

STATE OF NEW MEXICO
CITY OF PORTALES
BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2015
INDEPENDENT AUDITORS' REPORT

STATE OF NEW MEXICO
CITY OF PORTALES
FOR THE YEAR ENDED JUNE 30, 2015

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STATE OF NEW MEXICO
CITY OF PORTALES
OFFICIAL ROSTER
JUNE 30, 2015

ELECTED OFFICIALS

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

ADMINISTRATIVE OFFICIALS

Sammy Standefer	City Manager
Marilyn Rapp	Treasurer
Joan Martinez-Terry	City Clerk



Beasley, Mitchell & Co.

Certified Public Accountants

Donald A. Beasley, CPA, Partner
Christine Wright, CPA, Partner
Beth Fant, EA, Partner
Brad Beasley, CPA, Partner

INDEPENDENT AUDITORS' REPORT

Timothy Keller, 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, major special revenue funds and proprietary funds of the City of Portales, New Mexico as of and for the year ended June 30, 2015, 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, 2015, 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, New Mexico, as of June 30, 2015, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund, major special revenue funds, and proprietary 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, New Mexico as of June 30, 2015 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 14 and 69 - 74 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the *Governmental Accounting Standards Board*, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Portales, New Mexico's basic 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 themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the schedule and statements are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 10, 2015, on our consideration of the City of Portales, New Mexico's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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, New Mexico's internal control over financial reporting and compliance.

Beasley Mitchell & Co LLP

Beasley, Mitchell & Co., LLP
Las Cruces, New Mexico
November 10, 2015

STATE OF NEW MEXICO
CITY OF PORTALES
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015

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, 2015. 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 \$27,204,403 (net position). Of this amount, \$2,102,696 (unrestricted net position) may be used to meet the government's ongoing, obligations to citizens and creditors.
- The government's total net position decreased by \$8,040,788 during the fiscal year. The large decrease in net position resulted from the implementation of GASB 68, decreasing net position by \$9,370,196; however, the City had an increase in net position of \$1,329,408 during the fiscal year primarily due to an increase in tax revenue.
- As of June 30, 2015, the City's governmental funds reported combined ending fund balances of \$6,084,640. Of this total, \$2,449,453 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 \$3,686,533.

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.

STATE OF NEW MEXICO
CITY OF PORTALES
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015

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*

STATE OF NEW MEXICO
CITY OF PORTALES
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015

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-nine 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 35 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 \$27,204,403 at the close of the current fiscal year.

STATE OF NEW MEXICO
CITY OF PORTALES
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015

The largest portion of the City of Portales' net position represent the City's investment of \$22,652,254 in capital assets (e.g., land, construction in progress, improvements, buildings, and machinery and equipment), less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the City's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$2,102,696 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 \$1,329,408 before the implementation of GASB 68. These increases are explained in the governmental and business-type activities discussion that follows.

Governmental Activities

Governmental activities decreased the City's net position by \$91,233. Revenues including transfers increased from \$10,293,014 for the year ended June 30, 2014 to \$10,617,665 for the year ended June 30, 2015. The increase in revenues is primarily because of the increase in tax collected. Governmental expenses increased from \$9,837,519 for the year ended June 30, 2014 to \$10,708,898 for the year ended June 30, 2015. Total revenues and expenses from governmental activities are summarized below.

Business-Type Activities

Business-type activities increased the City's net position by \$1,420,641 after transfers of \$744,290 out to governmental activities, compared to the prior year's increase of \$1,984,931 after transfers of \$775,090 out to other funds. Elements of this increase compared to the prior year increase include increase in revenue throughout the year.

STATE OF NEW MEXICO
CITY OF PORTALES
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015

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

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
ASSETS AND DEFERRED OUTFLOWS						
Current and other assets	\$ 6,339,459	\$ 5,918,676	\$ 3,587,905	\$ 3,908,116	\$ 9,927,364	\$ 9,826,792
Non current assets	237,231	231,799	7,338,557	6,202,200	7,575,788	6,433,999
Capital assets, net of accumulated depreciation	10,247,402	10,740,882	32,247,818	14,781,926	42,495,220	25,522,808
Total assets	16,824,092	16,891,357	43,174,280	24,892,242	59,998,372	41,783,599
Deferred outflows - pension expense	593,340	-	79,950	-	673,290	-
Deferred outflows - change in assumption	101,835	-	13,723	-	115,558	-
Total deferred outflows	695,175	-	93,673	-	788,848	-
Total assets and deferred outflows	\$ 17,519,267	\$ 16,891,357	\$ 43,267,953	\$ 24,892,242	\$ 60,787,220	\$ 41,783,599
LIABILITIES AND DEFERRED INFLOWS						
Current and other liabilities	\$ 556,590	\$ 383,590	\$ 1,897,508	\$ 1,775,446	\$ 2,454,098	\$ 2,159,036
Long-term liabilities	7,825,685	1,025,735	21,029,324	3,353,639	28,855,009	4,379,374
Total liabilities	8,382,275	1,409,325	22,926,832	5,129,085	31,309,107	6,538,410
Deferred inflows						
Deferred inflows - change in assumption	106,048	-	14,290	-	120,338	-
Deferred inflows - net difference between projected and actual investment earnings	1,897,668	-	255,704	-	2,153,372	-
Total deferred inflows	2,003,716	-	269,994	-	2,273,710	-
Total liabilities and deferred inflows	10,385,991	1,409,325	23,196,826	5,129,085	33,582,817	6,538,410
NET POSITION						
Net invested in capital assets	9,598,539	10,025,180	13,053,715	12,024,594	22,652,254	22,049,774
Restricted	2,449,453	2,752,258	-	-	2,449,453	2,752,258
Unrestricted	(4,914,716)	2,704,594	7,017,412	7,738,565	2,102,696	10,443,159
Total net position	7,133,276	15,482,032	20,071,127	19,763,159	27,204,403	35,245,191
Total liabilities, deferred inflows, and net position	\$ 17,519,267	\$ 16,891,357	\$ 43,267,953	\$ 24,892,244	\$ 60,787,220	\$ 41,783,601

STATE OF NEW MEXICO
CITY OF PORTALES
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015

A summary of the statement of activities is as follows:

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
REVENUES						
Program revenue:						
Charges for services	\$ 1,299,492	\$ 1,674,304	\$ 6,021,346	\$ 6,169,376	\$ 7,320,838	\$ 7,843,680
Operating grant and contributions	839,526	692,831	179,929	222,725	1,019,455	915,556
Capital grants and contributions	76,519	68,962	557,491	136,434	634,010	205,396
General revenues:						
Taxes	7,602,399	6,969,584	142,073	130,929	7,744,472	7,100,513
Other income	55,439	112,243	433,034	381,417	488,473	493,660
Total revenues	9,873,375	9,517,924	7,333,873	7,040,881	17,207,248	16,558,805
EXPENSES						
Administration	2,324,868	2,126,149	-	-	2,324,868	2,126,149
Municipal court	338,029	297,053	-	-	338,029	297,053
Library	407,173	410,703	-	-	407,173	410,703
General services	235,950	271,738	-	-	235,950	271,738
Fire and emergency management	2,481,352	2,202,796	-	-	2,481,352	2,202,796
Police	2,135,943	2,033,162	-	-	2,135,943	2,033,162
Senior citizens	18,511	22,339	-	-	18,511	22,339
Streets	722,423	746,228	-	-	722,423	746,228
Parks and recreation	981,987	1,079,137	-	-	981,987	1,079,137
Public works and transportation	191,459	259,233	-	-	191,459	259,233
Interest expense	17,973	20,294	-	-	17,973	20,294
Unallocated depreciation	853,230	368,687	-	-	853,230	368,687
Water and sewer	-	-	3,265,601	2,794,473	3,265,601	2,794,473
Solid waste	-	-	1,071,016	1,062,957	1,071,016	1,062,957
Airport	-	-	825,239	417,590	825,239	417,590
Convention center	-	-	7,086	5,840	7,086	5,840
Total expenses	10,708,898	9,837,519	5,168,942	4,280,860	15,877,840	14,118,379
Changes in net position before transfers	(835,523)	(319,595)	2,164,931	2,760,021	1,329,408	2,440,426
Transfers	744,290	775,090	(744,290)	(775,090)	-	-
Changes in net position	(91,233)	455,495	1,420,641	1,984,931	1,329,408	2,440,426
Net position - beginning, as previously stated	15,482,032	15,026,537	19,763,159	16,811,798	35,245,191	31,838,335
Restatement	(8,257,523)	-	(1,112,673)	966,430	(9,370,196)	966,430
Net position - beginning, as restated	7,224,509	15,026,537	18,650,486	17,778,228	25,874,995	32,804,765
Net position - ending	\$ 7,133,276	\$ 15,482,032	\$ 20,071,127	\$ 19,763,159	\$ 27,204,403	\$ 35,245,191

STATE OF NEW MEXICO
CITY OF PORTALES
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015

Financial Analysis of the City of Portales as a Whole

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

Governmental Funds

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

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$6,084,640, an increase of \$249,922 in comparison with the prior year. Approximately 60% of this total amount, or \$3,635,187, constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance, \$2,449,453, 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 \$9,873,375 in the year ended June 30, 2015, which represents an increase of \$355,451 from the year ended June 30, 2014. Expenditures for governmental functions totaled \$10,708,898 in the year ended June 30, 2015. This was increase of \$835,523 from the fiscal year-ended June 30, 2014. The increase in expenditures is primarily caused by the increase in salaries relating to annual salary adjustments and depreciation of assets. In the fiscal year-ended June 30, 2015, expenditures for governmental functions exceeded revenues by approximately \$835,523.

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 \$3,686,533. General Fund revenues totaled \$8,281,914 for the fiscal year, while expenditures totaled \$8,329,940. Expenditures exceeded revenues by \$48,026 before transfers in and out of the General Fund.

During the 2015 fiscal year, the General Fund received transfers of \$775,000 from other City funds and made transfers of \$203,677 to other funds. The net transfers of \$571,323 increase the fund balance, which was increased by \$523,297 during the current fiscal year.

STATE OF NEW MEXICO
CITY OF PORTALES
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015

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 \$24,892,242 in 2014 to \$43,174,280 in 2015. This is a 73.4% increase. The Water and Sewer Fund makes up the largest portion of total assets with \$39,016,624 and had the largest increase in assets of the proprietary funds which was \$18,639,082. The Solid Waste Fund had an increase in assets of \$52,756, the Airport Fund had an decrease in assets of \$318,559 and the Convention Center Fund had an increase of \$2,430 in assets in 2014.

Proprietary fund liabilities increased 78% or \$17,797,747 during 2015. Water and Sewer Fund liabilities increased \$17,482,961 primarily due to additional loan disbursements for the waste water treatment plan in construction. The Solid Waste liabilities increased \$217,138. The Airport Fund liabilities increased \$97,772.

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 \$840,381 for the year ended June 30, 2015. Local gross receipts collections for the year ended June 30, 2015 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 \$8,329,940, which was 5% below the final budget amount for the year ended June 30, 2015. All categories were below budget except for debt service. The City's policy is to budget based upon expected expenditures, but City employees are encouraged to spend only what is needed to provide services, which accounts for the expenditure savings.

Fund balance was budgeted to be \$2,681,657 in the final budget. The actual fund balance for the General Fund for the year ended June 30, 2015 was \$3,686,533. This was a favorable variance of \$1,004,876, or 37%. An increase in fund balance is indicative of prudent management of the City's funds.

STATE OF NEW MEXICO
CITY OF PORTALES
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015

Capital Asset and Debt Administration

Capital Assets

The City of Portales' capital assets for its governmental and business-type activities as of June 30, 2015 amount to \$42,495,220 (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 \$513,083 for governmental activities. Buildings costing \$29,000, machinery and equipment costing \$89,525, and vehicles costing \$389,167 were purchased for the City, and construction in progress of \$5,391 was added in the year ended June 30, 2015. The total increase in business-type capital assets (excluding accumulated depreciation) for the current fiscal year was \$18,446,484, 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, 2015 and 2014**

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Land and Construction in Progress	\$ 790,259	\$ 793,057	\$24,691,404	\$ 6,754,518	\$25,481,663	\$ 7,547,575
Buildings, Improvements, Equipment, Furniture and Vehicles	<u>9,457,143</u>	<u>9,947,825</u>	<u>7,556,414</u>	<u>8,027,410</u>	<u>17,013,557</u>	<u>17,975,235</u>
Capital Assets, Net of A/D	<u>\$10,247,402</u>	<u>\$10,740,882</u>	<u>\$32,247,818</u>	<u>\$14,781,928</u>	<u>\$42,495,220</u>	<u>\$25,522,810</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 2015, the City had total long-term debt outstanding of \$20,916,509, 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, 2015 was \$1,102,316 and \$19,814,193, respectively, and were decreased \$2,030 and increased \$16,416,200, respectively, during the fiscal year.

STATE OF NEW MEXICO
CITY OF PORTALES
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2015

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

Long-Term Debt
June 30, 2015 and 2014

	Governmental Activities		Business-Type Activities		Total	
	2015	2014	2015	2014	2015	2014
Notes Payable	\$ 648,863	\$ 715,702	\$19,194,103	\$ 2,757,334	\$19,842,966	\$ 3,473,036
Landfill post-closure	-	-	545,887	568,083	545,887	568,083
Compensated Absences	<u>453,453</u>	<u>388,644</u>	<u>74,203</u>	<u>72,576</u>	<u>527,656</u>	<u>461,220</u>
Total Long-Term Debt	<u>\$ 1,102,316</u>	<u>\$ 1,104,346</u>	<u>\$19,814,193</u>	<u>\$ 3,397,993</u>	<u>\$20,916,509</u>	<u>\$ 4,502,339</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, 2015

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS AND DEFERRED OUTFLOWS			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 3,505,423	\$ 1,558,732	\$ 5,064,155
Investments	1,241,102	1,182,553	2,423,655
Accounts receivable	340,936	666,431	1,007,367
Taxes receivable	1,168,420	22,013	1,190,433
Interest receivable	3	-	3
Intergovernmental receivable	61,307	29,236	90,543
Returned check	-	1,942	1,942
Inventory	-	42,703	42,703
Due from business-type funds	<u>22,268</u>	<u>84,295</u>	<u>106,563</u>
Total current assets	6,339,459	3,587,905	9,927,364
NON-CURRENT ASSETS:			
Restricted cash and cash equivalents	237,231	6,894,727	7,131,958
Restricted investments	-	443,830	443,830
Capital assets, net	<u>10,247,402</u>	<u>32,247,818</u>	<u>42,495,220</u>
Total non-current assets	<u>10,484,633</u>	<u>39,586,375</u>	<u>50,071,008</u>
Total assets	16,824,092	43,174,280	59,998,372
DEFERRED OUTFLOWS:			
Deferred outflows - contributions made subsequent to measurement date	593,340	79,950	673,290
Deferred outflows - change in assumption	<u>101,835</u>	<u>13,723</u>	<u>115,558</u>
Total deferred outflows	<u>695,175</u>	<u>93,673</u>	<u>788,848</u>
Total assets and deferred outflows	<u>\$ 17,519,267</u>	<u>\$ 43,267,953</u>	<u>\$ 60,787,220</u>

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

STATE OF NEW MEXICO
CITY OF PORTALES
STATEMENT OF NET POSITION (CONTINUED)
JUNE 30, 2015

	Primary Government		
	Governmental Activities	Business-type Activities	Total
LIABILITIES, DEFERRED INFLOWS, AND NET POSITION			
CURRENT LIABILITIES:			
Accounts payable	\$ 306,473	\$ 1,660,233	\$ 1,966,706
Accrued interest	2,884	22,604	25,488
Accrued salaries	138,917	25,227	164,144
Accrued GRT tax	22,579	-	22,579
Unapplied deposits	-	31,843	31,843
Due to other funds	-	106,563	106,563
Current portion of compensated absences	13,602	1,028	14,630
Current portion of long-term debt	<u>72,135</u>	<u>50,010</u>	<u>122,145</u>
Total current liabilities	556,590	1,897,508	2,454,098
NON-CURRENT LIABILITIES:			
Customer deposits	-	348,665	348,665
Compensated absences	439,851	73,175	513,026
Net pension liability	6,809,106	917,504	7,726,610
Landfill closure	-	545,887	545,887
Long-term debt, less current maturities	<u>576,728</u>	<u>19,144,093</u>	<u>19,720,821</u>
Total non-current liabilities	<u>7,825,685</u>	<u>21,029,324</u>	<u>28,855,009</u>
Total liabilities	8,382,275	22,926,832	31,309,107
DEFERRED INFLOWS:			
Deferred inflows - change in assumption	106,048	14,290	120,338
Deferred inflows - net difference between projected and actual investment earnings	<u>1,897,668</u>	<u>255,704</u>	<u>2,153,372</u>
Total deferred inflows	<u>2,003,716</u>	<u>269,994</u>	<u>2,273,710</u>
Total liabilities and deferred inflows	10,385,991	23,196,826	33,582,817
NET POSITION			
Net investment in capital assets	9,598,539	13,053,715	22,652,254
Restricted for:			
Special revenue funds	1,844,687	-	1,844,687
Capital projects funds	232,306	-	232,306
Debt service funds	372,460	-	372,460
Unrestricted	<u>(4,914,716)</u>	<u>7,017,412</u>	<u>2,102,696</u>
Total net position	<u>7,133,276</u>	<u>20,071,127</u>	<u>27,204,403</u>
Total liabilities, deferred inflows, and net position	<u>\$ 17,519,267</u>	<u>\$ 43,267,953</u>	<u>\$ 60,787,220</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, 2015

FUNCTIONAL/PROGRAMS:	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental activities:							
Administration	\$ 2,324,868	\$ 121,538	\$ 44,690	\$ -	\$ (2,158,640)	\$ -	\$ (2,158,640)
Municipal court	338,029	114,690	117,764	7,102	(98,473)	-	(98,473)
Library	407,173	30,423	36,310	-	(340,440)	-	(340,440)
General services	235,950	-	-	-	(235,950)	-	(235,950)
Fire & emergency management	2,481,352	855,859	410,394	-	(1,215,099)	-	(1,215,099)
Police	2,135,943	24,504	72,475	-	(2,038,964)	-	(2,038,964)
Senior citizens	18,511	-	-	-	(18,511)	-	(18,511)
Streets	722,423	-	-	69,417	(653,006)	-	(653,006)
Parks and recreation	981,987	142,148	18,125	-	(821,714)	-	(821,714)
Public works and transportation	191,459	10,330	139,768	-	(41,361)	-	(41,361)
Interest expense	17,973	-	-	-	(17,973)	-	(17,973)
Unallocated depreciation	853,230	-	-	-	(853,230)	-	(853,230)
Total governmental activities	10,708,898	1,299,492	839,526	76,519	(8,493,361)	-	(8,493,361)
Business-type activities:							
Water and sewer	3,265,601	4,647,537	66,598	420,000	-	1,868,534	1,868,534
Solid waste	1,071,016	1,201,757	-	-	-	130,741	130,741
Airport	825,239	162,412	113,331	137,491	-	(412,005)	(412,005)
Convention center	7,086	9,640	-	-	-	2,554	2,554
Total business-type activities	5,168,942	6,021,346	179,929	557,491	-	1,589,824	1,589,824
Total primary government	15,877,840	7,320,838	1,019,455	634,010	(8,493,361)	1,589,824	(6,903,537)
General Revenues:							
Gross receipts taxes					6,404,956	142,073	6,547,029
Franchise taxes					454,986	-	454,986
Property taxes					406,026	-	406,026
Gasoline taxes					204,514	-	204,514
Lodger's taxes					131,917	-	131,917
Water conservation fees					-	312,864	312,864
Investment earnings					(57,610)	120,170	62,560
Rentals, reimbursements & other					113,049	-	113,049
Transfers					744,290	(744,290)	-
Total general revenues and transfers					8,402,128	(169,183)	8,232,945
Changes in net position					(91,233)	1,420,641	1,329,408
Net position, beginning of year, as previously stated					15,482,032	19,763,159	35,245,191
Restatement					(8,257,523)	(1,112,673)	(9,370,196)
Net position, beginning of year, as restated					7,224,509	18,650,486	25,874,995
Net position, end of year					\$ 7,133,276	\$ 20,071,127	\$ 27,204,403

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, 2015

	General Fund	Portales Area Transit Fund	Economic Development Fund	Risk Management Fund	Total Nonmajor Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	\$ 1,453,793	\$ -	\$ 779,233	\$ 1,054	\$ 1,271,343	\$ 3,505,423
Restricted cash and cash equivalents	-	-	-	-	237,231	237,231
Investments	1,151,339	-	-	89,763	-	1,241,102
Accounts receivable	340,936	-	-	-	-	340,936
Taxes receivable	1,081,648	-	44,031	-	42,741	1,168,420
Intergovernmental receivable	16,250	10,605	-	-	34,452	61,307
Accrued interest receivable	-	-	-	-	3	3
Due from enterprise funds	22,268	-	-	-	-	22,268
Due from other funds	57,556	-	-	-	-	57,556
Total assets	<u>\$ 4,123,790</u>	<u>\$ 10,605</u>	<u>\$ 823,264</u>	<u>\$ 90,817</u>	<u>\$ 1,585,770</u>	<u>\$ 6,634,246</u>
LIABILITIES AND FUND BALANCE						
Liabilities:						
Accounts payable	\$ 258,427	\$ 1,314	\$ -	\$ 9,425	\$ 37,307	\$ 306,473
Accrued GRT tax	22,579	-	-	-	-	22,579
Accrued interest	-	-	-	-	2,884	2,884
Accrued salaries	135,054	3,081	-	-	782	138,917
Due to other funds	-	57,556	-	-	-	57,556
Total liabilities	416,060	61,951	-	9,425	40,973	528,409
Deferred Inflows:						
Property tax revenue	21,197	-	-	-	-	21,197
Total liabilities and deferred inflows	437,257	61,951	-	9,425	40,973	549,606
Fund balances:						
Restricted, reported in:						
Special revenue funds	-	-	823,264	81,392	940,031	1,844,687
Capital projects funds	-	-	-	-	232,306	232,306
Debt service funds	-	-	-	-	372,460	372,460
Unassigned, reported in:						
Special revenue funds	-	(51,346)	-	-	-	(51,346)
General fund	3,686,533	-	-	-	-	3,686,533
Total fund balances	<u>3,686,533</u>	<u>(51,346)</u>	<u>823,264</u>	<u>81,392</u>	<u>1,544,797</u>	<u>6,084,640</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 4,123,790</u>	<u>\$ 10,605</u>	<u>\$ 823,264</u>	<u>\$ 90,817</u>	<u>\$ 1,585,770</u>	<u>\$ 6,634,246</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, 2015

Total fund balances - governmental funds \$ 6,084,640

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

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

The cost of capital assets	22,595,748	
Accumulated depreciation	<u>(12,348,346)</u>	10,247,402

Deferred outflows:

Contributions made after the measurement date, will be recognized as a reduction of net pension liability	593,340	
Change in assumption	<u>101,835</u>	695,175

Deferred inflows due to actual non-investment experience that was better than expected and changes in benefits or assumption which result in a decrease to net pension liability:

Deferred inflows - change in assumption	(106,048)	
Deferred inflows - difference between projected and actual investment earnings on pension plan investments	<u>(1,897,668)</u>	(2,003,716)

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

Property taxes		21,197
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Other long-term liabilities and certain other liabilities, including bonds and notes payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term and other liabilities at year end consist of:

Net pension liability	(6,809,106)	
Long-term debt	(648,863)	
Compensated absences	<u>(453,453)</u>	<u>(7,911,422)</u>

Total net position - governmental activities \$ 7,133,276

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
JUNE 30, 2015

	General Fund	Portales Area Transit Fund	Economic Development Fund	Risk Management Fund	Total Nonmajor Funds	Total Governmental Funds
REVENUES						
Taxes:						
Gross receipts	\$ 6,061,332	\$ -	\$ 284,185	\$ -	\$ 49,020	\$ 6,394,537
Franchise	454,986	-	-	-	-	454,986
Property	406,026	-	-	-	-	406,026
Other	-	-	-	-	336,431	336,431
Intergovernmental	77,235	115,243	-	-	435,105	627,583
Charges for services	857,199	-	-	-	-	857,199
Licenses, fees and permits	149,236	10,330	-	-	159,826	319,392
Fines	93,758	-	-	-	-	93,758
Rentals	30,236	-	-	-	-	30,236
Federal operating grants	4,931	-	-	-	-	4,931
Other grants and contributions	52,324	-	-	-	260,349	312,673
Investment income (loss)	11,838	-	(73,987)	137	4,402	(57,610)
Other	<u>82,813</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>82,813</u>
Total revenues	8,281,914	125,573	210,198	137	1,245,133	9,862,955
EXPENDITURES						
Current:						
General government	1,428,607	-	641,011	32,155	163,778	2,265,551
Public safety	4,325,595	-	-	-	421,902	4,747,497
Public works	474,734	187,885	-	-	236,521	899,140
Culture and recreation	1,713,668	-	-	-	133,572	1,847,240
Capital outlay	387,336	-	-	-	125,747	513,083
Debt service:						
Principal	-	-	-	-	66,839	66,839
Interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,973</u>	<u>17,973</u>
Total expenditures	<u>8,329,940</u>	<u>187,885</u>	<u>641,011</u>	<u>32,155</u>	<u>1,166,332</u>	<u>10,357,323</u>
Excess (deficiency) of revenues over expenditures	(48,026)	(62,312)	(430,813)	(32,018)	78,801	(494,368)
OTHER FINANCING SOURCES (USES):						
Transfers in	775,000	85,000	-	36,000	51,967	947,967
Transfers out	<u>(203,677)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(203,677)</u>
Total other financing source (uses)	<u>571,323</u>	<u>85,000</u>	<u>-</u>	<u>36,000</u>	<u>51,967</u>	<u>744,290</u>
Net change in fund balance	523,297	22,688	(430,813)	3,982	130,768	249,922
Fund balance at beginning of year	<u>3,163,236</u>	<u>(74,034)</u>	<u>1,254,077</u>	<u>77,410</u>	<u>1,414,029</u>	<u>5,834,718</u>
Fund balance at end of year	<u>\$ 3,686,533</u>	<u>\$ (51,346)</u>	<u>\$ 823,264</u>	<u>\$ 81,392</u>	<u>\$ 1,544,797</u>	<u>\$ 6,084,640</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, 2015

Net change in fund balances - total governmental funds \$ 249,922

The changes in net position reported for governmental activities in the statement of activities are different because:

Pension retirement expense, net 139,876

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	513,083	
Depreciation expense	(853,230)	
Retirement, transfers, or disposal of capital assets	<u>(153,333)</u>	(493,480)

Governmental funds report loan payments as debt service expenditures. However, in the statement of activities, these payments are not recognized as expenditures. 66,839

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. 10,419

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). (64,809)

Change in net position of governmental activities **\$ (91,233)**

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

STATE OF NEW MEXICO
CITY OF PORTALES
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Taxes:				
Gross receipts	\$ 2,755,270	\$ 3,063,403	\$ 6,061,332	\$ 2,997,929
Franchise	325,000	468,494	454,986	(13,508)
Property	397,899	410,334	406,026	(4,308)
Intergovernmental	2,602,800	2,933,032	77,235	(2,855,797)
Charges for services	666,123	724,836	857,199	132,363
Licenses, fees and permits	39,950	39,950	149,236	109,286
Fines	77,500	71,270	93,758	22,488
Rentals	-	-	30,236	30,236
Federal operating grants	-	-	4,931	4,931
Other grant and contributions	-	-	52,324	52,324
Interest	50,000	50,000	11,838	(38,162)
Other	200,190	193,794	82,813	(110,981)
	<u>7,114,732</u>	<u>7,955,113</u>	<u>8,281,914</u>	<u>326,801</u>
EXPENDITURES:				
Current				
General government	1,822,300	1,878,289	1,428,607	449,682
Public safety	4,582,993	4,495,202	4,325,595	169,607
Public works	-	-	474,734	(474,734)
Senior citizens	31,500	31,500	-	31,500
Highways & Streets	515,766	508,782	-	508,782
Culture and recreation	1,214,906	1,341,473	1,713,668	(372,195)
Other - Miscellaneous	456,935	479,082	-	479,082
Capital outlay	-	-	387,336	(387,336)
	<u>8,624,400</u>	<u>8,734,328</u>	<u>8,329,940</u>	<u>404,388</u>
Excess (deficiency) of revenues over expenditures	(1,509,668)	(779,215)	(48,026)	731,189
OTHER FINANCING SOURCES (USES)				
Transfers in	1,275,000	775,000	775,000	-
Transfers out	(477,364)	(477,364)	(203,677)	273,687
	<u>797,636</u>	<u>297,636</u>	<u>571,323</u>	<u>273,687</u>
Net changes in fund balance	(712,032)	(481,579)	523,297	1,004,876
Fund balance - beginning of the year	<u>3,163,236</u>	<u>3,163,236</u>	<u>3,163,236</u>	<u>-</u>
Fund balance - end of the year	<u>\$ 2,451,204</u>	<u>\$ 2,681,657</u>	<u>\$ 3,686,533</u>	<u>\$ 1,004,876</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			<u>\$ 523,297</u>	
Net change in fund balance GAAP basis			<u>\$ 523,297</u>	

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

STATE OF NEW MEXICO
CITY OF PORTALES
PORTALES AREA TRANSIT SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	\$ 172,546	\$ 172,546	\$ 115,243	\$ (57,303)
Fines and forfeitures	-	-	10,330	10,330
Total revenues	172,546	172,546	125,573	(46,973)
EXPENDITURES:				
Current				
Public works	257,546	257,546	187,885	69,661
Total expenditures	257,546	257,546	187,885	69,661
Excess (deficiency) of revenues over expenditures	(85,000)	(85,000)	(62,312)	22,688
OTHER FINANCING SOURCES				
Transfers in	85,000	85,000	85,000	-
Total other financing sources	85,000	85,000	85,000	-
Net changes in fund balance	-	-	22,688	22,688
Fund balance - beginning of the year	(74,034)	(74,034)	(74,034)	-
Fund balance - end of the year	\$ (74,034)	\$ (74,034)	\$ (51,346)	\$ 22,688
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ 22,688	
Net change in fund balance GAAP basis			\$ 22,688	

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, 2015

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
State shared taxes	\$ 227,403	\$ 227,403	\$ 284,185	\$ 56,782
Interest income	40,000	40,000	(73,987)	(113,987)
Total revenues	267,403	267,403	210,198	(57,205)
EXPENDITURES:				
Current				
General government	1,203,000	1,201,235	641,011	560,224
Total expenditures	1,203,000	1,201,235	641,011	560,224
Excess (deficiency) of revenues over expenditures	(935,597)	(933,832)	(430,813)	503,019
Net changes in fund balance	(935,597)	(933,832)	(430,813)	503,019
Fund balance - beginning of the year	1,254,077	1,254,077	1,254,077	-
Fund balance - end of the year	\$ 318,480	\$ 320,245	\$ 823,264	\$ 503,019
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ (430,813)	
Net change in fund balance GAAP basis			\$ (430,813)	

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

STATE OF NEW MEXICO
CITY OF PORTALES
RISK MANAGEMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:				
Interest income	\$ 100	\$ 100	\$ 137	\$ 37
Total revenues	100	100	137	37
EXPENDITURES:				
Current				
General government	30,100	36,100	32,155	3,945
Total expenditures	30,100	36,100	32,155	3,945
Excess (deficiency) of revenues over expenditures	(30,000)	(36,000)	(32,018)	3,982
OTHER FINANCING SOURCES				
Transfers in	30,000	36,000	36,000	-
Total other financing sources	30,000	36,000	36,000	-
Net changes in fund balance	-	-	3,982	3,982
Fund balance - beginning of the year	77,410	77,410	77,410	-
Fund balance - end of the year	<u>\$ 77,410</u>	<u>\$ 77,410</u>	<u>\$ 81,392</u>	<u>\$ 3,982</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			<u>\$ 3,982</u>	
Net change in fund balance GAAP basis			<u>\$ 3,982</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, 2015

	Water and Sewer Fund	Solid Waste Fund	Airport Fund	Convention Center Fund	Total Proprietary Funds
ASSETS					
CURRENT ASSETS:					
Cash and cash equivalents	\$ 681,716	\$ 856,712	\$ 150	\$ 20,154	\$ 1,558,732
Investment	480,733	701,820	-	-	1,182,553
Accounts receivable	512,917	153,514	-	-	666,431
Taxes receivable	-	22,013	-	-	22,013
Intergovernmental receivable	18,489	-	10,747	-	29,236
Returned checks	1,837	105	-	-	1,942
Inventory	-	-	42,703	-	42,703
Due from other funds	<u>84,295</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>84,295</u>
Total current assets	1,779,987	1,734,164	53,600	20,154	3,587,905
NON-CURRENT ASSETS:					
Restricted assets:					
Cash and cash equivalents	6,894,727	-	-	-	6,894,727
Investments	443,830	-	-	-	443,830
Capital assets, net	<u>29,833,190</u>	<u>297,736</u>	<u>2,116,892</u>	<u>-</u>	<u>32,247,818</u>
Total non-current assets	<u>37,171,747</u>	<u>297,736</u>	<u>2,116,892</u>	<u>-</u>	<u>39,586,375</u>
Total assets	38,951,734	2,031,900	2,170,492	20,154	43,174,280
Deferred outflows					
Deferred outflows - pension expense	55,384	21,242	3,324	-	79,950
Deferred outflows - change in assumption	<u>9,506</u>	<u>3,646</u>	<u>571</u>	<u>-</u>	<u>13,723</u>
Total deferred outflows	<u>64,890</u>	<u>24,888</u>	<u>3,895</u>	<u>-</u>	<u>93,673</u>
Total assets and deferred outflows	<u>\$ 39,016,624</u>	<u>\$ 2,056,788</u>	<u>\$ 2,174,387</u>	<u>\$ 20,154</u>	<u>\$ 43,267,953</u>

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

STATE OF NEW MEXICO
CITY OF PORTALES
STATEMENT OF NET POSITION
PROPRIETARY FUNDS (CONTINUED)
JUNE 30, 2015

	Water and Sewer Fund	Solid Waste Fund	Airport Fund	Convention Center Fund	Total Proprietary Funds
LIABILITIES AND NET POSITION					
CURRENT LIABILITIES:					
Accounts payable	\$ 1,575,580	\$ 44,624	\$ 37,513	\$ 2,516	\$ 1,660,233
Accrued interest	22,604	-	-	-	22,604
Accrued salaries	17,168	7,118	941	-	25,227
Unapplied deposits	7,675	24,168	-	-	31,843
Due to other funds	84,295	-	22,268	-	106,563
Compensated absences - current portion	21	1,007	-	-	1,028
Long-term debt - current portion	<u>50,010</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>50,010</u>
Total current liabilities	1,757,353	76,917	60,722	2,516	1,897,508
NON-CURRENT LIABILITIES:					
Customer deposits	348,665	-	-	-	348,665
Compensated absences	55,188	11,683	6,304	-	73,175
Net pension liability	635,586	243,770	38,148	-	917,504
Landfill closure	-	545,887	-	-	545,887
Long-term debt - long-term portion	<u>19,144,093</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>19,144,093</u>
Total non-current liabilities	<u>20,183,532</u>	<u>801,340</u>	<u>44,452</u>	<u>-</u>	<u>21,029,324</u>
Total liabilities	21,940,885	878,257	105,174	2,516	22,926,832
Deferred inflows					
Deferred inflows - change in assumption	9,899	3,797	594	-	14,290
Deferred inflows - net difference between projected and actual investment earnings	<u>177,135</u>	<u>67,937</u>	<u>10,632</u>	<u>-</u>	<u>255,704</u>
Total deferred inflows	<u>187,034</u>	<u>71,734</u>	<u>11,226</u>	<u>-</u>	<u>269,994</u>
Total liabilities and deferred inflows	22,127,919	949,991	116,400	2,516	23,196,826
NET POSITION					
Net investment in capital assets	10,639,087	297,736	2,116,892	-	13,053,715
Restricted for:					
Unrestricted	<u>6,249,618</u>	<u>809,061</u>	<u>(58,905)</u>	<u>17,638</u>	<u>7,017,412</u>
Total net position	<u>16,888,705</u>	<u>1,106,797</u>	<u>2,057,987</u>	<u>17,638</u>	<u>20,071,127</u>
Total liabilities and net position	<u>\$ 39,016,624</u>	<u>\$ 2,056,788</u>	<u>\$ 2,174,387</u>	<u>\$ 20,154</u>	<u>\$ 43,267,953</u>

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, 2015

	Water and Sewer Fund	Solid Waste Fund	Airport Fund	Convention Center Fund	Total Proprietary Funds
OPERATING REVENUES					
Charges for services	\$ 4,433,888	\$ 1,246,792	\$ -	\$ -	\$ 5,680,680
Fuel sales	-	-	111,621	-	111,621
Late charges	95,218	-	-	-	95,218
Rentals	20,293	-	48,899	8,965	78,157
Tapping and reconnect fees	95,340	-	-	-	95,340
Other and miscellaneous	<u>2,798</u>	<u>(45,035)</u>	<u>1,892</u>	<u>675</u>	<u>(39,670)</u>
Total operating revenues	4,647,537	1,201,757	162,412	9,640	6,021,346
OPERATING EXPENSES					
Salaries and wages	612,830	226,077	35,948	-	874,855
Employee benefits	246,986	75,187	6,963	-	329,136
Maintenance	708,897	90,221	131,926	-	931,044
Contracted and purchased services	175,121	400,354	96,364	-	671,839
Supplies	44,994	88,136	9,039	-	142,169
Operating costs	949,601	56,753	217,209	7,086	1,230,649
Depreciation	<u>479,471</u>	<u>134,288</u>	<u>327,790</u>	<u>-</u>	<u>941,549</u>
Total operating expenses	<u>3,217,900</u>	<u>1,071,016</u>	<u>825,239</u>	<u>7,086</u>	<u>5,121,241</u>
Operating income (loss)	1,429,637	130,741	(662,827)	2,554	900,105
NON-OPERATING REVENUES (EXPENSES):					
Investment income	58,476	61,694	-	-	120,170
Environmental gross receipts tax	-	142,073	-	-	142,073
Water conservation fees	312,864	-	-	-	312,864
Grants	486,598	-	250,822	-	737,420
Interest expense	<u>(47,701)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(47,701)</u>
Total non-operating revenues (expenses)	810,237	203,767	250,822	-	1,264,826
Transfers:					
Transfers in	427,646	-	30,710	-	458,356
Transfers out	<u>(927,646)</u>	<u>(275,000)</u>	<u>-</u>	<u>-</u>	<u>(1,202,646)</u>
Total transfers	<u>(500,000)</u>	<u>(275,000)</u>	<u>30,710</u>	<u>-</u>	<u>(744,290)</u>
Change in net position	1,739,874	59,508	(381,295)	2,554	1,420,641
Net position, beginning of year, as previously reported	15,919,618	1,342,913	2,485,544	15,084	19,763,159
Restatement	<u>(770,787)</u>	<u>(295,624)</u>	<u>(46,262)</u>	<u>-</u>	<u>(1,112,673)</u>
Net position, beginning of year	<u>15,148,831</u>	<u>1,047,289</u>	<u>2,439,282</u>	<u>15,084</u>	<u>18,650,486</u>
Net position, end of year	<u>\$ 16,888,705</u>	<u>\$ 1,106,797</u>	<u>\$ 2,057,987</u>	<u>\$ 17,638</u>	<u>\$ 20,071,127</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, 2015

	Water and Sewer Fund	Solid Waste Fund	Airport Fund	Convention Center Fund	Total Proprietary Funds
Cash flows from operating activities:					
Cash received from customers	\$ 3,902,926	\$ 894,139	\$ 116,150	\$ 9,640	\$ 4,922,855
Payments to employees for services	(98,125)	16,165	3,654	-	(78,306)
Payments to suppliers and contractors	<u>(1,589,712)</u>	<u>(666,874)</u>	<u>(387,683)</u>	<u>(7,210)</u>	<u>(2,651,479)</u>
Net cash provided by (used in) operating activities	2,215,089	243,430	(267,879)	2,430	2,193,070
Cash flows from non-capital activities and related financing activities:					
State shared taxes	-	139,963	258,068	-	398,031
Water conservation fees	312,864	-	-	-	312,864
Net transfers in (out)	<u>(500,000)</u>	<u>(275,000)</u>	<u>30,710</u>	<u>-</u>	<u>(744,290)</u>
Net cash provided by (used in) non-capital activities and related financing activities:	(187,136)	(135,037)	288,778	-	(33,395)
Cash flows from capital activities and related financing activities:					
Grant proceeds	486,598	-	-	-	486,598
Interest expense	(53,827)	-	-	-	(53,827)
Change in capital assets	(18,386,540)	-	(20,899)	-	(18,407,439)
Principal payments on debt	<u>16,436,769</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>16,436,769</u>
Net cash used in capital activities and related financing activities:	(1,517,000)	-	(20,899)	-	(1,537,899)
Cash flows from investing activities:					
Investment income (loss)	<u>58,206</u>	<u>54,553</u>	<u>-</u>	<u>-</u>	<u>112,759</u>
Net cash provided by (used in) investing activities	58,206	54,553	-	-	112,759
Net increase (decrease) in cash and cash equivalents	569,159	162,946	-	2,430	734,535
Cash and cash equivalents - beginning	<u>7,007,284</u>	<u>693,766</u>	<u>150</u>	<u>17,724</u>	<u>7,718,924</u>
Cash and cash equivalents - ending	<u>\$ 7,576,443</u>	<u>\$ 856,712</u>	<u>\$ 150</u>	<u>\$ 20,154</u>	<u>\$ 8,453,459</u>

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

STATE OF NEW MEXICO
CITY OF PORTALES
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015

	Water and Sewer Fund	Solid Waste Fund	Airport Fund	Convention Center Fund	Total Proprietary Funds
SUPPLEMENTARY INFORMATION:					
Cash and cash equivalents	\$ 681,716	\$ 856,712	\$ 150	\$ 20,154	\$ 1,558,732
Restricted cash	<u>6,894,727</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,894,727</u>
Total cash and cash equivalents	<u>\$ 7,576,443</u>	<u>\$ 856,712</u>	<u>\$ 150</u>	<u>\$ 20,154</u>	<u>\$ 8,453,459</u>
Reconciliation of operating income to net cash provided by (used in) operating activities:					
Operating income (loss)	\$ 1,429,637	\$ 130,741	\$ (662,827)	\$ 2,554	\$ 900,105
Adjustments to operating income to net cash used in operating activities:					
Depreciation	479,471	134,288	327,790	-	941,549
Restatement	(770,787)	(295,624)	(46,262)	-	(1,112,673)
Changes in net position and liabilities:					
Accounts receivables	(13,399)	10,041	-	-	(3,358)
Inventory	-	-	8,317	-	8,317
Other assets	(149,185)	(24,888)	(3,895)	-	(177,968)
Accounts payable	290,046	(9,214)	36,270	(124)	316,978
Accrued expenses	3,961	465	156	-	4,582
Unapplied credits	1,475	2,853	-	-	4,328
Landfill	-	(22,196)	-	-	(22,196)
Compensated absences	(763)	1,460	930	-	1,627
Customer deposits	38,100	-	-	-	38,100
Other liabilities	<u>906,533</u>	<u>315,504</u>	<u>71,642</u>	<u>-</u>	<u>1,293,679</u>
Net cash provided by (used in) operating activities	<u>\$ 2,215,089</u>	<u>\$ 243,430</u>	<u>\$ (267,879)</u>	<u>\$ 2,430</u>	<u>\$ 2,193,070</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, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

A. Reporting Entity

The City Council (the "Council") is elected by the public and has the authority to make decisions, appoint 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.

STATE OF NEW MEXICO
CITY OF PORTALES
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

B. Basis of Presentation (Continued)

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 if 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)

STATE OF NEW MEXICO
CITY OF PORTALES
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

C. Measurement Focus, Basis of Accounting (Continued)

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.

STATE OF NEW MEXICO
CITY OF PORTALES
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

C. Measurement Focus, Basis of Accounting (Continued)

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 funds:

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 Portales Area Transit Fund accounts for the state grants received and ridership fees charged to operate and maintain the local public transportation system. The Economic Development Fund accounts for the grants received and the related expenditures in conjunction with the promotion of economic development within the City. The Risk Management Fund accounts for the expenditures of unemployment and other insurance premiums paid by the City.

The City reports the following major business-type funds:

STATE OF NEW MEXICO
CITY OF PORTALES
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

C. Measurement Focus, Basis of Accounting (Continued)

The Water & 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, Deferred Outflows, Liabilities, Deferred Inflows, 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 collection.

STATE OF NEW MEXICO
CITY OF PORTALES
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (Continued)

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."

Deferred Outflows - In the government-wide fund financial statements, deferred outflows are contributions to a pension plan after the measurement date, and the change in assumption.

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.

STATE OF NEW MEXICO
CITY OF PORTALES
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (Continued)

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

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

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

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

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

Long-Term Debt - In the government-wide fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

STATE OF NEW MEXICO
CITY OF PORTALES
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (Continued)

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.

STATE OF NEW MEXICO
CITY OF PORTALES
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (Continued)

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 2015, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 72, *Fair Value Measurement and Application*. The requirements of this Statement are effective for financial statements for reporting periods beginning after June 15, 2015. Earlier application is encouraged. This Statement addresses accounting and financial reporting issues related to fair value measurements.

STATE OF NEW MEXICO
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NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (Continued)

Implementation of New Accounting Standards (Continued)

The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The City is analyzing the effect that this statement will have on its financial statements, and currently believes it will have no significant effect on the financial statements for the upcoming year.

In 2015, GASB issued GASB Statement No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not Within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. The provisions in Statement 73 are effective for fiscal years beginning after June 15, 2015 - except those provisions that address employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68, which are effective for fiscal years beginning after June 15, 2016. Earlier application is encouraged. The objective of this Statement is to improve the usefulness of information about pensions included in the general purpose external financial reports of state and local governments for making decisions and assessing accountability.

This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The County is analyzing the effect that this statement will have on its financial statements, and currently believes it will have no significant effect on the financial statements for the upcoming year.

STATE OF NEW MEXICO
CITY OF PORTALES
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

D. *Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity*
(Continued)

Implementation of New Accounting Standards (Continued)

In 2015, the GASB issued GASB Statement No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*. The provisions in Statement 74 are effective for fiscal years beginning after June 15, 2016. Earlier application is encouraged. The objective of this Statement is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The City is analyzing the effect that this statement will have on its financial statements, and currently believes it will have no significant effect on the financial statements for the upcoming year.

In 2015, the GASB issued GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*. The provisions in Statement 75 are effective for fiscal years beginning after June 15, 2017. Earlier application is encouraged. The primary objective of this Statement is to improve accounting and financial reporting by state and local governments for postemployment benefits other than pensions (other postemployment benefits or OPEB). It also improves information provided by state and local governmental employers about financial support for OPEB that is provided by other entities. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. The City is analyzing the effect that this statement will have on its financial statements, and currently believes it will have no significant effect on the financial statements for the upcoming year.

STATE OF NEW MEXICO
CITY OF PORTALES
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position or Equity (Continued)

Implementation of New Accounting Standards (Continued)

In 2015, the GASB issued GASB Statement No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*. The provisions in Statement 76 are effective for reporting periods beginning after June 15, 2015. Earlier application is encouraged. The objective of this Statement is to identify—in the context of the current governmental financial reporting environment—the hierarchy of generally accepted accounting principles (GAAP). The “GAAP hierarchy” consists of the sources of accounting principles used to prepare financial statements of state and local governmental entities in conformity with GAAP and the framework for selecting those principles. This Statement reduces the GAAP hierarchy to two categories of authoritative GAAP and addresses the use of authoritative and nonauthoritative literature in the event that the accounting treatment for a transaction or other event is not specified within a source of authoritative GAAP. The City is analyzing the effect that this statement will have on its financial statements, and currently believes it will have no significant effect on the financial statements for the upcoming year.

In 2015, the GASB issued GASB Statement No. 77, *Tax Abatement Disclosures*. The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged. Financial statements prepared by state and local governments in conformity with generally accepted accounting principles provide citizens and taxpayers, legislative and oversight bodies, municipal bond analysts, and others with information they need to evaluate the financial health of governments, make decisions, and assess accountability. This information is intended, among other things, to assist these users of financial statements in assessing (1) whether a government’s current-year revenues were sufficient to pay for current-year services (known as interperiod equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government’s financial resources come from and how it uses them, and (4) a government’s financial position and economic condition and how they have changed over time. The City is analyzing the effect that this statement will have on its financial statements, and currently believes it will have no significant effect on the financial statements for the upcoming year.

STATE OF NEW MEXICO
CITY OF PORTALES
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

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.

STATE OF NEW MEXICO
CITY OF PORTALES
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

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, 2015.

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.

STATE OF NEW MEXICO
CITY OF PORTALES
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

3. CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS (CONTINUED)

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, 2015 is \$1,862,092.

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. There are 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 \$4,579,711 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.

STATE OF NEW MEXICO
CITY OF PORTALES
NOTES TO BASIC FINANCIAL STATEMENTS
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3. CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS (CONTINUED)

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, 2015 is as follows:

	US Bank	New Mexico Finance Authority	First American Financial Advisors	Total
Total cash deposits	\$ 6,541,370	\$ 390,676	\$ 4,579,711	\$11,511,757
FDIC/SPIC coverage	<u>(250,000)</u>	<u>(390,676)</u>	<u>(250,000)</u>	<u>(890,676)</u>
Uninsured funds subject to custodial credit risk	6,291,370	-	4,329,711	10,621,081
Lloyd's of London securities insurance protection	<u>-</u>	<u>-</u>	<u>4,329,711</u>	<u>4,329,711</u>
Funds (over) under collateralized - total funds subject to custodial credit risks	<u>\$ 6,291,370</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,291,370</u>

The following summarizes the collateral requirements at June 30, 2015:

50% of uninsured funds	\$ 3,145,685	\$ -	\$ -	\$ 3,145,685
Letter of credit collateral	<u>7,500,000</u>	<u>-</u>	<u>-</u>	<u>7,500,000</u>
Over (under) collateralized	<u>\$ 4,354,315</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,354,315</u>

STATE OF NEW MEXICO
CITY OF PORTALES
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

4. ACCOUNTS RECEIVABLE

Accounts receivable reported in the business-type activities at June 30, 2015 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, 2015:

	Accounts Receivable	Allowance for Uncollectibles	Total
Water and sewer	\$ 924,197	\$ (411,280)	\$ 512,917
Solid waste	205,399	(51,885)	153,514
	\$ 1,129,596	\$ (463,165)	\$ 666,431

The general fund receivable of \$340,936 consists primarily of ambulance charges outstanding at June 30, 2015. 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 are considered fully collectible and consist of the following:

	<u>Taxes Receivables</u>
Gross receipts taxes	\$ 1,011,672
Franchise	105,733
Property taxes	30,514
Other	42,514
	\$ 1,190,433

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 \$21,197.

STATE OF NEW MEXICO
CITY OF PORTALES
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

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, 2015 is as follows:

TRANSFERS:

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ 775,000	\$ 203,677
Fire Protection Fund	-	42,118
Library Fund	25,000	-
Portales Area Transit Fund	85,000	-
Capital Repair and Replacement Fund	26,967	-
Capital Projects Funds	-	44,043
Risk Management Fund	36,000	-
Energy Conservation Lease Fund	86,161	-
Water and Sewer Fund	427,646	927,646
Solid Waste Fund	-	275,000
Airport Fund	<u>30,710</u>	<u>-</u>
Total	<u>\$ 1,492,484</u>	<u>\$ 1,492,484</u>

STATE OF NEW MEXICO
CITY OF PORTALES
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

6. CAPITAL ASSETS

A summary of capital assets and changes occurring during the year ended June 30, 2015, 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, 2014	Additions	Retirements and Transfers	Balance June 30, 2015
<i>Governmental activities:</i>				
Capital assets not being depreciated:				
Land	\$ 698,102	\$ 29,000	\$ -	\$ 727,102
Construction in progress	<u>94,955</u>	<u>5,391</u>	<u>(37,189)</u>	<u>63,157</u>
Total	793,057	34,391	(37,189)	790,259
Other capital assets being depreciated:				
Buildings	7,074,033	-	-	7,074,033
Improvements	7,013,945	-	22,179	7,036,124
Machinery and equipment	3,505,826	89,525	(468,458)	3,126,893
Furniture and fixtures	200,472	-	(1,000)	199,472
Vehicles	<u>4,306,308</u>	<u>389,167</u>	<u>(326,508)</u>	<u>4,368,967</u>
Total	<u>22,100,584</u>	<u>478,692</u>	<u>(773,787)</u>	<u>21,805,489</u>
Total capital assets	22,893,641	513,083	(810,976)	22,595,748
Less accumulated depreciation for:				
Buildings	4,025,463	99,929	-	4,125,392
Improvements	1,983,808	558,433	(1,468)	2,540,773
Machinery and equipment	2,677,315	63,993	(427,225)	2,314,083
Furniture and fixtures	196,042	1,718	(1,000)	196,760
Vehicles	<u>3,270,131</u>	<u>129,157</u>	<u>(227,950)</u>	<u>3,171,338</u>
Total accumulated depreciation	<u>12,152,759</u>	<u>853,230</u>	<u>(657,643)</u>	<u>12,348,346</u>
Governmental capital assets, net	<u>\$ 10,740,882</u>	<u>\$ (340,147)</u>	<u>\$ (153,333)</u>	<u>\$ 10,247,402</u>

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6. CAPITAL ASSETS (CONTINUED)

	Balance June 30, 2014	Additions	Retirements and Transfers	Balance June 30, 2015
<i>Business-type activities:</i>				
Capital assets not being depreciated:				
Land	\$ 4,593,347	\$ -	\$ -	\$ 4,593,347
Construction in progress	<u>2,161,171</u>	<u>18,178,925</u>	<u>(242,039)</u>	<u>20,098,057</u>
Total	6,754,518	18,178,925	(242,039)	24,691,404
Capital assets being depreciated:				
Buildings	1,552,790	6,033	-	1,558,823
Improvements	19,539,072	29,622	-	19,568,694
Machinery and equipment	4,003,265	148,314	(78,293)	4,073,286
Furniture and fixtures	4,929	-	-	4,929
Vehicles	<u>1,813,094</u>	<u>83,590</u>	<u>(157,891)</u>	<u>1,738,793</u>
Total	<u>26,913,150</u>	<u>267,559</u>	<u>(236,184)</u>	<u>26,944,525</u>
Total capital assets	33,667,668	18,446,484	(478,223)	51,635,929
Less accumulated depreciation:				
Buildings	1,029,116	285,148	(242,039)	1,072,225
Improvements	13,255,853	517,923	-	13,773,776
Machinery and equipment	3,357,325	51,826	(78,293)	3,330,858
Furniture and fixtures	4,929	-	-	4,929
Vehicles	<u>1,238,517</u>	<u>102,605</u>	<u>(134,799)</u>	<u>1,206,323</u>
Total accumulated depreciation	<u>18,885,740</u>	<u>957,502</u>	<u>(455,131)</u>	<u>19,388,111</u>
Business-type capital assets, net	<u>\$ 14,781,928</u>	<u>\$ 17,488,982</u>	<u>\$ (23,092)</u>	<u>\$ 32,247,818</u>

The City reported \$853,230 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.

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7. LONG-TERM DEBT

A summary of changes in long-term debt, including capital lease obligations for the year ended June 30, 2015, was as follows:

	Balance June 30, 2014	Additions	Reductions	Balance June 30, 2015
Governmental Activities:				
NMFA - Recreation Center	\$ 197,481	\$ -	\$ 33,293	\$ 164,188
NMFA Loan - Fire Truck	<u>518,221</u>	<u>-</u>	<u>33,546</u>	<u>484,675</u>
Total Governmental Debt	<u>\$ 715,702</u>	<u>\$ -</u>	<u>\$ 66,839</u>	<u>\$ 648,863</u>

	Balance June 30, 2014	Additions	Reductions	Balance June 30, 2015
Business-Type Activities:				
NMFA - Blackwater Well Field	\$ 625,115	\$ -	\$ 625,115	\$ -
Water Improvement	978,679	-	48,553	930,126
NMED - Wastewater Facility	<u>1,153,540</u>	<u>17,110,437</u>	<u>-</u>	<u>18,263,977</u>
Total Business-Type Debt	<u>\$ 2,757,334</u>	<u>\$17,110,437</u>	<u>\$ 673,668</u>	<u>\$19,194,103</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
2016	\$ 72,135	\$ 17,337	\$ 89,472	\$ 50,010	\$ 27,904	\$ 77,914
2017	72,500	14,991	87,491	51,510	26,404	77,914
2018	77,942	12,561	90,503	1,382,055	24,859	1,406,914
2019	78,489	9,733	88,222	1,383,647	23,267	1,406,914
2020	35,329	6,788	42,117	1,385,286	21,628	1,406,914
2021-2025	188,245	19,268	207,513	6,952,797	81,773	7,034,570
2026-2029	<u>124,223</u>	<u>1,880</u>	<u>126,103</u>	<u>7,988,798</u>	<u>32,748</u>	<u>8,021,546</u>
Total	<u>\$ 648,863</u>	<u>\$ 82,558</u>	<u>\$ 731,421</u>	<u>\$19,194,103</u>	<u>\$ 238,583</u>	<u>\$19,432,686</u>

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7. LONG-TERM DEBT (CONTINUED)

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

Description	Interest Rate	Payment Frequency	Payment Amount	Maturity Date	Due Within One Year	Servicing Fund
Governmental Activities:						
NMFA - Recreation Center	Varies to 5.23%	Monthly	\$4,085	May 2019	\$ 38,391	Capital Projects
NMFA - Fire Truck	1.73%	Monthly	\$2,984	May 2028	<u>33,744</u>	General
					<u>\$ 72,135</u>	

Description	Interest Rate	Payment Frequency	Payment Amount	Maturity Date	Due Within One Year	Servicing Fund
Business-Type Activities:						
Water/Sewer Revenue Bonds	0	Annual	\$1,153,540	June 2018	\$ -	Water and Sewer
NMFA - Blackwater Well Field	Varies to 4.35%	Monthly	\$27,918	May 2016	-	Water and Sewer
Water Improvement	3.00%	Annual	\$78,309	September 2029	<u>50,010</u>	Water Conservation
					<u>\$ 50,010</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.

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8. ACCRUED COMPENSATED ABSENCES (CONTINUED)

	Balance June 30, 2014	Additions	Reductions	Balance June 30, 2015	Due Within One Year
Governmental Activities	\$ 388,644	\$ 248,810	\$ 184,001	\$ 453,453	\$ 13,602
Business-Type Activities	<u>72,576</u>	<u>23,659</u>	<u>22,032</u>	<u>74,203</u>	<u>1,028</u>
	<u>\$ 461,220</u>	<u>\$ 272,469</u>	<u>\$ 206,033</u>	<u>\$ 527,656</u>	<u>\$ 14,630</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 post-closure care costs is \$545,887 as of June 30, 2015, which is based on 100 percent usage (filled) of the landfill. The estimated total current cost of the landfill closure and post-closure 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, 2015. 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.

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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, 2015 were \$510,243.

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, 2015 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.

The City adopted GASB 68 during the year ended June 30, 2015. GASB 68, *Accounting and Financial Reporting for Pensions*, requires contributing employers of cost-sharing multiple employer defined benefit pension plans to include the net pension liability, pension expense, and pension-related deferred inflows and outflows of resources related to their share of the pension plan in their government-wide financial statement presentation. PERA engaged their financial statement auditors to prepare a schedule

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12. PERA PENSION PLAN (CONTINUED)

allocating these obligations to the contributing employers as of the year ended June 30, 2014. As part of adopting GASB 68 during the current year, the City recognized a Net Pension Liability (NPL), which represents the City's share of the underfunded pension obligation at June 30, 2015.

Summary of Significant Accounting Policies

Pensions. For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the New Mexico Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, on the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Pension Plan

Plan description. The Public Employees Retirement Fund (PERA Fund) is a cost-sharing, multiple employer defined benefit pension plan. This fund has six divisions of members, including State General, State Police/Adult Correction Officer, Municipal General, Municipal Police/Detention Officers, Municipal fire, and State Legislative Divisions, and offers 24 different types of coverage within the PERA plan. All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of this plan. Certain coverage plans are only applicable to a specific division. Eligibility for membership in the PERA Fund is set forth in the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). Except as provided for in the Volunteer Firefighters Retirement Act (10-11A-1 to 10-11A-7, NMSA 1978), the Judicial Retirement Act (10-12B-1 to 10-12B-19, NMSA 1978), the Magistrate Retirement Act (10-12C-1 to 10-12C-18, NMSA 1978), and the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978), and the provisions of Sections 29-4-1 through 29-4-11, NMSA 1978 governing the State Police Pension Fund, each employee and elected official of every affiliated public employer is required to be a member in the PERA Fund.

PERA issues a publicly available financial report and a comprehensive annual financial report that can be obtained at <http://saonm.org/> using the Audit Report Search function for agency 366.

Benefits provided. For a description of the benefits provided and recent changes to the benefits see Note 1 in the PERA audited financial statements for the fiscal year ended June 30, 2014 available at:
http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2014.pdf.

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12. PERA PENSION PLAN (CONTINUED)

Contributions. The contribution requirements of defined benefit plan members and the (name of employer) are established in state statute under Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature. For the employer and employee contribution rates in effect for FY14 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on pages 29 through 31 of the PERA FY14 annual audit report at http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_2014.pdf. The PERA coverage options that apply to the City are Municipal General Division, Municipal Police Division, and Municipal Fire Division. Statutorily required contributions to the pension plan from the City were \$673,290 and employer paid member benefits that were “picked up” by the employer were \$0 for the year ended June 30, 2015.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: The PERA pension liability amounts, net pension liability amounts, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2013. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2014, using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date June 30, 2014.

The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members) for whom separate contribution rates are determined each year pursuant to chapter 10, Article 11 NMSA 1978. Therefore, the calculations of the net pension liability, pension expense and deferred Inflows and Outflows were performed separately for each of the membership groups: municipal general members; municipal police members; municipal fire members; state general members; state police members and legislative members. The Village of Des Moines’ proportion of the net pension liability for each membership group that the employer participates in is based on the employer contributing entity’s percentage of that membership group’s total employer contributions for the fiscal year ended June 30, 2014. Only employer contributions for the pay period end dates that fell within the period of July 1, 2013 to June 30, 2014 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2014 are included in the total contribution amounts.

In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

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12. PERA PENSION PLAN (CONTINUED)

For PERA at June 30, 2015, the City reported the following liability:

Municipal General Division	\$	2,941,005
Municipal Police Division		1,456,845
Municipal Fire Division		<u>3,328,760</u>
Total Net Pension Liability	\$	<u>7,726,610</u>

The amounts are the proportionate share of the net pension liability. At June 30, 2014, the City's proportion noted below was unchanged from its proportion measured as of June 30, 2013, due to the insignificance of the difference.

For the year ended June 30, 2015, the City recognized the following pension expense:

Municipal General Division	\$	122,698
Municipal Police Division		97,835
Municipal Fire Division		<u>294,033</u>
Total pension expense	\$	<u>514,566</u>

At June 30, 2015, the City reported deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Pension Expense	Deferred Inflows - Difference Between Projected and Actual Investment Earnings on Pension Plan Investments	Deferred Inflows - Change in Assumption	Deferred Outflows - Contributions made after measurement date	Deferred Outflows - Change in assumption
Municipal General Division	\$ 122,698	\$ 1,150,599	\$ 1,993	\$ 266,293	\$ -
Municipal Police Division	97,835	541,719	118,345	208,410	-
Municipal Fire Division	<u>294,033</u>	<u>461,054</u>	<u>-</u>	<u>198,587</u>	<u>115,557</u>
TOTAL	<u>\$ 514,566</u>	<u>\$ 2,153,372</u>	<u>\$ 120,338</u>	<u>\$ 673,290</u>	<u>\$ 115,557</u>

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12. PERA PENSION PLAN (CONTINUED)

	<u>Liability Proportion</u>
Municipal General Division	0.3770%
Municipal Police Division	0.4469%
Municipal Fire Division	0.7975%

Discount rate: The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that future contributions will be made in accordance with statutory rates. On this basis, the pension plan's fiduciary net position together with the expected future contributions are sufficient to provide all projected future benefit payments of current plan members as determined in accordance with GASBS 67. Therefore, the 7.75 percent assumed longterm expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate:

The following presents the net pension liability of the City of Portales, calculated using the discount rate of 7.75 percent, as well as what the City's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.75 percent) or 1-percentage-point higher (8.75 percent) than the current rate:

	1% Decrease 6.75%	Current 7.75%	1% Increase 8.75%
Municipal General Division	\$ 5,544,455	\$ 2,941,005	\$ 929,715
Municipal Police Division	2,778,206	1,456,845	470,203
Municipal Fire Division	4,703,288	3,328,760	2,314,992
TOTAL	\$ 13,025,949	\$ 7,726,610	\$ 3,714,910

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12. PERA PENSION PLAN (CONTINUED)

In June 30, 2016 \$ 673,290, deferred outflows - contributions made after measurement date, will be recognized as a reduction of net pension liability. Other deferred amounts to be recognized in fiscal years following the reporting date are below:

Year Ended June 30:	<u>Municipal General Division</u>	<u>Municipal Police Division</u>	<u>Municipal Fire Division</u>
2016	\$ 288,145	\$ 164,869	\$ 86,518
2017	\$ 288,145	\$ 164,869	\$ 86,518
2018	\$ 288,145	\$ 164,869	\$ 86,518
2019	\$ 288,145	\$ 164,869	\$ 86,518
2020	\$ 10	\$ 589	\$ 575

Additional information on PERA, and the Actuarial assumptions may be found at http://www.nmpera.org/assets/uploads/downloads/GASB/366-B_PERA_Schedule_of_Employer_Allocations_FY2014.pdf

Actuarial assumptions. As described above, the PERA Fund member group pension liabilities and net pension liabilities are based on actuarial valuations performed as of June 30, 2013 for each of the membership groups. Then each PERA Fund member group pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2014 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2014. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2014 actuarial valuation.

Actuarial valuation date	June 30, 2013
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay
Amortization period	Solved for based on statutory rates
Asset valuation method	Fair value
Actuarial assumptions:	
- Investment rate of return	7.75% annual rate, net of investment expense
-Payroll growth	3.50% annual rate
-Projected salary increases	3.50% to 14.25% annual rate
-Includes inflation at	3.00% annual rate

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12. PERA PENSION PLAN (CONTINUED)

The long-term expected rate of return on pension plan investments was determined using a statistical analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and most recent best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

ALL FUNDS - Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	21.1 %	5.00 %
International Equity	24.8	5.20
Private Equity	7.0	8.20
Core and Global Fixed Income	26.1	1.85
Fixed Income Plus Sectors	5.0	4.80
Real Estate	5.0	5.30
Real Assets	7.0	5.70
Absolute Return	<u>4.0</u>	4.15
Total	100.0 %	

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued FY14 Restated PERA financial report. The report is available at <http://www.pera.state.nm.us/publications.html>.

Payables to the pension plan. Employers should disclose the amount of payables to the Plan with a description of what gave rise to the payable per GASBS 68, paragraphs 122 and 124. The City of Portales had payables of \$40,089 at June 30, 2015. The payable was a result of cutoff, and was paid in to PERA by July 8, 2015.

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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 post-employment 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 post-employment 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.

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13. POST-EMPLOYMENT BENEFITS - STATE RETIREE HEALTH CARE PLAN (CONTINUED)

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, 2015, the statute required each participating employer to contribute 2.50% for fire and police departments and 2.00% 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, 2015 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>
2015	2.00%	1.00%

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, 2015, 2014, and 2013 were \$163,570, \$105,414, and \$102,587, respectively, which equal the required contributions for each year.

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AS OF AND FOR THE YEAR ENDED JUNE 30, 2015

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 Self-Insurer's Fund. In the opinion of management, the outcome of these matters will not have a material effect on the financial position of the City.

15. SUBSEQUENT EVENTS

Management has evaluated subsequent events through November 10, 2015 the date the financial statements were available to be issued.

16. RESTATEMENT

A prior period adjustment of \$(8,257,523) was recorded for governmental activities, and a prior period adjustment of \$(1,112,673) was recorded for business-type activities during the fiscal year ended June 30, 2015, for a total restatement of \$(9,370,196). The restatement was made to book the calculated net pension liability and deferred outflows and inflows per implementation of GASB 68, as follows:

	Governmental Activities	Business-Type Activities
Pension expense	(139,876)	61,103
Deferred outflows	695,175	13,722
Deferred inflows	(2,003,716)	(269,994)
Net pension liability	<u>(6,809,106)</u>	<u>(917,504)</u>
Total prior period adjustment	<u>(8,257,523)</u>	<u>(1,112,673)</u>

REQUIRED SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
CITY OF PORTALES
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN
PERA MUNICIPAL GENERAL DIVISION
LAST 10 FISCAL YEARS*
FOR THE YEAR ENDED JUNE 30, 2015

	2015
The City of Portales' proportion of the net pension liability	\$ 2,941,005
The City of Portales' proportionate share of the net pension liability	0.3770%
The City of Portales' covered-employee payroll	\$ 1,878,126
The City of Portales' proportionate share of the net pension liability as a percentage of its covered-employee payroll	1.57 %
Plan fiduciary net position as a percentage of the total pension liability	81.29 %

*The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, The City of Portales will present information for those years for which information is available.

STATE OF NEW MEXICO
CITY OF PORTALES
SCHEDULE OF CITY OF PORTALES' CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN
PERA MUNICIPAL GENERAL DIVISION
LAST 10 FISCAL YEARS*
FOR THE YEAR ENDED JUNE 30, 2015

	2015
Contractually required contribution	\$ 122,698
Contributions in relation to the contractually required contribution	122,698
Contribution deficiency (excess)	-
The City of Portales' covered-employee payroll	\$ 1,878,126
Contributions as a percentage of covered-employee payroll	0.07 %

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, The City of Portales will present information for those years for which information is available.

STATE OF NEW MEXICO
CITY OF PORTALES
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN
PERA MUNICIPAL POLICE DIVISION
LAST 10 FISCAL YEARS*
FOR THE YEAR ENDED JUNE 30, 2015

	2015
The City of Portales' proportion of the net pension liability	\$ 1,456,845
The City of Portales' proportionate share of the net pension liability	0.45 %
The City of Portales' covered-employee payroll	\$ 930,341
The City of Portales' proportionate share of the net pension liability as a percentage of its covered-employee payroll	1.57 %
Plan fiduciary net position as a percentage of the total pension liability	81.29 %

*The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, The City of Portales will present information for those years for which information is available.

STATE OF NEW MEXICO
CITY OF PORTALES
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN
PERA MUNICIPAL POLICE DIVISION
LAST 10 FISCAL YEARS*
FOR THE YEAR ENDED JUNE 30, 2015

	2015
Contractually required contribution	\$ 97,835
Contributions in relation to the contractually required contribution	97,835
Contribution deficiency (excess)	-
The City of Portales' covered-employee payroll	\$ 930,341
Contributions as a percentage of covered-employee payroll	0.11 %

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, The City of Portales will present information for those years for which information is available.

STATE OF NEW MEXICO
CITY OF PORTALES
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN
PERA MUNICIPAL FIRE DIVISION
LAST 10 FISCAL YEARS*
FOR THE YEAR ENDED JUNE 30, 2015

	2015
The City of Portales' proportion of the net pension liability	\$ 3,328,760
The City of Portales' proportionate share of the net pension liability	0.7975%
The City of Portales' covered-employee payroll	\$ 2,125,747
The City of Portales' proportionate share of the net pension liability as a percentage of its covered-employee payroll	1.57 %
Plan fiduciary net position as a percentage of the total pension liability	81.29 %

*The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, The City of Portales will present information for those years for which information is available.

STATE OF NEW MEXICO
CITY OF PORTALES
SCHEDULE OF CITY OF PORTALES' CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN
PERA MUNICIPAL FIRE DIVISION
LAST 10 FISCAL YEARS*
FOR THE YEAR ENDED JUNE 30, 2015

	2015
Contractually required contribution	\$ 294,033
Contributions in relation to the contractually required contribution	294,033
Contribution deficiency (excess)	-
The City of Portales' covered-employee payroll	\$ 2,125,747
Contributions as a percentage of covered-employee payroll	0.14 %

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, The City of Portales will present information for those years for which information is available.

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.

FIRE FUND - To account for the operations and maintenance of the Fire Department which is financed by a specific allotment from the State Fire Marshal's Office. (NMSA 59A-53-1)

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 in-kind support and operations for the Enhanced 911 emergency system.

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

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

LAW ENFORCEMENT PROTECTION FUND - To account for the proceeds of a State grant provided for the purchase and repair of equipment as well as specialized training of police personnel. (NMSA 29-13-3)

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

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

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

LOCAL DWI PROGRAM FUND - Accounts for state driving while intoxicated fines and other state grants for the education and prevention of driving while intoxicated arrests.

LAW ENFORCEMENT SPECIAL SERVICE FUND - Accounts for the revenue received from traffic safety fees to promote law enforcement education in the community.

CDBG REHABILITATION LOAN REPAYMENT FUND - Accounts for the collection and disbursement of the federal and state grants collected by the City on behalf of the citizens to assist in eligible single family home improvements.

COMMUNITY DEVELOPMENT BLOCK GRANT FUND - Accounts for the state and federal funding received for the improvement of streets in designated parts of the City.

SPECIAL REVENUE FUNDS (CONTINUED)

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.

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

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

SALES TAX REVENUE BONDS FUND - This fund accounts for the collection of allocated gross receipts taxes and the related debt service of the Sales Tax Revenue Bonds issued in November, 1997.

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

WASTE WATER TREATMENT PLANT DEBT SERVICE FUND - Accounts for the collection of allocated gross receipts taxes to fund the debt service on the waste water treatment plant.

STATE OF NEW MEXICO
CITY OF PORTALES
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2015

Special Revenue Funds							
	Correction Fund	Emergency Medical Services Fund	Enhanced 911 Fund	Fire Protection Fund	Beautification/ Litter Control Fund	Law Enforcement Protection Law Fund	Library Fund
ASSETS							
Cash and cash equivalents	\$ 19,847	\$ 43	\$ 5,117	\$ 179,430	\$ 2,051	\$ -	\$ 8,767
Restricted cash and cash equivalents	-	-	-	108,593	-	-	-
Intergovernmental receivables	-	-	1,500	-	3,999	-	-
Total assets	<u>\$ 19,847</u>	<u>\$ 43</u>	<u>\$ 6,617</u>	<u>\$ 288,023</u>	<u>\$ 6,050</u>	<u>\$ -</u>	<u>\$ 8,767</u>
LIABILITIES AND FUND BALANCE							
Liabilities							
Accounts payable	\$ -	\$ -	\$ -	\$ 85	\$ -	\$ -	\$ 3,596
Accrued interest	-	-	-	1,390	-	-	-
Total liabilities	-	-	-	1,475	-	-	3,596
Fund balances:							
Restricted, reported in:							
Special revenue funds	19,847	43	6,617	286,548	6,050	-	-
Unassigned, reported in:							
Special revenue funds	-	-	-	-	-	-	5,171
Total fund balances	<u>19,847</u>	<u>43</u>	<u>6,617</u>	<u>286,548</u>	<u>6,050</u>	<u>-</u>	<u>5,171</u>
Total liabilities and fund balances	<u>\$ 19,847</u>	<u>\$ 43</u>	<u>\$ 6,617</u>	<u>\$ 288,023</u>	<u>\$ 6,050</u>	<u>\$ -</u>	<u>\$ 8,767</u>

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

STATE OF NEW MEXICO
CITY OF PORTALES
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2015

Special Revenue Funds

	Lodgers Tax Fund	Recreation Fund	Local DWI Program Fund	Law Enforcement Special Service Fund	CDBG Rehabilitation Loan Repayment Fund
ASSETS					
Cash and cash equivalents	\$ 119,504	\$ 165,720	\$ 68,398	\$ 24,044	\$ 8,115
Taxes receivables	14,318	-	-	-	-
Intergovernmental receivables	-	-	4,427	-	-
Total assets	<u>\$ 133,822</u>	<u>\$ 165,720</u>	<u>\$ 72,825</u>	<u>\$ 24,044</u>	<u>\$ 8,115</u>
LIABILITIES AND FUND BALANCE					
Liabilities					
Accounts payable	\$ 17,747	\$ 1,792	\$ 1,607	\$ 6,750	\$ -
Accrued salaries	-	782	-	-	-
Total liabilities	17,747	2,574	1,607	6,750	-
Fund balances:					
Restricted, reported in:					
Special revenue funds	<u>116,075</u>	<u>163,146</u>	<u>71,218</u>	<u>17,294</u>	<u>8,115</u>
Total fund balances	<u>116,075</u>	<u>163,146</u>	<u>71,218</u>	<u>17,294</u>	<u>8,115</u>
Total liabilities and fund balances	<u>\$ 133,822</u>	<u>\$ 165,720</u>	<u>\$ 72,825</u>	<u>\$ 24,044</u>	<u>\$ 8,115</u>

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

STATE OF NEW MEXICO
CITY OF PORTALES
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2015

	Special Revenue Funds				
	Community Development Block Grant Fund	Criminal Justice Fund	MainStreet Fund	Municipal Street Fund	Total Nonmajor Special Revenue Funds
ASSETS					
Cash and cash equivalents	\$ 1,301	\$ 6,530	\$ 159	\$ 217,394	\$ 826,420
Restricted cash and cash equivalents	-	-	-	-	108,593
Taxes receivables	-	-	-	20,253	34,571
Intergovernmental receivables	-	-	-	-	9,926
	<u>1,301</u>	<u>6,530</u>	<u>159</u>	<u>237,647</u>	<u>979,510</u>
Total assets	<u>\$ 1,301</u>	<u>\$ 6,530</u>	<u>\$ 159</u>	<u>\$ 237,647</u>	<u>\$ 979,510</u>
LIABILITIES AND FUND BALANCE					
Liabilities					
Accounts payable	\$ -	\$ 892	\$ -	\$ 4,838	\$ 37,307
Accrued interest	-	-	-	-	1,390
Accrued salaries	-	-	-	-	782
	<u>-</u>	<u>892</u>	<u>-</u>	<u>4,838</u>	<u>39,479</u>
Total liabilities	-	892	-	4,838	39,479
Fund balances:					
Restricted, reported in:					
Special revenue funds	1,301	5,638	159	232,809	934,860
Unassigned, reported in:					
Special revenue funds	-	-	-	-	5,171
	<u>1,301</u>	<u>5,638</u>	<u>159</u>	<u>232,809</u>	<u>940,031</u>
Total fund balances	<u>1,301</u>	<u>5,638</u>	<u>159</u>	<u>232,809</u>	<u>940,031</u>
Total liabilities and fund balances	<u>\$ 1,301</u>	<u>\$ 6,530</u>	<u>\$ 159</u>	<u>\$ 237,647</u>	<u>\$ 979,510</u>

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

STATE OF NEW MEXICO
CITY OF PORTALES
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS (CONTINUED)
JUNE 30, 2015

	Capital Projects Funds		Debt Service Funds			Total Nonmajor Governmental Funds
	Capital Projects Fund	Capital Repair and Replacement Fund	Sales Tax Revenue Bond Fund	Energy Conservation Lease Fund	Waste Water Treatment Plant	
ASSETS						
Cash and cash equivalents	\$ 96,989	\$ -	\$ 347,934	\$ -	\$ -	\$ 1,271,343
Restricted cash and cash equivalents	128,638	-	-	-	-	237,231
Taxes receivables	8,170	-	-	-	-	42,741
Intergovernmental receivables	-	-	-	-	24,526	34,452
Accrued interest receivable	3	-	-	-	-	3
Total assets	<u>\$ 233,800</u>	<u>\$ -</u>	<u>\$ 347,934</u>	<u>\$ -</u>	<u>\$ 24,526</u>	<u>\$ 1,585,770</u>
LIABILITIES AND FUND BALANCE						
Liabilities						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 37,307
Accrued interest	1,494	-	-	-	-	2,884
Accrued salaries	-	-	-	-	-	782
Total liabilities	1,494	-	-	-	-	40,973
Fund balances:						
Restricted, reported in:						
Special revenue funds	-	-	-	-	-	934,860
Capital project funds	232,306	-	-	-	-	232,306
Debt service funds	-	-	347,934	-	24,526	372,460
Restricted, reported in:						
Special revenue funds	-	-	-	-	-	5,171
Total fund balances	<u>232,306</u>	<u>-</u>	<u>347,934</u>	<u>-</u>	<u>24,526</u>	<u>1,544,797</u>
Total liabilities and fund balances	<u>\$ 233,800</u>	<u>\$ -</u>	<u>\$ 347,934</u>	<u>\$ -</u>	<u>\$ 24,526</u>	<u>\$ 1,585,770</u>

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, 2015

	Special Revenue Funds						
	Correction Fund	Emergency Medical Services Fund	Enhanced 911 Fund	Fire Protection Fund	Beautification/ Litter Control Fund	Law Enforcement Protection Law Fund	Library Fund
Revenues:							
Intergovernmental	\$ -	\$ 19,499	\$ 110,796	\$ 194,691	\$ 5,425	\$ 32,600	\$ -
Fees, fines and forfeitures	24,377	-	-	-	-	-	-
Other grants and contributions	-	44,100	-	-	-	91	36,309
Interest and other	<u>8</u>	<u>-</u>	<u>-</u>	<u>83</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues	24,385	63,599	110,796	194,774	5,425	32,691	36,309
Expenditures:							
General government	-	-	-	-	5,620	-	-
Public safety	12,375	4,598	108,465	68,954	-	10,584	-
Culture and recreation	-	-	-	-	-	-	49,396
Capital outlay	-	59,000	-	-	-	22,107	-
Debt service	-	-	-	-	-	-	-
Interest	<u>-</u>	<u>-</u>	<u>-</u>	<u>(39)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total expenditures	<u>12,375</u>	<u>63,598</u>	<u>108,465</u>	<u>68,915</u>	<u>5,620</u>	<u>32,691</u>	<u>49,396</u>
Excess (deficit) of revenues over expenditures	12,010	1	2,331	125,859	(195)	-	(13,087)
Other financing sources:							
Transfers in (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(42,118)</u>	<u>-</u>	<u>-</u>	<u>25,000</u>
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>(42,118)</u>	<u>-</u>	<u>-</u>	<u>25,000</u>
Net change in fund balances	12,010	1	2,331	83,741	(195)	-	11,913
Fund balance - beginning of year	<u>7,837</u>	<u>42</u>	<u>4,286</u>	<u>202,807</u>	<u>6,245</u>	<u>-</u>	<u>(6,742)</u>
Fund balance - end of year	<u>\$ 19,847</u>	<u>\$ 43</u>	<u>\$ 6,617</u>	<u>\$ 286,548</u>	<u>\$ 6,050</u>	<u>\$ -</u>	<u>\$ 5,171</u>

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 (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Special Revenue Funds</u>				
	<u>Lodgers Tax Fund</u>	<u>Recreation Fund</u>	<u>Local DWI Program Fund</u>	<u>Law Enforcement Special Service Fund</u>	<u>CDBG Rehabilitation Loan Repayment Fund</u>
Revenues:					
Taxes	\$ 131,917	\$ -	\$ -	\$ -	\$ -
Fees, fines and forfeitures	-	87,642	12,329	25	-
Other grants and contributions	-	19,175	151,407	9,267	-
Interest and other	16	71	29	10	-
	<u>131,933</u>	<u>106,888</u>	<u>163,765</u>	<u>9,302</u>	<u>-</u>
Total revenues					
Expenditures:					
General government	157,146	-	-	-	-
Public safety	-	-	173,380	5,618	-
Culture and recreation	-	84,176	-	-	-
Capital outlay	-	-	-	-	-
	<u>157,146</u>	<u>84,176</u>	<u>173,380</u>	<u>5,618</u>	<u>-</u>
Total expenditures					
Excess (deficit) of revenues over expenditures	(25,213)	22,712	(9,615)	3,684	-
Other financing sources:					
Transfers in (out)	-	-	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources					
Net change in fund balances	(25,213)	22,712	(9,615)	3,684	-
Fund balance - beginning of year	<u>141,288</u>	<u>140,434</u>	<u>80,833</u>	<u>13,610</u>	<u>8,115</u>
Fund balance - end of year	<u>\$ 116,075</u>	<u>\$ 163,146</u>	<u>\$ 71,218</u>	<u>\$ 17,294</u>	<u>\$ 8,115</u>

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 (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Special Revenue Funds</u>				
	Community Development Block Grant Fund	Criminal Justice Fund	Main Street Fund	Municipal Street Fund	Total Nonmajor Special Revenue Fund
Revenues:					
Intergovernmental	\$ -	\$ -	\$ -	\$ 72,094	\$ 435,105
Taxes	-	-	-	204,514	336,431
Fees, fines and forfeitures	-	10,927	-	-	135,300
Other grants and contributions	-	-	-	-	260,349
Interest and other	-	-	-	-	217
Total revenues	<u>-</u>	<u>10,927</u>	<u>-</u>	<u>276,608</u>	<u>1,167,402</u>
Expenditures:					
General government	-	-	-	-	162,766
Public safety	-	10,699	-	-	394,673
Public works	-	-	-	236,521	236,521
Culture and recreation	-	-	-	-	133,572
Capital outlay	-	-	-	24,998	106,105
Debt service					
Interest	-	-	-	-	(39)
Total expenditures	<u>-</u>	<u>10,699</u>	<u>-</u>	<u>261,519</u>	<u>1,033,598</u>
Excess (deficit) of revenues over expenditures	-	228	-	15,089	133,804
Other financing sources:					
Transfers in (out)	-	-	-	-	(17,118)
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(17,118)</u>
Net change in fund balances	-	228	-	15,089	116,686
Fund balance - beginning of year	<u>1,301</u>	<u>5,410</u>	<u>159</u>	<u>217,720</u>	<u>823,345</u>
Fund balance - end of year	<u>\$ 1,301</u>	<u>\$ 5,638</u>	<u>\$ 159</u>	<u>\$ 232,809</u>	<u>\$ 940,031</u>

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 (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015

	Capital Projects Funds		Debt Service Funds			Total Nonmajor Governmental Funds
	Capital Projects Fund	Capital Repair and Replacement Fund	Sales Tax Revenue Bond Fund	Energy Conservation Lease Fund	Waste Water Treatment Plant	
Revenues:						
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 435,105
Taxes	49,020	-	-	-	-	385,451
Fees, fines and forfeitures	-	-	-	-	24,526	159,826
Other grants and contributions	-	-	-	-	-	260,349
Interest and other	421	-	3,764	-	-	4,402
Total revenues	49,441	-	3,764	-	24,526	1,245,133
Expenditures:						
General government	-	-	-	1,012	-	163,778
Public safety	-	27,229	-	-	-	421,902
Public works	-	-	-	-	-	236,521
Culture and recreation	-	-	-	-	-	133,572
Capital outlay	18,818	824	-	-	-	125,747
Debt service						
Principal	-	-	-	66,839	-	66,839
Interest	(298)	-	-	18,310	-	17,973
Total expenditures	18,520	28,053	-	86,161	-	1,166,332
Excess (deficit) of revenues over expenditures	30,921	(28,053)	3,764	(86,161)	24,526	78,801
Other financing sources:						
Transfers in (out)	(44,043)	26,967	-	86,161	-	51,967
Total other financing sources	(44,043)	26,967	-	86,161	-	51,967
Net change in fund balances	(13,122)	(1,086)	3,764	-	24,526	130,768
Fund balance - beginning of year	245,428	1,086	344,170	-	-	1,414,029
Fund balance - end of year	\$ 232,306	\$ -	\$ 347,934	\$ -	\$ 24,526	\$ 1,544,797

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, 2015

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Fines and forfeitures	\$ 17,000	\$ 22,000	\$ 24,377	\$ 2,377
Interest income	<u>-</u>	<u>-</u>	<u>8</u>	<u>8</u>
Total revenues	17,000	22,000	24,385	2,385
EXPENDITURES:				
Current				
Public safety	<u>28,000</u>	<u>22,000</u>	<u>12,375</u>	<u>9,625</u>
Total expenditures	<u>28,000</u>	<u>22,000</u>	<u>12,375</u>	<u>9,625</u>
Excess (deficiency) of revenues over expenditures	(11,000)	-	12,010	12,010
OTHER FINANCING SOURCES				
Transfers in	<u>11,000</u>	<u>5,000</u>	<u>-</u>	<u>(5,000)</u>
Total other financing sources	<u>11,000</u>	<u>5,000</u>	<u>-</u>	<u>(5,000)</u>
Net changes in fund balance	-	5,000	12,010	7,010
Fund balance - beginning of the year	<u>7,837</u>	<u>7,837</u>	<u>7,837</u>	<u>-</u>
Fund balance - end of the year	<u>\$ 7,837</u>	<u>\$ 12,837</u>	<u>\$ 19,847</u>	<u>\$ 7,010</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			<u>\$ 12,010</u>	
Net change in fund balance GAAP basis			<u>\$ 12,010</u>	

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

STATE OF NEW MEXICO
CITY OF PORTALES
EMERGENCY MEDICAL SERVICES SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Other grants and contributions	\$ 44,100	\$ 44,100	\$ 44,100	\$ -
State grants	<u>19,015</u>	<u>19,499</u>	<u>19,499</u>	<u>-</u>
Total revenues	63,115	63,599	63,599	-
EXPENDITURES:				
Current				
Capital outlay	63,115	63,599	59,000	4,599
Miscellaneous	<u>-</u>	<u>-</u>	<u>4,598</u>	<u>(4,598)</u>
Total expenditures	<u>63,115</u>	<u>63,599</u>	<u>63,598</u>	<u>1</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>1</u>	<u>1</u>
Net changes in fund balance	-	-	1	1
Fund balance - beginning of the year	<u>42</u>	<u>42</u>	<u>42</u>	<u>-</u>
Fund balance - end of the year	<u>\$ 42</u>	<u>\$ 42</u>	<u>\$ 43</u>	<u>\$ 1</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			<u>\$ 1</u>	
Net change in fund balance GAAP basis			<u>\$ 1</u>	

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

STATE OF NEW MEXICO
CITY OF PORTALES
ENHANCED 911 SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Network & Data Base Grant	\$ 324,636	\$ 324,636	\$ 110,796	\$ (213,840)
Miscellaneous revenue	<u>10,000</u>	<u>10,000</u>	<u>-</u>	<u>(10,000)</u>
Total revenues	334,636	334,636	110,796	(223,840)
EXPENDITURES:				
Current				
Public safety	<u>334,636</u>	<u>334,636</u>	<u>108,465</u>	<u>226,171</u>
Total expenditures	<u>334,636</u>	<u>334,636</u>	<u>108,465</u>	<u>226,171</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>2,331</u>	<u>2,331</u>
Net changes in fund balance	-	-	2,331	2,331
Fund balance - beginning of year	<u>4,286</u>	<u>4,286</u>	<u>4,286</u>	<u>-</u>
Fund balance - end of the year	<u>\$ 4,286</u>	<u>\$ 4,286</u>	<u>\$ 6,617</u>	<u>\$ 2,331</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			<u>\$ 2,331</u>	
Net change in fund balance GAAP basis			<u>\$ 2,331</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, 2015

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	\$ 194,691	\$ 194,691	\$ 194,691	\$ -
Miscellaneous	<u>-</u>	<u>-</u>	<u>83</u>	<u>83</u>
Total revenues	194,691	194,691	194,774	83
EXPENDITURES:				
Current				
Public safety	152,573	248,473	68,954	179,519
Debt service				
Interest	<u>-</u>	<u>-</u>	<u>(39)</u>	<u>39</u>
Total expenditures	<u>152,573</u>	<u>248,473</u>	<u>68,915</u>	<u>179,558</u>
Excess (deficiency) of revenues over expenditures	42,118	(53,782)	125,859	179,641
OTHER FINANCING SOURCES				
Transfers out	<u>(42,118)</u>	<u>(42,118)</u>	<u>(42,118)</u>	<u>-</u>
Total other financing sources	<u>(42,118)</u>	<u>(42,118)</u>	<u>(42,118)</u>	<u>-</u>
Net changes in fund balance	-	(95,900)	83,741	179,641
Fund balance - beginning of the year	<u>202,807</u>	<u>202,807</u>	<u>202,807</u>	<u>-</u>
Fund balance - end of the year	<u>\$ 202,807</u>	<u>\$ 106,907</u>	<u>\$ 286,548</u>	<u>\$ 179,641</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			<u>\$ 83,741</u>	
Net change in fund balance GAAP basis			<u>\$ 83,741</u>	

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

STATE OF NEW MEXICO
CITY OF PORTALES
BEAUTIFICATION/LITTER CONTROL SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:				
Intergovernmental	\$ 6,000	\$ 6,000	\$ 5,425	\$ (575)
Total revenues	6,000	6,000	5,425	(575)
EXPENDITURES:				
Current				
General government	<u>6,000</u>	<u>6,000</u>	<u>5,620</u>	<u>380</u>
Total expenditures	<u>6,000</u>	<u>6,000</u>	<u>5,620</u>	<u>380</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>(195)</u>	<u>(195)</u>
Net changes in fund balance	-	-	(195)	(195)
Fund balance - beginning of the year	<u>6,245</u>	<u>6,245</u>	<u>6,245</u>	<u>-</u>
Fund balance - end of the year	<u>\$ 6,245</u>	<u>\$ 6,245</u>	<u>\$ 6,050</u>	<u>\$ (195)</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			<u>\$ (195)</u>	
Net change in fund balance GAAP basis			<u>\$ (195)</u>	

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

STATE OF NEW MEXICO
CITY OF PORTALES
LAW ENFORCEMENT PROTECTION LAW SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	\$ 32,600	\$ 32,600	\$ 32,600	\$ -
Federal grants	<u>-</u>	<u>92</u>	<u>91</u>	<u>(1)</u>
Total revenues	32,600	32,692	32,691	(1)
EXPENDITURES:				
Current				
Public safety	5,000	10,585	10,584	1
Capital outlay	<u>27,600</u>	<u>22,107</u>	<u>22,107</u>	<u>-</u>
Total expenditures	<u>32,600</u>	<u>32,692</u>	<u>32,691</u>	<u>1</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net changes in fund balance	-	-	-	-
Fund balance - beginning of the year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - end of the year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			<u>\$ -</u>	
Net change in fund balance GAAP basis			<u>\$ -</u>	

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

STATE OF NEW MEXICO
CITY OF PORTALES
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, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:				
Other grants and contributions	\$ 25,473	\$ 26,403	\$ 36,309	\$ 9,906
Total revenues	25,473	26,403	36,309	9,906
EXPENDITURES:				
Culture and recreation	50,473	51,403	49,396	2,007
Total expenditures	50,473	51,403	49,396	2,007
Excess (deficiency) of revenues over expenditures	(25,000)	(25,000)	(13,087)	11,913
OTHER FINANCING SOURCES (USES)				
Transfers in	25,000	25,000	25,000	-
Total other financing sources (uses)	25,000	25,000	25,000	-
Net changes in fund balance	-	-	11,913	11,913
Fund balance - beginning of the year	(6,742)	(6,742)	(6,742)	-
Fund balance - end of the year	<u>\$ (6,742)</u>	<u>\$ (6,742)</u>	<u>\$ 5,171</u>	<u>\$ 11,913</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			<u>\$ 11,913</u>	
Net change in fund balance GAAP basis			<u>\$ 11,913</u>	

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

STATE OF NEW MEXICO
CITY OF PORTALES
LODGERS TAX SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:				
State shared taxes	\$ 108,000	\$ 108,000	\$ 131,917	\$ 23,917
Miscellaneous revenue	<u>20</u>	<u>20</u>	<u>16</u>	<u>(4)</u>
Total revenues	108,020	108,020	131,933	23,913
EXPENDITURES:				
General government	<u>183,296</u>	<u>183,296</u>	<u>157,146</u>	<u>26,150</u>
Total expenditures	<u>183,296</u>	<u>183,296</u>	<u>157,146</u>	<u>26,150</u>
Excess (deficiency) of revenues over expenditures	<u>(75,276)</u>	<u>(75,276)</u>	<u>(25,213)</u>	<u>50,063</u>
Net changes in fund balance	(75,276)	(75,276)	(25,213)	50,063
Fund balance - beginning of the year	<u>141,288</u>	<u>141,288</u>	<u>141,288</u>	<u>-</u>
Fund balance - end of the year	<u>\$ 66,012</u>	<u>\$ 66,012</u>	<u>\$ 116,075</u>	<u>\$ 50,063</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			<u>\$ (25,213)</u>	
Net change in fund balance GAAP basis			<u>\$ (25,213)</u>	

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

STATE OF NEW MEXICO
CITY OF PORTALES
RECREATION SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Fines and forfeitures	\$ 107,129	\$ 125,505	\$ 87,642	\$ (37,863)
Other grants and contributions	-	-	19,175	19,175
Interest income	-	-	71	71
Total revenues	<u>107,129</u>	<u>125,505</u>	<u>106,888</u>	<u>(18,617)</u>
EXPENDITURES:				
Current				
Culture and recreation	<u>105,558</u>	<u>123,934</u>	<u>84,176</u>	<u>39,758</u>
Total expenditures	<u>105,558</u>	<u>123,934</u>	<u>84,176</u>	<u>39,758</u>
Excess (deficiency) of revenues over expenditures	<u>1,571</u>	<u>1,571</u>	<u>22,712</u>	<u>21,141</u>
Net changes in fund balance	1,571	1,571	22,712	21,141
Fund balance - beginning of the year	<u>140,434</u>	<u>140,434</u>	<u>140,434</u>	<u>-</u>
Fund balance - end of the year	<u>\$ 142,005</u>	<u>\$ 142,005</u>	<u>\$ 163,146</u>	<u>\$ 21,141</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			<u>\$ 22,712</u>	
Net change in fund balance GAAP basis			<u>\$ 22,712</u>	

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

STATE OF NEW MEXICO
CITY OF PORTALES
LOCAL DWI PROGRAM SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Plosive (Negative)
REVENUES:				
Fines and forfeitures	\$ 12,790	\$ 14,632	\$ 12,329	\$ (2,303)
Other grants and contributions	153,209	153,209	151,407	(1,802)
Interest income	<u>-</u>	<u>-</u>	<u>29</u>	<u>29</u>
Total revenues	165,999	167,841	163,765	(4,076)
EXPENDITURES:				
Current				
Public safety	<u>180,736</u>	<u>182,578</u>	<u>173,380</u>	<u>9,198</u>
Total expenditures	<u>180,736</u>	<u>182,578</u>	<u>173,380</u>	<u>9,198</u>
Excess (deficiency) of revenues over expenditures	<u>(14,737)</u>	<u>(14,737)</u>	<u>(9,615)</u>	<u>5,122</u>
Net changes in fund balance	(14,737)	(14,737)	(9,615)	5,122
Fund balance - beginning of the year	<u>80,833</u>	<u>80,833</u>	<u>80,833</u>	<u>-</u>
Fund balance - end of the year	<u>\$ 66,096</u>	<u>\$ 66,096</u>	<u>\$ 71,218</u>	<u>\$ 5,122</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			<u>\$ (9,615)</u>	
Net change in fund balance GAAP basis			<u>\$ (9,615)</u>	

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

STATE OF NEW MEXICO
CITY OF PORTALES
LAW ENFORCEMENT SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Plosive (Negative)
REVENUES:				
Fines and forfeitures	\$ -	\$ -	\$ 25	\$ 25
Other grants and contributions	10,020	10,020	9,267	(753)
Interest income	<u>-</u>	<u>-</u>	<u>10</u>	<u>10</u>
Total revenues	10,020	10,020	9,302	(718)
EXPENDITURES:				
Current				
Public safety	<u>10,020</u>	<u>10,020</u>	<u>5,618</u>	<u>4,402</u>
Total expenditures	<u>10,020</u>	<u>10,020</u>	<u>5,618</u>	<u>4,402</u>
Excess (deficiency) of revenues over expenditures	<u>-</u>	<u>-</u>	<u>3,684</u>	<u>3,684</u>
Net changes in fund balance	-	-	3,684	3,684
Fund balance - beginning of the year, as restated	<u>13,610</u>	<u>13,610</u>	<u>13,610</u>	<u>-</u>
Fund balance - end of the year	<u>\$ 13,610</u>	<u>\$ 13,610</u>	<u>\$ 17,294</u>	<u>\$ 3,684</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			<u>\$ 3,684</u>	
Net change in fund balance GAAP basis			<u>\$ 3,684</u>	

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

STATE OF NEW MEXICO
CITY OF PORTALES
CDBG REHABILITATION LOAN REPAYMENT SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
EXPENDITURES:				
Current				
General government	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	-	-
Fund balance - beginning of the year	8,115	8,115	8,115	-
Fund balance - end of the year	\$ 8,115	\$ 8,115	\$ 8,115	\$ -
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ -	
Net change in fund balance GAAP basis			\$ -	

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, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
REVENUES:				
Other grants and contributions	\$ 499,409	\$ 499,409	\$ -	\$ (499,409)
Total revenues	499,409	499,409	-	(499,409)
EXPENDITURES:				
Current				
Public works	549,350	549,350	-	549,350
Total expenditures	549,350	549,350	-	549,350
Excess (deficiency) of revenues over expenditures	(49,941)	(49,941)	-	49,941
OTHER FINANCING SOURCES				
Transfers in	49,941	49,941	-	(49,941)
Total other financing sources	49,941	49,941	-	(49,941)
Fund balance - beginning of the year	1,301	1,301	1,301	-
Fund balance - end of the year	<u>\$ 1,301</u>	<u>\$ 1,301</u>	<u>\$ 1,301</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
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, 2015

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Fines and forfeitures	\$ 9,000	\$ 10,765	\$ 10,927	\$ 162
Total revenues	9,000	10,765	10,927	162
EXPENDITURES:				
Current				
Public safety	9,000	10,765	10,699	66
Total expenditures	9,000	10,765	10,699	66
Excess (deficiency) of revenues over expenditures	-	-	228	228
Net changes in fund balance	-	-	228	228
Fund balance - beginning of the year	5,410	5,410	5,410	-
Fund balance - end of the year	<u>\$ 5,410</u>	<u>\$ 5,410</u>	<u>\$ 5,638</u>	<u>\$ 228</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			<u>\$ 228</u>	
Net change in fund balance GAAP basis			<u>\$ 228</u>	

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

STATE OF NEW MEXICO
CITY OF PORTALES
MAINSTREET SPECIAL REVENUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
EXPENDITURES:				
Current				
General government	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	-	-
Fund balance - beginning of the year	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, 2015

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	\$ 69,000	\$ 132,226	\$ 72,094	\$ (60,132)
State shared taxes	189,000	198,297	204,514	6,217
Miscellaneous revenue	<u>-</u>	<u>2,677</u>	<u>-</u>	<u>(2,677)</u>
Total revenues	258,000	333,200	276,608	(56,592)
EXPENDITURES:				
Current				
Public works	388,000	402,090	236,521	165,569
Capital outlay	<u>-</u>	<u>-</u>	<u>24,998</u>	<u>(24,998)</u>
Total expenditures	<u>388,000</u>	<u>402,090</u>	<u>261,519</u>	<u>140,571</u>
Excess (deficiency) of revenues over expenditures	<u>(130,000)</u>	<u>(68,890)</u>	<u>15,089</u>	<u>83,979</u>
Net changes in fund balance	(130,000)	(68,890)	15,089	83,979
Fund balance - beginning of the year	<u>217,720</u>	<u>217,720</u>	<u>217,720</u>	<u>-</u>
Fund balance - end of the year	<u>\$ 87,720</u>	<u>\$ 148,830</u>	<u>\$ 232,809</u>	<u>\$ 83,979</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			<u>\$ 15,089</u>	
Net change in fund balance GAAP basis			<u>\$ 15,089</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, 2015

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
State shared taxes	\$ 49,020	\$ 49,020	\$ 49,020	\$ -
Interest income	<u>300</u>	<u>300</u>	<u>421</u>	<u>121</u>
Total revenues	49,320	49,320	49,441	121
EXPENDITURES:				
Current				
Capital outlay	125,000	125,000	18,818	106,182
Debt service				
Interest	<u>-</u>	<u>-</u>	<u>(298)</u>	<u>298</u>
Total expenditures	<u>125,000</u>	<u>125,000</u>	<u>18,520</u>	<u>106,480</u>
Excess (deficiency) of revenues over expenditures	(75,680)	(75,680)	30,921	106,601
OTHER FINANCING SOURCES (USES)				
Transfers in	25,000	25,000	-	(25,000)
Transfers out	<u>(44,044)</u>	<u>(44,044)</u>	<u>(44,043)</u>	<u>1</u>
Total other financing sources (uses)	<u>(19,044)</u>	<u>(19,044)</u>	<u>(44,043)</u>	<u>(24,999)</u>
Net changes in fund balance	(94,724)	(94,724)	(13,122)	81,602
Fund balance - beginning of the year	<u>245,428</u>	<u>245,428</u>	<u>245,428</u>	<u>-</u>
Fund balance - end of the year	<u>\$ 150,704</u>	<u>\$ 150,704</u>	<u>\$ 232,306</u>	<u>\$ 81,602</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			<u>\$ (13,122)</u>	
Net change in fund balance GAAP basis			<u>\$ (13,122)</u>	

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

STATE OF NEW MEXICO
CITY OF PORTALES
CAPITAL REPAIR AND REPLACEMENT CAPITAL PROJECTS FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
EXPENDITURES:				
Current				
Public safety	28,500	28,500	27,229	1,271
Capital outlay	<u>152,213</u>	<u>152,213</u>	<u>824</u>	<u>151,389</u>
Total expenditures	<u>180,713</u>	<u>180,713</u>	<u>28,053</u>	<u>152,660</u>
Excess (deficiency) of revenues over expenditures	<u>(180,713)</u>	<u>(180,713)</u>	<u>(28,053)</u>	<u>152,660</u>
OTHER FINANCING SOURCES				
Transfers in	<u>180,713</u>	<u>180,713</u>	<u>26,967</u>	<u>(153,746)</u>
Total other financing sources	<u>180,713</u>	<u>180,713</u>	<u>26,967</u>	<u>(153,746)</u>
Net changes in fund balance	-	-	(1,086)	(1,086)
Fund balance - beginning of the year	<u>1,086</u>	<u>1,086</u>	<u>1,086</u>	<u>-</u>
Fund balance - end of the year	<u>\$ 1,086</u>	<u>\$ 1,086</u>	<u>\$ -</u>	<u>\$ (1,086)</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			<u>\$ (1,086)</u>	
Net change in fund balance GAAP basis			<u>\$ (1,086)</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, 2015

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Interest income (loss)	\$ 66,180	\$ 66,180	\$ 3,764	\$ (62,416)
Total revenues	66,180	66,180	3,764	(62,416)
EXPENDITURES:				
General government	5,700	5,700	-	5,700
Total expenditures	5,700	5,700	-	5,700
Excess (deficiency) of revenues over expenditures	60,480	60,480	3,764	(56,716)
Net changes in fund balance	60,480	60,480	3,764	(56,716)
Fund balance - beginning of the year	344,170	344,170	344,170	-
Fund balance - end of the year	<u>\$ 404,650</u>	<u>\$ 404,650</u>	<u>\$ 347,934</u>	<u>\$ (56,716)</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			<u>\$ 3,764</u>	
Net change in fund balance GAAP basis			<u>\$ 3,764</u>	

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

STATE OF NEW MEXICO
CITY OF PORTALES
ENERGY CONSERVATION LEASE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Local taxes	\$ -	\$ -	\$ -	\$ -
Total revenues	-	-	-	-
EXPENDITURES:				
General government	1,012	1,012	1,012	-
Principal	66,839	66,839	66,839	-
Interest	18,311	18,311	18,310	1
Total expenditures	86,162	86,162	86,161	1
Excess (deficiency) of revenues over expenditures	(86,162)	(86,162)	(86,161)	1
Transfers in	86,162	86,162	86,161	(1)
Total other financing sources	86,162	86,162	86,161	(1)
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
WASTE WATER TREATMENT PLANT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2015

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Fines and forfeitures	\$ -	\$ -	\$ 24,526	\$ 24,526
Total revenues	-	-	24,526	24,526
EXPENDITURES:				
Current				
General government	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	24,526	24,526
Net changes in fund balance	-	-	24,526	24,526
Fund balance - beginning of the year	-	-	-	-
Fund balance - end of the year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 24,526</u>	<u>\$ 24,526</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			<u>\$ 24,526</u>	
Net change in fund balance GAAP basis			<u>\$ 24,526</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, 2015

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
OPERATING REVENUES:				
Charges for services	\$ 5,796,500	\$ 5,796,500	\$ 4,433,888	\$ (1,362,612)
Tapping and reconnect fees	-	-	95,340	95,340
Rentals	-	-	20,293	20,293
Late fees	-	-	95,218	95,218
Miscellaneous income	-	-	2,798	2,798
Total revenues	5,796,500	5,796,500	4,647,537	(1,148,963)
OPERATING EXPENSES:				
Salaries and wages	659,426	659,426	612,830	46,596
Employee benefits	262,923	263,923	246,986	16,937
Maintenance	1,115,000	720,684	708,897	11,787
Contracted and purchased services	1,540,450	846,489	175,121	671,368
Supplies	59,000	59,000	44,994	14,006
Operating costs	10,049,742	18,849,470	949,601	17,899,869
Total operating expenses	13,686,541	21,398,992	2,738,429	18,660,563
Operating income (loss)	(7,890,041)	(15,602,492)	1,909,108	17,511,600
NON-OPERATING REVENUE (EXPENSES):				
Investment income (expense)	242,500	242,500	58,476	(184,024)
Water conservation fees	-	-	312,864	312,864
Grant proceeds	10,499,799	18,112,279	486,598	(17,625,681)
Interest expense	-	-	(47,701)	(47,701)
Total non-operating revenues (expenses)	10,742,299	18,354,779	810,237	(17,544,542)
Net loss before transfers	2,852,258	2,752,287	2,719,345	(32,942)
Transfers:				
Transfers in	711,000	711,000	427,646	(283,354)
Transfers out	(2,788,637)	(2,688,666)	(927,646)	1,761,020
Total operating transfers	(2,077,637)	(1,977,666)	(500,000)	1,477,666
Total net income (loss)	774,621	774,621	2,219,345	1,444,724

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 (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
Fund balance - beginning of the year, as previously stated	15,919,618	15,919,618	15,919,618	-
Implementation of GASB 68	<u>-</u>	<u>-</u>	<u>(770,787)</u>	<u>(770,787)</u>
Fund balance - beginning of year, as restated	<u>15,919,618</u>	<u>15,919,618</u>	<u>15,148,831</u>	<u>(770,787)</u>
Fund balance - end of the year	<u>\$ 16,694,239</u>	<u>\$ 16,694,239</u>	<u>\$ 17,368,176</u>	<u>\$ 673,937</u>
Reconciliation of net income for budgetary basis to statement of activities for proprietary funds:				
Net income after transfers - budgetary basis			\$ 2,219,345	
Depreciation is reported in the proprietary funds statement of activities but is not a budget expenditure item			<u>(479,471)</u>	
Net income after transfers-financial statement basis			<u>\$ 1,739,874</u>	

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, 2015

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
OPERATING REVENUES:				
Charges for services	\$ 1,300,000	\$ 1,250,000	\$ 1,246,792	\$ (3,208)
Miscellaneous income	-	-	(45,035)	(45,035)
Total revenues	1,300,000	1,250,000	1,201,757	(48,243)
OPERATING EXPENSES:				
Salaries and wages	196,215	224,315	226,077	(1,762)
Employee benefits	87,098	78,417	75,187	3,230
Maintenance	88,000	90,537	90,221	316
Contracted and purchased services	599,200	523,441	400,354	123,087
Supplies	123,500	123,500	88,136	35,364
Operating costs	58,950	62,753	56,753	6,000
Total operating expenses	1,152,963	1,102,963	936,728	166,235
Operating income (loss)	147,037	147,037	265,029	117,992
NON-OPERATING REVENUE (EXPENSES):				
Investment income	48,000	48,000	61,694	13,694
Environmental gross receipts tax	119,756	119,756	142,073	22,317
Total non-operating revenues (expenses)	167,756	167,756	203,767	36,011
Net income before transfers	314,793	314,793	468,796	154,003
Transfers:				
Transfers out	(275,000)	(275,000)	(275,000)	-
Total operating transfers	(275,000)	(275,000)	(275,000)	-
Total net income (loss)	39,793	39,793	193,796	154,003

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 (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
Fund balance - beginning of the year, as previously stated	1,342,913	1,342,913	1,342,913	-
Implementation of GASB 68	<u>-</u>	<u>-</u>	<u>(295,624)</u>	<u>(295,624)</u>
Fund balance - beginning of the year, as restated	<u>1,342,913</u>	<u>1,342,913</u>	<u>1,047,289</u>	<u>(295,624)</u>
Fund balance - end of the year	<u>\$ 1,382,706</u>	<u>\$ 1,382,706</u>	<u>\$ 1,241,085</u>	<u>\$ (141,621)</u>
Reconciliation of net income for budgetary basis to statement of activities for proprietary funds:				
Net income after transfers - budgetary basis			\$ 193,796	
Depreciation is reported in the proprietary funds statement of activities but is not a budget expenditure item			<u>(134,288)</u>	
Net income after transfers-financial statement basis			<u>\$ 59,508</u>	

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, 2015

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
OPERATING REVENUES:				
Fuel sales	\$ -	\$ -	\$ 111,621	\$ 111,621
Rentals	49,000	49,000	48,899	(101)
Miscellaneous income	<u>152,000</u>	<u>152,000</u>	<u>1,892</u>	<u>(150,108)</u>
Total revenues	201,000	201,000	162,412	(38,588)
OPERATING EXPENSES:				
Salaries and wages	34,825	34,864	35,948	(1,084)
Employee benefits	7,698	7,703	6,963	740
Maintenance	15,750	142,300	131,926	10,374
Contracted and purchased services	127,200	126,650	96,364	30,286
Supplies	15,987	15,987	9,039	6,948
Operating costs	155,050	155,006	217,209	(62,203)
Capital outlay	<u>490,500</u>	<u>364,500</u>	<u>-</u>	<u>364,500</u>
Total operating expenses	<u>847,010</u>	<u>847,010</u>	<u>497,449</u>	<u>349,561</u>
Operating income (loss)	(646,010)	(646,010)	(335,037)	310,973
NON-OPERATING REVENUE (EXPENSES):				
Grant proceeds	<u>615,300</u>	<u>615,300</u>	<u>250,822</u>	<u>(364,478)</u>
Total non-operating revenues (expenses)	<u>615,300</u>	<u>615,300</u>	<u>250,822</u>	<u>(364,478)</u>
Net income (loss) before transfers	(30,710)	(30,710)	(84,215)	(53,505)
Transfers:				
Transfers in	<u>30,710</u>	<u>30,710</u>	<u>30,710</u>	<u>-</u>
Total operating transfers	<u>30,710</u>	<u>30,710</u>	<u>30,710</u>	<u>-</u>
Total net income (loss)	-	-	(53,505)	(53,505)

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 (CONTINUED)
FOR THE YEAR ENDED JUNE 30, 2015

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
Fund balance - beginning of the year, as previously stated	2,485,544	2,485,544	2,485,544	-
Implementation of GASB 68	<u>-</u>	<u>-</u>	<u>(46,262)</u>	<u>(46,262)</u>
Fund balance - beginning of the year, as restated	<u>2,485,544</u>	<u>2,485,544</u>	<u>2,439,282</u>	<u>(46,262)</u>
Fund balance - end of the year	<u>\$ 2,485,544</u>	<u>\$ 2,485,544</u>	<u>\$ 2,385,777</u>	<u>\$ (99,767)</u>
Reconciliation of net income for budgetary basis to statement of activities for proprietary funds:				
Net income after transfers - budgetary basis			\$ (53,505)	
Depreciation is reported in the proprietary funds statement of activities but is not a budget expenditure item			<u>(327,790)</u>	
Net income after transfers-financial statement basis			<u>\$ (381,295)</u>	

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, 2015

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
OPERATING REVENUES:				
Charges for services	\$ 8,200	\$ 8,200	\$ 8,965	\$ 765
Miscellaneous income	<u>400</u>	<u>400</u>	<u>675</u>	<u>275</u>
Total revenues	8,600	8,600	9,640	1,040
OPERATING EXPENSES:				
Operating costs	<u>8,600</u>	<u>8,600</u>	<u>7,086</u>	<u>1,514</u>
Total operating expenses	<u>8,600</u>	<u>8,600</u>	<u>7,086</u>	<u>1,514</u>
Operating income (loss)	<u>-</u>	<u>-</u>	<u>2,554</u>	<u>2,554</u>
Total net income (loss)	-	-	2,554	2,554
Fund balance - beginning of the year	<u>15,084</u>	<u>15,084</u>	<u>15,084</u>	<u>-</u>
Fund balance - end of the year	<u>\$ 15,084</u>	<u>\$ 15,084</u>	<u>\$ 17,638</u>	<u>\$ 2,554</u>
Reconciliation of net income for budgetary basis to statement of activities for proprietary funds:				
Net income after transfers - budgetary basis			<u>\$ 2,554</u>	
Net income after transfers-financial statement basis			<u>\$ 2,554</u>	

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

OTHER SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
CITY OF PORTALES
SCHEDULE OF VENDOR INFORMATION FOR PURCHASES EXCEEDING \$60,000 (EXCLUDING GRT)
FOR THE YEAR ENDED JUNE 30, 2015

Prepared by: CARLA WEEMS, CHIEF PROCUREMENT OFFICER Date: SEPTEMBER 14, 2015

RFB#/RFP#	Type of Procurement	Awarded Vendor	\$ Amount of Awarded Contract	\$ Amount of Amended Contract	Name and Physical Address per the Procurement Documentation of ALL Vendor(s) that Responded	In-State/Out-of-State Vendor (Y or N) (Based on Statutory Definition)	Was the Vendor In-State and Chose Veteran's Preference (Y or N) For Federal Funds Answer N/A	Brief Description of the Scope of Work
#2015-02-02	Request for Proposals	Daniel B Stephens & Associates, Inc.	\$73,804		Daniel B. Stephens & Associates, Inc., 6020 Academy NE, Suite 100, Albuquerque, NM 87109	Y	N/A	Well Design and Specifications: Professional Engineering Services-wellfield standardized well planning, design, & specifications located at Highway 202 & Blackwater Road
CWSRF-023	Request For Bids	TLC Plumbing & Utility	\$6,440,239	\$5,976,894	TLC Plumbing & Utility, 500 Edith Blvd. NE., Albuquerque, NM 87107	Y	N/A	Construct approximately 11 miles of re-use waterline ranging from 4" to 16" diameter within residential and collector streets including removal and replacement of asphalt concrete pavement with bored crossings and construction of a water impoundment
					J & H Services Inc., 516 Martinez Ln NE, Albuquerque, NM 87107		N/A	
					AUI, Inc., PO Box 9825, Albuquerque, NM 87119-9825		N/A	
Airport Improvement A.I.P. Project #3-35-0061-018-2014, NMDOT-AvDiv PRZ-14-02	Request For Bids	Bixby Electric Inc.	\$132,750		THECO, PO Box 2290, Corrales, NM 87048		N/A	Airfield Lighting Circuit Improvements-Electric Conduit

STATE OF NEW MEXICO
CITY OF PORTALES
SCHEDULE OF VENDOR INFORMATION FOR PURCHASES EXCEEDING \$60,000 (EXCLUDING GRT)
(CONTINUED)

FOR THE YEAR ENDED JUNE 30, 2015

Prepared by: CARLA WEEMS, CHIEF PROCUREMENT OFFICER Date: SEPTEMBER 14, 2015

"RFB#/RFP#"	Type of Procurement	Awarded Vendor	\$ Amount of Awarded Contract	\$ Amount of Amended Contract	Name and Physical Address per the Procurement Documentation of ALL Vendor(s) that Responded	In-State/ Out-of-State Vendor (Y or N) (Based on Statutory Definition)	Was the vendor in-state and chose Veteran's preference (Y or N) For federal funds answer N/A	Brief Description of the Scope of Work
					VIS-COM Inc., 101 Menaul NE, Albuquerque, NM 87107	Y	N/A	
					Combs Electric & Mechanical, 1704 S.R.R.R. 3, Portales, NM 88130		N/A	
					Bixby Electric, Inc., 521 Wheller AV. SE, Albuquerque, NM 87102	Y	N/A	

STATE OF NEW MEXICO
CITY OF PORTALES
SCHEDULE OF DEPOSITORIES AND TEMPORARY INVESTMENTS
BY DEPOSITORY FOR PUBLIC FUNDS
JUNE 30, 2015

	Account Type	Fund Type	Amount Per Bank	Net Reconciling Items	Balance Per Books
US Bank					
General Fund	Checking	Governmental	\$ 6,059,981	\$ (616,611)	\$ 5,443,370
CDBG Capital Project	Checking	Governmental	1,301	-	1,301
Total Checking			<u>6,061,282</u>	<u>(616,611)</u>	<u>5,444,671</u>
Savings	Savings	Governmental	-	-	-
Sales Tax 402	Interest bearing	Governmental	64,057	-	64,057
Water & Sewer Imp.	Interest bearing	Business-type	416,031	-	416,031
Total interest bearing			<u>480,088</u>	<u>-</u>	<u>480,088</u>
Total US Bank deposits			<u>\$ 6,541,370</u>	<u>\$ (616,611)</u>	<u>\$ 5,924,759</u>
New Mexico State Treasurer - Local Government Investment Pool					
General Fund	Savings	Governmental	\$ 648,291	\$ -	\$ 648,291
Risk Management Reserve	Savings	Governmental	89,763	-	89,763
Water/Wastewater	Savings	Business-type	480,733	-	480,733
Water Meter Reserve	Savings	Business-type	119,685	-	119,685
Water Improvement Reserve	Savings	Business-type	324,146	-	324,146
Solid Waste	Savings	Business-type	199,474	-	199,474
Total LGIP deposits			<u>\$ 1,862,092</u>	<u>\$ -</u>	<u>\$ 1,862,092</u>
New Mexico Finance Authority Held at New York Mellon Trust Company, N.A.					
Rec Center Financing	Savings	Governmental	\$ 44,872	\$ -	\$ 44,872
Program funds	Savings	Governmental	108,583	-	108,583
Water & Wastewater	Savings	Business-type	-	-	-
Total NMFA - Mellon deposits			<u>153,455</u>	<u>-</u>	<u>153,455</u>
New Mexico Finance Authority					
Rec Center Financing	Savings	Governmental	83,766	-	83,766
Total NMFA deposits			<u>\$ 237,221</u>	<u>\$ -</u>	<u>\$ 237,221</u>
New Mexico Environment Department					
Rec Center Financing	Savings	Business-type	\$ 2,451,195	\$ -	\$ 2,451,195
Total NMED deposits			<u>\$ 2,451,195</u>	<u>\$ -</u>	<u>\$ 2,451,195</u>
First American Financial Advisors, Inc.					
98 Water/Sewer Reserve	Savings	Business-type	\$ 201,043	\$ -	\$ 201,043
Solid Waste	Savings	Business-type	502,346	-	502,346
Water/Sewer	Savings	Business-type	1,509,156	-	1,509,156
Water Conservation Reserve	Savings	Business-type	1,078,482	-	1,078,482
Economic development	Savings	Governmental	501,760	-	501,760
Reserve	Savings	Governmental	503,048	-	503,048
97 Sales Tax Reserve	Savings	Governmental	283,876	-	283,876
Total FAFA deposits			<u>\$ 4,579,711</u>	<u>\$ -</u>	<u>\$ 4,579,711</u>

STATE OF NEW MEXICO
CITY OF PORTALES
SCHEDULE OF DEPOSITORIES AND TEMPORARY INVESTMENTS
BY DEPOSITORY FOR PUBLIC FUNDS
JUNE 30, 2015

Reconciliation of Public Funds to Government-Wide Balance Sheet:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Cash and cash equivalents - Unrestricted	\$ 3,505,423	\$ 1,558,732	\$ 5,064,155
Cash and cash equivalents - Restricted	237,231	6,894,727	7,131,958
Investments - Unrestricted	1,241,102	1,182,553	2,423,655
Investments - Restricted	<u>-</u>	<u>443,830</u>	<u>443,830</u>
	<u>\$ 4,983,756</u>	<u>\$ 10,079,842</u>	<u>\$ 15,063,598</u>
 Cash Source:			
US Bank			\$ 5,924,759
NM State Treasurer			1,862,092
NMFA - Mellon			153,455
NMFA			83,766
NMED			2,451,195
First American Financial Advisors			4,579,711
Petty cash			<u>8,620</u>
			<u>\$ 15,063,598</u>

STATE OF NEW MEXICO
CITY OF PORTALES
JOINT POWERS AGREEMENTS
JUNE 30, 2015

<u>Other Principal</u>	<u>Agreement Description</u>	<u>Effective Date</u>	<u>Ending Date</u>	<u>Project Cost</u>	<u>Fiscal Year Contribution</u>	<u>Party Responsible for Operations/Revenues and Expenditure Reporting/Audit Responsibility (if Any)</u>
Region V Drug Task Force	Regional Drug Enforcement	October 10, 2005	Perpetual	Not Specified	Unknown	Region V Drug Task Force
Portales Municipal Schools	School Resource Office Program	May 28, 1999	Perpetual	Not Specified	Unknown	City of Portales
Portales Municipal Schools	District Facilities and Ball Fields Usage	June 9, 2014	June 30, 2015	Not Specified	2014	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 University & Portales/Roosevelt County Office of Civil Emergency Preparedness	Mutual Aid & Protection for Roosevelt City Residents	September 9, 1987	Perpetual	Not Specified	Unknown	City of Portales, ENMU, Roosevelt County
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; Municipalities of Causey, Dora, Floyd & Elida; and Fire Departments of Arch & Milnesand	Fire Prevention and Emergency Health Services	January 1, 2006	Perpetual	Not Specified	Unknown	City of Portales
NM Construction Industries Division	Concurrent Jurisdiction Over Construction Activities Within the City of Portales	January 14, 1982	Perpetual	Not Specified	Unknown	City of Portales
Secretary of the Air Force (CAFB)	Fire Protection and Hazardous Materials Incident Response	July 7, 1992 May 1, 1998 June 1, 2009	Ongoing	Not Specified	Unknown	City of Portales

STATE OF NEW MEXICO
CITY OF PORTALES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2015

Federal Grantor Pass Through Grantor Program Title	CFDA	Program or Grant Number	Award Amount	Expenditures
<i><u>United States Environmental Protection Agency</u></i>				
Passed Through the State of New Mexico New Mexico Environment Department	66.458	CWSRF 023	\$ 420,000	\$ 420,000
New Mexico Environment Department - Loan	66.458	CWSRF 023	26,580,000	17,110,437
<i><u>United States Department of Housing and Urban Development</u></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><u>United States Department of Transportation</u></i>				
Airport Improvement Program	20.106	3-35-0061-018-2014	171,251	137,491
Formula Grants for Rural Areas	20.509	M01270 and M01362	324,623	91,521
<i><u>United States Department of Homeland Security Office of Domestic Preparedness</u></i>				
Passed Through the New Mexico Department of Homeland and Emergency Management: Emergency Management Performance Grants	97.042	EMW-2014-EP-00047-S01	22,131	4,931
Homeland Security Grant Program	97.067	EMW-2013-SS-000152-S01	<u>5,000</u>	<u>-</u>
Total Expenditures of Federal Awards			<u>\$ 28,022,414</u>	<u>\$ 17,764,380</u>

STATE OF NEW MEXICO
CITY OF PORTALES
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
JUNE 30, 2015

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.

COMPLIANCE SECTION



Beasley, Mitchell & Co.

Certified Public Accountants

Donald A. Beasley, CPA, Partner
Christine Wright, CPA, Partner
Beth Fant, EA, Partner
Brad Beasley, CPA, Partner

**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*
INDEPENDENT AUDITORS' REPORT**

Timothy Keller
New Mexico State Auditor
The Council Members
City of Portales, New Mexico
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, New Mexico as of and for the year ended June 30, 2015 and the related notes to the financial statements, which collectively comprise the City of Portales, New Mexico's basic financial statements and the combining and individual funds and related budgetary comparisons the City of Portales, New Mexico presented as supplemental information, and have issued our report thereon dated November 10, 2015.

Internal Control Over Financial Reporting

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

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City of Portales, New Mexico'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 an instance of noncompliance, or other matter, that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2015-002.

City of Portales, New Mexico's Response to Findings

City of Portales, New Mexico's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. City of Portales, New Mexico's 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.


Beasley, Mitchell & Co., LLP
Las Cruces, New Mexico
November 10, 2015



Beasley, Mitchell & Co.

Certified Public Accountants

Donald A. Beasley, CPA, Partner
Christine Wright, CPA, Partner
Beth Fant, EA, Partner
Brad Beasley, CPA, Partner

REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133 INDEPENDENT AUDITORS' REPORT

Timothy Keller
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 the 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 the City of Portales, New Mexico's major federal programs for the year ended June 30, 2015. 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

Management is responsible for compliance with the requirements of laws, regulations, contracts, and grants applicable to its federal programs.

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for each of the City of Portales' major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the 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 the City of Portales, New Mexico's compliance.

Basis for Qualified Opinion on CFDA 66.458 Capitalization Grants for Clean Water State Revolving Funds

As described in the accompanying schedule of findings and questioned costs, the City of Portales, New Mexico did not comply with requirements regarding CFDA 66.458 Capitalization Grants for Clean Water State Revolving Funds as described in finding number 2015-001 for Reporting. Compliance with such requirements is necessary, in our opinion, for the City of Portales, New Mexico to comply with the requirements applicable to that program.

Qualified Opinion on CFDA 66.458 Capitalization Grants for Clean Water State Revolving Funds

In our opinion, except for the noncompliance described in the Basis for Qualified Opinion paragraph, the City of Portales, New Mexico complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on for the year ended June 30, 2015.

Unmodified Opinion on Each of the Other Major Federal Programs

In our opinion, the City of Portales, New Mexico complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its other major federal programs identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs for the year ended June 30, 2015.

Other Matters

The results of our auditing procedures disclosed an instance of noncompliance, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2015-002. Our opinion on each major federal program is not modified with respect to this matter.

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. 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 the 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 the 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 the City of Portales, New Mexico's internal control over compliance.

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 and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as discussed below, we identified certain deficiencies in internal control over compliance that we consider to be material weaknesses and significant deficiencies.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected on a timely basis. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2015-001 to be a material weaknesses.

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.

City of Portales, New Mexico's response to the internal control over compliance findings identified in our audit is described in the accompanying schedule of findings and questioned costs. 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.

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.

Beasley Mitchell & Co LLP
Beasley, Mitchell & Co., LLP
Las Cruces, New Mexico
November 10, 2015

STATE OF NEW MEXICO
CITY OF PORTALES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2015

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: Qualified

- 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:

<u>CFDA Number</u>	<u>Name of Federal Program or Cluster</u>
66.458	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, 2015

Section II - Financial Statement Findings

PRIOR YEAR FINDINGS

2014-001	Internal Control - Other Matters	Resolved
2014-002	Cash Management - Other Matters	Resolved
2014-003	Late Audit Report - Other Matters	Resolved

CURRENT YEAR FINDINGS

2015-001	Data Collection Form - Material Weakness
2015-002	Internal Controls in Information Technology - Other Matters

STATE OF NEW MEXICO
CITY OF PORTALES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2015

Data Collection Form (2015-001) - Material Weakness
CFDA 66.458 Capitalization Grants for Clean Water State Revolving Funds - FYE 2014
United States Environmental Protection Agency - Passed through the State of New Mexico
New Mexico Environment Department

CONDITION	The June 30, 2014 Data Collection form was not submitted to the Federal Audit Clearinghouse by the due date.
CRITERIA	Per OMB Circular A-133, the audit shall be completed and the data collection form and reporting package shall be electronically transmitted within the earlier of 30 days after receipt of the auditor's report(s), or nine months after the end of the audit period, unless a longer period is agreed to in advance by the Federal cognizant or oversight agency for audit.
CAUSE	Lack of management oversight in the Data Collection form submission process.
EFFECT	The City is not in compliance and will receive a qualified opinion in their single audit.
RECOMMENDATION	The City needs to ensure that they submit the data collection form in a timely manner.
RESPONSE	In the past, the City has relied upon its auditor to initiate the input of the Data Collection form with City management certifying the information. The audit firm had a change in staffing which caused the Data Collection Form not to be initiated by the audit firm, and City Management did not immediately follow up with the auditor. The City requested that the auditor initiate the input of the Data Collection Form and has not yet received a response from the former audit firm. The problem is further exacerbated by the fact that the Federal site for submittal of the Data Collection Form has been down for maintenance since July and the date for access continues to be extended. The City will submit the prior year Data Collection Form as soon as the site is back up. City Management will work more closely with its current auditors to ensure that the Data Collection Form is submitted within the earlier of 30 days after receipt of the auditor's report, or nine months after the end of the audit period.
IMPLEMENTATION	Expected Completion: March 31, 2016 Employee Responsible: Treasurer

STATE OF NEW MEXICO
CITY OF PORTALES
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2015

Internal Controls in Information Technology (2015-002) - Other Matters

CONDITION	The City server contracted a virus resulting in the loss of financial data. The City had to use a recent back up in order to restore necessary information. The back up used contained the majority of the financial information needed; however, various archived files have not been recovered.
CRITERIA	The State of New Mexico Statewide Guideline S-GUIDE-002.00 (per NMSA 1978 Section 15-1C-1 and NMAC 1.12.6 and NMAC 1.12.2) establishes an Enterprise Security Policy for the protection of IT assets and resources including data and information. The Policy establishes that protection must be provided for IT assets, resources, and data/information from unauthorized access, use, disclosure, disruption, modification, or destruction in order to provide integrity, confidentiality, availability, accountability, and assurance, and establishes that controls must be maintained over information systems, resources, and data/information sufficient to contain risk of loss or misuse of information.
CAUSE	Management has a back up system in place; however, new back ups are not monitored before they are overridden.
EFFECT	Complete financial information is not available to support all governmental transactions. This may result in non compliance.
RECOMMENDATION	The City should review and revise the IT policy as considered necessary. Further, The City should monitor and test back-ups to ensure glitches and deterioration of the control are identified.
RESPONSE	As of September 10, 2015, the City has initiated a policy that critical information is backed up by an updated software package to a central storage server with external hard drives (NAS devices) being used for storable copies of critical data. Backups are made Monday-Friday with Friday backups rotated to a new device each week. After a month of Friday backups, another device is used for a monthly backup. End of fiscal year and end of year close backups are also saved to a central storage server and backed up to NAS devices. The NAS devices are stored in a fire proof safe in the IT office after a good backup is completed and verified. Essential non-critical data is backed up on to the central storage server on a weekly schedule. The City has initiated procurement of Enterprise Level Virtual Servers which will allow daily date stamped backups of critical files and rapid recovery of critical server systems. These backup programs support offsite storage capabilities that will help prevent the spread of malware and virus infections to critical files.
IMPLEMENTATION	Expected Completion: October 1, 2015 Employee Responsible: IT Director

STATE OF NEW MEXICO
CITY OF PORTALES
EXIT CONFERENCE
FOR THE YEAR ENDED JUNE 30, 2015

An entrance conference was held on September 14, 2015 in a closed meeting with Beasley, Mitchell & Co., LLP and with the following City officials:

Oscar Robinson	City Councilor
Sammy Standefer	City Manager
Marilyn Rapp	City Treasurer
Susan Baysinger	Project Administrator

Beasley, Mitchell & Co., LLP

Dahlia Garcia	Senior Accountant
Gabriela Cohen	Audit Staff
Avi Chetry	Audit Staff

An exit conference was held on November 10, 2015 in a closed meeting with Beasley, Mitchell & Co., LLP and with the following City officials:

Sharon King	Mayor
Sammy Standefer	City Manager
Marilyn Rapp	City Treasurer

Beasley, Mitchell & Co., LLP

Dahlia Garcia	Senior Accountant
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The financial statements presented in this report were compiled with the assistance of the auditors, Beasley, Mitchell & Co., LLP. However, the contents of the financial statements remain the responsibility of management.