

State of New Mexico
City of Portales
Basic Financial Statements and
Supplementary Information
for the Year Ended June 30, 2012
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, 2012

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
Matt Hunton	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, 2012, 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, 2012, 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, 2012, 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, 2012, 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 15, 2012 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.

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 4 through 11 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the basic financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A- 133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The additional schedules listed as "other supplemental information" in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

White + Samaniego + Campbell, LLP

El Paso, Texas
November 15, 2012

**STATE OF NEW MEXICO
CITY OF PORTALES**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2012**

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, 2012. 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 \$34,019,538 (net assets). Of this amount, \$10,838,362 (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 \$1,952,303 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 2012.
- As of June 30, 2012, the City's governmental funds reported combined ending fund balances of \$6,674,665. Of this total, \$3,183,342 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 \$3,491,323.

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 \$34,019,538 at the close of the current fiscal year.

The largest portion of the City of Portales' net assets represent the City's investment of \$19,997,834 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 \$10,838,362 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 \$1,952,303. 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 \$501,037. Revenues including transfers increased from \$10,212,332 for the year ended June 30, 2011 to \$10,445,760 for the year ended June 30, 2012. The increase in revenues is primarily because tax revenue increased by \$388,552. Governmental expenses increased from \$9,353,433 for the year ended June 30, 2011 to \$9,944,724 for the year ended June 30, 2012. Total revenues and expenses from governmental activities are summarized below.

Business-Type Activities

Business-type activities increased the City's net assets by \$1,451,266 after transfers of \$522,516 out to governmental activities, compared to the prior year's increase of \$1,822,499 after transfers of \$787,912 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	
	2012	2011	2012	2011	2012	2011
ASSETS						
Current and other assets	\$ 6,961,238	\$ 6,125,021	\$ 5,559,709	\$ 4,300,928	\$12,520,947	\$10,425,949
Non current assets	117,962	142,604	3,358,870	3,220,695	3,476,832	3,363,299
Capital assets, net of accumulated depreciation	10,314,359	10,554,346	12,234,253	12,971,885	22,548,612	23,526,231
Total assets	\$17,393,559	\$16,821,971	\$21,152,832	\$20,493,508	\$38,546,391	\$37,315,479
LIABILITIES						
Current and other liabilities	\$ 576,801	\$ 418,401	\$ 578,221	\$ 1,041,330	\$ 1,155,022	\$ 1,459,731
Long-term liabilities	489,254	577,103	2,882,577	3,211,410	3,371,831	3,788,513
Total liabilities	1,066,055	995,504	3,460,798	4,252,740	4,526,853	5,248,244
NET ASSETS						
Invested in capital assets, net of related debt	10,031,025	10,188,668	9,966,809	10,017,634	19,997,834	20,206,302
Restricted	3,183,342	2,596,487	-	2,696,406	3,183,342	5,292,893
Unrestricted	3,113,137	3,041,312	7,725,225	3,526,728	10,838,362	6,568,040
Total net assets	16,327,504	15,826,467	17,692,034	16,240,768	34,019,538	32,067,235
Total liabilities and net assets	\$17,393,559	\$16,821,971	\$21,152,832	\$20,493,508	\$38,546,391	\$37,315,479

A summary of the statement of activities is as follows:

	Governmental Activities		Business-Type Activities		Total	
	2012	2011	2012	2011	2012	2011
REVENUES						
Program revenue:						
Charges for services	\$ 1,182,250	\$ 1,017,748	\$ 6,385,243	\$ 6,020,125	\$ 7,567,493	\$ 7,037,873
Operating grant and contributions	1,412,750	1,232,208	40,285	11,800	1,453,035	1,244,008
Capital grants and contributions	188,705	411,181	125,146	439,157	313,851	850,338
General revenues:						
Taxes	7,063,060	6,674,508	138,422	131,242	7,201,482	6,805,750
Other income	76,480	88,775	399,421	414,114	475,901	502,889
Total revenues	9,923,245	9,424,420	7,088,517	7,016,438	17,011,762	16,440,858
EXPENSES						
Administration	1,769,824	1,590,936	-	-	1,769,824	1,590,936
Municipal court	258,533	310,684	-	-	258,533	310,684
Library	348,408	368,076	-	-	348,408	368,076
General services	196,747	185,742	-	-	196,747	185,742
Fire and emergency management	2,145,422	1,798,438	-	-	2,145,422	1,798,438
Police	2,339,267	2,238,465	-	-	2,339,267	2,238,465
Senior citizens	18,650	45,249	-	-	18,650	45,249
Streets	737,560	708,253	-	-	737,560	708,253
Parks and recreation	923,290	891,054	-	-	923,290	891,054
Public works and transportation	243,970	270,640	-	-	243,970	270,640
Interest expense	19,627	42,080	-	-	19,627	42,080
Unallocated depreciation	943,426	903,816	-	-	943,426	903,816
Water and sewer	-	-	3,562,072	2,987,551	3,562,072	2,987,551
Solid waste	-	-	1,104,975	1,079,546	1,104,975	1,079,546
Airport	-	-	439,456	336,289	439,456	336,289
Convention center	-	-	8,232	2,641	8,232	2,641
Total expenses	9,944,724	9,353,433	5,114,735	4,406,027	15,059,459	13,759,460
Changes in net assets before transfers	(21,479)	70,987	1,973,782	2,610,411	1,952,303	2,681,398
Transfers	522,516	787,912	(522,516)	(787,912)	-	-
Changes in net assets	501,037	858,899	1,451,266	1,822,499	1,952,303	2,681,398
Net assets - beginning	15,826,467	14,967,568	16,240,768	14,418,269	32,067,235	29,385,837
Net assets - ending	\$16,327,504	\$15,826,467	\$17,692,034	\$16,240,768	\$34,019,538	\$32,067,235

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 \$6,674,665, an increase of \$644,081 in comparison with the prior year. Approximately 52% of this total amount, or \$3,491,323, constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance, \$3,183,342, 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 \$9,923,245 in the year ended June 30, 2012, which represents a increase of \$498,825 from the year ended June 30, 2011. Expenditures for governmental functions totaled \$9,801,680 in the year ended June 30, 2012. This was a increase of \$78,861 from the fiscal year-ended June 30, 2011. The increase in revenues is partly caused by a increase in taxes collected and intergovernmental revenues, which caused a related increase in expenditures. In the fiscal year-ended June 30, 2012, revenues for governmental functions exceeded expenditures by approximately \$121,565.

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 \$3,491,323. General Fund revenues totaled \$7,783,678 for the fiscal year, while expenditures totaled \$7,539,217. Revenues exceeded expenditures by \$244,461 before transfers in and out of the general fund.

During 2012, the General Fund received transfers of \$575,000 from other City funds and made transfers of \$762,235 to other funds. The net transfers of \$187,235 decrease the fund balance, which was increased \$57,226 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 \$20,493,508 in 2011 to \$21,152,832 in 2012. This is a 3.2% increase. The Water and Sewer Fund makes up the largest portion of total assets with \$16,934,625 and had the largest increase in assets of the proprietary funds which was \$1,217,549. The Solid Waste Fund had an increase in assets of \$301,671, the Airport Fund had an decrease in assets of \$73,062 and the Convention Center Fund had an increase of \$5,108 in assets in 2012.

Proprietary fund liabilities decreased 23% or \$791,942 during 2012. Water and Sewer fund liabilities decreased \$704,571 primarily due to the paying down of long-term debt. The Solid Waste liabilities decreased \$16,620. The Airport Fund liabilities decreased \$70,958 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 \$836,161 for the year ended June 30, 2012. The

majority of this increase was due to an increase in the gross receipts tax revenue budget of \$855,258. 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, 2012 were greater than what was collected in previous years due to the strength of the local economy.

Actual General Fund expenditures were \$7,381,876, which was 9% below the final budget amount for the year ended June 30, 2012. 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 \$3,087,106 in the final budget. The actual fund balance for the General Fund for the year ended June 30, 2012 was \$3,648,664. This was a unfavorable variance of \$561,558, or 18%. 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, 2012 amount to \$22,548,612 (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 \$1,370,911 for governmental activities. Improvements costing \$59,920, machinery and equipment \$648,213, and vehicles costing \$196,419 were purchased for the City and construction in progress of \$466,359 was added in the year ended June 30, 2012. The total increase in business-type capital assets (excluding accumulated depreciation) for the current fiscal year was \$212,247, due primarily to purchases related to the airport runway system. There were deletions in the governmental activities totaling \$0 and in the business-type activities totaling \$130,253 during 2012.

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, 2012 and 2011**

	Governmental Activities		Business - Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Land and Construction in Progress	\$ 858,760	\$ 1,059,873	\$ 4,687,510	\$ 4,593,347	\$ 5,546,270	\$ 5,653,220
Buildings, Improvements, Equipment, Furniture and Vehicles	<u>9,455,599</u>	<u>9,494,473</u>	<u>7,546,743</u>	<u>8,378,538</u>	<u>17,002,342</u>	<u>17,873,011</u>
Capital Assets, Net of A/D	<u>\$10,314,359</u>	<u>\$10,554,346</u>	<u>\$12,234,253</u>	<u>\$12,971,885</u>	<u>\$22,548,612</u>	<u>\$23,526,231</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 2012, the City had total long-term debt outstanding of \$3,659,346, 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, 2012 was \$669,069 and \$2,990,277, respectively, and were reduced \$96,412 and \$702,387, respectively, during the fiscal year.

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

**Long Term Debt
June 30, 2012 and 2011**

	Governmental Activities		Business - Type Activities		Total	
	2012	2011	2012	2011	2012	2011
Notes Payable	\$ 283,334	\$ 404,289	\$ 2,271,540	\$ 2,586,037	\$ 2,554,874	\$ 2,990,326
Bonds Payable	-	-	-	375,000	-	375,000
Landfill post closure	-	-	662,925	678,422	662,925	678,422
Compensated Absences	<u>385,735</u>	<u>361,192</u>	<u>55,812</u>	<u>53,205</u>	<u>441,547</u>	<u>414,397</u>
Total Long Term Debt	<u>\$ 669,069</u>	<u>\$ 765,481</u>	<u>\$ 2,990,277</u>	<u>\$ 3,692,664</u>	<u>\$ 3,659,346</u>	<u>\$ 4,458,145</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, 2012

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 4,780,415	\$ 4,100,339	\$ 8,880,754
Investments	737,839	679,950	1,417,789
Accounts receivable	125,919	692,007	817,926
Taxes receivable	1,139,678	22,826	1,162,504
Interest receivable	5	28	33
Intergovernmental receivable	168,194	19,201	187,395
Returned check	-	1,942	1,942
Inventory	-	43,416	43,416
Due from other funds	9,188	-	9,188
Total current assets	6,961,238	5,559,709	12,520,947
NON-CURRENT ASSETS:			
Restricted cash and cash equivalents	117,962	2,915,111	3,033,073
Restricted investments	-	443,759	443,759
Capital assets, net	10,314,359	12,234,253	22,548,612
Total non-current assets	10,432,321	15,593,123	26,025,444
Total assets	\$ 17,393,559	\$ 21,152,832	\$ 38,546,391
LIABILITIES AND NET ASSETS			
CURRENT LIABILITIES:			
Accounts payable	\$ 233,589	\$ 169,595	\$ 403,184
Accrued interest	2,379	9,051	11,430
Accrued salaries	115,393	17,513	132,906
Accrued GRT tax	45,625	-	45,625
Unapplied deposits	-	19,380	19,380
Due to other funds	-	9,188	9,188
Current portion of compensated absences	127,159	22,537	149,696
Current portion of long term debt	52,656	330,957	383,613
Total current liabilities	576,801	578,221	1,155,022
NON-CURRENT LIABILITIES:			
Customer deposits	-	245,794	245,794
Compensated absences	258,576	33,275	291,851
Landfill closure	-	662,925	662,925
Long term debt, less current maturities	230,678	1,940,583	2,171,261
Total non-current liabilities	489,254	2,882,577	3,371,831
Total liabilities	1,066,055	3,460,798	4,526,853
NET ASSETS			
Invested in capital assets, net of related debt	10,031,025	9,966,809	19,997,834
Restricted for:			
Debt services	2,339,402	-	2,339,402
Capital projects	499,189	-	499,189
Water conservation	344,751	-	344,751
Unrestricted	3,113,137	7,725,225	10,838,362
Total net assets	16,327,504	17,692,034	34,019,538
Total net assets and liabilities	\$ 17,393,559	\$ 21,152,832	\$ 38,546,391

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, 2012

FUNCTIONAL/PROGRAMS:	Net (Expense) Revenue and Changes in Net Asset						
	Expenses	Charges for Services	Program Revenues Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
Governmental activities:							
Administration	\$ 1,769,824	\$ 186,512	\$ 212,960	\$ -	\$ (1,370,352)	\$ -	\$ (1,370,352)
Municipal court	258,533	101,017	122,294	6,198	(29,024)	-	(29,024)
Library	348,408	7,578	24,983	-	(315,847)	-	(315,847)
General services	196,747	-	-	-	(196,747)	-	(196,747)
Fire and emergency management	2,145,422	700,157	636,414	10,000	(798,851)	-	(798,851)
Police	2,339,267	24,137	56,697	-	(2,258,433)	-	(2,258,433)
Senior citizens	18,650	-	-	-	(18,650)	-	(18,650)
Streets	737,560	-	-	131,707	(605,853)	-	(605,853)
Parks and recreation	923,291	158,610	49,768	-	(714,913)	-	(714,913)
Public works and transportation	243,970	4,239	309,634	40,800	110,703	-	110,703
Interest expense	19,627	-	-	-	(19,627)	-	(19,627)
Unallocated depreciation	943,426	-	-	-	(943,426)	-	(943,426)
Total governmental activities	9,944,725	1,182,250	1,412,750	188,705	(7,161,020)	-	(7,161,020)
Business-type activities:							
Water and sewer	3,562,072	4,874,029	6,987	-	-	1,318,944	1,318,944
Solid waste	1,104,975	1,342,408	-	-	-	237,433	237,433
Airport	439,456	155,466	33,298	125,146	-	(125,546)	(125,546)
Convention center	8,232	13,340	-	-	-	5,108	5,108
Total business-type activities	5,114,735	6,385,243	40,285	125,146	-	1,435,939	1,435,939
Total primary government	15,059,460	7,567,493	1,453,035	313,851	(7,161,020)	1,435,939	(5,725,081)
General Revenues:							
Gross receipts taxes					6,159,942	138,422	6,298,364
Franchise taxes					312,470	-	312,470
Property taxes					296,073	-	296,073
Gasoline taxes					190,194	-	190,194
Lodger's taxes					104,353	-	104,353
Cigarette taxes					29	-	29
Water conservation fees					-	321,287	321,287
Investment earnings					17,707	78,134	95,841
Rentals, reimbursements and other transfers					58,773	-	58,773
Transfers					522,516	(522,516)	-
Total general revenues and transfers					7,662,057	15,327	7,677,384
Changes in net assets					501,037	1,451,266	1,952,303
Net assets, beginning of year					15,826,467	16,240,768	32,067,235
Net assets, end of year					16,327,504	17,692,034	34,019,538

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, 2012

	General Fund	Total Nonmajor Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 1,892,379	\$ 2,888,036	\$ 4,780,415
Restricted cash and cash equivalents	-	117,962	117,962
Investments	648,102	89,737	737,839
Accounts receivable	125,919	-	125,919
Taxes receivable	1,058,387	81,291	1,139,678
Intergovernmental receivable	15,917	152,277	168,194
Accrued interest receivable	-	5	5
Due from other funds	15,655	9,188	24,843
	<u>3,756,359</u>	<u>3,338,496</u>	<u>7,094,855</u>
Total assets	<u>\$ 3,756,359</u>	<u>\$ 3,338,496</u>	<u>\$ 7,094,855</u>
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable	\$ 100,146	\$ 133,443	\$ 233,589
Accrued GRT tax	45,625	-	45,625
Accrued interest	-	2,379	2,379
Accrued salaries	111,716	3,677	115,393
Deferred revenue	7,549	-	7,549
Due to other funds	-	15,655	15,655
	<u>265,036</u>	<u>155,154</u>	<u>420,190</u>
Total liabilities	265,036	155,154	420,190
Fund balances:			
Restricted, reported in:			
Special revenue funds	-	2,339,402	2,339,402
Capital projects funds	-	499,189	499,189
Debt service funds	-	344,751	344,751
Unassigned, reported in:			
General fund	3,491,323	-	3,491,323
	<u>3,491,323</u>	<u>3,183,342</u>	<u>6,674,665</u>
Total fund balances	<u>3,491,323</u>	<u>3,183,342</u>	<u>6,674,665</u>
Total liabilities and fund balances	<u>\$ 3,756,359</u>	<u>\$ 3,338,496</u>	<u>\$ 7,094,855</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, 2012

Total fund balances - governmental funds \$ 6,674,665

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	21,573,333	
Accumulated depreciation	<u>(11,258,974)</u>	10,314,359

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

Property taxes		7,549
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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	283,334	
Compensated absences	<u>385,735</u>	<u>(669,069)</u>

Total net assets - governmental activities \$ 16,327,504

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, 2012

	General Fund	Total Nonmajor Funds	Total Governmental Funds
REVENUES			
Taxes:			
Gross receipts	\$ 5,834,083	\$ 325,859	\$ 6,159,942
Franchise	312,470	-	312,470
Property	296,073	-	296,073
Other	-	294,576	294,576
Intergovernmental	115,723	946,684	1,062,407
Charges for services	700,621	-	700,621
Licenses, fees and permits	181,437	115,563	297,000
Fines	86,620	-	86,620
Rentals	32,168	-	32,168
Federal operating grants	31,169	51,267	82,436
Other grants and contributions	131,912	390,540	522,452
Interest	2,629	15,078	17,707
Other	58,773	-	58,773
Total revenues	<u>7,783,678</u>	<u>2,139,567</u>	<u>9,923,245</u>
EXPENDITURES			
Current:			
General government	1,504,577	338,593	1,843,170
Public safety	3,940,590	388,577	4,329,167
Public works	467,630	607,549	1,075,179
Culture and recreation	1,603,260	106,883	1,710,143
Capital outlay	-	703,439	703,439
Debt service:			
Principal	19,060	101,895	120,955
Interest	4,100	15,527	19,627
Total expenditures	<u>7,539,217</u>	<u>2,262,463</u>	<u>9,801,680</u>
Excess (deficiency) of revenues over expenditures	244,461	(122,896)	121,565
OTHER FINANCING SOURCES (USES):			
Transfers in	575,000	709,751	1,284,751
Transfers out	<u>(762,235)</u>	<u>-</u>	<u>(762,235)</u>
Total other financing source (uses)	<u>(187,235)</u>	<u>709,751</u>	<u>522,516</u>
Net change in fund balance	57,226	586,855	644,081
Fund balance at beginning of year	<u>3,434,097</u>	<u>2,596,487</u>	<u>6,030,584</u>
Fund balance at end of year	<u>\$ 3,491,323</u>	<u>\$ 3,183,342</u>	<u>\$ 6,674,665</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, 2012

Net change in fund balances - total governmental funds \$ 644,081

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	1,370,911	
Depreciation expense	(943,426)	
Retirement or disposal of capital assets	<u>(667,472)</u>	(239,987)

Governmental funds report loan payments as debt service expenditures. However, in the statement of activities, these payments are not recognized as expenditures. 120,955

Property taxes that do not provide current financial resources, made available to pay for the current period's expenditures, reported as delierred revenue in the funds. 531

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). (24,543)

Change in net assets of governmental activities \$ 501,037

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, 2012

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Taxes:				
Gross receipts	\$ 4,961,988	\$ 5,817,246	\$ 5,834,083	\$ 16,837
Franchise	310,000	310,000	312,470	2,470
Property	345,312	301,400	296,073	(5,327)
Intergovernmental	-	-	115,723	115,723
Charges for services	692,135	748,883	700,621	(48,262)
Licenses, fees and permits	49,175	42,853	181,437	138,584
Fines	80,196	85,064	86,620	1,556
Rentals	-	-	32,168	32,168
Federal operating grants	82,000	82,000	31,169	(50,831)
Other grant and contributions	51,200	20,721	131,912	111,191
Interest	4,000	4,000	2,629	(1,371)
Other	155,163	155,163	58,773	(96,390)
Total revenues	<u>6,731,169</u>	<u>7,567,330</u>	<u>7,783,678</u>	<u>216,348</u>
EXPENDITURES:				
Current				
General government	1,729,911	1,704,851	1,347,236	357,615
Public safety	4,120,870	4,145,781	3,940,590	205,191
Public works	573,193	511,002	467,630	43,372
Culture and recreation	1,717,131	1,694,493	1,603,260	91,233
Debt service				
Principal	-	-	19,060	(19,060)
Interest	-	-	4,100	(4,100)
Total expenditures	<u>8,141,105</u>	<u>8,056,127</u>	<u>7,381,876</u>	<u>674,251</u>
Excess (deficiency) of revenues over expenditures	<u>(1,409,936)</u>	<u>(488,797)</u>	<u>401,802</u>	<u>890,599</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	975,000	975,000	575,000	(400,000)
Transfers out	<u>(833,194)</u>	<u>(833,194)</u>	<u>(762,235)</u>	<u>70,959</u>
Total other financing sources (uses)	<u>141,806</u>	<u>141,806</u>	<u>(187,235)</u>	<u>(329,041)</u>
Net changes in fund balance	(1,268,130)	(346,991)	214,567	561,558
Fund balance - beginning of the year, as restated	<u>3,434,097</u>	<u>3,434,097</u>	<u>3,434,097</u>	<u>-</u>
Fund balance - end of the year	<u>\$ 2,165,967</u>	<u>\$ 3,087,106</u>	<u>\$ 3,648,664</u>	<u>\$ 561,558</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ 214,567	
Net expenditure accruals			<u>(157,341)</u>	
Net change in fund balance GAAP basis			<u>\$ 57,226</u>	

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, 2012

	Water and Sewer Fund	Solid Waste Fund	Airport Fund	Convention Center Fund	Total Proprietary Funds
ASSETS					
CURRENT ASSETS:					
Cash and cash equivalents	\$ 3,189,123	\$ 903,586	\$ 151	\$ 7,479	\$ 4,100,339
Investment	480,534	199,416	-	-	679,950
Accounts receivable	530,178	161,829	-	-	692,007
Taxes receivable	-	22,826	-	-	22,826
Interest receivable	28	-	-	-	28
Intergovernmental receivable	-	-	19,201	-	19,201
Returned checks	1,837	105	-	-	1,942
Inventory	-	-	43,416	-	43,416
Total current assets	4,201,700	1,287,762	62,768	7,479	5,559,709
NON-CURRENT ASSETS:					
Restricted assets:					
Cash and cash equivalents	2,915,111	-	-	-	2,915,111
Investments	443,759	-	-	-	443,759
Capital assets, net	9,374,055	403,696	2,456,502	-	12,234,253
Total non-current assets	12,732,925	403,696	2,456,502	-	15,593,123
Total assets	\$ 16,934,625	\$ 1,691,458	\$ 2,519,270	\$ 7,479	\$ 21,152,832
LIABILITIES AND NET ASSETS					
CURRENT LIABILITIES:					
Accounts payable	\$ 115,457	\$ 51,928	\$ 1,572	\$ 638	\$ 169,595
Accrued interest	9,051	-	-	-	9,051
Accrued salaries	10,747	5,997	769	-	17,513
Unapplied deposits	5,518	13,862	-	-	19,380
Due from other funds	9,188	-	-	-	9,188
Compensated absences - current portion	12,121	9,050	1,066	-	22,537
Long term debt - current portion	329,514	934	509	-	330,957
Total current liabilities	491,896	81,771	3,916	638	578,221
NON-CURRENT LIABILITIES:					
Customer deposits	245,794	-	-	-	245,794
Compensated absences	22,949	5,518	4,808	-	33,275
Landfill closure	-	662,925	-	-	662,925
Long term debt - long term portion	1,940,117	301	165	-	1,940,583
Total non-current liabilities	2,208,860	668,744	4,973	-	2,882,577
Total liabilities	2,700,756	750,515	8,889	638	3,460,798
NET ASSETS					
Invested in capital assets, net of related debt	7,106,611	403,696	2,456,502	-	9,966,809
Restricted for:					
Unrestricted	7,127,258	537,247	53,879	6,841	7,725,225
Total net assets	14,233,869	940,943	2,510,381	6,841	17,692,034
Total liabilities and net assets	\$ 16,934,625	\$ 1,691,458	\$ 2,519,270	\$ 7,479	\$ 21,152,832

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, 2012

	Water and Sewer Fund	Solid Waste Fund	Airport Fund	Convention Center Fund	Total Proprietary Funds
OPERATING REVENUES					
Charges for services	\$ 4,636,656	\$ 1,330,925	\$ -	\$ -	\$ 5,967,581
Fuel sales	-	-	118,086	-	118,086
Late charges	111,558	-	779	-	112,337
Rentals	9,782	-	42,162	11,444	63,388
Tapping and reconnect fees	114,935	-	-	-	114,935
Other and miscellaneous	1,098	11,483	(5,561)	1,896	8,916
Total operating revenues	<u>4,874,029</u>	<u>1,342,408</u>	<u>155,466</u>	<u>13,340</u>	<u>6,385,243</u>
OPERATING EXPENSES					
Salaries and wages	496,100	268,345	34,648	-	799,093
Employee benefits	176,584	96,849	6,789	-	280,222
Maintenance	989,809	74,471	23,912	-	1,088,192
Contracted and purchased services	283,116	423,581	45,070	-	751,767
Supplies	34,697	108,591	12,375	-	155,663
Operating costs	790,863	64,656	176,025	8,232	1,039,776
Depreciation	686,248	68,296	140,535	-	895,079
Amortization	18,151	-	-	-	18,151
Total operating expenses	<u>3,475,568</u>	<u>1,104,789</u>	<u>439,354</u>	<u>8,232</u>	<u>5,027,943</u>
Operating income (loss)	1,398,461	237,619	(283,888)	5,108	1,357,300
NON OPERATING REVENUES (EXPENSES):					
Investment income	77,318	816	-	-	78,134
Environmental gross receipts tax	-	138,422	-	-	138,422
Water conservation fees	321,287	-	-	-	321,287
Grants	6,987	-	158,444	-	165,431
Interest expense	(86,504)	(186)	(102)	-	(86,792)
Total non operating revenues (expenses)	319,088	139,052	158,342	-	616,482
Transfers:					
Transfers in	-	-	52,484	-	52,484
Transfers out	(500,000)	(75,000)	-	-	(575,000)
Total Transfers	<u>(500,000)</u>	<u>(75,000)</u>	<u>52,484</u>	<u>-</u>	<u>(522,516)</u>
Change in net assets	1,217,549	301,671	(73,062)	5,108	1,451,266
Net assets, beginning of year, as previously reported	13,016,320	639,272	2,583,443	1,733	16,240,768
Restatement	-	-	-	-	-
Net assets, beginning of year, as restated	<u>13,016,320</u>	<u>639,272</u>	<u>2,583,443</u>	<u>1,733</u>	<u>16,240,768</u>
Net assets, end of year	<u>\$ 14,233,869</u>	<u>\$ 940,943</u>	<u>\$ 2,510,381</u>	<u>\$ 6,841</u>	<u>\$ 17,692,034</u>

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, 2012**

	Water and Sewer Fund	Solid Waste Fund	Airport Fund	Convention Center Fund	Total Proprietary Funds
Cash flows from operating activities:					
Cash received from customers	\$ 5,076,230	\$ 1,338,758	\$ 155,466	\$ 13,340	\$ 6,583,794
Payments to suppliers and contractors	(2,108,722)	(688,948)	(296,271)	(8,025)	(3,101,966)
Payments to employees for services	(669,145)	(363,053)	(40,646)	-	(1,072,844)
Net cash provided by (used in) operating activities	2,298,363	286,757	(181,451)	5,315	2,408,984
Cash flows from non-capital activities and related financing activities:					
Environmental gross receipts tax	-	137,221	-	-	137,221
Due to / from other funds	9,188	-	(12,995)	-	(3,807)
Water conservation fees	321,287	-	-	-	321,287
Net transfers in (out)	(500,000)	(75,000)	52,484	-	(522,516)
Net cash provided by (used in) non-capital activities and related financing activities:	(169,525)	62,221	39,489	-	(67,815)
Cash flows from capital activities and related financing activities:					
Grant proceeds	6,987	-	194,986	-	201,973
Interest expense	(116,351)	(186)	(102)	-	(116,639)
Purchase of capital assets	(104,998)	-	(52,449)	-	(157,447)
Principal payments on debt	(688,158)	(867)	(472)	-	(689,497)
Net cash provided by (used in) capital activities and related financing activities:	(902,520)	(1,053)	141,963	-	(761,610)
Cash flows from investing activities:					
Investment income	77,597	816	-	-	78,413
Net cash provided by (used in) investing activities	77,597	816	-	-	78,413
Net increase in cash and cash equivalents	1,303,915	348,741	1	5,315	1,657,972
Cash and cash equivalents - beginning	4,800,319	554,845	150	2,164	5,357,478
Cash and cash equivalents - ending	\$ 6,104,234	\$ 903,586	\$ 151	\$ 7,479	\$ 7,015,450
SUPPLEMENTARY INFORMATION:					
Cash and cash equivalents	\$ 3,189,123	\$ 903,586	\$ 151	\$ 7,479	\$ 4,100,339
Restricted cash	2,915,111	-	-	-	2,915,111
Total cash and cash equivalents	\$ 6,104,234	\$ 903,586	\$ 151	\$ 7,479	\$ 7,015,450
Reconciliation of operating income to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ 1,398,461	\$ 237,619	\$ (283,888)	\$ 5,108	\$ 1,357,300
Adjustments to operating income to net cash used in operating activities:					
Depreciation	686,248	68,296	140,535	-	895,079
Amortization	18,151	-	-	-	18,151
Changes in net assets and liabilities:					
Accounts receivables	191,257	(3,405)	-	-	187,852
Inventory	-	-	19,393	-	19,393
Accounts payable	(9,303)	(2,152)	(58,282)	207	(69,530)
Accrued salaries	3,539	(316)	(293)	-	2,930
Unapplied credits	1,468	(245)	-	-	1,223
Landfill	-	(15,497)	-	-	(15,497)
Compensated absences	(934)	2,457	1,084	-	2,607
Customer deposits	9,476	-	-	-	9,476
Net cash provided by operating activities	\$ 2,298,363	\$ 286,757	\$ (181,451)	\$ 5,315	\$ 2,408,984

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, 2012**

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:

Assets	Years
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 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.

In March 2012, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 65 Items Previously Reported as Assets and Liabilities, which is effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged. The objective of this Statement is to clarify the appropriate use of the financial statement elements deferred outflows of resources and deferred inflows of resources to ensure consistency in financial reporting. 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 March 2012, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 66 Summary of Statement No. 66 Technical Corrections—2012—an amendment of GASB Statements No. 10 and No. 62, which is effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged. The objective of this Statement is to improve accounting and financial reporting for a governmental financial reporting entity by resolving conflicting guidance that resulted from the issuance of two pronouncements, Statements No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, and No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements. 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, 2012.

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 103% 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 52 days.

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

credit of the United States government or are agencies sponsored by the United States government.

The LGIP investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments. The pool does not have unit shares and earnings are distributed monthly by the State Treasurer to the participants in proportion to the amount and length of time the participants have funds on deposit. Participation in the LGIP is voluntary and can be liquidated by the City at the City council's discretion. The City's balance in the LGIP account as of June 30, 2012 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 103% 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 \$1,798,281 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, 2012 is as follows:

	<u>US Bank</u>	<u>New Mexico Finance Authority</u>	<u>Linsco/ Private Ledger</u>	<u>Total</u>
Total cash deposits	\$ 9,941,738	\$ 625,567	\$ 1,798,281	\$ 12,365,586
FDIC/SPIC coverage	(250,000)	-	(500,000)	(750,000)
Less non-interest bearing	<u>(1,301)</u>	<u>-</u>	<u>-</u>	<u>(1,301)</u>
Uninsured funds subject to custodial credit risk	9,690,437	625,567	1,298,281	11,614,285
Lloyd's of London securities insurance protection	<u>-</u>	<u>-</u>	<u>1,298,281</u>	<u>1,298,281</u>
Funds (over) under collateralized - total funds subject to custodial credit risks	<u>\$ 9,690,437</u>	<u>\$ 625,567</u>	<u>\$ -</u>	<u>\$ 10,316,004</u>

The following summarizes the collateral requirements at June 30, 2012:

50% of uninsured funds	\$ 5,593,221	\$ -	\$ -	\$ 5,593,221
Pledge collateral	<u>11,001,795</u>	<u>-</u>	<u>-</u>	<u>11,001,795</u>
Over (under) collateralized	<u>\$ 6,904,579</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,904,579</u>

4. ACCOUNTS RECEIVABLE

Accounts receivable reported in the business-type activities at June 30, 2012 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, 2012:

	<u>Accounts Receivable</u>	<u>Allowance for Uncollectibles</u>	<u>Total</u>
Water and sewer	\$ 860,475	\$ (330,297)	\$ 530,178
Solid waste	<u>211,308</u>	<u>(49,479)</u>	<u>161,829</u>
	<u>\$ 1,071,783</u>	<u>\$ (379,776)</u>	<u>\$ 692,007</u>

The general fund receivable of \$125,919 consists primarily of ambulance charges outstanding at June 30, 2012. No allowance for uncollectible accounts has been established for the ambulance accounts receivable, as management believes the amounts are fully collectible from either third party insurance companies or the patient. Management reevaluates the collectibility of the ambulance receivables on an ongoing basis.

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

Taxes Receivables	
Gross receipts taxes	\$ 965,408
Franchise	75,136
Property taxes	9,976
Other	7,867
	<u>\$ 1,058,387</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 \$0.

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, 2012 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	500,000	Subsidize general fund operations
General Fund	Correction Fund	18,160	Subsidize correction fund operations
General Fund	Emergency Medical Service	39,200	Subsidize fund operations
General Fund	Law Enforcement Fund	-	Subsidize fund operations
General Fund	Library Fund	25,000	Fund library operations
General Fund	Portales Area Transit Fund	126,457	Subsidize PAT operations
General Fund	Regional Growth Planning Fund	2,615	Subsidized fund operations
General Fund	Capital Projects Fund	269,000	Fund capital expenditures
General Fund	CDBG - Capital Project Fund	18,497	Fund match for CDBG grant
General Fund	Comprehensive Plan Fund	2,023	Subsidize fund operations
General Fund	Airport	52,484	Subsidize airport operations

BALANCES:

From Fund	To Fund	Amount	Purpose
Regional Growth Planning	General Fund	\$ 14,369	Fund Expenditure Reimbursement
Risk Management	General Fund	1,286	Fund Expenditure Reimbursement

6. CAPITAL ASSETS

A summary of capital assets and changes occurring during the year ended June 30, 2012, 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, 2011	Additions	Retirements and Transfers	Restatements	Balance June 30, 2012
<i>Governmental activities:</i>					
Capital assets not being depreciated:					
Land	\$ 698,102	\$ -	\$ -	\$ -	\$ 698,102
Construction in progress	<u>361,771</u>	<u>466,359</u>	<u>(667,472)</u>	<u>-</u>	<u>160,658</u>
Total	<u>1,059,873</u>	<u>466,359</u>	<u>(667,472)</u>	<u>-</u>	<u>858,760</u>
Other capital assets being depreciated:					
Buildings	6,401,031	-	-	-	6,401,031
Improvements	6,918,181	59,920	-	-	6,978,101
Machinery and equipment	2,639,859	648,213	(29,660)	-	3,258,412
Furniture and fixtures	200,472	-	-	-	200,472
Vehicles	<u>3,754,788</u>	<u>196,419</u>	<u>(74,650)</u>	<u>-</u>	<u>3,876,557</u>
Total	<u>19,914,331</u>	<u>904,552</u>	<u>(104,310)</u>	<u>-</u>	<u>20,714,573</u>
Less accumulated depreciation for:					
Buildings	3,543,610	205,933	-	-	3,749,543
Improvements	1,559,649	314,825	-	-	1,874,474
Machinery and equipment	2,227,576	180,585	(29,660)	-	2,378,501
Furniture and fixtures	179,720	8,136	-	-	187,856
Vehicles	<u>2,909,303</u>	<u>233,947</u>	<u>(74,650)</u>	<u>-</u>	<u>3,068,600</u>
Total accumulated depreciation	<u>10,419,858</u>	<u>943,426</u>	<u>(104,310)</u>	<u>-</u>	<u>11,258,974</u>
Governmental capital assets, net	<u>\$ 10,554,346</u>	<u>\$ 427,485</u>	<u>\$ (667,472)</u>	<u>\$ -</u>	<u>\$ 10,314,359</u>

	Balance June 30, 2011	Additions	Retirements and Transfers	Balance June 30, 2012
<i>Business-type activities:</i>				
Capital assets not being depreciated:				
Land	\$ 4,593,347	\$ -	\$ -	\$ 4,593,347
Construction in progress	-	94,163	-	94,163
Land	4,593,347	94,163	-	4,687,510
Capital assets being depreciated:				
Buildings	1,552,790	-	-	1,552,790
Improvements	18,284,526	-	(12,482)	18,272,044
Machinery and equipment	4,144,758	80,244	(117,771)	4,107,231
Furniture and fixtures	4,929	-	-	4,929
Vehicles	1,478,450	37,840	-	1,516,290
Total	<u>25,465,453</u>	<u>118,084</u>	<u>(130,253)</u>	<u>25,453,284</u>
Less accumulated depreciation:				
Buildings	956,820	39,486	-	996,306
Improvements	12,437,359	445,906	(6,175)	12,877,090
Machinery and equipment	2,691,542	356,333	(117,771)	2,930,104
Furniture and fixtures	4,860	70	-	4,930
Vehicles	996,334	101,777	-	1,098,111
Total accumulated depreciation	<u>17,086,915</u>	<u>943,572</u>	<u>(123,946)</u>	<u>17,906,541</u>
Business-type capital assets, net	<u>\$ 12,971,885</u>	<u>\$ (731,325)</u>	<u>\$ (6,307)</u>	<u>\$ 12,234,253</u>

The City reported \$943,426 of accumulated 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, 2012, was as follows:

	Balance 06/30/11	Additions	Reductions	Balance 06/30/12
Governmental Activities:				
NMFA - Recreation Center	\$ 296,795	\$ -	\$ 33,013	\$ 263,782
NM Retiree Health Care Authority	38,611	-	19,059	19,552
NMFA Loan - Fire Pumper Truck	68,883	-	68,883	-
Total Governmental Debt	<u>\$ 404,289</u>	<u>\$ -</u>	<u>\$ 120,955</u>	<u>\$ 283,334</u>

	Balance 6/30/11	Additions	Reductions	Balance 06/30/12
Business -Type Activities:				
Water/Sewer Revenue Bonds	\$ 375,000	\$ -	\$ 375,000	\$ -
NMFA - Blackwater Well Field	1,463,234	-	267,266	1,195,968
NMRIICA	6,785	-	2,798	3,987
Water Improvement	1,116,018	-	44,433	1,071,585
Total	\$ 2,961,037	\$ -	\$ 689,497	\$ 2,271,540

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

Year Ended June 30,	Governmental			Business -Type		
	Principal	Interest	Total	Principal	Interest	Total
2013	\$ 52,656	\$ 15,115	\$ 67,771	\$ 330,957	\$ 86,105	\$ 417,062
2014	33,197	12,520	45,717	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	363,035	39,521	402,556
2017	38,493	6,880	45,373	51,510	26,404	77,914
2018-2022	87,304	7,186	94,490	281,667	107,893	389,560
2023-2027	-	-	-	326,542	63,028	389,570
2028-2030	-	-	-	220,399	13,354	233,753
Total	\$ 283,334	\$ 61,414	\$ 344,748	\$ 2,271,540	\$ 465,124	\$ 2,736,664

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

Description	Interest Rate	Payment Frequency	Payment Amount	Maturity Date	Due Within One Year	Servicing Fund
Governmental Activities:						
NMFA - Recreation Center	Varies to 5.47%	Monthly	\$4,085	May 2019	33,104	Capital Projects
NM Retiree Health Care Authority	7.50%	Monthly	\$1,782	June 2013	<u>19,552</u>	General
					<u>\$ 52,656</u>	

Description	Interest Rate	Payment Frequency	Payment Amount	Maturity Date	Due Within One Year	Servicing Fund
Business-Type Activities:						
Water/Sewer Revenue Bonds	Varies to 4.90%	Semiannual Interest, Annual Principal	Approximately \$391,000 Annually	June 2012	\$ -	Water and Sewer
NMFA - Blackwater Well Field	Varies to 4.79%	Monthly	\$27,918	May 2016	281,204	Water and Sewer
Water Improvement	3.00%	Annual	\$78,309	September 2029	45,766	Water Conservation
NMRHCA	7.50%	Monthly	\$261	June 2013	<u>3,987</u>	Solid Waste, Airport, Water and Sewer
					<u>\$ 330,957</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 06/30/11	Additions	Reductions	Balance 06/30/12	Due Within One Year
Governmental Activities	\$ 361,192	\$ 246,813	\$ 222,270	\$ 385,735	\$ 127,159
Business-Type Activities	<u>53,205</u>	<u>38,138</u>	<u>35,531</u>	<u>55,812</u>	<u>22,537</u>
	<u>\$ 414,397</u>	<u>\$ 284,951</u>	<u>\$ 257,801</u>	<u>\$ 441,547</u>	<u>\$ 149,696</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 \$662,925 as of June 30, 2012, 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, 2012. 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. DEFICIT FUND BALANCE

The City had a deficit fund balance of \$2,410 in the Correction fund. The cause of the deficit is the cost for care of prisoners by the County. Money will be transferred to the fund to increase the fund balance and eliminate the deficit.

12. 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, 2012 were \$177,950.

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, 2012 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.

13. 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.

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 12.35% 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, 2012, 2011, and 2010 were \$487,187, \$653,463, and \$574,328, respectively, equal to the amount of the required contributions for each year.

14. 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.

(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, 2012, the statute required each participating employer to contribute 1.834% of each participating employee's annual salary; each participating employee was required to contribute .917% of their salary. In the fiscal years ending 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>
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, 2012, the statute required each participating employer to contribute 2.292% of each participating employee's annual salary, and each participating employee was required to contribute 1.146% of their salary. In the fiscal years ending 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>
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, 2012, 2011 and 2010 were \$91,675, \$81,029, and \$55,745, respectively, which equal the required contributions for each year.

15. 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.

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 inkind support and operations for the Enhanced 911 emergency system.

FIRE PROTECTION FUND - Accounts for state fire allotment funds received for the operations and maintenance of the fire department.

BEAUTIFICATION/LITTER CONTROL FUND - Accounts for the state grant funds necessary to aid in the litter control and beautification of the municipality.

LAW ENFORCEMENT PROTECTION FUND - 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.

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, 2012

	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
ASSETS							
Cash and cash equivalents	\$ 560	\$ 13,848	\$ 5	\$ 243,306	\$ 922	\$ -	\$ 523
Restricted cash and cash equivalents	-	-	-	-	-	-	-
Intergovernmental receivables	-	-	2,311	-	5,370	-	9,022
Accrued interest receivable	-	-	-	5	-	-	-
Total assets	<u>\$ 560</u>	<u>\$ 13,848</u>	<u>\$ 2,316</u>	<u>\$ 243,311</u>	<u>\$ 6,292</u>	<u>\$ -</u>	<u>\$ 9,545</u>
LIABILITIES AND FUND BALANCE							
Liabilities							
Accounts payable	\$ 2,970	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 196
Total liabilities	2,970	-	-	-	-	-	196
Fund balances:							
Restricted, reported in:							
Special revenue funds	(2,410)	13,848	2,316	243,311	6,292	-	9,349
Capital project funds	-	-	-	-	-	-	-
Debt service funds	-	-	-	-	-	-	-
Total fund balances	<u>(2,410)</u>	<u>13,848</u>	<u>2,316</u>	<u>243,311</u>	<u>6,292</u>	<u>-</u>	<u>9,349</u>
Total liabilities and fund balances	<u>\$ 560</u>	<u>\$ 13,848</u>	<u>\$ 2,316</u>	<u>\$ 243,311</u>	<u>\$ 6,292</u>	<u>\$ -</u>	<u>\$ 9,545</u>

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

Continued

STATE OF NEW MEXICO
CITY OF PORTALES

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012

	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
ASSETS							
Cash and cash equivalents	\$ 132,199	\$ 137,709	\$ 100,851	\$ 29,355	\$ 8,115	\$ 10,035	\$ -
Restricted cash and cash equivalents	-	-	-	-	-	-	-
Taxes receivables	10,503	-	-	-	-	-	-
Intergovernmental receivables	-	-	3,750	-	-	8,407	21,161
Total assets	\$ 142,702	\$ 137,709	\$ 104,601	\$ 29,355	\$ 8,115	\$ 18,442	\$ 21,161
LIABILITIES AND FUND BALANCE							
Liabilities							
Accounts payable	\$ 17,734	\$ 707	\$ 445	\$ -	\$ -	\$ 2,999	\$ -
Accrued interest	-	-	-	-	-	-	-
Accrued salaries	-	178	-	-	-	3,499	-
Due to other funds	-	-	-	-	-	-	14,369
Total liabilities	17,734	885	445	-	-	6,498	14,369
Fund balances:							
Restricted, reported in:							
Special revenue funds	124,968	136,824	104,156	29,355	8,115	11,944	6,792
Capital project funds	-	-	-	-	-	-	-
Debt service funds	-	-	-	-	-	-	-
Total fund balances	124,968	136,824	104,156	29,355	8,115	11,944	6,792
Total liabilities and fund balances	\$ 142,702	\$ 137,709	\$ 104,601	\$ 29,355	\$ 8,115	\$ 18,442	\$ 21,161

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, 2012

	Special Revenue Funds					
	Community Development Block Grant Fund	Comprehensive Plan Fund	Risk Management Fund	Criminal Justice Fund	MainStreet Fund	Economic Development Fund
ASSETS						
Cash and cash equivalents	\$ 1,301	\$ -	\$ -	\$ 5,452	\$ 159	\$ 1,322,897
Restricted cash and cash equivalents	-	-	-	-	-	-
Investments	-	-	89,737	-	-	-
Taxes receivables	-	-	-	-	-	45,645
Intergovernmental receivables	99,212	-	-	-	-	-
Total assets	<u>\$ 100,513</u>	<u>\$ -</u>	<u>\$ 89,737</u>	<u>\$ 5,452</u>	<u>\$ 159</u>	<u>\$ 1,368,542</u>
LIABILITIES AND FUND BALANCE						
Liabilities						
Accounts payable	\$ 99,212	\$ -	\$ -	\$ 851	\$ -	\$ -
Accrued interest	-	-	-	-	-	-
Accrued salaries	-	-	-	-	-	-
Due to other funds	-	-	1,286	-	-	-
Total liabilities	99,212	-	1,286	851	-	-
Fund balances:						
Restricted, reported in:						
Special revenue funds	1,301	-	88,451	4,601	159	1,368,542
Capital project funds	-	-	-	-	-	-
Debt service funds	-	-	-	-	-	-
Total fund balances	<u>1,301</u>	<u>-</u>	<u>88,451</u>	<u>4,601</u>	<u>159</u>	<u>1,368,542</u>
Total liabilities and fund balances	<u>\$ 100,513</u>	<u>\$ -</u>	<u>\$ 89,737</u>	<u>\$ 5,452</u>	<u>\$ 159</u>	<u>\$ 1,368,542</u>

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

Continued

STATE OF NEW MEXICO
CITY OF PORTALES

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012

	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	
ASSETS							
Cash and cash equivalents	\$ 170,756	\$ 2,177,993	\$ 193,615	\$ 180,865	\$ 335,563	\$	2,888,036
Restricted cash and cash equivalents	-	-	117,962	-	-	-	117,962
Investments	-	89,737	-	-	-	-	89,737
Taxes receivables	16,973	73,121	8,170	-	-	-	81,291
Intergovernmental receivables	-	149,233	-	3,044	-	-	152,277
Accrued interest receivable	-	\$	-	-	-	-	\$
Due from other funds	-	-	-	-	-	9,188	9,188
Total assets	\$ 187,729	\$ 2,490,089	\$ 319,747	\$ 183,909	\$ 344,751	\$	\$ 3,338,496
LIABILITIES AND FUND BALANCE							
Liabilities							
Accounts payable	\$ 6,241	\$ 131,355	\$	\$ 2,088	\$	\$	\$ 133,443
Accrued interest	-	-	2,379	-	-	-	2,379
Accrued salaries	-	3,677	-	-	-	-	3,677
Due to other funds	-	15,655	-	-	-	-	15,655
Total liabilities	6,241	150,687	2,379	2,088	-	-	155,154
Fund balances:							
Restricted, reported in:							
Special revenue funds	181,488	2,339,402	-	-	-	-	2,339,402
Capital project funds	-	-	317,368	181,821	-	-	499,189
Debt service funds	-	-	-	-	344,751	-	344,751
Total fund balances	181,488	2,339,402	317,368	181,821	344,751	-	3,183,342
Total liabilities and fund balances	\$ 187,729	\$ 2,490,089	\$ 319,747	\$ 183,909	\$ 344,751	\$	\$ 3,338,496

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, 2012

	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	\$ -	\$ 16,641	\$ 397,593	\$ 238,822	\$ 9,918	\$ 33,800	\$ -
Taxes	-	-	-	-	-	-	-
Fees, fines and forfeitures	20,680	-	-	-	-	-	-
Other grants and contributions	-	10,000	-	-	-	-	24,983
Interest and other	-	-	-	58	-	6	3
Total revenues	\$ 20,680	\$ 26,641	\$ 397,593	\$ 238,880	\$ 9,918	\$ 33,806	\$ 24,986
Expenditures:							
General government	\$ -	\$ -	\$ -	\$ -	\$ 9,972	\$ -	\$ -
Public safety	37,152	-	59,493	73,522	-	33,837	-
Culture and recreation	-	-	-	-	-	-	43,417
Capital outlay	-	65,124	333,264	10,190	-	-	6,346
Debt service	-	-	-	68,882	-	-	-
Principal	-	-	-	551	-	-	-
Interest	-	-	-	-	-	-	-
Total expenditures	37,152	65,124	392,757	153,145	9,972	33,837	49,763
Excess (deficit) of revenues over expenditures	(16,472)	(38,483)	4,836	85,735	(54)	(31)	(24,777)
Other financing sources:							
Transfers in (out)	18,159	39,200	-	-	-	-	25,000
Total other financing sources	18,159	39,200	-	-	-	-	25,000
Net Change in fund balances	1,687	717	4,836	85,735	(54)	(31)	223
Fund balance - beginning of year	(4,097)	13,131	(2,320)	157,576	6,346	31	9,126
Fund balance - end of year	\$ (2,410)	\$ 13,848	\$ 2,316	\$ 243,311	\$ 6,292	\$ -	\$ 9,349

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

Continued

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, 2012

	Special Revenue Funds							Regional Growth Planning Fund
	Lodgers Tax Fund	Recreation Fund	Local DWI Program Fund	Law Enforcement Special Service Fund	CDBG Rehabilitation Loan Repayment Fund	Portales Transit Fund		
Revenues:								
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 91,073	\$ -
Taxes	104,353	29	-	-	-	-	-	-
Fees, fines and forfeitures	-	57,186	24,140	40	-	-	4,239	-
Federal operating grants	-	-	-	-	-	-	40,800	-
Other grants and contributions	-	11,178	110,868	3,878	-	-	-	75,996
Interest and other	17	61	44	15	-	-	-	-
Total revenues	\$ 104,370	\$ 68,454	\$ 135,052	\$ 3,933	\$ -	\$ 136,112	\$ -	\$ 75,996
Expenditures:								
General government	\$ 170,070	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Public safety	-	-	124,205	6,831	-	-	-	-
Public works	-	-	-	-	-	189,686	51,154	-
Culture and recreation	-	63,466	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	51,000	-	-
Total expenditures	170,070	63,466	124,205	6,831	-	240,686	51,154	-
Excess (deficit) of revenues over expenditures	(65,700)	4,988	10,847	(2,898)	-	(104,574)	24,842	-
Other financing sources:								
Transfers in (out)	-	-	-	-	-	126,457	-	2,615
Total other financing sources	-	-	-	-	-	126,457	-	2,615
Net Change in fund balances	(65,700)	4,988	10,847	(2,898)	-	21,883	27,457	-
Fund balance - beginning of year	190,668	131,836	93,309	32,253	8,115	(9,939)	(20,665)	-
Fund balance - end of year	\$ 124,968	\$ 136,824	\$ 104,156	\$ 29,355	\$ 8,115	\$ 11,944	\$ 6,792	\$ -

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, 2012

	Special Revenue Funds					
	Community Development Block Grant Fund	Comprehensive Plan Fund	Risk Management Fund	Criminal Justice Fund	MainStreet Fund	Economic Development Fund
Revenues:						
Intergovernmental	\$ -	\$ 80,249	\$ -	\$ -	\$ -	\$ -
Taxes	-	-	-	-	-	276,839
Fees, fines and forfeitures	-	-	-	9,278	-	-
Other grants and contributions	99,212	-	-	-	-	-
Interest and other	-	-	203	-	-	574
Total revenues	\$ 99,212	\$ 80,249	\$ 203	\$ 9,278	\$ -	\$ 277,413
Expenditures:						
General government	\$ -	\$ -	\$ 11,463	\$ -	\$ -	\$ 145,000
Public safety	-	-	-	8,834	-	-
Public works	-	82,660	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Capital outlay	117,709	-	-	-	-	-
Debt service	-	-	-	-	-	-
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total expenditures	117,709	82,660	11,463	8,834	-	145,000
Excess (deficit) of revenues over expenditures	(18,497)	(2,411)	(11,260)	444	-	132,413
Other financing sources:						
Transfers in (out)	18,497	2,023	8,800	-	-	-
Total other financing sources	18,497	2,023	8,800	-	-	-
Net Change in fund balances	-	(388)	(2,460)	444	-	132,413
Fund balance - beginning of year	1,301	388	90,911	4,157	159	1,236,129
Fund balance - end of year	\$ 1,301	\$ -	\$ 88,451	\$ 4,601	\$ 159	\$ 1,368,542

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

Continued

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, 2012

	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	Revenue Bonds	Sales Tax	
Revenues:							
Intergovernmental	\$ 57,571	\$ 925,667	\$ -	\$ 21,017	\$ -	\$ -	\$ 946,684
Taxes	190,194	571,415	49,020	-	-	-	620,435
Fees, fines and forfeitures	-	115,563	-	-	-	-	115,563
Federal operating grants	10,467	51,267	-	-	-	-	51,267
Other grants and contributions	-	336,115	-	54,425	-	-	390,540
Interest and other	-	981	225	-	-	13,872	15,078
Total revenues	\$ 258,232	\$ 2,001,008	\$ 49,245	\$ 75,442	\$ 13,872	\$ -	\$ 2,139,567
Expenditures:							
General government	\$ -	\$ 336,505	\$ -	\$ -	\$ 2,088	\$ -	\$ 338,593
Public safety	-	343,874	-	44,703	-	-	388,577
Public works	273,058	596,558	10,991	-	-	-	607,549
Culture and recreation	-	106,883	-	-	-	-	106,883
Capital outlay	-	583,633	-	119,806	-	-	703,439
Debt service	-	68,882	33,013	-	-	-	101,895
Principal interest	-	551	14,976	-	-	-	15,527
Total expenditures	273,058	2,036,886	58,980	164,509	2,088	-	2,262,463
Excess (deficit) of revenues over expenditures	(14,826)	(35,878)	(9,735)	(89,067)	11,784	-	(122,896)
Other financing sources:							
Transfers in (out)	-	240,751	200,000	269,000	-	-	709,751
Total other financing sources	-	240,751	200,000	269,000	-	-	709,751
Net Change in fund balances	(14,826)	204,873	190,265	179,933	11,784	-	586,855
Fund balance - beginning of year	196,314	2,134,529	127,103	1,888	332,967	-	2,596,487
Fund balance - end of year	\$ 181,488	\$ 2,339,402	\$ 317,368	\$ 181,821	\$ 344,751	\$ -	\$ 3,183,342

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, 2012**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Fines and forfeitures	\$ 21,000	\$ 21,000	\$ 20,680	\$ (320)
Total revenues	21,000	21,000	20,680	(320)
EXPENDITURES:				
Current				
Public safety	40,000	40,000	34,183	5,817
Total expenditures	40,000	40,000	34,183	5,817
Excess (deficiency) of revenues over expenditures	(19,000)	(19,000)	(13,503)	5,497
OTHER FINANCING SOURCES				
Transfers in	19,000	19,000	18,160	(840)
Total other financing sources	19,000	19,000	18,160	(840)
Net changes in fund balance	-	-	4,657	4,657
Fund balance - beginning of the year	(4,097)	(4,097)	(4,097)	-
Fund balance - end of the year	\$ (4,097)	\$ (4,097)	\$ 560	\$ 4,657
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ 4,657	
Net expenditure accruals			(2,970)	
Net change in fund balance GAAP basis			\$ 1,687	

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, 2012

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Intergovernmental;	\$ 16,000	\$ 16,000	\$ 16,641	\$ 641
Other grants and contributions	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>-</u>
Total revenues	26,000	26,000	26,641	641
EXPENDITURES:				
Current				
Capital outlay	<u>65,200</u>	<u>65,200</u>	<u>65,124</u>	<u>76</u>
Total expenditures	<u>65,200</u>	<u>65,200</u>	<u>65,124</u>	<u>76</u>
Excess (deficiency) of revenues over expenditures	<u>(39,200)</u>	<u>(39,200)</u>	<u>(38,483)</u>	<u>717</u>
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>39,200</u>	<u>39,200</u>	<u>39,200</u>	<u>-</u>
Total other financing sources (uses)	<u>39,200</u>	<u>39,200</u>	<u>39,200</u>	<u>-</u>
Net changes in fund balance	-	-	717	717
Fund balance - beginning of the year	<u>13,131</u>	<u>13,131</u>	<u>13,131</u>	<u>-</u>
Fund balance - end of the year	<u>\$ 13,131</u>	<u>\$ 13,131</u>	<u>\$ 13,848</u>	<u>\$ 717</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ 717	
Net revenue accruals			-	
Net expenditure accruals			-	
Net change in fund balance GAAP basis			<u>\$ 717</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, 2012**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	\$ 863,197	\$ 863,197	\$ 395,282	\$ (467,915)
Total revenues	863,197	863,197	395,282	(467,915)
EXPENDITURES:				
Current				
Public safety	863,197	863,197	59,493	803,704
Capital outlay	-	-	333,264	(333,264)
Total expenditures	863,197	863,197	392,757	470,440
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	(2,520)	(2,520)	(2,520)	-
Fund balance - end of the year	<u>\$ (2,520)</u>	<u>\$ (2,520)</u>	<u>\$ 5</u>	<u>\$ 2,525</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ 2,525	
Net revenue accruals			<u>2,311</u>	
Net change in fund balance GAAP basis			<u>\$ 4,836</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, 2012

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	\$ 200,000	\$ 194,700	\$ 238,822	\$ 44,122
Miscellaneous	75	44,197	53	(44,144)
Total revenues	200,075	238,897	238,875	(22)
EXPENDITURES:				
Current				
Public safety	200,075	245,582	83,712	161,870
Principal	-	-	68,882	(68,882)
Interest	-	-	551	(551)
Total expenditures	200,075	245,582	153,145	92,437
Excess (deficiency) of revenues over expenditures	-	(6,685)	85,730	92,415
Net changes in fund balance	-	(6,685)	85,730	92,415
Fund balance - beginning of the year, as restated	157,576	157,576	157,576	-
Fund balance - end of the year	\$ 157,576	\$ 150,891	\$ 243,306	\$ 92,415
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ 85,730	
Net revenue accruals			5	
Net change in fund balance GAAP basis			\$ 85,735	

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, 2012

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	\$ 10,000	\$ 14,166	\$ 4,548	\$ (9,618)
Total revenues	10,000	14,166	4,548	(9,618)
EXPENDITURES:				
Current				
General government	10,000	11,919	9,972	1,947
Total expenditures	10,000	11,919	9,972	1,947
Excess (deficiency) of revenues over expenditures	-	2,247	(5,424)	(7,671)
Net changes in fund balance	-	2,247	(5,424)	(7,671)
Fund balance - beginning of the year	6,346	6,346	6,346	-
Fund balance - end of the year	\$ 6,346	\$ 8,593	\$ 922	\$ (7,671)
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ (5,424)	
Net revenue accruals			5,370	
Net change in fund balance GAAP basis			\$ (54)	

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, 2012

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	\$ 33,800	\$ 33,800	\$ 33,800	\$ -
Interest income	-	-	6	6
Total revenues	33,800	33,800	33,806	6
EXPENDITURES:				
Public safety	33,800	33,838	33,837	1
Total expenditures	33,800	33,838	33,837	1
Excess (deficiency) of revenues over expenditures	-	(38)	(31)	7
Net changes in fund balance	-	(38)	(31)	7
Fund balance - beginning of the year	31	31	31	-
Fund balance - end of the year	\$ 31	\$ (7)	\$ -	\$ 7
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, 2012**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Other grants and contributions	\$ 32,795	\$ 33,007	\$ 15,961	\$ 7,937
Interest income	-	-	3	3
Total revenues	32,795	33,007	15,964	7,940
EXPENDITURES:				
Culture and recreation	67,373	67,585	49,567	18,018
Total expenditures	67,373	67,585	49,567	18,018
Excess (deficiency) of revenues over expenditures	(34,578)	(34,578)	(33,603)	25,958
OTHER FINANCING SOURCES (USES)				
Transfers in	25,000	25,000	25,000	-
Total other financing sources (uses)	25,000	25,000	25,000	-
Net changes in fund balance	(9,578)	(9,578)	(8,603)	25,958
Fund balance - beginning of the year	9,126	9,126	9,126	-
Fund balance - end of the year	<u>\$ (452)</u>	<u>\$ (452)</u>	<u>\$ 523</u>	<u>\$ 25,958</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ (8,603)	
Net revenue accruals			-	
Net expenditure accruals			8,826	
Net change in fund balance GAAP basis			<u>\$ 223</u>	

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

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, 2012

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
State shared taxes	\$ 96,000	\$ 96,000	\$ 104,353	\$ 112,706
Interest income	75	75	17	(58)
Total revenues	96,075	96,075	104,370	112,648
EXPENDITURES:				
General government	220,108	220,108	170,071	50,037
Total expenditures	220,108	220,108	170,071	50,037
Excess (deficiency) of revenues over expenditures	(124,033)	(124,033)	(65,701)	162,685
Net changes in fund balance	(124,033)	(124,033)	(65,701)	162,685
Fund balance - beginning of the year	190,668	190,668	190,668	-
Fund balance - end of the year	\$ 66,635	\$ 66,635	\$ 124,967	\$ 162,685
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ (65,701)	
Net revenue accruals			1	
Net expenditure accruals			-	
Net change in fund balance GAAP basis			\$ (65,700)	

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, 2012

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	\$ -	\$ -	\$ 61	\$ 61
State shared taxes	-	-	29	29
Fines and forfeitures	83,700	83,700	57,186	(26,514)
Other grants and contributions	-	-	11,178	11,178
Total revenues	83,700	83,700	68,454	(15,246)
EXPENDITURES:				
Current				
Culture and recreation	75,460	75,460	63,466	11,994
Total expenditures	75,460	75,460	63,466	11,994
Excess (deficiency) of revenues over expenditures	8,240	8,240	4,988	(3,252)
Net changes in fund balance	8,240	8,240	4,988	(3,252)
Fund balance - beginning of the year	131,836	131,836	131,836	-
Fund balance - end of the year	\$ 140,076	\$ 140,076	\$ 136,824	\$ (3,252)
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ 4,988	
Net expenditure accruals			-	
Net change in fund balance GAAP basis			\$ 4,988	

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, 2012

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Fines and forfeitures	\$ 15,000	\$ 15,000	\$ 24,140	\$ 9,140
Other grants and contributions	115,581	115,581	110,868	(4,713)
Interest income	120	120	44	(76)
Total revenues	130,701	130,701	135,052	4,351
EXPENDITURES:				
Current				
Public safety	130,702	130,702	125,766	4,936
Total expenditures	130,702	130,702	125,766	4,936
Excess (deficiency) of revenues over expenditures	(1)	(1)	9,286	9,287
Net changes in fund balance	(1)	(1)	9,286	9,287
Fund balance - beginning of the year	93,309	93,309	93,309	-
Fund balance - end of the year	\$ 93,308	\$ 93,308	\$ 102,595	\$ 9,287
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ 9,286	
Net expenditure accruals			1,561	
Net change in fund balance GAAP basis			\$ 10,847	

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, 2012**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Fines and forfeitures	\$ -	\$ -	\$ 40	\$ 40
Other grants and contributions	4,000	4,000	3,878	(122)
Interest income	50	50	15	(35)
Total revenues	4,050	4,050	3,933	(117)
EXPENDITURES:				
Current				
Public safety	4,000	7,197	7,196	1
Total expenditures	4,000	7,197	7,196	1
Excess (deficiency) of revenues over expenditures	50	(3,147)	(3,263)	(116)
Net changes in fund balance	50	(3,147)	(3,263)	(116)
Fund balance - beginning of the year, as restated	32,253	32,253	32,253	-
Fund balance - end of the year	\$ 32,303	\$ 29,106	\$ 28,990	\$ (116)
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ (3,263)	
Net expenditure accruals			365	
Net change in fund balance GAAP basis			<u>\$ (2,898)</u>	

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, 2012

	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, 2012

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	\$ 134,671	\$ 159,028	\$ 91,073	\$ (67,955)
Fines and forfeitures	-	-	4,239	4,239
Federal grants	-	-	40,800	40,800
Total revenues	134,671	159,028	136,112	(22,916)
EXPENDITURES:				
Current				
Public works	261,128	285,485	238,777	46,708
Total expenditures	261,128	285,485	238,777	46,708
Excess (deficiency) of revenues over expenditures	(126,457)	(126,457)	(102,665)	23,792
OTHER FINANCING SOURCES				
Transfers in	126,457	126,457	126,457	-
Total other financing sources	126,457	126,457	126,457	-
Net changes in fund balance	-	-	23,792	23,792
Fund balance - beginning of the year	(9,939)	(9,939)	(9,939)	-
Fund balance - end of the year	\$ (9,939)	\$ (9,939)	\$ 13,853	\$ 23,792
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ 23,792	
Net expenditure accruals			(1,909)	
Net change in fund balance GAAP basis			\$ 21,883	

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, 2012

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Other grants and contributions	\$ 180,350	\$ 202,128	\$ 75,996	\$ (126,132)
Total revenues	180,350	202,128	75,996	(126,132)
EXPENDITURES:				
Current				
Public works	182,965	204,743	51,154	153,589
Total expenditures	182,965	204,743	51,154	153,589
Excess (deficiency) of revenues over expenditures	(2,615)	(2,615)	24,842	27,457
OTHER FINANCING SOURCES				
Transfers in	2,615	2,615	2,615	-
Total other financing sources	2,615	2,615	2,615	-
Net changes in fund balance	-	-	27,457	27,457
Fund balance - beginning of the year	(20,665)	(20,665)	(20,665)	-
Fund balance - end of the year	\$ (20,665)	\$ (20,665)	\$ 6,792	\$ 27,457
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ 27,457	
Net expenditure accruals			-	
Net change in fund balance GAAP basis			\$ 27,457	

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, 2012

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Other grants and contributions	\$ 427,407	\$ -	\$ -	\$ -
Total revenues	427,407	-	-	-
EXPENDITURES:				
Current				
Capital outlay	492,407	20,000	18,497	1,503
Total expenditures	492,407	20,000	18,497	1,503
Excess (deficiency) of revenues over expenditures	(65,000)	(20,000)	(18,497)	1,503
OTHER FINANCING SOURCES				
Transfers in	65,000	65,000	18,497	(46,503)
Total other financing sources	65,000	65,000	18,497	(46,503)
Net changes in fund balance	-	45,000	-	(45,000)
Fund balance - beginning of the year	1,301	1,301	1,301	-
Fund balance - end of the year	\$ 1,301	\$ 46,301	\$ 1,301	\$ (45,000)
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ -	
Net expenditure accruals			-	
Net change in fund balance GAAP basis			\$ -	

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, 2012

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	\$ 85,000	\$ 85,000	\$ 80,249	\$ (4,751)
Total revenues	85,000	85,000	80,249	(4,751)
EXPENDITURES:				
Current				
Public works	93,500	93,500	82,660	10,840
Total expenditures	93,500	93,500	82,660	10,840
Excess (deficiency) of revenues over expenditures	(8,500)	(8,500)	(2,411)	6,089
OTHER FINANCING SOURCES				
Transfers in	8,500	8,500	2,023	(6,477)
Total other financing sources	8,500	8,500	2,023	(6,477)
Net changes in fund balance	-	-	(388)	(388)
Fund balance - beginning of the year	388	388	388	-
Fund balance - end of the year	\$ 388	\$ 388	\$ -	\$ (388)
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ (388)	
Net expenditure accruals			-	
Net change in fund balance GAAP basis			\$ (388)	

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, 2012**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Interest income	\$ 200	\$ 200	\$ 203	\$ 3
Total revenues	200	200	203	3
EXPENDITURES:				
Current				
General government	9,000	14,100	11,463	2,637
Total expenditures	9,000	14,100	11,463	2,637
Excess (deficiency) of revenues over expenditures	(8,800)	(13,900)	(11,260)	2,640
OTHER FINANCING SOURCES				
Transfers in	8,800	8,800	8,800	-
Total other financing sources	8,800	8,800	8,800	-
Net changes in fund balance	-	(5,100)	(2,460)	2,640
Fund balance - beginning of the year	90,911	90,911	90,911	-
Fund balance - end of the year	\$ 90,911	\$ 85,811	\$ 88,451	\$ 2,640
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ (2,460)	
Net expenditure accruals			-	
Net change in fund balance GAAP basis			\$ (2,460)	

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, 2012

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Fines and forfeitures	\$ 8,800	\$ 8,800	\$ 8,839	\$ 39
Total revenues	8,800	8,800	8,839	39
EXPENDITURES:				
Current				
Public works	8,400	8,400	8,834	(434)
Total expenditures	8,400	8,400	8,834	(434)
Excess (deficiency) of revenues over expenditures	400	400	5	(395)
Net changes in fund balance	400	400	5	(395)
Fund balance - beginning of the year	4,157	4,157	4,157	-
Fund balance - end of the year	\$ 4,557	\$ 4,557	\$ 4,162	\$ (395)
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ 5	
Net revenue accruals			(449)	
Net expenditure accruals			-	
Net change in fund balance GAAP basis			\$ 444	

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, 2012**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
EXPENDITURES:				
Current				
Fund balance - beginning of the year	159	159	159	-
Fund balance - end of the year	\$ 159	\$ 159	\$ 159	\$ -
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ -	
Net expenditure accruals			-	
Net change in fund balance GAAP basis			\$ -	

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, 2012

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
State shared taxes	\$ 236,539	\$ 274,444	\$ 274,444	\$ -
Interest income	2,000	530	574	44
Total revenues	238,539	274,974	275,018	44
EXPENDITURES:				
Current				
General government	1,370,539	145,000	145,000	-
Total expenditures	1,370,539	145,000	145,000	-
Excess (deficiency) of revenues over expenditures	(1,132,000)	129,974	130,018	44
Net changes in fund balance	(1,132,000)	129,974	130,018	44
Fund balance - beginning of the year	1,236,129	1,236,129	1,236,129	-
Fund balance - end of the year	\$ 104,129	\$ 1,366,103	\$ 1,366,147	\$ 44
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ 130,018	
Net revenue accruals			2,395	
Net expenditure accruals			-	
Net change in fund balance GAAP basis			\$ 132,413	

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, 2012

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	\$ 89,302	\$ 89,302	\$ 57,571	\$ (31,731)
State shared taxes	197,000	197,000	190,194	(6,806)
Federal grants	15,979	15,979	10,467	(5,512)
Total revenues	302,281	302,281	258,232	(44,049)
EXPENDITURES:				
Current				
Public works	340,281	340,281	273,452	66,829
Total expenditures	340,281	340,281	273,452	66,829
Excess (deficiency) of revenues over expenditures	(38,000)	(38,000)	(15,220)	22,780
Net changes in fund balance	(38,000)	(38,000)	(15,220)	22,780
Fund balance - beginning of the year	196,314	196,314	196,314	-
Fund balance - end of the year	\$ 158,314	\$ 158,314	\$ 181,094	\$ 22,780
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ (15,220)	
Net expenditure accruals			394	
Net change in fund balance GAAP basis			\$ (14,826)	

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, 2012

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
State shared taxes	\$ 49,020	\$ 49,020	\$ 49,020	\$ -
Interest income	-	-	225	225
Total revenues	49,020	49,020	49,245	225
EXPENDITURES:				
Current				
Public works	200,000	200,000	11,280	188,720
Debt service				
Principal	33,013	33,013	33,013	-
Interest	16,007	16,007	14,976	1,031
Total expenditures	249,020	249,020	59,269	189,751
Excess (deficiency) of revenues over expenditures	(200,000)	(200,000)	(10,024)	189,976
OTHER FINANCING SOURCES (USES)				
Transfers in	200,000	200,000	200,000	-
Total other financing sources (uses)	200,000	200,000	200,000	-
Net changes in fund balance	-	-	189,976	189,976
Fund balance - beginning of the year	127,103	127,103	127,103	-
Fund balance - end of the year	\$ 127,103	\$ 127,103	\$ 317,079	\$ 189,976
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ 189,976	
Net expenditure accruals			289	
Net change in fund balance GAAP basis			\$ 190,265	

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, 2012

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
Intergovernmental	\$ -	\$ -	\$ 21,017	\$ 21,017
Other grants and contributions	132,665	58,591	54,425	(4,166)
Miscellaneous revenue	-	28,500	-	(28,500)
Total revenues	132,665	87,091	75,442	(11,649)
EXPENDITURES:				
Current				
Public safety	-	-	44,279	(44,279)
Capital outlay	410,369	184,445	118,142	66,303
Total expenditures	410,369	184,445	162,421	22,024
Excess (deficiency) of revenues over expenditures	(277,704)	(97,354)	(86,979)	10,375
OTHER FINANCING SOURCES				
Transfers in	269,000	269,000	269,000	-
Total other financing sources	269,000	269,000	269,000	-
Net changes in fund balance	(8,704)	171,646	182,021	10,375
Fund balance - beginning of the year	1,888	1,888	1,888	-
Fund balance - end of the year	\$ (6,816)	\$ 173,534	\$ 183,909	\$ 10,375
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ 182,021	
Net expenditure accruals			(2,088)	
Net change in fund balance GAAP basis			\$ 179,933	

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, 2012

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Interest income	\$ -	\$ 47,033	\$ 13,872	\$ (33,161)
Total revenues	-	47,033	13,872	(33,161)
EXPENDITURES:				
General government	-	35,911	2,088	33,823
Total expenditures	-	35,911	2,088	33,823
Excess (deficiency) of revenues over expenditures	-	11,122	11,784	662
Net changes in fund balance	-	11,122	11,784	662
Fund balance - beginning of the year	332,967	332,967	332,967	-
Fund balance - end of the year	\$ 332,967	\$ 344,089	\$ 344,751	\$ 662
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ 11,784	
Net change in fund balance GAAP basis			\$ 11,784	

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, 2012

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
OPERATING REVENUES:				
Charges for services	\$ 3,870,000	\$ 4,766,836	\$ 4,636,656	\$ (130,180)
Tapping and reconnect fees	102,000	102,000	114,935	12,935
Rentals	-	8,812	9,782	970
Late fees	75,000	109,966	111,558	1,592
Miscellaneous income	-	-	1,098	1,098
Total revenues	4,047,000	4,987,614	4,874,029	(113,585)
OPERATING EXPENSES:				
Salaries and wages	527,008	527,008	496,100	30,908
Employee benefits	226,958	226,958	176,584	50,374
Maintenance	743,300	1,162,713	989,809	172,904
Contracted and purchased services	1,378,400	1,135,022	283,116	851,906
Supplies	38,550	38,550	34,697	3,853
Operating costs	595,151	610,821	790,863	(180,042)
Capital outlay	605,658	703,658	686,248	17,410
Debt service	695,887	686,699	18,151	668,548
Total operating expenses	4,810,912	5,091,429	3,475,568	1,615,861
Operating income	(763,912)	(103,815)	1,398,461	1,502,276
NON-OPERATING REVENUE (EXPENSES):				
Investment income	136,040	132,352	77,318	(55,034)
Water conservation fees	333,970	354,970	321,287	(33,683)
Grant proceeds	297,987	6,987	6,987	-
Interest expense	106,871	116,058	(86,504)	(202,562)
Total non-operating revenues (expenses)	874,868	610,367	319,088	(291,279)
Net income before transfers	110,956	506,552	1,717,549	1,210,997
Transfers:				
Transfers in	736,875	1,416,845	-	(1,416,845)
Transfers out	(1,636,875)	(2,316,845)	(500,000)	1,816,845
Total operating transfers	(900,000)	(900,000)	(500,000)	400,000
Total net income (loss)	(789,044)	(393,448)	1,217,549	1,610,997
Fund balance - beginning of the year	13,016,320	13,016,320	13,016,320	-
Fund balance - end of the year	\$ 12,227,276	\$ 12,622,872	\$ 14,233,869	\$ 1,610,997

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, 2012**

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

Net income after transfers - budgetary basis	\$	1,217,549
Budgeted debt service expenditures reduce water liabilities and are not reported in proprietary funds statement of activities		18,151
Budgeted capital outlay expenditures are not reported in proprietary funds statement of activities		686,248
Depreciation is reported in the proprietary funds statement of activities but is not a budget expenditure item		(686,248)
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>1,217,549</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, 2012

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
OPERATING REVENUES:				
Charges for services	\$ 1,198,000	\$ 1,327,519	\$ 1,330,925	\$ 3,406
Miscellaneous income	6,000	6,000	11,483	5,483
Total revenues	1,204,000	1,333,519	1,342,408	8,889
OPERATING EXPENSES:				
Salaries and wages	246,793	274,500	268,345	6,155
Employee benefits	94,642	98,197	96,849	1,348
Maintenance	86,700	97,072	74,471	22,601
Contracted and purchased services	492,200	492,200	423,581	68,619
Supplies	97,500	108,500	108,591	(91)
Operating costs	46,961	64,842	64,656	186
Capital outlay	130,000	3,135	68,296	(65,161)
Total operating expenses	1,194,796	1,138,446	1,104,789	33,657
Operating income	9,204	195,073	237,619	42,546
NON-OPERATING REVENUE (EXPENSES):				
Investment income	360	360	816	456
Environmental gross receipts tax	118,455	137,220	138,422	1,202
Interest expense	-	-	(186)	(186)
Total non-operating revenues (expenses)	118,815	137,580	139,052	1,472
Net income before transfers	128,019	332,653	376,671	44,018
Transfers:				
Transfers out	(75,000)	(75,000)	(75,000)	-
Total operating transfers	(75,000)	(75,000)	(75,000)	-
Total net income (loss)	53,019	257,653	301,671	44,018
Fund balance - beginning of the year	639,272	639,272	639,272	-
Fund balance - end of the year	\$ 692,291	\$ 896,925	\$ 940,943	\$ 44,018
Reconciliation of net income for budgetary basis to statement of activities for proprietary funds:				
Net income after transfers - budgetary basis			\$ 301,671	
Budgeted capital outlay expenditures are not reported in proprietary funds statement of activities			68,296	
Depreciation is reported in the proprietary funds statement of activities but is not a budget expenditure item			(68,296)	
Net income after transfers-financial statement basis			\$ 301,671	

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, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
OPERATING REVENUES:				
Fuel sales	\$ 90,000	\$ 107,388	\$ 118,086	\$ 10,698
Late charges	500	500	779	279
Rentals	35,000	42,112	42,162	50
Miscellaneous income	750	750	(5,561)	(6,311)
Total revenues	126,250	150,750	155,466	4,716
OPERATING EXPENSES:				
Salaries and wages	36,289	36,289	34,648	1,641
Employee benefits	7,466	7,466	6,789	677
Maintenance	24,000	125,713	23,912	101,801
Contracted and purchased services	-	45,071	45,070	1
Supplies	12,000	12,600	12,375	225
Operating costs	117,830	122,066	176,025	(53,959)
Capital outlay	650,000	503,216	140,535	362,681
Total operating expenses	847,585	852,421	439,354	413,067
Operating income	(721,335)	(701,671)	(283,888)	417,783
NON-OPERATING REVENUE (EXPENSES):				
Grant proceeds	651,563	651,563	158,444	(493,119)
Interest expense	-	-	(102)	(102)
Total non-operating revenues (expenses)	651,563	651,563	158,342	(493,221)
Net income before transfers	(69,772)	(50,108)	(125,546)	(75,438)
Transfers:				
Transfers in	69,622	69,622	52,484	(17,138)
Total operating transfers	69,622	69,622	52,484	(17,138)
Total net income (loss)	(150)	19,514	(73,062)	(92,576)
Fund balance - beginning of the year	2,583,443	2,583,443	2,583,443	-
Fund balance - end of the year	\$ 2,583,293	\$ 2,602,957	\$ 2,510,381	\$ (92,576)
Reconciliation of net income for budgetary basis to statement of activities for proprietary funds:				
Net income after transfers - budgetary basis			\$ (73,062)	
Budgeted capital outlay expenditures are not reported in proprietary funds statement of activities			140,535	
Depreciation is reported in the proprietary funds statement of activities but is not a budget expenditure item			(140,535)	
Net income after transfers-financial statement basis			\$ (73,062)	

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, 2012

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
OPERATING REVENUES:				
Rental	\$ 14,000	\$ 14,000	\$ 11,444	\$ (2,556)
Miscellaneous income	-	-	1,896	1,896
Total revenues	14,000	14,000	13,340	(660)
OPERATING EXPENSES:				
Maintenance	500	500	-	500
Contracted and purchased services	5,000	5,000	-	5,000
Supplies	1,500	1,500	-	1,500
Operating costs	7,000	7,000	8,232	(1,232)
Total operating expenses	14,000	14,000	8,232	5,768
Operating income	-	-	5,108	5,108
Total net income (loss)	-	-	5,108	5,108
Fund balance - beginning of the year	-	-	1,733	1,733
Fund balance - end of the year	\$ -	\$ -	\$ 6,841	\$ 6,841
Reconciliation of net income for budgetary basis to statement of activities for proprietary funds:				
Net income after transfers - budgetary basis			\$ 5,108	
Net income after transfers-financial statement basis			\$ 5,108	

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, 2012

	Account Type	Fund Type	Amount Per Bank	Net Reconciling Items	Balance Per Books
First Community Bank					
General Fund	Checking	Governmental	\$ 9,795,437	\$ (458,085)	\$ 9,337,352
CDBG Capital Project	Checking	Governmental	1,301	-	1,301
Total Checking			<u>9,796,738</u>	<u>(458,085)</u>	<u>9,338,653</u>
Sales Tax 402	Interest bearing	Business-type	54,625	-	54,625
Water & Sewer Imp.	Interest bearing	Governmental	90,375	-	90,375
Total interest bearing			<u>145,000</u>	<u>-</u>	<u>145,000</u>
Total deposits			<u>\$ 9,941,738</u>	<u>\$ (458,085)</u>	<u>\$ 9,483,653</u>
New Mexico State Treasurer - Local Government Investment Pool					
General Fund	Savings	Governmental	\$ 648,102	\$ -	\$ 648,102
Risk Management Reserve	Savings	Governmental	89,737	-	89,737
Water/Wastewater	Savings	Business-type	480,534	-	480,534
Water Meter Reserve	Savings	Business-type	119,708	-	119,708
Water Improvement Reserve	Savings	Business-type	324,051	-	324,051
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>
New Mexico Finance Authority Held at New York Mellon Trust Company, N.A.					
Rec Center Financing	Savings	Governmental	\$ 44,726	\$ -	\$ 44,726
Water & Wastewater	Savings	Business-type	321,977	-	321,977
Total deposits			<u>\$ 366,703</u>	<u>\$ -</u>	<u>\$ 366,703</u>
New Mexico Finance Authority					
Rec Center Financing	Savings	Governmental	\$ 73,237	\$ -	\$ 73,237
Pumper Truck	Savings	Business-type	185,627	-	185,627
			<u>\$ 258,864</u>	<u>\$ -</u>	<u>\$ 258,864</u>
Linsco/Private Ledger					
98 Water/Sewer Reserve	Savings	Business-type	\$ 450,405	\$ -	\$ 450,405
Water Conservation Reserve	Savings	Business-type	1,066,938	-	1,066,938
97 Sales Tax Reserve	Savings	Governmental	280,938	-	280,938
			<u>\$ 1,798,281</u>	<u>\$ -</u>	<u>\$ 1,798,281</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, 2012

Reconciliation of Public Funds to Government-Wide Balance Sheet:

	Governmental Activities	Business-Type Activities	Total
Cash and cash equivalents - Unrestricted	\$ 4,780,415	\$ 4,100,339	\$ 8,880,754
Cash and cash equivalents - Restricted	117,962	2,915,111	3,033,073
Investments - Unrestricted	737,839	679,950	1,417,789
Investments - Restricted	-	443,759	443,759
	<u>\$ 5,636,216</u>	<u>\$ 8,139,159</u>	<u>\$ 13,775,375</u>
Cash Source:			
First Community Bank			\$ 9,483,653
NM State Treasurer			1,861,548
NMFA - Mellon			366,703
NMFA			258,864
Linsco/Private Ledger			1,798,281
Petty cash			<u>6,326</u>
			<u>\$ 13,775,375</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, 2012

<u>Description of Pledged Collateral</u>	<u>Amount</u>	<u>Name and Location</u>
FNMA POOL AE6976, CUSIP#31419HXE7, Maturing 11/1/2025	\$ 9,842,538	First Community Bank Bank of Albuquerque
FNMA POOL 890193, CUSIP#31410K7E8, Maturing 08/1/2025	894,575	First Community Bank Bank of Albuquerque
FNMA POOL AE7036, CUSIP#31419HZA3, Maturing 11/1/2025	<u>264,682</u>	First Community Bank Bank of Albuquerque
Total pledged securities	<u>\$ 11,001,795</u>	

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

STATE OF NEW MEXICO
CITY OF PORTALES

JOINT POWERS AGREEMENTS
JUNE 30, 2012

Other Principal	Agreement Description	Effective Date	Ending Date	Project Cost	Fiscal Year Contribution	Party Responsible for Operations/Revenues and Expenditure Reporting/ Audit Responsibility (if Any)
Region V Drug Task Force	Regional Drug Enforcement	October 10, 2005	Perpetual	Not Specified	Unknown	Region V Drug Task Force
Portales Municipal Schools	School Resource 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 Causy, 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, 2012

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	11-C-NR-1-01-G-10	\$ 427,407	\$ 117,709
<i>United States Department of Transportation</i>				
Federal Transit Capital Investment Grants	20.500	M00988 & M00988	191,388	65,973
Airport Improvement Program	20.106	3-35-0061-0	764,971	146,655
Nonurbanized Area Formula Program	20.509	M01115	85,486	71,635
<i>United States Department of Defense</i>				
Community Economic Adjustment Assistance Planning Assistance for Joint Land Use Studies	12.610	EN09-08-11-02-12-01	190,286	46,639
<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	82,830	28,956
Homeland Security Grant Program	97.067	2010-SS-T0-000011	111,853	27,695
<i>United States Department of Justice</i>				
Public Safety Partnership and Community Policing Grants	16.710	210UMWX0	152,844	49,058
Total Expenditures of Federal Awards			<u>\$ 2,007,065</u>	<u>\$ 554,320</u>

**STATE OF NEW MEXICO
CITY OF PORTALES**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2012**

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



WHITE+
SAMANIEGO+
CAMPBELL, LLP

CERTIFIED PUBLIC ACCOUNTANTS

416 North Stanton
Suite 600
El Paso, Tx 79901
ph. 915.532.8400
fax. 915.532.8405
www.cpawsc.com

**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, 2012, and have issued our report thereon dated November 15, 2012. 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

Management of agency is responsible for establishing and maintaining effective 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.

White & Samaniego & Campbell, LP

El Paso, Texas
November 15, 2012



WHITE+
SAMANIEGO+
CAMPBELL, LLP

CERTIFIED PUBLIC ACCOUNTANTS

416 North Stanton
Suite 600
El Paso, Tx 79901
ph. 915.532.8400
fax. 915.532.8405
www.cpawsc.com

**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, 2012. 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, 2012.

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

White + Samaniego + Campbell, LP

El Paso, Texas
November 15, 2012

**STATE OF NEW MEXICO
CITY OF PORTALES**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2012**

Section I - Summary of Auditors' Results

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs

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

Identification of Major Programs:

CFDA Number

Name of Federal Program or Cluster

20.106

US Department of Transportation - Airport Improvement Program

14.228

Community Development Block Grant - Street and Drainage Improvements

Dollar threshold used to distinguish between Type A and Type B programs

\$ 300,000

Auditee qualified as low-risk auditee

Yes No

**STATE OF NEW MEXICO
CITY OF PORTALES**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2012**

Section II - Prior year findings:

None

Section III - Current year findings:

None

**STATE OF NEW MEXICO
CITY OF PORTALES**

**EXIT CONFERENCE
FOR THE YEAR ENDED JUNE 30, 2012**

An exit conference was held on November 14, 2012 in a closed meeting with the following City officials:

Sharon King
Thomas Howell
Marilyn Rapp

Mayor
City Manager
City Treasurer

White + Samaniego + Campbell, LLP

Dahlia Garcia

Audit Staff

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.

