

State of New Mexico
City of Portales
Basic Financial Statements and
Supplementary Information
for the Year Ended June 30, 2013
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, 2013**

ELECTED OFFICIALS

Sharon King	Mayor
Michael Lenard Lucero	City Councilor
Antonio Salguero	City Councilor
Oscar Robinson	City Councilor
Matthew Tod Hunton	City Councilor
Ronald Jackson	City Councilor
Leo Lovett	City Councilor
Keith Thomas	City Councilor
Dianne Parker	City Councilor

ADMINISTRATIVE OFFICIALS

Thomas Howell	City Manager
J. Doug Redmond	Incoming 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

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparison for the general fund of the City of Portales, as of and for the year ended June 30, 2013, and the related notes to the financial statements, 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 debt service funds, and all nonmajor funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2013, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express 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. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

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, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Portales, as of June 30, 2013, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance 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, non major enterprise and internal service fund of the City of Portales as of June 30, 2013 and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the debt service funds and all nonmajor funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 5 through 12 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Portales basic financial statements. The introductory section, combining and individual nonmajor fund financial statements, and statistical section are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual nonmajor fund financial statements are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual nonmajor fund financial statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 14, 2013, on our consideration of the City of Portales internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Portales, internal control over financial reporting and compliance.

White + Samaniego + Campbell, LP

El Paso, Texas

November 14, 2013

**STATE OF NEW MEXICO
CITY OF PORTALES**

**MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2013**

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, 2013. 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 \$31,838,335 (net position). Of this amount, \$10,284,512 (unrestricted net position) may be used to meet the government's ongoing, obligations to citizens and creditors.
- The government's total net position decreased by \$2,181,203 during the fiscal year. The majority of this is due to the City's increase in salaries, and decrease in service revenue.
- As of June 30, 2013, the City's governmental funds reported combined ending fund balances of \$6,497,240. Of this total, \$3,113,358 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 \$3,383,882.

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 position* presents information on all of the City of Portales' assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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 28 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 Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$31,838,335 at the close of the current fiscal year.

The largest portion of the City of Portales' net position represent the City's investment of \$18,440,465 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 position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$10,284,512 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 position, for the government as a whole as well as for the business-type activities.

Analysis of Changes in Net Position

During the current fiscal year, the City's net position in governmental and business-type activities decreased by \$2,181,203. These decreases are explained in the governmental and business-type activities discussion that follows.

Governmental Activities

Governmental activities decreased the City's net position by \$1,300,967. Revenues including transfers increased from \$10,445,761 for the year ended June 30, 2012 to \$10,513,098 for the year ended June 30, 2013. The increase in revenues is primarily because the increase in transfers. Governmental expenses increased from \$9,944,724 for the year ended June 30, 2012 to \$11,814,065 for the year ended June 30, 2013. Total revenues and expenses from governmental activities are summarized below.

Business-Type Activities

Business-type activities decreased the City's net position by \$880,236 after transfers of \$797,899 out to governmental activities, compared to the prior year's increase of \$1,451,266 after transfers of \$522,516 out to the general fund. Elements of this decrease compared to the prior year increase include decrease in service charge throughout the year.

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

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
ASSETS						
Current and other assets	\$ 6,297,236	\$ 6,961,238	\$ 3,678,115	\$ 5,559,709	\$ 9,975,351	\$12,520,947
Non current assets	664,694	117,962	4,845,092	3,358,870	5,509,786	3,476,832
Capital assets, net of accumulated depreciation	9,694,143	10,314,359	11,468,486	12,234,253	21,162,629	22,548,612
Total assets	<u>\$16,656,073</u>	<u>\$17,393,559</u>	<u>\$19,991,693</u>	<u>\$21,152,832</u>	<u>\$36,647,766</u>	<u>\$38,546,391</u>
LIABILITIES						
Current and other liabilities	\$ 516,265	\$ 576,801	\$ 653,994	\$ 578,221	\$ 1,170,259	\$ 1,155,022
Long-term liabilities	1,113,271	489,254	2,525,901	2,882,577	3,639,172	3,371,831
Total liabilities	<u>1,629,536</u>	<u>1,066,055</u>	<u>3,179,895</u>	<u>3,460,798</u>	<u>4,809,431</u>	<u>4,526,853</u>
NET POSITION						
Net invested in capital assets	8,914,672	10,031,025	9,525,793	9,966,809	18,440,465	19,997,834
Restricted	3,113,358	3,183,342	-	-	3,113,358	3,183,342
Unrestricted	2,998,507	3,113,137	7,286,005	7,725,225	10,284,512	10,838,362
Total net position	<u>15,026,537</u>	<u>16,327,504</u>	<u>16,811,798</u>	<u>17,692,034</u>	<u>31,838,335</u>	<u>34,019,538</u>
Total liabilities and net position	<u>\$16,656,073</u>	<u>\$17,393,559</u>	<u>\$19,991,693</u>	<u>\$21,152,832</u>	<u>\$36,647,766</u>	<u>\$38,546,391</u>

A summary of the statement of activities is as follows:

	Governmental Activities		Business-Type Activities		Total	
	2013	2012	2013	2012	2013	2012
REVENUES						
Program revenue:						
Charges for services	\$ 980,453	\$ 1,182,250	\$ 6,170,145	\$ 6,385,243	\$ 7,150,598	\$ 7,567,493
Operating grant and contributions	1,457,090	1,412,750	26,277	40,285	1,483,367	1,453,035
Capital grants and contributions	354,976	188,705	152,911	125,146	507,887	313,851
General revenues:						
Taxes	6,833,385	7,063,060	130,399	138,422	6,963,784	7,201,482
Other income	89,295	76,480	321,530	399,421	410,825	475,901
Total revenues	<u>9,715,199</u>	<u>9,923,245</u>	<u>6,801,262</u>	<u>7,088,517</u>	<u>16,516,461</u>	<u>17,011,762</u>
EXPENSES						
Administration	2,960,366	1,769,824	-	-	2,960,366	1,769,824
Municipal court	291,427	258,533	-	-	291,427	258,533
Library	383,533	348,408	-	-	383,533	348,408
General services	227,457	196,747	-	-	227,457	196,747
Fire and emergency management	2,190,654	2,145,422	-	-	2,190,654	2,145,422
Police	2,330,155	2,339,267	-	-	2,330,155	2,339,267
Senior citizens	18,673	18,650	-	-	18,673	18,650
Streets	709,076	737,560	-	-	709,076	737,560
Parks and recreation	1,033,486	923,290	-	-	1,033,486	923,290
Public works and transportation	347,214	243,970	-	-	347,214	243,970
Interest expense	22,432	19,627	-	-	22,432	19,627
Unallocated depreciation	1,299,592	943,426	-	-	1,299,592	943,426
Water and sewer	-	-	5,249,491	3,562,072	5,249,491	3,562,072
Solid waste	-	-	1,216,755	1,104,975	1,216,755	1,104,975
Airport	-	-	408,834	439,456	408,834	439,456
Convention center	-	-	8,519	8,232	8,519	8,232
Total expenses	<u>11,814,065</u>	<u>9,944,724</u>	<u>6,883,599</u>	<u>5,114,735</u>	<u>18,697,664</u>	<u>15,059,459</u>
Changes in net position before transfers	(2,098,866)	(21,479)	(82,337)	1,973,782	(2,181,203)	1,952,303
Transfers	797,899	522,516	(797,899)	(522,516)	-	-
Changes in net position	<u>(1,300,967)</u>	<u>501,037</u>	<u>(880,236)</u>	<u>1,451,266</u>	<u>(2,181,203)</u>	<u>1,952,303</u>
Net position - beginning	<u>16,327,504</u>	<u>15,826,467</u>	<u>17,692,034</u>	<u>16,240,768</u>	<u>34,019,538</u>	<u>32,067,235</u>
Net position - ending	<u>\$15,026,537</u>	<u>\$16,327,504</u>	<u>\$16,811,798</u>	<u>\$17,692,034</u>	<u>\$31,838,335</u>	<u>\$34,019,538</u>

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 \$6,497,240, an decrease of \$177,425 in comparison with the prior year. Approximately 52% of this total amount, or \$3,383,882, constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance, \$3,113,358, 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 \$9,746,042 in the year ended June 30, 2013, which represents a decrease of \$208,046 from the year ended June 30, 2012. Expenditures for governmental functions totaled \$10,721,366 in the year ended June 30, 2013. This was a increase of \$919,686 from the fiscal year-ended June 30, 2012. The increase in expenditures is primarily caused by the increase in salaries relating to annual salary adjustments. In the fiscal year-ended June 30, 2013, expenditures for governmental functions exceeded revenues by approximately \$975,324.

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 \$3,383,882. General Fund revenues totaled \$7,343,102 for the fiscal year, while expenditures totaled \$7,630,498. Expenditures exceeded revenues by \$287,396 before transfers in and out of the general fund.

During 2013, the General Fund received transfers of \$825,000 from other City funds and made transfers of \$645,045 to other funds. The net transfers of \$179,955 increase the fund balance, which was decreased \$107,441 during the current fiscal year. An decrease in fund balance is not a concern since the financial management of the City's funds has built a strong fund balance to assist 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 decreased total assets from \$21,152,832 in 2012 to \$19,991,693 in 2013. This is a 5.5% decrease. The Water and Sewer Fund makes up the largest portion of total assets with \$15,656,462 and had the largest decrease in assets of the proprietary funds which was \$1,018,113. The Solid Waste Fund had an increase in assets of \$148,439, the Airport Fund had an decrease in assets of \$12,093 and the Convention Center Fund had an increase of \$1,531 in assets in 2013.

Proprietary fund liabilities decreased 9% or \$280,903 during 2013. Water and Sewer fund liabilities decreased \$260,050 primarily due to the paying down of long-term debt. The Solid Waste liabilities decreased \$20,484. The Airport Fund liabilities decreased \$680.

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 \$6,275 for the year ended June 30, 2013. Local gross receipts collections for the year ended June 30, 2013 were less than what was collected in previous years due to the construction in downtown Portales.

Actual General Fund expenditures were \$7,394,348, which was 17% below the final budget amount for the year ended June 30, 2013. 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 \$2,269,482 in the final budget. The actual fund balance for the General Fund for the year ended June 30, 2013 was \$2,326,044. This was a favorable variance of \$56,562, or 2%. 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, 2013 amount to \$21,162,629 (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 \$679,376 for governmental activities. Improvements costing \$23,507, machinery and equipment \$42,169, and vehicles costing \$277,738 were purchased for the City and construction in progress of \$335,962 was added in the year ended June 30, 2013. The total increase in business-type capital assets (excluding accumulated depreciation) for the current fiscal year was \$233,386, due primarily to purchases related to the SMA Water Line.

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, 2013 and 2012**

	Governmental Activities		Business - Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Land and Construction in Progress	\$ 804,353	\$ 858,760	\$ 4,636,704	\$ 4,687,510	\$ 5,441,057	\$ 5,546,270
Buildings, Improvements, Equipment, Furniture and Vehicles	<u>8,889,790</u>	<u>9,455,599</u>	<u>6,831,782</u>	<u>7,546,743</u>	<u>15,721,572</u>	<u>17,002,342</u>
Capital Assets, Net of A/D	<u>\$ 9,694,143</u>	<u>\$10,314,359</u>	<u>\$11,468,486</u>	<u>\$12,234,253</u>	<u>\$21,162,629</u>	<u>\$22,548,612</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 \$3,771,650, which consists of notes payable, landfill post closure obligations and compensated absences payable. Governmental activity and business-type long-term debt as of June 30, 2013 was \$1,174,367 and \$2,597,283, respectively, and were increased \$505,298 and decreased \$392,994, respectively, during the fiscal year.

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

**Long Term Debt
June 30, 2013 and 2012**

	Governmental Activities		Business - Type Activities		Total	
	2013	2012	2013	2012	2013	2012
Notes Payable	\$ 779,471	\$ 283,334	\$ 1,942,693	\$ 2,271,540	\$ 2,722,164	\$ 2,554,874
Landfill post closure	-	-	589,882	662,925	589,882	662,925
Compensated Absences	<u>394,896</u>	<u>385,735</u>	<u>64,708</u>	<u>55,812</u>	<u>459,604</u>	<u>441,547</u>
Total Long Term Debt	<u>\$ 1,174,367</u>	<u>\$ 669,069</u>	<u>\$ 2,597,283</u>	<u>\$ 2,990,277</u>	<u>\$ 3,771,650</u>	<u>\$ 3,659,346</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 POSITION
JUNE 30, 2013**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 3,582,629	\$ 1,780,388	\$ 5,363,017
Investments	1,228,165	1,169,554	2,397,719
Accounts receivable	110,055	642,156	752,211
Taxes receivable	1,084,124	20,800	1,104,924
Interest receivable	-	3	3
Intergovernmental receivable	292,263	10,747	303,010
Returned check	-	1,942	1,942
Inventory	-	52,525	52,525
Total current assets	<u>6,297,236</u>	<u>3,678,115</u>	<u>9,975,351</u>
NON-CURRENT ASSETS:			
Restricted cash and cash equivalents	664,694	4,401,333	5,066,027
Restricted investments	-	443,759	443,759
Capital assets, net	<u>9,694,143</u>	<u>11,468,486</u>	<u>21,162,629</u>
Total non-current assets	<u>10,358,837</u>	<u>16,313,578</u>	<u>26,672,415</u>
Total assets	<u>\$ 16,656,073</u>	<u>\$ 19,991,693</u>	<u>\$ 36,647,766</u>
LIABILITIES AND NET POSITION			
CURRENT LIABILITIES:			
Accounts payable	\$ 296,065	\$ 235,578	\$ 531,643
Accrued interest	20,623	33,114	53,737
Accrued salaries	94,517	16,209	110,726
Accrued GRT tax	43,964	-	43,964
Unapplied deposits	-	25,342	25,342
Current portion of compensated absences	12,283	383	12,666
Current portion of long term debt	<u>48,813</u>	<u>343,368</u>	<u>392,181</u>
Total current liabilities	516,265	653,994	1,170,259
NON-CURRENT LIABILITIES:			
Customer deposits	-	272,369	272,369
Compensated absences	382,613	64,325	446,938
Landfill closure	-	589,882	589,882
Long term debt, less current maturities	<u>730,658</u>	<u>1,599,325</u>	<u>2,329,983</u>
Total non-current liabilities	<u>1,113,271</u>	<u>2,525,901</u>	<u>3,639,172</u>
Total liabilities	<u>1,629,536</u>	<u>3,179,895</u>	<u>4,809,431</u>
NET POSITION			
Net investment in capital assets	8,914,672	9,525,793	18,440,465
Restricted for:			
Debt services	2,356,214	-	2,356,214
Capital projects	266,116	-	266,116
Water conservation	491,028	-	491,028
Unrestricted	<u>2,998,507</u>	<u>7,286,005</u>	<u>10,284,512</u>
Total net position	<u>15,026,537</u>	<u>16,811,798</u>	<u>31,838,335</u>
Total net position and liabilities	<u>\$ 16,656,073</u>	<u>\$ 19,991,693</u>	<u>\$ 36,647,766</u>

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

**STATE OF NEW MEXICO
CITY OF PORTALES**

**STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013**

FUNCTIONAL/PROGRAMS:	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental activities:							
Administration	\$ 2,960,366	\$ 143,215	\$ 6,613	\$ -	\$ (2,810,538)	\$ -	\$ (2,810,538)
Municipal court	291,427	81,647	126,073	4,944	(78,763)	-	(78,763)
Library	383,533	7,695	19,089	-	(356,749)	-	(356,749)
General services	227,457	-	-	-	(227,457)	-	(227,457)
Fire and emergency management	2,190,654	603,830	901,628	-	(685,196)	-	(685,196)
Police	2,330,155	16,806	158,470	-	(2,154,879)	-	(2,154,879)
Senior citizens	18,673	-	-	-	(18,673)	-	(18,673)
Streets	709,076	-	-	350,032	(359,044)	-	(359,044)
Parks and recreation	1,033,487	122,242	15,850	-	(895,395)	-	(895,395)
Public works and transportation	347,214	5,018	229,367	-	(112,829)	-	(112,829)
Interest expense	22,432	-	-	-	(22,432)	-	(22,432)
Unallocated depreciation	1,299,592	-	-	-	(1,299,592)	-	(1,299,592)
Total governmental activities	<u>11,814,066</u>	<u>980,453</u>	<u>1,457,090</u>	<u>354,976</u>	<u>(9,021,547)</u>	<u>-</u>	<u>(9,021,547)</u>
Business-type activities:							
Water and sewer	5,249,491	4,650,475	6,987	-	-	(592,029)	(592,029)
Solid waste	1,216,755	1,312,181	-	-	-	95,426	95,426
Airport	408,834	197,439	19,290	152,911	-	(39,194)	(39,194)
Convention center	8,519	10,050	-	-	-	1,531	1,531
Total business-type activities	<u>6,883,599</u>	<u>6,170,145</u>	<u>26,277</u>	<u>152,911</u>	<u>-</u>	<u>(534,266)</u>	<u>(534,266)</u>
Total primary government	<u>18,697,665</u>	<u>7,150,598</u>	<u>1,483,367</u>	<u>507,887</u>	<u>(9,021,547)</u>	<u>(534,266)</u>	<u>(9,555,813)</u>
General Revenues:							
Gross receipts taxes					5,814,632	130,399	5,945,031
Franchise taxes					315,710	-	315,710
Property taxes					392,765	-	392,765
Gasoline taxes					189,823	-	189,823
Lodger's taxes					120,456	-	120,456
Water conservation fees					-	302,004	302,004
Investment earnings					41,839	19,526	61,365
Rentals, reimbursements and other					47,456	-	47,456
Transfers					797,899	(797,899)	-
Total general revenues and transfers					<u>7,720,580</u>	<u>(345,970)</u>	<u>7,374,610</u>
Changes in net position					(1,300,967)	(880,236)	(2,181,203)
Net position, beginning of year					<u>16,327,504</u>	<u>17,692,034</u>	<u>34,019,538</u>
Net position, end of year					<u>\$ 15,026,537</u>	<u>\$ 16,811,798</u>	<u>\$ 31,838,335</u>

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

GOVERNMENTAL FUND STATEMENTS

**STATE OF NEW MEXICO
CITY OF PORTALES**

**BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2013**

	General Fund	Total Nonmajor Funds	Total Governmental Funds
ASSETS			
Cash and cash equivalents	\$ 1,202,152	\$ 2,380,477	\$ 3,582,629
Restricted cash and cash equivalents	-	664,694	664,694
Investments	1,138,428	89,737	1,228,165
Accounts receivable	110,055	-	110,055
Taxes receivable	1,011,091	73,033	1,084,124
Intergovernmental receivable	60,080	232,183	292,263
Accrued interest receivable	-	-	-
Due from other funds	107,749	-	107,749
	<u>3,629,555</u>	<u>3,440,124</u>	<u>7,069,679</u>
Total assets	<u>\$ 3,629,555</u>	<u>\$ 3,440,124</u>	<u>\$ 7,069,679</u>
LIABILITIES AND FUND BALANCE			
Liabilities:			
Accounts payable	\$ 101,190	\$ 194,875	\$ 296,065
Accrued GRT tax	43,964	-	43,964
Accrued interest	-	20,623	20,623
Accrued salaries	90,998	3,519	94,517
Due to other funds	-	107,749	107,749
	<u>236,152</u>	<u>326,766</u>	<u>562,918</u>
Total liabilities	236,152	326,766	562,918
Deferred Inflows:			
Property tax revenue	9,521	-	9,521
	<u>9,521</u>	<u>-</u>	<u>9,521</u>
Total liabilities and deferred inflows	245,673	326,766	572,439
Fund balances:			
Restricted, reported in:			
Special revenue funds	-	2,356,214	2,356,214
Capital projects funds	-	266,116	266,116
Debt service funds	-	491,028	491,028
Unassigned, reported in:			
General fund	3,383,882	-	3,383,882
	<u>3,383,882</u>	<u>-</u>	<u>3,383,882</u>
Total fund balances	<u>3,383,882</u>	<u>3,113,358</u>	<u>6,497,240</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 3,629,555</u>	<u>\$ 3,440,124</u>	<u>\$ 7,069,679</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 POSITION
JUNE 30, 2013**

Total fund balances - governmental funds \$ 6,497,240

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

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

The cost of capital assets	21,528,524	
Accumulated depreciation	<u>(11,834,381)</u>	9,694,143

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

Property taxes		9,521
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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	779,471	
Compensated absences	<u>394,896</u>	<u>(1,174,367)</u>

Total net position - governmental activities \$ 15,026,537

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, 2013**

	General Fund	Total Nonmajor Funds	Total Governmental Funds
REVENUES			
Taxes:			
Gross receipts	\$ 5,489,158	\$ 325,474	\$ 5,814,632
Franchise	315,710	-	315,710
Property	392,765	-	392,765
Other	-	294,576	294,576
Intergovernmental	173,699	1,044,521	1,218,220
Charges for services	604,754	-	604,754
Licenses, fees and permits	180,142	114,925	295,067
Fines	75,651	-	75,651
Rentals	41,004	-	41,004
Federal operating grants	25,278	-	25,278
Other grants and contributions	1,240	577,850	579,090
Interest	(3,755)	45,594	41,839
Other	47,456	-	47,456
Total revenues	<u>7,343,102</u>	<u>2,402,940</u>	<u>9,746,042</u>
EXPENDITURES			
Current:			
General government	1,467,185	705,363	2,172,548
Public safety	4,044,702	406,461	4,451,163
Public works	483,962	1,125,357	1,609,319
Culture and recreation	1,615,052	118,775	1,733,827
Capital outlay	-	679,376	679,376
Debt service:			
Principal	19,597	33,104	52,701
Interest	-	22,432	22,432
Total expenditures	<u>7,630,498</u>	<u>3,090,868</u>	<u>10,721,366</u>
Excess (deficiency) of revenues over expenditures	(287,396)	(687,928)	(975,324)
OTHER FINANCING SOURCES (USES):			
Transfers in	825,000	617,944	1,442,944
Transfers out	<u>(645,045)</u>	<u>-</u>	<u>(645,045)</u>
Total other financing source (uses)	<u>179,955</u>	<u>617,944</u>	<u>797,899</u>
Net change in fund balance	(107,441)	(69,984)	(177,425)
Fund balance at beginning of year	<u>3,491,323</u>	<u>3,183,342</u>	<u>6,674,665</u>
Fund balance at end of year	<u>\$ 3,383,882</u>	<u>\$ 3,113,358</u>	<u>\$ 6,497,240</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, 2013**

Net change in fund balances - total governmental funds \$ (177,425)

The changes in net position 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	679,377	
Depreciation expense	(1,299,592)	
Retirement or disposal of capital assets	<u>(548,793)</u>	(1,169,008)

Governmental funds report loan payments as debt service expenditures. However, in the statement of activities, these payments are not recognized as expenditures. 52,656

Property taxes that do not provide current financial resources, made available to pay for the current period's expenditures, reported as deferred inflows in the funds. 1,972

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). (9,161)

Change in net position of governmental activities \$ (1,300,966)

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, 2013

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Taxes:				
Gross receipts	\$ 2,975,000	\$ 2,975,000	\$ 4,195,170	\$ 1,220,170
Franchise	310,000	310,000	315,710	5,710
Property	357,835	357,835	392,765	34,930
Intergovernmental	2,918,768	2,918,768	173,699	(2,745,069)
Charges for services	727,853	727,853	604,754	(123,099)
Licenses, fees and permits	44,650	44,650	180,142	135,492
Fines	82,500	82,500	75,651	(6,849)
Rentals	-	-	41,004	41,004
Federal operating grants	-	-	25,278	25,278
Other grant and contributions	-	-	1,240	1,240
Interest	3,000	3,000	(3,755)	(6,755)
Other	159,572	165,847	47,456	(118,391)
Total revenues	7,579,178	7,585,453	6,049,114	(1,536,339)
EXPENDITURES:				
Current				
General government	-	-	1,231,035	(1,231,035)
Public safety	4,450,775	4,487,982	4,044,702	443,280
Executive-Legislative	218,364	217,788	-	217,788
Judicial	160,156	160,156	-	160,175
Finance & Administration	1,527,034	1,473,876	-	1,473,739
Public works	-	-	483,962	(483,962)
Senior citizens	35,250	35,250	-	35,250
Highways & Streets	582,116	583,461	-	583,461
Culture and recreation	1,279,817	1,283,837	1,615,052	(331,215)
Other - Miscellaneous	408,026	425,463	-	425,463
Debt service				
Principal	-	-	19,597	(19,597)
Total expenditures	8,661,538	8,667,813	7,394,348	1,273,347
Excess (deficiency) of revenues over expenditures	(1,082,360)	(1,082,360)	(1,345,234)	(262,992)
OTHER FINANCING SOURCES (USES)				
Transfers in	825,000	825,000	825,000	-
Transfers out	(964,481)	(964,481)	(645,045)	319,436
Total other financing sources (uses)	(139,481)	(139,481)	179,955	319,436

Continued

**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, 2013**

Net changes in fund balance	(1,221,841)	(1,221,841)	(1,165,279)	56,444
Fund balance - beginning of the year, as restated	<u>3,491,323</u>	<u>3,491,323</u>	<u>3,491,323</u>	<u>-</u>
Fund balance - end of the year	<u>\$ 2,269,482</u>	<u>\$ 2,269,482</u>	<u>\$ 2,326,044</u>	<u>\$ 56,444</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ (1,165,279)	
Net revenue accruals			1,293,988	
Net expenditure accruals			<u>(236,150)</u>	
Net change in fund balance GAAP basis			<u>\$ (107,441)</u>	

Concluded

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

PROPRIETARY FUNDS

**STATE OF NEW MEXICO
CITY OF PORTALES**

**STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013**

	Water and Sewer Fund	Solid Waste Fund	Airport Fund	Convention Center Fund	Total Proprietary Funds
ASSETS					
CURRENT ASSETS:					
Cash and cash equivalents	\$ 1,116,005	\$ 654,912	\$ 150	\$ 9,321	\$ 1,780,388
Investment	480,534	689,020	-	-	1,169,554
Accounts receivable	476,242	165,914	-	-	642,156
Taxes receivable	-	20,800	-	-	20,800
Interest receivable	3	-	-	-	3
Intergovernmental receivable	-	-	10,747	-	10,747
Returned checks	1,837	105	-	-	1,942
Inventory	-	-	52,525	-	52,525
Total current assets	2,074,621	1,530,751	63,422	9,321	3,678,115
NON-CURRENT ASSETS:					
Restricted assets:					
Cash and cash equivalents	4,401,333	-	-	-	4,401,333
Investments	443,759	-	-	-	443,759
Capital assets, net	8,736,749	288,662	2,443,075	-	11,468,486
Total non-current assets	13,581,841	288,662	2,443,075	-	16,313,578
Total assets	\$ 15,656,462	\$ 1,819,413	\$ 2,506,497	\$ 9,321	\$ 19,991,693
LIABILITIES AND NET POSITION					
CURRENT LIABILITIES:					
Accounts payable	\$ 134,303	\$ 98,870	\$ 1,456	\$ 949	\$ 235,578
Accrued interest	33,114	-	-	-	33,114
Accrued salaries	10,292	4,984	933	-	16,209
Unapplied deposits	5,061	20,281	-	-	25,342
Compensated absences - current portion	241	142	-	-	383
Long term debt - current portion	343,368	-	-	-	343,368
Total current liabilities	526,379	124,277	2,389	949	653,994
NON-CURRENT LIABILITIES:					
Customer deposits	272,369	-	-	-	272,369
Compensated absences	42,633	15,872	5,820	-	64,325
Landfill closure	-	589,882	-	-	589,882
Long term debt - long term portion	1,599,325	-	-	-	1,599,325
Total non-current liabilities	1,914,327	605,754	5,820	-	2,525,901
Total liabilities	2,440,706	730,031	8,209	949	3,179,895
NET POSITION					
Net investment in capital assets	6,794,056	288,662	2,443,075	-	9,525,793
Restricted for:					
Unrestricted	6,421,700	800,720	55,213	8,372	7,286,005
Total net position	13,215,756	1,089,382	2,498,288	8,372	16,811,798
Total liabilities and net position	\$ 15,656,462	\$ 1,819,413	\$ 2,506,497	\$ 9,321	\$ 19,991,693

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 POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

	Water and Sewer Fund	Solid Waste Fund	Airport Fund	Convention Center Fund	Total Proprietary Funds
OPERATING REVENUES					
Charges for services	\$ 4,393,049	\$ 1,324,614	\$ -	\$ -	\$ 5,717,663
Fuel sales	-	-	150,848	-	150,848
Late charges	85,779	-	81	-	85,860
Rentals	20,708	-	45,695	9,456	75,859
Tapping and reconnect fees	120,252	-	-	-	120,252
Other and miscellaneous	30,687	(12,433)	815	594	19,663
Total operating revenues	4,650,475	1,312,181	197,439	10,050	6,170,145
OPERATING EXPENSES					
Salaries and wages	508,869	267,889	35,156	-	811,914
Employee benefits	163,000	82,311	6,616	-	251,927
Maintenance	1,896,807	67,901	12,403	-	1,977,111
Contracted and purchased services	994,551	381,955	34,161	-	1,410,667
Supplies	40,962	99,317	13,834	-	154,113
Operating costs	786,718	201,457	169,884	8,519	1,166,578
Depreciation	747,827	115,034	136,294	-	999,155
Amortization	-	-	-	-	-
Total operating expenses	5,138,734	1,215,864	408,348	8,519	6,771,465
Operating income (loss)	(488,259)	96,317	(210,909)	1,531	(601,320)
NON OPERATING REVENUES (EXPENSES):					
Investment expense	(28,088)	47,614	-	-	19,526
Environmental gross receipts tax	-	130,399	-	-	130,399
Water conservation fees	302,004	-	-	-	302,004
Grants	6,987	-	172,201	-	179,188
Interest expense	(110,757)	(891)	(486)	-	(112,134)
Total non operating revenues (expenses)	170,146	177,122	171,715	-	518,983
Transfers:					
Transfers in	-	-	27,101	-	27,101
Transfers out	(700,000)	(125,000)	-	-	(825,000)
Total transfers	(700,000)	(125,000)	27,101	-	(797,899)
Change in net position	(1,018,113)	148,439	(12,093)	1,531	(880,236)
Net position, beginning of year	14,233,869	940,943	2,510,381	6,841	17,692,034
Net position, end of year	\$ 13,215,756	\$ 1,089,382	\$ 2,498,288	\$ 8,372	\$ 16,811,798

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, 2013**

	Water and Sewer Fund	Solid Waste Fund	Airport Fund	Convention Center Fund	Total Proprietary Funds
Cash flows from operating activities:					
Cash received from customers	\$ 4,730,529	\$ 1,314,515	\$ 197,439	\$ 10,050	\$ 6,252,533
Payments to employees for services	(672,324)	(349,767)	(41,662)	-	(1,063,753)
Payments to suppliers and contractors	<u>(3,692,688)</u>	<u>(776,731)</u>	<u>(239,507)</u>	<u>(8,208)</u>	<u>(4,717,134)</u>
Net cash provided by (used in) operating activities	365,517	188,017	(83,730)	1,842	471,646
Cash flows from non-capital activities and related financing activities:					
Environmental gross receipts tax	-	132,425	-	-	132,425
Due to / from other funds	(9,188)	-	180,655	-	171,467
Water conservation fees	302,004	-	-	-	302,004
Net transfers in (out)	<u>(700,000)</u>	<u>(125,000)</u>	<u>27,101</u>	<u>-</u>	<u>(797,899)</u>
Net cash provided by (used in) non-capital activities and related financing activities:	(407,184)	7,425	207,756	-	(192,003)
Cash flows from capital activities and related financing activities:					
Grant proceeds	6,987	-	-	-	6,987
Interest expense	(86,695)	(891)	(486)	-	(88,072)
Change in capital assets	(110,521)	-	(122,867)	-	(233,388)
Principal payments on debt	<u>(326,938)</u>	<u>(1,235)</u>	<u>(674)</u>	<u>-</u>	<u>(328,847)</u>
Net cash used in capital activities and related financing activities:	(517,167)	(2,126)	(124,027)	-	(643,320)
Cash flows from investing activities:					
Investment income (loss)	<u>(28,062)</u>	<u>47,614</u>	<u>-</u>	<u>-</u>	<u>19,552</u>
Net cash provided by (used in) investing activities	<u>(28,062)</u>	<u>47,614</u>	<u>-</u>	<u>-</u>	<u>19,552</u>
Net increase (decrease) in cash and cash equivalents	(586,896)	240,930	(1)	1,842	(344,125)
Cash and cash equivalents - beginning	<u>7,028,527</u>	<u>1,103,002</u>	<u>151</u>	<u>7,479</u>	<u>8,139,159</u>
Cash and cash equivalents - ending	<u>\$ 6,441,631</u>	<u>\$ 1,343,932</u>	<u>\$ 150</u>	<u>\$ 9,321</u>	<u>\$ 7,795,034</u>
SUPPLEMENTARY INFORMATION:					
Cash and cash equivalents	\$ 1,116,005	\$ 654,912	\$ 150	\$ 9,321	\$ 1,780,388
Restricted cash	<u>4,401,333</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,401,333</u>
Total cash and cash equivalents	<u>\$ 5,517,338</u>	<u>\$ 654,912</u>	<u>\$ 150</u>	<u>\$ 9,321</u>	<u>\$ 6,181,721</u>
Reconciliation of operating income to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ (488,259)	\$ 96,317	\$ (210,909)	\$ 1,531	\$ (601,320)
Adjustments to operating income to net cash used in operating activities:					
Depreciation	747,827	115,034	136,294	-	999,155
Amortization	-	-	-	-	-
Changes in net position and liabilities:					
Accounts receivables	53,936	(4,085)	-	-	49,851
Inventory	-	-	(9,109)	-	(9,109)
Accounts payable	18,846	46,942	(116)	311	65,983
Accrued salaries	(455)	(1,013)	164	-	(1,304)
Unapplied credits	(457)	6,419	-	-	5,962
Landfill	-	(73,043)	-	-	(73,043)
Compensated absences	7,504	1,446	(54)	-	8,896
Customer deposits	<u>26,575</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>26,575</u>
Net cash provided by (used in) operating activities	<u>\$ 365,517</u>	<u>\$ 188,017</u>	<u>\$ (83,730)</u>	<u>\$ 1,842</u>	<u>\$ 471,646</u>

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, 2013

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 position 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 Position 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 Inflows - 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 inflows and reflected 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 position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. 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 Position - The government-wide financial statements utilize a net position presentation. Net position are categorized as follows:

Net investment in capital assets - This category reflects the portion of net position that are associated with capital assets less outstanding capital asset related debt.

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

Unrestricted net position - This category reflects net position 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.

In June 2012, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 67 Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25. Earlier application is encouraged. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, and No. 50, Pension Disclosures, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions. The Village 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 2012, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 68 Accounting and Financial Reporting for Pensions- an amendment of GASB Statement No. 27. Earlier application is encouraged. The objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, as well as the requirements of Statement No. 50, Pension Disclosures, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement. The Village 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, 2013.

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

The LGIP investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments. The pool does not have unit shares and earnings are distributed monthly by the State Treasurer to the participants in proportion to the amount and length of time the participants have funds on deposit. Participation in the LGIP is voluntary and can be liquidated by the City at the City council's discretion. The City's balance in the LGIP account as of June 30, 2013 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 \$4,763,594 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, 2013 is as follows:

	<u>US Bank</u>	<u>New Mexico Finance Authority</u>	<u>Linsco/ Private Ledger</u>	<u>Total</u>
Total cash deposits	\$ 5,954,929	\$ 1,173,478	\$ 4,763,594	\$ 11,892,001
FDIC/SPIC coverage	<u>(250,000)</u>	<u>-</u>	<u>(250,000)</u>	<u>(500,000)</u>
Uninsured funds subject to custodial credit risk	5,704,929	1,173,478	4,513,594	11,392,001
Lloyd's of London securities insurance protection	<u>-</u>	<u>-</u>	<u>4,513,594</u>	<u>4,513,594</u>
Funds (over) under collateralized - total funds subject to custodial credit risks	<u>\$ 5,704,929</u>	<u>\$ 1,173,478</u>	<u>\$ -</u>	<u>\$ 6,878,407</u>

The following summarizes the collateral requirements at June 30, 2013:

50% of uninsured funds	\$ 3,439,204	\$ -	\$ -	\$ 3,439,204
Letter of credit collateral	<u>6,500,000</u>	<u>-</u>	<u>-</u>	<u>6,500,000</u>
Over (under) collateralized	<u>\$ 4,234,275</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,234,275</u>

4. ACCOUNTS RECEIVABLE

Accounts receivable reported in the business-type activities at June 30, 2013 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, 2013:

	<u>Accounts Receivable</u>	<u>Allowance for Uncollectibles</u>	<u>Total</u>
Water and sewer	\$ 813,573	\$ (337,331)	\$ 476,242
Solid waste	<u>244,084</u>	<u>(78,170)</u>	<u>165,914</u>
	<u>\$ 1,057,657</u>	<u>\$ (415,501)</u>	<u>\$ 642,156</u>

The general fund receivable of \$110,055 consists primarily of ambulance charges outstanding at June 30, 2013. 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	\$ 949,546
Franchise	83,382
Property taxes	20,241
Other	30,955
	<u>\$ 1,084,124</u>

Governmental funds report deferred inflows 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 inflows which related to delinquent property taxes was \$9,521.

5. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Interfund transfers reflect a transfer of cash due to needs within the fund. The composition of interfund transfers during the year ended June 30, 2013 is as follows:

TRANSFERS:

From Fund	To Fund	Amount	Purpose
Solid Waste	General Fund	\$(125,000)	Subsidize general fund operations
Water and Sewer	General Fund	(700,000)	Subsidize general fund operations
General Fund	Correction Fund	12,831	Subsidize correction fund operations
General Fund	Emergency Medical Service	9,875	Subsidize fund operations
General Fund	Library Fund	25,000	Fund library operations
General Fund	Municipal Streets Fund	120,000	Municipal street operations
General Fund	Portales Area Transit Fund	121,392	Subsidize PAT operations
General Fund	Capital Projects Fund	200,000	Fund capital expenditures
General Fund	CDBG - Capital Project Fund	44,688	Fund match for CDBG grant
General Fund	Comprehensive Plan Fund	347	Subsidize fund operations
General Fund	Risk Management	8,800	Risk management operations
General Fund	Capital Repair and Maintenance	75,011	Fund capital expenditures
General Fund	Airport	27,101	Subsidize airport operations

BALANCES:

From Fund	To Fund	Amount	Purpose
Regional Growth Planning	General Fund	\$ 100,245	Fund Expenditure Reimbursement
Risk Management	General Fund	3,571	Fund Expenditure Reimbursement
Beautification Litter Control	General Fund	530	Fund Expenditure Reimbursement

6. CAPITAL ASSETS

A summary of capital assets and changes occurring during the year ended June 30, 2013, 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, 2012	Additions	Retirements and Transfers	Restatements	Balance June 30, 2013
<i>Governmental activities:</i>					
Capital assets not being depreciated:					
Land	\$ 698,102	\$ -	\$ -	\$ -	\$ 698,102
Construction in progress	<u>160,658</u>	<u>335,962</u>	<u>(390,369)</u>	<u>-</u>	<u>106,251</u>
Total	<u>858,760</u>	<u>335,962</u>	<u>(390,369)</u>	<u>-</u>	<u>804,353</u>
Other capital assets being depreciated:					
Buildings	6,401,031	-	23,508	-	6,424,539
Improvements	6,978,101	23,507	(22,699)	-	6,978,909
Machinery and equipment	3,258,412	42,169	69,098	-	3,369,679
Furniture and fixtures	200,472	-	-	-	200,472
Vehicles	<u>3,876,557</u>	<u>277,738</u>	<u>(403,723)</u>	<u>-</u>	<u>3,750,572</u>
Total	<u>20,714,573</u>	<u>343,414</u>	<u>(333,816)</u>	<u>-</u>	<u>20,724,171</u>
Less accumulated depreciation for:					
Buildings	3,749,543	449,376	(239,099)	-	3,959,820
Improvements	1,874,474	3,990	-	-	1,878,464
Machinery and equipment	2,378,501	315,290	(81,363)	-	2,612,428
Furniture and fixtures	187,856	7,084	-	-	194,940
Vehicles	<u>3,068,600</u>	<u>523,852</u>	<u>(403,723)</u>	<u>-</u>	<u>3,188,729</u>
Total accumulated depreciation	<u>11,258,974</u>	<u>1,299,592</u>	<u>(724,185)</u>	<u>-</u>	<u>11,834,381</u>
Governmental capital assets, net	<u>\$ 10,314,359</u>	<u>\$ (620,216)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,694,143</u>

	Balance June 30, 2012	Additions	Retirements and Transfers	Balance June 30, 2013
<i>Business-type activities:</i>				
Capital assets not being depreciated:				
Land	\$ 4,593,347	\$ -	\$ -	\$ 4,593,347
Construction in progress	<u>94,163</u>	<u>43,357</u>	<u>(94,163)</u>	<u>43,357</u>
Land	4,687,510	43,357	(94,163)	4,636,704
Capital assets being depreciated:				
Buildings	1,552,790	-	-	1,552,790
Improvements	18,272,044	-	58,560	18,330,604
Machinery and equipment	4,107,231	19,005	(174,510)	3,951,726
Furniture and fixtures	4,929	-	-	4,929
Vehicles	<u>1,516,290</u>	<u>171,024</u>	<u>(21,673)</u>	<u>1,665,641</u>
Total	<u>25,453,284</u>	<u>190,029</u>	<u>(137,623)</u>	<u>25,505,690</u>
Less accumulated depreciation:				
Buildings	996,306	24,608	-	1,020,914
Improvements	12,877,091	265,343	-	13,142,434
Machinery and equipment	2,930,104	531,757	(183,951)	3,277,910
Furniture and fixtures	4,929	-	-	4,929
Vehicles	<u>1,098,111</u>	<u>177,445</u>	<u>(47,835)</u>	<u>1,227,721</u>
Total accumulated depreciation	<u>17,906,541</u>	<u>999,153</u>	<u>(231,786)</u>	<u>18,673,908</u>
Business-type capital assets, net	<u>\$ 12,234,253</u>	<u>\$ (765,767)</u>	<u>\$ -</u>	<u>\$ 11,468,486</u>

The City reported \$1,299,592 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, 2013, was as follows:

	Balance 06/30/12	Additions	Reductions	Balance 06/30/13
Governmental Activities:				
NMFA - Recreation Center	\$ 263,782	\$ -	\$ 33,104	\$ 230,678
NM Retiree Health Care Authority	19,552	-	19,552	-
NMFA Loan - Fire Truck	<u>-</u>	<u>548,793</u>	<u>-</u>	<u>548,793</u>
Total Governmental Debt	<u>\$ 283,334</u>	<u>\$ 548,793</u>	<u>\$ 52,656</u>	<u>\$ 779,471</u>

	Balance 6/30/12	Additions	Reductions	Balance 06/30/13
Business -Type Activities:				
NMFA - Blackwater Well Field	\$ 1,195,968	\$ -	\$ 279,094	\$ 916,874
NMRHCA	3,987	-	3,987	-
Water Improvement	<u>1,071,585</u>	<u>-</u>	<u>45,766</u>	<u>1,025,819</u>
Total	<u>\$ 2,271,540</u>	<u>\$ -</u>	<u>\$ 328,847</u>	<u>\$ 1,942,693</u>

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

Year Ended June 30,	Governmental			Business -Type		
	Principal	Interest	Total	Principal	Interest	Total
2014	\$ 48,813	\$ 32,712	\$ 81,525	\$ 343,368	\$ 69,739	\$ 413,107
2015	65,916	23,454	89,370	356,273	56,869	413,142
2016	71,464	18,217	89,681	362,936	37,620	400,556
2017	72,096	18,618	90,714	51,510	26,404	77,914
2018	77,799	15,934	93,733	53,055	24,859	77,914
2019-2023	228,032	45,146	273,178	290,128	99,442	389,570
2024-2028	215,351	11,878	227,229	336,338	53,232	389,570
2029-2030	<u>-</u>	<u>-</u>	<u>-</u>	<u>149,085</u>	<u>6,742</u>	<u>155,827</u>
Total	<u>\$ 779,471</u>	<u>\$ 165,959</u>	<u>\$ 945,430</u>	<u>\$ 1,942,693</u>	<u>\$ 374,907</u>	<u>\$ 2,317,600</u>

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

Description	Interest Rate	Payment Frequency	Payment Amount	Maturity Date	Due Within One Year	Servicing Fund
Governmental Activities:						
NMFA - Recreation Center	Varies to 5.23%	Monthly	\$4,085	May 2019	33,197	Capital Projects
NMFA - Fire Truck	2	Monthly	\$2,984	May 2028	<u>15,616</u>	General
					<u>\$ 48,813</u>	

Description	Interest Rate	Payment Frequency	Payment Amount	Maturity Date	Due Within One Year	Servicing Fund
Business-Type Activities:						
NMFA - Blackwater Well Field	Varies to 4.35%	Monthly	\$27,918	May 2016	296,229	Water and Sewer
Water Improvement	3.00%	Annual	\$78,309	September 2029	<u>47,139</u>	Water Conservation
					<u>\$ 343,368</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 06/30/12	Additions	Reductions	Balance 06/30/13	Due Within One Year
Governmental Activities	\$ 385,735	\$ 140,113	\$ 130,952	\$ 394,896	\$ 12,283
Business-Type Activities	<u>55,812</u>	<u>42,446</u>	<u>33,550</u>	<u>64,708</u>	<u>383</u>
	<u>\$ 441,547</u>	<u>\$ 182,559</u>	<u>\$ 164,502</u>	<u>\$ 459,604</u>	<u>\$ 12,666</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 \$589,882 as of June 30, 2013, 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, 2013. However, the actual cost of post-closure care may be higher due to inflation, changes in technology, or changes in state and federal landfill laws and regulations.

11. RISK MANAGEMENT

The City is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental, and accident benefits. The City participates in the New Mexico Self-Insurer's Fund risk pool. The New Mexico Self-Insurer's Fund risk pool operates as a common risk management and insurance program for workers compensation and property and casualty coverage.

These funds are funded entirely by member contributions and are administered by the New Mexico Self-Insurer's Fund. The pools are authorized by joint powers agreements entered into by each participating entity as a separate and independent government and legal entity pursuant to the provisions of Section 11-1-1 et. Seq. NMSA 1978. The City's contributions for the year ended June 30, 2013 were \$434,484.

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, 2013 no unpaid claims have been filed which exceed the policy limits and to the best of management's knowledge and belief all known and unknown claims will be covered by insurance. No major lawsuits have been filed against the City.

12. PERA PENSION PLAN

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

Funding Policy - Plan members are required to contribute 9.15% of general employees, 16.2% for fire department employees and 12.35% for police department employees of their gross salary. The City is required to contribute of 9.15% for general employees, 21.25% for the fire department employees and 18.50% 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, 2013, 2012, and 2011 were \$591,030, \$487,187, and \$653,463, respectively, equal to the amount of the required contributions for each year.

13. POST-EMPLOYMENT BENEFITS - STATE RETIREE HEALTH CARE PLAN

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

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

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

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

The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers after January 1, 1998, are required to make contributions to the RHCA fund in the amount determined to be appropriate by the board.

(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. 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, 2013, the statute required each participating employer to contribute 2.5% for fire and police departments and 2.0% for general departments of each participating employee's annual salary; each participating employee was required to contribute 1.25% 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%

In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The City's contributions to the RHCA for the years ended June 30, 2013, 2012 and 2011 were \$102,587, \$91,675, and \$81,029, respectively, which equal the required contributions for each year.

14. COMMITMENTS AND CONTINGENCIES

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

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

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

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 cost of housing prisoners 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 was provided by State shared taxes and charges for services. (NMSA 7-12-15) Currently, there is no shared tax revenue receipted by the City relating to cigarette tax.

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, 2013

	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	\$ 830	\$ -	\$ 1,187	\$ 98,559	\$ -	\$ -	\$ 8,363
Restricted cash and cash equivalents	-	-	-	544,916	-	-	-
Intergovernmental receivables	-	-	5,415	-	6,822	-	-
Total assets	<u>\$ 830</u>	<u>\$ -</u>	<u>\$ 6,602</u>	<u>\$ 643,475</u>	<u>\$ 6,822</u>	<u>\$ -</u>	<u>\$ 8,363</u>
LIABILITIES AND FUND BALANCE							
Liabilities							
Accounts payable	\$ -	\$ -	\$ -	\$ 494	\$ -	\$ -	\$ 174
Accrued interest	-	-	-	4,995	-	-	-
Due to other funds	-	-	-	-	530	-	-
Total liabilities	-	-	-	5,489	530	-	174
Fund balances:							
Restricted, reported in:							
Special revenue funds	830	-	6,602	637,986	6,292	-	8,189
Capital project funds	-	-	-	-	-	-	-
Debt service funds	-	-	-	-	-	-	-
Total fund balances	<u>830</u>	<u>-</u>	<u>6,602</u>	<u>637,986</u>	<u>6,292</u>	<u>-</u>	<u>8,189</u>
Total liabilities and fund balances	<u>\$ 830</u>	<u>\$ -</u>	<u>\$ 6,602</u>	<u>\$ 643,475</u>	<u>\$ 6,822</u>	<u>\$ -</u>	<u>\$ 8,363</u>

Continued

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

STATE OF NEW MEXICO
CITY OF PORTALES

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2013

	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	\$ 151,062	\$ 145,791	\$ 93,049	\$ 9,459	\$ 8,115	\$ 4,837	\$ -
Restricted cash and cash equivalents	-	-	-	-	-	-	-
Taxes receivables	14,394	-	-	-	-	-	-
Intergovernmental receivables	-	-	6,668	-	-	25,406	129,449
Total assets	<u>\$ 165,456</u>	<u>\$ 145,791</u>	<u>\$ 99,717</u>	<u>\$ 9,459</u>	<u>\$ 8,115</u>	<u>\$ 30,243</u>	<u>\$ 129,449</u>
LIABILITIES AND FUND BALANCE							
Liabilities							
Accounts payable	\$ 20,333	\$ 1,339	\$ 105	\$ -	\$ -	\$ 3,384	\$ 14,130
Accrued interest	-	-	-	-	-	-	-
Accrued salaries	-	819	-	-	-	2,700	-
Due to other funds	-	-	-	-	-	-	103,648
Total liabilities	20,333	2,158	105	-	-	6,084	117,778
Fund balances:							
Restricted, reported in:							
Special revenue funds	145,123	143,633	99,612	9,459	8,115	24,159	11,671
Capital project funds	-	-	-	-	-	-	-
Debt service funds	-	-	-	-	-	-	-
Total fund balances	<u>145,123</u>	<u>143,633</u>	<u>99,612</u>	<u>9,459</u>	<u>8,115</u>	<u>24,159</u>	<u>11,671</u>
Total liabilities and fund balances	<u>\$ 165,456</u>	<u>\$ 145,791</u>	<u>\$ 99,717</u>	<u>\$ 9,459</u>	<u>\$ 8,115</u>	<u>\$ 30,243</u>	<u>\$ 129,449</u>

Continued

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

**STATE OF NEW MEXICO
CITY OF PORTALES**

**COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2013**

	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	\$ -	\$ 8	\$ 5,284	\$ 159	\$ 1,197,899
Restricted cash and cash equivalents	-	-	-	-	-	-
Investments	-	-	89,737	-	-	-
Taxes receivables	-	-	-	-	-	41,605
Total assets	<u>\$ 1,301</u>	<u>\$ -</u>	<u>\$ 89,745</u>	<u>\$ 5,284</u>	<u>\$ 159</u>	<u>\$ 1,239,504</u>
LIABILITIES AND FUND BALANCE						
Liabilities						
Accounts payable	\$ -	\$ -	\$ -	\$ 332	\$ -	\$ 150,000
Accrued interest	-	-	-	-	-	-
Accrued salaries	-	-	-	-	-	-
Due to other funds	-	-	3,571	-	-	-
Total liabilities	-	-	3,571	332	-	150,000
Fund balances:						
Restricted, reported in:						
Special revenue funds	1,301	-	86,174	4,952	159	939,504
Capital project funds	-	-	-	-	-	-
Debt service funds	-	-	-	-	-	150,000
Total fund balances	<u>1,301</u>	<u>-</u>	<u>86,174</u>	<u>4,952</u>	<u>159</u>	<u>1,089,504</u>
Total liabilities and fund balances	<u>\$ 1,301</u>	<u>\$ -</u>	<u>\$ 89,745</u>	<u>\$ 5,284</u>	<u>\$ 159</u>	<u>\$ 1,239,504</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, 2013

	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	\$ 160,831	\$ 1,886,734	\$ 152,715	\$ -	\$ 341,028	\$ 2,380,477
Restricted cash and cash equivalents	-	544,916	119,778	-	-	664,694
Investments	-	89,737	-	-	-	89,737
Taxes receivables	8,864	64,863	8,170	-	-	73,033
Intergovernmental receivables	57,342	231,102	-	1,081	-	232,183
	<u>227,037</u>	<u>2,817,352</u>	<u>280,663</u>	<u>1,081</u>	<u>341,028</u>	<u>3,440,124</u>
Total assets	<u>\$ 227,037</u>	<u>\$ 2,817,352</u>	<u>\$ 280,663</u>	<u>\$ 1,081</u>	<u>\$ 341,028</u>	<u>\$ 3,440,124</u>
LIABILITIES AND FUND BALANCE						
Liabilities						
Accounts payable	\$ 4,584	\$ 194,875	\$ -	\$ -	\$ -	\$ 194,875
Accrued interest	-	4,995	15,628	-	-	20,623
Accrued salaries	-	3,519	-	-	-	3,519
Due to other funds	-	107,749	-	-	-	107,749
	<u>4,584</u>	<u>311,138</u>	<u>15,628</u>	<u>-</u>	<u>-</u>	<u>326,766</u>
Total liabilities	4,584	311,138	15,628	-	-	326,766
Fund balances:						
Restricted, reported in:						
Special revenue funds	222,453	2,356,214	-	-	-	2,356,214
Capital project funds	-	-	265,035	1,081	-	266,116
Debt service funds	-	150,000	-	-	341,028	491,028
	<u>222,453</u>	<u>2,506,214</u>	<u>265,035</u>	<u>1,081</u>	<u>341,028</u>	<u>3,113,358</u>
Total fund balances	<u>222,453</u>	<u>2,506,214</u>	<u>265,035</u>	<u>1,081</u>	<u>341,028</u>	<u>3,113,358</u>
Total liabilities and fund balances	<u>\$ 227,037</u>	<u>\$ 2,817,352</u>	<u>\$ 280,663</u>	<u>\$ 1,081</u>	<u>\$ 341,028</u>	<u>\$ 3,440,124</u>
						Concluded

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

**STATE OF NEW MEXICO
CITY OF PORTALES**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

	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	\$ -	\$ 15,738	\$ 77,897	\$ 740,138	\$ 7,851	\$ 33,800	\$ -
Taxes	-	-	-	-	-	-	-
Fees, fines and forfeitures	16,698	-	-	-	-	-	-
Other grants and contributions	-	-	-	-	-	-	19,089
Interest and other	-	-	-	235	-	-	4
Total revenues	<u>16,698</u>	<u>15,738</u>	<u>77,897</u>	<u>740,373</u>	<u>7,851</u>	<u>33,800</u>	<u>19,093</u>
Expenditures:							
General government	-	-	-	-	7,851	-	-
Public safety	26,289	14,006	73,611	62,299	-	33,800	-
Culture and recreation	-	-	-	-	-	-	45,253
Capital outlay	-	25,455	-	274,288	-	-	-
Debt service							
Principal	-	-	-	-	-	-	-
Interest	-	-	-	9,111	-	-	-
Total expenditures	<u>26,289</u>	<u>39,461</u>	<u>73,611</u>	<u>345,698</u>	<u>7,851</u>	<u>33,800</u>	<u>45,253</u>
Excess (deficit) of revenues over expenditures	(9,591)	(23,723)	4,286	394,675	-	-	(26,160)
Other financing sources:							
Transfers in (out)	<u>12,831</u>	<u>9,875</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,000</u>
Total other financing sources	<u>12,831</u>	<u>9,875</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>25,000</u>
Net Change in fund balances	3,240	(13,848)	4,286	394,675	-	-	(1,160)
Fund balance - beginning of year	<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>
Fund balance - end of year	<u>\$ 830</u>	<u>\$ -</u>	<u>\$ 6,602</u>	<u>\$ 637,986</u>	<u>\$ 6,292</u>	<u>\$ -</u>	<u>\$ 8,189</u>

Continued

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

**STATE OF NEW MEXICO
CITY OF PORTALES**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

	Special Revenue Funds						
	Lodgers Tax Fund	Recreation Fund	Local DWI Program Fund	Law Enforcement Special Service Fund	CDBG Rehabilitation Loan Repayment Fund	Portales Transit Fund	Regional Growth Planning Fund
Revenues:							
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 98,850	\$ -
Taxes	120,456	-	-	-	-	-	-
Fees, fines and forfeitures	-	64,337	19,670	1,538	-	5,268	-
Other grants and contributions	-	15,850	117,273	2,681	-	-	130,267
Interest and other	60	144	55	15	-	-	-
Total revenues	<u>120,516</u>	<u>80,331</u>	<u>136,998</u>	<u>4,234</u>	<u>-</u>	<u>104,118</u>	<u>130,267</u>
Expenditures:							
General government	100,361	-	-	-	-	-	-
Public safety	-	-	141,542	5,819	-	-	-
Public works	-	-	-	-	-	213,295	125,388
Culture and recreation	-	73,522	-	-	-	-	-
Capital outlay	-	-	-	18,311	-	-	-
Total expenditures	<u>100,361</u>	<u>73,522</u>	<u>141,542</u>	<u>24,130</u>	<u>-</u>	<u>213,295</u>	<u>125,388</u>
Excess (deficit) of revenues over expenditures	20,155	6,809	(4,544)	(19,896)	-	(109,177)	4,879
Other financing sources:							
Transfers in (out)	-	-	-	-	-	121,392	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>121,392</u>	<u>-</u>
Net Change in fund balances	20,155	6,809	(4,544)	(19,896)	-	12,215	4,879
Fund balance - beginning of year	<u>124,968</u>	<u>136,824</u>	<u>104,156</u>	<u>29,355</u>	<u>8,115</u>	<u>11,944</u>	<u>6,792</u>
Fund balance - end of year	<u>\$ 145,123</u>	<u>\$ 143,633</u>	<u>\$ 99,612</u>	<u>\$ 9,459</u>	<u>\$ 8,115</u>	<u>\$ 24,159</u>	<u>\$ 11,671</u>

Continued

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

**STATE OF NEW MEXICO
CITY OF PORTALES**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

	Special Revenue Funds					
	Community Development Block Grant Fund	Comprehensive Plan Fund	Risk Management Fund	Criminal Justice Fund	Main Street Fund	Economic Development Fund
Revenues:						
Intergovernmental	\$ -	\$ 4,473	\$ -	\$ -	\$ -	\$ -
Taxes	-	-	-	-	-	260,751
Fees, fines and forfeitures	-	-	-	7,414	-	-
Other grants and contributions	292,690	-	-	-	-	-
Interest and other	-	-	679	-	-	43,464
Total revenues	292,690	4,473	679	7,414	-	304,215
Expenditures:						
General government	-	-	11,756	-	-	583,253
Public safety	-	-	-	7,063	-	-
Public works	337,378	4,820	-	-	-	-
Culture and recreation	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Debt service						
Principal	-	-	-	-	-	-
Interest	-	-	-	-	-	-
Total expenditures	337,378	4,820	11,756	7,063	-	583,253
Excess (deficit) of revenues over expenditures	(44,688)	(347)	(11,077)	351	-	(279,038)
Other financing sources:						
Transfers in (out)	44,688	347	8,800	-	-	-
Total other financing sources	44,688	347	8,800	-	-	-
Net Change in fund balances	-	-	(2,277)	351	-	(279,038)
Fund balance - beginning of year	1,301	-	88,451	4,601	159	1,368,542
Fund balance - end of year	<u>\$ 1,301</u>	<u>\$ -</u>	<u>\$ 86,174</u>	<u>\$ 4,952</u>	<u>\$ 159</u>	<u>\$ 1,089,504</u>

Continued

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

**STATE OF NEW MEXICO
CITY OF PORTALES**

**COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2013**

	Total Nonmajor Special Revenue Funds		Capital Projects Funds		Debt Service Funds	Total Nonmajor Governmental Funds
	Municipal Street	Total Special Revenue	Capital Projects	Capital Repair and Replacement	Sales Tax Revenue Bonds	
Revenues:						
Intergovernmental	\$ 58,680	\$ 1,037,427	\$ -	\$ 7,094	\$ -	\$ 1,044,521
Taxes	189,823	571,030	49,020	-	-	620,050
Fees, fines and forfeitures	-	114,925	-	-	-	114,925
Other grants and contributions	-	577,850	-	-	-	577,850
Interest and other	-	44,656	278	2,241	(1,581)	45,594
Total revenues	248,503	2,345,888	49,298	9,335	(1,581)	2,402,940
Expenditures:						
General government	-	703,221	-	-	2,142	705,363
Public safety	-	364,429	-	42,032	-	406,461
Public works	229,917	910,798	214,559	-	-	1,125,357
Culture and recreation	-	118,775	-	-	-	118,775
Capital outlay	97,621	415,675	40,647	223,054	-	679,376
Debt service						
Principal	-	-	33,104	-	-	33,104
Interest	-	9,111	13,321	-	-	22,432
Total expenditures	327,538	2,522,009	301,631	265,086	2,142	3,090,868
Excess (deficit) of revenues over expenditures	(79,035)	(176,121)	(252,333)	(255,751)	(3,723)	(687,928)
Other financing sources:						
Transfers in (out)	120,000	342,933	200,000	75,011	-	617,944
Total other financing sources	120,000	342,933	200,000	75,011	-	617,944
Net Change in fund balances	40,965	166,812	(52,333)	(180,740)	(3,723)	(69,984)
Fund balance - beginning of year	181,488	2,339,402	317,368	181,821	344,751	3,183,342
Fund balance - end of year	\$ 222,453	\$ 2,506,214	\$ 265,035	\$ 1,081	\$ 341,028	\$ 3,113,358

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, 2013**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Fines and forfeitures	\$ 20,000	\$ 20,000	\$ 16,698	\$ (3,302)
Total revenues	20,000	20,000	16,698	(3,302)
EXPENDITURES:				
Current				
Public safety	38,000	38,000	26,289	11,711
Total expenditures	38,000	38,000	26,289	11,711
Excess (deficiency) of revenues over expenditures	(18,000)	(18,000)	(9,591)	8,409
OTHER FINANCING SOURCES				
Transfers in	18,000	18,000	12,831	(5,169)
Total other financing sources	18,000	18,000	12,831	(5,169)
Net changes in fund balance	-	-	3,240	3,240
Fund balance - beginning of the year	(2,410)	(2,410)	(2,410)	-
Fund balance - end of the year	\$ (2,410)	\$ (2,410)	\$ 830	\$ 3,240
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ 3,240	
Net change in fund balance GAAP basis			\$ 3,240	

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, 2013**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
State grants	\$ 15,738	\$ 15,738	\$ 15,738	\$ -
Miscellaneous	<u>10,000</u>	<u>10,000</u>	<u>-</u>	<u>(10,000)</u>
Total revenues	25,738	25,738	15,738	(10,000)
EXPENDITURES:				
Current				
Capital outlay	39,744	39,744	25,455	14,289
Miscellaneous	<u>-</u>	<u>-</u>	<u>14,006</u>	<u>(14,006)</u>
Total expenditures	<u>39,744</u>	<u>39,744</u>	<u>39,461</u>	<u>283</u>
Excess (deficiency) of revenues over expenditures	(14,006)	(14,006)	(23,723)	(9,717)
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>10,158</u>	<u>10,158</u>	<u>9,875</u>	<u>(283)</u>
Total other financing sources (uses)	<u>10,158</u>	<u>10,158</u>	<u>9,875</u>	<u>(283)</u>
Net changes in fund balance	(3,848)	(3,848)	(13,848)	(10,000)
Fund balance - beginning of the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - end of the year	<u>\$ (3,848)</u>	<u>\$ (3,848)</u>	<u>\$ (13,848)</u>	<u>\$ (10,000)</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ (13,848)	
Net revenue accruals			-	
Net expenditure accruals			-	
Net change in fund balance GAAP basis			<u>\$ (13,848)</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, 2013

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Network & Data Base Grant	\$ 465,589	\$ 71,183	\$ 72,484	\$ 1,301
Miscellaneous revenue	<u>-</u>	<u>3,611</u>	<u>-</u>	<u>(3,611)</u>
Total revenues	465,589	74,794	72,484	(2,310)
EXPENDITURES:				
Current				
Public safety	<u>465,589</u>	<u>74,794</u>	<u>73,611</u>	<u>1,183</u>
Total expenditures	<u>465,589</u>	<u>74,794</u>	<u>73,611</u>	<u>1,183</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>(1,127)</u>	<u>(1,127)</u>
Net changes in fund balance	-	-	(1,127)	(1,127)
Fund balance - beginning of the year	<u>2,316</u>	<u>2,316</u>	<u>2,316</u>	<u>-</u>
Fund balance - end of the year	<u>\$ 2,316</u>	<u>\$ 2,316</u>	<u>\$ 1,189</u>	<u>\$ (1,127)</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ (1,127)	
Net revenue accruals			<u>5,413</u>	
Net change in fund balance GAAP basis			<u>\$ 4,286</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, 2013**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	\$ 195,000	\$ 195,000	\$ 740,138	\$ 545,138
Miscellaneous	<u>625,000</u>	<u>625,000</u>	<u>235</u>	<u>(624,765)</u>
Total revenues	820,000	820,000	740,373	(79,627)
EXPENDITURES:				
Current				
Public safety	1,060,000	1,060,000	56,810	1,003,190
Capital outlay	-	-	274,288	(274,288)
Debt service				
Interest	<u>-</u>	<u>-</u>	<u>9,111</u>	<u>(9,111)</u>
Total expenditures	<u>1,060,000</u>	<u>1,060,000</u>	<u>340,209</u>	<u>719,791</u>
Excess (deficiency) of revenues over expenditures	<u>(240,000)</u>	<u>(240,000)</u>	<u>400,164</u>	<u>640,164</u>
Net changes in fund balance	(240,000)	(240,000)	400,164	640,164
Fund balance - beginning of the year, as restated	<u>243,311</u>	<u>243,311</u>	<u>243,311</u>	<u>-</u>
Fund balance - end of the year	<u>\$ 3,311</u>	<u>\$ 3,311</u>	<u>\$ 643,475</u>	<u>\$ 640,164</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ 400,164	
Net expenditure accruals			<u>(5,489)</u>	
Net change in fund balance GAAP basis			<u>\$ 394,675</u>	

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

**STATE OF NEW MEXICO
CITY OF PORTALES**

**BEAUTIFICATION/LITTER CONTROL SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	\$ 10,000	\$ 10,000	\$ 1,029	\$ (8,971)
Total revenues	10,000	10,000	1,029	(8,971)
EXPENDITURES:				
Current				
General government	10,000	10,000	7,853	2,147
Total expenditures	10,000	10,000	7,853	2,147
Excess (deficiency) of revenues over expenditures	-	-	(6,824)	(6,824)
Net changes in fund balance	-	-	(6,824)	(6,824)
Fund balance - beginning of the year	6,292	6,292	6,292	-
Fund balance - end of the year	\$ 6,292	\$ 6,292	\$ (532)	\$ (6,824)
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ (6,824)	
Net revenue accruals			6,822	
Net expenditure accruals			2	
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**

**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, 2013**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	\$ 33,800	\$ 33,800	\$ 33,800	\$ -
Total revenues	33,800	33,800	33,800	-
EXPENDITURES:				
Public safety	33,800	33,800	33,800	-
Total expenditures	33,800	33,800	33,800	-
Excess (deficiency) of revenues over expenditures	-	-	-	-
Net changes in fund balance	-	-	-	-
Fund balance - beginning of the year	-	-	-	-
Fund balance - end of the year	\$ -	\$ -	\$ -	\$ -
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ -	
Net revenue accruals			-	
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**

**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, 2013**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Other grants and contributions	\$ 32,080	\$ 33,849	\$ 19,089	\$ (14,760)
Interest income	-	-	4	4
Total revenues	32,080	33,849	19,093	(14,756)
EXPENDITURES:				
Culture and recreation	49,042	50,811	45,078	5,733
Total expenditures	49,042	50,811	45,078	5,733
Excess (deficiency) of revenues over expenditures	(16,962)	(16,962)	(25,985)	(9,023)
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	8,038	8,038	(985)	(9,023)
Fund balance - beginning of the year	9,349	9,349	9,349	-
Fund balance - end of the year	<u>\$ 17,387</u>	<u>\$ 17,387</u>	<u>\$ 8,364</u>	<u>\$ (9,023)</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ (985)	
Net revenue accruals			-	
Net expenditure accruals			<u>(175)</u>	
Net change in fund balance GAAP basis			<u>\$ (1,160)</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, 2013**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
State shared taxes	\$ 98,000	\$ 98,000	\$ 106,062	\$ 8,062
Miscellaneous revenue	<u>20</u>	<u>20</u>	<u>60</u>	<u>40</u>
Total revenues	98,020	98,020	106,122	8,102
EXPENDITURES:				
General government	<u>137,379</u>	<u>137,379</u>	<u>80,029</u>	<u>57,350</u>
Total expenditures	<u>137,379</u>	<u>137,379</u>	<u>80,029</u>	<u>57,350</u>
Excess (deficiency) of revenues over expenditures	<u>(39,359)</u>	<u>(39,359)</u>	<u>26,093</u>	<u>65,452</u>
Net changes in fund balance	(39,359)	(39,359)	26,093	65,452
Fund balance - beginning of the year	<u>124,968</u>	<u>124,968</u>	<u>124,968</u>	<u>-</u>
Fund balance - end of the year	<u>\$ 85,609</u>	<u>\$ 85,609</u>	<u>\$ 151,061</u>	<u>\$ 65,452</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ 26,093	
Net revenue accruals			14,394	
Net expenditure accruals			<u>(20,332)</u>	
Net change in fund balance GAAP basis			<u>\$ 20,155</u>	

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

**STATE OF NEW MEXICO
CITY OF PORTALES**

**RECREATION SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Fines and forfeitures	\$ -	\$ -	\$ 64,337	\$ 64,337
Other grants and contributions	-	-	15,850	15,850
Miscellaneous	68,500	80,602	-	(80,602)
Interest income	-	-	144	144
	<u>68,500</u>	<u>80,602</u>	<u>80,331</u>	<u>(271)</u>
EXPENDITURES:				
Current				
Culture and recreation	<u>83,493</u>	<u>95,595</u>	<u>71,364</u>	<u>24,231</u>
	<u>83,493</u>	<u>95,595</u>	<u>71,364</u>	<u>24,231</u>
Excess (deficiency) of revenues over expenditures	<u>(14,993)</u>	<u>(14,993)</u>	<u>8,967</u>	<u>23,960</u>
Net changes in fund balance	(14,993)	(14,993)	8,967	23,960
Fund balance - beginning of the year	<u>136,824</u>	<u>136,824</u>	<u>136,824</u>	<u>-</u>
Fund balance - end of the year	<u>\$ 121,831</u>	<u>\$ 121,831</u>	<u>\$ 145,791</u>	<u>\$ 23,960</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ 8,967	
Net expenditure accruals			<u>(2,158)</u>	
Net change in fund balance GAAP basis			<u>\$ 6,809</u>	

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, 2013**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Plosive (Negative)
REVENUES:				
Fines and forfeitures	\$ -	\$ -	\$ 19,670	\$ 19,670
Other grants and contributions	-	-	110,605	110,605
State grants	125,960	125,960	-	(125,960)
Miscellaneous	22,500	22,500	-	(22,500)
Interest income	-	-	55	55
Total revenues	148,460	148,460	130,330	(18,130)
EXPENDITURES:				
Current				
Public safety	148,460	148,460	141,436	7,024
Total expenditures	148,460	148,460	141,436	7,024
Excess (deficiency) of revenues over expenditures	-	-	(11,107)	(11,107)
Net changes in fund balance	-	-	(11,107)	(11,107)
Fund balance - beginning of the year	104,155	104,155	104,155	-
Fund balance - end of the year	<u>\$ 104,155</u>	<u>\$ 337,541</u>	<u>\$ 104,155</u>	<u>\$ -</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ (11,107)	
Net revenue accruals			6,668	
Net expenditure accruals			(105)	
Net change in fund balance GAAP basis			<u>\$ (4,544)</u>	

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, 2013**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Plosive (Negative)
REVENUES:				
Fines and forfeitures	\$ -	\$ -	\$ 1,538	\$ 1,538
Other grants and contributions	4,018	5,518	2,681	(2,837)
Interest income	-	-	15	15
Total revenues	4,018	5,518	4,234	(1,284)
EXPENDITURES:				
Current				
Public safety	23,000	24,500	5,819	18,681
Capital outlay	-	-	18,311	(18,311)
Total expenditures	23,000	24,500	24,130	370
Excess (deficiency) of revenues over expenditures	(18,982)	(18,982)	(19,896)	(914)
Net changes in fund balance	(18,982)	(18,982)	(19,896)	(914)
Fund balance - beginning of the year, as restated	29,355	29,355	29,355	-
Fund balance - end of the year	\$ 10,373	\$ 10,373	\$ 9,459	\$ (914)
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			<u>\$ (19,896)</u>	
Net change in fund balance GAAP basis			<u>\$ (19,896)</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, 2013**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
EXPENDITURES:				
Current				
General government	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	-	-
Fund balance - beginning of the year	8,115	8,115	8,115	-
Fund balance - end of the year	\$ 8,115	\$ 8,115	\$ 8,115	\$ -
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

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, 2013

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	\$ 95,686	\$ 103,754	\$ 73,444	\$ (30,310)
Fines and forfeitures	-	-	5,268	5,268
Total revenues	95,686	103,754	78,712	(25,042)
EXPENDITURES:				
Current				
Public works	217,078	225,146	209,911	15,235
Total expenditures	217,078	225,146	209,911	15,235
Excess (deficiency) of revenues over expenditures	(121,392)	(121,392)	(131,199)	(9,807)
OTHER FINANCING SOURCES				
Transfers in	121,392	121,392	121,392	-
Total other financing sources	121,392	121,392	121,392	-
Net changes in fund balance	-	-	(9,807)	(9,807)
Fund balance - beginning of the year	11,943	11,943	11,943	-
Fund balance - end of the year	<u>\$ 11,943</u>	<u>\$ 11,943</u>	<u>\$ 2,136</u>	<u>\$ (9,807)</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ (9,807)	
Net revenue accruals			25,406	
Net expenditure accruals			<u>(3,384)</u>	
Net change in fund balance GAAP basis			<u>\$ 12,215</u>	

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, 2013**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Other grants and contributions	\$ 143,647	\$ 143,647	\$ 818	\$ (142,829)
Total revenues	143,647	143,647	818	(142,829)
EXPENDITURES:				
Current				
Public works	143,646	143,646	111,258	32,388
Total expenditures	143,646	143,646	111,258	32,388
Excess (deficiency) of revenues over expenditures	1	1	(110,440)	(110,441)
Net changes in fund balance	1	1	(110,440)	(110,441)
Fund balance - beginning of the year	6,792	6,792	6,792	-
Fund balance - end of the year	\$ 6,793	\$ 6,793	\$ (103,648)	\$ (110,441)
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ (110,440)	
Net revenue accruals			129,449	
Net expenditure accruals			(14,130)	
Net change in fund balance GAAP basis			\$ 4,879	

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, 2013**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Other grants and contributions	\$ 328,195	\$ 328,195	\$ 292,690	\$ (35,505)
Total revenues	328,195	328,195	292,690	(35,505)
EXPENDITURES:				
Current				
Public works	374,699	472,775	337,378	135,397
Total expenditures	374,699	472,775	337,378	135,397
Excess (deficiency) of revenues over expenditures	(46,504)	(144,580)	(44,688)	99,892
OTHER FINANCING SOURCES				
Transfers in	-	-	44,688	44,688
Total other financing sources	-	-	44,688	44,688
Net changes in fund balance	(46,504)	(144,580)	-	144,580
Fund balance - beginning of the year	1,301	1,301	1,301	-
Fund balance - end of the year	<u>\$ (45,203)</u>	<u>\$ (143,279)</u>	<u>\$ 1,301</u>	<u>\$ 144,580</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**

**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, 2013**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	\$ 4,751	\$ 4,751	\$ 4,473	\$ (278)
Total revenues	4,751	4,751	4,473	(278)
EXPENDITURES:				
Current				
Public works	5,119	5,119	4,820	299
Total expenditures	5,119	5,119	4,820	299
Excess (deficiency) of revenues over expenditures	(368)	(368)	(347)	21
OTHER FINANCING SOURCES				
Transfers in	368	368	347	(21)
Total other financing sources	368	368	347	(21)
Net changes in fund balance	-	-	-	-
Fund balance - beginning of the year	-	-	-	-
Fund balance - end of the year	\$ -	\$ -	\$ -	\$ -
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ -	
Net expenditure accruals			-	
Net change in fund balance GAAP basis			\$ -	

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, 2013**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	\$ 8,800	\$ 8,800	\$ -	\$ (8,800)
Interest income	<u>\$ 200</u>	<u>\$ 200</u>	<u>\$ 679</u>	<u>\$ 479</u>
Total revenues	9,000	9,000	679	(8,321)
EXPENDITURES:				
Current				
General government	<u>9,000</u>	<u>11,756</u>	<u>11,756</u>	<u>-</u>
Total expenditures	<u>9,000</u>	<u>11,756</u>	<u>11,756</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>(2,756)</u>	<u>(11,077)</u>	<u>(8,321)</u>
OTHER FINANCING SOURCES				
Transfers in	<u>-</u>	<u>-</u>	<u>8,800</u>	<u>8,800</u>
Total other financing sources	<u>-</u>	<u>-</u>	<u>8,800</u>	<u>8,800</u>
Net changes in fund balance	-	(2,756)	(2,277)	479
Fund balance - beginning of the year	<u>88,451</u>	<u>88,451</u>	<u>88,451</u>	<u>-</u>
Fund balance - end of the year	<u>\$ 88,451</u>	<u>\$ 85,695</u>	<u>\$ 86,174</u>	<u>\$ 479</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ (2,277)	
Net expenditure accruals			<u>-</u>	
Net change in fund balance GAAP basis			<u>\$ (2,277)</u>	

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, 2013**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Fines and forfeitures	\$ 9,000	\$ 9,000	\$ 7,414	\$ (1,586)
Total revenues	9,000	9,000	7,414	(1,586)
EXPENDITURES:				
Current				
Public safety	9,000	9,000	6,731	2,269
Total expenditures	9,000	9,000	6,731	2,269
Excess (deficiency) of revenues over expenditures	-	-	683	683
Net changes in fund balance	-	-	683	683
Fund balance - beginning of the year	4,601	4,601	4,601	-
Fund balance - end of the year	\$ 4,601	\$ 4,601	\$ 5,284	\$ 683
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ 683	
Net expenditure accruals			(332)	
Net change in fund balance GAAP basis			\$ 351	

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**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, 2013**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
EXPENDITURES:				
Current				
General government	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	-	-
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, 2013**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
State shared taxes	\$ 246,855	\$ 246,855	\$ 219,146	\$ (27,709)
Interest income	<u>600</u>	<u>600</u>	<u>43,464</u>	<u>42,864</u>
Total revenues	247,455	247,455	262,610	15,155
EXPENDITURES:				
Current				
General government	<u>1,370,539</u>	<u>1,379,539</u>	<u>433,253</u>	<u>946,286</u>
Total expenditures	<u>1,370,539</u>	<u>1,379,539</u>	<u>433,253</u>	<u>946,286</u>
Excess (deficiency) of revenues over expenditures	<u>(1,123,084)</u>	<u>(1,132,084)</u>	<u>(170,643)</u>	<u>961,441</u>
Net changes in fund balance	(1,123,084)	(1,132,084)	(170,643)	961,441
Fund balance - beginning of the year	<u>1,368,542</u>	<u>1,368,542</u>	<u>1,368,542</u>	<u>-</u>
Fund balance - end of the year	<u>\$ 245,458</u>	<u>\$ 236,458</u>	<u>\$ 1,197,899</u>	<u>\$ 961,441</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ (170,643)	
Net revenue accruals			41,605	
Net expenditure accruals			<u>(150,000)</u>	
Net change in fund balance GAAP basis			<u>\$ (279,038)</u>	

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, 2013**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	\$ 57,342	\$ 57,342	\$ 58,680	\$ 1,338
State shared taxes	<u>190,000</u>	<u>190,000</u>	<u>98,094</u>	<u>(91,906)</u>
Total revenues	247,342	247,342	156,774	(90,568)
EXPENDITURES:				
Current				
Public works	514,467	514,467	225,333	289,134
Capital outlay	<u>-</u>	<u>-</u>	<u>97,621</u>	<u>(97,621)</u>
Total expenditures	<u>514,467</u>	<u>514,467</u>	<u>322,954</u>	<u>191,513</u>
Excess (deficiency) of revenues over expenditures	(267,125)	(267,125)	(166,180)	100,945
Transfers in	<u>-</u>	<u>-</u>	<u>120,000</u>	<u>120,000</u>
Total other financing sources	<u>-</u>	<u>-</u>	<u>120,000</u>	<u>120,000</u>
Net changes in fund balance	(267,125)	(267,125)	(46,180)	220,945
Fund balance - beginning of the year	<u>181,488</u>	<u>181,488</u>	<u>181,488</u>	<u>-</u>
Fund balance - end of the year	<u>\$ (85,637)</u>	<u>\$ (85,637)</u>	<u>\$ 135,308</u>	<u>\$ 220,945</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ (46,180)	
Net revenue accruals			91,729	
Net expenditure accruals			<u>(4,584)</u>	
Net change in fund balance GAAP basis			<u>\$ 40,965</u>	

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

CAPITAL PROJECTS FUNDS

**STATE OF NEW MEXICO
CITY OF PORTALES**

**CAPITAL PROJECTS FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
State shared taxes	\$ 49,020	\$ 49,020	\$ 40,849	\$ (8,171)
State grants	14,751	14,751	-	(14,751)
Interest income	<u>200</u>	<u>200</u>	<u>278</u>	<u>78</u>
Total revenues	63,971	63,971	41,127	(22,844)
EXPENDITURES:				
Current				
Public safety	200,660	387,660	198,931	188,729
Capital outlay	46,718	46,718	40,647	6,071
Debt service				
Principal	-	-	33,104	(33,104)
Other	<u>5,119</u>	<u>5,119</u>	<u>13,321</u>	<u>(8,202)</u>
Total expenditures	<u>252,497</u>	<u>439,497</u>	<u>286,003</u>	<u>153,494</u>
Excess (deficiency) of revenues over expenditures	(188,526)	(375,526)	(244,876)	130,650
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>	<u>-</u>
Total other financing sources (uses)	<u>200,000</u>	<u>200,000</u>	<u>200,000</u>	<u>-</u>
Net changes in fund balance	11,474	(175,526)	(44,876)	130,650
Fund balance - beginning of the year	<u>317,368</u>	<u>317,368</u>	<u>317,368</u>	<u>-</u>
Fund balance - end of the year	<u>\$ 328,842</u>	<u>\$ 141,842</u>	<u>\$ 272,492</u>	<u>\$ 130,650</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ (44,876)	
Net revenue accruals			8,171	
Net expenditure accruals			<u>(15,628)</u>	
Net change in fund balance GAAP basis			<u>\$ (52,333)</u>	

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

**STATE OF NEW MEXICO
CITY OF PORTALES**

**CAPITAL REPAIR AND REPLACEMENT CAPITAL PROJECTS FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2013**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	\$ 10,000	\$ 10,000	\$ 6,013	\$ (3,987)
Interest income	-	-	2,241	2,241
Total revenues	10,000	10,000	8,254	(1,746)
EXPENDITURES:				
Current				
Public safety	270,760	270,760	42,032	228,728
Capital outlay	146,000	146,000	223,054	(77,054)
Total expenditures	416,760	416,760	265,086	151,674
Excess (deficiency) of revenues over expenditures	(406,760)	(406,760)	(256,832)	149,928
OTHER FINANCING SOURCES				
Transfers in	226,760	226,760	75,011	(151,749)
Total other financing sources	226,760	226,760	75,011	(151,749)
Net changes in fund balance	(180,000)	(180,000)	(181,821)	(1,821)
Fund balance - beginning of the year	181,821	181,821	181,821	-
Fund balance - end of the year	<u>\$ 1,821</u>	<u>\$ 1,821</u>	<u>\$ -</u>	<u>\$ (1,821)</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ (181,821)	
Net revenue accruals			<u>1,081</u>	
Net change in fund balance GAAP basis			<u>\$ (180,740)</u>	

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, 2013**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Interest income (loss)	\$ -	\$ 6,132	\$ (1,581)	\$ 7,713
Total revenues	-	6,132	(1,581)	7,713
EXPENDITURES:				
General government	-	6,132	2,142	3,990
Total expenditures	-	6,132	2,142	3,990
Excess (deficiency) of revenues over expenditures	-	-	(3,723)	11,703
Net changes in fund balance	-	-	(3,723)	11,703
Fund balance - beginning of the year	344,751	344,751	344,751	-
Fund balance - end of the year	\$ 344,751	\$ 344,751	\$ 341,028	\$ 11,703
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ (3,723)	
Net change in fund balance GAAP basis			\$ (3,723)	

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, 2013**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
OPERATING REVENUES:				
Charges for services	\$ 5,059,500	\$ 5,059,500	\$ 4,393,049	\$ (666,451)
Tapping and reconnect fees	-	-	120,252	120,252
Rentals	-	8,812	20,708	11,896
Late fees	-	-	85,779	85,779
Interest income	154,900	154,900	-	(154,900)
Grants	407,987	407,987	-	(407,987)
Other grants	102,400	102,400	-	(102,400)
Miscellaneous income	-	-	30,687	30,687
Total revenues	5,724,787	5,733,599	4,650,475	(1,083,124)
OPERATING EXPENSES:				
Salaries and wages	-	-	508,869	(508,869)
Employee benefits	-	-	163,000	(163,000)
Maintenance	-	-	1,896,807	(1,896,807)
Contracted and purchased services	-	-	994,551	(994,551)
Supplies	-	-	40,962	(40,962)
Operating costs	6,825,879	6,825,879	786,718	6,039,161
Total operating expenses	6,825,879	6,825,879	4,390,907	2,434,972
Operating loss	(1,101,092)	(1,092,280)	259,568	1,351,848
NON-OPERATING REVENUE (EXPENSES):				
Investment income (expense)	-	-	(28,088)	(28,088)
Water conservation fees	-	-	302,004	-
Grant proceeds	-	-	6,987	6,987
Interest expense	-	-	(110,757)	(110,757)
Total non-operating revenues (expenses)	-	-	170,146	(131,858)
Net loss before transfers	(1,101,092)	(1,092,280)	429,714	1,219,990
Transfers:				
Transfers in	410,000	410,000	-	(410,000)
Transfers out	(1,110,000)	(1,110,000)	(700,000)	410,000
Total operating transfers	(700,000)	(700,000)	(700,000)	-
Total net income (loss)	(1,801,092)	(1,792,280)	(270,286)	1,219,990
Fund balance - beginning of the year	14,233,869	14,233,869	14,233,869	-
Fund balance - end of the year	\$ 12,432,777	\$ 12,441,589	\$ 13,963,583	\$ 1,219,990

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, 2013**

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

Net income after transfers - budgetary basis	\$ (270,286)
Depreciation is reported in the proprietary funds statement of activities but is not a budget expenditure item	<u>(747,827)</u>
Net income after transfers-financial statement basis	<u>\$ (1,018,113)</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, 2013**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
OPERATING REVENUES:				
Charges for services	\$ 1,310,000	\$ 1,310,000	\$ 1,324,614	\$ 14,614
Charges for services	130,000	130,000	-	(130,000)
Interest income	800	800	-	(800)
Other grants	6,000	6,000	-	(6,000)
Miscellaneous income	-	-	(12,433)	(12,433)
Total revenues	1,446,800	1,446,800	1,312,181	(134,619)
OPERATING EXPENSES:				
Salaries and wages	-	-	267,889	(267,889)
Employee benefits	-	-	82,311	(82,311)
Maintenance	-	-	67,901	(67,901)
Contracted and purchased services	-	-	381,955	(381,955)
Supplies	-	-	99,317	(99,317)
Operating costs	-	-	201,457	(201,457)
Capital outlay	1,319,077	1,319,077	-	1,319,077
Total operating expenses	1,319,077	1,319,077	1,100,830	218,247
Operating income	127,723	127,723	211,351	83,628
NON-OPERATING REVENUE (EXPENSES):				
Investment income	-	-	47,614	47,614
Environmental gross receipts tax	-	-	130,399	130,399
Interest expense	-	-	(891)	(891)
Total non-operating revenues (expenses)	-	-	177,122	177,122
Net income before transfers	127,723	127,723	388,473	260,750
Transfers:				
Transfers out	(125,000)	(125,000)	(125,000)	-
Total operating transfers	(125,000)	(125,000)	(125,000)	-
Total net income (loss)	2,723	2,723	263,473	260,750
Fund balance - beginning of the year	940,943	940,943	940,943	-
Fund balance - end of the year	\$ 943,666	\$ 943,666	\$ 1,204,416	\$ 260,750

Continued

**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, 2013**

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

Net income after transfers - budgetary basis	\$ 263,473
Depreciation is reported in the proprietary funds statement of activities but is not a budget expenditure item	<u>(115,034)</u>
Net income after transfers-financial statement basis	<u>\$ 148,439</u>

Concluded

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, 2013**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
OPERATING REVENUES:				
Charges for services	\$ 36,000	\$ 45,242	\$ -	\$ (45,242)
Fuel sales	-	-	150,848	150,848
Late charges	-	-	81	81
Rentals	-	-	45,695	45,695
Grants	144,697	144,697	-	(144,697)
Other grants	7,772	7,772	-	(7,772)
Miscellaneous income	90,092	150,850	815	(150,035)
Total revenues	278,561	348,561	197,439	(151,122)
OPERATING EXPENSES:				
Salaries and wages	-	-	35,156	(35,156)
Employee benefits	-	-	6,616	(6,616)
Maintenance	-	-	12,403	(12,403)
Contracted and purchased services	-	-	34,161	(34,161)
Supplies	-	-	13,834	(13,834)
Operating costs	-	-	169,884	(169,884)
Capital outlay	351,060	421,060	-	421,060
Total operating expenses	351,060	421,060	272,054	149,006
Operating income (loss)	(72,499)	(72,499)	(74,615)	(2,116)
NON-OPERATING REVENUE (EXPENSES):				
Grant proceeds	-	-	172,201	172,201
Interest expense	-	-	(486)	(486)
Total non-operating revenues (expenses)	-	-	171,715	171,715
Net income before transfers	(72,499)	(72,499)	97,100	169,599
Transfers:				
Transfers in	72,499	72,499	27,100	(45,399)
Total operating transfers	72,499	72,499	27,101	(45,399)
Total net income	-	-	124,201	124,200
Fund balance - beginning of the year	2,510,381	2,510,381	2,510,381	-
Fund balance - end of the year	\$ 2,510,381	\$ 2,510,381	\$ 2,634,582	\$ 124,200
Reconciliation of net income for budgetary basis to statement of activities for proprietary funds:				
Net income after transfers - budgetary basis			\$ 124,201	
Depreciation is reported in the proprietary funds statement of activities but is not a budget expenditure item			(136,294)	
Net income after transfers-financial statement basis			\$ (12,093)	

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, 2013**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
OPERATING REVENUES:				
Charges for services	\$ 20,500	\$ 20,500	\$ -	\$ (20,500)
Rental	-	-	9,456	9,456
Miscellaneous income	-	-	594	594
Total revenues	<u>20,500</u>	<u>20,500</u>	<u>10,050</u>	<u>(10,450)</u>
OPERATING EXPENSES:				
Operating costs	-	-	8,519	(8,519)
Capital outlay	<u>14,750</u>	<u>14,750</u>	<u>-</u>	<u>14,750</u>
Total operating expenses	<u>14,750</u>	<u>14,750</u>	<u>8,519</u>	<u>6,231</u>
Operating income	<u>5,750</u>	<u>5,750</u>	<u>1,531</u>	<u>(4,219)</u>
Total net income (loss)	5,750	5,750	1,531	(4,219)
Fund balance - beginning of the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - end of the year	<u>\$ 5,750</u>	<u>\$ 5,750</u>	<u>\$ 1,531</u>	<u>\$ (4,219)</u>
Reconciliation of net income for budgetary basis to statement of activities for proprietary funds:				
Net income after transfers - budgetary basis			<u>\$ 1,531</u>	
Net income after transfers-financial statement basis			<u>\$ 1,531</u>	

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, 2013

	Account Type	Fund Type	Amount Per Bank	Net Reconciling Items	Balance Per Books
US Bank					
General Fund	Checking	Governmental	\$ 1,461,854	\$ (489,827)	\$ 972,027
CDBG Capital Project	Checking	Governmental	1,301	-	1,301
Total Checking			<u>1,463,155</u>	<u>(489,827)</u>	<u>973,328</u>
Savings	Savings	Governmental	4,346,562	-	4,346,562
Sales Tax 402	Interest bearing	Governmental	63,906	-	63,906
Water & Sewer Imp.	Interest bearing	Business-type	81,306	-	81,306
Total interest bearing			<u>4,491,774</u>	<u>-</u>	<u>4,491,774</u>
Total deposits			<u>\$ 5,954,929</u>	<u>\$ (489,827)</u>	<u>\$ 5,465,102</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	\$ 44,645	\$ -	\$ 44,645
Program funds	Savings	Governmental	544,916	-	544,916
Water & Wastewater	Savings	Business-type	321,398	-	321,398
Total deposits			<u>\$ 910,959</u>	<u>\$ -</u>	<u>\$ 910,959</u>
New Mexico Finance Authority					
Rec Center Financing	Savings	Governmental	\$ 75,133	\$ -	\$ 75,133
Pumper Truck	Savings	Business-type	187,386	-	187,386
			<u>\$ 262,519</u>	<u>\$ -</u>	<u>\$ 262,519</u>
Linsco/Private Ledger					
98 Water/Sewer Reserve	Savings	Business-type	\$ 443,392	\$ -	\$ 443,392
Solid Waste	Savings	Business-type	489,604	-	489,604
Water/Sewer	Savings	Business-type	1,470,783	-	1,470,783
Water Conservation Reserve	Savings	Business-type	1,052,622	-	1,052,622
Economic development	Savings	Governmental	539,745	-	539,745
Reserve	Savings	Governmental	490,326	-	490,326
97 Sales Tax Reserve	Savings	Governmental	277,122	-	277,122
			<u>\$ 4,763,594</u>	<u>\$ -</u>	<u>\$ 4,763,594</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, 2013**

Reconciliation of Public Funds to Government-Wide Balance Sheet:

	Governmental Activities	Business-Type Activities	Total
Cash and cash equivalents - Unrestricted	\$ 3,582,629	\$ 1,780,388	\$ 5,363,017
Cash and cash equivalents - Restricted	664,694	4,401,333	5,066,027
Investments - Unrestricted	1,228,165	1,169,554	2,397,719
Investments - Restricted	<u>-</u>	<u>443,759</u>	<u>443,759</u>
	<u>\$ 5,475,488</u>	<u>\$ 7,795,034</u>	<u>\$ 13,270,522</u>
 Cash Source:			
US Bank			\$ 5,465,102
NM State Treasurer			1,861,548
NMFA - Mellon			910,959
NMFA			262,519
Linsco/Private Ledger			4,763,594
Petty cash			<u>6,800</u>
			<u>\$ 13,270,522</u>
			Concluded

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

**STATE OF NEW MEXICO
CITY OF PORTALES**

**JOINT POWERS AGREEMENTS
JUNE 30, 2013**

<u>Other Principal</u>	<u>Agreement Description</u>	<u>Effective Date</u>	<u>Ending Date</u>	<u>Project Cost</u>	<u>Fiscal Year Contribution</u>	<u>Party Responsible for Operations/Revenues and Expenditure Reporting/ Audit Responsibility (if Any)</u>
Region V Drug Task Force	Regional Drug Enforcement	October 10, 2005	Perpetual	Not Specified	Unknown	Region V Drug Task Force
Portales Municipal Schools	School Resource Office Program	May 28, 1999	Perpetual	Not Specified	Unknown	City of Portales
Portales Municipal Schools	Wheeler Park Usage	April 18,2006	Perpetual	Not Specified	Unknown	City of Portales
Roosevelt County	Law Enforcement Complex Usage	January 19, 1999	Perpetual	Not Specified	Unknown	Roosevelt County
Roosevelt County	County Jail Usage for City	December 3, 2002	Perpetual	Not Specified	Unknown	Roosevelt County
Eastern New Mexico Rural Water Authority	Ute Pipeline Project	February 4, 2002	Perpetual	Not Specified	Unknown	Eastern New Mexico Rural Water Authority
Eastern New Mexico University	Police, Fire and Ambulance Service	February 10, 1982	Perpetual	Not Specified	Unknown	City of Portales
New Mexico Energy, Minerals & Nature Resources Department	Wildfire Suppression and Protection	August 13, 2007	Perpetual	Not Specified	Unknown	City of Portales
Roosevelt County and Village of Causey, Dora, Floyd & Elida	Enhanced 911 and Emergency Management Services	June 1, 1993	Perpetual	Not Specified	Unknown	City of Portales

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

**STATE OF NEW MEXICO
CITY OF PORTALES**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2013**

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-I-01-G-10	\$ 427,407	\$ 274,192
<i>United States Department of Transportation</i>				
Airport Improvement Program	20.106	3-35-0061-0	166,458	152,912
Nonurbanized Area Formula Program	20.509	M01115	256,172	92,990
<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	113,207
<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	37,602	25,068
Homeland Security Grant Program	97.067	2010-SS-T0-000011	111,853	89,303
<i>United States Department of Justice</i>				
Public Safety Partnership and Community Policing Grants	16.710	210UMWX0	<u>152,844</u>	<u>46,959</u>
Total Expenditures of Federal Awards			<u>\$ 1,342,622</u>	<u>\$ 794,631</u>

**STATE OF NEW MEXICO
CITY OF PORTALES**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2013**

Note 1 - Basis of Presentation

The above Schedule of Expenditures of Federal Awards includes the federal grant activity of the City of Portales and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, "Audits of States, Local Governments, and Non-Profit Organizations." Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in preparation of, the basic financial statements.

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

COMPLIANCE SECTION

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

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

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, the budgetary comparison of the general fund, of the City of Portales as of and for the year ended June 30, 2013 and the related notes to the financial statements, which collectively comprise the City of Portales basic financial statements and the combining and individual funds and related budgetary comparisons presented as supplemental information, and have issued our report thereon dated November 14, 2013.

Internal Control Over Financial Reporting

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

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. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 that might be material weaknesses or, significant deficiencies. Given these limitations, during audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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*.

Purpose of this Report

The purpose of this report solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not provided an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

White + Samaniego + Campbell, LLP

El Paso, Texas
November 14, 2013

**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

Report on Compliance for Each Major Federal Program

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, 2013. 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.

Management's Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Portales major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for each major federal program. However, our audit does not provide a legal determination of City of Portales, New Mexico's compliance.

Opinion on Each Major Federal Program

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, 2013.

Report on Internal Control over Compliance

Management of City of Portales, New Mexico, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing

our audit of compliance, we considered City of Portales, New Mexico's internal control over compliance with the types of requirements that could have a direct and material effect on a major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major federal program 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* is a deficiency, or 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. A *significant deficiency* is a deficiency, or combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 material weakness or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this report is not suitable for any other purpose.

White + Samaniego + Campbell, LLP

El Paso, Texas
November 14, 2013

**STATE OF NEW MEXICO
CITY OF PORTALES**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2013**

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

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, 2013**

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, 2013**

An exit conference was held on November 14, 2013 in a closed meeting with the following City officials:

Sharon King
J. Doug Redmond
Marilyn Rapp

Mayor
City Manager
City Treasurer

White + Samaniego + Campbell, LLP

Dahlia Garcia

Audit Supervisor

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.