

**State of New Mexico  
City of Portales  
Basic Financial Statements and  
Supplementary Information  
for the Year Ended June 30, 2014  
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, 2014**

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**ELECTED OFFICIALS**

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

**ADMINISTRATIVE OFFICIALS**

J. Doug Redmond	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 and major special revenue funds of the City of Portales, as of and for the year ended June 30, 2014, 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, 2014, 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.

### **Auditors' 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 and the standard applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free 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 auditors' 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, each major fund, and the aggregate remaining fund information of the City of Portales, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund and major special revenue funds 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 fund of the City of Portales as of June 30, 2014 and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for all nonmajor funds for the year then ended in 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 City of Portales financial statements, the combining and individual fund financial statements, and the budgetary comparison. The Schedule of Expenditures of federal awards as required by Office of Management and Budget *Circular A-133*, 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 Schedule of Federal Awards, and 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 or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures is fairly stated, in all material respects, in relation to the basic financial statements as a whole.



**Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 24, 2014, 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, CP*

El Paso, Texas

November 24, 2014

**STATE OF NEW MEXICO  
CITY OF PORTALES**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2014**

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This section of City of Portales' annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended June 30, 2014. 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 \$35,245,191 (net position). Of this amount, \$10,443,159 (unrestricted net position) may be used to meet the government's ongoing, obligations to citizens and creditors.
- The government's total net position increased by \$3,406,856 during the fiscal year. The majority of this is due to the City's receipt of court awards of \$676,850 and decrease in administrative and water and sewer costs.
- As of June 30, 2014, the City's governmental funds reported combined ending fund balances of \$5,834,718. Of this total, \$2,671,482 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 \$3,163,236.

**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. Data from the other governmental funds not considered major 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 30 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 \$35,245,191 at the close of the current fiscal year.

The largest portion of the City of Portales' net position represent the City's investment of \$22,049,774 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 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 \$10,443,159 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 increased by \$2,440,426. These increases are explained in the governmental and business-type activities discussion that follows.

#### ***Governmental Activities***

Governmental activities increased the City's net position by \$455,495. Revenues including transfers decreased from \$10,513,098 for the year ended June 30, 2013 to \$10,293,014 for the year ended June 30, 2014. The decrease in revenues is primarily because the decrease in grants. Governmental expenses decreased from \$11,814,065 for the year ended June 30, 2013 to \$9,837,519 for the year ended June 30, 2014. Total revenues and expenses from governmental activities are summarized below.

***Business-Type Activities***

Business-type activities increased the City's net position by \$2,951,361 after transfers of \$775,090 out to governmental activities, compared to the prior year's decrease of \$880,236 after transfers of \$797,899 out to the general fund. Elements of this increase compared to the prior year increase include decrease in expenses throughout the year.

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

	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>	<b>2014</b>	<b>2013</b>
<b>ASSETS</b>						
Current and other assets	\$ 5,918,676	\$ 6,297,236	\$ 3,908,116	\$ 3,678,115	\$ 9,826,792	\$ 9,975,351
Non current assets	231,799	664,694	6,202,200	4,845,092	6,433,999	5,509,786
Capital assets, net of accumulated depreciation	10,740,882	9,694,143	14,781,928	11,468,486	25,522,810	21,162,629
<b>Total assets</b>	<b>\$16,891,357</b>	<b>\$16,656,073</b>	<b>\$24,892,244</b>	<b>\$19,991,693</b>	<b>\$41,783,601</b>	<b>\$36,647,766</b>
<b>LIABILITIES</b>						
Current and other liabilities	\$ 383,590	\$ 516,265	\$ 1,775,446	\$ 653,994	\$ 2,159,036	\$ 1,170,259
Long-term liabilities	1,025,735	1,113,271	3,353,639	2,525,901	4,379,374	3,639,172
<b>Total liabilities</b>	<b>1,409,325</b>	<b>1,629,536</b>	<b>5,129,085</b>	<b>3,179,895</b>	<b>6,538,410</b>	<b>4,809,431</b>
<b>NET POSITION</b>						
Net invested in capital assets	10,025,180	8,914,672	12,024,594	9,525,793	22,049,774	18,440,465
Restricted	2,752,258	3,113,358	-	-	2,752,258	3,113,358
Unrestricted	2,704,594	2,998,507	7,738,565	7,286,005	10,443,159	10,284,512
<b>Total net position</b>	<b>15,482,032</b>	<b>15,026,537</b>	<b>19,763,159</b>	<b>16,811,798</b>	<b>35,245,191</b>	<b>31,838,335</b>
<b>Total liabilities and net position</b>	<b>\$16,891,357</b>	<b>\$16,656,073</b>	<b>\$24,892,244</b>	<b>\$19,991,693</b>	<b>\$41,783,601</b>	<b>\$36,647,766</b>

A summary of the statement of activities is as follows:

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
<b>REVENUES</b>						
Program revenue:						
Charges for services	\$ 1,674,304	\$ 980,453	\$ 6,169,376	\$ 6,170,145	\$ 7,843,680	\$ 7,150,598
Operating grant and contributions	692,831	1,457,090	222,725	26,277	915,556	1,483,367
Capital grants and contributions	68,962	354,976	136,434	152,911	205,396	507,887
General revenues:						
Taxes	6,969,584	6,833,385	130,929	130,399	7,100,513	6,963,784
Other income	112,243	89,295	381,417	321,530	493,660	410,825
Total revenues	9,517,924	9,715,199	7,040,881	6,801,262	16,558,805	16,516,461
<b>EXPENSES</b>						
Administration	2,126,149	2,960,366	-	-	2,126,149	2,960,366
Municipal court	297,053	291,427	-	-	297,053	291,427
Library	410,703	383,533	-	-	410,703	383,533
General services	271,738	227,457	-	-	271,738	227,457
Fire and emergency management	2,202,796	2,190,654	-	-	2,202,796	2,190,654
Police	2,033,162	2,330,155	-	-	2,033,162	2,330,155
Senior citizens	22,339	18,673	-	-	22,339	18,673
Streets	746,228	709,076	-	-	746,228	709,076
Parks and recreation	1,079,137	1,033,486	-	-	1,079,137	1,033,486
Public works and transportation	259,233	347,214	-	-	259,233	347,214
Interest expense	20,294	22,432	-	-	20,294	22,432
Unallocated depreciation	368,687	1,299,592	-	-	368,687	1,299,592
Water and sewer	-	-	2,794,473	5,249,491	2,794,473	5,249,491
Solid waste	-	-	1,062,957	1,216,755	1,062,957	1,216,755
Airport	-	-	417,590	408,834	417,590	408,834
Convention center	-	-	5,840	8,519	5,840	8,519
Total expenses	9,837,519	11,814,065	4,280,860	6,883,599	14,118,379	18,697,664
Changes in net position before transfers	(319,595)	(2,098,866)	2,760,021	(82,337)	2,440,426	(2,181,203)
Transfers	775,090	797,899	(775,090)	(797,899)	-	-
Changes in net position	455,495	(1,300,967)	1,984,931	(880,236)	2,440,426	(2,181,203)
Net position - beginning, as previously stated	15,026,537	16,327,504	16,811,798	17,692,034	31,838,335	34,019,538
Restatement	-	-	966,430	-	966,430	-
Net position - beginning, as restated	15,026,537	16,327,504	17,778,228	17,692,034	32,804,765	34,019,538
Net position - ending	\$15,482,032	\$15,026,537	\$19,763,159	\$16,811,798	\$35,245,191	\$31,838,335



## 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 \$5,834,718, an decrease of \$662,522 in comparison with the prior year. Approximately 54% of this total amount, or \$3,163,236, constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance, \$2,671,482, 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 \$9,565,132 in the year ended June 30, 2014, which represents a decrease of \$197,275 from the year ended June 30, 2013. Expenditures for governmental functions totaled \$11,002,744 in the year ended June 30, 2014. This was a increase of \$281,378 from the fiscal year-ended June 30, 2013. The increase in expenditures is primarily caused by the increase in salaries relating to annual salary adjustments. In the fiscal year-ended June 30, 2014, expenditures for governmental functions exceeded revenues by approximately \$1,437,612.

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 \$3,163,236. General Fund revenues totaled \$8,106,025 for the fiscal year, while expenditures totaled \$8,765,934. Expenditures exceeded revenues by \$659,909 before transfers in and out of the general fund.

During 2014, the General Fund received transfers of \$825,000 from other City funds and made transfers of \$385,737 to other funds. The net transfers of \$439,263 increase the fund balance, which was decreased \$220,646 during the current fiscal year. A 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 increased total assets from \$19,991,693 in 2013 to \$24,892,244 in 2014. This is a 24.5% increase. The Water and Sewer Fund makes up the largest portion of total assets with \$20,377,542 and had the largest increase in assets of the proprietary funds which was \$1,737,434. The Solid Waste Fund had an increase in assets of \$253,533, the Airport Fund had an decrease in assets of \$12,744 and the Convention Center Fund had an increase of \$6,712 in assets in 2014.

Proprietary fund liabilities increased 38% or \$1,949,190 during 2014. Water and Sewer fund liabilities increased \$2,017,218 primarily due to loan for a new capital project. The Solid Waste liabilities decreased \$68,912. The Airport Fund liabilities decreased \$807.

## **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 \$0 for the year ended June 30, 2014. Local gross receipts collections for the year ended June 30, 2014 were more than what was collected in previous years due to the completion of most of the construction in downtown Portales.

Actual General Fund expenditures were \$8,765,934, which was 10% below the final budget amount for the year ended June 30, 2014. All categories were below budget except for debt service. The City's policy is to budget based upon expected expenditures, but City employees are encouraged to spend only what is needed to provide services, which accounts for the expenditure savings.

Fund balance was budgeted to be \$1,535,556 in the final budget. The actual fund balance for the General Fund for the year ended June 30, 2014 was \$3,163,236. This was a favorable variance of \$1,627,680, or 106%. 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, 2014 amount to \$25,522,810 (net of accumulated depreciation). Capital assets include land, construction in progress, improvements, buildings, furniture and equipment, and vehicles. The total increase in the City's capital assets (excluding accumulated depreciation) for the current fiscal year was \$1,417,187 for governmental activities. Improvements costing \$11,530, machinery and equipment \$155,195, and vehicles costing \$588,758 were purchased for the City and construction in progress of \$37,189 was added in the year ended June 30, 2014. The total increase in business-type capital assets (excluding accumulated depreciation) for the current fiscal year was \$3,561,163, due primarily to purchases related to water infrastructure and the waste water treatment plant/water re-use project.



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, 2014 and 2013**

	Governmental Activities		Business - Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land and Construction in Progress	\$ 793,057	\$ 804,353	\$ 6,754,518	\$ 4,636,704	\$ 7,547,575	\$ 5,441,057
Buildings, Improvements, Equipment, Furniture and Vehicles	<u>9,947,825</u>	<u>8,889,790</u>	<u>8,027,410</u>	<u>6,831,782</u>	<u>17,975,235</u>	<u>15,721,572</u>
Capital Assets, Net of A/D	<u>\$10,740,882</u>	<u>\$ 9,694,143</u>	<u>\$14,781,928</u>	<u>\$11,468,486</u>	<u>\$25,522,810</u>	<u>\$21,162,629</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 2014, the City had total long-term debt outstanding of \$4,502,339, 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, 2014 was \$1,104,346 and \$3,397,993, respectively, and were decreased \$70,021 and increased \$800,710, respectively, during the fiscal year.

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

**Long Term Debt  
June 30, 2014 and 2013**

	Governmental Activities		Business - Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Notes Payable	\$ 715,702	\$ 779,471	\$ 2,757,334	\$ 1,942,693	\$ 3,473,036	\$ 2,722,164
Landfill post closure	-	-	568,083	589,882	568,083	589,882
Compensated Absences	<u>388,644</u>	<u>394,896</u>	<u>72,576</u>	<u>64,708</u>	<u>461,220</u>	<u>459,604</u>
Total Long Term Debt	<u>\$ 1,104,346</u>	<u>\$ 1,174,367</u>	<u>\$ 3,397,993</u>	<u>\$ 2,597,283</u>	<u>\$ 4,502,339</u>	<u>\$ 3,771,650</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, 2014**

	Primary Government		Total
	Governmental Activities	Business-type Activities	
<b>ASSETS</b>			
<b>CURRENT ASSETS:</b>			
Cash and cash equivalents	\$ 3,394,384	\$ 1,960,483	\$ 5,354,867
Investments	1,233,602	1,175,213	2,408,815
Accounts receivable	111,026	658,370	769,396
Taxes receivable	1,078,412	19,903	1,098,315
Intergovernmental receivable	100,869	41,185	142,054
Returned check	-	1,942	1,942
Inventory	-	51,020	51,020
Due from business-type funds	383	-	383
Total current assets	<u>5,918,676</u>	<u>3,908,116</u>	<u>9,826,792</u>
<b>NON-CURRENT ASSETS:</b>			
Restricted cash and cash equivalents	231,799	5,758,441	5,990,240
Restricted investments	-	443,759	443,759
Capital assets, net	<u>10,740,882</u>	<u>14,781,928</u>	<u>25,522,810</u>
Total non-current assets	<u>10,972,681</u>	<u>20,984,128</u>	<u>31,956,809</u>
Total assets	<u>\$ 16,891,357</u>	<u>\$ 24,892,244</u>	<u>\$ 41,783,601</u>
<b>LIABILITIES AND NET POSITION</b>			
<b>CURRENT LIABILITIES:</b>			
Accounts payable	\$ 159,746	\$ 1,343,255	\$ 1,503,001
Accrued interest	3,222	28,730	31,952
Accrued salaries	127,303	20,645	147,948
Accrued GRT tax	14,708	-	14,708
Unapplied deposits	-	27,515	27,515
Due to governmental funds	-	382	382
Current portion of compensated absences	11,772	1,057	12,829
Current portion of long term debt	<u>66,839</u>	<u>353,862</u>	<u>420,701</u>
Total current liabilities	<u>383,590</u>	<u>1,775,446</u>	<u>2,159,036</u>
<b>NON-CURRENT LIABILITIES:</b>			
Customer deposits	-	310,565	310,565
Compensated absences	376,872	71,519	448,391
Landfill closure	-	568,083	568,083
Long term debt, less current maturities	<u>648,863</u>	<u>2,403,472</u>	<u>3,052,335</u>
Total non-current liabilities	<u>1,025,735</u>	<u>3,353,639</u>	<u>4,379,374</u>
Total liabilities	<u>1,409,325</u>	<u>5,129,085</u>	<u>6,538,410</u>
<b>NET POSITION</b>			
Net investment in capital assets	10,025,180	12,024,594	22,049,774
Restricted for:			2,161,574
Debt services	2,161,574	-	2,161,574
Capital projects	246,514	-	246,514
Water conservation	344,170	-	344,170
Unrestricted	<u>2,704,594</u>	<u>7,738,565</u>	<u>10,443,159</u>
Total net position	<u>15,482,032</u>	<u>19,763,159</u>	<u>35,245,191</u>
Total net position and liabilities	<u>\$ 16,891,357</u>	<u>\$ 24,892,244</u>	<u>\$ 41,783,601</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, 2014**

	Net (Expense) Revenue and Changes in Net Position						
	Expenses	Charges for Services	Program Revenues Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	Total
<b>FUNCTIONAL/PROGRAMS:</b>							
Governmental activities:	\$ 2,126,149	\$ 138,458	\$ 3,045	\$ -	\$ (1,984,646)	\$ -	\$ (1,984,646)
Administration	297,053	774,366	122,070	6,153	605,536	-	605,536
Municipal court	410,703	7,831	18,814	-	(384,058)	-	(384,058)
Library	271,738	-	-	-	(271,738)	-	(271,738)
General services	2,202,796	603,592	322,926	-	(1,276,278)	-	(1,276,278)
Fire and emergency management	2,033,162	20,906	125,145	-	(1,887,111)	-	(1,887,111)
Police	22,339	-	-	-	(22,339)	-	(22,339)
Senior citizens	746,228	-	-	62,809	(683,419)	-	(683,419)
Streets	1,079,137	123,108	16,665	-	(939,364)	-	(939,364)
Parks and recreation	259,233	6,043	84,166	-	(169,024)	-	(169,024)
Public works and transportation	20,294	-	-	-	(20,294)	-	(20,294)
Interest expense	368,687	-	-	-	(368,687)	-	(368,687)
Unallocated depreciation	9,837,519	1,674,304	692,831	68,962	(7,401,422)	-	(7,401,422)
Total governmental activities	2,794,473	4,694,280	203,086	-	-	2,102,893	2,102,893
Business-type activities:	1,062,957	1,263,683	-	136,434	-	(62,656)	200,726
Water and sewer	417,590	198,861	19,639	-	-	6,712	(62,656)
Solid waste	5,840	12,552	-	-	-	-	6,712
Airport	4,280,860	6,169,376	222,725	136,434	-	2,247,675	2,247,675
Convention center	14,118,379	7,843,680	915,556	205,396	(7,401,422)	2,247,675	(5,153,747)
Total business-type activities							
Total primary government							
General Revenues:							
Gross receipts taxes					5,841,035	130,929	5,971,964
Franchise taxes					397,687	-	397,687
Property taxes					407,584	-	407,584
Gasoline taxes					197,174	-	197,174
Lodger's taxes					126,104	-	126,104
Water conservation fees					-	280,093	280,093
Investment earnings					60,708	101,324	162,032
Rentals, reimbursements and other					775,090	-	775,090
Transfers					7,856,917	(262,744)	7,594,173
Total general revenues and transfers					455,495	1,984,931	2,440,426
Changes in net position					15,026,537	16,811,798	31,838,335
Net position, beginning of year, as previously reported					-	966,430	966,430
Restatement					-	-	-
Net position, beginning of year, as restated					15,026,537	17,778,228	32,804,765
Net position, end of year					\$ 15,482,032	\$ 19,763,159	\$ 35,245,191

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, 2014**

	General Fund	Portales Area Transit Fund	Economic Development Fund	Total Nonmajor Funds	Total Governmental Funds
<b>ASSETS</b>					
Cash and cash equivalents	\$ 1,064,120	\$ -	\$ 1,214,268	\$ 1,115,996	\$ 3,394,384
Restricted cash and cash equivalents	-	-	-	231,799	231,799
Investments	1,143,865	-	-	89,737	1,233,602
Accounts receivable	111,026	-	-	-	111,026
Taxes receivable	1,005,460	-	39,809	33,143	1,078,412
Intergovernmental receivable	8,714	16,646	-	75,509	100,869
Due from other funds	89,540	-	-	-	89,540
	<u>3,422,725</u>	<u>16,646</u>	<u>1,254,077</u>	<u>1,546,184</u>	<u>6,239,632</u>
Total assets	<u>\$ 3,422,725</u>	<u>\$ 16,646</u>	<u>\$ 1,254,077</u>	<u>\$ 1,546,184</u>	<u>\$ 6,239,632</u>
<b>LIABILITIES AND FUND BALANCE</b>					
Liabilities:					
Accounts payable	\$ 112,427	\$ 4,868	\$ -	\$ 42,451	\$ 159,746
Accrued GRT tax	14,708	-	-	-	14,708
Accrued interest	-	-	-	3,222	3,222
Accrued salaries	121,576	4,743	-	984	127,303
Due to other funds	-	81,069	-	8,088	89,157
	<u>248,711</u>	<u>90,680</u>	<u>-</u>	<u>54,745</u>	<u>394,136</u>
Total liabilities	<u>248,711</u>	<u>90,680</u>	<u>-</u>	<u>54,745</u>	<u>394,136</u>
Deferred Inflows:					
Property tax revenue	<u>10,778</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>10,778</u>
Total liabilities and deferred inflows	<u>259,489</u>	<u>90,680</u>	<u>-</u>	<u>54,745</u>	<u>404,914</u>
Fund balances:					
Restricted, reported in:					
Special revenue funds	-	-	1,254,077	907,497	2,161,574
Capital projects funds	-	-	-	246,514	246,514
Debt service funds	-	-	-	344,170	344,170
Unassigned, reported in:					
Special revenue funds	-	(74,034)	-	(6,742)	(80,776)
General fund	<u>3,163,236</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,163,236</u>
Total fund balances	<u>3,163,236</u>	<u>(74,034)</u>	<u>1,254,077</u>	<u>1,491,439</u>	<u>5,834,718</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 3,422,725</u>	<u>\$ 16,646</u>	<u>\$ 1,254,077</u>	<u>\$ 1,546,184</u>	<u>\$ 6,239,632</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, 2014**

<b>Total fund balances - governmental funds</b>		\$ 5,834,718
<p>Amounts reported for governmental activities in the Statement of Net Position are different because:</p>		
<p>Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.</p>		
The cost of capital assets	22,893,641	
Accumulated depreciation	<u>(12,152,759)</u>	10,740,882
<p>Long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds:</p>		
Property taxes		10,778
<p>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:</p>		
Long-term debt	715,702	
Compensated absences	<u>388,644</u>	<u>(1,104,346)</u>
<b>Total net position - governmental activities</b>		<b>\$ <u>15,482,032</u></b>

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, 2014

	General Fund	Portales Area Transit Fund	Economic Development Fund	Total Nonmajor Funds	Total Governmental Funds
<b>REVENUES</b>					
Taxes:					
Gross receipts	\$ 5,530,117	\$ -	\$ 261,898	\$ 49,020	\$ 5,841,035
Franchise	397,687	-	-	-	397,687
Property	407,584	-	-	323,278	407,584
Other	-	-	-	-	-
Intergovernmental- state	68,617	-	-	394,049	323,278
Charges for services	603,742	-	-	-	462,666
Licenses, fees and permits	173,945	6,043	-	104,166	603,742
Fines	751,949	-	-	-	284,154
Rentals	38,490	-	-	-	751,949
Federal operating grants	69,223	84,166	-	33,594	38,490
Other grants and contributions	2,525	-	-	152,796	186,983
Investment income	10,611	876	42,608	6,613	155,321
Other	51,535	-	-	-	60,708
Total revenues	<u>8,106,025</u>	<u>91,085</u>	<u>304,506</u>	<u>1,063,516</u>	<u>9,565,132</u>
<b>EXPENDITURES</b>					
Current:					
General government	1,857,158	-	139,933	188,276	2,185,367
Public safety	4,052,734	-	-	377,990	4,430,724
Public works	481,580	247,493	-	286,896	1,015,969
Culture and recreation	1,723,181	-	-	146,253	1,869,434
Capital outlay	651,281	53,600	-	712,306	1,417,187
Debt service:					
Principal	-	-	-	63,769	63,769
Interest	-	-	-	20,294	20,294
Total expenditures	<u>8,765,934</u>	<u>301,093</u>	<u>139,933</u>	<u>1,795,784</u>	<u>11,002,744</u>
Excess (deficiency) of revenues over expenditures	(659,909)	(210,008)	164,573	(732,268)	(1,437,612)
<b>OTHER FINANCING SOURCES (USES):</b>					
Transfers in	825,000	111,815	-	224,012	1,160,827
Transfers out	<u>(385,737)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(385,737)</u>
Total other financing source (uses)	<u>439,263</u>	<u>111,815</u>	<u>-</u>	<u>224,012</u>	<u>775,090</u>
Net change in fund balance	(220,646)	(98,193)	164,573	(508,256)	(662,522)
Fund balance at beginning of year	<u>3,383,882</u>	<u>24,159</u>	<u>1,089,504</u>	<u>1,999,695</u>	<u>6,497,240</u>
Fund balance at end of year	<u>\$ 3,163,236</u>	<u>(74,034)</u>	<u>\$ 1,254,077</u>	<u>\$ 1,491,439</u>	<u>\$ 5,834,718</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, 2014**

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**Net change in fund balances - total governmental funds** \$ (662,522)

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	1,417,187	
Depreciation expense	(368,687)	
Retirement or disposal of capital assets	<u>(1,761)</u>	1,046,739

Governmental funds report loan payments as debt service expenditures. However, in the statement of activities, these payments are not recognized as expenditures. 63,769

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. 1,257

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). 6,252

**Change in net position of governmental activities** \$ 455,495

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, 2014

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>				
Taxes:				
Gross receipts	\$ 2,915,500	\$ 2,915,500	\$ 5,530,117	\$ 2,614,617
Franchise	300,000	300,000	397,687	97,687
Property	377,772	377,772	407,584	29,812
Intergovernmental	2,771,800	2,771,800	68,617	(2,703,183)
Charges for services	726,363	726,363	603,742	(122,621)
Licenses, fees and permits	42,850	42,850	173,945	131,095
Fines	82,200	82,200	751,949	669,749
Rentals	-	-	38,490	38,490
Federal operating grants	-	-	69,223	69,223
Other grant and contributions	-	-	2,525	2,525
Interest	74,000	74,000	10,611	(63,389)
Other	94,801	94,801	51,535	(43,266)
<b>Total revenues</b>	<b>7,385,286</b>	<b>7,385,286</b>	<b>8,106,025</b>	<b>720,739</b>
<b>EXPENDITURES:</b>				
Current				
General government	1,806,285	2,770,427	1,857,158	913,269
Public safety	4,494,288	4,427,518	4,052,734	374,784
Public works	-	-	481,580	(481,580)
Senior citizens	36,050	36,050	-	36,050
Highways & Streets	588,200	589,630	-	589,630
Culture and recreation	1,357,289	1,352,607	1,723,181	(370,574)
Other - Miscellaneous	425,848	428,946	-	428,946
Capital outlay	-	-	651,281	(651,281)
Debt service	-	-	-	-
<b>Total expenditures</b>	<b>8,707,960</b>	<b>9,605,178</b>	<b>8,765,934</b>	<b>839,244</b>
Excess (deficiency) of revenues over expenditures	(1,322,674)	(2,219,892)	(659,909)	1,559,983
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	825,000	825,000	825,000	-
Transfers out	(863,220)	(453,434)	(385,737)	67,697
<b>Total other financing sources (uses)</b>	<b>(38,220)</b>	<b>371,566</b>	<b>439,263</b>	<b>67,697</b>

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, 2014**

Net changes in fund balance	(1,360,894)	(1,848,326)	(220,646)	1,627,680
Fund balance - beginning of the year	<u>3,383,882</u>	<u>3,383,882</u>	<u>3,383,882</u>	<u>-</u>
Fund balance - end of the year	<u>\$ 2,022,988</u>	<u>\$ 1,535,556</u>	<u>\$ 3,163,236</u>	<u>\$ 1,627,680</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			<u>\$ (220,646)</u>	
Net change in fund balance GAAP basis			<u>\$ (220,646)</u>	

Concluded

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, 2014

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	\$ 198,395	\$ 241,275	\$ -	\$ (241,275)
Fines and forfeitures	-	-	6,043	6,043
Other grants and contributions	-	-	876	876
Total revenues	198,395	241,275	6,919	(234,356)
EXPENDITURES:				
Current				
Public works	280,118	322,998	247,493	75,505
Capital outlay	-	-	53,600	(53,600)
Total expenditures	280,118	322,998	301,093	21,905
Excess (deficiency) of revenues over expenditures	(81,723)	(81,723)	(294,174)	(212,451)
OTHER FINANCING SOURCES				
Transfers in	111,815	111,815	111,815	-
Total other financing sources	111,815	111,815	111,815	-
Net changes in fund balance	30,092	30,092	(182,359)	(212,451)
Fund balance - beginning of the year	24,159	24,159	24,159	-
Fund balance - end of the year	\$ 54,251	\$ 54,251	\$ (158,200)	\$ (212,451)
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ (182,359)	
Net change in fund balance GAAP basis			\$ (182,359)	

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, 2014

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
State shared taxes	\$ 241,918	\$ 241,918	\$ 261,898	\$ 19,980
Interest income	<u>40,000</u>	<u>40,000</u>	<u>42,608</u>	<u>2,608</u>
Total revenues	281,918	281,918	304,506	22,588
EXPENDITURES:				
Current				
General government	<u>1,408,000</u>	<u>1,408,000</u>	<u>139,933</u>	<u>1,268,067</u>
Total expenditures	<u>1,408,000</u>	<u>1,408,000</u>	<u>139,933</u>	<u>1,268,067</u>
Excess (deficiency) of revenues over expenditures	<u>(1,126,082)</u>	<u>(1,126,082)</u>	<u>164,573</u>	<u>1,290,655</u>
Net changes in fund balance	(1,126,082)	(1,126,082)	164,573	1,290,655
Fund balance - beginning of the year	<u>1,089,504</u>	<u>1,089,504</u>	<u>1,089,504</u>	<u>-</u>
Fund balance - end of the year	<u>\$ (36,578)</u>	<u>\$ (36,578)</u>	<u>\$ 1,254,077</u>	<u>\$ 1,290,655</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			<u>\$ 164,573</u>	
Net change in fund balance GAAP basis			<u>\$ 164,573</u>	

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, 2014**

	Water and Sewer Fund	Solid Waste Fund	Airport Fund	Convention Center Fund	Total Proprietary Funds
<b>ASSETS</b>					
<b>CURRENT ASSETS:</b>					
Cash and cash equivalents	\$ 1,248,843	\$ 693,766	\$ 150	\$ 17,724	\$ 1,960,483
Investment	480,534	694,679	-	-	1,175,213
Accounts receivable	494,815	163,555	-	-	658,370
Taxes receivable	-	19,903	-	-	19,903
Intergovernmental receivable	23,192	-	17,993	-	41,185
Returned checks	1,837	105	-	-	1,942
Inventory	-	-	51,020	-	51,020
Total current assets	2,249,221	1,572,008	69,163	17,724	3,908,116
<b>NON-CURRENT ASSETS:</b>					
Restricted assets:					5,758,441
Cash and cash equivalents	5,758,441	-	-	-	443,759
Investments	443,759	-	-	-	14,781,928
Capital assets, net	11,926,121	432,024	2,423,783	-	20,984,128
Total non-current assets	18,128,321	432,024	2,423,783	-	20,984,128
Total assets	\$ 20,377,542	\$ 2,004,032	\$ 2,492,946	\$ 17,724	\$ 24,892,244
<b>LIABILITIES AND NET POSITION</b>					
<b>CURRENT LIABILITIES:</b>					
Accounts payable	\$ 1,285,534	\$ 53,838	\$ 1,243	\$ 2,640	\$ 1,343,255
Accrued interest	28,730	-	-	-	28,730
Accrued salaries	13,207	6,653	785	-	20,645
Unapplied deposits	6,200	21,315	-	-	27,515
Due to other funds	382	-	-	-	382
Compensated absences - current portion	992	65	-	-	1,057
Long term debt - current portion	353,862	-	-	-	353,862
Total current liabilities	1,688,907	81,871	2,028	2,640	1,775,446
<b>NON-CURRENT LIABILITIES:</b>					
Customer deposits	310,565	-	-	-	310,565
Compensated absences	54,980	11,165	5,374	-	71,519
Landfill closure	-	568,083	-	-	568,083
Long term debt - long term portion	2,403,472	-	-	-	2,403,472
Total non-current liabilities	2,769,017	579,248	5,374	-	3,353,639
Total liabilities	4,457,924	661,119	7,402	2,640	5,129,085
<b>NET POSITION</b>					
Net investment in capital assets	9,168,787	432,024	2,423,783	-	12,024,594
Restricted for:					7,738,565
Unrestricted	6,750,831	910,889	61,761	15,084	19,763,159
Total net position	15,919,618	1,342,913	2,485,544	15,084	19,763,159
Total liabilities and net position	\$ 20,377,542	\$ 2,004,032	\$ 2,492,946	\$ 17,724	\$ 24,892,244

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, 2014

	Water and Sewer Fund	Solid Waste Fund	Airport Fund	Convention Center Fund	Total Proprietary Funds
OPERATING REVENUES	\$ 4,494,458	\$ 1,299,180	\$ -	\$ -	\$ 5,793,638
Charges for services	-	-	146,245	-	146,245
Fuel sales	99,508	-	103	-	99,611
Late charges	20,293	-	50,828	12,077	83,198
Rentals	78,416	-	-	-	78,416
Tapping and reconnect fees	1,605	(35,497)	1,685	475	(31,732)
Other and miscellaneous	-	-	-	-	-
Total operating revenues	<u>4,694,280</u>	<u>1,263,683</u>	<u>198,861</u>	<u>12,552</u>	<u>6,169,376</u>
OPERATING EXPENSES					
Salaries and wages	631,430	259,882	37,474	-	928,786
Employee benefits	205,949	83,219	6,983	-	296,151
Maintenance	464,453	54,764	165,876	-	685,093
Contracted and purchased services	458,133	454,104	2,835	-	915,072
Supplies	42,352	115,302	12,153	-	169,807
Operating costs	736,207	55,701	172,977	5,840	970,725
Depreciation	188,449	39,981	19,292	-	247,722
Amortization	-	-	-	-	-
Total operating expenses	<u>2,726,973</u>	<u>1,062,953</u>	<u>417,590</u>	<u>5,840</u>	<u>4,213,356</u>
Operating income (loss)	1,967,307	200,730	(218,729)	6,712	1,956,020
NON OPERATING REVENUES (EXPENSES):					
Investment income	54,450	46,874	-	-	101,324
Environmental gross receipts tax	-	130,929	-	-	130,929
Water conservation fees	280,093	-	-	-	280,093
Grants	203,086	-	156,073	-	359,159
Interest expense	(67,500)	-	-	-	(67,500)
Total non operating revenues (expenses)	<u>470,129</u>	<u>177,803</u>	<u>156,073</u>	<u>-</u>	<u>804,005</u>
Transfers:					
Transfers in	551,820	-	49,912	-	601,732
Transfers out	(1,251,822)	(125,000)	-	-	(1,376,822)
Total transfers	<u>(700,002)</u>	<u>(125,000)</u>	<u>49,912</u>	<u>-</u>	<u>(775,090)</u>
Change in net position	1,737,434	253,533	(12,744)	6,712	1,984,935
Net position, beginning of year, as previously reported	13,215,754	1,089,380	2,498,288	8,372	16,811,794
Restatement	966,430	-	-	-	966,430
Net position, beginning of year	<u>14,182,184</u>	<u>1,089,380</u>	<u>2,498,288</u>	<u>8,372</u>	<u>17,778,224</u>
Net position, end of year	<u>\$ 15,919,618</u>	<u>\$ 1,342,913</u>	<u>\$ 2,485,544</u>	<u>\$ 15,084</u>	<u>\$ 19,763,159</u>

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



**STATE OF NEW MEXICO  
CITY OF PORTALES**

**STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2014**

	Water and Sewer Fund	Solid Waste Fund	Airport Fund	Convention Center Fund	Total Proprietary Funds
<b>Cash flows from operating activities:</b>					
Cash received from customers	\$ 5,846,725	\$ 1,307,055	\$ 218,153	\$ 12,552	\$ 7,384,485
Payments to employees for services	(834,464)	(346,216)	(45,051)	-	(1,225,731)
Payments to suppliers and contractors	<u>(725,265)</u>	<u>(786,683)</u>	<u>(371,841)</u>	<u>(4,149)</u>	<u>(1,887,938)</u>
Net cash provided by (used in) operating activities	4,286,996	174,156	(198,739)	8,403	4,270,816
<b>Cash flows from non-capital activities and related financing activities:</b>					
Environmental gross receipts tax	-	131,826	-	-	131,826
Due to / from other funds	382	-	148,827	-	149,209
Water conservation fees	280,093	-	-	-	280,093
Net transfers in (out)	<u>(700,000)</u>	<u>(125,000)</u>	<u>49,912</u>	<u>-</u>	<u>(775,088)</u>
Net cash provided by (used in) non-capital activities and related financing activities:	(419,525)	6,826	198,739	-	(213,960)
<b>Cash flows from capital activities and related financing activities:</b>					
Grant proceeds	203,086	-	-	-	203,086
Interest expense	(71,884)	-	-	-	(71,884)
Change in capital assets	(3,377,821)	(183,343)	-	-	(3,561,164)
Principal payments on debt	<u>814,641</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>814,641</u>
Net cash used in capital activities and related financing activities:	(2,431,978)	(183,343)	-	-	(2,615,321)
<b>Cash flows from investing activities:</b>					
Investment income (loss)	<u>54,453</u>	<u>41,215</u>	<u>-</u>	<u>-</u>	<u>95,668</u>
Net cash provided by (used in) investing activities	54,453	41,215	-	-	95,668
Net increase (decrease) in cash and cash equivalents	1,489,946	38,854	-	8,403	1,537,203
Cash and cash equivalents - beginning	<u>5,517,338</u>	<u>654,912</u>	<u>150</u>	<u>9,321</u>	<u>6,181,721</u>
Cash and cash equivalents - ending	<u>\$ 7,007,284</u>	<u>\$ 693,766</u>	<u>\$ 150</u>	<u>\$ 17,724</u>	<u>\$ 7,718,924</u>
<b>SUPPLEMENTARY INFORMATION:</b>					
Cash and cash equivalents	\$ 1,248,843	\$ 693,766	\$ 150	\$ 17,724	\$ 1,960,483
Restricted cash	5,758,441	-	-	-	5,758,441
Total cash and cash equivalents	<u>\$ 7,007,284</u>	<u>\$ 693,766</u>	<u>\$ 150</u>	<u>\$ 17,724</u>	<u>\$ 7,718,924</u>
<b>Reconciliation of operating income to net cash provided by (used in) operating activities:</b>					
Operating income (loss)	\$ 1,967,307	\$ 200,730	\$ (218,729)	\$ 6,712	\$ 1,956,020
Adjustments to operating income to net cash used in operating activities:					
Depreciation	188,449	39,981	19,292	-	247,722
Amortization	966,430	-	-	-	966,430
Prior period adjustment	-	-	-	-	-
Changes in net position and liabilities:					
Accounts receivables	(41,765)	2,359	1,505	-	1,505
Inventory	1,151,231	(45,032)	(213)	1,691	1,107,677
Accounts payable	2,911	1,667	(148)	-	4,430
Accrued salaries	1,139	1,034	-	-	2,173
Unapplied credits	-	(21,799)	-	-	(21,799)
Landfill	13,098	(4,784)	(446)	-	7,868
Compensated absences	38,196	-	-	-	38,196
Customer deposits	<u>38,196</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>38,196</u>
Net cash provided by (used in) operating activities	<u>\$ 4,286,996</u>	<u>\$ 174,156</u>	<u>\$ (198,739)</u>	<u>\$ 8,403</u>	<u>\$ 4,270,816</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, 2014

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The City's financial statements are prepared in accordance with generally accepted accounting principles ("GAAP"). 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 the City Manager, 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:

<b>Assets</b>	<b>Years</b>
Building and building improvements	30-40
Water and sewer plants	40
Streets	10-20
Vehicles, machinery and equipment	5-20
Computer equipment and software	3-5

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

**Deferred 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 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 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. 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 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 January 2013, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 69 Government Combinations and Disposals of government Operations. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. The requirements of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013, and should be applied on a prospective basis. Earlier application is encouraged. 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 April 2013, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 70 Accounting and Financial Reporting for Nonexchange Financial Guarantees. This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The amount of the liability to be recognized should be the discounted present value of the best estimate of the future outflows related to the guarantee expected to be incurred. When there is no best estimate but a range of the estimated future outflows can be established, the amount of the liability to be recognized should be the discounted present value of the minimum amount within the range. This Statement requires a government that has issued an obligation guaranteed in a nonexchange transaction to recognize revenue to the extent of the reduction in its guaranteed liabilities. This Statement also requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. When a government is released as an obligor, the government should recognize revenue as a result of being relieved of the obligation. This Statement also provides additional guidance for intra-entity nonexchange financial guarantees involving blended component units. This Statement specifies the information required to be disclosed by governments that extend nonexchange financial guarantees. In addition, this Statement requires new information to be disclosed by governments that receive nonexchange financial guarantees. The provisions of this Statement are effective for reporting periods beginning after June 15, 2013. Earlier application is encouraged. Except for disclosures related to cumulative amounts paid or received in relation to a financial guarantee, the provisions of this Statement are required to be applied retroactively. Disclosures related to cumulative amounts paid or received in relation to a financial guarantee may be applied prospectively. 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 2013, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 71 Pension Transition for Contributions made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The City is analyzing the effect that this statement will have on its financial statement, and currently believes it will have no significant effect on the financial statement for the upcoming year.

## 2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

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

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

1. The City prepares a proposed interim operating budget based upon input from public hearings conducted to obtain taxpayer comments and management assessment of City needs and resources available. The operating budget includes proposed expenditures and the means of financing them. A budget is proposed for the General, Special Revenue, Capital Projects, Debt Service and Proprietary Funds.
2. The interim operating budget for the fiscal year commencing July 1 is submitted to the Department of Finance and Administration-Local Government Division by June 1. The Department of Finance reviews the interim budget, makes any needed adjustments and grants interim approval by July 1.
3. The final operating budget for the fiscal year is submitted to the Department of Finance on or before July 31. The Department of Finance reviews the budget and grants approval by September 1.
4. The interim and final budgets are legally enacted through passage of resolutions and the council is authorized to transfer budgeted amounts between departments within any fund. Any revisions that alter the total expenditures of any fund must be approved by the Department of Finance and Administration-Local Government Division.
5. Budgets for funds are adopted on the modified accrual basis of accounting. Budgetary comparisons have been presented in this report on the basis of the legally adopted budget.
6. Appropriations lapse at year end with any unspent cash balance being available for expenditures and appropriation in the subsequent year's budget.
7. The level of classification detail in which expenditures may not legally exceed appropriations for each budget is in fund total.

### 3. CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

State statutes authorize the investment of City funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. All invested funds of the City properly followed State deposit and investment requirements as of June 30, 2014.

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, 2014 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 \$4,849,861 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, 2014 is as follows:

	<u>US Bank</u>	<u>New Mexico Finance Authority</u>	<u>Linsco/ Private Ledger</u>	<u>Total</u>
Total cash deposits	\$ 5,894,565	\$ 742,015	\$ 4,849,861	\$ 11,486,441
FDIC/SPIC coverage	<u>(250,000)</u>	<u>-</u>	<u>(250,000)</u>	<u>(500,000)</u>
Uninsured funds subject to custodial credit risk	5,644,565	-	4,599,861	10,986,441
Lloyd's of London securities insurance protection	<u>-</u>	<u>-</u>	<u>4,599,861</u>	<u>4,599,861</u>
Funds (over) under collateralized - total funds subject to custodial credit risks	<u>\$ 5,644,565</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,386,580</u>

The following summarizes the collateral requirements at June 30, 2014:

50% of uninsured funds	\$ 2,822,283	\$ -	\$ -	\$ 2,822,283
Letter of credit collateral	<u>6,500,000</u>	<u>-</u>	<u>-</u>	<u>6,500,000</u>
Over (under) collateralized	<u>\$ 3,677,718</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,677,718</u>

#### 4. ACCOUNTS RECEIVABLE

Accounts receivable reported in the business-type activities at June 30, 2014 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, 2014:

	<u>Accounts Receivable</u>	<u>Allowance for Uncollectibles</u>	<u>Total</u>
Water and sewer	\$ 884,575	\$ (389,760)	\$ 494,815
Solid waste	<u>214,541</u>	<u>(50,986)</u>	<u>163,555</u>
	<u>\$ 1,099,116</u>	<u>\$ (440,746)</u>	<u>\$ 658,370</u>

The general fund receivable of \$111,026 consists primarily of ambulance charges outstanding at June 30, 2014. 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:

	<u>Taxes Receivables</u>
Gross receipts taxes	\$ 849,338
Franchise	119,242
Property taxes	20,004
Other	<u>16,876</u>
	<u>\$ 1,005,460</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 \$10,778.

**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, 2014 is as follows:

**TRANSFERS:**

Fund	Transfer In	Transfer out
General Fund	\$ 825,000	\$ 385,737
Correction Fund	10,201	-
Law Enforcement Fund	19,836	-
Library	27,500	-
Portales Area Transit	111,815	-
CDBG Capital Projects	5,391	-
Risk Management	32,619	-
Capital Repair and Maintenance	128,465	-
Water and Sewer Fund	551,820	1,251,822
Solid Waste Fund	-	125,000
Airport Fund	49,912	-
	<u>1,762,559</u>	<u>1,762,559</u>
Total		

**6. CAPITAL ASSETS**

A summary of capital assets and changes occurring during the year ended June 30, 2014, 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, 2013	Additions	Retirements and Transfers	Balance June 30, 2014
<i>Governmental activities:</i>				
Capital assets not being depreciated:				
Land	\$ 698,102	\$ -	\$ -	\$ 698,102
Construction in progress	106,251	37,189	(48,485)	94,955
Total	<u>804,353</u>	<u>37,189</u>	<u>(48,485)</u>	<u>793,057</u>
Other capital assets being depreciated:				
Buildings	6,424,539	624,515	24,979	7,074,033
Improvements	6,978,909	11,530	23,506	7,013,945
Machinery and equipment	3,369,679	155,195	(19,048)	3,505,826
Furniture and fixtures	200,472	-	-	200,472
Vehicles	3,750,572	588,758	(33,022)	4,306,308
Total	<u>20,724,171</u>	<u>1,379,998</u>	<u>(3,585)</u>	<u>22,100,584</u>
Less accumulated depreciation for:				
Buildings	3,959,820	65,643	-	4,025,463
Improvements	1,878,464	105,344	-	1,983,808
Machinery and equipment	2,612,428	83,935	(19,048)	2,677,315
Furniture and fixtures	194,940	1,102	-	196,042
Vehicles	3,188,729	112,663	(31,261)	3,270,131
Total accumulated depreciation	<u>11,834,381</u>	<u>368,687</u>	<u>(50,309)</u>	<u>12,152,759</u>

Governmental capital assets, net	<u>\$ 9,694,143</u>	<u>\$ 1,048,500</u>	<u>\$ (1,761)</u>	<u>\$ 10,740,882</u>
	<b>Balance</b>		<b>Retirements</b>	<b>Balance</b>
	<b>June 30, 2013</b>	<b>Additions</b>	<b>and</b>	<b>June 30, 2014</b>
			<b>Transfers</b>	
<i>Business-type activities:</i>				
Capital assets not being depreciated:				
Land	\$ 4,593,347	\$ -	\$ -	\$ 4,593,347
Construction in progress	<u>43,357</u>	<u>2,161,171</u>	<u>(43,357)</u>	<u>2,161,171</u>
Land	4,636,704	2,161,171	(43,357)	6,754,518
Capital assets being depreciated:				
Buildings	1,552,790	-	-	1,552,790
Improvements	18,330,604	1,165,111	43,357	19,539,072
Machinery and equipment	3,951,726	51,539	-	4,003,265
Furniture and fixtures	4,929	-	-	4,929
Vehicles	<u>1,665,641</u>	<u>183,342</u>	<u>(35,889)</u>	<u>1,813,094</u>
Total	<u>25,505,690</u>	<u>1,399,992</u>	<u>7,468</u>	<u>26,913,150</u>
Less accumulated depreciation:				
Buildings	1,020,914	8,202	-	1,029,116
Improvements	13,142,434	113,419	-	13,255,853
Machinery and equipment	3,277,910	79,415	-	3,357,325
Furniture and fixtures	4,929	-	-	4,929
Vehicles	<u>1,227,721</u>	<u>46,685</u>	<u>(35,889)</u>	<u>1,238,517</u>
Total accumulated depreciation	<u>18,673,908</u>	<u>247,721</u>	<u>(35,889)</u>	<u>18,885,740</u>
Business-type capital assets, net	<u>\$ 11,468,486</u>	<u>\$ 3,313,442</u>	<u>\$ -</u>	<u>\$ 14,781,928</u>

The City reported \$368,687 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, 2014, was as follows:

	<b>Balance</b>			<b>Balance</b>
	<b>06/30/13</b>	<b>Additions</b>	<b>Reductions</b>	<b>06/30/14</b>
<b>Governmental Activities:</b>				
NMFA - Recreation Center	\$ 230,678	\$ -	\$ 33,197	\$ 197,481
NMFA Loan - Fire Truck	<u>548,793</u>	<u>-</u>	<u>30,572</u>	<u>518,221</u>
Total Governmental Debt	<u>\$ 779,471</u>	<u>\$ -</u>	<u>\$ 63,769</u>	<u>\$ 715,702</u>

	Balance 6/30/13	Additions	Reductions	Balance 06/30/14
<b>Business -Type Activities:</b>				
NMFA - Blackwater Well Field	\$ 916,874	\$ -	\$ 291,759	\$ 625,115
NMED - Wastewater Facility	-	1,153,540	-	1,153,540
Water Improvement	<u>1,025,819</u>	<u>-</u>	<u>47,140</u>	<u>978,679</u>
Total	<u>\$ 1,942,693</u>	<u>\$ 1,153,540</u>	<u>\$ 338,899</u>	<u>\$ 2,757,334</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
2015	\$ 66,839	\$ 19,322	\$ 86,161	\$ 353,862	\$ 59,280	\$ 413,142
2016	72,135	17,337	89,472	369,816	30,740	400,556
2017	72,500	14,991	87,491	51,510	26,404	77,914
2018	77,942	12,561	90,503	1,206,595	24,859	1,231,454
2019	78,489	9,733	88,222	54,647	23,267	77,914
2020-2024	184,065	23,448	207,513	298,832	90,738	389,570
2025-2029	163,732	4,489	168,221	346,428	43,142	389,570
2030-2030	-	-	-	<u>75,644</u>	<u>2,269</u>	<u>77,913</u>
Total	<u>\$ 715,702</u>	<u>\$ 101,881</u>	<u>\$ 817,583</u>	<u>\$ 2,757,334</u>	<u>\$ 300,699</u>	<u>\$ 3,058,033</u>

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

Description	Interest Rate	Payment Frequency	Payment Amount	Maturity Date	Due Within One Year	Servicing Fund
<b>Governmental Activities:</b>						
NMFA - Recreation Center	Varies to 5.23%	Monthly	\$4,085	May 2019	33,293	Capital Projects
NMFA - Fire Truck	2	Monthly	\$2,984	May 2028	<u>33,546</u>	General
					<u>\$ 66,839</u>	



Description	Interest Rate	Payment Frequency	Payment Amount	Maturity Date	Due Within One Year	Servicing Fund
<b>Business-Type Activities:</b>						
Water/Sewer Revenue Bonds	0	Annual	Approximately \$1,153,540 Annually	June 2018	\$ -	Water and Sewer
NMFA - Blackwater Well Field	Varies to 4.35%	Monthly	\$27,918	May 2016	305,309	Water and Sewer
Water Improvement	3.00%	Annual	\$78,309	September 2029	<u>48,553</u>	Water Conservation
					<u>\$ 353,862</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 06/30/13	Additions	Reductions	Balance 06/30/14	Due Within One Year
Governmental Activities	\$ 394,896	\$ 156,651	\$ 162,903	\$ 388,644	\$ 11,772
Business-Type Activities	<u>64,708</u>	<u>43,602</u>	<u>35,734</u>	<u>72,576</u>	<u>1,057</u>
	<u>\$ 459,604</u>	<u>\$ 200,253</u>	<u>\$ 198,637</u>	<u>\$ 461,220</u>	<u>\$ 12,829</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 \$568,083 as of June 30, 2014, 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, 2014. 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, 2014 were \$652,346.

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, 2014 no unpaid claims have been filed which exceed the policy limits and to the best of management's knowledge and belief all known and unknown claims will be covered by insurance. No major lawsuits have been filed against the City.

## 12. PERA PENSION PLAN

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

*Funding Policy* - Plan members are required to contribute 9.15% of general employees, 16.2% for fire department employees and 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, 2014, 2013, and 2012 were \$603,210, \$591,030, and \$487,187, respectively, equal to the amount of the required contributions for each year.

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

*Plan Description.* The City contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple-employer defined benefit postemployment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents.

The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

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

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

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

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, 2014, 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, 2014 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, 2014, 2013 and 2012 were \$105,414, \$102,587, and \$91,675, 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.

#### **16. RESTATEMENT**

An error resulting in an understatement of previously reported capital assets, in the Water and Sewer Fund was discovered during the current year. Accordingly, an adjustment of \$966,430 was made during the fiscal year ending June 30, 2014 to increase capital assets as of the beginning of the year. A corresponding entry was made to increase previously reported net position by \$966,430.

**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 received 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.

**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, 2014

	Special Revenue Funds						
	Correction Fund	Emergency Medical Services Fund	Enhanced 911 Fund	Fire Protection Fund	Beautification /Litter Control Fund	Law Enforcement Protection Law	Library Fund
<b>ASSETS</b>							
Cash and cash equivalents	\$ 8,333	\$ 42	\$ 4,286	\$ 95,903	\$ -	\$ -	\$ 225
Restricted cash and cash equivalents	-	-	-	108,511	-	-	-
Intergovernmental receivables	-	-	-	-	7,764	-	-
Total assets	\$ 8,333	\$ 42	\$ 4,286	\$ 204,414	\$ 7,764	\$ -	\$ 225
<b>LIABILITIES AND FUND BALANCE</b>							
Liabilities							
Accounts payable	\$ 496	\$ -	\$ -	\$ 178	\$ -	\$ -	\$ 828
Accrued interest	-	-	-	1,429	-	-	-
Due to other funds	-	-	-	-	1,519	-	6,139
Total liabilities	496	-	-	1,607	1,519	-	6,967
Fund balances:							
Restricted, reported in:							
Special revenue funds	7,837	42	4,286	202,807	6,245	-	-
Capital project funds	-	-	-	-	-	-	-
Debt service funds	-	-	-	-	-	-	-
Unassigned, reported in:							
Special revenue funds	-	-	-	-	-	-	(6,742)
Total fund balances	7,837	42	4,286	202,807	6,245	-	(6,742)
Total liabilities and fund balances	\$ 8,333	\$ 42	\$ 4,286	\$ 204,414	\$ 7,764	\$ -	\$ 225

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, 2014

	Special Revenue Funds					
	Lodgers Tax Fund	Recreation Fund	Local DWI Program Fund	Law Enforcement Special Service Fund	CDBG Rehabilitation Loan Repayment Fund	Regional Growth Planning Fund
<b>ASSETS</b>						
Cash and cash equivalents	\$ 137,093	\$ 152,595	\$ 80,581	\$ 20,360	\$ 8,115	\$ -
Restricted cash and cash equivalents	-	-	-	-	-	-
Taxes receivables	10,936	-	3,850	-	-	-
Intergovernmental receivables	-	-	-	-	-	-
Total assets	\$ 148,029	\$ 152,595	\$ 84,431	\$ 20,360	\$ 8,115	\$ -
<b>LIABILITIES AND FUND BALANCE</b>						
Liabilities						
Accounts payable	\$ 6,741	\$ 11,177	\$ 3,598	\$ 6,750	\$ -	\$ -
Accrued interest	-	-	-	-	-	-
Accrued salaries	-	984	-	-	-	-
Total liabilities	6,741	12,161	3,598	6,750	-	-
Fund balances:						
Restricted, reported in:						
Special revenue funds	141,288	140,434	80,833	13,610	8,115	-
Capital project funds	-	-	-	-	-	-
Debt service funds	-	-	-	-	-	-
Unassigned, reported in:						
Special revenue funds	-	-	-	-	-	-
Total fund balances	141,288	140,434	80,833	13,610	8,115	-
Total liabilities and fund balances	\$ 148,029	\$ 152,595	\$ 84,431	\$ 20,360	\$ 8,115	\$ -

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, 2014

	Special Revenue Funds			
	Community Development Block Grant Fund	Risk Management Fund	Criminal Justice Fund	MainStreet Fund
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,731	\$ 8	\$ 6,368	\$ 159
Restricted cash and cash equivalents	-	-	-	-
Investments	-	89,737	-	-
Total assets	<u>\$ 1,731</u>	<u>\$ 89,745</u>	<u>\$ 6,368</u>	<u>\$ 159</u>
<b>LIABILITIES AND FUND BALANCE</b>				
Liabilities				
Accounts payable	\$ -	\$ 12,335	\$ 958	\$ -
Accrued interest	-	-	-	-
Accrued salaries	-	-	-	-
Due to other funds	<u>430</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total liabilities	430	12,335	958	-
Fund balances:				
Restricted, reported in:				
Special revenue funds	1,301	77,410	5,410	159
Capital project funds	-	-	-	-
Debt service funds	-	-	-	-
Unassigned, reported in:				
Special revenue funds	-	-	-	-
Total fund balances	<u>1,301</u>	<u>77,410</u>	<u>5,410</u>	<u>159</u>
Total liabilities and fund balances	<u>\$ 1,731</u>	<u>\$ 89,745</u>	<u>\$ 6,368</u>	<u>\$ 159</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, 2014

	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	
<b>ASSETS</b>							
Cash and cash equivalents	\$ 140,264	\$ 656,063	\$ 115,763	\$ -	\$ 344,170	\$ -	1,115,996
Restricted cash and cash equivalents	-	108,511	123,288	-	-	-	231,799
Investments	-	89,737	-	-	-	-	89,737
Taxes receivables	14,037	24,973	8,170	-	-	-	33,143
Intergovernmental receivables	62,809	74,423	-	1,086	-	-	75,509
	\$ 217,110	\$ 953,707	\$ 247,221	\$ 1,086	\$ 344,170	\$ -	\$ 1,546,184
Total assets							
<b>LIABILITIES AND FUND BALANCE</b>							
Liabilities							
Accounts payable	\$ (610)	42,451	\$ -	\$ -	\$ -	\$ -	42,451
Accrued interest	-	1,429	1,793	-	-	-	3,222
Accrued salaries	-	984	-	-	-	-	984
Due to other funds	-	8,088	-	-	-	-	8,088
	(610)	52,952	1,793	-	-	-	54,745
Total liabilities							
Fund balances:							
Restricted, reported in:							
Special revenue funds	217,720	907,497	-	-	-	-	907,497
Capital project funds	-	-	245,428	1,086	-	-	246,514
Debt service funds	-	-	-	-	344,170	-	344,170
	-	(6,742)	-	-	-	-	(6,742)
Unassigned, reported in:							
Special revenue funds	217,720	907,497	245,428	1,086	344,170	-	1,498,181
Total fund balances	\$ 217,110	\$ 960,449	\$ 247,221	\$ 1,086	\$ 344,170	\$ -	\$ 1,552,926
Total liabilities and fund balances							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, 2014

	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	\$ -	\$ 20,000	\$ 76,502	\$ 186,469	\$ 9,296	\$ 31,400	\$ -
Taxes	-	-	-	-	-	-	-
Fees, fines and forfeitures	20,373	-	-	-	-	-	-
Other grants and contributions	-	-	-	-	-	-	18,814
Interest and other	-	-	193	-	-	-	-
Total revenues	20,373	20,000	76,502	186,662	9,296	31,400	18,815
Expenditures:							
General government	-	-	-	-	9,343	-	-
Public safety	23,567	19,958	78,818	47,466	-	9,900	61,246
Culture and recreation	-	-	-	535,158	-	-	-
Capital outlay	-	-	-	-	-	-	-
Debt service	-	-	-	30,572	-	-	-
Principal	-	-	-	8,645	-	-	-
Interest	-	-	-	-	-	-	-
Total expenditures	23,567	19,958	78,818	621,841	9,343	51,236	61,246
Excess (deficit) of revenues over expenditures	(3,194)	42	(2,316)	(435,179)	(47)	(19,836)	(42,431)
Other financing sources:							
Transfers in (out)	10,201	-	-	-	-	19,836	27,500
Total other financing sources	10,201	-	-	-	-	19,836	27,500
Net Change in fund balances	7,007	42	(2,316)	(435,179)	(47)	-	(14,931)
Fund balance - beginning of year	830	-	6,602	637,986	6,292	-	8,189
Fund balance - end of year	7,837	42	4,286	202,807	6,245	-	(6,742)

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, 2014

	Special Revenue Funds						
	Lodgers Tax Fund	Recreation Fund	Local DWI Program Fund	Law Enforcement Special Service Fund	CDBG Rehabilitation Loan Repayment Fund	Regional Growth Planning Fund	
Revenues:							
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Taxes	126,104	-	-	-	-	-	-
Fees, fines and forfeitures	-	62,803	11,756	30	-	-	-
Other grants and contributions	-	18,890	107,462	7,630	-	-	-
Interest and other	26	115	40	7	-	-	-
Total revenues	126,130	81,808	119,258	7,667	-	-	-
Expenditures:							
General government	129,965	-	-	-	-	-	-
Public safety	-	-	138,037	3,516	-	-	11,671
Public works	-	-	-	-	-	-	-
Culture and recreation	-	85,007	-	-	-	-	-
Capital outlay	-	-	-	-	-	-	-
Total expenditures	129,965	85,007	138,037	3,516	-	-	11,671
Excess (deficit) of revenues over expenditures	(3,835)	(3,199)	(18,779)	4,151	-	-	(11,671)
Other financing sources:							
Transfers in (out)	-	-	-	-	-	-	-
Total other financing sources	-	-	-	-	-	-	-
Net Change in fund balances	(3,835)	(3,199)	(18,779)	4,151	-	-	(11,671)
Fund balance - beginning of year	145,123	143,633	99,612	9,459	8,115	11,671	11,671
Fund balance - end of year	141,288	140,434	80,833	13,610	8,115	-	-

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, 2014

	Special Revenue Funds			
	Community Development Block Grant Fund	Risk Management Fund	Criminal Justice Fund	Main Street Fund
Revenues:				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Taxes	-	-	-	-
Fees, fines and forfeitures	-	-	9,204	-
Interest and other	-	96	-	-
Total revenues	-	96	9,204	-
Expenditures:				
General government	5,391	41,479	8,746	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	5,391	41,479	8,746	-
Excess (deficit) of revenues over expenditures	(5,391)	(41,383)	458	-
Other financing sources:				
Transfers in (out)	5,391	32,619	-	-
Total other financing sources	5,391	32,619	-	-
Net Change in fund balances	-	(8,764)	458	-
Fund balance - beginning of year	1,301	86,174	4,952	159
Fund balance - end of year	1,301	77,410	5,410	159

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, 2014**

	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	\$ 62,809	\$ 386,476	\$ -	\$ 7,573	\$ -	\$ -	\$ 394,049
Taxes	197,174	323,278	49,020	-	-	-	372,298
Fees, fines and forfeitures	-	104,166	-	-	-	-	104,166
Federal operating grants	-	-	-	33,594	-	-	33,594
Other grants and contributions	-	152,796	-	-	-	-	152,796
Interest and other	-	478	270	625	-	5,240	6,613
<b>Total revenues</b>	<b>259,983</b>	<b>967,194</b>	<b>49,290</b>	<b>41,792</b>	<b>5,240</b>	<b>5,240</b>	<b>1,063,516</b>
Expenditures:							
General government	-	186,178	-	-	-	2,098	188,276
Public safety	-	330,008	-	47,982	-	-	377,990
Public works	264,716	276,387	10,509	-	-	-	286,896
Culture and recreation	-	146,253	-	-	-	-	146,253
Capital outlay	-	576,494	13,542	122,270	-	-	712,306
Debt service	-	30,572	33,197	-	-	-	63,769
Principal	-	8,645	11,649	-	-	-	20,294
Interest	-	-	-	-	-	-	-
<b>Total expenditures</b>	<b>264,716</b>	<b>1,554,537</b>	<b>68,897</b>	<b>170,252</b>	<b>2,098</b>	<b>2,098</b>	<b>1,795,784</b>
Excess (deficit) of revenues over expenditures	(4,733)	(587,343)	(19,607)	(128,460)	3,142		(732,268)
Other financing sources:							
Transfers in (out)	-	95,547	-	128,465	-	-	224,012
Total other financing sources	-	95,547	-	128,465	-	-	224,012
Net Change in fund balances	(4,733)	(491,796)	(19,607)	5	3,142		(508,256)
Fund balance - beginning of year	222,453	1,392,551	265,035	1,081	341,028		1,999,695
Fund balance - end of year	\$ 217,720	\$ 900,755	\$ 245,428	\$ 1,086	\$ 344,170	\$	\$ 1,491,439

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, 2014**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>				
Fines and forfeitures	\$ 17,000	\$ 17,000	\$ 20,373	\$ 3,373
Total revenues	17,000	17,000	20,373	3,373
<b>EXPENDITURES:</b>				
Current				
Public safety	34,000	34,000	23,567	10,433
Total expenditures	34,000	34,000	23,567	10,433
Excess (deficiency) of revenues over expenditures	(17,000)	(17,000)	(3,194)	13,806
<b>OTHER FINANCING SOURCES</b>				
Transfers in	17,000	17,000	10,201	(6,799)
Total other financing sources	17,000	17,000	10,201	(6,799)
Net changes in fund balance			7,007	7,007
Fund balance - beginning of the year	830	830	830	-
Fund balance - end of the year	\$ 830	\$ 830	\$ 7,837	\$ 7,007
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ 7,007	
Net change in fund balance GAAP basis			\$ 7,007	

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, 2014**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
State grants	\$ 20,000	\$ 20,000	\$ 20,000	\$ -
Total revenues	20,000	20,000	20,000	-
EXPENDITURES:				
Current				
Capital outlay	20,000	20,000	-	20,000
Miscellaneous	-	-	19,958	(19,958)
Total expenditures	20,000	20,000	19,958	42
Excess (deficiency) of revenues over expenditures	-	-	42	42
Net changes in fund balance	-	-	42	42
Fund balance - beginning of the year	-	-	-	-
Fund balance - end of the year	\$ -	\$ -	\$ 42	\$ 42
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ 42	
Net change in fund balance GAAP basis			\$ 42	

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, 2014**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>				
Network & Data Base Grant	\$ 383,084	\$ 383,084	\$ 76,502	\$ (306,582)
Miscellaneous revenue	<u>3,000</u>	<u>9,516</u>	<u>-</u>	<u>(9,516)</u>
Total revenues	386,084	392,600	76,502	(316,098)
<b>EXPENDITURES:</b>				
Current				
Public safety	<u>386,084</u>	<u>392,600</u>	<u>78,818</u>	<u>313,782</u>
Total expenditures	<u>386,084</u>	<u>392,600</u>	<u>78,818</u>	<u>313,782</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>(2,316)</u>	<u>(2,316)</u>
Net changes in fund balance	-	-	(2,316)	(2,316)
Fund balance - beginning of the year	<u>6,602</u>	<u>6,602</u>	<u>6,602</u>	<u>-</u>
Fund balance - end of the year	<u>\$ 6,602</u>	<u>\$ 6,602</u>	<u>\$ 4,286</u>	<u>\$ (2,316)</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			<u>\$ (2,316)</u>	
Net change in fund balance GAAP basis			<u>\$ (2,316)</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, 2014**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	\$ 186,469	\$ 186,469	\$ 186,469	\$ -
Miscellaneous	544,677	544,677	193	(544,484)
Total revenues	731,146	731,146	186,662	(544,484)
EXPENDITURES:				
Current				
Public safety	734,677	734,677	47,466	687,211
Capital outlay	-	-	535,158	(535,158)
Debt service				
Principal	-	-	30,572	(30,572)
Interest	-	-	8,645	(8,645)
Total expenditures	734,677	734,677	621,841	112,836
Excess (deficiency) of revenues over expenditures	(3,531)	(3,531)	(435,179)	(431,648)
Net changes in fund balance	(3,531)	(3,531)	(435,179)	(431,648)
Fund balance - beginning of the year	637,986	637,986	637,986	-
Fund balance - end of the year	\$ 634,455	\$ 634,455	\$ 202,807	\$ (431,648)
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ (435,179)	
Net change in fund balance GAAP basis			\$ (435,179)	

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, 2014

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	\$ 9,400	\$ 9,400	\$ 9,296	\$ (104)
Total revenues	9,400	9,400	9,296	(104)
EXPENDITURES:				
Current				
General government	9,400	9,400	9,343	57
Total expenditures	9,400	9,400	9,343	57
Excess (deficiency) of revenues over expenditures	-	-	(47)	(47)
Net changes in fund balance	-	-	(47)	(47)
Fund balance - beginning of the year	6,292	6,292	6,292	-
Fund balance - end of the year	\$ 6,292	\$ 6,292	\$ 6,245	\$ (47)
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ (47)	
Net change in fund balance GAAP basis			\$ (47)	

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, 2014

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	\$ 31,400	\$ 31,400	\$ 31,400	\$ -
Total revenues	31,400	31,400	31,400	-
EXPENDITURES:				
Public safety	56,400	56,400	9,900	46,500
Capital outlay	-	-	41,336	(41,336)
Total expenditures	56,400	56,400	51,236	5,164
Excess (deficiency) of revenues over expenditures	(25,000)	(25,000)	(19,836)	5,164
Transfers in	25,000	25,000	19,836	(5,164)
Total other financing sources (uses)	25,000	25,000	19,836	(5,164)
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 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, 2014

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Other grants and contributions	\$ 17,270	\$ 32,982	\$ 18,814	\$ (14,168)
Interest income	-	-	1	1
Total revenues	17,270	32,982	18,815	(14,167)
EXPENDITURES:				
Culture and recreation	53,130	68,842	61,246	7,596
Total expenditures	53,130	68,842	61,246	7,596
Excess (deficiency) of revenues over expenditures	(35,860)	(35,860)	(42,431)	(6,571)
OTHER FINANCING SOURCES (USES)				
Transfers in	27,500	27,500	27,500	-
Total other financing sources (uses)	27,500	27,500	27,500	-
Net changes in fund balance	(8,360)	(8,360)	(14,931)	(6,571)
Fund balance - beginning of the year	8,189	8,189	8,189	-
Fund balance - end of the year	\$ (171)	\$ (171)	\$ (6,742)	\$ (6,571)
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ (14,931)	
Net change in fund balance GAAP basis			\$ (14,931)	

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, 2014

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
State shared taxes	\$ 10,400	\$ 10,400	\$ 126,104	\$ 115,704
Miscellaneous revenue	60	60	26	(34)
Total revenues	10,460	10,460	126,130	115,670
EXPENDITURES:				
General government	178,150	178,150	129,965	48,185
Total expenditures	178,150	178,150	129,965	48,185
Excess (deficiency) of revenues over expenditures	(167,690)	(167,690)	(3,835)	163,855
Net changes in fund balance	(167,690)	(167,690)	(3,835)	163,855
Fund balance - beginning of the year	145,123	145,123	145,123	-
Fund balance - end of the year	\$ (22,567)	\$ (22,567)	\$ 141,288	\$ 163,855
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ (3,835)	
Net change in fund balance GAAP basis			\$ (3,835)	

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, 2014

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Fines and forfeitures	\$ -	\$ -	\$ 62,803	\$ 62,803
Other grants and contributions	-	-	18,890	18,890
Miscellaneous	82,309	86,289	-	(86,289)
Interest income	-	-	115	115
Total revenues	82,309	86,289	81,808	(4,481)
EXPENDITURES:				
Current				
Culture and recreation	82,278	86,258	85,007	1,251
Total expenditures	82,278	86,258	85,007	1,251
Excess (deficiency) of revenues over expenditures	31	31	(3,199)	(3,230)
Net changes in fund balance	31	31	(3,199)	(3,230)
Fund balance - beginning of the year	143,633	143,633	143,633	-
Fund balance - end of the year	\$ 143,664	\$ 143,664	\$ 140,434	\$ (3,230)
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ (3,199)	
Net change in fund balance GAAP basis			\$ (3,199)	

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, 2014

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Plosive (Negative)
REVENUES:				
Fines and forfeitures	\$ -	\$ -	\$ 11,756	\$ 11,756
Other grants and contributions	-	-	107,462	107,462
State grants	112,456	124,956	-	(124,956)
Miscellaneous	17,800	17,850	-	(17,850)
Interest income	-	-	40	40
Total revenues	130,256	142,806	119,258	(23,548)
EXPENDITURES:				
Current				
Public safety	127,456	139,956	138,037	1,919
Total expenditures	127,456	139,956	138,037	1,919
Excess (deficiency) of revenues over expenditures	2,800	2,850	(18,779)	(21,630)
Net changes in fund balance	2,800	2,850	(18,779)	(21,630)
Fund balance - beginning of the year	99,612	99,612	99,612	-
Fund balance - end of the year	\$ 99,612	\$ 3,660,775	\$ 80,833	\$ -
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ (18,779)	
Net change in fund balance GAAP basis			\$ (18,779)	

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, 2014

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Fines and forfeitures	\$ -	\$ -	\$ 30	\$ 30
Other grants and contributions	5,055	5,055	7,630	2,575
Interest income	-	-	7	7
Total revenues	5,055	5,055	7,667	2,612
EXPENDITURES:				
Current				
Public safety	5,000	5,000	3,516	1,484
Total expenditures	5,000	5,000	3,516	1,484
Excess (deficiency) of revenues over expenditures	55	55	4,151	4,096
Net changes in fund balance	55	55	4,151	4,096
Fund balance - beginning of the year, as restated	9,459	9,459	9,459	-
Fund balance - end of the year	\$ 9,514	\$ 9,514	\$ 13,610	\$ 4,096
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ 4,151	
Net change in fund balance GAAP basis			\$ 4,151	

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, 2014**

	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	<u>\$ 8,115</u>	<u>\$ 8,115</u>	<u>\$ 8,115</u>	<u>\$ -</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ -	
Net 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

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, 2014

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Other grants and contributions	\$ 38,441	\$ 38,441	\$ -	\$ (38,441)
Total revenues	38,441	38,441	-	(38,441)
EXPENDITURES:				
Current				
Public works	38,441	38,441	11,671	26,770
Total expenditures	38,441	38,441	11,671	26,770
Excess (deficiency) of revenues over expenditures	-	-	(11,671)	(11,671)
Net changes in fund balance	-	-	(11,671)	(11,671)
Fund balance - beginning of the year	11,671	11,671	11,671	-
Fund balance - end of the year	\$ 11,671	\$ 11,671	\$ -	\$ (11,671)
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ (11,671)	
Net change in fund balance GAAP basis			\$ (11,671)	

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, 2014

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Other grants and contributions	\$ 499,409	\$ 499,409	\$ -	\$ (499,409)
Total revenues	499,409	499,409	-	(499,409)
EXPENDITURES:				
Current				
General government	-	-	5,391	(5,391)
Public works	6,174,563	6,179,954	-	6,179,954
Total expenditures	6,174,563	6,179,954	5,391	6,174,563
Excess (deficiency) of revenues over expenditures	(5,675,154)	(5,680,545)	(5,391)	5,675,154
OTHER FINANCING SOURCES				
Transfers in	49,941	55,332	5,391	(49,941)
Total other financing sources	49,941	55,332	5,391	(49,941)
Net changes in fund balance	(5,625,213)	(5,625,213)	-	5,625,213
Fund balance - beginning of the year	1,301	1,301	1,301	-
Fund balance - end of the year	\$ (5,623,912)	\$ (5,623,912)	\$ 1,301	\$ 5,625,213
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ -	
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, 2014

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	\$ 8,800	\$ 8,800	\$ -	\$ (8,800)
Interest income	140	140	96	(44)
Total revenues	8,940	8,940	96	(8,844)
EXPENDITURES:				
Current				
General government	32,760	32,760	29,144	3,616
Total expenditures	32,760	32,760	29,144	3,616
Excess (deficiency) of revenues over expenditures	(23,820)	(23,820)	(29,048)	(5,228)
OTHER FINANCING SOURCES				
Transfers in	32,620	32,620	32,619	(1)
Total other financing sources	32,620	32,620	32,619	(1)
Net changes in fund balance	8,800	8,800	3,571	(5,229)
Fund balance - beginning of the year	86,174	86,174	86,174	-
Fund balance - end of the year	\$ 94,974	\$ 94,974	\$ 89,745	\$ (5,229)
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ 3,571	
Net expenditure accruals			(12,335)	
Net change in fund balance GAAP basis			\$ (8,764)	

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, 2014**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Fines and forfeitures	\$ 9,000	\$ 9,000	\$ 9,204	\$ 204
Total revenues	9,000	9,000	9,204	204
EXPENDITURES:				
Current				
Public safety	9,000	9,000	8,746	254
Total expenditures	9,000	9,000	8,746	254
Excess (deficiency) of revenues over expenditures	-	-	458	458
Net changes in fund balance	-	-	458	458
Fund balance - beginning of the year	4,952	4,952	4,952	-
Fund balance - end of the year	\$ 4,952	\$ 4,952	\$ 5,410	\$ 458
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ 458	
Net change in fund balance GAAP basis			\$ 458	

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



STATE OF NEW MEXICO  
CITY OF PORTALES

MAINSTREET SPECIAL REVENUE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2014

	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 change in fund balance GAAP basis			\$ -	

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, 2014

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	\$ 62,809	\$ 62,809	\$ 62,809	\$ -
State shared taxes	<u>195,000</u>	<u>195,000</u>	<u>197,174</u>	<u>2,174</u>
Total revenues	257,809	257,809	259,983	2,174
EXPENDITURES:				
Current				
Public works	<u>418,545</u>	<u>418,545</u>	<u>264,716</u>	<u>153,829</u>
Total expenditures	<u>418,545</u>	<u>418,545</u>	<u>264,716</u>	<u>153,829</u>
Excess (deficiency) of revenues over expenditures	(160,736)	(160,736)	(4,733)	156,003
Net changes in fund balance	(160,736)	(160,736)	(4,733)	156,003
Fund balance - beginning of the year	<u>222,453</u>	<u>222,453</u>	<u>222,453</u>	<u>-</u>
Fund balance - end of the year	<u>\$ 61,717</u>	<u>\$ 61,717</u>	<u>\$ 217,720</u>	<u>\$ 156,003</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			<u>\$ (4,733)</u>	
Net change in fund balance GAAP basis			<u>\$ (4,733)</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, 2014**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
State shared taxes	\$ 49,020	\$ 49,020	\$ 49,020	\$ -
Federal grants	32,500	32,500	-	(32,500)
State grants	20,000	20,000	-	(20,000)
Interest income	300	300	270	(30)
Total revenues	101,820	101,820	49,290	(52,530)
EXPENDITURES:				
Current				
Public safety	153,291	387,660	10,509	377,151
Capital outlay	13,542	13,542	13,542	-
Debt service				
Principal	-	-	33,197	(33,197)
Other	-	-	11,649	(11,649)
Total expenditures	166,833	401,202	68,897	332,305
Excess (deficiency) of revenues over expenditures	(65,013)	(299,382)	(19,607)	279,775
OTHER FINANCING SOURCES (USES)				
Transfers in	610,487	179,941	-	(179,941)
Total other financing sources (uses)	610,487	179,941	-	(179,941)
Net changes in fund balance	545,474	(119,441)	(19,607)	99,834
Fund balance - beginning of the year	265,035	265,035	265,035	-
Fund balance - end of the year	\$ 810,509	\$ 145,594	\$ 245,428	\$ 99,834
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ (19,607)	
Net change in fund balance GAAP basis			\$ (19,607)	

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, 2014**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	\$ 20,000	\$ 20,000	\$ 7,573	\$ (12,427)
Interest income	-	-	625	625
Total revenues	<u>20,000</u>	<u>20,000</u>	8,198	(11,802)
EXPENDITURES:				
Current				
Public safety	182,500	182,500	47,982	134,518
Capital outlay	<u>122,270</u>	<u>122,270</u>	<u>122,270</u>	<u>-</u>
Total expenditures	<u>304,770</u>	<u>304,770</u>	<u>170,252</u>	<u>134,518</u>
Excess (deficiency) of revenues over expenditures	<u>(284,770)</u>	<u>(284,770)</u>	<u>(162,054)</u>	<u>122,716</u>
OTHER FINANCING SOURCES				
Transfers in	<u>130,000</u>	<u>130,000</u>	<u>128,465</u>	<u>(1,535)</u>
Total other financing sources	<u>130,000</u>	<u>130,000</u>	<u>128,465</u>	<u>(1,535)</u>
Net changes in fund balance	(154,770)	(154,770)	(33,589)	121,181
Fund balance - beginning of the year	<u>1,081</u>	<u>1,081</u>	<u>1,081</u>	<u>-</u>
Fund balance - end of the year	<u>\$ (153,689)</u>	<u>\$ (153,689)</u>	<u>\$ (32,508)</u>	<u>\$ 121,181</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			<u>\$ (33,589)</u>	
Net change in fund balance GAAP basis			<u>\$ (33,589)</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, 2014

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Interest income (loss)	\$ 13,190	\$ 13,190	\$ 5,240	\$ 7,950
Total revenues	13,190	13,190	5,240	7,950
EXPENDITURES:				
General government	6,200	6,200	2,098	4,102
Total expenditures	6,200	6,200	2,098	4,102
Excess (deficiency) of revenues over expenditures	6,990	6,990	3,142	12,052
Net changes in fund balance	6,990	6,990	3,142	12,052
Fund balance - beginning of the year	341,028	341,028	341,028	-
Fund balance - end of the year	<u>\$ 348,018</u>	<u>\$ 348,018</u>	<u>\$ 344,170</u>	<u>\$ 12,052</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ 3,142	
Net change in fund balance GAAP basis			<u>\$ 3,142</u>	

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

**PROPRIETARY FUNDS**



STATE OF NEW MEXICO  
CITY OF PORTALES

WATER AND SEWER ENTERPRISE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2014

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
OPERATING REVENUES:				
Charges for services	\$ 5,009,600	\$ 5,009,600	\$ 4,494,458	\$ (515,142)
Tapping and reconnect fees	-	-	78,416	78,416
Rentals	-	8,812	20,293	11,481
Late fees	-	-	99,508	99,508
Interest income	151,200	151,200	-	(151,200)
Grants	558,987	558,987	-	(558,987)
Other grants	(9,200)	(9,200)	-	9,200
Miscellaneous income	-	-	1,605	1,605
Total revenues	5,710,587	5,719,399	4,694,280	(1,025,119)
OPERATING EXPENSES:				
Salaries and wages	-	-	631,430	(631,430)
Employee benefits	-	-	205,949	(205,949)
Maintenance	-	-	464,453	(464,453)
Contracted and purchased services	-	-	458,133	(458,133)
Supplies	-	-	42,352	(42,352)
Operating costs	4,915,227	4,915,227	736,207	4,179,020
Total operating expenses	4,915,227	4,915,227	2,538,524	2,376,703
Operating loss	795,360	804,172	2,155,756	1,351,584
NON-OPERATING REVENUE (EXPENSES):				
Investment income (expense)	-	-	54,450	54,450
Water conservation fees	-	-	280,093	280,093
Grant proceeds	-	-	203,086	203,086
Interest expense	-	-	(67,500)	(67,500)
Total non-operating revenues (expenses)	-	-	470,129	470,129
Net loss before transfers	795,360	804,172	2,625,885	1,821,713
Transfers:				
Transfers in	696,500	696,500	551,820	(144,680)
Transfers out	(1,396,500)	(1,396,500)	(1,251,822)	144,678
Total operating transfers	(700,000)	(700,000)	(700,002)	(2)
Total net income (loss)	95,360	104,172	1,925,883	1,821,711
Fund balance - beginning of the year, as previously states	13,215,754	13,215,754	13,215,754	-
Restatement	-	-	966,430	966,430
Fund balance - beginning of year, as restated	13,215,754	13,215,754	14,182,184	966,430
Fund balance - end of the year	\$ 13,311,114	\$ 13,319,926	\$ 16,108,067	\$ 2,788,141

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, 2014**

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Reconciliation of net income for budgetary basis to statement of activities for proprietary funds:	
Net income after transfers - budgetary basis	\$ 1,925,883
Depreciation is reported in the proprietary funds statement of activities but is not a budget expenditure item	<u>(188,449)</u>
Net income after transfers-financial statement basis	<u>\$ 1,737,434</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, 2014**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
<b>OPERATING REVENUES:</b>				
Charges for services	\$ 1,442,000	\$ 1,442,000	\$ 1,299,180	\$ (142,820)
Gross receipts	127,000	127,000	-	(127,000)
Interest income	10,000	10,000	-	(10,000)
Miscellaneous income	-	-	(35,497)	(35,497)
Total revenues	1,579,000	1,579,000	1,263,683	(315,317)
<b>OPERATING EXPENSES:</b>				
Salaries and wages	-	-	259,882	(259,882)
Employee benefits	-	-	83,219	(83,219)
Maintenance	-	-	54,764	(54,764)
Contracted and purchased services	-	-	454,104	(454,104)
Supplies	-	-	115,302	(115,302)
Operating costs	-	-	55,701	(55,701)
Capital outlay	1,302,536	1,302,536	-	1,302,536
Total operating expenses	1,302,536	1,302,536	1,022,972	279,564
Operating income	276,464	276,464	240,711	(35,753)
<b>NON-OPERATING REVENUE (EXPENSES):</b>				
Investment income	-	-	46,874	46,874
Environmental gross receipts tax	-	-	130,929	130,929
Total non-operating revenues (expenses)	-	-	177,803	177,803
Net income before transfers	276,464	276,464	418,514	142,050
Transfers:				
Transfers out	(125,000)	(125,000)	(125,000)	-
Total operating transfers	(125,000)	(125,000)	(125,000)	-
Total net income (loss)	151,464	151,464	293,514	142,050
Fund balance - beginning of the year	1,089,380	1,089,380	1,089,380	-
Fund balance - end of the year	\$ 1,240,844	\$ 1,240,844	\$ 1,382,894	\$ 142,050

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, 2014**

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Reconciliation of net income for budgetary basis to statement of activities for proprietary funds:	
Net income after transfers - budgetary basis	\$ 293,514
Depreciation is reported in the proprietary funds statement of activities but is not a budget expenditure item	<u>(39,981)</u>
Net income after transfers-financial statement basis	<u>\$ 253,533</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, 2014

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
OPERATING REVENUES:				
Charges for services	\$ 45,000	\$ 45,000	\$ -	\$ (45,000)
Fuel sales	-	-	146,245	146,245
Late charges	-	-	103	103
Rentals	-	-	50,828	50,828
Grants	154,800	154,800	-	(154,800)
Other grants	144,333	144,333	-	(144,333)
Miscellaneous income	139,900	139,900	1,685	(138,215)
Total revenues	484,033	484,033	198,861	(285,172)
OPERATING EXPENSES:				
Salaries and wages	-	-	37,474	(37,474)
Employee benefits	-	-	6,983	(6,983)
Maintenance	-	-	165,876	(165,876)
Contracted and purchased services	-	-	2,835	(2,835)
Supplies	-	-	12,153	(12,153)
Operating costs	-	-	172,977	(172,977)
Capital outlay	543,591	543,591	-	543,591
Total operating expenses	543,591	543,591	398,298	145,293
Operating income (loss)	(59,558)	(59,558)	(199,437)	(139,879)
NON-OPERATING REVENUE (EXPENSES):				
Grant proceeds	-	-	156,073	156,073
Total non-operating revenues (expenses)	-	-	156,073	156,073
Net income before transfers	(59,558)	(59,558)	(43,364)	16,194
Transfers:				
Transfers in	59,558	59,558	49,912	(9,646)
Total operating transfers	59,558	59,558	49,912	(9,646)
Total net income	-	-	6,548	6,548
Fund balance - beginning of the year	2,498,288	2,498,288	2,498,288	-
Fund balance - end of the year	\$ 2,498,288	\$ 2,498,288	\$ 2,504,836	\$ 6,548
Reconciliation of net income for budgetary basis to statement of activities for proprietary funds:				
Net income after transfers - budgetary basis			\$ 6,548	
Depreciation is reported in the proprietary funds statement of activities but is not a budget expenditure item			(19,292)	
Net income after transfers-financial statement basis			\$ (12,744)	

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, 2014

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
OPERATING REVENUES:				
Charges for services	\$ 11,400	\$ 11,400	\$ -	\$ (11,400)
Rental	-	-	12,077	12,077
Miscellaneous income	200	200	475	275
Total revenues	11,600	11,600	12,552	952
OPERATING EXPENSES:				
Operating costs	-	-	5,840	(5,840)
Capital outlay	11,600	11,600	-	11,600
Total operating expenses	11,600	11,600	5,840	5,760
Operating income	-	-	6,712	6,712
Total net income (loss)	-	-	6,712	6,712
Fund balance - beginning of the year	8,372	8,372	8,372	-
Fund balance - end of the year	\$ 8,372	\$ 8,372	\$ 15,084	\$ 6,712
Reconciliation of net income for budgetary basis to statement of activities for proprietary funds:				
Net income after transfers - budgetary basis			\$ 6,712	
Net income after transfers-financial statement basis			\$ 6,712	

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, 2014

	Account Type	Fund Type	Amount Per Bank	Net Reconciling Items	Balance Per Books
<b>US Bank</b>					
General Fund	Checking	Governmental	\$ 5,747,066	\$ (311,650)	\$ 5,435,416
CDBG Capital Project	Checking	Governmental	1,731	-	1,731
Total Checking			<u>5,748,797</u>	<u>(311,650)</u>	<u>5,437,147</u>
Savings	Savings	Governmental	-	-	-
Sales Tax 402	Interest bearing	Governmental	63,982	-	63,982
Water & Sewer Imp.	Interest bearing	Business-type	81,786	-	81,786
Total interest bearing			<u>145,768</u>	<u>-</u>	<u>145,768</u>
Total deposits			<u>\$ 5,894,565</u>	<u>\$ (311,650)</u>	<u>\$ 5,582,915</u>
<b>New Mexico State Treasurer - Local Government Investment Pool</b>					
General Fund	Savings	Governmental	\$ 648,102	\$ -	\$ 648,102
Risk Management Reserve	Savings	Governmental	89,737	-	89,737
Water/Wastewater	Savings	Business-type	480,534	-	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>
<b>New Mexico Finance Authority Held at New York Mellon Trust Company, N.A.</b>					
Rec Center Financing	Savings	Governmental	\$ 44,708	\$ -	\$ 44,708
Program funds	Savings	Governmental	108,505	-	108,505
Water & Wastewater	Savings	Business-type	321,851	-	321,851
Total deposits			<u>\$ 475,064</u>	<u>\$ -</u>	<u>\$ 475,064</u>
<b>New Mexico Finance Authority</b>					
Rec Center Financing	Savings	Governmental	\$ 78,580	\$ -	\$ 78,580
Pumper Truck	Savings	Business-type	188,371	-	188,371
			<u>\$ 266,951</u>	<u>\$ -</u>	<u>\$ 266,951</u>
<b>New Mexico Environment Department</b>					
Rec Center Financing	Savings	Business-type	\$ 1,153,540	\$ -	\$ 1,153,540
			<u>\$ 1,153,540</u>	<u>\$ -</u>	<u>\$ 1,153,540</u>
<b>Linsco/Private Ledger</b>					
98 Water/Sewer Reserve	Savings	Business-type	\$ 448,387	\$ -	\$ 448,387
Solid Waste	Savings	Business-type	495,263	-	495,263
Water/Sewer	Savings	Business-type	1,487,550	-	1,487,550
Water Conservation Reserve	Savings	Business-type	1,063,861	-	1,063,861
Economic development Reserve	Savings	Governmental	578,850	-	578,850
Reserve	Savings	Governmental	495,763	-	495,763
97 Sales Tax Reserve	Savings	Governmental	280,187	-	280,187
			<u>\$ 4,849,861</u>	<u>\$ -</u>	<u>\$ 4,849,861</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, 2014

Reconciliation of Public Funds to Government-Wide Balance Sheet:

	Governmental Activities	Business-Type Activities	Total
Cash and cash equivalents - Unrestricted	\$ 3,394,384	\$ 1,960,483	\$ 5,354,867
Cash and cash equivalents - Restricted	231,799	5,758,441	5,990,240
Investments - Unrestricted	1,233,602	1,175,213	2,408,815
Investments - Restricted	-	443,759	443,759
	<u>\$ 4,859,785</u>	<u>\$ 9,337,896</u>	<u>\$ 14,197,681</u>
Cash Source:			
US Bank			\$ 5,582,915
NM State Treasurer			1,861,548
NMFA - Mellon			475,064
NMFA			266,951
NMED - Cash			1,153,540
Linsco/Private Ledger			4,849,861
Petty cash			7,802
			<u>\$ 14,197,681</u>
			Concluded

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

**STATE OF NEW MEXICO  
CITY OF PORTALES**

**JOINT POWERS AGREEMENTS  
JUNE 30, 2014**

<b>Other Principal</b>	<b>Agreement Description</b>	<b>Effective Date</b>	<b>Ending Date</b>	<b>Project Cost</b>	<b>Fiscal Year Contribution</b>	<b>Party Responsible for Operations/Revenues and Expenditure Reporting/ Audit Responsibility (if Any)</b>
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, 2014**

Federal Grantor Pass Through Grantor Program Title	CFDA	Program or Grant Number	Award Amount	Expenditures
<i>United States Environmental Protection Agency</i>				
Passed Through the State of New Mexico New Mexico Environment Department	66.458		\$ 420,000	\$ -
New Mexico Environment Department - Loan	66.458	CWSRF 023	26,580,000	1,153,540
<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	13-C-NR-I-01-G-16	499,409	-
<i>United States Department of Transportation</i>				
Airport Improvement Program	20.106	3-35-0061-017-2013	136,435	136,435
Formula Grants for Rural Areas	20.509	M01270 and M01211	354,078	108,585
<i>United States Department of Defense</i>				
Community Economic Adjustment Assistance Planning Assistance for Joint Land Use Studies	12.610	EN09-08-11-02-12-11	190,286	17,060
<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	EMW-2011-SS-00051	25,068	5,643
Homeland Security Grant Program	97.067	EMW-2012-SS-TO00097- S01	37,604	29,449
<i>United States Department of Justice</i>				
Edward Byrne memorial Justice Assistance Grant Program	16.738	12-JAG-WC-PORTALES- SFY13	14,518	13,909
Public Safety Partnership and Community Policing Grants	16.710	210UMWX0	<u>152,844</u>	<u>22,721</u>
Total Expenditures of Federal Awards			<u>\$ 28,410,242</u>	<u>\$ 1,487,342</u>

**STATE OF NEW MEXICO  
CITY OF PORTALES**

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2014**

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**Note 1 - Basis of Presentation**

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

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

**COMPLIANCE SECTION**



WHITE+  
SAMANIEGO+  
CAMPBELL, LLP

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**INDEPENDENT AUDITORS' 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, and the budgetary comparison of the general fund and major special revenue funds, of the City of Portales as of and for the year ended June 30, 2014 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 the City of Portales presented as supplemental information, and have issued our report thereon dated November 24, 2014.

**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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did not identify deficiencies in internal control, that we consider to be significant deficiencies.

### **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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items (2014-001, 2014-002 and 2014-003).

### **City's Responses to Findings**

The City of Portales' responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City of Portales responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

### **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 24, 2014

**INDEPENDENT AUDITORS' 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, 2014. 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.

**Auditors' Responsibility**

Our responsibility is to express an opinion on compliance for each of 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, 2014.

**Other Matters**

The results of our auditing procedures did not disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133.

The City of Portales, New Mexico's response to the noncompliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. The City of Portales, New Mexico's response was not subjected to the auditing procedures applied in the audit of compliance and, accordingly, we express no opinion on the response.

**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 in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 weaknesses or significant deficiencies. 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 described the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

*White & Samaniego & Campbell, LLP*

El Paso, Texas

November 24, 2014

**STATE OF NEW MEXICO  
CITY OF PORTALES**

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2014**

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

***Financial Statements***

Type of auditors' report issued: Unmodified

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

66.458

Name of Federal Program or Cluster

Capitalization Grants for Clean Water State Revolving Funds

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, 2014

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**Internal Control ( 2014-001) - Other Matters**

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<b>CONDITION</b>	Through walkthroughs and personnel interviews it was noted that a department manager of the City was borrowing money from daily cash receipts, and was paying it back later.
<b>CRITERIA</b>	Section 6-5-1 through 6-5-6 NMSA, 1978 require internal accounting controls designed to prevent accounting errors and violation of state and federal laws and rules related to financial matters.
<b>CAUSE</b>	There was management override and internal controls that deteriorated over time.
<b>EFFECT</b>	Public Money was not deposited timely, and unidentifiable dollar amount may be missing.
<b>RECOMMENDATION</b>	Management should review and revise internal controls to mitigate the opportunity for manipulation or error.
<b>RESPONSE</b>	The City has reviewed and implemented new internal controls to manage cash receipts. Further, random cash counts are being conducted through out the City.

**Cash Management ( 2014-002) - Other Matters**

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<b>CONDITION</b>	During internal control test work and cash counts, it was noted that cash receipting internal controls are not being followed. Two registers were counted, and one cashier did not enter payments as they were being receipted. Customer payments not entered in the system resulted in customers not receiving receipts. Payments were entered at the end of the day by the cashier.
<b>CRITERIA</b>	Section 6-5-1 through 6-5-6 NMSA, 1978 require internal accounting controls designed to prevent accounting errors and violation of state and federal laws and rules related to financial matters.
<b>CAUSE</b>	There is a lack of management oversight, and internal controls deteriorate over time.
<b>EFFECT</b>	City policy in cash receipting was not followed, and customers did not receive receipts for payments. The delay in entering transaction may result in error.
<b>RECOMMENDATION</b>	The City should re-train all cashiers in proper cash management. Additionally, management should perform random cash counts to ensure procedures are followed, and cash receipts reconcile daily.
<b>RESPONSE</b>	The City has reviewed and implemented new internal controls to manage cash receipts. Further, random cash counts are being conducted through out the City.

**Late Audit Report ( 2014-003) - Other Matters**

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<b>CONDITION</b>	The required submission date of the audit report for the fiscal year ended June 30, 2014 to the New Mexico State Auditor was December 1, 2014. The report was not submitted timely.
<b>CRITERIA</b>	New Mexico State Statutes Section 12-6-12 requires the state auditor to promulgate reasonable regulations necessary to carry out the duties of the office. NMAC 2-2-2-9 requires that Local Public Bodies submit the audit report by December 1 following the end of each fiscal year at June 30.
<b>CAUSE</b>	There was a notice of rejection, resulting in a late submission.
<b>EFFECT</b>	The City did not comply with the State Auditor Rule
<b>RECOMMENDATION</b>	The City should work in conjunction with the auditors to ensure that the audit is submitted timely.
<b>RESPONSE</b>	The City has worked and will continue to work diligently to ensure audits are being conducted in a timely manner.

**STATE OF NEW MEXICO  
CITY OF PORTALES**

**EXIT CONFERENCE  
FOR THE YEAR ENDED JUNE 30, 2014**

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An exit conference was held on November 24, 2014 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

Roxie Samaniego

Audit Partner

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.