

**State of New Mexico**  
**City of Portales**  
**Basic Financial Statements and**  
**Supplementary Information**  
**for the Year Ended June 30, 2011**  
**and Independent Auditors' Report**

STATE OF NEW MEXICO  
CITY OF PORTALES

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**STATE OF NEW MEXICO  
CITY OF PORTALES**

**OFFICIAL ROSTER  
JUNE 30, 2011**

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**ELECTED OFFICIALS**

Sharon King	Mayor
Antonio Salguero	City Councilor
Alfredo Bachicha	City Councilor
Oscar Robinson	City Councilor
Ronald Jackson	City Councilor
Leo Lovett	City Councilor
Keith Thomas	City Councilor
Dianne Parker	City Councilor
Gary Watkins	City Councilor

**ADMINISTRATIVE OFFICIALS**

Thomas Howell	City Manager
Marilyn Rapp	Treasurer
Joan Martinez-Terry	City Clerk

## INDEPENDENT AUDITORS' REPORT

Hector H. Balderas, State Auditor  
and the Mayor and City Council of the  
City of 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 comparison for the general fund of the City of Portales, as of and for the year ended June 30, 2011, 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 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, 2011, 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. 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, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund 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, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for all nonmajor 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 14, 2011 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 4 - 11 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. 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.

A handwritten signature in blue ink that reads "White & Swanigo + Crispell, LLP". The signature is written in a cursive, flowing style.

El Paso, Texas  
November 14, 2011



STATE OF NEW MEXICO  
CITY OF PORTALES

MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2011

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This section of City of Portales' annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended June 30, 2011. Please read it in conjunction with the City's financial statements, which follow this section.

**Financial Highlights**

- The assets of the City of Portales exceeded its liabilities at the close of the most recent fiscal year end by \$32,067,235 (net assets). Of this amount, \$6,568,040 (unrestricted net assets) may be used to meet the government's ongoing obligations to citizens and creditors.
- The government's total net assets increased by \$2,494,519 during the fiscal year. The majority of this is due to the City's ability to maintain expenses at a low level despite the changes in federal and state funding. The City also raised its utility rates in 2011.
- As of June 30, 2011, the City's governmental funds reported combined ending fund balances of \$6,030,584. Of this total, \$2,596,487 is restricted for special revenue, capital projects and debt service.
- At the close of the current fiscal year, unassigned fund balance of the general fund was \$3,434,097.

**Overview of the Financial Statements**

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the government, reporting the City's operations in more detail than the government-wide statements.
- The governmental funds statements tell how general government services were financed in the short term as well as what remains for future spending.
- Proprietary fund statements offer short-term and long-term financial information about the activities the government operates like businesses.

**Government-Wide Statements**

The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Portales' finances, in a manner similar to a private-sector business.

The *statements of net assets* presents information on all of the City of Portales' assets and liabilities, with the difference between the two reported as *net assets*. Over time, increases or decreases in net assets may serve as a

useful indicator of whether the financial position of the City of Portales is improving or deteriorating.

The *statement of activities* presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Portales that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Portales include general government, public safety, highways and streets and culture and recreation. The business-type activities of the City include water, sewer, solid waste, an airport and a convention center.

### **Fund Financial Statements**

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Portales, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Portales can be divided into two categories: governmental funds and proprietary funds.

#### ***Governmental Funds***

*Governmental funds* are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows and outflows of expendable resources*, as well as on *balances of expendable resources* available at the end of the fiscal year. Such information may be useful in determining what financial resources are available in the near future to finance the City's programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains twenty-six individual governmental funds organized according to their type (general, special revenue, capital projects and debt service). Information is presented separately in governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances for the General Fund, which is considered to be the only major fund. Data from the other twenty-five governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of Portales adopts an annual appropriated budget for its general fund and all other funds. A budgetary comparison statement has been provided for the all of the governmental funds to demonstrate compliance with this budget.

### ***Proprietary Funds***

*Proprietary funds* are generally used to account for services for which the City charges customers -either outside customers or internal units or departments of the City. Proprietary funds provide the same type of information as shown in the government-wide financial statements, only in more detail. The City maintains four proprietary funds, the Water and Sewer Fund, the Solid Waste Fund, the Airport Fund and the YAM Convention Center Fund. The proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements.

### **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 26 of this report.

### **Combining Statements**

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the notes to the financial statements.

### **Analysis of Net Assets**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$32,067,235 at the close of the current fiscal year.

The largest portion of the City of Portales' net assets represent the City's investment of \$20,206,302 in capital assets (e.g., land, construction in progress, improvements, buildings, and machinery and equipment), less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the City's net assets represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net assets of \$6,568,040 may be used to meet the government'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, for the government as a whole as well as for the business-type activities.

### **Analysis of Changes in Net Assets**

During the current fiscal year, the City's net assets in governmental and business-type activities increased by \$2,681,398. These increases are explained in the governmental and business-type activities discussion that follows.

### ***Governmental Activities***

Governmental activities increased the City's net assets by \$858,899. Revenues including transfers decreased from \$10,838,366 for the year ended June 30, 2010 to \$10,212,332 for the year ended June 30, 2011. The decrease in revenues is primarily because grants and contributions decreased \$879,317. Governmental expenses increased from \$8,757,224 for the year ended June 30, 2010 to \$9,353,433 for the year ended June 30, 2011. Total revenues and expenses from governmental activities are summarized below.

### *Business-Type Activities*

Business-type activities increased the City's net assets by \$1,635,620 after transfers of \$787,912 out to governmental activities, compared to the prior year's increase of \$774,929 after transfers of \$893,105 out to the general fund. Elements of this increase compared to the prior year include raising of rates and drought conditions throughout the year.

A summary of the statement of net assets is as follows:

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
<b>ASSETS</b>						
Current and other assets	\$ 6,125,021	\$ 5,769,210	\$ 4,300,928	\$ 2,700,627	\$10,425,949	\$ 8,469,837
Non current assets	142,604	137,326	3,220,695	3,272,699	3,363,299	3,410,025
Capital assets, net of accumulated depreciation	10,554,346	10,572,301	12,971,885	13,416,012	23,526,231	23,988,313
Total assets	\$16,821,971	\$16,478,837	\$20,493,508	\$19,389,338	\$37,315,479	\$35,868,175
<b>LIABILITIES</b>						
Current and other liabilities	\$ 418,401	\$ 703,236	\$ 1,041,330	\$ 848,046	\$ 1,459,731	\$ 1,551,282
Long-term liabilities	577,103	808,033	3,211,410	3,936,144	3,788,513	4,744,177
Total liabilities	995,504	1,511,269	4,252,740	4,784,190	5,248,244	6,295,459
<b>NET ASSETS</b>						
Invested in capital assets, net of related debt	10,188,668	9,785,315	10,017,634	9,799,220	20,206,302	19,584,535
Restricted	2,596,487	137,325	2,696,406	3,191,179	5,292,893	3,328,504
Unrestricted	3,041,312	5,044,928	3,526,728	1,614,749	6,568,040	6,659,677
Total net assets	15,826,467	14,967,568	16,240,768	14,605,148	32,067,235	29,572,716
Total liabilities and net assets	\$16,821,971	\$16,478,837	\$20,493,508	\$19,389,338	\$37,315,479	\$35,868,175

A summary of the statement of activities is as follows:

	Governmental Activities		Business-Type Activities		Total	
	2011	2010	2011	2010	2011	2010
<b>REVENUES</b>						
Program revenue:						
Charges for services	\$ 1,017,748	\$ 919,007	\$ 6,020,125	\$ 5,082,106	\$ 7,037,873	\$ 6,001,113
Operating grant and contributions	1,232,208	1,787,353	11,800	40,600	1,244,008	1,827,953
Capital grants and contributions	411,181	735,353	439,157	466,263	850,338	1,201,616
General revenues:						
Taxes	6,674,508	6,316,414	131,242	122,932	6,805,750	6,439,346
Other income	88,775	187,134	414,114	414,399	502,889	601,533
Total revenues	9,424,420	9,945,261	7,016,438	6,126,300	16,440,858	16,071,561
<b>EXPENSES</b>						
Administration	1,590,936	1,117,341	-	-	1,590,936	1,117,341
Municipal court	310,684	274,268	-	-	310,684	274,268
Library	368,076	350,444	-	-	368,076	350,444
General services	185,742	159,795	-	-	185,742	159,795
Fire and emergency management	1,798,438	1,719,394	-	-	1,798,438	1,719,394
Police	2,238,465	2,121,042	-	-	2,238,465	2,121,042
Senior citizens	45,249	42,832	-	-	45,249	42,832
Streets	708,253	717,967	-	-	708,253	717,967
Parks and recreation	891,054	1,198,399	-	-	891,054	1,198,399
Public works and transportation	270,640	162,039	-	-	270,640	162,039
Interest expense	42,080	54,416	-	-	42,080	54,416
Unallocated depreciation	903,816	839,287	-	-	903,816	839,287
Water and sewer	-	-	2,987,551	3,044,258	2,987,551	3,044,258
Solid waste	-	-	1,079,546	1,072,785	1,079,546	1,072,785
Airport	-	-	336,289	341,223	336,289	341,223
Convention center	-	-	2,641	-	2,641	-
Total expenses	9,353,433	8,757,224	4,406,027	4,458,266	13,759,460	13,215,490
Changes in net assets before transfers	70,987	1,188,037	2,610,411	1,668,034	2,681,398	2,856,071
Transfers	787,912	893,105	(787,912)	(893,105)	-	-
Changes in net assets	858,899	2,081,142	1,822,499	774,929	2,681,398	2,856,071
Net assets - beginning	14,967,568	12,886,426	14,418,269	13,830,219	29,385,837	26,716,645
Net assets - ending	\$15,826,467	\$14,967,568	\$16,240,768	\$14,605,148	\$32,067,235	\$29,572,716

### Financial Analysis of the City of Portales as a Whole

As noted earlier, the City of Portales uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

#### *Governmental Funds*

The focus of the City of Portales' *governmental funds* is to provide information on near-term inflows, outflows, and balances of *expendable* resources. Such information is useful in assessing the City of Portales' financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of governmental funds reported by the City include the General Fund, Special Revenue Funds, Debt Service Funds and Capital

## Project Funds.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$6,030,584, an increase of \$515,308 in comparison with the prior year. Approximately 57% of this total amount, or \$3,434,097, constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance, \$2,596,487, is restricted to indicate that it is not available for new spending because it has already been restricted to pay special revenue, capital projects and debt service.

Revenues for governmental functions overall totaled \$9,450,215 in the year ended June 30, 2011, which represents a decrease of \$493,752 from the year ended June 30, 2010. Expenditures for governmental functions totaled \$9,722,819 in the year ended June 30, 2011. This was a decrease of \$361,810 from the fiscal year-ended June 30, 2010. The decrease in revenues is partly caused by a decrease in intergovernmental revenues, which caused a related decrease in expenditures. In the fiscal year-ended June 30, 2011, expenditures for governmental functions exceeded revenues by approximately \$272,604.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the fund balance of the General Fund was \$3,434,097. General Fund revenues totaled \$7,027,679 for the fiscal year, while expenditures totaled \$7,027,024. Revenues exceeded expenditures by \$655 before transfers in and out of the general fund.

During 2011, the General Fund received transfers of \$877,400 from other City funds and made transfers of \$339,714 to other funds. The net transfers of \$537,686 helped to increase the fund balance, which was increased \$538,341 during the current fiscal year. An increase in fund balance is indicative of prudent financial 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 \$19,389,338 in 2010 to \$20,493,508 in 2011. This is a 5.7% increase. The Water and Sewer Fund makes up the largest portion of total assets with \$16,421,647 and had the largest increase in assets of the proprietary funds which was \$461,719. The Solid Waste Fund had an increase in assets of \$241,074 and the Airport Fund had an increase in assets of \$399,213. There was a new proprietary fund in 2011 called the Convention Center Fund, which had \$2,164 in assets in 2011.

Proprietary fund liabilities decreased 11% or \$531,450 during 2011. Water and Sewer fund liabilities decreased \$566,761 primarily due to the paying down of long-term debt. The Solid Waste liabilities decreased \$36,192. The Airport Fund liabilities increased \$71,072 due to higher accounts payable related to construction.

## **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.

The budget for General Fund revenues was increased by \$871,274 for the year ended June 20, 2011. The

majority of this increase was due to an increase in the gross receipts tax revenue budget of \$831,792. The City originally budgeted gross receipts tax revenue low based upon uncertainty in the national economic outlook. Local gross receipts collections for the year ended June 30, 2011 were greater than what was collected in previous years due to the strength of the local economy.

Actual General Fund expenditures were \$7,169,577, which was 5% below the final budget amount for the year ended June 30, 2011. All categories were below budget except for debt service. The City's policy is to budget based upon expected expenditures, but City employees are encouraged to spend only what is needed to provide services, which accounts for the expenditure savings.

Fund balance was budgeted to be \$1,302,376 in the final budget. The actual fund balance for the General Fund for the year ended June 30, 2011 was \$1,702,244. This was a favorable variance of \$399,868, or 31%. An increase in fund balance is indicative of prudent management of the City's funds.

## **Capital Asset and Debt Administration**

### *Capital Assets*

The City of Portales' capital assets for its governmental and business-type activities as of June 30, 2011 amount to \$23,526,231 (net of accumulated depreciation). Capital assets include land, construction in progress, improvements, buildings, furniture and equipment, and vehicles. The total increase in the City's capital assets (excluding accumulated depreciation) for the current fiscal year was \$972,261 for governmental activities. Improvements costing \$266,705 and vehicles costing \$205,042 were purchased for the City and construction in progress of \$318,821 was added in the year ended June 30, 2011. The total increase in business-type capital assets (excluding accumulated depreciation) for the current fiscal year was \$722,237, due primarily to purchases related to the airport runway system. There were deletions in the governmental activities totaling \$97,044 and in the business-type activities totaling \$12,540 during 2011.

The following is a schedule showing the Net Value of the Capital Assets and the application of the principal balances of the notes as of the fiscal year end:

**Capital Assets, Net of Depreciation  
June 30, 2011 and 2010**

	Governmental Activities		Business - Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Land and Construction in Progress	\$ 1,059,873	\$ 906,946	\$ 4,593,347	\$ 4,780,226	\$ 5,653,220	\$ 5,687,172
Buildings, Improvements, Equipment, Furniture and Vehicles	<u>9,494,473</u>	<u>9,665,355</u>	<u>8,378,538</u>	<u>8,635,786</u>	<u>17,873,011</u>	<u>18,301,141</u>
Capital Assets, Net of A/D	<u>\$10,554,346</u>	<u>\$10,572,301</u>	<u>\$12,971,885</u>	<u>\$13,416,012</u>	<u>\$23,526,231</u>	<u>\$23,988,313</u>

For government-wide financial statement presentation, all depreciable capital assets were depreciated from acquisition date to the end of the current fiscal year. Fund financial statements record capital asset purchases as expenditures.

***Long-term Debt***

At the end of fiscal year 2011, the City had total long-term debt outstanding of \$4,458,145, which consists of notes payable, bonds payable, landfill post closure obligations and compensated absences payable. Governmental activity and business-type long-term debt as of June 30, 2011 was \$765,481 and \$3,692,664, respectively, and were reduced \$368,026 and \$680,098, respectively, during the fiscal year.

The City's long term debt is summarized as follows:

**Long Term Debt  
June 30, 2011 and 2010**

	Governmental Activities		Business - Type Activities		Total	
	2011	2010	2011	2010	2011	2010
Notes Payable	\$ 404,289	\$ 566,986	\$ 2,586,037	\$ 2,886,772	\$ 2,990,326	\$ 3,453,758
Bonds Payable	-	220,000	375,000	730,000	375,000	950,000
Landfill post closure	-	-	678,422	706,380	678,422	706,380
Compensated Absences	<u>361,192</u>	<u>346,521</u>	<u>53,205</u>	<u>49,610</u>	<u>414,397</u>	<u>396,131</u>
Total Long Term Debt	<u>\$ 765,481</u>	<u>\$ 1,133,507</u>	<u>\$ 3,692,664</u>	<u>\$ 4,372,762</u>	<u>\$ 4,458,145</u>	<u>\$ 5,506,269</u>

**REQUEST FOR INFORMATION**

This financial report is designed to provide a general overview of the City of Portales' finances for those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, 100 W. First Street, Portales, NM 88130.



**GOVERNMENT - WIDE FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO  
CITY OF PORTALES**

**STATEMENT OF NET ASSETS  
JUNE 30, 2011**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS</b>			
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents	\$ 4,074,169	\$ 2,598,985	\$ 6,673,154
Investments	737,839	679,658	1,417,497
Accounts receivable	107,692	879,859	987,551
Taxes receivable	1,085,246	21,625	1,106,871
Interest receivable	66	307	373
Intergovernmental receivable	120,009	55,743	175,752
Returned check	-	1,942	1,942
Inventory	-	62,809	62,809
	<u>6,125,021</u>	<u>4,300,928</u>	<u>10,425,949</u>
<b>NON-CURRENT ASSETS:</b>			
Restricted cash and cash equivalents	142,604	2,758,493	2,901,097
Restricted investments	-	444,051	444,051
Bond issue cost, net	-	7,089	7,089
Bond reissue cost, net	-	11,062	11,062
Capital assets, net	10,554,346	12,971,885	23,526,231
Total non-current assets	<u>10,696,950</u>	<u>16,192,580</u>	<u>26,889,530</u>
Total assets	<u>\$ 16,821,971</u>	<u>\$ 20,493,508</u>	<u>\$ 37,315,479</u>
<b>LIABILITIES AND NET ASSETS</b>			
<b>CURRENT LIABILITIES:</b>			
Accounts payable	\$ 81,751	\$ 239,125	\$ 320,876
Accrued interest	2,955	38,898	41,853
Accrued salaries	128,529	14,583	143,112
Accrued GGRT tax	29,783	-	29,783
Unapplied deposits	-	18,157	18,157
Due to other funds	(12,995)	12,995	-
Current portion of compensated absences	113,611	26,310	139,921
Current portion of long term debt	74,767	691,262	766,029
Total current liabilities	<u>418,401</u>	<u>1,041,330</u>	<u>1,459,731</u>
<b>NON-CURRENT LIABILITIES:</b>			
Customer deposits	-	236,318	236,318
Compensated absences	247,581	26,895	274,476
Landfill closure	-	678,422	678,422
Long term debt, less current maturities	329,522	2,269,775	2,599,297
Total non-current liabilities	<u>577,103</u>	<u>3,211,410</u>	<u>3,788,513</u>
Total liabilities	<u>995,504</u>	<u>4,252,740</u>	<u>5,248,244</u>
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	10,188,668	10,017,634	20,206,302
Restricted for:			
Debt services	2,134,529	514,992	2,649,521
Capital projects	128,991	1,159,348	1,288,339
Water conservation	332,967	1,022,066	1,355,033
Unrestricted	<u>3,041,312</u>	<u>3,526,728</u>	<u>6,568,040</u>
Total net assets	<u>15,826,467</u>	<u>16,240,768</u>	<u>32,067,235</u>
Total net assets and liabilities	<u>\$ 16,821,971</u>	<u>\$ 20,493,508</u>	<u>\$ 37,315,479</u>

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO  
CITY OF PORTALES

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2011

FUNCTIONAL/PROGRAMS:	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Asset		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental activities:							
Administration	\$ 1,590,936	\$ 152,115	\$ 34,411	\$ -	\$ (1,404,410)	\$ -	\$ (1,404,410)
Municipal court	310,684	92,767	109,747	13,184	(94,986)	-	(94,986)
Library	368,076	7,539	36,904	-	(323,633)	-	(323,633)
General services	185,742	-	-	-	(185,742)	-	(185,742)
Fire and emergency management	1,798,438	621,095	759,970	113,000	(304,373)	-	(304,373)
Police	2,238,465	21,987	74,059	-	(2,142,419)	-	(2,142,419)
Senior citizens	45,249	-	-	-	(45,249)	-	(45,249)
Streets	708,253	-	-	283,649	(424,604)	-	(424,604)
Parks and recreation	891,054	117,716	27,335	-	(746,003)	-	(746,003)
Public works and transportation	270,640	4,529	189,782	1,348	(74,981)	-	(74,981)
Interest expense	42,080	-	-	-	(42,080)	-	(42,080)
Unallocated depreciation	903,816	-	-	-	(903,816)	-	(903,816)
Total governmental activities	<u>9,353,433</u>	<u>1,017,748</u>	<u>1,232,208</u>	<u>411,181</u>	<u>(6,692,296)</u>	<u>-</u>	<u>(6,692,296)</u>
Business-type activities:							
Water and sewer	2,987,551	4,593,510	6,987	-	-	1,612,946	1,612,946
Solid waste	1,079,546	1,291,269	-	-	-	211,723	211,723
Airport	336,289	130,972	4,813	439,157	-	238,653	238,653
Convention center	2,641	4,374	-	-	-	1,733	1,733
Total business-type activities	<u>4,406,027</u>	<u>6,020,125</u>	<u>11,800</u>	<u>439,157</u>	<u>-</u>	<u>2,065,055</u>	<u>2,065,055</u>
Total primary government	<u>13,759,460</u>	<u>7,037,873</u>	<u>1,244,008</u>	<u>850,338</u>	<u>(6,692,296)</u>	<u>2,065,055</u>	<u>(4,627,241)</u>
General Revenues:							
Gross receipts taxes					5,819,794	131,242	5,951,036
Franchise taxes					306,109	-	306,109
Property taxes					274,939	-	274,939
Gasoline taxes					178,610	-	178,610
Lodger's taxes					95,048	-	95,048
Cigarette taxes					\$	-	\$
Water conservation fees					-	349,972	349,972
Investment earnings					15,109	64,142	79,251
Rentals, reimbursements and other					73,666	-	73,666
Transfers					787,912	(787,912)	-
Total general revenues and transfers					<u>7,551,195</u>	<u>(242,556)</u>	<u>7,308,639</u>
Changes in net assets					<u>858,899</u>	<u>1,822,499</u>	<u>2,681,398</u>
Net assets, beginning of year, as previously reported					14,967,568	14,605,148	29,572,716
Restatement					-	(186,879)	(186,879)
Net assets, beginning of year, as restated					<u>14,967,568</u>	<u>14,418,269</u>	<u>29,385,837</u>
Net assets, end of year					<u>\$ 15,826,467</u>	<u>\$ 16,240,768</u>	<u>\$ 32,067,235</u>

See independent auditors' report and accompanying notes to financial statements.

**GOVERNMENTAL FUND STATEMENTS**

STATE OF NEW MEXICO  
CITY OF PORTALES

BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2011

	General Fund	Total Nonmajor Funds	Total Governmental Funds
<b>ASSETS</b>			
Cash and cash equivalents	\$ 1,778,740	\$ 2,295,429	\$ 4,074,169
Restricted cash and cash equivalents	-	142,604	142,604
Investments	648,102	89,737	737,839
Accounts receivable	107,692	-	107,692
Taxes receivable	1,008,118	77,128	1,085,246
Intergovernmental receivable	25,745	94,264	120,009
Accrued interest receivable	-	66	66
Due from other funds	72,767	31	72,798
	<u>3,641,164</u>	<u>2,699,259</u>	<u>6,340,423</u>
Total assets	<u>\$ 3,641,164</u>	<u>\$ 2,699,259</u>	<u>\$ 6,340,423</u>
<b>LIABILITIES AND FUND BALANCE</b>			
Liabilities:			
Accounts payable	\$ 45,560	\$ 36,191	\$ 81,751
Accrued GGRT tax	29,783	-	29,783
Accrued interest	-	2,955	2,955
Accrued salaries	124,676	3,853	128,529
Deferred revenue	7,018	-	7,018
Due to other funds	30	59,773	59,803
	<u>207,067</u>	<u>102,772</u>	<u>309,839</u>
Total liabilities	207,067	102,772	309,839
Fund balances:			
Restricted, reported in:			
Special revenue funds	-	2,134,529	2,134,529
Capital projects funds	-	128,991	128,991
Debt service funds	-	332,967	332,967
Unassigned, reported in:			
General fund	3,434,097	-	3,434,097
	<u>3,434,097</u>	<u>2,596,487</u>	<u>6,030,584</u>
Total fund balances	3,434,097	2,596,487	6,030,584
Total liabilities and fund balances	<u>\$ 3,641,164</u>	<u>\$ 2,699,259</u>	<u>\$ 6,340,423</u>

See independent auditors' report and accompanying notes to financial statements.

**STATE OF NEW MEXICO  
CITY OF PORTALES**

**RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS  
TO THE STATEMENT OF NET ASSETS  
JUNE 30, 2011**

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**Total fund balances - governmental funds** \$ 6,030,584

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

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

The cost of capital assets	20,974,204	
Accumulated depreciation	<u>(10,419,858)</u>	10,554,346

Long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds:

Property taxes		7,018
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Other long-term liabilities and certain other liabilities, including bonds and notes payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term and other liabilities at year end consist of:

Long-term debt	404,289	
Compensated absences	<u>361,192</u>	<u>(765,481)</u>

**Total net assets - governmental activities** **\$ 15,826,467**

See independent auditors' report and accompanying notes to financial statements.

**STATE OF NEW MEXICO  
CITY OF PORTALES**

**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011**

	General Fund	Total Nonmajor Funds	Total Governmental Funds
<b>REVENUES</b>			
Taxes:			
Gross receipts	\$ 5,300,290	\$ 519,504	\$ 5,819,794
Franchise	306,109	-	306,109
Property	281,419	-	281,419
Other	-	273,666	273,666
Intergovernmental	98,341	889,557	987,898
Charges for services	621,946	-	621,946
Licenses, fees and permits	147,066	123,377	270,443
Fines	83,382	-	83,382
Rentals	34,108	-	34,108
Federal operating grants	32,502	1,348	33,850
Other grants and contributions	23,081	602,691	625,772
Interest	4,938	12,393	17,331
Other	94,497	-	94,497
Total revenues	<u>7,027,679</u>	<u>2,422,536</u>	<u>9,450,215</u>
<b>EXPENDITURES</b>			
Current:			
General government	1,340,870	194,949	1,535,819
Public safety	3,799,521	475,209	4,274,730
Public works	423,507	566,605	990,112
Culture and recreation	1,439,972	154,402	1,594,374
Capital outlay	-	903,412	903,412
Debt service:			
Principal	11,656	371,041	382,697
Interest	11,498	30,177	41,675
Total expenditures	<u>7,027,024</u>	<u>2,695,795</u>	<u>9,722,819</u>
Excess (deficiency) of revenues over expenditures	655	(273,259)	(272,604)
<b>OTHER FINANCING SOURCES (USES):</b>			
Transfers in	877,400	250,226	1,127,626
Transfers out	<u>(339,714)</u>	<u>-</u>	<u>(339,714)</u>
Total other financing source (uses)	<u>537,686</u>	<u>250,226</u>	<u>787,912</u>
Net change in fund balance	538,341	(23,033)	515,308
Fund balance at beginning of year	<u>2,895,756</u>	<u>2,619,520</u>	<u>5,515,276</u>
Fund balance at end of year	<u>\$ 3,434,097</u>	<u>\$ 2,596,487</u>	<u>\$ 6,030,584</u>

See independent auditors' report and accompanying notes to financial statements.

**STATE OF NEW MEXICO  
CITY OF PORTALES**

**RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN  
FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2011**

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**Net change in fund balances - total governmental funds** \$ 515,308

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:

Capital assets reported as capital outlay expenditures	903,411	
Depreciation expense	(903,817)	
Disposals of capital assets	<u>(17,549)</u>	(17,955)

Governmental funds report loan payments as debt service expenditures. However, in the statement of activities, these payments are not recognized as expenditures.	382,697
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Property taxes that do not provide current financial resources, made available to pay for the current period's expenditures, reported as deferred revenue in the funds.	(6,480)
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In the Statement of Activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts paid).	<u>(14,671)</u>
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**Change in net assets of governmental activities** **\$ 858,899**

See independent auditors' report and accompanying notes to financial statements.



STATE OF NEW MEXICO  
CITY OF PORTALES

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2011

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>				
Taxes:				
Gross receipts	\$ 4,525,181	\$ 5,356,973	\$ 5,300,290	\$ (56,683)
Franchise	307,707	307,707	306,109	(1,598)
Property	318,488	318,488	281,419	(37,069)
Intergovernmental	-	-	98,341	98,341
Charges for services	672,966	663,754	621,946	(41,808)
Licenses, fees and permits	48,075	48,075	147,066	98,991
Fines	88,200	89,670	83,382	(6,288)
Rentals	-	-	34,108	34,108
Federal operating grants	32,843	40,965	32,502	(8,463)
Other grant and contributions	40,000	18,473	23,081	4,608
Interest	9,000	4,330	4,938	608
Other	144,844	210,143	94,497	(115,646)
Total revenues	6,187,304	7,058,578	7,027,679	(30,899)
<b>EXPENDITURES:</b>				
Current				
General government	1,612,280	1,540,736	1,483,423	57,313
Public safety	3,937,619	3,991,765	3,799,521	192,244
Public works	542,945	514,574	423,507	91,067
Culture and recreation	1,492,779	1,515,036	1,439,972	75,064
Debt service				
Principal	-	-	11,656	(11,656)
Interest	-	-	11,498	(11,498)
Total expenditures	7,585,623	7,562,111	7,169,577	392,534
Excess (deficiency) of revenues over expenditures	(1,398,319)	(503,533)	(141,898)	361,635
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	1,175,000	877,400	877,400	-
Transfers out	(506,553)	(377,947)	(339,714)	38,233
Total other financing sources (uses)	668,447	499,453	537,686	38,233
Net changes in fund balance	(729,872)	(4,080)	395,788	399,868
Fund balance - beginning of the year, as restated	1,306,456	1,306,456	1,306,456	-
Fund balance - end of the year	\$ 576,584	\$ 1,302,376	\$ 1,702,244	\$ 399,868
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ 395,788	
Net expenditure accruals			142,553	
Net change in fund balance GAAP basis			\$ 538,341	

See independent auditors' report and accompanying notes to financial statements.

**PROPRIETARY FUNDS**

STATE OF NEW MEXICO  
CITY OF PORTALES

STATEMENT OF NET ASSETS  
PROPRIETARY FUNDS  
JUNE 30, 2011

	Water and Sewer Fund	Solid Waste Fund	Airport Fund	Convention Center Fund	Total Proprietary Funds
<b>ASSETS</b>					
<b>CURRENT ASSETS:</b>					
Cash and cash equivalents	\$ 2,041,826	\$ 554,845	\$ 150	\$ 2,164	\$ 2,598,985
Investment	480,242	199,416	-	-	679,658
Accounts receivable	721,435	158,424	-	-	879,859
Taxes receivable	-	21,625	-	-	21,625
Interest receivable	307	-	-	-	307
Intergovernmental receivable	-	-	55,743	-	55,743
Returned checks	1,837	105	-	-	1,942
Inventory	-	-	62,809	-	62,809
Total current assets	3,245,647	934,415	118,702	2,164	4,300,928
<b>NON-CURRENT ASSETS:</b>					
Restricted assets:					
Cash and cash equivalents	2,758,493	-	-	-	2,758,493
Investments	444,051	-	-	-	444,051
Bond issue costs, net	7,089	-	-	-	7,089
Bond reissue costs, net	11,062	-	-	-	11,062
Capital assets, net	9,955,305	471,992	2,544,588	-	12,971,885
Total non-current assets	13,176,000	471,992	2,544,588	-	16,192,580
Total assets	\$ 16,421,647	\$ 1,406,407	\$ 2,663,290	\$ 2,164	\$ 20,493,508
<b>LIABILITIES AND NET ASSETS</b>					
<b>CURRENT LIABILITIES:</b>					
Accounts payable	\$ 124,760	\$ 54,080	\$ 59,854	\$ 431	\$ 239,125
Accrued interest	38,898	-	-	-	38,898
Accrued salaries	7,208	6,313	1,062	-	14,583
Unapplied deposits	4,050	14,107	-	-	18,157
Due from other funds	-	-	12,995	-	12,995
Compensated absences - current portion	17,298	7,134	1,878	-	26,310
Long term debt - current portion	690,021	803	438	-	691,262
Total current liabilities	882,235	82,437	76,227	431	1,041,330
<b>NON-CURRENT LIABILITIES:</b>					
Customer deposits	236,318	-	-	-	236,318
Compensated absences	19,006	4,977	2,912	-	26,895
Landfill closure	-	678,422	-	-	678,422
Long term debt - long term portion	2,267,768	1,299	708	-	2,269,775
Total non-current liabilities	2,523,092	684,698	3,620	-	3,211,410
Total liabilities	3,405,327	767,135	79,847	431	4,252,740
<b>NET ASSETS</b>					
Invested in capital assets, net of related debt	7,001,054	471,992	2,544,588	-	10,017,634
Restricted for:					
Debt service	514,992	-	-	-	514,992
Capital projects	1,159,348	-	-	-	1,159,348
Water conservation	1,022,066	-	-	-	1,022,066
Unrestricted	3,318,860	167,280	38,855	1,733	3,526,728
Total net assets	13,016,320	639,272	2,583,443	1,733	16,240,768
Total liabilities and net assets	\$ 16,421,647	\$ 1,406,407	\$ 2,663,290	\$ 2,164	\$ 20,493,508

See independent auditors' report and 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, 2011**

	Water and Sewer Fund	Solid Waste Fund	Airport Fund	Convention Center Fund	Total Proprietary Funds
<b>OPERATING REVENUES</b>					
Charges for services	\$ 4,398,128	\$ 1,291,269	\$ -	\$ -	\$ 5,689,397
Fuel sales	-	-	84,243	-	84,243
Late charges	91,612	-	865	-	92,477
Rentals	800	-	44,301	4,273	49,374
Tapping and reconnect fees	102,103	-	-	-	102,103
Other and miscellaneous	867	-	1,563	101	2,531
<b>Total operating revenues</b>	<b>4,593,510</b>	<b>1,291,269</b>	<b>130,972</b>	<b>4,374</b>	<b>6,020,125</b>
<b>OPERATING EXPENSES</b>					
Salaries and wages	427,704	246,672	33,811	-	708,187
Employee benefits	172,031	101,767	6,712	-	280,510
Maintenance	523,072	71,886	38,113	-	633,071
Contracted and purchased services	149,581	436,237	64,705	-	650,523
Supplies	40,450	111,055	11,685	-	163,190
Operating costs	734,469	52,013	13,900	2,641	803,023
Depreciation	752,947	59,437	167,101	-	979,485
Amortization	18,151	-	-	-	18,151
<b>Total operating expenses</b>	<b>2,818,405</b>	<b>1,079,067</b>	<b>336,027</b>	<b>2,641</b>	<b>4,236,140</b>
Operating income (loss)	1,775,105	212,202	(205,055)	1,733	1,783,985
<b>NON OPERATING REVENUES (EXPENSES):</b>					
Investment income	54,841	9,301	-	-	64,142
Environmental gross receipts tax	-	131,242	-	-	131,242
Water conservation fees	349,972	-	-	-	349,972
Grants	6,987	-	443,970	-	450,957
Interest expense	(169,146)	(479)	(262)	-	(169,887)
<b>Total non operating revenues (expenses)</b>	<b>242,654</b>	<b>140,064</b>	<b>443,708</b>	<b>-</b>	<b>826,426</b>
<b>Transfers:</b>					
Transfers in	-	-	89,488	-	89,488
Transfers out	(802,400)	(75,000)	-	-	(877,400)
<b>Total Transfers</b>	<b>(802,400)</b>	<b>(75,000)</b>	<b>89,488</b>	<b>-</b>	<b>(787,912)</b>
Change in net assets	1,215,359	277,266	328,141	1,733	1,822,499
Net assets, beginning of year, as previously reported	11,987,840	362,006	2,255,302	-	14,605,148
Restatement	(186,879)	-	-	-	(186,879)
Net assets, beginning of year, as restated	11,800,961	362,006	2,255,302	-	14,418,269
Net assets, end of year	\$ 13,016,320	\$ 639,272	\$ 2,583,443	\$ 1,733	\$ 16,240,768

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO  
CITY OF PORTALES

STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011

	Water and Sewer Fund	Solid Waste Fund	Airport Fund	Convention Center Fund	Total Proprietary Funds
<b>Cash flows from operating activities:</b>					
Cash received from customers	\$ 4,222,200	\$ 1,230,567	\$ 130,972	\$ 4,374	\$ 5,588,113
Payments to suppliers and contractors	(1,376,211)	(694,210)	(93,035)	(2,210)	(2,165,666)
Payments to employees for services	(616,069)	(356,026)	(40,976)	-	(1,013,071)
Net cash provided by (used in) operating activities	2,229,920	180,331	(3,039)	2,164	2,409,376
<b>Cash flows from non-capital activities and related financing activities:</b>					
Environmental gross receipts tax	-	133,385	-	-	133,385
Due to / from other funds	(401)	-	12,995	-	12,594
Water conservation fees	349,972	-	-	-	349,972
Net transfers in (out)	(802,400)	(75,000)	89,488	-	(787,912)
Net cash provided by (used in) non-capital activities and related financing activities:	(452,829)	58,385	102,483	-	(291,961)
<b>Cash flows from capital activities and related financing activities:</b>					
Grant proceeds	6,987	-	388,227	-	395,214
Interest expense	(145,529)	(479)	(262)	-	(146,270)
Purchase of capital assets	(43,854)	(191,179)	(487,204)	-	(722,237)
Principal payments on debt	(655,099)	(412)	(224)	-	(655,735)
Net cash provided by (used in) capital activities and related financing activities:	(837,495)	(192,070)	(99,463)	-	(1,129,028)
<b>Cash flows from investing activities:</b>					
Investment income	54,370	9,114	-	-	63,484
Net cash provided by (used in) investing activities	54,370	9,114	-	-	63,484
Net increase in cash and cash equivalents	993,966	55,760	(19)	2,164	1,051,871
Cash and cash equivalents - beginning	3,806,353	499,085	169	-	4,305,607
Cash and cash equivalents - ending	\$ 4,800,319	\$ 554,845	\$ 150	\$ 2,164	\$ 5,357,478
<b>SUPPLEMENTARY INFORMATION:</b>					
Cash and cash equivalents	\$ 2,041,826	\$ 554,845	\$ 150	\$ 2,164	\$ 2,598,985
Restricted cash	2,758,493	-	-	-	2,758,493
Total cash and cash equivalents	\$ 4,800,319	\$ 554,845	\$ 150	\$ 2,164	\$ 5,357,478
<b>Reconciliation of operating income to net cash provided by (used in) operating activities:</b>					
Operating income (loss)	\$ 1,775,105	\$ 212,202	\$ (205,055)	\$ 1,733	\$ 1,783,985
Adjustments to operating income to net cash used in operating activities:					
Depreciation	752,947	59,437	167,101	-	979,485
Amortization	18,151	-	-	-	18,151
Changes in net assets and liabilities:					
Accounts receivables	(381,004)	(55,528)	-	-	(436,532)
Inventory	-	-	(23,386)	-	(23,386)
Accounts payable	68,018	4,939	58,754	431	132,142
Accrued salaries	(16,334)	(7,733)	(559)	-	(24,626)
Unapplied credits	989	(5,174)	-	-	(4,185)
Landfill	-	(27,958)	-	-	(27,958)
Compensated absences	3,343	146	106	-	3,595
Customer deposits	8,705	-	-	-	8,705
Net cash provided by operating activities	\$ 2,229,920	\$ 180,331	\$ (3,039)	\$ 2,164	\$ 2,409,376

See independent auditors' report and accompanying notes to financial statements.

**NOTES TO FINANCIAL STATEMENTS**

STATE OF NEW MEXICO  
CITY OF PORTALES

NOTES TO BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2011

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Portales (the "City") is a political subdivision of the state of New Mexico, operates under the Mayor-Council form of government. The City provides the following authorized services: public safety, police and fire, highways and streets, water, sanitation, health and welfare, social services, 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 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 and its component unit. 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 enterprise funds are reported as separate columns in the fund financial statements. The general fund is the only major government fund.

The water and sewer fund, solid waste fund, airport fund and convention center 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 enterprise 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, as well as the fiduciary funds (by category), and the component units. 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, sewer, and sanitary landfill funds are charges to customers for sales and services. Operating expenses for the enterprise 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 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.

The City reports the following major business-type funds:

The water and sewer fund accounts for the provisions of water and sewer services to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, billing and collection. 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.

The solid waste fund accounts for the billings, collections and disposal of solid waste for the residents of the City.

The airport fund accounts for the operation of the municipal airport.

The convention center fund accounts for the operation of the municipal convention center.

**D. Assets, Liabilities and Net Assets or Equity**

***Cash and Cash Equivalents*** - For purposes 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 inter-fund 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 from 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 Treasurer, and are distributed in the month of tile 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 and the component unit 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 businesslike 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:

<b>Assets</b>	<b>Years</b>
Building 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 Revenue** - 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 and other long-term obligations are reported as liabilities in the applicable governmental activities 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** - Restricted net assets result from the constraints placed on the use of net assets when externally imposed by creditors, grantors, laws and regulations of other governments and imposed by law through constitutional provisions or enabling legislation.

**Unrestricted net assets** - This category reflects net assets of the City, not restricted for any project or other purpose. 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 Balances** - In the fund financial statements, governmental fund balances are classified as follows:

**Nonspendable** - fund balance classification includes amounts that cannot be spent because

they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example, inventories and prepaid amounts. It also includes amounts to be held in perpetuity.

***Restricted*** - Fund balance should be reported when constraints placed on the use of resources are either:

- a. Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or
- b. Imposed by law through constitutional provisions or enabling legislation.
- c. Enabling legislation, as the term is used in this Statement, authorizes the government to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that a government can be compelled by an external party—such as citizens, public interest groups, or the judiciary—to use resources created by enabling legislation only for the purposes specified by the legislation.

***Unassigned*** - fund balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

The City's policy is to apply restricted resources first, committed sources second, assigned resources third, and unassigned resources last when an expense is incurred for purposes for which all or any fund balance classification is available.

***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 and disclosures. Accordingly, actual results could differ from those estimates.

***Implementation of New Accounting Standards*** - In February 2009, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 54 Fund Balance Reporting and Governmental Fund Type Definitions, which is effective for financial statements for periods beginning after June 15, 2010, and earlier application is encouraged. The objective of this Statement is to enhance the usefulness of fund balance information by providing clearer fund balance classifications that can be more consistently applied and by clarifying the existing governmental fund type definitions. The City incorporated this statement for the current fiscal year and believes it had no significant effect on the financial statement for the year.

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 upon issuance for certain provisions of the statement and for periods beginning after June 15, 2011 for other provisions. 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 statement, and currently believes it will have no significant effect on the financial statement 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 reporting periods beginning after June 15, 2009. The objective of this Statement is to provide 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. It requires governments to remeasure liabilities that are adjusted in bankruptcy when the bankruptcy court confirms (that is, approves) a new payment plan. The City incorporated this statement for the current fiscal year and believes it had no significant effect on the financial statement for the year.

In June 2010, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 59 Financial Instruments Omnibus, which is effective for financial statements for periods beginning after June 15, 2010. Earlier application is 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 for which significant issues have been identified in practice. This Statement provides for the following amendments: National Council on Governmental Accounting Statement 4, Accounting and Financial Reporting Principles for Claims and Judgments and Compensated Absences, is updated to be consistent with the amendments to GASB Statement No. 53, Accounting and Financial Reporting for Derivative Instruments, regarding certain financial guarantees. Statements No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, and No. 43, Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, are amended to remove the fair value exemption for unallocated insurance contracts. The effect of this amendment is that investments in unallocated insurance contracts should be reported as interest-earning investment contracts according to the provisions of paragraph 8 of Statement No. 31, Accounting and Financial Reporting for Certain Investments and for External Investment Pools. Statement 31, is clarified to indicate that a 2a7-like pool, as described in Statement 31, is an external investment pool that operates in conformity with the Securities and Exchange Commission's (SEC) Rule 2a7 as promulgated under the Investment Company Act of 1940, as amended. Statement No. 40, Deposit and Investment Risk Disclosures, is amended to indicate that interest rate risk information should be disclosed only for debt investment pools—such as bond mutual funds and external bond investment pools—that do not meet the requirements to be reported as a 2a7-like pool. Statement 53 is amended to: – Clarify that the net settlement characteristic of Statement 53 that defines a derivative instrument is not met by a contract provision for a penalty payment for nonperformance – Provide that financial guarantee contracts included in the scope of Statement 53 are limited to financial guarantee contracts that are considered to be investment derivative instruments entered into primarily for the purpose of obtaining income or profit – Clarify that certain contracts based on specific volumes of sales or service revenues are excluded from the scope of Statement 53 – Provide that one of the “leveraged yield” criteria of Statement 53 is met if the initial rate of return on the companion instrument has the potential for at least a doubled yield. The City is analyzing the effect that this statement will have on its financial statement, and currently believes it will have no significant effect on the financial statement for the upcoming year.

In November 2010, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 60 Accounting and Financial Reporting for Service Concession Arrangements, which is effective for financial statements for periods beginning after December 15, 2011. The provisions of this Statement generally are required to be applied retroactively for all periods presented. The objective of this Statement is to improve financial reporting by addressing issues related to service concession arrangements (SCAs), which are a type of public-private or public-public partnership. As used in this Statement, an SCA is an arrangement between a transferor (a government) and an operator (governmental or nongovernmental entity) in which (1) the transferor conveys to an operator the right and related obligation to provide services through the use of infrastructure or another public asset (a “facility”) in exchange for significant consideration and (2) the operator

collects and is compensated by fees from third parties. The City is analyzing the effect that this statement will have on its financial statement, and currently believes it will have no significant effect on the financial statement for the upcoming year.

In November 2010, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 61 The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34, which is effective for financial statements for periods beginning after June 15, 2012. Earlier application is encouraged. The objective of this Statement is to improve financial reporting for a governmental financial reporting entity. The requirements of Statement No. 14, The Financial Reporting Entity, and the related financial reporting requirements of Statement No. 34, Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments, were amended to better meet user needs and to address reporting entity issues that have arisen since the issuance of those Statements. The City is analyzing the effect that this statement will have on its financial statement, and currently believes it will have no significant effect on the financial statement for the upcoming year.

In December 2010, the GASB issued Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. That Statement supersedes Statement No. 20, Accounting and Financial Reporting for Proprietary Funds and Other Governmental Entities That Use Proprietary Fund Accounting. Statement 62 is effective for financial statements for periods beginning after December 15, 2011, with early application encouraged. The objective of this statement is to provide non-conflicting pronouncements between FASB and GASB. The City is analyzing the effect that this statement will have on its financial statement, and currently believes it will have no significant effect on the financial statement for the upcoming year.

In June 2011, the GASB issued Statement No. 63, Financial reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and net Position, which is effective for financial statements for periods beginning after December 15, 2011. Earlier application is encouraged. The objective of this statement is to provide financial reporting guidance for deferred outflows of resources and deferred inflows of resources. Concepts Statement No. 4, Elements of Financial Statements, introduced and defined those elements as a consumption of net assets by the government that is applicable to a future reporting period, and an acquisition of net assets by the government that is applicable to a future reporting period, respectively. Previous financial reporting standards do not include guidance for reporting those financial statement elements, which are distinct from assets and liabilities. Concepts Statement 4 also identifies net position as the residual of all other elements presented in a statement of financial position. This Statement amends the net asset reporting requirements in Statement No. 34, Basic Financial Statements—and Management’s Discussion and Analysis—for State and Local Governments, and other pronouncements by incorporating deferred outflows of resources and deferred inflows of resources into the definitions of the required components of the residual measure and by renaming that measure as net position, rather than net assets. The City is analyzing the effect that this statement will have on its financial statement, and currently believes it will have no significant effect on the financial statement for the upcoming year.

In June 2011, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 64 Derivative Instruments: Application of Hedge Accounting Termination Provisions—an amendment of GASB Statement No. 53, which is effective for financial statements for periods beginning after June 15, 2011. Earlier application is encouraged. The objective of this Statement is to clarify whether an effective hedging relationship continues after the replacement of a swap counterparty or a swap counterparty’s credit support provider. This Statement sets forth criteria that establish when the effective hedging relationship continues and hedge accounting should continue to be applied. The City is analyzing the effect that this statement will have on its financial statement, and currently believes it will have no significant effect on the financial statement for the upcoming

year.

## **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 prepares a proposed interim operating budget based upon input from public hearings conducted to obtain taxpayer comments and management assessment of City needs and resources available. 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. The interim operating budget for the fiscal year commencing July 1 is submitted to the Department of Finance and Administration-Local Government Division by June 1. The Department of Finance reviews the interim budget, makes any needed adjustments and grants interim approval by July 1.
3. The final operating budget for the fiscal year is submitted to the Department of Finance on or before July 31. The Department of Finance reviews the budget and grants approval by September 1.
4. The interim and final budgets are legally enacted through passage of resolutions and the council is authorized to transfer budgeted amounts between departments within 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.
5. Budgets for 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.
6. Appropriations lapse at year end with any unspent cash balance being available for expenditures and appropriation in the subsequent year's budget.
7. The level of classification detail in which expenditures may not legally exceed appropriations for each budget is in fund total.

## **3. CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS 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, 2011.

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 unlimited 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 36 days.

Section 6-10-10. I, 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, 2011 is \$1,861,548.

***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 \$1,722,714 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, 2011 is as follows:

	<u>First Community Bank</u>	<u>New Mexico Finance Authority</u>	<u>Linsco/ Private Ledger</u>	<u>Total</u>
Total cash deposits	\$ 7,536,411	\$ 648,772	\$ 1,722,714	\$ 9,907,897
FDIC/SPIC coverage	<u>(7,536,411)</u>	<u>-</u>	<u>(500,000)</u>	<u>(8,036,411)</u>
Uninsured funds subject to custodial credit risk	-	648,772	1,222,714	1,871,486
Lloyd's of London securities insurance protection	<u>-</u>	<u>-</u>	<u>1,222,714</u>	<u>1,222,714</u>
Funds (over) under collateralized - total funds subject to custodial credit risks	<u>\$ -</u>	<u>\$ 648,772</u>	<u>\$ -</u>	<u>\$ 648,772</u>

The following summarizes the collateral requirements at June 30, 2011:

50% of uninsured funds	\$ -	\$ -	\$ -	\$ -
Pledge collateral	<u>8,120,182</u>	<u>-</u>	<u>-</u>	<u>8,120,182</u>
(Over) under collateralized	<u>\$ (8,120,182)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (8,120,182)</u>

#### 4. ACCOUNTS RECEIVABLE

Accounts receivable reported in the business-type activities at June 30, 2011 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, 2011:

	<u>Accounts Receivable</u>	<u>Allowance for Uncollectibles</u>	<u>Total</u>
Water and sewer	\$ 1,013,513	\$ (292,078)	\$ 721,435
Solid waste	<u>206,737</u>	<u>(48,313)</u>	<u>158,424</u>
	<u>\$ 1,220,250</u>	<u>\$ (340,391)</u>	<u>\$ 879,859</u>

The general fund receivable of \$107,692 consists primarily of ambulance charges outstanding at June 30, 2011. 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:

<b>Taxes Receivables</b>	
Gross receipts taxes	\$ 906,888
Franchise	82,609
Property taxes	14,741
Other	3,880
	<u>\$ 1,008,118</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 \$7,018.

## 5. INTERFUND RECEIVABLES, PAYABLES 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, 2011 is as follows:

### TRANSFERS:

From Fund	To Fund	Amount	Purpose
Solid Waste	General Fund	\$ 75,000	Subsidize general fund operations
Water and Sewer	General Fund	802,400	Subsidize general fund operations
General Fund	Correction Fund	13,603	Subsidize correction fund operations
General Fund	Emergency Medical Service	30,932	Subsidize fund operations
General Fund	Law Enforcement Fund	617	Subsidize fund operations
General Fund	Library Fund	25,000	Fund library operations
General Fund	Portales Area Transit Fund	65,000	Subsidize PAT operations
General Fund	Regional Growth Planning Fund	1,263	Subsidized fund operations
General Fund	Capital Projects Fund	108,326	Fund capital expenditures
General Fund	CDBG - Capital Project Fund	4,371	Fund match for CDBG grant
General Fund	Comprehensive Plan Fund	1,114	Subsidize fund operations
General Fund	Airport	89,488	Subsidize airport operations

### BALANCES:

From Fund	To Fund	Amount	Purpose
General Fund	Law Enforcement Protection	\$ 31	Fund Expenditure Reimbursement
Beautification/Litter Control	General Fund	3,371	Fund Expenditure Reimbursement
Portales Area Transit	General Fund	33,217	Fund Expenditure Reimbursement
Regional Growth Planning	General Fund	20,665	Fund Expenditure Reimbursement
Enhanced 911 Fund	General Fund	2,520	Fund Expenditure Reimbursement
Airport Fund	General Fund	12,995	Fund Expenditure Reimbursement

## 6. CAPITAL ASSETS

A summary of capital assets and changes occurring during the year ended June 30, 2011, including those changes pursuant to the implementation of GASB Statement No. 34, follows. Land and Construction in Progress is not subject to depreciation.

	Balance June 30, 2010	Additions	Retirements and Transfers	Balance June 30, 2011
<i>Governmental activities:</i>				
Capital assets not being depreciated:				
Land	\$ 698,102	\$ -	\$ -	\$ 698,102
Construction in progress	<u>208,844</u>	<u>318,821</u>	<u>(165,894)</u>	<u>361,771</u>
Total	<u>906,946</u>	<u>318,821</u>	<u>(165,894)</u>	<u>1,059,873</u>
Other capital assets being depreciated:				
Buildings	6,401,031	-	-	6,401,031
Improvements	6,488,805	266,705	162,671	6,918,181
Machinery and equipment	2,542,945	112,843	(15,929)	2,639,859
Furniture and fixtures	200,472	-	-	200,472
Vehicles	<u>3,627,638</u>	<u>205,042</u>	<u>(77,892)</u>	<u>3,754,788</u>
Total	<u>19,260,891</u>	<u>584,590</u>	<u>68,850</u>	<u>19,914,331</u>
Less accumulated depreciation for:				
Buildings	3,337,677	205,933	-	3,543,610
Improvements	1,255,291	306,697	(2,339)	1,559,649
Machinery and equipment	2,125,018	116,404	(13,846)	2,227,576
Furniture and fixtures	171,461	8,259	-	179,720
Vehicles	<u>2,706,089</u>	<u>266,524</u>	<u>(63,310)</u>	<u>2,909,303</u>
Total accumulated depreciation	<u>9,595,536</u>	<u>903,817</u>	<u>(79,495)</u>	<u>10,419,858</u>
Governmental capital assets, net	<u>\$ 10,572,301</u>	<u>\$ (406)</u>	<u>\$ (17,549)</u>	<u>\$ 10,554,346</u>

	Balance June 30, 2010	Additions	Retirements and Transfers	Balance June 30, 2011
<i>Business-type activities:</i>				
Capital assets not being depreciated:				
Land	\$ 4,593,347	\$ -	\$ -	\$ 4,593,347
Capital assets being depreciated:				
Buildings	1,552,790	-	-	1,552,790
Improvements	17,797,322	487,204	-	18,284,526
Machinery and equipment	4,103,619	42,679	(1,540)	4,144,758
Furniture and fixtures	4,929	-	-	4,929
Vehicles	<u>1,297,096</u>	<u>192,354</u>	<u>(11,000)</u>	<u>1,478,450</u>
Total	<u>24,755,756</u>	<u>722,237</u>	<u>(12,540)</u>	<u>25,465,453</u>
Less accumulated depreciation:				
Buildings	915,267	41,553	-	956,820
Improvements	11,976,400	460,959	-	12,437,359
Machinery and equipment	2,307,305	385,777	(1,540)	2,691,542
Furniture and fixtures	4,463	397	-	4,860
Vehicles	<u>916,535</u>	<u>90,799</u>	<u>(11,000)</u>	<u>996,334</u>
Total accumulated depreciation	<u>16,119,970</u>	<u>979,485</u>	<u>(12,540)</u>	<u>17,086,915</u>
Business-type capital assets, net	<u>\$ 13,229,133</u>	<u>\$ (257,248)</u>	<u>\$ -</u>	<u>\$ 12,971,885</u>

The City reported \$903,817 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, 2011, was as follows:

	Balance 06/30/10	Additions	Reductions	Balance 06/30/11
<b>Governmental Activities:</b>				
Sales Tax Refund/Improv. Bonds	\$ 220,000	\$ -	\$ 220,000	\$ -
NMFA - Recreation Center	324,720	-	27,925	296,795
Lasalle Bank - HVAC System	1,776	-	1,776	-
NM Retiree Health Care Authority	48,491	-	9,880	38,611
NMFA Loan - Fire Pumper Truck	<u>191,999</u>	<u>-</u>	<u>123,116</u>	<u>68,883</u>
Total Governmental Debt	<u>\$ 786,986</u>	<u>\$ -</u>	<u>\$ 382,697</u>	<u>\$ 404,289</u>

	Balance 6/30/10	Additions	Reductions	Balance 06/30/11
<b>Business -Type Activities:</b>				
Water/Sewer Revenue Bonds	\$ 730,000	\$ -	\$ 355,000	\$ 375,000
NMFA - Blackwater Well Field	1,719,502	-	256,268	1,463,234
NMRHCA	8,114	-	1,329	6,785
Water Improvement	1,159,156	-	43,138	1,116,018
Total	<u>\$ 3,616,772</u>	<u>\$ -</u>	<u>\$ 655,735</u>	<u>\$ 2,961,037</u>

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
2012	\$ 74,767	\$ 20,075	\$ 94,842	\$ 691,262	\$ 118,065	\$ 809,327
2013	75,493	16,306	91,799	331,163	86,105	417,268
2014	56,548	13,117	69,665	341,157	71,950	413,107
2015	33,293	10,750	44,043	356,273	56,869	413,142
2016	38,391	8,963	47,354	361,065	39,491	400,556
2017-2021	125,797	14,066	139,863	273,473	116,097	389,570
2022-2026	-	-	-	317,031	72,539	389,570
2027-2030	-	-	-	289,613	22,043	311,656
Total	<u>\$ 404,289</u>	<u>\$ 83,277</u>	<u>\$ 487,566</u>	<u>\$ 2,961,037</u>	<u>\$ 583,159</u>	<u>\$3,544,196</u>

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
<b>Governmental Activities:</b>						
NMFA - Recreation Center	Varies to 5.47%	Monthly	\$4,085	May 2019	33,013	Capital Projects
NM Retiree Health Care Authority	7.50%	Monthly	\$1,782	June 2013	19,264	General
NMFA Loan - Fire Pumper Truck	3.39%	Annual	\$24,213	May 2014	<u>22,490</u>	Fire Protection
					<u>\$ 74,767</u>	

Description	Interest Rate	Payment Frequency	Payment Amount	Maturity Date	Due Within One Year	Servicing Fund
<b>Business-Type Activities:</b>						
Water/Sewer Revenue Bonds	Varies to 4.90%	Semiannual Interest, Annual Principal	Approximately \$391,000 Annually	June 2012	\$ 375,000	Water and Sewer
NMFA - Blackwater Well Field	Varies to 4.79%	Monthly	\$27,918	May 2016	269,237	Water and Sewer
Water Improvement	3.00%	Annual	\$78,309	September 2029	44,433	Water Conservation
NMRHCA	7.50%	Monthly	\$261	June 2013	<u>2,592</u>	Solid Waste, Airport, Water and Sewer
					<u>\$ 691,262</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 06/30/10	Additions	Reductions	Balance 06/30/11	Due Within One Year
Governmental Activities	\$ 346,521	\$ 241,184	\$ 226,513	\$ 361,192	\$ 113,611
Business-Type Activities	<u>49,610</u>	<u>34,529</u>	<u>30,934</u>	<u>53,205</u>	<u>26,310</u>
	<u>\$ 396,131</u>	<u>\$ 275,713</u>	<u>\$ 257,447</u>	<u>\$ 414,397</u>	<u>\$ 139,921</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, 2010. 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 \$678,422 as of June 30, 2011, 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, 2011. 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, 2011 were \$161,489.

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-Insurers Fund assesses and estimates the potential for loss.

At June 30, 2011 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. PERA PENSION PLAN

*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 Employees 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, PO Box 2123, Santa Fe, New Mexico 87504-2123. The report is also available on PERA's website at [www.pera.state.nm.us](http://www.pera.state.nm.us).

*Funding Policy* - Plan members are required to contribute 9.15% of general employees, 16.2% for fire department employees and 7% for police department employees of their gross salary. The City is required to contribute of 9.15% for general employees, 21.25 for the 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 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 ending June 30, 2011, 2010, and 2009 were \$653,463, \$574,328, and \$590,505, respectively, equal to the amount of the required contributions for each 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 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; and 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. That 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](http://www.nmrhca.state.nm.us).

(1) 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. During the fiscal year ended June 30, 2011, the statute required each participating employer to contribute 1.666% of each participating employee's annual salary; each participating employee was required to contribute .8333% of their salary. In the fiscal years ending June 30, 2012 through June 30, 2013 the contribution rates for employees and employers will rise as follows:

For employees who are not members of an enhanced retirement plan the contribution rates will be:

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
FY12	1.834%	.917%
FY13	2.000%	1.000%

For employees who are members of an enhanced retirement plan (state police and adult correctional officer coverage plan 1; municipal police member coverage plans 3, 4 and 5; municipal fire member coverage plan 3, 4 and 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act [10-12B-1 NMSA 1978]) during the fiscal year ended June 30, 2011, the statute required each participating employer to contribute 2.084% of each participating employee's annual salary, and each participating employee was required to contribute 1.042% of their salary. In the

fiscal years ending June 30, 2012 and June 30, 2013 the contribution rates for both employees and employers will rise as follows:

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
FY12	2.292%	1.146%
FY13	2.500%	1.250%

Also, employers joining the program after 1/1/98 are 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, 2011, 2010 and 2009 were \$81,029, \$55,745, and \$56,895, respectively, which equal the required contributions for each year.

**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. RESTATEMENT**

An error resulting in an overstatement of previously reported capital assets cash were discovered during the current year. Accordingly, an adjustment of \$186,879 was made during the fiscal year ending June 30, 2011 to decrease capital assets as of the beginning of the year for the Water and Sewer Fund and Business-type Activities. A corresponding entry was made to decrease previously reported net assets by \$186,879.

**SUPPLEMENTARY INFORMATION**

## 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 in-kind 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** - To account for the proceeds of a State grant provided for the purchase and repair of equipment as well as specialized training of police personnel. (NMSA 29-13-3)

**LIBRARY FUND** - Accounts for the state, county, and private grants and donations to purchase books and provide library supplies and operational expense.

**LODGERS TAX FUND** - Accounts for the special assessment tax on motel room rentals used for the promotion of the City.

**RECREATION FUND** - To account for the operations of certain recreational activities in the City. Financing is provided by State shared taxes and charges for services. (NMSA 7-12-15)

**LOCAL DWI PROGRAM 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.

**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 FUND** - Accounts for the state grants received for the development of a

comprehensive plan for the City.

**ENERGY CONSERVATION LEASE DEBT SERVICE FUND** - Accounts for the dedicated gross receipts taxes collected to fund the debt service on the HVAC system.

**RISK MANAGEMENT FUND** - Accounts for the expenditures of unemployment and other insurance premiums paid by the City.

**CRIMINAL JUSTICE FUND** - Accounts for the state courts fees collected through municipal court on behalf of the state.

**MAINSTREET FUND** - Accounts for the donations and grants received and the related expenditures in conjunction with the Mainstreet Portales project.

**ECONOMIC DEVELOPMENT FUND** - Accounts for the grants received and the related expenditures in conjunction with the promotion of economic development within the City.

**MUNICIPAL STREET FUND** - Accounts for special assessment gasoline tax received from the state and used for the maintenance and improvement of City streets.

#### **CAPITAL PROJECTS FUNDS LISTING**

**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.

**CAPITAL REPAIR AND REPLACEMENT FUND** - This fund accounts for the City's capital assets and ongoing capital projects not associated with the proprietary funds.

#### **DEBT SERVICE FUNDS LISTING**

**SALES TAX REVENUE BONDS FUND** - Tills 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  
NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2011

	Special Revenue Funds						
	Correction Fund	Emergency Medical Services Fund	Enhanced 911 Fund	Fire Protection Fund	Beautification/Litter Control Fund	Law Enforcement Protection Law	Library Fund
<b>ASSETS</b>							
Cash and cash equivalents	\$ -	\$ 13,131	\$ -	\$ 133,745	\$ 100	\$ -	\$ 9,579
Restricted cash and cash equivalents	-	-	-	24,850	-	-	-
Intergovernmental receivables	-	-	-	-	9,617	-	-
Accrued interest receivable	-	-	-	22	-	-	-
Due from other funds	-	-	-	-	-	31	-
Total assets	<u>\$ -</u>	<u>\$ 13,131</u>	<u>\$ -</u>	<u>\$ 158,617</u>	<u>\$ 9,717</u>	<u>\$ 31</u>	<u>\$ 9,579</u>
<b>LIABILITIES AND FUND BALANCE</b>							
<b>Liabilities</b>							
Accounts payable	\$ 4,097	\$ -	\$ -	\$ 754	\$ -	\$ -	\$ 453
Accrued interest	-	-	-	287	-	-	-
Accrued salaries	-	-	-	-	-	-	-
Due to other funds	-	-	2,520	-	3,371	-	-
Total liabilities	4,097	-	2,520	1,041	3,371	-	453
<b>Fund balances:</b>							
Restricted, reported in:							
Special revenue funds	(4,097)	13,131	(2,520)	157,576	6,346	31	9,126
Capital project funds	-	-	-	-	-	-	-
Debt service funds	-	-	-	-	-	-	-
Total fund balances	<u>(4,097)</u>	<u>13,131</u>	<u>(2,520)</u>	<u>157,576</u>	<u>6,346</u>	<u>31</u>	<u>9,126</u>
Total liabilities and fund balances	<u>\$ -</u>	<u>\$ 13,131</u>	<u>\$ -</u>	<u>\$ 158,617</u>	<u>\$ 9,717</u>	<u>\$ 31</u>	<u>\$ 9,579</u>

Continued

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO  
CITY OF PORTALES

COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2011

	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
<b>ASSETS</b>							
Cash and cash equivalents	\$ 181,187	\$ 132,986	\$ 91,565	\$ 32,618	\$ 8,115	\$ -	\$ -
Restricted cash and cash equivalents	-	-	-	-	-	-	-
Taxes receivables	9,481	-	-	-	-	-	-
Intergovernmental receivables	-	-	3,750	-	-	28,651	-
Due from other funds	-	-	-	-	-	-	-
Total assets	<u>\$ 190,668</u>	<u>\$ 132,986</u>	<u>\$ 95,315</u>	<u>\$ 32,618</u>	<u>\$ 8,115</u>	<u>\$ 28,651</u>	<u>\$ -</u>
<b>LIABILITIES AND FUND BALANCE</b>							
<b>Liabilities</b>							
Accounts payable	\$ -	\$ 733	\$ 2,006	\$ 365	\$ -	\$ 1,937	\$ -
Accrued interest	-	-	-	-	-	-	-
Accrued salaries	-	417	-	-	-	3,436	-
Due to other funds	-	-	-	-	-	33,217	20,665
Total liabilities	-	1,150	2,006	365	-	38,590	20,665
<b>Fund balances:</b>							
Restricted, reported in:							
Special revenue funds	190,668	131,836	93,309	32,253	8,115	(9,939)	(20,665)
Capital project funds	-	-	-	-	-	-	-
Debt service funds	-	-	-	-	-	-	-
Total fund balances	<u>190,668</u>	<u>131,836</u>	<u>93,309</u>	<u>32,253</u>	<u>8,115</u>	<u>(9,939)</u>	<u>(20,665)</u>
Total liabilities and fund balances	<u>\$ 190,668</u>	<u>\$ 132,986</u>	<u>\$ 95,315</u>	<u>\$ 32,618</u>	<u>\$ 8,115</u>	<u>\$ 28,651</u>	<u>\$ -</u>

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See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO  
CITY OF PORTALES

COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2011

	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
<b>ASSETS</b>							
Cash and cash equivalents	\$ 1,301	\$ 388	\$ -	\$ 3,806	\$ 4,559	\$ 159	\$ 1,192,879
Restricted cash and cash equivalents	-	-	-	-	-	-	-
Investments	-	-	-	89,737	-	-	-
Taxes receivables	-	-	-	-	-	-	43,250
Due from other funds	-	-	-	-	-	-	-
Total assets	<u>\$ 1,301</u>	<u>\$ 388</u>	<u>\$ -</u>	<u>\$ 93,543</u>	<u>\$ 4,559</u>	<u>\$ 159</u>	<u>\$ 1,236,129</u>
<b>LIABILITIES AND FUND BALANCE</b>							
<b>Liabilities</b>							
Accounts payable	\$ -	\$ -	\$ -	\$ 2,632	\$ 402	\$ -	\$ -
Accrued interest	-	-	-	-	-	-	-
Accrued salaries	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-
Total liabilities	-	-	-	2,632	402	-	-
<b>Fund balances:</b>							
Restricted, reported in:							
Special revenue funds	1,301	388	-	90,911	4,157	159	1,236,129
Capital project funds	-	-	-	-	-	-	-
Debt service funds	-	-	-	-	-	-	-
Total fund balances	<u>1,301</u>	<u>388</u>	<u>-</u>	<u>90,911</u>	<u>4,157</u>	<u>159</u>	<u>1,236,129</u>
Total liabilities and fund balances	<u>\$ 1,301</u>	<u>\$ 388</u>	<u>\$ -</u>	<u>\$ 93,543</u>	<u>\$ 4,559</u>	<u>\$ 159</u>	<u>\$ 1,236,129</u>

Continued

See independent auditors' report and accompanying notes to financial statements.



STATE OF NEW MEXICO  
CITY OF PORTALES

COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2011

	Total Nonmajor Special Revenue Funds		Capital Projects Funds		Debt Service Funds	Total Nonmajor Governmental Funds
	Municipal Street	Special Revenue	Capital Projects	Capital Repair and Replacement	Sales Tax Revenue Bonds	
<b>ASSETS</b>						
Cash and cash equivalents	\$ 142,455	\$ 1,948,573	\$ 3,803	\$ 10,086	\$ 332,967	\$ 2,295,429
Restricted cash and cash equivalents	-	24,850	117,754	-	-	142,604
Investments	-	89,737	-	-	-	89,737
Taxes receivables	16,227	68,958	8,170	-	-	77,128
Intergovernmental receivables	51,887	93,905	-	359	-	94,264
Accrued interest receivable	-	22	44	-	-	66
Due from other funds	-	31	-	-	-	31
Total assets	<u>\$ 210,569</u>	<u>\$ 2,226,076</u>	<u>\$ 129,771</u>	<u>\$ 10,445</u>	<u>\$ 332,967</u>	<u>\$ 2,699,259</u>
<b>LIABILITIES AND FUND BALANCE</b>						
<b>Liabilities</b>						
Accounts payable	\$ 14,255	\$ 27,634	\$ -	\$ 8,557	\$ -	\$ 36,191
Accrued interest	-	287	2,668	-	-	2,955
Accrued salaries	-	3,853	-	-	-	3,853
Due to other funds	-	59,773	-	-	-	59,773
Total liabilities	14,255	91,547	2,668	8,557	-	102,772
<b>Fund balances:</b>						
Restricted, reported in:						
Special revenue funds	196,314	2,134,529	-	-	-	2,134,529
Capital project funds	-	-	127,103	1,888	-	128,991
Debt service funds	-	-	-	-	332,967	332,967
Total fund balances	<u>196,314</u>	<u>2,134,529</u>	<u>127,103</u>	<u>1,888</u>	<u>332,967</u>	<u>2,596,487</u>
Total liabilities and fund balances	<u>\$ 210,569</u>	<u>\$ 2,226,076</u>	<u>\$ 129,771</u>	<u>\$ 10,445</u>	<u>\$ 332,967</u>	<u>\$ 2,699,259</u>

Concluded

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO  
CITY OF PORTALES

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011

	Special Revenue Funds						
	Correction Fund	Emergency Medical Services Fund	Enhanced 911 Fund	Fire Protection Fund	Beautification/Litter Control Fund	Law Enforcement Protection Law	Library Fund
Revenues:							
Intergovernmental	\$ -	\$ 36,709	\$ 374,322	\$ 198,671	\$ 10,358	\$ 32,000	\$ -
Taxes	-	-	-	-	-	-	-
Fees, fines and forfeitures	21,901	-	-	-	-	-	-
Other grants and contributions	-	171,000	-	-	-	-	36,904
Interest and other	2	-	-	92	-	31	12
Total revenues	<u>\$ 21,903</u>	<u>\$ 207,709</u>	<u>\$ 374,322</u>	<u>\$ 198,763</u>	<u>\$ 10,358</u>	<u>\$ 32,031</u>	<u>\$ 36,916</u>
Expenditures:							
General government	\$ -	\$ -	\$ -	\$ -	\$ 10,257	\$ -	\$ -
Public safety	38,610	22,017	102,558	35,741	-	32,617	-
Culture and recreation	-	-	-	-	-	-	71,254
Capital outlay	-	223,493	274,289	-	-	-	-
Debt service:							
Principal	-	-	-	123,116	-	-	-
Interest	-	-	-	3,141	-	-	-
Total expenditures	<u>38,610</u>	<u>245,510</u>	<u>376,847</u>	<u>161,998</u>	<u>10,257</u>	<u>32,617</u>	<u>71,254</u>
Excess (deficit) of revenues over expenditures	(16,707)	(37,801)	(2,525)	36,765	101	(586)	(34,338)
Other financing sources:							
Transfers in (out)	<u>13,603</u>	<u>30,932</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>617</u>	<u>25,000</u>
Total other financing sources	<u>13,603</u>	<u>30,932</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>617</u>	<u>25,000</u>
Net Change in fund balances	<u>(3,104)</u>	<u>(6,869)</u>	<u>(2,525)</u>	<u>36,765</u>	<u>101</u>	<u>31</u>	<u>(9,338)</u>
Fund balance - beginning of year	<u>(993)</u>	<u>20,000</u>	<u>5</u>	<u>120,811</u>	<u>6,245</u>	<u>-</u>	<u>18,464</u>
Fund balance - end of year	<u>\$ (4,097)</u>	<u>\$ 13,131</u>	<u>\$ (2,520)</u>	<u>\$ 157,576</u>	<u>\$ 6,346</u>	<u>\$ 31</u>	<u>\$ 9,126</u>

Continued

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO  
CITY OF PORTALES

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011

	Special Revenue Funds						
	Lodgers Tax Fund	Recreation Fund	Local DWI Program Fund	Law Enforcement Special Service Fund	CDBG Rehabilitation Loan Repayment Fund	Portales Transit Fund	Regional Growth Planning Fund
Revenues:							
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 99,556	\$ -
Taxes	95,048	8	-	-	-	-	-
Fees, fines and forfeitures	-	60,766	26,354	60	-	4,580	-
Federal operating grants	-	-	-	-	-	1,348	-
Other grants and contributions	-	8,888	99,815	4,015	-	-	90,175
Interest and other	126	194	124	49	-	-	-
Total revenues	<u>\$ 95,174</u>	<u>\$ 69,856</u>	<u>\$ 126,293</u>	<u>\$ 4,124</u>	<u>\$ -</u>	<u>\$ 105,484</u>	<u>\$ 90,175</u>
Expenditures:							
General government	\$ 64,242	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	143,096	5,838	-	-	-
Public works	-	-	-	-	-	167,588	100,806
Culture and recreation	-	83,148	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Total expenditures	<u>64,242</u>	<u>83,148</u>	<u>143,096</u>	<u>5,838</u>	<u>-</u>	<u>167,588</u>	<u>100,806</u>
Excess (deficit) of revenues over expenditures	30,932	(13,292)	(16,803)	(1,714)	-	(62,104)	(10,631)
Other financing sources:							
Transfers in (out)	-	-	-	-	-	65,000	1,263
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>65,000</u>	<u>1,263</u>
Net Change in fund balances	<u>30,932</u>	<u>(13,292)</u>	<u>(16,803)</u>	<u>(1,714)</u>	<u>-</u>	<u>2,896</u>	<u>(9,368)</u>
Fund balance - beginning of year	<u>159,736</u>	<u>145,128</u>	<u>110,112</u>	<u>33,967</u>	<u>8,115</u>	<u>(12,835)</u>	<u>(11,297)</u>
Fund balance - end of year	<u>\$ 190,668</u>	<u>\$ 131,836</u>	<u>\$ 93,309</u>	<u>\$ 32,253</u>	<u>\$ 8,115</u>	<u>\$ (9,939)</u>	<u>\$ (20,665)</u>

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See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO  
CITY OF PORTALES

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011

	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	\$ -	\$ 10,086	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes	-	-	-	-	-	-	261,708
Fees, fines and forfeitures	-	-	-	-	9,716	-	-
Other grants and contributions	182,184	-	-	-	-	-	-
Interest and other	-	-	-	358	-	44	1,509
Total revenues	<u>\$ 182,184</u>	<u>\$ 10,086</u>	<u>\$ -</u>	<u>\$ 358</u>	<u>\$ 9,716</u>	<u>\$ 44</u>	<u>\$ 263,217</u>
Expenditures:							
General government	\$ 52,028	\$ -	\$ -	\$ 4,745	\$ -	\$ 264	\$ 61,413
Public safety	-	-	-	-	8,886	-	-
Public works	-	10,812	-	-	-	-	-
Culture and recreation	-	-	-	-	-	-	-
Capital outlay	251,959	-	-	-	-	-	-
Debt service							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-
Total expenditures	<u>303,987</u>	<u>10,812</u>	<u>-</u>	<u>4,745</u>	<u>8,886</u>	<u>264</u>	<u>61,413</u>
Excess (deficit) of revenues over expenditures	(121,803)	(726)	-	(4,387)	830	(220)	201,804
Other financing sources:							
Transfers in (out)	<u>4,371</u>	<u>1,114</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources	<u>4,371</u>	<u>1,114</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Change in fund balances	<u>(117,432)</u>	<u>388</u>	<u>-</u>	<u>(4,387)</u>	<u>830</u>	<u>(220)</u>	<u>201,804</u>
Fund balance - beginning of year	<u>118,733</u>	<u>-</u>	<u>-</u>	<u>95,298</u>	<u>3,327</u>	<u>379</u>	<u>1,034,325</u>
Fund balance - end of year	<u>\$ 1,301</u>	<u>\$ 388</u>	<u>\$ -</u>	<u>\$ 90,911</u>	<u>\$ 4,157</u>	<u>\$ 159</u>	<u>\$ 1,236,129</u>

See independent auditors' report and accompanying notes to financial statements.

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STATE OF NEW MEXICO  
CITY OF PORTALES

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2011

	Total Nonmajor Special Revenue Funds		Capital Projects Funds		Debt Service Funds	Total Nonmajor Governmental Funds
	Municipal Street	Total Special Revenue	Capital Projects	Capital Repair and Replacement	Sales Tax Revenue Bonds	
Revenues:						
Intergovernmental	\$ 107,908	\$ 869,610	\$ -	\$ 19,947	\$ -	\$ 889,557
Taxes	178,610	535,374	49,022	-	208,774	793,170
Fees, fines and forfeitures	-	123,377	-	-	-	123,377
Federal operating grants	-	1,348	-	-	-	1,348
Other grants and contributions	-	592,981	-	9,710	-	602,691
Interest and other	-	2,541	224	-	9,628	12,393
Total revenues	<u>\$ 286,518</u>	<u>\$ 2,125,231</u>	<u>\$ 49,246</u>	<u>\$ 29,657</u>	<u>\$ 218,402</u>	<u>\$ 2,422,536</u>
Expenditures:						
General government	\$ -	\$ 192,949	\$ -	\$ -	\$ 2,000	\$ 194,949
Public safety	-	389,363	-	85,846	-	475,209
Public works	286,993	566,199	406	-	-	566,605
Culture and recreation	-	154,402	-	-	-	154,402
Capital outlay	-	749,741	-	153,671	-	903,412
Debt service						
Principal	-	123,116	27,925	-	220,000	371,041
Interest	-	3,141	16,922	-	10,114	30,177
Total expenditures	<u>286,993</u>	<u>2,178,911</u>	<u>45,253</u>	<u>239,517</u>	<u>232,114</u>	<u>2,695,795</u>
Excess (deficit) of revenues over expenditures	(475)	(53,680)	3,993	(209,860)	(13,712)	(273,259)
Other financing sources:						
Transfers in (out)	-	141,900	-	108,326	-	250,226
Total other financing sources	<u>-</u>	<u>141,900</u>	<u>-</u>	<u>108,326</u>	<u>-</u>	<u>250,226</u>
Net Change in fund balances	<u>(475)</u>	<u>88,220</u>	<u>3,993</u>	<u>(101,534)</u>	<u>(13,712)</u>	<u>(23,033)</u>
Fund balance - beginning of year	<u>196,789</u>	<u>2,046,309</u>	<u>123,110</u>	<u>103,422</u>	<u>346,679</u>	<u>2,619,520</u>
Fund balance - end of year	<u>\$ 196,314</u>	<u>\$ 2,134,529</u>	<u>\$ 127,103</u>	<u>\$ 1,888</u>	<u>\$ 332,967</u>	<u>\$ 2,596,487</u>

Concluded

See independent auditors' report and accompanying notes to financial statements.

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  
FOR THE YEAR ENDED JUNE 30, 2011

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>				
Fines and forfeitures	\$ 21,000	\$ 21,000	\$ 21,901	\$ 901
Interest income	-	-	2	2
Total revenues	21,000	21,000	21,903	903
<b>EXPENDITURES:</b>				
Current				
Public safety	45,000	45,615	37,483	8,132
Total expenditures	45,000	45,615	37,483	8,132
Excess (deficiency) of revenues over expenditures	(24,000)	(24,615)	(15,580)	9,035
<b>OTHER FINANCING SOURCES</b>				
Transfers in	24,000	24,000	13,603	(10,397)
Total other financing sources	24,000	24,000	13,603	(10,397)
Net changes in fund balance	-	(615)	(1,977)	(1,362)
Fund balance - beginning of the year	1,977	1,977	1,977	-
Fund balance - end of the year	\$ 1,977	\$ 1,362	\$ -	\$ (1,362)
<b>Reconciliation of budgetary basis to GAAP basis:</b>				
Net change in fund balance budgetary basis			\$ (1,977)	
Net expenditure accruals			(1,127)	
Net change in fund balance GAAP basis			<u>\$ (3,104)</u>	

See independent auditors' report and 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  
FOR THE YEAR ENDED JUNE 30, 2011

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>				
Intergovernmental;	\$ 21,000	\$ 18,709	\$ 36,709	\$ 18,000
Other grants and contributions	<u>184,000</u>	<u>189,000</u>	<u>171,000</u>	<u>(18,000)</u>
Total revenues	205,000	207,709	207,709	-
<b>EXPENDITURES:</b>				
Current				
Capital outlay	<u>263,000</u>	<u>247,510</u>	<u>245,510</u>	<u>2,000</u>
Total expenditures	<u>263,000</u>	<u>247,510</u>	<u>245,510</u>	<u>2,000</u>
Excess (deficiency) of revenues over expenditures	<u>(58,000)</u>	<u>(39,801)</u>	<u>(37,801)</u>	<u>2,000</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	<u>38,000</u>	<u>38,000</u>	<u>30,932</u>	<u>(7,068)</u>
Total other financing sources (uses)	<u>38,000</u>	<u>38,000</u>	<u>30,932</u>	<u>(7,068)</u>
Net changes in fund balance	(20,000)	(1,801)	(6,869)	(5,068)
Fund balance - beginning of the year	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>
Fund balance - end of the year	<u>\$ -</u>	<u>\$ 18,199</u>	<u>\$ 13,131</u>	<u>\$ (5,068)</u>
<b>Reconciliation of budgetary basis to GAAP basis:</b>				
Net change in fund balance budgetary basis			\$ (6,869)	
Net revenue accruals			-	
Net expenditure accruals			-	
Net change in fund balance GAAP basis			<u>\$ (6,869)</u>	

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO  
CITY OF PORTALES

ENHANCED 911 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, 2011

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	\$ 691,140	\$ 379,112	\$ 374,323	\$ (4,789)
Total revenues	691,140	379,112	374,323	(4,789)
EXPENDITURES:				
Current				
Public safety	79,940	100,797	98,533	2,264
Capital outlay	611,200	278,315	278,315	-
Total expenditures	691,140	379,112	376,848	2,264
Excess (deficiency) of revenues over expenditures	-	-	(2,525)	(2,525)
Net changes in fund balance	-	-	(2,525)	(2,525)
Fund balance - beginning of the year	5	5	5	-
Fund balance - end of the year	<u>\$ 5</u>	<u>\$ 5</u>	<u>\$ (2,520)</u>	<u>\$ (2,525)</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ (2,525)	
Net change in fund balance GAAP basis			<u>\$ (2,525)</u>	

See independent auditors' report and 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  
FOR THE YEAR ENDED JUNE 30, 2011

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>				
Intergovernmental	\$ 154,169	\$ 198,671	\$ 198,671	\$ -
Interest income	<u>1,000</u>	<u>1,000</u>	<u>92</u>	<u>(908)</u>
Total revenues	155,169	199,671	198,763	(908)
<b>EXPENDITURES:</b>				
Current				
Public safety	102,020	168,133	38,493	129,640
Principal	-	-	123,116	(123,116)
Interest	<u>-</u>	<u>-</u>	<u>3,141</u>	<u>(3,141)</u>
Total expenditures	<u>102,020</u>	<u>168,133</u>	<u>164,750</u>	<u>3,383</u>
Excess (deficiency) of revenues over expenditures	<u>53,149</u>	<u>31,538</u>	<u>34,013</u>	<u>2,475</u>
Net changes in fund balance	53,149	31,538	34,013	2,475
Fund balance - beginning of the year, as restated	<u>101,196</u>	<u>101,196</u>	<u>101,196</u>	<u>-</u>
Fund balance - end of the year	<u>\$ 154,345</u>	<u>\$ 132,734</u>	<u>\$ 135,209</u>	<u>\$ 2,475</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ 34,013	
Net expenditure accruals			<u>2,752</u>	
Net change in fund balance GAAP basis			<u>\$ 36,765</u>	

See independent auditors' report and 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  
FOR THE YEAR ENDED JUNE 30, 2011

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	\$ 10,400	\$ 10,400	\$ 10,358	\$ (42)
Total revenues	10,400	10,400	10,358	(42)
EXPENDITURES:				
Current				
General government	10,400	10,400	10,259	141
Total expenditures	10,400	10,400	10,259	141
Excess (deficiency) of revenues over expenditures	-	-	99	99
Net changes in fund balance	-	-	99	99
Fund balance - end of the year	\$ -	\$ -	\$ 99	\$ 99
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ 99	
Net expenditure accruals			<u>2</u>	
Net change in fund balance GAAP basis			<u>\$ 101</u>	

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO  
CITY OF PORTALES

LAW ENFORCEMENT PROTECTION LAW 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, 2011

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	\$ 32,000	\$ 32,000	\$ 32,000	\$ -
Interest income	-	-	31	31
Total revenues	32,000	32,000	32,031	31
EXPENDITURES:				
Public safety	32,000	32,617	32,617	-
Total expenditures	32,000	32,617	32,617	-
Excess (deficiency) of revenues over expenditures	-	(617)	(586)	31
OTHER FINANCING SOURCES (USES)				
Transfers in	-	617	617	-
Total other financing sources (uses)	-	617	617	-
Net changes in fund balance	-	-	31	31
Fund balance - beginning of the year	-	-	-	-
Fund balance - end of the year	\$ -	\$ -	\$ 31	\$ 31
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ 31	
Net revenue accruals			-	
Net expenditure accruals			-	
Net change in fund balance GAAP basis			\$ 31	

See independent auditors' report and 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  
FOR THE YEAR ENDED JUNE 30, 2011

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>				
Other grants and contributions	\$ 55,699	\$ 43,052	\$ 36,904	\$ (6,148)
Interest income	-	-	12	12
Total revenues	55,699	43,052	36,916	(6,136)
<b>EXPENDITURES:</b>				
Culture and recreation	99,906	78,681	72,177	6,504
Total expenditures	99,906	78,681	72,177	6,504
Excess (deficiency) of revenues over expenditures	(44,207)	(35,629)	(35,261)	368
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	25,000	25,000	25,000	-
Total other financing sources (uses)	25,000	25,000	25,000	-
Net changes in fund balance	(19,207)	(10,629)	(10,261)	368
Fund balance - beginning of the year	19,207	19,207	19,207	-
Fund balance - end of the year	\$ -	\$ 8,578	\$ 8,946	\$ 368
<b>Reconciliation of budgetary basis to GAAP basis:</b>				
Net change in fund balance budgetary basis			\$ (10,261)	
Net revenue accruals			-	
Net expenditure accruals			923	
Net change in fund balance GAAP basis			<u>\$ (9,338)</u>	

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STATE OF NEW MEXICO  
CITY OF PORTALES

LODGERS TAX 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, 2011

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
State shared taxes	\$ 84,000	\$ 104,844	\$ 95,048	\$ (9,796)
Interest income	240	240	126	(114)
Total revenues	84,240	105,084	95,174	(9,910)
EXPENDITURES:				
General government	159,585	74,499	64,261	10,238
Total expenditures	159,585	74,499	64,261	10,238
Excess (deficiency) of revenues over expenditures	(75,345)	30,585	30,913	328
Net changes in fund balance	(75,345)	30,585	30,913	328
Fund balance - beginning of the year	140,479	140,479	140,479	-
Fund balance - end of the year	<u>\$ 65,134</u>	<u>\$ 171,064</u>	<u>\$ 171,392</u>	<u>\$ 328</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ 30,913	
Net revenue accruals			-	
Net expenditure accruals			19	
Net change in fund balance GAAP basis			<u>\$ 30,932</u>	

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO  
CITY OF PORTALES

RECREATION 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, 2011

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>				
Intergovernmental	\$ -	\$ -	\$ 194	\$ 194
State shared taxes	-	-	8	8
Fines and forfeitures	98,735	75,998	60,766	(15,232)
Other grants and contributions	-	5,798	8,888	3,090
Total revenues	98,735	81,796	69,856	(11,940)
<b>EXPENDITURES:</b>				
Current				
Culture and recreation	91,597	92,728	84,741	7,987
Total expenditures	91,597	92,728	84,741	7,987
Excess (deficiency) of revenues over expenditures	7,138	(10,932)	(14,885)	(3,953)
Net changes in fund balance	7,138	(10,932)	(14,885)	(3,953)
Fund balance - beginning of the year	142,082	142,082	142,082	-
Fund balance - end of the year	\$ 149,220	\$ 131,150	\$ 127,197	\$ (3,953)
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ (14,885)	
Net expenditure accruals			1,593	
Net change in fund balance GAAP basis			\$ (13,292)	

See independent auditors' report and 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  
FOR THE YEAR ENDED JUNE 30, 2011

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Fines and forfeitures	\$ 15,000	\$ 15,000	\$ 26,354	\$ 11,354
Other grants and contributions	104,884	104,884	99,815	(5,069)
Interest income	21,300	6,913	124	(6,789)
Total revenues	141,184	126,797	126,293	(504)
EXPENDITURES:				
Current				
Public safety	138,704	145,584	141,090	4,494
Total expenditures	138,704	145,584	141,090	4,494
Excess (deficiency) of revenues over expenditures	2,480	(18,787)	(14,797)	3,990
Net changes in fund balance	2,480	(18,787)	(14,797)	3,990
Fund balance - beginning of the year	74,829	74,829	74,829	-
Fund balance - end of the year	\$ 77,309	\$ 56,042	\$ 60,032	\$ 3,990
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ (14,797)	
Net expenditure accruals			(2,006)	
Net change in fund balance GAAP basis			\$ (16,803)	

See independent auditors' report and 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  
FOR THE YEAR ENDED JUNE 30, 2011

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Plus/Minus (Negative)
<b>REVENUES:</b>				
Fines and forfeitures	\$ -	\$ -	\$ 60	\$ 60
Other grants and contributions	7,680	8,150	4,015	(4,135)
Interest income	-	-	49	49
Total revenues	7,680	8,150	4,124	(4,026)
<b>EXPENDITURES:</b>				
Current				
Public safety	5,000	5,590	5,473	117
Total expenditures	5,000	5,590	5,473	117
Excess (deficiency) of revenues over expenditures	2,680	2,560	(1,349)	(3,909)
Net changes in fund balance	2,680	2,560	(1,349)	(3,909)
Fund balance - beginning of the year, as restated	33,967	33,967	33,967	-
Fund balance - end of the year	\$ 36,647	\$ 36,527	\$ 32,618	\$ (3,909)
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ (1,349)	
Net expenditure accruals			(365)	
Net change in fund balance GAAP basis			\$ (1,714)	

See independent auditors' report and 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  
FOR THE YEAR ENDED JUNE 30, 2011

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
EXPENDITURES:				
Current				
General government	-	-	-	-
Fund balance - beginning of the year	<u>8,115</u>	<u>8,115</u>	<u>8,115</u>	<u>-</u>
Fund balance - end of the year	<u>\$ 8,115</u>	<u>\$ 8,115</u>	<u>\$ 8,115</u>	<u>\$ -</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ -	
Net expenditure accruals			<u>-</u>	
Net change in fund balance GAAP basis			<u>\$ -</u>	

See independent auditors' report and 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  
FOR THE YEAR ENDED JUNE 30, 2011

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>				
Intergovernmental	\$ 104,348	\$ 104,348	\$ 99,556	\$ (4,792)
Fines and forfeitures	-	-	4,580	4,580
Federal grants	-	-	1,348	1,348
Total revenues	104,348	104,348	105,484	1,136
<b>EXPENDITURES:</b>				
Current				
Public works	164,929	169,119	167,860	1,259
Total expenditures	164,929	169,119	167,860	1,259
Excess (deficiency) of revenues over expenditures	(60,581)	(64,771)	(62,376)	2,395
<b>OTHER FINANCING SOURCES</b>				
Transfers in	65,000	65,000	65,000	-
Total other financing sources	65,000	65,000	65,000	-
Net changes in fund balance	4,419	229	2,624	2,395
Fund balance - beginning of the year	124	124	124	-
Fund balance - end of the year	\$ 4,543	\$ 353	\$ 2,748	\$ 2,395
<b>Reconciliation of budgetary basis to GAAP basis:</b>				
Net change in fund balance budgetary basis			\$ 2,624	
Net expenditure accruals			272	
Net change in fund balance GAAP basis			\$ 2,896	

See independent auditors' report and 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  
FOR THE YEAR ENDED JUNE 30, 2011

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Other grants and contributions	\$ 119,970	\$ 121,070	\$ 90,175	\$ (30,895)
Total revenues	119,970	121,070	90,175	(30,895)
EXPENDITURES:				
Current				
Public works	121,231	121,231	109,184	12,047
Total expenditures	121,231	121,231	109,184	12,047
Excess (deficiency) of revenues over expenditures	(1,261)	(161)	(19,009)	(18,848)
OTHER FINANCING SOURCES				
Transfers in	1,263	1,263	1,263	-
Total other financing sources	1,263	1,263	1,263	-
Net changes in fund balance	2	1,102	(17,746)	(18,848)
Fund balance - beginning of the year	-	-	-	-
Fund balance - end of the year	<u>\$ 2</u>	<u>\$ 1,102</u>	<u>\$ (17,746)</u>	<u>\$ (18,848)</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ (17,746)	
Net expenditure accruals			8,378	
Net change in fund balance GAAP basis			<u>\$ (9,368)</u>	

See independent auditors' report and 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  
FOR THE YEAR ENDED JUNE 30, 2011

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Other grants and contributions	\$ 291,199	\$ 296,899	\$ 182,184	\$ (114,715)
Total revenues	291,199	296,899	182,184	(114,715)
EXPENDITURES:				
Current				
General government	388,065	257,460	850	256,610
Capital outlay	-	-	251,959	(251,959)
Total expenditures	388,065	257,460	252,809	4,651
Excess (deficiency) of revenues over expenditures	(96,866)	39,439	(70,625)	(110,064)
OTHER FINANCING SOURCES				
Transfers in	65,000	4,372	4,371	(1)
Total other financing sources	65,000	4,372	4,371	(1)
Net changes in fund balance	(31,866)	43,811	(66,254)	(110,065)
Fund balance - beginning of the year	61,251	61,251	61,251	-
Fund balance - end of the year	\$ 29,385	\$ 105,062	\$ (5,003)	\$ (110,065)
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ (66,254)	
Net expenditure accruals			(51,178)	
Net change in fund balance GAAP basis			\$ (117,432)	

See independent auditors' report and 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  
FOR THE YEAR ENDED JUNE 30, 2011**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
<b>REVENUES:</b>				
Intergovernmental	\$ 94,367	\$ 10,086	\$ 10,086	\$ -
Total revenues	94,367	10,086	10,086	-
<b>EXPENDITURES:</b>				
<b>Current</b>				
Public works	101,681	10,812	10,812	-
Total expenditures	101,681	10,812	10,812	-
Excess (deficiency) of revenues over expenditures	(7,314)	(726)	(726)	-
<b>OTHER FINANCING SOURCES</b>				
Transfers in	7,371	1,115	1,114	(1)
Total other financing sources	7,371	1,115	1,114	(1)
Net changes in fund balance	57	389	388	(1)
Fund balance - beginning of the year	-	-	-	-
Fund balance - end of the year	<u>\$ 57</u>	<u>\$ 389</u>	<u>\$ 388</u>	<u>\$ (1)</u>
<b>Reconciliation of budgetary basis to GAAP basis:</b>				
Net change in fund balance budgetary basis			\$ 388	
Net expenditure accruals			<u>-</u>	
Net change in fund balance GAAP basis			<u>\$ 388</u>	

See independent auditors' report and 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  
FOR THE YEAR ENDED JUNE 30, 2011

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
EXPENDITURES:				
Current				
General government	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	-	-
Fund balance - beginning of the year	-	-	-	-
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ -	
Net expenditure accruals			-	
Net change in fund balance GAAP basis			<u>\$ -</u>	

See independent auditors' report and 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  
FOR THE YEAR ENDED JUNE 30, 2011

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>				
Interest income	\$ 150	\$ 150	\$ 358	\$ 208
Total revenues	150	150	358	208
<b>EXPENDITURES:</b>				
Current				
General government	9,000	2,113	2,113	-
Total expenditures	9,000	2,113	2,113	-
Excess (deficiency) of revenues over expenditures	(8,850)	(1,963)	(1,755)	208
<b>OTHER FINANCING SOURCES</b>				
Transfers in	8,850	-	-	-
Total other financing sources	8,850	-	-	-
Net changes in fund balance	-	(1,963)	(1,755)	208
Fund balance - beginning of the year	5,645	5,645	5,645	-
Fund balance - end of the year	\$ 5,645	\$ 3,682	\$ 3,890	\$ 208
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ (1,755)	
Net expenditure accruals			(2,632)	
Net change in fund balance GAAP basis			\$ (4,387)	

See independent auditors' report and 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  
FOR THE YEAR ENDED JUNE 30, 2011

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Fines and forfeitures	\$ 8,400	\$ 9,695	\$ 9,716	\$ 21
Total revenues	8,400	9,695	9,716	21
EXPENDITURES:				
Current				
Public works	8,400	9,176	9,176	-
Total expenditures	8,400	9,176	9,176	-
Excess (deficiency) of revenues over expenditures	-	519	540	21
Net changes in fund balance	-	519	540	21
Fund balance - beginning of the year	4,019	4,019	4,019	-
Fund balance - end of the year	<u>\$ 4,019</u>	<u>\$ 4,538</u>	<u>\$ 4,559</u>	<u>\$ 21</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ 540	
Net expenditure accruals			<u>290</u>	
Net change in fund balance GAAP basis			<u>\$ 830</u>	

See independent auditors' report and accompanying notes to financial statements.



STATE OF NEW MEXICO  
CITY OF PORTALES

MAINSTREET 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, 2011

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Interest income	\$ -	\$ -	\$ 44	\$ 44
Total revenues	-	-	44	44
EXPENDITURES:				
Current				
General government	379	379	264	115
Total expenditures	379	379	264	115
Excess (deficiency) of revenues over expenditures	(379)	(379)	(220)	159
Net changes in fund balance	(379)	(379)	(220)	159
Fund balance - beginning of the year	379	379	379	-
Fund balance - end of the year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 159</u>	<u>\$ 159</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ (220)	
Net expenditure accruals			<u>-</u>	
Net change in fund balance GAAP basis			<u>\$ (220)</u>	

See independent auditors' report and 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  
FOR THE YEAR ENDED JUNE 30, 2011

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>				
State shared taxes	\$ 227,486	\$ 265,963	\$ 261,708	\$ (4,255)
Interest income	4,800	1,509	1,509	-
Total revenues	232,286	267,472	263,217	(4,255)
<b>EXPENDITURES:</b>				
Current				
General government	1,132,000	61,811	61,811	-
Total expenditures	1,132,000	61,811	61,811	-
Excess (deficiency) of revenues over expenditures	(899,714)	205,661	201,406	(4,255)
Net changes in fund balance	(899,714)	205,661	201,406	(4,255)
Fund balance - beginning of the year	987,218	987,218	987,218	-
Fund balance - end of the year	\$ 87,504	\$ 1,192,879	\$ 1,188,624	\$ (4,255)
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ 201,406	
Net expenditure accruals			398	
Net change in fund balance GAAP basis			\$ 201,804	

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO  
CITY OF PORTALES

MUNICIPAL STREET FUND - 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, 2011

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	\$ 99,465	\$ 109,067	\$ 107,908	\$ (1,159)
State shared taxes	193,000	193,000	178,610	(14,390)
Interest income	-	7,338	-	(7,338)
Total revenues	<u>292,465</u>	<u>309,405</u>	<u>286,518</u>	<u>(22,887)</u>
EXPENDITURES:				
Current				
Public works	<u>314,465</u>	<u>297,525</u>	<u>287,387</u>	<u>10,138</u>
Total expenditures	<u>314,465</u>	<u>297,525</u>	<u>287,387</u>	<u>10,138</u>
Excess (deficiency) of revenues over expenditures	<u>(22,000)</u>	<u>11,880</u>	<u>(869)</u>	<u>(12,749)</u>
OTHER FINANCING SOURCES				
Transfers in	<u>22,000</u>	<u>22,000</u>	<u>-</u>	<u>(22,000)</u>
Total other financing sources	<u>22,000</u>	<u>22,000</u>	<u>-</u>	<u>(22,000)</u>
Net changes in fund balance	-	33,880	(869)	(34,749)
Fund balance - beginning of the year	<u>196,789</u>	<u>196,789</u>	<u>196,789</u>	<u>-</u>
Fund balance - end of the year	<u>\$ 196,789</u>	<u>\$ 230,669</u>	<u>\$ 195,920</u>	<u>\$ (34,749)</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ (869)	
Net expenditure accruals			<u>394</u>	
Net change in fund balance GAAP basis			<u>\$ (475)</u>	

See independent auditors' report and accompanying notes to financial statements.

**CAPITAL PROJECTS FUNDS**

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  
FOR THE YEAR ENDED JUNE 30, 2011

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
State shared taxes	\$ 49,020	\$ 49,020	\$ 49,022	\$ 2
Interest income	<u>2,000</u>	<u>2,000</u>	<u>224</u>	<u>(1,776)</u>
Total revenues	51,020	51,020	49,246	(1,774)
Public works	812	812	406	406
Debt service				
Principal	27,925	27,925	27,925	-
Interest	<u>16,641</u>	<u>16,641</u>	<u>17,046</u>	<u>(405)</u>
Total expenditures	<u>45,378</u>	<u>45,378</u>	<u>45,377</u>	<u>1</u>
Excess (deficiency) of revenues over expenditures	<u>5,642</u>	<u>5,642</u>	<u>3,869</u>	<u>(1,773)</u>
Net changes in fund balance	5,642	5,642	3,869	(1,773)
Fund balance - beginning of the year	<u>3,798</u>	<u>3,798</u>	<u>3,798</u>	<u>-</u>
Fund balance - end of the year	<u>\$ 9,440</u>	<u>\$ 9,440</u>	<u>\$ 7,667</u>	<u>\$ (1,773)</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ 3,869	
Net expenditure accruals			<u>124</u>	
Net change in fund balance GAAP basis			<u>\$ 3,993</u>	

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO  
CITY OF PORTALES

CAPITAL REPAIR AND REPLACEMENT CAPITAL PROJECTS FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2011

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
Intergovernmental	\$ -	\$ -	\$ 19,947	\$ 19,947
Other grants and contributions	20,227	9,711	9,710	(1)
Charges for services	149,852	45,020	-	(45,020)
Miscellaneous revenue	10,719	-	-	-
Total revenues	180,798	54,731	29,657	(25,074)
EXPENDITURES:				
Current				
Public safety	-	-	85,846	(85,846)
Capital outlay	388,065	257,460	153,671	103,789
Total expenditures	388,065	257,460	239,517	17,943
Excess (deficiency) of revenues over expenditures	(207,267)	(202,729)	(209,860)	(7,131)
OTHER FINANCING SOURCES				
Transfers in	165,000	108,326	108,326	-
Total other financing sources	165,000	108,326	108,326	-
Net changes in fund balance	(42,267)	(94,403)	(101,534)	(7,131)
Fund balance - beginning of the year	103,422	103,422	103,422	-
Fund balance - end of the year	\$ 61,155	\$ 9,019	\$ 1,888	\$ (7,131)
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ (101,534)	
Net change in fund balance GAAP basis			\$ (101,534)	

See independent auditors' report and accompanying notes to financial statements.

**DEBT SERVICE FUND**

STATE OF NEW MEXICO  
CITY OF PORTALES

SALES TAX REVENUE BOND DEBT SERVICE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2011

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>				
State shared taxes	\$ 264,027	\$ 264,027	\$ 208,774	\$ (55,253)
Interest income	<u>36,500</u>	<u>36,500</u>	<u>9,628</u>	<u>(26,872)</u>
Total revenues	300,527	300,527	218,402	(82,125)
<b>EXPENDITURES:</b>				
General government	-	-	2,000	(2,000)
Debt service				
Principal	220,000	220,000	220,000	-
Interest	<u>12,500</u>	<u>13,600</u>	<u>11,000</u>	<u>2,600</u>
Total expenditures	<u>232,500</u>	<u>233,600</u>	<u>233,000</u>	<u>600</u>
Excess (deficiency) of revenues over expenditures	<u>68,027</u>	<u>66,927</u>	<u>(14,598)</u>	<u>(81,525)</u>
<b>OTHER FINANCING SOURCES</b>				
Net changes in fund balance	68,027	66,927	(14,598)	(81,525)
Fund balance - beginning of the year	<u>305,691</u>	<u>305,691</u>	<u>305,691</u>	<u>-</u>
Fund balance - end of the year	<u>\$ 373,718</u>	<u>\$ 372,618</u>	<u>\$ 291,093</u>	<u>\$ (81,525)</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ (14,598)	
Net expenditure accruals			<u>886</u>	
Net change in fund balance GAAP basis			<u>\$ (13,712)</u>	

See independent auditors' report and 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  
FOR THE YEAR ENDED JUNE 30, 2011

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
<b>OPERATING REVENUES:</b>				
Charges for services	\$ 3,858,900	\$ 4,024,158	\$ 4,398,128	\$ 373,970
Tapping and reconnect fees	112,000	105,220	102,103	(3,117)
Rentals	-	-	800	800
Late fees	75,000	91,613	91,612	(1)
Miscellaneous income	2,600	4,353	867	(3,486)
Total revenues	4,048,500	4,225,344	4,593,510	368,166
<b>OPERATING EXPENSES:</b>				
Salaries and wages	588,271	588,271	427,704	160,567
Employee benefits	175,587	175,587	172,031	3,556
Maintenance	277,300	319,240	523,072	(203,832)
Contracted and purchased services	368,800	337,904	149,581	188,323
Supplies	15,000	15,000	40,450	(25,450)
Operating costs	1,111,863	516,190	734,469	(218,279)
Capital outlay	459,358	410,752	344,045	66,707
Debt service	685,802	685,802	72,933	612,869
Total operating expenses	3,681,981	3,048,746	2,464,285	584,461
Operating income	366,519	1,176,598	2,129,225	952,627
<b>NON-OPERATING REVENUE (EXPENSES):</b>				
Investment income	89,600	89,600	54,841	(34,759)
Water conservation fees	320,000	320,000	349,972	29,972
Grant proceeds	307,007	7,007	6,987	(20)
Interest expense	(111,949)	(114,049)	(169,146)	(55,097)
Total non-operating revenues (expenses)	604,658	302,558	242,654	(59,904)
Net income before transfers	971,177	1,479,156	2,371,879	892,723
Transfers:				
Transfers out	(1,100,000)	(766,908)	(802,400)	(35,492)
Total operating transfers	(1,100,000)	(766,908)	(802,400)	(35,492)
Total net income (loss)	(128,823)	712,248	1,569,479	857,231
Fund balance - beginning of the year	11,800,961	11,800,961	11,800,961	-
Fund balance - end of the year	\$ 11,672,138	\$ 12,513,209	\$ 13,370,440	\$ 857,231

Continued

See independent auditors' report and accompanying notes to financial statements.

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  
FOR THE YEAR ENDED JUNE 30, 2011

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

Net income after transfers - budgetary basis	\$ 1,569,479
Budgeted debt service expenditures reduce water liabilities and are not reported in proprietary funds statement of activities	72,933
Budgeted capital outlay expenditures are not reported in proprietary funds statement of activities	344,045
Depreciation is reported in the proprietary funds statement of activities but is not a budget expenditure item	(752,947)
Amortization is reported in the proprietary funds elements of activities but is not budget expenditure item	(18,151)
Net income after transfers-financial statement basis	<u>\$ 1,215,359</u>
	Concluded

See independent auditors' report and 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  
FOR THE YEAR ENDED JUNE 30, 2011

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
<b>OPERATING REVENUES:</b>				
Charges for services	\$ 1,145,000	\$ 1,235,742	\$ 1,291,269	\$ 55,527
Miscellaneous income	-	7,500	-	(7,500)
Total revenues	1,145,000	1,243,242	1,291,269	48,027
<b>OPERATING EXPENSES:</b>				
Salaries and wages	255,114	255,114	246,672	8,442
Employee benefits	135,728	119,766	101,767	17,999
Maintenance	81,000	82,650	71,886	10,764
Contracted and purchased services	507,400	507,400	436,237	71,163
Supplies	94,200	111,756	111,055	701
Operating costs	27,723	26,967	52,013	(25,046)
Capital outlay	218,769	198,891	191,179	7,712
Total operating expenses	1,319,934	1,302,544	1,210,809	91,735
Operating income	(174,934)	(59,302)	80,460	139,762
<b>NON-OPERATING REVENUE (EXPENSES):</b>				
Investment income	2,000	2,000	9,301	7,301
Environmental gross receipts tax	113,963	133,386	131,242	(2,144)
Interest expense	-	-	(479)	(479)
Total non-operating revenues (expenses)	115,963	135,386	140,064	4,678
Net income before transfers	(58,971)	76,084	220,524	144,440
<b>Transfers:</b>				
Transfers out	(75,000)	(75,000)	(75,000)	-
Total operating transfers	(75,000)	(75,000)	(75,000)	-
Total net income (loss)	(133,971)	1,084	145,524	144,440
Fund balance - beginning of the year	362,006	362,006	362,006	-
Fund balance - end of the year	\$ 228,035	\$ 363,090	\$ 507,530	\$ 144,440
<b>Reconciliation of net income for budgetary basis to statement of activities for proprietary funds:</b>				
Net income after transfers - budgetary basis			\$ 145,524	
Budgeted capital outlay expenditures are not reported in proprietary funds statement of activities			191,179	
Depreciation is reported in the proprietary funds statement of activities but is not a budget expenditure item			(59,437)	
Net income after transfers-financial statement basis			\$ 277,266	

See independent auditors' report and 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  
FOR THE YEAR ENDED JUNE 30, 2011

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
<b>OPERATING REVENUES:</b>				
Fuel sales	\$ 100,000	\$ 100,000	\$ 84,243	\$ (15,757)
Late charges	200	200	865	665
Rentals	33,000	33,000	44,301	11,301
Miscellaneous income	9,286	9,286	1,563	(7,723)
Total revenues	142,486	142,486	130,972	(11,514)
<b>OPERATING EXPENSES:</b>				
Salaries and wages	35,241	35,241	33,811	1,430
Employee benefits	7,219	7,219	6,712	507
Maintenance	40,286	38,195	38,113	82
Contracted and purchased services	64,706	64,706	64,705	1
Supplies	12,000	11,511	11,685	(174)
Operating costs	68,049	55,158	13,900	41,258
Capital outlay	400,000	415,471	415,471	-
Total operating expenses	627,501	627,501	584,397	43,104
Operating income	(485,015)	(485,015)	(453,425)	31,590
<b>NON-OPERATING REVENUE (EXPENSES):</b>				
Grant proceeds	394,827	394,827	443,970	49,143
Interest expense	-	-	(262)	(262)
Total non-operating revenues (expenses)	394,827	394,827	443,708	48,881
Net income before transfers	(90,188)	(90,188)	(9,717)	80,471
Transfers:				
Transfers in	89,488	89,488	89,488	-
Total operating transfers	89,488	89,488	89,488	-
Total net income (loss)	(700)	(700)	79,771	80,471
Fund balance - beginning of the year	2,255,302	2,255,302	2,255,302	-
Fund balance - end of the year	\$ 2,254,602	\$ 2,254,602	\$ 2,335,073	\$ 80,471
Reconciliation of net income for budgetary basis to statement of activities for proprietary funds:				
Net income after transfers - budgetary basis			\$ 79,771	
Budgeted capital outlay expenditures are not reported in proprietary funds statement of activities			415,471	
Depreciation is reported in the proprietary funds statement of activities but is not a budget expenditure item			(167,101)	
Net income after transfers-financial statement basis			\$ 328,141	

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO  
CITY OF PORTALES

YAM CONVENTION CENTER PROPRIETARY FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2011

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
OPERATING REVENUES:				
Charges for services	\$ -	\$ 4,500	\$ 4,273	\$ (227)
Miscellaneous income	-	-	101	101
Total revenues	-	4,500	4,374	(126)
OPERATING EXPENSES:				
Operating costs	-	4,500	2,641	1,859
Total operating expenses	-	4,500	2,641	1,859
Operating income	-	-	1,733	1,733
Total net income (loss)	-	-	1,733	1,733
Fund balance - beginning of the year	-	-	-	-
Fund balance - end of the year	\$ -	\$ -	\$ 1,733	\$ 1,733

See independent auditors' report and accompanying notes to financial statements.

**SUPPLEMENTARY INFORMATION**

STATE OF NEW MEXICO  
CITY OF PORTALES

SCHEDULE OF DEPOSITORIES AND TEMPORARY INVESTMENTS BY DEPOSITORY FOR  
PUBLIC FUNDS  
JUNE 30, 2011

	Account Type	Fund Type	Amount Per Bank	Net Reconciling Items	Balance Per Books
<b>First Community Bank</b>					
General Fund	Checking	Governmental	\$ 7,387,800	\$ (337,583)	\$ 7,050,217
CDBG Capital Project	Checking	Governmental	1,301	-	1,301
Total Checking			<u>7,389,101</u>	<u>(337,583)</u>	<u>7,051,518</u>
Sales Tax 402	Interest bearing	Business-type	63,683	-	63,683
Water & Sewer Imp.	Interest bearing	Governmental	83,627	-	83,627
Total interest bearing			<u>147,310</u>	<u>-</u>	<u>147,310</u>
Total deposits			<u>\$ 7,536,411</u>	<u>\$ (337,583)</u>	<u>\$ 7,198,828</u>
<b>New Mexico State Treasurer - Local Government Investment Pool</b>					
General Fund	Savings	Governmental	\$ 648,102	\$ -	\$ 648,102
Risk Management Reserve	Savings	Governmental	89,737	-	89,737
Water/Wastewater	Savings	Business-type	480,242	-	480,242
Water Meter Reserve	Savings	Business-type	119,650	-	119,650
Water Improvement Reserve	Savings	Business-type	324,401	-	324,401
Solid Waste	Savings	Business-type	199,416	-	199,416
Total deposits	Savings	Business-type	<u>\$ 1,861,548</u>	<u>\$ -</u>	<u>\$ 1,861,548</u>
<b>New Mexico Finance Authority Held at New York Mellon Trust Company, N.A.</b>					
Rec Center Financing	Savings	Governmental	\$ 44,534	\$ -	\$ 44,534
Pumper Truck	Savings	Governmental	24,850	-	24,850
Water & Wastewater	Savings	Business-type	320,603	-	320,603
Total deposits			<u>\$ 389,987</u>	<u>\$ -</u>	<u>\$ 389,987</u>
<b>New Mexico Finance Authority</b>					
Rec Center Financing	Savings	Governmental	\$ 73,220	\$ -	\$ 73,220
Pumper Truck	Savings	Business-type	185,565	-	185,565
			<u>\$ 258,785</u>	<u>\$ -</u>	<u>\$ 258,785</u>
<b>Linsco/Private Ledger</b>					
98 Water/Sewer Reserve	Savings	Business-type	\$ 431,365	\$ -	\$ 431,365
Water Conservation Reserve	Savings	Business-type	1,022,066	-	1,022,066
97 Sales Tax Reserve	Savings	Governmental	269,283	-	269,283
			<u>\$ 1,722,714</u>	<u>\$ -</u>	<u>\$ 1,722,714</u>

Continued

See independent auditors' report and accompanying notes to financial statements.



STATE OF NEW MEXICO  
CITY OF PORTALES

SCHEDULE OF DEPOSITORIES AND TEMPORARY INVESTMENTS BY DEPOSITORY FOR  
PUBLIC FUNDS  
JUNE 30, 2011

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Reconciliation of Public Funds to Government-Wide Balance Sheet:

	Governmental Activities	Business-Type Activities	Total
Cash and cash equivalents - Unrestricted	\$ 4,074,169	\$ 2,598,985	\$ 6,673,154
Cash and cash equivalents - Restricted	142,604	2,758,493	2,901,097
Investments - Unrestricted	737,839	679,658	1,417,497
Investments - Restricted	-	444,051	444,051
	<u>\$ 4,954,612</u>	<u>\$ 6,481,187</u>	<u>\$ 11,435,799</u>
Cash Source:			
First Community Bank			\$ 7,198,828
NM State Treasurer			1,861,548
NMFA - Mellon			389,987
NMFA			258,785
Linsco/Private Ledger			1,722,714
Petty cash			<u>3,937</u>
			<u>\$ 11,435,799</u>
			Concluded

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO  
CITY OF PORTALES

SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY FOR PUBLIC FUNDS  
AS OF JUNE 30, 2011

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<u>Description of Pledged Collateral</u>	<u>Amount</u>	<u>Name and Location</u>
FNMA POOL AE6976, CUSIP#31419HXE7, Maturing 11/1/2025	<u>\$ 8,120,182</u>	First Community Bank Bank of Albuquerque
Total pledged securities	<u>\$ 8,120,182</u>	

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO  
CITY OF PORTALES

JOINT POWERS AGREEMENTS  
JUNE 30, 2011

<u>Other Principal</u>	<u>Agreement Description</u>	<u>Effective Date</u>	<u>Ending Date</u>	<u>Project Cost</u>	<u>Fiscal Year Contribution</u>	<u>Party Responsible for Operations/Revenues and Expenditure Reporting/ Audit Responsibility (if Any)</u>
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 Office Program	May 28, 1999	Perpetual	Not Specified	Unknown	City of Portales
Portales Municipal Schools	Wheeler Park Usage	April 18, 2006	Perpetual	Not Specified	Unknown	City of Portales
Roosevelt County	Law Enforcement Complex Usage	January 19, 1999	Perpetual	Not Specified	Unknown	Roosevelt County
Roosevelt County	County Jail Usage for City	December 3, 2002	Perpetual	Not Specified	Unknown	Roosevelt County
Eastern New Mexico Rural Water Authority	Ute Pipeline Project	February 4, 2002	Perpetual	Not Specified	Unknown	Eastern New Mexico Rural Water Authority
Eastern New Mexico University	Police, Fire and Ambulance Service	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 Village of Causey, Dora, Floyd & Elida	Enhanced 911 and Emergency Management Services	June 1, 1993	Perpetual	Not Specified	Unknown	City of Portales

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO  
CITY OF PORTALES

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2011

Federal Grantor Pass Through Grantor Program Title	CFDA	Program or Grant Number	Award Amount	Expenditures
<i>United States Department of Housing and Urban Development</i>				
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	\$ 156,400
<i>United States Department of Transportation</i>				
Interagency Hazardous Materials Public Sector Training and Planning Grants	20.703	2010-DOT/H	2,135	2,135
Federal Transit Capital Investment Grants	20.500	M00988	258,038	124,932
Airport Improvement Program	20.106	3-35-0061-0	482,574	441,833
Passed Through the New Mexico Department of Transportation: FTA 5311 Transit Capital Assistance Fund -ARRA	20.209	M00883	76,720	1,348
<i>United States Department of Defense</i>				
Community Economic Adjustment Assistance for Establishment, Expansion, Realignment, or Closure of a Military Installation	12.607	Ra-0739-10	119,100	93,834
<i>United States Department of Homeland Security Office of Domestic Preparedness</i>				
Passed Through the New Mexico Department of Homeland and Emergency Management: Emergency Management Performance Grants	97.042	210-EMPG-ROOSEVELT	49,265	21,200
Homeland Security Grant Program	97.670	2010-SS-T0-000030	42,500	-
<i>United States Department of Justice</i>				
Public Safety Partnership and Community Policing Grants	16.710	210UMWX0	<u>152,844</u>	<u>24,847</u>
Total Expenditures of Federal Awards			<u>\$ 1,683,176</u>	<u>\$ 866,529</u>

**STATE OF NEW MEXICO  
CITY OF PORTALES**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2011**

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**Note 1 - 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 the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of, the basic financial statements.

See independent auditors' report and accompanying notes to financial statements.

COMPLIANCE SECTION

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON  
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH  
*GOVERNMENT AUDITING STANDARDS***

Hector H. Balderas,  
New Mexico State Auditor  
The Council Members  
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 comparison of the general fund, and the combining and individual funds and related budgetary comparisons presented as supplemental information of the City of Portales as of and for the year ended June 30, 2011, and have issued our report thereon dated November 14, 2011. 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.

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.

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

**Compliance and Other Matters**

As part of obtaining reasonable assurance about whether 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

This report is intended solely for the information and use of management, others within the City, the audit committee, the State Auditor, the New Mexico Legislature, and applicable federal grantors, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in blue ink that reads "White + Sammons + Campbell, LLP". The signature is written in a cursive, flowing style.

El Paso, Texas  
November 14, 2011



**INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE WITH REQUIREMENTS  
THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND  
ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133**

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

**Compliance**

We have audited City of Portales, New Mexico's compliance with the types of compliance requirements described in the OMB Circular A-133 Compliance Supplement that could have a direct and material effect on each of City of Portales, New Mexico's major federal programs for the year ended June 30, 2011. City of Portales, New Mexico'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 City of Portales, New Mexico's management. Our responsibility is to express an opinion on City of Portales, New Mexico'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 City of Portales, New Mexico'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 of City of Portales, New Mexico's compliance with those requirements.

In our opinion, City of Portales, New Mexico, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

**Internal Control over Compliance**

Management of City of Portales, New Mexico, is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered City of Portales, New Mexico's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the 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 City of Portales, New Mexico's internal control over compliance.

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.

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

This report is intended solely for the information and use of the Council members, management, the State Auditor, the New Mexico State Legislature, the New Mexico Department of Finance and Administration, and federal awarding agencies, and is not intended to be and should not be used by anyone other than these specified parties.

A handwritten signature in blue ink that reads "White + Saunders + Campbell, LLP". The signature is written in a cursive, flowing style.

El Paso, Texas  
November 14, 2011

**STATE OF NEW MEXICO  
CITY OF PORTALES**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2011**

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**Section I - Summary of Auditors' Results**

*Financial Statements*

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

- Material weakness (es) identified? \_\_\_\_\_ Yes                        X   No
- Significant deficiencies identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes                        X   No

Noncompliance material to financial statements noted? \_\_\_\_\_ Yes                        X   No

*Federal Awards*

Internal control over major programs

- Material weakness (es) identified? \_\_\_\_\_ Yes                        X   No
- Significant deficiencies identified that are not considered to be material weaknesses? \_\_\_\_\_ Yes                        X   No

Type of auditors' report issued on compliance with major programs: Unqualified

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

Identification of Major Programs:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
20.106	US Department of Transportation - Airport Improvement Program

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

Auditee qualified as low-risk auditee                      \_\_\_\_\_ Yes                        X   No

Section II - Prior year findings:

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

Section III - Current year findings:

None

**STATE OF NEW MEXICO  
CITY OF PORTALES**

**EXIT CONFERENCE  
FOR THE YEAR ENDED JUNE 30, 2011**

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An exit conference was held on November 14, 2011 in a closed meeting with the following City officials:

Sharon King	Mayor
Thomas Howell	City Manager
Marilyn Rapp	City Treasurer
Kay Shumate	Accounts Payable Accountant

White + Samaniego + Campbell, LLP

Brad Watts	Partner
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The financial statements presented in this report were compiled with the assistance of the auditors, White + Samaniego + Campbell, LLP. However, the contents of the financial statements remain the responsibility of management.