
Transfers in	92,644	92,644	81,296	(11,348)
Net changes in fund balances	(61,251)	(61,251)	57,081	118,332
Fund balance - beginning of year	61,652	61,652	61,652	-
Fund balance - end of year	\$ 401	\$ 401	\$ 118,733	\$ 118,332

See accompanying notes to financial statements.

**STATE OF NEW MEXICO
CITY OF PORTALES**

**COMPREHENSIVE PLAN SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Budgeted Amounts</u>		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Intergovernmental				
State grants	\$ 26,954	\$ 26,954	\$ 18,494	\$ (8,460)
Expenditures:				
Current:				
Capital outlay	31,954	31,954	19,904	12,050
Deficit of revenues over expenditures	(5,000)	(5,000)	(1,410)	3,590
Other financing sources:				
Transfers in	5,000	5,000	1,410	(3,590)
Net change in fund balance	-	-	-	-
Fund balance - end of year	\$ -	\$ -	\$ -	\$ -

See accompanying notes to financial statements.

STATE OF NEW MEXICO
CITY OF PORTALES

ENERGY CONSERVATION LEASE DEBT SERVICE SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010

	Budgeted Amounts		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
Gross receipts taxes	\$ 14,501	\$ 14,501	\$ (2,416)	\$ (16,917)
Expenditures:				
Debt service:				
Principal	7,085	7,085	7,251	(166)
Interest	167	167	(37)	204
Total expenditures	7,252	7,252	7,214	38
Excess of revenues over expenditures	7,249	7,249	(9,630)	(16,879)
Fund balance - beginning of year	9,630	9,630	9,630	-
Fund balance - end of year	\$ 16,879	\$ 16,879	\$ -	\$ (16,879)

See accompanying notes to financial statements.

**STATE OF NEW MEXICO
CITY OF PORTALES**

**RISK MANAGEMENT SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Budgeted Amounts</u>		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Interest and other:				
Investment income	\$ 1,200	\$ 1,200	\$ 192	\$ (1,008)
Reimbursements and refunds	6,000	6,000	1,932	(4,068)
Total revenues	7,200	7,200	2,124	(5,076)
Expenditures:				
Current:				
Operating costs	7,200	7,200	6,976	224
Excess of revenues over expenditures	-	-	(4,852)	(4,852)
Net changes in fund balances	-	-	(4,852)	(4,852)
Fund balance - beginning of year	100,150	100,150	100,150	-
Fund balance - end of year	<u>\$ 100,150</u>	<u>\$ 100,150</u>	<u>\$ 95,298</u>	<u>\$ (4,852)</u>

See accompanying notes to financial statements.

**STATE OF NEW MEXICO
CITY OF PORTALES**

**CRIMINAL JUSTICE SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Budgeted Amounts</u>		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Fees, fines and forfeitures:				
Fees	\$ 9,400	\$ 9,400	\$ 9,088	\$ (312)
Expenditures:				
Current:				
Operating costs	<u>9,400</u>	<u>9,400</u>	<u>7,820</u>	<u>1,580</u>
Net changes in fund balances	-	-	1,268	1,268
Fund balance - beginning of year	<u>2,751</u>	<u>2,751</u>	<u>2,751</u>	-
Fund balance - end of year	<u>\$ 2,751</u>	<u>\$ 2,751</u>	<u>\$ 4,019</u>	<u>\$ 1,268</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ 1,268	
Net revenue accruals			-	
Net expenditure accruals			<u>(692)</u>	
Net changes in fund balance GAAP basis			<u>\$ 576</u>	

See accompanying notes to financial statements.

**STATE OF NEW MEXICO
CITY OF PORTALES**

**MAIN STREET SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Budgeted Amounts</u>			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Interest income	\$ -	\$ -	\$ 42	\$ 42
Expenditures:				
Current:				
Supplies	-	30	29	1
Operating costs	10,000	10,452	10,452	-
Total expenditures	10,000	10,482	10,481	1
Net changes in fund balances	(10,000)	(10,482)	(10,439)	43
Fund balance - beginning of year	10,818	10,818	10,818	-
Fund balance - end of year	\$ 818	\$ 336	\$ 379	\$ 43

See accompanying notes to financial statements.

**STATE OF NEW MEXICO
CITY OF PORTALES**

**ECONOMIC DEVELOPMENT SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Budgeted Amounts</u>		Actual	Variance with Final Budget Positive (Negative)
	Original	Final		
Revenues:				
Taxes:				
Gross receipts	\$ 216,016	\$ 216,016	\$ 245,654	\$ 29,638
Interest and other	-	-	14,805	14,805
Total revenues	216,016	216,016	260,459	44,443
Expenditures:				
Contractual services	1,116,016	1,116,016	46,623	1,069,393
Capital outlay	-	-	140,752	(140,752)
Total expenditures	1,116,016	1,116,016	187,375	928,641
Net changes in fund balances	(900,000)	(900,000)	73,084	973,084
Fund balance - beginning of year	1,117,638	1,117,638	1,117,638	-
Fund balance - end of year	<u>\$ 217,638</u>	<u>\$ 217,638</u>	<u>\$ 1,190,722</u>	<u>\$ 973,084</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ 73,084	
Net revenue accruals			-	
Net expenditure accruals			(397)	
Net changes in fund balance GAAP basis			<u>\$ 72,687</u>	

See accompanying notes to financial statements.

CAPITAL PROJECTS FUNDS

STATE OF NEW MEXICO
CITY OF PORTALES

**CAPITAL REPAIR AND REPLACEMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Budgeted Amounts</u>			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual	
Revenues:				
Intergovernmental:				
Federal	\$ 218,466	\$ 218,466	\$ 229,646	\$ 11,180
State	1,064,530	1,153,261	416,068	(737,193)
Other	127,000	182,000	175,072	(6,928)
Total revenues	<u>1,409,996</u>	<u>1,553,727</u>	<u>820,786</u>	<u>(732,941)</u>
Expenditures:				
Current:				
Non capital purchases	-	-	-	-
Capital outlay	<u>1,453,372</u>	<u>1,635,660</u>	<u>1,000,698</u>	<u>634,962</u>
Total expenditures	<u>1,453,372</u>	<u>1,635,660</u>	<u>1,000,698</u>	<u>634,962</u>
Deficit of revenues over expenditures	(43,376)	(81,933)	(179,912)	(97,979)
Other financing sources:				
Transfers in	<u>12,000</u>	<u>50,557</u>	<u>68,485</u>	<u>17,928</u>
Net changes in fund balances	(31,376)	(31,376)	(111,427)	(80,051)
Fund balance - beginning of year	<u>218,091</u>	<u>218,091</u>	<u>218,091</u>	<u>-</u>
Fund balance - end of year	<u>\$ 186,715</u>	<u>\$ 186,715</u>	<u>\$ 106,664</u>	<u>\$ (80,051)</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ (111,427)	
Net revenue accruals			-	
Net expenditure accruals			<u>60,546</u>	
Net changes in fund balance GAAP basis			<u>\$ (50,881)</u>	

See accompanying notes to financial statements.

STATE OF NEW MEXICO
CITY OF PORTALES

CAPITAL PROJECTS FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Budgeted Amounts</u>			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual	
Revenues:				
Taxes:				
Gross receipts	\$ 49,020	\$ 49,020	\$ 49,020	\$ -
Interest	3,000	3,000	1,295	(1,705)
Total revenues	52,020	52,020	50,315	(1,705)
Expenditures:				
Debt service:				
Principal	27,840	27,840	27,840	-
Interest and administrative fees	18,871	18,871	18,663	208
Total operating expenses	46,711	46,711	46,503	208
Net change in fund balance	5,309	5,309	3,812	(1,497)
Fund balance - beginning of year	119,298	119,298	119,298	-
Fund balance - end of year	\$ 124,607	\$ 124,607	\$ 123,110	\$ (1,497)

See accompanying notes to financial statements.

DEBT SERVICE FUNDS

STATE OF NEW MEXICO
CITY OF PORTALES

SALES TAX REVENUE BONDS FUND - DEBT SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Budgeted Amounts</u>			Variance with Final Budget- Positive (Negative)
	Original	Final	Actual	
Revenues:				
Taxes:				
Gross receipts	\$ 250,527	\$ 250,527	\$ 250,527	\$ -
Interest	2,000	2,000	7,242	5,242
Total revenues	<u>252,527</u>	<u>252,527</u>	<u>257,769</u>	<u>5,242</u>
Expenditures:				
Debt service:				
Principal	230,000	230,000	230,000	-
Interest and administrative fees	<u>22,500</u>	<u>22,500</u>	<u>21,519</u>	<u>981</u>
Total expenditures	<u>252,500</u>	<u>252,500</u>	<u>251,519</u>	<u>981</u>
Excess of revenues over expenditures	27	27	6,250	6,223
Fund balance - beginning of year	<u>340,429</u>	<u>340,429</u>	<u>340,429</u>	<u>-</u>
Fund balance - end of year	<u>\$ 340,456</u>	<u>\$ 340,456</u>	<u>\$ 346,679</u>	<u>\$ 6,223</u>

See accompanying notes to financial statements.

PROPRIETARY FUNDS

**STATE OF NEW MEXICO
CITY OF PORTALES**

**WATER AND SEWER ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010**

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
OPERATING REVENUE:				
Charges for services	\$ 4,060,000	\$ 4,060,000	\$ 3,582,366	\$ (477,634)
Late charges	80,000	80,000	68,904	(11,096)
Rentals	3,600	3,600	2,400	(1,200)
Tapping and reconnect fees	68,000	68,000	125,883	57,883
Other	422,740	-	4,163	4,163
Total revenues	4,634,340	4,211,600	3,783,716	(427,884)
OPERATING EXPENDITURES:				
Salaries and wages	561,601	512,734	441,796	70,938
Employee benefits	232,980	232,980	180,552	52,428
Travel	3,100	3,100	-	3,100
Maintenance	281,800	291,071	853,434	(562,363)
Contracted and purchased services	165,470	171,470	108,187	63,283
Supplies	36,500	40,603	59,778	(19,175)
Noncapital purchases	4,700	4,700	602	4,098
Operating costs	654,060	653,660	412,015	241,645
Capital outlay	1,257,000	1,353,000	-	1,353,000
Debt service	761,814	761,822	622,371	139,451
Total operating expenses	3,959,025	4,025,140	2,678,735	1,346,405
Operating income	675,315	186,460	1,104,981	918,521
NON-OPERATING REVENUE (EXPENSES):				
Investment income	37,500	36,909	63,211	26,302
Water conservation fees	327,500	327,500	329,856	657,356
Grant proceeds	104,978	527,718	73,264	(454,454)
Interest expense	-	-	(149,573)	(149,573)
Total non-operating revenues	469,978	892,127	316,758	79,631
Net income before transfers	1,145,293	1,078,587	1,421,739	343,152
Transfers:				
Transfers in	571,735	607,228	606,272	(956)
Transfers out	(1,871,735)	(1,907,628)	(1,490,715)	416,913
Total operating transfers	(1,300,000)	(1,300,400)	(884,443)	415,957
Net income (loss)	(154,707)	(221,813)	537,296	759,109
Fund balance - beginning of year	9,789,366	9,789,366	9,789,366	-
Fund balance - end of year	\$ 9,634,659	\$ 9,567,553	\$ 10,326,662	\$ 759,109

Reconciliation of net income for budgetary basis to statements of activities for proprietary funds:

Net income after transfers - budgetary basis	\$ 537,296
Amounts reported in the statement of activities differ because:	
Budgeted debt service expenditures reduce water and sewer liabilities and are not reported in proprietary funds statement of activities	622,371
Depreciation is reported in the proprietary funds statement of activities but is not a budget expenditure item	(802,019)
Amortization is reported in the proprietary funds statement of activities but is not a budget expenditure item	(36,302)
Net income after transfers - financial statement basis	\$ 321,346

See accompanying notes to financial statements.

**STATE OF NEW MEXICO
CITY OF PORTALES**

**SOLID WASTE ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010**

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Operating revenues.				
Charges for services	\$ 1,115,000	\$ 1,115,000	\$ 1,161,851	\$ 46,851
Operating expenditures:				
Current				
Salaries and wages	272,660	260,081	236,603	23,478
Employee benefits	80,662	103,620	130,430	(26,810)
Travel	750	750	-	750
Maintenance	95,400	95,400	78,508	16,892
Contracted and purchased services	491,746	501,746	484,658	17,088
Supplies	92,000	71,621	63,266	8,355
Noncapital purchases	7,700	7,700	7,269	431
Operating costs	67,240	67,040	7,459	59,581
Capital outlay	58,000	58,000	-	58,000
Debt Service	-	-	837	(837)
Total operating expenses	1,166,158	1,165,958	1,009,030	156,928
Operating income (loss)	(51,158)	(50,958)	152,821	101,863
Non-operating revenues (expenses):				
Investment income	2,400	2,400	21,332	18,932
Environmental gross receipts tax	108,250	108,250	122,932	14,682
Grant proceeds	13,900	13,900	-	(13,900)
Total non-operating revenues	124,550	124,550	144,264	19,714
Net income before transfers	73,392	73,592	297,085	121,577
Transfers:				
Transfers out	75,000	75,200	48,750	-
Net income (loss)	(1,608)	(1,608)	248,335	(121,577)
Fund balance - beginning of year	87,471	87,471	87,471	-
Fund balance - end of year	\$ 85,863	\$ 85,863	\$ 335,806	\$ (121,577)
Reconciliation of net income for budgetary basis to statements of activities for proprietary funds				
Net income after transfers - budgetary basis			\$ 248,335	
Amounts reported in the statement of activities differ because.				
Budgeted debt service expenditures reduce water and sewer liabilities and are not reported in proprietary funds statement of activities			837	
Depreciation is reported in the proprietary funds statement of activities but is not a budget expenditure item			(64,592)	
Net income after transfers - financial statement basis			\$ 184,580	

See accompanying notes to financial statements.

STATE OF NEW MEXICO
CITY OF PORTALES

AIRPORT ENTERPRISE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual	Variance With Final Budget Positive (Negative)
Operating revenues:				
Fuel sales	\$ 117,000	\$ 117,000	\$ 97,250	\$ (19,750)
Late charges	850	850	348	(502)
Rentals	33,000	33,000	38,284	5,284
Other and miscellaneous	711	711	657	(54)
Total revenues	151,561	151,561	136,539	(15,022)
Operating expenditures:				
Current				
Salaries and wages	29,916	29,916	29,604	312
Employee benefits	5,441	5,441	7,785	(2,344)
Travel	1,000	1,075	-	1,075
Maintenance	647,542	212,300	15,107	197,193
Contracted and purchased services	-	92,244	574	91,670
Supplies	10,500	10,425	6,277	4,148
Noncapital purchases	2,000	2,000	2,030	(30)
Operating costs	147,756	147,756	115,775	31,981
Capital outlay	-	342,998	435,240	(92,242)
Debt service	-	-	456	(456)
Total operating expenses	844,155	844,155	612,848	231,307
Operating loss	(692,594)	(692,594)	(476,309)	216,285
Non-operating revenues (expenses):				
Grant proceeds	634,594	634,594	433,599	(200,995)
Loss on sale of asset	-	-	(58)	(58)
Total non-operating revenues (expenses)	634,594	634,594	433,541	(201,053)
Net income before transfers	(58,000)	(58,000)	(42,768)	15,232
Transfers:				
Transfers in	58,000	58,000	40,088	(17,912)
Net income	-	-	(2,680)	(2,680)
Fund balance - beginning of year	2,332,504	2,332,504	2,332,504	-
Fund balance - end of year	\$ 2,332,504	\$ 2,332,504	\$ 2,329,824	\$ (2,680)

Reconciliation of net income for budgetary basis to statements of activities for proprietary funds

Net income after transfers - budgetary basis \$ (2,680)

Amounts reported in the statement of activities differ because:

Capital outlay is a budget expenditure but is reported on the proprietary fund statements of net assets 435,240

Budgeted debt service expenditures reduce water and sewer liabilities and are not reported in proprietary funds statement of activities 456

Depreciation is reported in the proprietary funds statement of activities but is not a budget expenditure item (164,013)

Net loss after transfers - financial statement basis \$ 269,003

See accompanying notes to financial statements.

STATE OF NEW MEXICO
CITY OF PORTALES

SCHEDULE OF DEPOSITS AND TEMPORARY INVESTMENTS BY DEPOSITORY FOR PUBLIC FUNDS
JUNE 30, 2010

Account Description	Account Number	Account Type	Fund Type	Bank Balance June 30, 2010	Net Reconciling Items	Reconciled Balance June 30, 2010
Portales National Bank						
First Community Bank						
General Fund		Checking	Governmental	\$ 5,392,831	\$ (942,225)	\$ 4,450,606
CDBG Capital Project		Checking	Governmental	61,252	-	61,252
			Total Checking	\$ 5,454,083	(942,225)	4,511,858
Sales Tax 402		Interest	Business-type	44,033	-	44,033
Water & Sewer Improvement		Interest	Governmental	118,886	-	118,886
			Total Interest Bearing	162,919	-	162,919
			Total Deposits	\$ 5,617,002	\$ (942,225)	\$ 4,674,777
New Mexico State Treasurer- Local Government Investment Pool						
General Fund						
Risk Management Reserve	7290-1568	Savings	Governmental	\$ 647,494	-	\$ 647,494
Water/Wastewater	7238-1574	Savings	Governmental	89,653	-	89,653
Water Meter Reserve	7228-1580	Savings	Business-Type	480,142	-	480,142
Water Improvement Reserve	7427-1564	Savings	Business-Type	119,537	107,613	227,150
Solid Waste	7235-1578	Savings	Business-Type	323,747	648,810	972,557
	7236-1576	Savings	Business-Type	199,229	-	199,229
			Total Deposits	\$ 1,859,802	\$ 756,423	\$ 2,616,225

New Mexico Finance Authority Held at New York Mellon Trust Company, N.A.

Rec Center Financing	Portales	Savings	Governmental	\$	47,025	\$	47,025
Pumper Truck	Portales	Savings	Governmental		23,406	-	23,406
Water & Wastewater	Portales	Savings	Business-Type		321,096	-	321,096
			Total Deposits	\$	391,527	\$	391,527

New Mexico Finance Authority

Rec Center Financing	Portales	Savings	Governmental	\$	66,894	\$	66,894
Water & Wastewater	Portales	Savings	Business-Type		184,257	-	184,257
			Total Deposits	\$	251,151	\$	251,151

Linsco/Private Ledger

98 Water/Sewer Reserve Fund	2171-8277	Savings	Business-Type	\$	419,121	\$	419,121
Water Conservation Reserve	4344-5955	Savings	Business-Type		993,330	-	993,330
97 Sales Tax Reserve Fund	29077396	Savings	Governmental		261,659	-	261,659
			Total Deposits	\$	1,674,110	\$	1,674,110

Reconciliation of Accounts to Government-Wide Balance Sheet

	Governmental Activities	Business-Type Activities	Total
Cash and Cash Equivalents - Unrestricted	\$ 3,306,910	\$ 1,512,494	\$ 4,819,404
Cash and Cash Equivalents - Restricted	137,326	2,793,113	2,930,439
Investments - Unrestricted	737,147	679,371	1,416,518
Investments - Restricted	-	443,284	443,284
	\$ 4,181,383	\$ 5,428,262	\$ 9,609,645

Cash Source

First Community Bank	4,674,777
NM State Treasurer	2,616,225
NMFA - Bank of Albuquerque	391,527
NMFA	251,151
Linsco/Private Ledger	1,674,110
Petty Cash	1,855
	(942,225)
	756,423
	391,527
	251,151
	1,674,110
	1,855
	\$ 9,795,447
	\$ (185,802)
	\$ 9,609,645

STATE OF NEW MEXICO
CITY OF PORTALES

SCHEDULE OF JOINT POWERS AGREEMENTS
JUNE 30, 2010

Other Principal	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	Ure 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 & Nature Resources Department	Wildfire Suppression and Protection	August 13, 2007	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 SECTION



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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 H. Balderas, New Mexico State Auditor
Honorable 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, the aggregate remaining fund information, the budgetary comparisons of the general fund and major special revenue funds, and the combining and individual funds and related budgetary comparisons, presented as supplementary information of the City of Portales (the "City") as of and for the year ended June 30, 2010, and have issued our report thereon dated November 24, 2010. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City'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's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A *significant deficiency* is a deficiency or a combination of deficiencies in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a significant deficiency, described as 2009-01.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2009-01 and 2006-02.

We also noted certain other matters that are required to be reported pursuant to Governmental Auditing Standards paragraphs 5.14 and 5.16, and pursuant to Section 12-6-5, NMSA 1978, which are described in the accompanying schedule of findings and questioned costs as finding 2009-01 and 2006-02.

The City's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. 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 the City Council, the City's management, the State Auditor, the New Mexico Legislature, the New Mexico Department of Finance and Administration, and applicable federal grantors, and is not intended to be and should not be used by anyone other than these specified parties.

Strickler & Truto, LLP

November 24, 2010



Strickler & Prieto, LLP

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

Hector H. Balderas, New Mexico State Auditor
Honorable Mayor and
Members of City Council
City of Portales
Portales, New Mexico

Compliance

We have audited the compliance of City of Portales (the "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 year ended June 30, 2010. The City's major federal programs are identified in the summary of auditor's 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 audit.

We conducted our audit 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 audit 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 audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

As described in items 2009-01 and 2006-02 in the accompanying schedule of findings and questioned costs, the City did not comply with requirements to maintain a current detailed capital asset listing and to capitalize equipment that cost over \$5,000 and with requirements to submit the audit report by December 1. Compliance with such requirements is necessary, in our opinion, for the City to comply with the requirements applicable to those programs.

In our opinion, except for the noncompliance described in the preceding paragraph, 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 year ended June 30, 2010.

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 and to test and report on internal control over compliance in accordance with OMB Circular A-133, 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.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis. We did not identify any deficiencies in internal control that we consider to be material weaknesses.

A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2009-01 to be a significant deficiency.

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

The report is intended solely for the information and use of the City's management, City Council, the State Auditor, the New Mexico Legislature, the New Mexico Department of Finance and Administration, and applicable federal grantors, and is not intended to be and should not be used by anyone other than these specified parties.

Spickler & Prieto, LLP

November 24, 2010

**STATE OF NEW MEXICO
CITY OF PORTALES**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010**

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA No.	Contract/Grant Project/State Number	Award Amount	Federal Expenditures
Department of Housing and Urban Development Passed Through the State of New Mexico Department of Finance and Administration Small Cities Program	14.228	09-C-NR-I-01-G-40	\$ 500,000	\$ 165,894
Department of Housing and Urban Development EDI - Special Project Grants	14.251	B-06-SP-NM-0687	198,000	193,577
Department of Justice ARRA Edward Byrne Memorial Justice Assistance Grant Program	16.804	2009-SB-B9-2987	20,466	20,461
U.S. Department of Transportation Passed Through the New Mexico Department of Transportation ARRA FTA 5311 Transit Capital Assistance Funds	20.509	MOO883	76,720	75,382
Federal Highway Authority Passed Through the New Mexico Department of Transportation ARRA Federal-Aid Highway Program	20.205	ECO-TPA-TPO-070-7 (1) 420	249,747	237,904
U.S. Department of Interior Passed Through the U.S. Bureau of Reclamation Water Reclamation and Reuse Program	15.504	08-FG-40-2780	116,834	53,812
Department of Defense Passed Through the Office of Economic Adjustment Community Planning Assistance Fund	12.607	RA0739-10-02	119,100	2,919
U.S. Department of Transportation Federal Aviation Administration Airport Improvement Program	20.106	3-35-0061-013-2009	412,451	412,451
U.S. Department of Homeland Security Office of Domestic Preparedness Passed Through the New Mexico Department of Homeland Security and Emergency Management 2008 Emergency Management Performance Grant	97.042	2008-EMPG-ROOSEVELT	23,608	23,608
2009 State Homeland Security Grant Program	97.067	2009-SS-T9-000030	15,850	15,608
2008 Pre-Disaster Mitigation	97.017	PDMC-06-NM-2008	51,500	-
Total Expenditures of Federal Awards			<u>\$ 1,784,276</u>	<u>\$ 1,201,616</u>

Basis of Presentation

The above schedule of expenditures of federal awards includes the federal grant activity of the City of Portales and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with 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 preparation of, the basic financial statements.

**STATE OF NEW MEXICO
CITY OF PORTALES**

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
YEAR ENDED JUNE 30, 2010**

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards presents the activity of all federal awards of the City of Portales (the "City"). The City is defined in Note 1 of the City's financial Statements. All federal awards received, including those received through other agencies are included on the schedule.

2. BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is presented using the accrual basis of accounting, which is described in Note 1 of the City's financial statements.

**STATE OF NEW MEXICO
CITY OF PORTALES**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
YEAR ENDED JUNE 30, 2010**

A. SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued: Unqualified

Internal control over financial reporting:

Material weakness(es) identified?	<u> </u> Yes	<u> X </u> No
Significant deficiencies identified that are not considered to be material weaknesses?	<u> X </u> Yes	<u> </u> None Reported
Noncompliance material to financial statements noted?	<u> X </u> Yes	<u> </u> No

Federal Awards

Internal control over major programs:

Material weakness(es) identified?	<u> </u> Yes	<u> X </u> No
Significant deficiencies identified that are not considered to be material weaknesses?	<u> X </u> Yes	<u> </u> None Reported

Type of auditor's report issued on compliance for major programs: Qualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133?	<u> X </u> Yes	<u> </u> No
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Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
20.106	Airport Improvement Program
20.205	ARRA Federal-Aid Highway Program

Dollar threshold used to distinguish between type A and type B programs	\$300,000
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Auditee qualified as low-risk auditee?	<u> </u> Yes	<u> X </u> No
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B. FINDINGS - FINANCIAL STATEMENT AUDIT

2006-02: Late Audit Report

Condition

The required submission date of the audit report for the fiscal year ended June 30, 2010 to the New Mexico State Auditor was December 1, 2010. The June 30, 2010 revised financial statements were submitted in January 2011.

Criteria

The 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.

Effect

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

Cause

The New Mexico State Auditor's office required corrections to the original audit report submission.

Recommendation

The audit report should be submitted prior to the submission deadline date to allow the New Mexico State Auditor's office time to review and release the audit report by the December 1st deadline date.

Agency Response

The City will proactively work with the Independent Public Accountants to expedite the preparation of current and future financial audits.

2009-01: Capital Assets

Condition

During our substantive test work over capital assets we noted the following:

- Approximately \$158,000 in capital assets were incorrectly recorded as repairs and maintenance expense and reclassified by the auditor to capital asset accounts.
- Approximately \$186,000 in construction in progress assets were incorrectly recorded as repairs and maintenance expense and reclassified by the auditor to capital outlay and capital asset accounts.
- Approximately \$335,000 in capital asset additions were posted in the incorrect fund.
- Capital assets for approximately \$71,000 were incorrectly capitalized.
- Several of the additions in the capital asset listing did not have the correct line item the expense was recorded in.
- The City is not reconciling the capital asset listing to the general ledger accounts.

Criteria

New Mexico State Statutes Section 12-6-10 directs the general services department to promulgate regulations to state agencies for the accounting and control of capital assets owned by government agencies and requires agencies to capitalize equipment that cost over \$5,000. In addition the City is required to maintain a current detailed capital asset listing and to record disposal and acquisitions of assets in the period in which they are disposed or acquired.

Effect

Repairs and maintenance expenditures were overstated by approximately \$414,000 and capital assets understated by \$158,000. Without proper recording of capital asset additions, the City's risk of asset misappropriation increases.

Cause

According to City personnel this occurred due to oversight.

Recommendation

We recommend that City personnel identify all disposals and acquisitions as they occur and properly record them. The City should also consider reconciling capital assets on a monthly basis from the general ledger accounts to the capital asset listing.

Agency Response

The City will develop procedures to identify additions and disposals as they occur and properly record them. The City will institute a review process for items recorded in repairs and maintenance to ensure that they are properly classified and posted. The City is developing procedures to reconcile capital assets to the general ledger.

C. FINDINGS - FEDERAL AWARDS

2009-01: Capital Assets - Department of Housing and Urban Development, Passed Through the State of New Mexico Department of Finance and Administration, Small Cities Program, CFDA No. 14.228; Department of Housing and Urban Development, EDI - Special Project Grant, CFDA No. 14.251; Department of Justice, ARRA Edward Byrne Memorial Justice Assistance Grant Program, CFDA No. 16.804; U.S. Department of Transportation, Passed Through the New Mexico Department of Transportation, ARRA FTA 5311 Transit Capital Assistance Funds, CFDA No. 20.509; Federal Highway Authority, Passed Through the New Mexico Department of Transportation, ARRA Federal-Aid Highway Program, CFDA No. 20.205; U.S. Department of Interior, Passed Through the U.S. Bureau of Reclamation, Water Reclamation and Reuse Program, CFDA No. 15.504; Department of Defense, Passed Through the Office of Economic Adjustment, Community Planning Assistance Fund, CFDA No. 12.607; U.S. Department of Transportation Federal Aviation Administration, Airport Improvement Program, CFDA No. 20.106; U.S. Department of Homeland Security Office of Domestic Preparedness, Passed Through the New Mexico Department of Homeland Security and Emergency Management, 2008 Emergency Management Performance Grant, CFDA No. 97.042, 2009 State Homeland Security Grant Program, CFDA No. 97.067, and 2008 Pre-Disaster Mitigation, CFDA No. 97.017.

Condition

During our substantive test work over capital assets we noted the following:

- Approximately \$158,000 in capital assets were incorrectly recorded as repairs and maintenance expense and reclassified by the auditor to capital asset accounts.
- Approximately \$186,000 in construction in progress assets were incorrectly recorded as repairs and maintenance expense and reclassified by the auditor to capital outlay and capital asset accounts.
- Approximately \$335,000 in capital asset additions were posted in the incorrect fund.
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- Several of the additions in the capital asset listing did not have the correct line item the expense was recorded in.
- The City is not reconciling the capital asset listing to the general ledger accounts.

Criteria

New Mexico State Statutes Section 12-6-10 directs the general services department to promulgate regulations to state agencies for the accounting and control of capital assets owned by government agencies and requires agencies to capitalize equipment that cost over \$5,000. In addition the City is required to maintain a current detailed capital asset listing and to record disposal and acquisitions of assets in the period in which they are disposed or acquired.

Effect

Repairs and maintenance expenditures were overstated by approximately \$414,000 and capital assets understated by \$158,000. Without proper recording of capital asset additions, the City's risk of asset misappropriation increases.

Cause

According to City personnel this occurred due to oversight.

Recommendation

We recommend that City personnel identify all disposals and acquisitions as they occur and properly record them. The City should also consider reconciling capital assets on a monthly basis from the general ledger accounts to the capital asset listing.

Agency Response

The City will develop procedures to identify additions and disposals as they occur and properly record them. The City will institute a review process for items recorded in repairs and maintenance to ensure that they are properly classified and posted. The City is developing procedures to reconcile capital assets to the general ledger.

D. STATUS OF PRIOR YEAR FINDINGS

2006-02	Late Audit Report	Repeat
2009-01	Capital Assets	Repeat

CITY OF PORTALES

**EXIT CONFERENCE
FOR THE YEAR ENDED JUNE 30, 2010**

An exit conference was conducted on November 29, 2010 in a closed meeting of the City Council pursuant to Section 12-6-5 NMSA, 1978 with the following individuals in attendance:

City of Portales Officials

Sharon King
Thomas Howell
Marilyn Rapp
Alfredo Bachicha

Mayor
City Manager
City Treasurer
Councilor

Strickler & Prieto, LLP

Brad Voge

Manager

Financial Statement Preparation

The City's independent public accountants prepared the accompanying financial statements; however, the City is responsible for the financial statement content.