

STATE OF NEW MEXICO  
CITY OF PORTALES  
BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2019  
INDEPENDENT AUDITORS' REPORT

STATE OF NEW MEXICO  
CITY OF PORTALES  
FOR THE YEAR ENDED JUNE 30, 2019

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STATE OF NEW MEXICO  
CITY OF PORTALES  
OFFICIAL ROSTER  
JUNE 30, 2019

**ELECTED OFFICIALS**

Ronald L. Jackson	Mayor
Veronica Cordova	City Councilor
Jake Lopez	City Councilor
Oscar Robinson	City Councilor
Jessica J. Smith	City Councilor
Michael Miller	Mayor Pro-Tem
Chadrick Heflin	City Councilor
Michael James Lucero	City Councilor
Dianne Parker	City Councilor
Barbara George	Municipal Judge

**ADMINISTRATIVE OFFICIALS**

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



## INDEPENDENT AUDITORS' REPORT

Brian Colón, 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 comparisons for the general fund of the City of Portales, New Mexico as of and for the year ended June 30, 2019, and the related notes to the financial statements, which collectively comprise the City's basic financial statements 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, the aggregate remaining fund information, and the budgetary comparisons for the general fund of the City of Portales, New Mexico, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof 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, schedules related to net pension liability on pages 80 - 88 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 any other schedule required by the Audit Rule.

The Schedule of Expenditures of federal awards as required by Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements, combining and individual nonmajor fund financial statements, and any other schedule required by the Audit Rule are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards, Schedule of Deposits and Temporary Investments, and the combining and individual nonmajor fund financial statements and any other schedule required by the Audit Rule 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 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 December 13, 2019, 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  
December 13, 2019



STATE OF NEW MEXICO  
CITY OF PORTALES  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2019

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, 2019. 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 \$26,217,572 (net position). Of this amount, \$(2,091,678) (unrestricted net position) may be used to meet the government's ongoing, obligations to citizens and creditors.
- The government's total net position increased by \$3,246,209 during the fiscal year. The increase in net position resulted from the increase in revenue.
- As of June 30, 2019, the City's governmental funds reported combined ending fund balances of \$13,560,918. Of this total, \$9,199,702 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 \$4,361,216.

### **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, 2019

### **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*

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MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2019

*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 32 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 \$26,217,572 at the close of the current fiscal year.

STATE OF NEW MEXICO  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
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The largest portion of the City of Portales' net position represent the City's investment of \$19,109,548 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 totals \$(2,091,678).

At the end of the current fiscal year, the City is able to report positive balances 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 \$3,246,209. These increases are explained in the governmental and business-type activities discussion that follows.

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

Governmental activities increased the City's net position by \$964,272. Revenues including transfers decreased from \$12,408,255 for the year ended June 30, 2018 to \$12,328,509 for the year ended June 30, 2019. The decrease in revenues is primarily because of the decrease in operating grants. Governmental expenses decreased from \$12,467,014 for the year ended June 30, 2018 to \$11,364,237 for the year ended June 30, 2019, primarily resulting from the disbursement of funds for economic development. Total revenues and expenses from governmental activities are summarized below.

#### ***Business-Type Activities***

Business-type activities increased the City's net position by \$2,281,937 after transfers of \$1,268,040 out to governmental activities, compared to the prior year's increase of \$586,018 after transfers of \$1,283,432 out to other funds.

STATE OF NEW MEXICO  
CITY OF PORTALES  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2019

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

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
<b>ASSETS AND DEFERRED OUTFLOWS</b>						
Current and other assets	\$ 12,993,682	\$ 12,065,357	\$ 14,039,570	\$ 12,162,272	\$ 27,033,252	\$ 24,227,629
Non current assets	1,085,180	1,086,418	2,867,607	744,727	3,952,787	1,831,145
Capital assets, net of accumulated depreciation	7,433,456	6,982,606	38,119,477	38,439,614	45,552,933	45,422,220
Total assets	21,512,318	20,134,381	55,026,654	51,346,613	76,538,972	71,480,994
Deferred outflows - OPEB	131,119	95,468	25,403	18,309	156,522	113,777
Deferred outflows - Net Pension	2,873,944	2,762,983	401,071	384,485	3,275,015	3,147,468
Total deferred outflows	3,005,063	2,858,451	426,474	402,794	3,431,537	3,261,245
Total assets and deferred outflows	\$ 24,517,381	\$ 22,992,832	\$ 55,453,128	\$ 51,749,407	\$ 79,970,509	\$ 74,742,239
<b>LIABILITIES AND DEFERRED INFLOWS</b>						
Current and other liabilities	\$ 549,275	\$ 558,494	\$ 4,265,362	\$ 1,783,560	\$ 4,814,637	\$ 2,342,054
Long-term liabilities	18,457,217	17,934,343	27,249,910	28,322,365	45,707,127	46,256,708
Total liabilities	19,006,492	18,492,837	31,515,272	30,105,925	50,521,764	48,598,762
Deferred inflows						
Deferred inflows - OPEB	1,251,755	1,141,322	240,861	218,885	1,492,616	1,360,207
Deferred inflows - Pension	1,525,136	1,588,947	213,421	222,960	1,738,557	1,811,907
Total deferred inflows	2,776,891	2,730,269	454,282	441,845	3,231,173	3,172,114
Total liabilities and deferred inflows	21,783,383	21,223,106	31,969,554	30,547,770	53,752,937	51,770,876
<b>NET POSITION</b>						
Net invested in capital assets	6,042,586	5,534,813	13,066,962	12,215,225	19,109,548	17,750,038
Restricted	9,199,702	3,412,674	-	-	9,199,702	3,412,674
Unrestricted	(12,508,290)	(7,177,761)	10,416,612	8,986,412	(2,091,678)	1,808,651
Total net position	2,733,998	1,769,726	23,483,574	21,201,637	26,217,572	22,971,363
Total liabilities, deferred inflows, and net position	\$ 24,517,381	\$ 22,992,832	\$ 55,453,128	\$ 51,749,407	\$ 79,970,509	\$ 74,742,239

STATE OF NEW MEXICO  
CITY OF PORTALES  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2019

A summary of the statement of activities is as follows:

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
<b>REVENUES</b>						
Program revenue:						
Charges for services	\$ 2,306,125	\$ 2,433,878	\$ 5,438,231	\$ 5,857,050	\$ 7,744,356	\$ 8,290,928
Operating grant and contributions	667,169	956,470	2,859,780	228,161	3,526,949	1,184,631
Capital grants and contributions	569,973	230,077	-	-	569,973	230,077
General revenues:						
Taxes	7,197,333	7,376,634	135,654	136,972	7,332,987	7,513,606
Other income	319,869	127,764	542,828	294,840	862,697	422,604
Total revenues	11,060,469	11,124,823	8,976,493	6,517,023	20,036,962	17,641,846
<b>EXPENSES</b>						
Administration	2,420,194	3,344,273	-	-	2,420,194	3,344,273
Municipal court	479,278	352,512	-	-	479,278	352,512
Library	428,248	410,416	-	-	428,248	410,416
General services	236,276	226,604	-	-	236,276	226,604
Fire and emergency management	2,061,176	2,658,752	-	-	2,061,176	2,658,752
Police	2,161,594	2,126,730	-	-	2,161,594	2,126,730
Senior citizens	13,561	13,974	-	-	13,561	13,974
Streets	772,207	846,418	-	-	772,207	846,418
Parks and recreation	862,132	923,861	-	-	862,132	923,861
Public works and transportation	1,063,084	666,155	-	-	1,063,084	666,155
Interest expense	65,084	39,338	-	-	65,084	39,338
Unallocated depreciation	801,403	857,981	-	-	801,403	857,981
Water and sewer	-	-	3,981,047	3,201,689	3,981,047	3,201,689
Solid waste	-	-	1,087,044	1,067,587	1,087,044	1,067,587
Airport	-	-	347,708	372,763	347,708	372,763
Convention center	-	-	10,717	5,534	10,717	5,534
Total expenses	11,364,237	12,467,014	5,426,516	4,647,573	16,790,753	17,114,587
Changes in net position before transfers	(303,768)	(1,342,191)	3,549,977	1,869,450	3,246,209	527,259
Transfers	1,268,040	1,283,432	(1,268,040)	(1,283,432)	-	-
Changes in net position	964,272	(58,759)	2,281,937	586,018	3,246,209	527,259
Net position - beginning, as previously stated	1,769,726	7,785,098	21,201,637	21,757,987	22,971,363	29,543,085
Restatement	-	(5,956,613)	-	(1,142,368)	-	(7,098,981)
Net position - beginning, as restated	1,769,726	1,828,485	21,201,637	20,615,619	22,971,363	22,444,104
Net position - ending	\$ 2,733,998	\$ 1,769,726	\$ 23,483,574	\$ 21,201,637	\$ 26,217,572	\$ 22,971,363

STATE OF NEW MEXICO  
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MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2019

### **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 \$13,560,918, an increase of \$916,869 in comparison with the prior year. Approximately 32% of this total amount, or \$4,361,216, constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance, \$9,199,702, 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 \$11,060,469 in the year ended June 30, 2019, which represents a decrease of \$64,354 from the year ended June 30, 2018. Expenditures for governmental functions totaled \$11,364,237 in the year ended June 30, 2019. This was decrease of \$1,102,777 from the fiscal year-ended June 30, 2018. The decrease in expenditures is primarily caused by the City monitoring their budget closely to reduce expenses. In the fiscal year-ended June 30, 2019, expenses for governmental functions exceeded revenues by approximately \$303,768.

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 \$4,361,216. General Fund revenues totaled \$7,698,902 for the fiscal year, while expenditures totaled \$8,243,776. Expenditures exceeded revenues by \$544,874 before transfers in and out of the General Fund.

During the 2019 fiscal year, the General Fund received transfers of \$1,275,459 from other City funds and made transfers of \$652,196 to other funds. The net transfers of \$623,263 increase the fund balance, which was increased by \$78,389 during the current fiscal year.

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***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 \$51,346,613 in 2018 to \$55,026,654 in 2019. This is a 7.2% increase. The Water and Sewer Fund makes up the largest portion of total assets with \$50,422,668 and had a increase in assets of the proprietary funds which was \$3,167,452. The Solid Waste Fund had an increase in assets of \$69,325, the Airport Fund had an increase in assets of \$444,127 and the Convention Center Fund had an decrease of \$863 in assets from 2018.

Proprietary fund liabilities increased 4%, or \$1,409,347, during 2019. Water and Sewer Fund liabilities increased \$1,540,213 primarily due to additional loan disbursements for the waste water treatment plan in construction. The Solid Waste liabilities increased \$4,359. The Airport Fund liabilities decreased \$136,209 and the Convention Center Fund had a increase of \$984 in liabilities from 2018.

**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.

Actual General Fund expenditures were \$8,243,776, which was \$787,046 below the final budget amount for the year ended June 30, 2019. All categories were below budget except for capital outlay. The City's policy is to budget based upon expected expenditures, but City employees are encouraged to spend only what is needed to provide services, which accounts for the expenditure savings.

Fund balance was budgeted to be \$3,373,980 in the final budget. The actual fund balance for the General Fund for the year ended June 30, 2019 was \$4,382,193. This was a favorable variance of \$1,008,213, or 30%. An increase in fund balance is indicative of prudent management of the City's funds.



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**Capital Asset and Debt Administration**

*Capital Assets*

The City of Portales' capital assets for its governmental and business-type activities as of June 30, 2019 amount to \$45,552,933 (net of accumulated depreciation). Capital assets include land, construction in progress, improvements, buildings, furniture and equipment, and vehicles. The total increase in the City's capital assets (excluding accumulated depreciation) for the current fiscal year was \$1,252,253 for governmental activities. Machinery and equipment costing \$95,425, and vehicles costing \$49,864 were purchased for the City, and construction in progress of \$1,050,622 was added in the year ended June 30, 2019. The total increase in business-type capital assets (excluding accumulated depreciation) for the current fiscal year was \$1,117,217, 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, 2019 and 2018**

	Governmental Activities		Business-Type Activities		Total	
	2019	2018	2019	2018	2019	2018
Land and Construction in Progress	\$ 1,154,055	\$ 862,105	\$ 5,838,841	\$ 5,844,269	\$ 6,992,896	\$ 6,706,374
Buildings, Improvements, Equipment, Furniture and Vehicles	<u>6,279,401</u>	<u>6,120,501</u>	<u>32,280,636</u>	<u>32,595,345</u>	<u>38,560,037</u>	<u>38,715,846</u>
Capital Assets, Net of A/D	<u>\$ 7,433,456</u>	<u>\$ 6,982,606</u>	<u>\$38,119,477</u>	<u>\$38,439,614</u>	<u>\$45,552,933</u>	<u>\$45,422,220</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 2019, the City had total long-term debt outstanding of \$27,414,602, 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, 2019 was \$1,802,449 and \$25,612,153, respectively, and were decreased \$89,608 and decreased \$1,182,430, respectively, during the fiscal year.

STATE OF NEW MEXICO  
CITY OF PORTALES  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2019

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

	<b>Long-Term Debt</b>					
	<b>June 30, 2019 and 2018</b>					
	<b>Governmental Activities</b>		<b>Business-Type Activities</b>		<b>Total</b>	
	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>	<b>2019</b>	<b>2018</b>
Notes Payable	\$ 1,390,870	\$ 1,447,793	\$ 25,052,515	\$ 26,224,389	\$ 26,443,385	\$ 27,672,182
Landfill post-closure	-	-	464,368	485,310	464,368	485,310
Compensated Absences	<u>411,579</u>	<u>444,264</u>	<u>95,270</u>	<u>84,884</u>	<u>506,849</u>	<u>529,148</u>
Total Long-Term Debt	<u>\$ 1,802,449</u>	<u>\$ 1,892,057</u>	<u>\$ 25,612,153</u>	<u>\$ 26,794,583</u>	<u>\$ 27,414,602</u>	<u>\$ 28,686,640</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, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>ASSETS AND DEFERRED OUTFLOWS</b>			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 3,915,396	\$ 2,490,944	\$ 6,406,340
Investments	4,765,469	10,823,981	15,589,450
Accounts receivable	301,470	645,419	946,889
Taxes receivable	1,275,472	23,273	1,298,745
Intergovernmental receivable	74,121	7,520	81,641
Inventory	-	48,433	48,433
Due from business-type funds	<u>2,661,754</u>	<u>-</u>	<u>2,661,754</u>
Total current assets	12,993,682	14,039,570	27,033,252
NON-CURRENT ASSETS:			
Restricted cash and cash equivalents	1,085,180	2,423,776	3,508,956
Restricted investments	-	443,831	443,831
Capital assets, net	<u>7,433,456</u>	<u>38,119,477</u>	<u>45,552,933</u>
Total non-current assets	<u>8,518,636</u>	<u>40,987,084</u>	<u>49,505,720</u>
Total assets	21,512,318	55,026,654	76,538,972
DEFERRED OUTFLOWS - OPEB	131,119	25,403	156,522
DEFERRED OUTFLOWS - Net Pension	<u>2,873,944</u>	<u>401,071</u>	<u>3,275,015</u>
Total deferred outflows	<u>3,005,063</u>	<u>426,474</u>	<u>3,431,537</u>
Total assets and deferred outflows	<u>\$ 24,517,381</u>	<u>\$ 55,453,128</u>	<u>\$ 79,970,509</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, 2019

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>LIABILITIES, DEFERRED INFLOWS, AND NET POSITION</b>			
<b>CURRENT LIABILITIES:</b>			
Accounts payable	\$ 120,612	\$ 79,477	\$ 200,089
Accrued interest	6,650	17,633	24,283
Accrued salaries	307,971	83,319	391,290
Accrued GRT tax	27,636	-	27,636
Unapplied deposits	-	16,276	16,276
Due to other funds	-	2,661,754	2,661,754
Current portion of compensated absences	26,968	272	27,240
Current portion of long-term debt	<u>59,438</u>	<u>1,406,631</u>	<u>1,466,069</u>
Total current liabilities	549,275	4,265,362	4,814,637
<b>NON-CURRENT LIABILITIES:</b>			
Customer deposits	-	491,588	491,588
Compensated absences	384,611	94,998	479,609
Net pension liability	11,892,979	1,624,478	13,517,457
Net OPEB liability	4,848,195	928,594	5,776,789
Landfill closure	-	464,368	464,368
Long-term debt, less current maturities	<u>1,331,432</u>	<u>23,645,884</u>	<u>24,977,316</u>
Total non-current liabilities	<u>18,457,217</u>	<u>27,249,910</u>	<u>45,707,127</u>
Total liabilities	19,006,492	31,515,272	50,521,764
DEFERRED INFLOWS - OPEB	1,251,755	240,861	1,492,616
DEFERRED INFLOWS - Pension	<u>1,525,136</u>	<u>213,421</u>	<u>1,738,557</u>
Total deferred inflows	<u>2,776,891</u>	<u>454,282</u>	<u>3,231,173</u>
Total liabilities and deferred inflows	21,783,383	31,969,554	53,752,937
<b>NET POSITION</b>			
Net investment in capital assets	6,042,586	13,066,962	19,109,548
Restricted for:			
Special revenue funds	3,842,651	-	3,842,651
Capital projects funds	621,831	-	621,831
Debt service funds	4,735,220	-	4,735,220
Unrestricted	<u>(12,508,290)</u>	<u>10,416,612</u>	<u>(2,091,678)</u>
Total net position	<u>2,733,998</u>	<u>23,483,574</u>	<u>26,217,572</u>
Total liabilities, deferred inflows, and net position	<u>\$ 24,517,381</u>	<u>\$ 55,453,128</u>	<u>\$ 79,970,509</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, 2019

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	\$ 2,420,194	\$ 112,315	\$ -	\$ -	\$ (2,307,879)	\$ -	\$ (2,307,879)
Municipal court	479,278	156,411	134,042	4,571	(184,254)	-	(184,254)
Library	428,248	7,360	21,165	-	(399,723)	-	(399,723)
General services	236,276	-	-	-	(236,276)	-	(236,276)
Fire & emergency management	2,061,176	587,695	349,096	-	(1,124,385)	-	(1,124,385)
Police	2,161,594	22,399	46,941	-	(2,092,254)	-	(2,092,254)
Senior citizens	13,561	-	-	-	(13,561)	-	(13,561)
Streets	772,207	-	-	565,402	(206,805)	-	(206,805)
Parks and recreation	862,132	113,824	13,128	-	(735,180)	-	(735,180)
Public works and transportation	1,063,084	1,306,121	102,797	-	345,834	-	345,834
Interest expense	65,084	-	-	-	(65,084)	-	(65,084)
Unallocated depreciation	801,403	-	-	-	(801,403)	-	(801,403)
<b>Total governmental activities</b>	<b>11,364,237</b>	<b>2,306,125</b>	<b>667,169</b>	<b>569,973</b>	<b>(7,820,970)</b>	<b>-</b>	<b>(7,820,970)</b>
Business-type activities:							
Water and sewer	3,981,047	4,058,157	2,170,172	-	-	2,247,282	2,247,282
Solid waste	1,087,044	1,216,235	-	-	-	129,191	129,191
Airport	347,708	154,969	689,608	-	-	496,869	496,869
Convention center	10,717	8,870	-	-	-	(1,847)	(1,847)
<b>Total business-type activities</b>	<b>5,426,516</b>	<b>5,438,231</b>	<b>2,859,780</b>	<b>-</b>	<b>-</b>	<b>2,871,495</b>	<b>2,871,495</b>
<b>Total primary government</b>	<b>16,790,753</b>	<b>7,744,356</b>	<b>3,526,949</b>	<b>569,973</b>	<b>(7,820,970)</b>	<b>2,871,495</b>	<b>(4,949,475)</b>
General Revenues:							
Gross receipts taxes					5,948,466	135,654	6,084,120
Franchise taxes					472,836	-	472,836
Property taxes					472,322	-	472,322
Gasoline taxes					177,249	-	177,249
Lodger's taxes					126,460	-	126,460
Water conservation fees					-	258,274	258,274
Investment earnings					197,493	258,236	455,729
Rentals, reimbursements & other					122,376	26,318	148,694
Transfers					1,268,040	(1,268,040)	-
<b>Total general revenues and transfers</b>					<b>8,785,242</b>	<b>(589,558)</b>	<b>8,195,684</b>
Changes in net position					964,272	2,281,937	3,246,209
Net position, beginning of year					1,769,726	21,201,637	22,971,363
Net position, end of year					<b>\$ 2,733,998</b>	<b>\$ 23,483,574</b>	<b>\$ 26,217,572</b>

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, 2019

	General Fund	Waste Water Treatment Debt Service Fund	Total Nonmajor Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash and cash equivalents	\$ 1,104,476	\$ 422,578	\$ 2,388,342	\$ 3,915,396
Restricted cash and cash equivalents	-	-	1,085,180	1,085,180
Investments	2,360,366	1,500,377	904,726	4,765,469
Accounts receivable	147,205	154,265	-	301,470
Taxes receivable	1,222,453	-	53,019	1,275,472
Intergovernmental receivable	13,710	-	60,411	74,121
Due from other funds	950	2,658,000	2,804	2,661,754
	<u>4,849,160</u>	<u>4,735,220</u>	<u>4,494,482</u>	<u>14,078,862</u>
Total assets	<u>\$ 4,849,160</u>	<u>\$ 4,735,220</u>	<u>\$ 4,494,482</u>	<u>\$ 14,078,862</u>
<b>LIABILITIES AND FUND BALANCE</b>				
Liabilities:				
Accounts payable	\$ 105,989	\$ -	\$ 14,623	\$ 120,612
Accrued GRT tax	27,636	-	-	27,636
Accrued interest	-	-	6,650	6,650
Accrued salaries	299,244	-	8,727	307,971
	<u>432,869</u>	<u>-</u>	<u>30,000</u>	<u>462,869</u>
Total liabilities	432,869	-	30,000	462,869
Deferred inflows:				
Property tax revenue	55,075	-	-	55,075
	<u>55,075</u>	<u>-</u>	<u>-</u>	<u>55,075</u>
Total liabilities and deferred inflows	487,944	-	30,000	517,944
Fund balances:				
Restricted, reported in:				
Special revenue funds	-	-	3,842,651	3,842,651
Capital projects funds	-	-	621,831	621,831
Debt service funds	-	4,735,220	-	4,735,220
Unassigned, reported in:				
General fund	4,361,216	-	-	4,361,216
	<u>4,361,216</u>	<u>4,735,220</u>	<u>4,464,482</u>	<u>13,560,918</u>
Total fund balances	<u>4,361,216</u>	<u>4,735,220</u>	<u>4,464,482</u>	<u>13,560,918</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 4,849,160</u>	<u>\$ 4,735,220</u>	<u>\$ 4,494,482</u>	<u>\$ 14,078,862</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, 2019

**Total fund balances - governmental funds** \$ 13,560,918

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	23,733,163	
Accumulated depreciation	<u>(16,299,707)</u>	7,433,456
Deferred outflows - OPEB		131,119
Deferred outflows - Pension		2,873,944
Deferred inflows - OPEB		(1,251,755)
Deferred inflows - Net pension		(1,525,136)

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

Property taxes	55,075
----------------	--------

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	(11,892,979)	
Net OPEB liability	(4,848,195)	
Long-term debt	(1,390,870)	
Compensated absences	<u>(411,579)</u>	<u>(18,543,623)</u>

**Total net position - governmental activities** **\$ 2,733,998**

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, 2019

	General Fund	Waste Water Treatment Debt Service Fund	Total Nonmajor Funds	Total Governmental Funds
<b>REVENUES</b>				
Taxes:				
Gross receipts	\$ 5,674,687	\$ -	\$ 577,488	\$ 6,252,175
Franchise	472,836	-	-	472,836
Property	470,207	-	-	470,207
Intergovernmental	84,348	-	656,498	740,846
Charges for services	587,695	1,294,545	-	1,882,240
Licenses, fees and permits	123,267	-	119,322	242,589
Fines	73,755	-	-	73,755
Rentals	43,469	-	-	43,469
Other grants and cont.	80,643	-	602,101	682,744
Investment income (loss)	87,995	47,077	58,304	193,376
	<u>7,698,902</u>	<u>1,341,622</u>	<u>2,013,713</u>	<u>11,054,237</u>
Total revenues	7,698,902	1,341,622	2,013,713	11,054,237
<b>EXPENDITURES</b>				
Current:				
General government	2,279,642	-	780,081	3,059,723
Public safety	4,482,086	-	503,911	4,985,997
Public works	479,135	-	395,232	874,367
Culture and recreation	985,502	-	125,559	1,111,061
Capital outlay	17,411	-	1,234,842	1,252,253
Debt service:				
Principal	-	-	56,923	56,923
Interest	-	-	65,084	65,084
	<u>8,243,776</u>	<u>-</u>	<u>3,161,632</u>	<u>11,405,408</u>
Total expenditures	8,243,776	-	3,161,632	11,405,408
Excess (deficiency) of revenues over expenditures	(544,874)	1,341,622	(1,147,919)	(351,171)
<b>OTHER FINANCING SOURCES (USES):</b>				
Transfers in	1,275,459	-	744,117	2,019,576
Transfers out	(652,196)	-	(99,340)	(751,536)
	<u>623,263</u>	<u>-</u>	<u>644,777</u>	<u>1,268,040</u>
Total other financing source (uses)	623,263	-	644,777	1,268,040
Net change in fund balance	78,389	1,341,622	(503,142)	916,869
Fund balance at beginning of year	<u>4,282,827</u>	<u>3,393,598</u>	<u>4,967,624</u>	<u>12,644,049</u>
Fund balance at end of year	<u>\$ 4,361,216</u>	<u>\$ 4,735,220</u>	<u>\$ 4,464,482</u>	<u>\$ 13,560,918</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, 2019

**Net change in fund balances - total governmental funds** \$ 916,869

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital assets reported as capital outlay expenditures	1,252,253	
Depreciation expense	(801,403)	450,850

Change in deferred outflows - OPEB	35,651
Change in deferred outflows - Pension	110,961

Change in deferred inflows - OPEB	(110,433)
Change in deferred inflows - Pension	63,811

Change in net OPEB liability	166,457
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Change in net pension liability	(767,347)
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Governmental funds report loan payments as debt service expenditures. However, in the statement of activities, these payments are not recognized as expenditures.	56,923
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Property taxes that do not provide current financial resources, made available to pay for the current period's expenditures, reported as deferred inflows in the funds.	7,845
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In the Statement of Activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts paid).	32,685
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**Change in net position of governmental activities** **\$ 964,272**

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, 2019

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
<b>REVENUES:</b>				
Taxes:				
Gross receipts	\$ 5,518,880	\$ 5,634,380	\$ 5,726,125	\$ 91,745
Franchise	475,000	475,000	472,836	(2,164)
Property	431,002	431,002	470,207	39,205
Intergovernmental	87,800	89,000	84,348	(4,652)
Charges for services	600,100	600,100	587,695	(12,405)
Licenses, fees and permits	112,050	112,050	123,267	11,217
Fines	49,600	65,600	73,755	8,155
Rentals	43,000	43,000	43,469	469
Other grant and contributions	1,000	1,000	80,643	79,643
Interest	10,000	20,000	87,995	67,995
Other	58,500	58,500	-	(58,500)
	<u>7,386,932</u>	<u>7,529,632</u>	<u>7,750,340</u>	<u>220,708</u>
Total revenues				
<b>EXPENDITURES:</b>				
Current				
General government	2,510,584	2,635,860	2,310,103	325,757
Public safety	5,040,814	4,735,205	4,482,086	253,119
Public works	560,225	528,255	479,135	49,120
Culture and recreation	1,234,185	1,161,963	985,502	176,461
Capital outlay	-	-	17,411	(17,411)
	<u>9,345,808</u>	<u>9,061,283</u>	<u>8,274,237</u>	<u>787,046</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures	(1,958,876)	(1,531,651)	(523,897)	1,007,754
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers in	1,275,000	1,275,000	1,275,459	459
Transfers out	(224,971)	(652,196)	(652,196)	-
	<u>1,050,029</u>	<u>622,804</u>	<u>623,263</u>	<u>459</u>
Total other financing sources (uses)				
Net changes in fund balance	(908,847)	(908,847)	99,366	1,008,213
Fund balance - beginning of the year	4,282,827	4,282,827	4,282,827	-
Fund balance - end of the year	<u>\$ 3,373,980</u>	<u>\$ 3,373,980</u>	<u>\$ 4,382,193</u>	<u>\$ 1,008,213</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ 99,366	
Net revenue accruals			(51,438)	
Net expenditure accruals			<u>30,461</u>	
Net change in fund balance GAAP basis			<u>\$ 78,389</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, 2019

	Water and Sewer Fund	Solid Waste Fund	Airport Fund	Convention Center Fund	Total Proprietary Funds
<b>ASSETS</b>					
CURRENT ASSETS:					
Cash and cash equivalents	\$ 1,885,998	\$ 587,103	\$ 151	\$ 17,692	\$ 2,490,944
Investment	9,539,848	1,284,133	-	-	10,823,981
Accounts receivable	497,198	148,221	-	-	645,419
Taxes receivable	-	23,273	-	-	23,273
Intergovernmental receivable	2	-	7,518	-	7,520
Inventory	-	-	48,433	-	48,433
	<u>11,923,046</u>	<u>2,042,730</u>	<u>56,102</u>	<u>17,692</u>	<u>14,039,570</u>
Total current assets					
NON-CURRENT ASSETS:					
Restricted assets:					
Cash and cash equivalents	2,423,776	-	-	-	2,423,776
Investments	443,831	-	-	-	443,831
Capital assets, net	<u>35,632,015</u>	<u>238,588</u>	<u>2,248,874</u>	<u>-</u>	<u>38,119,477</u>
Total non-current assets	<u>38,499,622</u>	<u>238,588</u>	<u>2,248,874</u>	<u>-</u>	<u>40,987,084</u>
Total assets	50,422,668	2,281,318	2,304,976	17,692	55,026,654
Deferred outflows- OPEB	17,633	6,750	1,020	-	25,403
Deferred outflows- Pension					
Subsequent contributions	55,542	21,272	3,333	-	80,147
Difference in expected and actual experience	30,204	13,372	1,945	-	45,521
Pension plan investment	64,747	30,240	4,146	-	99,133
Change in proportion	21,050	9,269	1,341	-	31,660
Change in assumption	<u>99,630</u>	<u>39,097</u>	<u>5,883</u>	<u>-</u>	<u>144,610</u>
Total deferred outflows	<u>288,806</u>	<u>120,000</u>	<u>17,668</u>	<u>-</u>	<u>426,474</u>
Total assets and deferred outflows	<u>\$ 50,711,474</u>	<u>\$ 2,401,318</u>	<u>\$ 2,322,644</u>	<u>\$ 17,692</u>	<u>\$ 55,453,128</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, 2019

	Water and Sewer Fund	Solid Waste Fund	Airport Fund	Convention Center Fund	Total Proprietary Funds
<b>LIABILITIES AND NET POSITION</b>					
<b>CURRENT LIABILITIES:</b>					
Accounts payable	\$ 40,145	\$ 36,590	\$ 823	\$ 1,919	\$ 79,477
Accrued interest	17,633	-	-	-	17,633
Accrued salaries	45,249	36,141	1,929	-	83,319
Unapplied deposits	16,276	-	-	-	16,276
Due to other funds	2,660,804	-	-	950	2,661,754
Compensated absences - current portion	-	272	-	-	272
Long-term debt - current portion	<u>1,406,631</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,406,631</u>
Total current liabilities	4,186,738	73,003	2,752	2,869	4,265,362
<b>NON-CURRENT LIABILITIES:</b>					
Customer deposits	491,588	-	-	-	491,588
Compensated absences	64,424	23,300	7,274	-	94,998
Net pension liability	1,116,520	440,475	67,483	-	1,624,478
Net OPEB liability	639,198	251,946	37,450	-	928,594
Landfill closure	-	464,368	-	-	464,368
Long-term debt - long-term portion	<u>23,645,884</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,645,884</u>
Total non-current liabilities	<u>25,957,614</u>	<u>1,180,089</u>	<u>112,207</u>	<u>-</u>	<u>27,249,910</u>
Total liabilities	30,144,352	1,253,092	114,959	2,869	31,515,272
<b>Deferred inflows - OPEB</b>					
Change in assumption	119,798	46,925	6,999	-	173,722
Net difference between projected and actual investment earnings	38,657	14,720	2,231	-	55,608
Actual investment earnings	7,902	3,162	467	-	11,531
<b>Deferred inflows - Pension</b>					
Change in assumption	5,088	2,080	319	-	7,487
Change in proportion	74,816	27,876	4,336	-	107,028
Deferred inflows - net difference between projected and actual investment earnings	<u>66,666</u>	<u>28,177</u>	<u>4,063</u>	<u>-</u>	<u>98,906</u>
Total deferred inflows	<u>312,927</u>	<u>122,940</u>	<u>18,415</u>	<u>-</u>	<u>454,282</u>
Total liabilities and deferred inflows	30,457,279	1,376,032	133,374	2,869	31,969,554
<b>NET POSITION</b>					
Net investment in capital assets	10,579,500	238,588	2,248,874	-	13,066,962
Restricted for:					
Unrestricted	<u>9,674,695</u>	<u>786,698</u>	<u>(59,604)</u>	<u>14,823</u>	<u>10,416,612</u>
Total net position	<u>20,254,195</u>	<u>1,025,286</u>	<u>2,189,270</u>	<u>14,823</u>	<u>23,483,574</u>
Total liabilities and net position	<u>\$ 50,711,474</u>	<u>\$ 2,401,318</u>	<u>\$ 2,322,644</u>	<u>\$ 17,692</u>	<u>\$ 55,453,128</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, 2019

	Water and Sewer Fund	Solid Waste Fund	Airport Fund	Convention Center Fund	Total Proprietary Funds
OPERATING REVENUES					
Charges for services	\$ 3,896,408	\$ 1,216,235	\$ -	\$ -	\$ 5,112,643
Fuel sales	-	-	105,314	-	105,314
Late charges	87,430	-	2,031	-	89,461
Rentals	34,480	-	47,624	8,820	90,924
Tapping and reconnect fees	39,839	-	-	-	39,839
Other and miscellaneous	-	-	-	50	50
Total operating revenues	<u>4,058,157</u>	<u>1,216,235</u>	<u>154,969</u>	<u>8,870</u>	<u>5,438,231</u>
OPERATING EXPENSES					
Salaries and wages	722,174	249,385	36,894	-	1,008,453
Employee benefits	284,822	98,764	10,318	-	393,904
Maintenance	685,904	84,062	4,014	-	773,980
Contracted and purchased services	119,478	362,531	-	-	482,009
Supplies	41,748	109,439	6,183	-	157,370
Noncapital purchases	45,109	-	-	-	45,109
Operating costs	916,764	70,952	129,903	10,717	1,128,336
Depreciation	<u>1,165,048</u>	<u>111,911</u>	<u>160,396</u>	<u>-</u>	<u>1,437,355</u>
Total operating expenses	<u>3,981,047</u>	<u>1,087,044</u>	<u>347,708</u>	<u>10,717</u>	<u>5,426,516</u>
Operating income (loss)	77,110	129,191	(192,739)	(1,847)	11,715
NON-OPERATING REVENUES (EXPENSES):					
Investment income	234,281	23,955	-	-	258,236
Environmental gross receipts tax	-	135,654	-	-	135,654
Water conservation fees	258,274	-	-	-	258,274
Miscellaneous income (expense)	6,650	19,668	-	-	26,318
Grants	<u>2,170,172</u>	<u>-</u>	<u>689,608</u>	<u>-</u>	<u>2,859,780</u>
Total non-operating revenues (expenses)	2,669,377	179,277	689,608	-	3,538,262
Transfers:					
Transfers in	483,806	-	83,923	-	567,729
Transfers out	<u>(1,595,120)</u>	<u>(240,649)</u>	<u>-</u>	<u>-</u>	<u>(1,835,769)</u>
Total transfers	<u>(1,111,314)</u>	<u>(240,649)</u>	<u>83,923</u>	<u>-</u>	<u>(1,268,040)</u>
Change in net position	1,635,173	67,819	580,792	(1,847)	2,281,937
Net position, beginning of year	<u>18,619,022</u>	<u>957,467</u>	<u>1,608,478</u>	<u>16,670</u>	<u>21,201,637</u>
Net position, end of year	<u>\$ 20,254,195</u>	<u>\$ 1,025,286</u>	<u>\$ 2,189,270</u>	<u>\$ 14,823</u>	<u>\$ 23,483,574</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, 2019

	Water and Sewer Fund	Solid Waste Fund	Airport Fund	Convention Center Fund	Total Proprietary Funds
<b>Cash flows from operating activities:</b>					
Cash received from customers	\$ 4,248,244	\$ 1,120,114	\$ 154,969	\$ 8,870	\$ 5,532,197
Payments to employees for services	(955,237)	(229,400)	(44,308)	-	(1,228,945)
Payments to suppliers and contractors	<u>857,872</u>	<u>(647,223)</u>	<u>(301,724)</u>	<u>(9,733)</u>	<u>(100,808)</u>
Net cash provided by (used in) operating activities	4,150,879	243,491	(191,063)	(863)	4,202,444
<b>Cash flows from non-capital activities and related financing activities:</b>					
State shared taxes	-	136,094	825,519	-	961,613
Water conservation fees	258,274	-	-	-	258,274
Net transfers in (out)	<u>(1,111,314)</u>	<u>(240,649)</u>	<u>83,923</u>	<u>-</u>	<u>(1,268,040)</u>
Net cash provided by (used in) non-capital activities and related financing activities:	(853,040)	(104,555)	909,442	-	(48,153)
<b>Cash flows from capital activities and related financing activities:</b>					
Grant proceeds	2,170,172	-	-	-	2,170,172
Interest expense	(57,102)	-	-	-	(57,102)
Change in capital assets	(322,666)	(34,351)	(760,201)	-	(1,117,218)
Principal payments on debt	<u>(1,710,169)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(1,710,169)</u>
Net cash used in capital activities and related financing activities:	80,235	(34,351)	(760,201)	-	(714,317)
<b>Cash flows from investing activities:</b>					
Investment income (loss)	(3,409,040)	(235,505)	-	-	(3,644,545)
Due to due from	<u>538,295</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>538,295</u>
Net cash provided by (used in) investing activities	<u>(2,870,745)</u>	<u>(235,505)</u>	<u>-</u>	<u>-</u>	<u>(3,106,250)</u>
Net increase (decrease) in cash and cash equivalents	507,329	(130,920)	(41,822)	(863)	333,724
Cash and cash equivalents - beginning	<u>3,802,445</u>	<u>718,023</u>	<u>41,973</u>	<u>18,555</u>	<u>4,580,996</u>
Cash and cash equivalents - ending	<u>\$ 4,309,774</u>	<u>\$ 587,103</u>	<u>\$ 151</u>	<u>\$ 17,692</u>	<u>\$ 4,914,720</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, 2019

	Water and Sewer Fund	Solid Waste Fund	Airport Fund	Convention Center Fund	Total Proprietary Funds
<b>SUPPLEMENTARY INFORMATION:</b>					
Cash and cash equivalents	\$ 1,885,998	\$ 587,103	\$ 151	\$ 17,692	\$ 2,490,944
Restricted cash	<u>2,423,776</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,423,776</u>
Total cash and cash equivalents	<u>\$ 4,309,774</u>	<u>\$ 587,103</u>	<u>\$ 151</u>	<u>\$ 17,692</u>	<u>\$ 4,914,720</u>

**Reconciliation of operating income to net cash provided by (used in) operating activities:**

Operating income (loss)	\$ 77,110	\$ 129,191	\$ (192,739)	\$ (1,847)	\$ 11,715
Adjustments to operating income to net cash used in operating activities:					
Depreciation	1,165,048	111,911	160,396	-	1,437,355
Changes in net position and liabilities:					
Accounts receivables	147,466	883	-	-	148,349
Inventory	-	-	(22,055)	-	(22,055)
Other assets	(16,738)	(5,995)	(947)	-	(23,680)
Accounts payable	2,319	703	(139,569)	984	(135,563)
Accrued expenses	2,071	57	119	-	2,247
Unapplied credits	3,113	-	-	-	3,113
Landfill	-	(20,942)	-	-	(20,942)
Compensated absences	6,556	3,866	(36)	-	10,386
Customer deposits	39,508	-	-	-	39,508
Other liabilities	<u>2,724,426</u>	<u>23,817</u>	<u>3,768</u>	<u>-</u>	<u>2,752,011</u>
Net cash provided by (used in) operating activities	<u>\$ 4,150,879</u>	<u>\$ 243,491</u>	<u>\$ (191,063)</u>	<u>\$ (863)</u>	<u>\$ 4,202,444</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, 2019

**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, 2019

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

The water and sewer fund, solid waste fund, airport fund and convention center fund are the major proprietary funds. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category for the governmental and enterprise combined) for the determination of major funds.

The government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on the major individual funds of the governmental and business-type categories, as well as the fiduciary funds (by category), and the component units. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

**C. Measurement Focus, Basis of Accounting**

***Government-Wide Financial Statements*** - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Derived tax revenues (i.e., sales taxes) are recognized in the period when the exchange transaction on the tax is imposed or when the resources are received, whichever occurs first.

***Governmental Fund Financial Statements*** - The governmental fund level financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

STATE OF NEW MEXICO  
CITY OF PORTALES  
NOTES TO BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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

***C. Measurement Focus, Basis of Accounting (Continued)***

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is made.

Ad valorem, franchise, and sales tax revenues associated with the current fiscal period are recognized under the susceptible to accrual concept. Licenses and permits, charges for services, fines and forfeitures, contributions, and miscellaneous revenues are recorded as revenues when received in cash, as the resulting receivable is immaterial. Investment earnings are recorded as earned since they are measurable and available. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues.

In one, monies must be expended for the specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

Business-type activities and all proprietary funds are accounted for on a flow of economic resources measurement focus and the full accrual basis of accounting. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases and decreases (e.g., revenues and expenses) in net total assets.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principle ongoing operations. The principle operating revenues of the City's water, sewer, and sanitary landfill funds are charges to customers for sales and services.

STATE OF NEW MEXICO  
CITY OF PORTALES  
NOTES TO BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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

**C. Measurement Focus, Basis of Accounting (Continued)**

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 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.

The City reports the following major business-type funds:

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.

STATE OF NEW MEXICO  
CITY OF PORTALES  
NOTES TO BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

***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.

***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.



STATE OF NEW MEXICO  
CITY OF PORTALES  
NOTES TO BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

**Interfund Activity** - Interfund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported as interfund balance as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

**Capital Assets** - Capital assets include: property, plant, utility systems, equipment, and infrastructure assets. Infrastructure includes streets, sidewalks, bridges, drainage systems, lighting systems and similar items. Such assets are reported in the applicable governmental or business-type activities columns the government-wide financial statements. The government defines capital assets as assets with an initial individual cost of more than \$5,000, and an estimated useful life in excess of two years. Assets are capitalized at historical cost or estimated historical cost if purchased or constructed. It is the policy of the City not to capitalize computer software.

Donated assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add value of the asset or materially extend the asset's lives are not capitalized.

As allowed by GASB Statement No. 34, the City had retroactively reported all infrastructure assets owned by the municipality.

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

STATE OF NEW MEXICO  
CITY OF PORTALES  
NOTES TO BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

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

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

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

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

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

***Customer Deposits*** - Cash held in the proprietary funds for customer deposits is restricted.

STATE OF NEW MEXICO  
CITY OF PORTALES  
NOTES TO BASIC FINANCIAL STATEMENTS  
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

**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

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1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

- b. Imposed by law through constitutional provisions or enabling legislation.

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.

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

***E. New Governmental Accounting Standards***

In June 2017, GASB Statement No. 87 Leases, was issued. Effective date: The provisions of this Statement are effective for financial statements for the objective of this Statement is to improve accounting and financial reporting for periods beginning after December 15, 2019. Earlier application is encouraged. The City is still evaluating how this pronouncement will affect the financial statements.

In June 2018, GASB No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period, was issued. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively. The City is still evaluating how this pronouncement will affect the financial statements.

In December 2018, GASB No. 90, Majority Equity Interests, was issued. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

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

***E. New Governmental Accounting Standards (continued)***

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The City is still evaluating how this pronouncement will affect the financial statements.

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.

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**2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)**

3. The final operating budget for the fiscal year is submitted to the Department of Finance on or before July 31. The Department of Finance reviews the budget and grants approval by September 1.

4. The interim and final budgets are legally enacted through passage of resolutions and the council is authorized to transfer budgeted amounts between departments within any fund. Any revisions that alter the total expenditures of any fund must be approved by the Department of Finance and Administration-Local Government Division.

5. Budgets for funds are adopted on the modified accrual basis of accounting. Budgetary comparisons have been presented in this report on the basis of the legally adopted budget.

6. Appropriations lapse at year end with any unspent cash balance being available for expenditures and appropriation in the subsequent year's budget.

7. The level of classification detail in which expenditures may not legally exceed appropriations for each budget is in fund total.

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

State statutes authorize the investment of City funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. All invested funds of the City properly followed State deposit and investment requirements as of June 30, 2019.

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.

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

The rate of interest in non-demand interest-bearing accounts is set by the State Board of Finance, but the rate of interest will not be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of deposit.

***Custodial Credit Risk*** - Custodial credit risk is the risk that in the event of a bank failure, the government's deposits and investments may not be returned to it. The City does not have a formal deposit policy for custodial credit risk other than following state statutes. The City has not suffered any previous losses and management believes any risk of loss of funds is minimal.

Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the City for at least 50% of the amount on deposit with the institution, and 103% for amounts invested in repurchase agreements with the institution.

The types of collateral an institution is permitted to use as pledged securities are limited to direct obligations of the United States Government and all bonds issued by any agency or political subdivision of the State of New Mexico.

The schedules listed below disclose requirements on reporting the insured and uninsured portions of the City's deposits regarding custodial credit risk.

***Interest Rate Risk*** - Interest rate risk is the risk that the change in interest rates will adversely affect the fair value of the investments. The City does not have a formal policy to manage its exposure to interest rate risk.

***New Mexico State Treasurer Local Government Investment Pool*** - The City maintains accounts with the New Mexico State Treasurer Local Government Investment Pool (LGIP), an external investment pool. The LGIP is not SEC registered, and as a government investment pool, exempt from disclosing concentration risk. The LGIP is rated AAA by Standard and Poor's and has a weighted average maturity of 52 days.

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



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

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, 2019 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 \$10,161,314 in investments outside of the internal investment pool in the LGIP. The funds are invested in money market funds investing in federal government-backed securities. The investments are in compliance with state statutes regarding investments of governmental funds. These investments have not been rated.

All deposits are collateralized with eligible securities, as described by New Mexico State Statute, in amounts equal to at least 50% of the City carrying value of the deposits (demand and certificates of deposit).

Such collateral, as permitted by the state statutes is held in each respective depository bank's collateral pool at a Federal Reserve Bank, or member bank other than the depository bank, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds with the exception of deposit insurance provided by the Federal Deposit Insurance Corporation.

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

A summary of the cash deposits at June 30, 2019 is as follows:

	US Bank	New Mexico LGIP	New Mexico Finance Authority	First American Financial Advisors	US Bank Investments	Total
Total cash deposits	\$ 6,855,753	\$ 1,862,092	\$ 3,324,472	\$ 10,161,314	\$ 4,009,875	\$ 26,213,506
FDIC/SPIC coverage	<u>(250,000)</u>	<u>(1,862,092)</u>	<u>(3,324,472)</u>	<u>(10,161,314)</u>	<u>(4,009,875)</u>	<u>(19,607,753)</u>
Uninsured funds subject to custodial credit risk	6,605,753	-	-	-	-	6,605,753
Lloyd's of London securities insurance protection	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Funds (over) under collateralized - total funds subject to custodial credit risks	<u>\$ 6,605,753</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,605,753</u>

The following summarizes the collateral requirements at June 30, 2019:

50% of uninsured funds	\$ 3,302,877	\$ -	\$ -	\$ -	\$ -	\$ 3,302,877
Letter of credit collateral	<u>11,000,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>11,000,000</u>
Over (under) collateralized	<u>\$ 7,697,124</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,697,124</u>

**Investments**

As of June 30, 2019, the City's investments were rated as follows:

<u>Investment Type</u>	<u>Maturity Date</u>	<u>Fair Value</u>	<u>Rating **</u>	<u>Concentration of Credit Risk</u>
New Mexico LGIP***	Less than 1 year	\$1,862,092	AAAm	11.61%
Fidelity Gov Money Market	Less than 1 year	943,699	AAA	5.89%
Bond Fund Mutual Funds*****	1-5 Years	9,205,663	AAA	57.42%
Bond Funds *****	1-5 Years	11,952	AAA	0.07%
Insured Cash Sweep****	Less than 1 year	4,009,875	FDIC Insured	25.01%
Total investments		\$16,033,281		

\*\* Based on Moody's rating

\*\*\* LGIP, collateralized by State

\*\*\*\* ICS, fully collateralized

\*\*\*\*\* Ratings on Municipal bonds vary, each bond underwritten by and subject to Section 6-10-10(F)(1) and Section 6-13-6, NMSA 1978. Each bond has revenue as security

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

State Treasurer Local Governmental Investment Pool

As of June 30, 2019, the City has the following invested in the State Treasurer Local Government Investment Pool:

<u>Financial Institution</u>	<u>Cost Basis</u>	<u>Market</u>	<u>Risk Rating</u>	
State of NM Local Government Investment Pool (LGIP)	\$1,862,092	\$1,862,092	AAAm	[35] day WAM (R) [112] day WAM (F)

The State Treasurer is authorized to invest the LGIP, with the advice and consent of the State Board of Finance, in accordance with Sections 6-10-10 I through 6-10-10 P and Sections 6-10-10.1A and E, NMSA 1978. The pool does not have unit shares. Per Section 6-10-10.1F, NMSA 1978, at the end of each month all interest is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the fund amounts were invested. Participation in the LGIP is voluntary. The LGIP is not SEC registered. This pool is subject to the standards set forth in the State Treasurer's Local Government Investment Policy document incorporated in and made a part of the State Treasurer's Investment Policy document. The Independent Auditors' Report, together with the Financial Statements, the accompanying Notes to the Financial Statements and the Independent Auditors' Report on Compliance and Internal Controls are available from the State Investment Council, 2055 South Pacheco Street, Suite 100, Santa Fe, New Mexico 87505, upon written request.

Per review of GASB Statement No. 72, the State Treasurer Local Government Investment Pool is exempt from GASB 72 and should continue to be measured and disclosed in accordance with existing literature.

**Credit Risk LGIP** – With respect to credit risk, the LGIP, is rated AAAm by Standard & Poor's. Therefore, the LGIP reports AAAm for credit risk. Public funds are not required to disclose custodial credit risk for external investment pools. Therefore, the LGIP is exempt from this requirement.

**Concentration of Risk** – GASB Statement No. 40 defines concentration of credit risk as investments of more than 5% in any one issuer. External investment pools, such as LGIP, are excluded from the requirement of disclosing concentration of credit risk. Therefore, the LGIP is exempt from this disclosure.

**Foreign Currency Risk** – GASB Statement No. 40 defines foreign currency risk as the potential that changes in the exchange rates may adversely affect the fair value of an investment or deposit. The LGIP does not have any foreign currency risk as all investments are denominated in US dollars.

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

**Interest Rate Risk** – GASB Statement No. 40 defines interest rate risk is the risk that changes in interest rates will adversely affect the fair value of the City’s investments. According to the Statement an acceptable method for reporting interest rate risk is weighted average of maturity (WAM). The State Treasurer’s Office uses this method for reporting purposes for the LGIP. The WAM of the LGIP is identified on the monthly LGIP investment report found on the State Treasurer’s Office website at [www.nmsto.gov](http://www.nmsto.gov)

Fair Value Measurement (GASB 72)

In February 2015, the Governmental Accounting Standards Board (GASB) issued Statement Number 72, Fair Value Measurement and Application. This statement changes the definition of fair value and adds new disclosure requirements. GASB 72 is effective for periods beginning after June 15, 2015 (i.e., financial statements for June 30, 2016, and beyond).

The City holds investments that are measured at fair value on a recurring basis. Because investing is not a core part of the City’s mission, the City determines that the disclosures related to these investments only need to be disaggregated by major type. The City chooses a table format for the fair value disclosures.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. In determining this amount, three valuation techniques are available:

**Market approach**: this uses prices generated for identical or similar assets or liabilities. The most common example is an investment in a public security traded in an active exchange such as the NYSE.

**Cost approach**: this technique determines the amount required to replace the current asset. This approach may be ideal for valuing donations of capital assets or historical treasures.

**Income approach**: this approach converts future amounts (such as cash flows) into a current discounted amount.

Each of these valuation techniques requires inputs to calculate a fair value. Valuation techniques should be applied consistently, though a change may be appropriate in certain circumstances. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

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

GASB 72 establishes a hierarchy of inputs to the valuation techniques listed above. The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The hierarchy's three levels are as follows:

Level 1

Inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date. (Examples: equity securities traded on an open market, actively traded mutual funds, and US treasuries)

Level 2

Are significant other observable inputs:

- a) Quoted prices for similar assets or liabilities in active markets.
- b) Quoted prices for identical or similar assets or liabilities in markets that are not active.
- c) Inputs other than quoted prices that are observable for the asset or liability, such as:
  - 1) Interest rates and yield curves observable at commonly quoted intervals,
  - 2) Implied volatilities, and
  - 3) Credit spreads.
- d) Market-corroborated inputs.

(Examples: a bond valued using market corroborated inputs such as yield curves, a bond valued using matrix pricing, and an interest rate swap valued using the LIBOR swap rate observed at commonly quoted intervals for the full term of the swap)

Level 3

Are significant unobservable inputs for an asset or liability. (Examples: Commercial real estate valued using a forecast of cash flows based on a university's own data and an interest rate swap valued using data that is neither directly observable nor corroborated by observable market data)

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. See above for discussion of valuation methodologies used to measure fair value of investments.

The New Mexico LGIP is a managed collective fund of the New Mexico State Treasurer. It is not registered with the SEC. It reports its values daily and information on account balances that are available to respective clients such as the City on a secure website of the State Treasurer. The fund held by the City at the LGIP are deemed to be actively traded.

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

The Fidelity Money Market Fund and all other mutual funds owned by the City are registered with the SEC pursuant to the Investment Adviser Act of 1940, as amended. These funds are required to publish their daily net asset value (NAV) and to transact at that price. The mutual funds held by the City are deemed to be actively traded.

The US Bank Insured Cash Sweep account is a demand deposit account of the City at US Bank. It is not registered with the SEC. The bank values the account daily and the City has access to the funds and daily balance information over a secure website at US Bank. As this account is a demand deposit account at a bank, it is considered neither actively nor passively traded.

The individual held federal securities are a closed-end pool of government insured home mortgages. They are registered with the SEC, but not under the Investment Adviser Act of 1940, as amended. As they are pools, they are closed-end they are not considered actively traded. As they may or may not trade on any given day, formulas used within the securities industry may create a value absent any trade data of the securities on a given day.

The valuation methodologies described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the City believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The City has the following recurring fair value measurements as of June 30, 2019:

<u>Investment Type</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
New Mexico LGIP	\$1,862,092			\$1,862,092
Fidelity Gov Money Market	943,699			943,699
Bond Fund Mutual Funds		9,205,663		9,205,663
Bond Funds		11,952		11,952
Insured Cash Sweep	4,009,875			4,009,875
	<u>\$6,815,666</u>	<u>\$9,217,615</u>		<u>\$16,033,281</u>

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**4. ACCOUNTS RECEIVABLE**

Accounts receivable reported in the business-type activities at June 30, 2019 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, 2019:

	<b>Accounts Receivable</b>	<b>Allowance for Uncollectibles</b>	<b>Total</b>
Water and sewer	\$ 1,034,066	\$ (536,866)	\$ 497,200
Solid waste	203,445	(55,224)	148,221
Airport	7,518	-	7,518
	\$ 1,245,029	\$ (592,090)	\$ 652,939

The general fund receivable of \$147,205 consists primarily of ambulance charges outstanding at June 30, 2019. All ambulance and utility receivables over 120 days old are booked to allowance for uncollectible accounts. All accounts for which we have received notice of bankruptcy are booked to allowance for uncollectible accounts. All accounts for which we have received notice that the account holder is deceased with no estate are booked to allowance for uncollectible accounts. Ambulance accounts on hold for missing information are booked to allowance for uncollectible accounts when the accounts are greater than 60 days old. Municipal Court fines are not booked to allowance for collectible accounts.

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

	<b><u>Taxes Receivables</u></b>
Gross receipts taxes	\$ 1,047,934
Franchise	109,984
Property taxes	71,170
Other	69,657
	\$ 1,298,745

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 \$55,075.

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**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, 2019 is as follows:

**TRANSFERS:**

<u>Fund</u>	<u>Transfer In</u>	<u>Transfer Out</u>
General Fund	\$ 1,275,459	\$ 652,196
Fire Protection Fund	-	99,340
Corrections Fund	42,917	-
Library Fund	30,000	-
Portales Area Transit Fund	60,356	-
Municipal Streets Fund	144,000	-
Capital Projects Funds	25,000	-
CDBG Capital Projects Fund	21,826	-
Capital Repair and Replacement Fund	277,915	-
Risk Management Fund	19,000	-
Energy Conservation Lease Fund	123,103	-
Water and Sewer Fund	483,806	1,595,120
Solid Waste Fund	-	240,649
Airport Fund	83,923	-
	<u>83,923</u>	<u>-</u>
Total	<u>\$ 2,587,305</u>	<u>\$ 2,587,305</u>



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**6. CAPITAL ASSETS**

A summary of capital assets and changes occurring during the year ended June 30, 2019, including those changes pursuant to the implementation of GASB Statement No. 34, follows. Land and Construction in Progress is not subject to depreciation.

	<b>Balance June 30, 2018</b>	<b>Additions</b>	<b>Retirements and Transfers</b>	<b>Balance June 30, 2019</b>
<i>Governmental activities:</i>				
Capital assets not being depreciated:				
Land	\$ 649,102	\$ 50,402	\$ -	\$ 699,504
Construction in progress	<u>213,001</u>	<u>1,050,622</u>	<u>(809,072)</u>	<u>454,551</u>
Total	862,103	1,101,024	(809,072)	1,154,055
Other capital assets being depreciated:				
Buildings	6,740,912	-	-	6,740,912
Improvements	7,182,886	5,940	809,072	7,997,898
Machinery and equipment	3,312,196	95,425	(36,653)	3,370,968
Furniture and fixtures	195,828	-	-	195,828
Vehicles	<u>4,389,583</u>	<u>49,864</u>	<u>(165,945)</u>	<u>4,273,502</u>
Total	<u>21,821,405</u>	<u>151,229</u>	<u>606,474</u>	<u>22,579,108</u>
Total capital assets	22,683,508	1,252,253	(202,598)	23,733,163
Less accumulated depreciation for:				
Buildings	4,845,638	177,892	-	5,023,530
Improvements	3,819,268	323,293	-	4,142,561
Machinery and equipment	2,880,723	95,893	(25,811)	2,950,805
Furniture and fixtures	202,637	-	(10,842)	191,795
Vehicles	<u>3,952,636</u>	<u>204,325</u>	<u>(165,945)</u>	<u>3,991,016</u>
Total accumulated depreciation	<u>15,700,902</u>	<u>801,403</u>	<u>(202,598)</u>	<u>16,299,707</u>
Governmental capital assets, net	<u>\$ 6,982,606</u>	<u>\$ 450,850</u>	<u>\$ -</u>	<u>\$ 7,433,456</u>

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**6. CAPITAL ASSETS (CONTINUED)**

	<u>Balance June 30, 2018</u>	<u>Additions</u>	<u>Retirements and Transfers</u>	<u>Balance June 30, 2019</u>
<i>Business-type activities:</i>				
Capital assets not being depreciated:				
Land	\$ 4,593,347	\$ -	\$ -	\$ 4,593,347
Construction in progress	<u>1,250,922</u>	<u>449,509</u>	<u>(454,937)</u>	<u>1,245,494</u>
Total	5,844,269	449,509	(454,937)	5,838,841
Capital assets being depreciated:				
Buildings	1,558,823	-	-	1,558,823
Improvements	44,479,088	618,538	183,330	45,280,956
Machinery and equipment	4,707,923	49,170	(14,121)	4,742,972
Furniture and fixtures	4,929	-	-	4,929
Vehicles	<u>1,922,867</u>	<u>-</u>	<u>(17,849)</u>	<u>1,905,018</u>
Total	<u>52,673,630</u>	<u>667,708</u>	<u>151,360</u>	<u>53,492,698</u>
Total capital assets	58,517,899	1,117,217	(303,577)	59,331,539
Less accumulated depreciation:				
Buildings	1,219,481	46,541	-	1,266,022
Improvements	13,276,877	1,135,649	(281,641)	14,130,885
Machinery and equipment	4,018,214	153,144	(21,477)	4,149,881
Furniture and fixtures	4,929	-	-	4,929
Vehicles	<u>1,558,783</u>	<u>102,021</u>	<u>(459)</u>	<u>1,660,345</u>
Total accumulated depreciation	<u>20,078,284</u>	<u>1,437,355</u>	<u>(303,577)</u>	<u>21,212,062</u>
Business-type capital assets, net	<u>\$ 38,439,615</u>	<u>\$ (320,138)</u>	<u>\$ -</u>	<u>\$ 38,119,477</u>

The City reported \$801,403 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, 2019, was as follows:

	<b>Balance June 30, 2018</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance June 30, 2019</b>
<b>Governmental Activities:</b>				
NMFA - PPRF 4195	\$ 1,065,213	\$ -	\$ 22,140	\$ 1,043,073
NMFA Loan - Fire Truck	<u>382,580</u>	<u>-</u>	<u>34,783</u>	<u>347,797</u>
Total Governmental Debt	<u>\$ 1,447,793</u>	<u>\$ -</u>	<u>\$ 56,923</u>	<u>\$ 1,390,870</u>

	<b>Balance June 30, 2018</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance June 30, 2019</b>
<b>Business-Type Activities:</b>				
Project # 0344 - WTB	\$ 197,838	\$ -	\$ 11,406	\$ 186,432
Water Improvement	775,551	-	54,646	720,905
WPF 4318	-	223,178	-	223,178
NMED - Wastewater Facility	<u>25,251,000</u>	<u>-</u>	<u>1,329,000</u>	<u>23,922,000</u>
Total Business-Type Debt	<u>\$26,224,389</u>	<u>\$ 223,178</u>	<u>\$ 1,395,052</u>	<u>\$25,052,515</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
2020	\$ 59,438	\$ 39,556	\$ 98,994	\$ 1,406,631	\$ 22,186	\$ 1,428,817
2021	60,454	39,526	99,980	1,408,503	20,472	1,428,975
2022	61,626	38,150	99,776	1,410,267	18,709	1,428,976
2023	62,936	36,972	99,908	1,412,084	16,892	1,428,976
2024	64,389	35,639	100,028	1,413,954	15,022	1,428,976
2025-2029	302,671	154,674	457,345	7,099,819	45,061	7,144,880
2030-2034	159,602	126,512	286,114	6,829,667	3,556	6,833,223
2035-2039	187,653	98,462	286,115	4,071,590	726	4,072,316
2040-2044	222,890	63,224	286,114	-	-	-
2045-2049	<u>209,211</u>	<u>19,679</u>	<u>228,890</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total	<u>\$1,390,870</u>	<u>\$ 652,394</u>	<u>\$2,043,264</u>	<u>\$ 25,052,515</u>	<u>\$ 142,624</u>	<u>\$25,195,139</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
<b>Governmental Activities:</b>						
NMFA -PPRF	1.35%	Monthly	\$57,223	May 2048	\$ 24,109	Fire
NMFA - Fire Truck	1.73%	Monthly	\$2,984	May 2028	<u>35,329</u>	Fire
					<u>\$ 59,438</u>	

Description	Interest Rate	Payment Frequency	Payment Amount	Maturity Date	Due Within One Year	Servicing Fund
<b>Business-Type Activities:</b>						
Water/Sewer Revenue Bonds	0%	Annual	\$1,153,540	June 2031	\$ 1,329,000	Water and Sewer
Project # 0344 - WTB	0.25%	Monthly	\$859	June 2035	11,464	Water and Sewer
WPF 4318	0.25%	Monthly	\$823	June 2040	9,881	Water and Sewer
Water Improvement	3.00%	Annual	\$78,309	September 2029	<u>56,286</u>	Water Conservation
					<u>\$ 1,406,631</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)**

	<b>Balance June 30, 2018</b>	<b>Additions</b>	<b>Reductions</b>	<b>Balance June 30, 2019</b>	<b>Due Within One Year</b>
Governmental Activities	\$ 444,264	\$ 175,178	\$ 207,863	\$ 411,579	\$ 26,968
Business-Type Activities	<u>84,884</u>	<u>38,632</u>	<u>28,246</u>	<u>95,270</u>	<u>272</u>
	<u>\$ 529,148</u>	<u>\$ 213,810</u>	<u>\$ 236,109</u>	<u>\$ 506,849</u>	<u>\$ 27,240</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. As of the year ended June 30, 2019 the City does not have any outstanding bonds.

**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 \$464,368 as of June 30, 2019, 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, 2019. 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. The liability is covered with the revenue receipted in the Solid Waste Fund.

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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, 2019 were \$571,400.

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, 2019 no unpaid claims have been filed which exceed the policy limits and to the best of management's knowledge and belief all known and unknown claims will be covered by insurance. No major lawsuits have been filed against the City.

**12. PERA PENSION PLAN**

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

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 allocating obligations to the contributing employers as of the year ended June 30, 2018.

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**12. PERA PENSION PLAN (CONTINUED)**

**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, 2018 available at:  
<http://www.nmpera.org/assets/uploads/downloads/GASB/Final-Version-NMPERA-2018-GASB-68-Report.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 FY18 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures of the PERA FY18 annual audit report at <http://www.nmpera.org/assets/uploads/downloads/GASB/Final-Version-NMPERA-2018-GASB-68-Report.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 \$676,862 and employer paid member benefits that were "picked up" by the employer were \$0 for the year ended June 30, 2019.

**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, 2017. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2018, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2018.

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 City of Portales' 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, 2018 were included in the total contributions for a specific employer.

Regular and any adjustment contributions that applied to FY 2018 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, 2019, the City reported the following liability:

Municipal General Division	\$ 5,261,421
Municipal Police Division	3,264,826
Municipal Fire Division	<u>4,991,210</u>
Total Net Pension Liability	<u>\$ 13,517,457</u>

The amounts are the proportionate share of the net pension liability. At June 30, 2018, the City's proportion noted below was unchanged from its proportion measured as of June 30, 2018, due to the insignificance of the difference.

For the year ended June 30, 2019, the City recognized the following pension expense:

Municipal General Division	\$ 491,642
Municipal Police Division	380,669
Municipal Fire Division	<u>457,782</u>
Total pension expense	<u>\$ 1,330,093</u>

At June 30, 2019, the City reported deferred outflows of resources and deferred inflows or resources related to pensions for Municipal General Division from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred inflows of resources</u>
Changes in assumptions	\$ 477,022	\$ 30,251
Net difference between projected and actual earnings on pension plan investments	390,214	-
Difference between expected and actual experience	152,066	138,137
Contributions subsequent to the measurement date	276,303	-
Change in proportion and differences between employer contributions and proportionate share of contributions	<u>127,368</u>	<u>401,822</u>
Total	<u>\$ 1,422,973</u>	<u>\$ 570,210</u>

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**12. PERA PENSION PLAN (CONTINUED)**

At June 30, 2019, the City reported deferred outflows of resources and deferred inflows or resources related to pensions for Municipal Police Division from the following sources:

	Deferred Outflows of Resources	Deferred inflows of resources
Changes in assumptions	\$ 372,521	\$ 19,959
Net difference between projected and actual earnings on pension plan investments	224,666	-
Difference between expected and actual experience	159,831	323,629
Contributions subsequent to the measurement date	214,344	-
Change in proportion and differences between employer contributions and proportionate share of contributions	<u>26,529</u>	<u>168,911</u>
Total	<u>\$ 997,891</u>	<u>\$ 512,499</u>

At June 30, 2019, the City reported deferred outflows of resources and deferred inflows or resources related to pensions for Municipal Fire Division from the following sources:

	Deferred Outflows of Resources	Deferred inflows of resources
Changes in assumptions	\$ 288,259	\$ 18,226
Net difference between projected and actual earnings on pension plan investments	175,029	-
Difference between expected and actual experience	80,209	364,007
Contributions subsequent to the measurement date	186,215	-
Change in proportion and differences between employer contributions and proportionate share of contributions	<u>124,438</u>	<u>273,615</u>
Total	<u>\$ 854,150</u>	<u>\$ 655,848</u>

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**12. PERA PENSION PLAN (CONTINUED)**

	<u>Liability Proportion</u>
Municipal General Division	0.3300%
Municipal Police Division	0.4785%
Municipal Fire Division	0.7798%

In June 30, 2019, \$676,862 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>
2020	\$ 463,307	\$ 217,930	\$ 125,416
2021	\$ 160,138	\$ (8,083)	\$ (69,301)
2022	\$ (65,396)	\$ 49,721	\$ (51,933)
2023	\$ 18,411	\$ 11,480	\$ 7,905
2024	\$ -	\$ -	\$ -

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, 2017 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, 2018 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, 2018. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2017 actuarial valuation.

Actuarial valuation date	June 30, 2017
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	7.25% annual rate, net of investment expense
-Projected benefit payment	100 years

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12. PERA PENSION PLAN (CONTINUED)

-Payroll growth	3.00% annual rate
-Projected salary increases	3.00% to 13.50% annual rate
Includes inflation at	2.50% annual rate
-Mortality assumption	RP-2000 Mortality Tables (Combined table for healthy post-retirees, Employee table for active members, and Disabled table for disabled retirees before retirement age) with projection to 2018 using Scale AA
-Experience study dates	July 1, 2008 to June 30, 2013

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
Global Equity	43.5 %	7.39 %
Risk Reduction & Mitigation	21.5	1.79
Credit Oriented Fixed Income	15.0	5.77
Risk Assets	<u>20.0</u>	7.35
Total	100.0 %	

**Sensitivity of the net pension liability to changes in the discount rate** - The following presents the net pension liability of City of Portales, calculated using the discount rate of 7.25 percent, as well as what the 2019's net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point higher (8.25 percent) than the current rate:

	1% Decrease 6.25%	Current 7.25%	1% Increase 8.25%
City's proportionate share of the Net Pension Liability	<u>\$ 19,790,345</u>	<u>\$ 13,517,457</u>	<u>\$ 8,364,417</u>
TOTAL	<u>\$ 19,790,345</u>	<u>\$ 13,517,457</u>	<u>\$ 8,364,417</u>

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**12. PERA PENSION PLAN (CONTINUED)**

**Pension plan fiduciary net position.** Detailed information about the pension plan's fiduciary net position is available in the separately issued FY18. 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 \$ 60,100 at June 30, 2019. The payable was a result of cutoff, and was paid in to PERA in July 2019.

**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.

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

**Funding Policy** - The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at [www.nmrhca.state.nm.us](http://www.nmrhca.state.nm.us). The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the employer and employee contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers after January 1, 1998, are required to make contributions to the RHCA fund in the amount determined to be appropriate by the board.

(1) The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees who are members of an enhanced retirement plan (state police and adult correctional officer coverage plan 1; municipal police member coverage plans 3, 4 and 5; municipal fire member coverage plan 3, 4 and 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act [10-12B-1 NMSA 1978]). During the fiscal year ended June 30, 2019, 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, 2019 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>
2019	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, 2019, 2018, and 2017 were \$111,672, \$113,777, and \$169,839, respectively, which equal the required contributions for each year.

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

**OPEB Liabilities, OPEB Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to OPEB** – At June 30, 2019, the City reported a liability of \$5,776,789 for its proportionate share of the net OPEB liability. The net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of that date. The City’s proportion of the net OPEB liability was based on actual contributions provided to the Fund for the year ending June 30, 2019. At June 30, 2019, the City’s proportion was 0.13188%.

For the year ended June 30, 2019, the City recognized OPEB expense of \$2,077. At June 30, 2019, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ -	\$ 1,078,501
Net difference between projected and actual earnings on OPEB plan investments	-	72,092
Difference between expected and actual experience	-	342,023
Change in Proportion	44,529	-
Contributions made after the measurement date	111,994	-
	\$ 156,523	\$ 1,492,616

Deferred outflows of resources totaling \$111,994 represent City contributions to the fund made subsequent to the measurement date and will be recognized as a reduction of net OPEB liability in the year ending June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources will be recognized in OPEB expense as follows:

Year Ending		
2020	\$	(369,808)
2021		(369,808)
2022		(369,808)
2023		(283,436)
2024		(55,228)
	\$	(1,448,088)

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

**Actuarial assumptions** – The total OPEB liability was determined by an actuarial valuation using the following actuarial assumptions:

Actuarial valuation date	June 30, 2017
Actuarial cost method	Entry age normal , level percent of pay,calculated on individual employee basis
Asset valuation method	Market Value of assets
Actuarial assumptions	
Inflation	2.50% for ERB: 2.25% for PERA
Projected payroll increases	3.50%
Investment rate of return	7.25%, net of OPEB plan investment expense and margin for adverse deviation including inflation.
Healthcare cost trend rate	8% graded down to 4.5% over 14 years for non-Medicare medical plan costs and 7.5% graded down to 4.5% over 12 for Medicare medical plan costs

**Rate of Return** – The long-term expected rate of return on OPEB plan investments was determined using a building-block method in which the expected future real rates of return (net of Investment fees and inflation) are developed for each major asset class. These returns 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, adding expected inflation and subtracting expected investment expenses and a risk margin. The target allocation and projected arithmetic real rates of return for each major asset class, after deducting inflation, but before investment expenses, used in the derivation of the long-term expected investment rate of return assumptions. The best estimates for the long-term expected rate of return is summarized as follows:

Assets Class	Long-Term Rate of Return
U.S. core of fixed income	2.1%
U.S equity - large cap	7.10%
Non U.S. - emerging markets	10.2%
Non U.S. - developed equities	7.8%
Private equity	11.8%
Credit and structured finance	5.3%
Real estate	4.9%
Absolute return	4.1%
U.S. equity - small/mid cap	7.1%



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

**Discount Rate** – The discount rate used to measure the Fund’s total OPEB liability is 3.81% as of June 30, 2017. The projection of cash flows used to determine the discount rate assumed that employer contributions will be made at rates proportional to the actuary determined contribution rates. For this purpose, employer contributions that are intended to fund benefits of current plan members and their beneficiaries are included. Projected employer contributions that are intended to fund the service costs for future plan members and their beneficiaries are not included. Based on those assumptions, the Fund’s fiduciary net position was projected to be available to make all projected future benefit payments for current plan members through the fiscal year ending June 30, 2028. Thus, the 7.25% discount rate was used to calculate the net OPEB liability through 2029. Beyond 2029, the index rate for 20-year, tax exempt general obligation municipal bonds with an average rating of AA/Aa or higher. Thus, 3.81% is the blended discount rate.

**Sensitivity of the Net OPEB Liability to Changes in the Discount Rate and Healthcare Cost Trend Rates** – The following presents the net OPEB liability of the City, as well as what the City’s net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower (2.81 percent) or 1-percentage-point higher (4.81 percent) than the current discount rate:

1% Decrease 3.08%	Current Discount Rate 4.08%	1% Increase 5.08%
<u>\$ 6,991,275</u>	<u>\$ 5,776,789</u>	<u>\$ 4,819,504</u>

The following presents the net OPEB liability of the City, as well as what the City’s net OPEB liability would be if it were calculated using healthcare cost trend rates that are 1-percentage-point lower or 1-percentage-point higher than the current healthcare cost trend rates:

1% Decrease	Current Trend Rate	1% Increase
<u>\$ 4,883,412</u>	<u>\$ 5,776,789</u>	<u>\$ 6,477,217</u>

**OPEB Plan Fiduciary Net Position** - Detailed information about the OPEB plan’s fiduciary net position is available in NMRHCA’s audited financial statements for the year ended June 30, 2018.

**Payable Changes in the Net OPEB Liability** – At June 30, 2019, the City reported a payable of \$35,166 for outstanding contributions due to NMRHCA for the year ended June 30, 2019.

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**14. TAX ABATEMENT**

Roosevelt County property tax revenue and Gross Receipts Tax for the State of New Mexico was reduced by an unestimable amount under agreements entered into by the City. Below is the information available to the City in relation to this abatement.

<b>Agency Number</b>	6136
<b>Agency Name</b>	City of Portales
<b>Agency Type</b>	Municipality
<b>Tax Abatement Agreement Name</b>	Industrial Revenue Bond Agreement
<b>Recipient(s) of tax abatement</b>	DairiConcepts, L.P., or its successors or assigns
<b>Parent company(ies) of recipient(s) of tax abatement</b>	Dairy Farmers of America
<b>Tax abatement program (name and brief description)</b>	Industrial Revenue Bond Agreement - Issuance of an aggregate principal amount up to \$25,000,000 in connection with a proposed expansion of a project located at the southwest corner of 18th Street and Industrial Drive
<b>Specific Tax(es) Being Abated</b>	Property tax, gross receipts tax
<b>Legal authority under which tax abatement agreement was entered into</b>	Industrial Revenue Bond Act, Sections 3-21-1 through 3-32-30 NMSA 1978
<b>Criteria that make a recipient eligible to receive a tax abatement</b>	The Project will promote the local health, general welfare, safety, convenience and prosperity of the inhabitants of the City
<b>How are the tax abatement recipient's taxes reduced? (For example: through a reduction of assessed value)</b>	The tax abatement recipient's taxes are reduced by a reduction of assessed property values, and by issuance of non-taxable transaction certificates for purchase of property

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**14. TAX ABATEMENT (CONTINUED)**

**How is the amount of the tax abatement determined? For example, this could be a specific dollar amount, a percentage of the tax liability, etc.**

The City agreed that the portion of the Facility acquired by the City will not be subject to property tax nor any payments in lieu of property tax during the period on the acquisition, construction and/or installation of such portion of the Facility by the City and ending on the earlier of 30 years from that date or the full retirement of the bonds. The City acquired in its name the new portion of the Facility , and for such acquisition the City will make appropriate nontaxable transaction certificates available to suppliers as may be appropriate under the New Mexico Gross Receipts and Compensating Tax Act, Section 7-9-1 through 7-9-0 NMSA 1978.

**Are there provisions for recapturing abated taxes? (Yes or No)**

No

**If there are provisions for recapturing abated taxes, describe them, including the conditions under which abated taxes become eligible for recapture.**

N/A

**List each specific commitment made by the recipient of the abatement.**

The acquisition and equipping a portion of a milk processing facility for the production of various dairy products.

**Gross dollar amount, on an accrual basis, by which the government's tax revenues were reduced during the reporting period as a result of the tax abatement agreement.**

No estimate is available for the amount of gross receipts tax abated. The City has contacted Dairy Farmers of America for information concerning purchases using non-taxable certificates issued by the City, and Dairy Farmers of America is unable to provide an amount. The amount of property tax abated is an estimate provided by the Roosevelt County Treasurer. The property was never valued by Roosevelt County for tax purposes, and this is an estimate only. Property tax abated: \$9,431.64

**For any Payments in Lieu of Taxes (PILOTs) or similar payments receivable by your agency or another agency in association with the foregone tax revenue, list the authority for and describe the payment, including the agency that is supposed to receive the payment**

N/A

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**14. TAX ABATEMENT (CONTINUED)**

For any Payments in Lieu of Taxes (PILOTs) or similar payments receivable by your agency in association with the foregone tax revenue, list the amount of payments received in the current fiscal year

N/A

For any Payments in Lieu of Taxes (PILOTs) or similar payments receivable by a different agency in association with the foregone tax revenue, list the name of the agency and the amount of payments received in the current fiscal year

N/A

List each specific commitment made by your agency or any other government, other than the tax abatement.

None

Are any other governments affected by this tax abatement agreement? (Yes or No) If yes, list each affected agency and complete an intergovernmental disclosure for each such agency.

Yes. Affected Agencies are: Portales Schools, Roosevelt County, State of New Mexico

If your agency is omitting any information required in this spreadsheet or by GASB 77, cite the legal basis for such omission.

-

In the report disclosure is this abatement aggregated?

No

Threshold amount for aggregation

-

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CITY OF PORTALES  
NOTES TO BASIC FINANCIAL STATEMENTS  
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**14. TAX ABATEMENT (CONTINUED)**

<b>Agency number for Agency making the disclosure (Abating Agency)</b>	6136
<b>Abating Agency Name</b>	City of Portales
<b>Abating Agency Type</b>	Municipality
<b>Tax Abatement Agreement Name</b>	Industrial Revenue Bond Agreement
<b>Name of agency affected by abatement agreement (Affected Agency)</b>	Portales Municipal Schools
<b>Agency number of Affected Agency</b>	7067
<b>Agency type of Affected Agency Recipient(s) of tax abatement Tax abatement program (name and brief description)</b>	School District DairiConcepts, L.P., or its successors or assigns Industrial Revenue Bond Agreement - Issuance of an aggregate principal amount up to \$25,000,000 in connection with a proposed expansion of a project located at the southwest corner of 18th Street and Industrial Drive
<b>Specific Tax(es) Being Abated Authority under which abated tax would have been paid to Affected Agency</b>	Property tax, gross receipts tax Property tax: NM Const. Art. VIII, Gross Receipts Tax 3.2 NMAC Sections 7-9-1 to 7-9-115 NMSA 1978
<b>Gross dollar amount, on an accrual basis, by which the Affected Agency's tax revenues were reduced during the reporting period as a result of the tax abatement agreement</b>	No estimate is available for the amount of gross receipts tax abated. The City has contacted Dairy Farmers of America for information concerning purchases using non-taxable certificates issued by the City, and Dairy Farmers of America is unable to provide an amount. The amount of property tax abated is an estimate provided by the Roosevelt County Treasurer. The property was never valued by Roosevelt County for tax purposes, and this is an estimate only. Property tax abated: \$33,392.13

STATE OF NEW MEXICO  
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**14. TAX ABATEMENT (CONTINUED)**

For any Payments in Lieu of Taxes (PILOTs) or similar payments receivable by the Affected Agency in association with the foregone tax revenue, list the amount of payments received in the current fiscal year

N/A

If the Abating Agency is omitting any information required in this spreadsheet or by GASB 77, cite the legal basis for such omission

-

Is the abatement amount aggregated?

No

Threshold amount for aggregation

-

STATE OF NEW MEXICO  
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**14. TAX ABATEMENT (CONTINUED)**

<b>Agency number for Agency making the disclosure (Abating Agency)</b>	6136
<b>Abating Agency Name</b>	City of Portales
<b>Abating Agency Type</b>	Municipality
<b>Tax Abatement Agreement Name</b>	Industrial Revenue Bond Agreement
<b>Name of agency affected by abatement agreement (Affected Agency)</b>	Roosevelt County
<b>Agency number of Affected Agency</b>	5022
<b>Agency type of Affected Agency</b>	County Government
<b>Recipient(s) of tax abatement</b>	DairiConcepts, L.P., or its successors or assigns
<b>Tax abatement program (name and brief description)</b>	Industrial Revenue Bond Agreement - Issuance of an aggregate principal amount up to \$25,000,000 in connection with a proposed expansion of a project located at the southwest corner of 18th Street and Industrial Drive
<b>Specific Tax(es) Being Abated</b>	Property tax, gross receipts tax
<b>Authority under which abated tax would have been paid to Affected Agency</b>	Property tax: NM Const. Art. VIII, Gross Receipts Tax 3.2 NMAC Sections 7-9-1 to 7-9-115 NMSA 1978
<b>Gross dollar amount, on an accrual basis, by which the Affected Agency's tax revenues were reduced during the reporting period as a result of the tax abatement agreement</b>	No estimate is available for the amount of gross receipts tax abated. The City has contacted Dairy Farmers of America for information concerning purchases using non-taxable certificates issued by the City, and Dairy Farmers of America is unable to provide an amount. The amount of property tax abated is an estimate provided by the Roosevelt County Treasurer. The property was never valued by Roosevelt County for tax purposes, and this is an estimate only. Property tax abated: \$36,822.75

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**14. TAX ABATEMENT (CONTINUED)**

For any Payments in Lieu of Taxes (PILOTs) or similar payments receivable by the Affected Agency in association with the foregone tax revenue, list the amount of payments received in the current fiscal year

N/A

If the Abating Agency is omitting any information required in this spreadsheet or by GASB 77, cite the legal basis for such omission

-

Is the abatement amount aggregated? No

Threshold amount for aggregation

-



STATE OF NEW MEXICO  
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NOTES TO BASIC FINANCIAL STATEMENTS  
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14. TAX ABATEMENT (CONTINUED)

<b>Agency number for Agency making the disclosure (Abating Agency)</b>	6136
<b>Abating Agency Name</b>	City of Portales
<b>Abating Agency Type</b>	Municipality
<b>Tax Abatement Agreement Name</b>	Industrial Revenue Bond Agreement
<b>Name of agency affected by abatement agreement (Affected Agency)</b>	State of New Mexico Taxation and Revenue Department
<b>Agency number of Affected Agency</b>	333
<b>Agency type of Affected Agency</b>	Division of State Government
<b>Recipient(s) of tax abatement</b>	DairiConcepts, L.P., or its successors or assigns
<b>Tax abatement program (name and brief description)</b>	Industrial Revenue Bond Agreement - Issuance of an aggregate principal amount up to \$25,000,000 in connection with a proposed expansion of a project located at the southwest corner of 18th Street and Industrial Drive
<b>Specific Tax(es) Being Abated Authority under which abated tax would have been paid to Affected Agency</b>	Property tax, gross receipts tax Property tax: NM Const. Art. VIII, Gross Receipts Tax 3.2 NMAC Sections 7-9-1 to 7-9-115 NMSA 1978
<b>Gross dollar amount, on an accrual basis, by which the Affected Agency's tax revenues were reduced during the reporting period as a result of the tax abatement agreement</b>	No estimate is available for the amount of gross receipts tax abated. The City has contacted Dairy Farmers of America for information concerning purchases using non-taxable certificates issued by the City, and Dairy Farmers of America is unable to provide an amount. The amount of property tax abated is an estimate provided by the Roosevelt County Treasurer. The property was never valued by Roosevelt County for tax purposes, and this is an estimate only. Property tax abated: \$4,569.66

STATE OF NEW MEXICO  
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NOTES TO BASIC FINANCIAL STATEMENTS  
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**14. TAX ABATEMENT (CONTINUED)**

For any Payments in Lieu of Taxes (PILOTs) or similar payments receivable by the Affected Agency in association with the foregone tax revenue, list the amount of payments received in the current fiscal year

N/A

If the Abating Agency is omitting any information required in this spreadsheet or by GASB 77, cite the legal basis for such omission

-

Is the abatement amount aggregated? No

Threshold amount for aggregation

-

**15. COMMITMENTS AND CONTINGENCIES**

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

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

The City is involved in various claims and lawsuits arising in the normal course of business. The City is insured through the New Mexico 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.

**16. SUBSEQUENT EVENTS**

Management has evaluated subsequent events through December 13, 2019 the date the financial statements were available to be issued.

**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, 2019

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
The City of Portales' proportion of the net pension liability	\$ 2,941,005	\$ 3,665,414	\$ 5,513,537	\$ 5,058,005	\$ 5,261,421
The City of Portales' proportionate share of the net pension liability	0.3770%	0.3595%	0.3451%	0.3681%	0.3300%
The City of Portales' covered-employee payroll	\$ 1,878,126	\$ 2,207,416	\$ 2,216,028	\$ 2,272,384	\$ 2,320,639
The City of Portales' proportionate share of the net pension liability as a percentage of its covered-employee payroll	156.59 %	166.05 %	248.80 %	222.59 %	226.72 %
Plan fiduciary net position as a percentage of the total pension liability	81.29 %	76.99 %	69.18 %	73.74 %	71.13 %

\*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, 2019

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Contractually required contribution	\$ 122,698	\$ 276,437	\$ 249,055	\$ 254,223	\$ 275,557
Contributions in relation to the contractually required contribution	<u>122,698</u>	<u>276,437</u>	<u>249,055</u>	<u>254,223</u>	<u>275,557</u>
Contribution deficiency (excess)	-	-	-	-	-
The City of Portales' covered-employee payroll	<u>\$ 1,878,126</u>	<u>\$ 2,207,416</u>	<u>\$ 2,216,028</u>	<u>\$ 2,272,384</u>	<u>\$ 2,320,639</u>
Contributions as a percentage of covered-employee payroll	<u>6.53 %</u>	<u>12.52 %</u>	<u>11.24 %</u>	<u>11.19 %</u>	<u>11.87 %</u>

\* 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, 2019

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
The City of Portales' proportion of the net pension liability	\$ 1,456,845	\$ 2,536,997	\$ 3,926,730	\$ 3,264,826	\$ 3,264,826
The City of Portales' proportionate share of the net pension liability	0.4500 %	0.5300 %	0.5300 %	0.4974 %	0.4785 %
The City of Portales' covered-employee payroll	\$ 930,341	\$ 1,615,574	\$ 1,820,434	\$ 1,781,335	\$ 1,800,252
The City of Portales' proportionate share of the net pension liability as a percentage of its covered-employee payroll	156.59 %	157.03 %	215.70 %	155.13 %	181.35 %
Plan fiduciary net position as a percentage of the total pension liability	81.29 %	76.99 %	69.18 %	73.74 %	71.13 %

\*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  
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SCHEDULE OF CITY OF PORTALES' CONTRIBUTIONS  
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN  
PERA MUNICIPAL POLICE DIVISION  
LAST 10 FISCAL YEARS\*  
FOR THE YEAR ENDED JUNE 30, 2019

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Contractually required contribution	\$ 97,835	\$ 202,320	\$ 204,595	\$ 199,287	\$ 213,765
Contributions in relation to the contractually required contribution	<u>97,835</u>	<u>202,320</u>	<u>204,595</u>	<u>199,287</u>	<u>213,765</u>
Contribution deficiency (excess)	-	-	-	-	-
The City of Portales' covered-employee payroll	<u>\$ 930,341</u>	<u>\$ 1,615,574</u>	<u>\$ 1,820,434</u>	<u>\$ 1,781,335</u>	<u>\$ 1,800,252</u>
Contributions as a percentage of covered-employee payroll	<u>10.52 %</u>	<u>12.52 %</u>	<u>11.24 %</u>	<u>11.19 %</u>	<u>11.87 %</u>

\* 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, 2019

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
The City of Portales' proportion of the net pension liability	\$ 3,328,760	\$ 4,047,915	\$ 5,362,163	\$ 4,814,024	\$ 4,991,210
The City of Portales' proportionate share of the net pension liability	0.7975 %	0.7843 %	0.7843 %	0.8414 %	0.7798%
The City of Portales' covered-employee payroll	\$ 2,125,747	\$ 1,648,313	\$ 1,639,169	\$ 1,647,941	\$ 1,563,999
The City of Portales' proportionate share of the net pension liability as a percentage of its covered-employee payroll	156.59 %	245.58 %	327.13 %	292.12 %	319.13 %
Plan fiduciary net position as a percentage of the total pension liability	81.29 %	76.99 %	69.18 %	73.74 %	71.13 %

\*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, 2019

	<u>2015</u>	<u>2016</u>	<u>2017</u>	<u>2018</u>	<u>2019</u>
Contractually required contribution	\$ 294,033	\$ 206,420	\$ 184,223	\$ 184,363	\$ 185,712
Contributions in relation to the contractually required contribution	<u>294,033</u>	<u>206,420</u>	<u>184,223</u>	<u>184,363</u>	<u>185,712</u>
Contribution deficiency (excess)	-	-	-	-	-
The City of Portales' covered-employee payroll	<u>\$ 2,125,747</u>	<u>\$ 1,648,313</u>	<u>\$ 1,639,169</u>	<u>\$ 1,647,941</u>	<u>\$ 1,563,999</u>
Contributions as a percentage of covered-employee payroll	<u>13.83 %</u>	<u>12.52 %</u>	<u>11.24 %</u>	<u>11.19 %</u>	<u>11.87 %</u>

\* 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 OPEB LIABILITY  
LAST 10 FISCAL YEARS\*  
FOR THE YEAR ENDED JUNE 30, 2019

	<u>2018</u>	<u>2019</u>
The City of Portales' proportion of the OPEB liability	\$ 5,976,370	\$ 5,776,789
The City of Portales' proportionate share of the OPEB liability	0.13188%	0.13285%
The City of Portales' covered-employee payroll	\$ 5,493,656	\$ 5,700,084
The City of Portales' proportionate share of the OPEB liability as a percentage of its covered-employee payroll	108.79 %	101.35 %
Plan fiduciary net position as a percentage of the total OPEB liability	11.34 %	13.14 %

\*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  
NEW MEXICO RETIREE HEALTH CARE  
PERA MUNICIPAL GENERAL DIVISION  
LAST 10 FISCAL YEARS\*  
FOR THE YEAR ENDED JUNE 30, 2019

	<b>2018</b>	<b>2019</b>
Contractually required contribution	\$ 418,781	\$ 207,600
Contributions in relation to the contractually required contribution	<u>210,181</u>	<u>205,066</u>
Contribution deficiency (excess)	208,600	2,534
The City of Portales' covered-employee payroll	<u>\$ 5,493,656</u>	<u>\$ 5,700,084</u>
Contributions as a percentage of covered-employee payroll	<u>3.83 %</u>	<u>3.60 %</u>

\* 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  
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2019

**PERA - Net Pension**

**Changes of Benefit Terms** - The PERA and COLA and retirement eligibility benefits changes in recent years are described in Note 1 of PERA's CFAR. <https://www.saonm.org>

**Changes of Assumptions** - The Public Employ Retirement Association of New Mexico Annual Actuarial Valuations as of June 2017 report is available at <http://www.nmpera.org/>

**NMRHCA - OPEB**

**Benefit changes** - In 2019 no benefit changes to those in place. Retirees and spouses are eligible for medical and prescription drug benefits. Dental and vision benefits are also available. New Mexico Retiree Health Care Authority audited comprehensive annual financial report is available at the following web address: [www.nmrhca.state.nm.us](http://www.nmrhca.state.nm.us)

**Changes of Assumptions** - The OPEB salary scale, inflation, and payroll assumptions were updated to reflect assumptions used in the OPEB June 30, 2018 retire health care fund valuation. Per capita costs, future trend for health costs, and medical election assumptions were updated.

**SUPPLEMENTARY INFORMATION**

STATE OF NEW MEXICO  
CITY OF PORTALES  
NON-MAJOR FUNDS  
JUNE 30, 2019

**SPECIAL REVENUE FUNDS**

Special Revenue funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts and major capital projects) that are legally restricted to expenditures for specified purposes.

**CORRECTION FUND** - Accounts for the cost of housing prisoners through the assessment of traffic violations within the City's jurisdiction.

**EMERGENCY MEDICAL SERVICES FUND** - Accounts for the state funding and expenditures of emergency medical equipment and supplies for the fire department.

**ENHANCED 911 FUND** - Accounts for state in-kind support and operations for the Enhanced 911 emergency system.

**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.

STATE OF NEW MEXICO  
CITY OF PORTALES  
NON-MAJOR FUNDS (CONTINUED)  
JUNE 30, 2019

**SPECIAL REVENUE FUNDS (CONTINUED)**

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

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

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

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

**PORTALES AREA TRANSIT FUND** - Accounts for the state grants received and ridership fees charged to operate and maintain the local public transportation system.

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

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

**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.

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

**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**

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

STATE OF NEW MEXICO  
CITY OF PORTALES  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2019

<u>Special Revenue Funds</u>						
	<u>Correction Fund</u>	<u>Emergency Medical Services Fund</u>	<u>Enhanced 911 Fund</u>	<u>Beautification/ Litter Control Fund</u>	<u>Law Enforcement Protection Law Fund</u>	<u>Library Fund</u>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 17,129	\$ 261	\$ 3,722	\$ 3,902	\$ -	\$ 17,432
Intergovernmental receivables	<u>-</u>	<u>-</u>	<u>5,434</u>	<u>1,439</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 17,129</u>	<u>\$ 261</u>	<u>\$ 9,156</u>	<u>\$ 5,341</u>	<u>\$ -</u>	<u>\$ 17,432</u>
<b>LIABILITIES AND FUND BALANCE</b>						
Liabilities						
Accounts payable	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8</u>
Total liabilities	-	-	-	-	-	8
Fund balances:						
Restricted, reported in:						
Special revenue funds	<u>17,129</u>	<u>261</u>	<u>9,156</u>	<u>5,341</u>	<u>-</u>	<u>17,424</u>
Total fund balances	<u>17,129</u>	<u>261</u>	<u>9,156</u>	<u>5,341</u>	<u>-</u>	<u>17,424</u>
Total liabilities and fund balances	<u>\$ 17,129</u>	<u>\$ 261</u>	<u>\$ 9,156</u>	<u>\$ 5,341</u>	<u>\$ -</u>	<u>\$ 17,432</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, 2019

	Special Revenue Funds						
	Lodgers Tax Fund	Recreation Fund	Local DWI Program Fund	Law Enforcement Special Service Fund	CDBG Rehabilitation Loan Repayment Fund	Municipal Street Fund	Economic Development
<b>ASSETS</b>							
Cash and cash equivalents	\$ 81,173	\$ 248,585	\$ 23,738	\$ 31,772	\$ 8,115	\$ 317,313	\$ 745,103
Restricted cash and cash equivalents							-
Investments							519,697
Taxes receivables	20,704	-	-	-	-	24,145	-
Intergovernmental receivables	-	-	45,153	-	-	-	-
Total assets	<u>\$ 101,877</u>	<u>\$ 248,585</u>	<u>\$ 68,891</u>	<u>\$ 31,772</u>	<u>\$ 8,115</u>	<u>\$ 341,458</u>	<u>\$ 1,264,800</u>
<b>LIABILITIES AND FUND BALANCE</b>							
Liabilities							
Accounts payable	\$ -	\$ 76	\$ 5	\$ 8,540	\$ -	\$ 4,087	\$ -
Accrued salaries	-	-	2,689	-	-	-	-
Total liabilities	-	76	2,694	8,540	-	4,087	-
Fund balances:							
Restricted, reported in:							
Special revenue funds	<u>101,877</u>	<u>248,509</u>	<u>66,197</u>	<u>23,232</u>	<u>8,115</u>	<u>337,371</u>	<u>1,264,800</u>
Total fund balances	<u>101,877</u>	<u>248,509</u>	<u>66,197</u>	<u>23,232</u>	<u>8,115</u>	<u>337,371</u>	<u>1,264,800</u>
Total liabilities and fund balances	<u>\$ 101,877</u>	<u>\$ 248,585</u>	<u>\$ 68,891</u>	<u>\$ 31,772</u>	<u>\$ 8,115</u>	<u>\$ 341,458</u>	<u>\$ 1,264,800</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, 2019

<u>Special Revenue Funds</u>						
	<u>Criminal Justice Fund</u>	<u>MainStreet Fund</u>	<u>Portales Area Transit Fund</u>	<u>Risk Management Fund</u>	<u>Fire Protection Fund</u>	<u>Total Nonmajor Special Revenue Funds</u>
<b>ASSETS</b>						
Cash and cash equivalents	\$ 7,490	\$ 159	\$ 57,165	\$ 26,557	\$ 483,135	\$ 2,072,751
Restricted cash and cash equivalents	-	-	-	-	1,085,180	1,085,180
Investments	-	-	-	89,763	-	609,460
Taxes receivables	-	-	-	-	-	44,849
Intergovernmental receivables	-	-	8,385	-	-	60,411
	<u>7,490</u>	<u>159</u>	<u>65,550</u>	<u>116,320</u>	<u>1,568,315</u>	<u>3,872,651</u>
Total assets	<u>\$ 7,490</u>	<u>\$ 159</u>	<u>\$ 65,550</u>	<u>\$ 116,320</u>	<u>\$ 1,568,315</u>	<u>\$ 3,872,651</u>
<b>LIABILITIES AND FUND BALANCE</b>						
Liabilities						
Accounts payable	\$ 415	\$ -	\$ 1,492	\$ -	\$ -	\$ 14,623
Accrued interest	-	-	-	-	6,650	6,650
Accrued salaries	-	-	6,038	-	-	8,727
	<u>415</u>	<u>-</u>	<u>7,530</u>	<u>-</u>	<u>6,650</u>	<u>30,000</u>
Total liabilities	415	-	7,530	-	6,650	30,000
Fund balances:						
Restricted, reported in:						
Special revenue funds	<u>7,075</u>	<u>159</u>	<u>58,020</u>	<u>116,320</u>	<u>1,561,665</u>	<u>3,842,651</u>
Total fund balances	<u>7,075</u>	<u>159</u>	<u>58,020</u>	<u>116,320</u>	<u>1,561,665</u>	<u>3,842,651</u>
Total liabilities and fund balances	<u>\$ 7,490</u>	<u>\$ 159</u>	<u>\$ 65,550</u>	<u>\$ 116,320</u>	<u>\$ 1,568,315</u>	<u>\$ 3,872,651</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, 2019

	<u>Capital Projects Funds</u>			<u>Debt Service Funds</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Capital Projects Fund</u>	<u>CDBG Capital Projects</u>	<u>Capital Repair and Replacement Fund</u>	<u>Energy Conservation Lease Fund</u>	
<b>ASSETS</b>					
Cash and cash equivalents	\$ 291,729	\$ 1,301	\$ 22,561	\$ -	\$ 2,388,342
Restricted cash and cash equivalents	-	-	-	-	1,085,180
Investments	295,266	-	-	-	904,726
Taxes receivables	8,170	-	-	-	53,019
Intergovernmental receivables	-	-	-	-	60,411
Due from other funds	-	2,804	-	-	2,804
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 595,165</u>	<u>\$ 4,105</u>	<u>\$ 22,561</u>	<u>\$ -</u>	<u>\$ 4,494,482</u>
<b>LIABILITIES AND FUND BALANCE</b>					
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ 14,623
Accrued interest	-	-	-	-	6,650
Accrued salaries	-	-	-	-	8,727
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	-	-	-	-	30,000
Fund balances:					
Restricted, reported in:					
Special revenue funds	-	-	-	-	3,842,651
Capital project funds	<u>595,165</u>	<u>4,105</u>	<u>22,561</u>	<u>-</u>	<u>621,831</u>
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total fund balances	<u>595,165</u>	<u>4,105</u>	<u>22,561</u>	<u>-</u>	<u>4,464,482</u>
Total liabilities and fund balances	<u>\$ 595,165</u>	<u>\$ 4,105</u>	<u>\$ 22,561</u>	<u>\$ -</u>	<u>\$ 4,494,482</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, 2019

	<u>Special Revenue Funds</u>					
	<u>Correction Fund</u>	<u>Emergency Medical Services Fund</u>	<u>Enhanced 911 Fund</u>	<u>Beautification/ Litter Control Fund</u>	<u>Law Enforcement Protection Law Fund</u>	<u>Library Fund</u>
Revenues:						
Intergovernmental	\$ -	\$ 16,777	\$ 61,465	\$ 3,435	\$ 32,600	\$ -
Taxes	-	-	-	-	-	-
Fees, fines and forfeitures	15,528	-	-	-	-	-
Other grants and contributions	-	-	-	-	-	21,165
Interest and other	5	-	-	-	-	-
Total revenues	<u>15,533</u>	<u>16,777</u>	<u>61,465</u>	<u>3,435</u>	<u>32,600</u>	<u>21,165</u>
Expenditures:						
General government	-	-	-	3,437	-	-
Public safety	37,553	16,644	59,448	-	32,600	-
Culture and recreation	-	-	-	-	-	49,959
Capital outlay	-	-	-	-	-	-
Total expenditures	<u>37,553</u>	<u>16,644</u>	<u>59,448</u>	<u>3,437</u>	<u>32,600</u>	<u>49,959</u>
Excess (deficit) of revenues over expenditures	(22,020)	133	2,017	(2)	-	(28,794)
Other financing sources:						
Transfers in (out)	<u>42,917</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,000</u>
Total other financing sources	<u>42,917</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>30,000</u>
Net change in fund balances	20,897	133	2,017	(2)	-	1,206
Fund balance - beginning of year	<u>(3,768)</u>	<u>128</u>	<u>7,139</u>	<u>5,343</u>	<u>-</u>	<u>16,218</u>
Fund balance - end of year	<u>\$ 17,129</u>	<u>\$ 261</u>	<u>\$ 9,156</u>	<u>\$ 5,341</u>	<u>\$ -</u>	<u>\$ 17,424</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, 2019

<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>	<u>Municipal Street Fund</u>	<u>Economic Development</u>
Revenues:							
Intergovernmental	\$ -	\$ -	\$ 112,185	\$ -	\$ -	\$ 114,309	\$ -
Taxes	126,460	-	-	-	-	177,249	224,759
Fees, fines and forfeitures	-	83,257	2,090	5	-	-	-
Other grants and contributions	-	9,693	113,808	6,342	-	-	-
Interest and other	65	141	26	22	-	-	19,812
Total revenues	<u>126,525</u>	<u>93,091</u>	<u>228,109</u>	<u>6,369</u>	<u>-</u>	<u>291,558</u>	<u>244,571</u>
Expenditures:							
General government	170,282	-	-	-	-	-	533,136
Public safety	-	-	277,099	7,307	-	-	1,585
Public works	-	-	-	-	-	209,449	-
Culture and recreation	-	75,600	-	-	-	-	-
Capital outlay	-	-	-	-	-	229,535	-
Total expenditures	<u>170,282</u>	<u>75,600</u>	<u>277,099</u>	<u>7,307</u>	<u>-</u>	<u>438,984</u>	<u>534,721</u>
Excess (deficit) of revenues over expenditures	<u>(43,757)</u>	<u>17,491</u>	<u>(48,990)</u>	<u>(938)</u>	<u>-</u>	<u>(147,426)</u>	<u>(290,150)</u>
Other financing sources:							
Transfers in (out)	-	-	-	-	-	144,000	-
Total other financing sources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>144,000</u>	<u>-</u>
Net change in fund balances	(43,757)	17,491	(48,990)	(938)	-	(3,426)	(290,150)
Fund balance - beginning of year	<u>145,634</u>	<u>231,018</u>	<u>115,187</u>	<u>24,170</u>	<u>8,115</u>	<u>340,797</u>	<u>1,554,950</u>
Fund balance - end of year	<u>\$ 101,877</u>	<u>\$ 248,509</u>	<u>\$ 66,197</u>	<u>\$ 23,232</u>	<u>\$ 8,115</u>	<u>\$ 337,371</u>	<u>\$ 1,264,800</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, 2019

<u>Special Revenue Funds</u>						
	<u>Criminal Justice Fund</u>	<u>Main Street Fund</u>	<u>Portales Area Transit Fund</u>	<u>Risk Management Fund</u>	<u>Fire Protection Fund</u>	<u>Total Nonmajor Special Revenue Fund</u>
Revenues:						
Intergovernmental	\$ -	\$ -	\$ 102,797	\$ -	\$ 212,930	\$ 656,498
Taxes	-	-	-	-	-	528,468
Fees, fines and forfeitures	6,866	-	11,576	-	-	119,322
Other grants and contributions	-	-	-	-	-	151,008
Interest and other	-	-	-	2,047	25,098	47,216
Total revenues	<u>6,866</u>	<u>-</u>	<u>114,373</u>	<u>2,047</u>	<u>238,028</u>	<u>1,502,512</u>
Expenditures:						
General government	-	-	-	4,985	-	711,840
Public safety	6,443	-	-	-	65,232	503,911
Public works	-	-	185,783	-	-	395,232
Culture and recreation	-	-	-	-	-	125,559
Capital outlay	-	-	-	-	-	229,535
Total expenditures	<u>6,443</u>	<u>-</u>	<u>185,783</u>	<u>4,985</u>	<u>65,232</u>	<u>1,966,077</u>
Excess (deficit) of revenues over expenditures	423	-	(71,410)	(2,938)	172,796	(463,565)
Other financing sources:						
Transfers in (out)	-	-	60,356	19,000	(99,340)	196,933
Total other financing sources	<u>-</u>	<u>-</u>	<u>60,356</u>	<u>19,000</u>	<u>(99,340)</u>	<u>196,933</u>
Net change in fund balances	423	-	(11,054)	16,062	73,456	(266,632)
Fund balance - beginning of year	<u>6,652</u>	<u>159</u>	<u>69,074</u>	<u>100,258</u>	<u>1,488,209</u>	<u>4,109,283</u>
Fund balance - end of year	<u>\$ 7,075</u>	<u>\$ 159</u>	<u>\$ 58,020</u>	<u>\$ 116,320</u>	<u>\$ 1,561,665</u>	<u>\$ 3,842,651</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, 2019

	<u>Capital Projects Funds</u>			<u>Debt Service Funds</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>Capital Projects Fund</u>	<u>CDBG Capital Projects</u>	<u>Capital Repair and Replacement Fund</u>	<u>Energy Conservation Lease Fund</u>	
Revenues:					
Intergovernmental	\$ -	\$ -	\$ -	\$ -	\$ 656,498
Taxes	49,020	-	-	-	577,488
Fees, fines and forfeitures	-	-	-	-	119,322
Other grants and contributions	-	451,093	-	-	602,101
Interest and other	11,088	-	-	-	58,304
	<u>60,108</u>	<u>451,093</u>	<u>-</u>	<u>-</u>	<u>2,013,713</u>
Total revenues					
Expenditures:					
General government	-	-	66,245	1,996	780,081
Public safety	-	-	-	-	503,911
Public works	-	-	-	-	395,232
Culture and recreation	-	-	-	-	125,559
Capital outlay	395,846	475,644	133,817	-	1,234,842
Debt service					
Principal	-	-	-	56,923	56,923
Interest	900	-	-	64,184	65,084
	<u>396,746</u>	<u>475,644</u>	<u>200,062</u>	<u>123,103</u>	<u>3,161,632</u>
Total expenditures					
Excess (deficit) of revenues over expenditures	(336,638)	(24,551)	(200,062)	(123,103)	(1,147,919)
Other financing sources:					
Transfers in (out)	277,915	21,826	25,000	123,103	644,777
	<u>277,915</u>	<u>21,826</u>	<u>25,000</u>	<u>123,103</u>	<u>644,777</u>
Total other financing sources					
Net change in fund balances	(58,723)	(2,725)	(175,062)	-	(503,142)
Fund balance - beginning of year	653,888	6,830	197,623	-	4,967,624
Fund balance - end of year	<u>\$ 595,165</u>	<u>\$ 4,105</u>	<u>\$ 22,561</u>	<u>\$ -</u>	<u>\$ 4,464,482</u>

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

## OTHER SUPPLEMENTARY INFORMATION



STATE OF NEW MEXICO  
CITY OF PORTALES  
SCHEDULE OF DEPOSITORIES AND TEMPORARY INVESTMENTS  
BY DEPOSITORY FOR PUBLIC FUNDS  
JUNE 30, 2019

	Account Type	Fund Type	Amount Per Bank	Net Reconciling Items	Balance Per Books
<b>US Bank</b>					
General Fund	Checking	Governmental	\$ 6,854,452	\$ (276,467)	\$ 6,577,985
CDBG Capital Project	Checking	Governmental	1,301	-	1,301
Total Checking			<u>\$ 6,855,753</u>	<u>\$ (276,467)</u>	<u>\$ 6,579,286</u>
<b>New Mexico State Treasurer - Local Government Investment Pool</b>					
General Fund	Investment	Governmental	\$ 648,291	\$ -	\$ 648,291
Risk Management Reserve	Investment	Governmental	89,763	-	89,763
Water/Wastewater	Investment	Business-type	480,733	-	480,733
Water Meter Reserve	Investment	Business-type	119,685	-	119,685
Water Improvement Reserve	Investment	Business-type	324,146	-	324,146
Solid Waste	Investment	Business-type	199,474	-	199,474
Total LGIP deposits			<u>\$ 1,862,092</u>	<u>\$ -</u>	<u>\$ 1,862,092</u>
<b>New Mexico Finance Authority Held at New York Mellon Trust Company, N.A.</b>					
Rec Center Financing	Investment	Governmental	\$ 59,112	\$ -	\$ 59,112
Program funds	Investment	Governmental	1,026,068	-	1,026,068
Water & Wastewater	Investment	Business-type	2,231,785	-	2,231,785
Total NMFA - Mellon deposits			<u>\$ 3,316,965</u>	<u>\$ -</u>	<u>\$ 3,316,965</u>
<b>New Mexico Finance Authority</b>					
Water Storage System	Investment	Business-type	7,507	\$ -	\$ 7,507
Total NMFA deposits			<u>\$ 7,507</u>	<u>\$ -</u>	<u>\$ 7,507</u>
<b>USBank Investments</b>					
Water Sewer	Investment	Business-type	\$ 3,709,135	\$ -	\$ 3,709,135
General	Investment	Governmental	150,370	-	150,370
Debt Service	Investment	Governmental	150,370	-	150,370
Total NMED deposits			<u>\$ 4,009,875</u>	<u>\$ -</u>	<u>\$ 4,009,875</u>
<b>Fidelity Investments</b>					
Solid Waste	Investment	Business-type	\$ 834,042	\$ -	\$ 834,042
Water Conservation Reserve	Investment	Business-type	1,121,756	-	1,121,756
Reserve	Investment	Business-type	1,561,705	-	1,561,705
Capital Projects	Investment	Business-type	295,266	-	295,266
Economic development	Investment	Business-type	519,697	-	519,697
Water/Sewer	Investment	Governmental	4,478,841	-	4,478,841
97 Sales Tax Reserve	Investment	Governmental	1,350,007	-	1,350,007
Total Fidelity deposits			<u>\$ 10,161,314</u>	<u>\$ -</u>	<u>\$ 10,161,314</u>

STATE OF NEW MEXICO  
CITY OF PORTALES  
SCHEDULE OF DEPOSITORIES AND TEMPORARY INVESTMENTS  
BY DEPOSITORY FOR PUBLIC FUNDS  
JUNE 30, 2019

**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	\$ 3,915,396	\$ 2,490,944	\$ 6,406,340
Cash and cash equivalents - Restricted	1,085,180	2,423,776	3,508,956
Investments - Unrestricted	4,765,469	10,823,981	15,589,450
Investments - Restricted	<u>-</u>	<u>443,831</u>	<u>443,831</u>
	<u>\$ 9,766,045</u>	<u>\$ 16,182,532</u>	<u>\$ 25,948,577</u>
Cash Source:			
US Bank			\$ 6,579,286
NM State Treasurer			1,862,092
NMFA			3,324,472
NMED			4,009,875
First American Financial Advisors			10,161,314
Petty cash			<u>11,538</u>
			<u>\$ 25,948,577</u>

STATE OF NEW MEXICO  
CITY OF PORTALES  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2019

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 - Loan	66.458	CWSRF 023	\$ 26,580,000	\$ 23,922,000
<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	16-C-NR-I-01-G-10	473,758	451,093
<i><u>United States Department of Transportation</u></i>				
Airport Improvement Program	20.106	3-35-0061-019-2017	662,087	386,659
Formula Grants for Rural Areas	20.509	M01464, M01540 and M01603	550,254	102,797
<i><u>Federal Communication Commission</u></i>				
Communications Information and Assistance and Investigation of Complaints	32.001	None	3,150	3,150
<i><u>United States Department of Health and Human Services</u></i>				
Substance Abuse and Mental Health Services- Projects of Regional and National Significance	93.243	PFS2015	<u>163,260</u>	<u>151,055</u>
Total Expenditures of Federal Awards			<u>\$ 28,432,509</u>	<u>\$ 25,016,754</u>

STATE OF NEW MEXICO  
CITY OF PORTALES  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
JUNE 30, 2019

**Note 1 - General**

The Schedule of Expenditures of Federal Awards presents the activity of all applicable federal awards of the city. The City's reporting entity is defined in Note 1 of the basic financial statements. Federal awards passed through other governmental agencies are included on the Schedule of Expenditures of Federal Awards.

**Note 2 - Basis of Presentation**

The Schedule of Expenditures of Federal Awards is prepared on the modified accrual basis of accounting. The modified accrual basis of accounting is described in Note 1 of the basic financial statements. Federal grants are considered to be earned to the extent of expenditures made under the provision of the grant; and accordingly, when such funds are received, and they are recorded as unearned revenue until earned.

**Note 3 - Indirect Cost Allocation**

The City of Portales elected to use the 10% de minimus rate.

**Note 4 - Sub-Recipients of Federal Awards**

The City does not have any sub-recipients for their federal awards.

## COMPLIANCE SECTION



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

Brian Colón, State Auditor  
and the Mayor and City Council of the  
City of 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 the financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, the financial statements of the governmental activities, each major fund, the aggregate remaining fund information, the budgetary comparisons of the general fund and of the business activity fund of City of Portales, New Mexico as of and for the year ended June 30, 2019 and the related notes to the financial statements, which collectively comprise the City's basic financial statements and the combined and individual funds presented as supplementary information, and have issued our report thereon dated December 13, 2019.

**Internal Control Over Financial Reporting**

In planning and performing our audit, of the financial statements, we considered City of Portales, New Mexico's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of City of Portales, New Mexico's internal control. Accordingly, we do not express an opinion on the effectiveness of 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 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 over financial reporting that might be material weaknesses or significant deficiencies and therefore material weaknesses or significant deficiencies may exist that were not identified. Given the limitations, during our audit we did not identify any deficiencies in internal control that we considered to be material weaknesses. However, material weaknesses may exist that have not been identified.

### **Compliance and Other Matters**

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

### **Purpose of this Report**

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

*Beasley Mitchell & Co LLP*  
Beasley, Mitchell & Co.  
Las Cruces, New Mexico  
December 13, 2019



**INDEPENDENT AUDITORS' REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM  
AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

Brian Colón, State Auditor  
and the Mayor and City Council of the  
City of Portales, New Mexico

**Report on Compliance for Each Major Federal Program**

We have audited City of Portales, New Mexico's compliance with the types of compliance requirements described in the OMB Compliance Supplement that could have a direct and material effect on each of City of Portales, New Mexico's major federal programs for the year ended June 30, 2019. 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 City of Portales, New Mexico's 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 the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about City of Portales, New Mexico's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination of City of Portales, New Mexico's compliance.



## **Opinion on Each Major Federal Program**

In our opinion, City of Portales, New Mexico complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2019.

## **Other Matters**

The results of our auditing procedures disclosed no instances of noncompliance, which are required to be reported in accordance with the Uniform Guidance.

## **Report on Internal Control over Compliance**

Management of City of Portales, New Mexico, is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered City of Portales, New Mexico's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of City of Portales, New Mexico's internal control over compliance.

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

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

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of the Uniform Guidance. Accordingly, this report is not suitable for any other purpose.

  
Beasley, Mitchell & Co., LLP  
Las Cruces, New Mexico  
December 13, 2019

STATE OF NEW MEXICO  
CITY OF PORTALES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2019

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

***Financial Statements***

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

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

Noncompliance material to financial statements noted?        Yes   **X**   No

***Federal Awards***

Internal control over major programs

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

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

- Any audit findings disclosed that are required to be reported in accordance with the Uniform Guidance?        Yes   **X**   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   \$  750,000  

Auditee qualified as low-risk auditee   **X**   Yes        No

STATE OF NEW MEXICO  
CITY OF PORTALES  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2019

**Section II - Financial Statement Findings**

PRIOR YEAR FINDINGS

None

CURRENT YEAR FINDINGS

None

STATE OF NEW MEXICO  
CITY OF PORTALES  
EXIT CONFERENCE  
FOR THE YEAR ENDED JUNE 30, 2019

An entrance conference was held on September 10, 2019 in a closed meeting with Beasley, Mitchell & Co., LLP and with the following City officials:

Ronald Jackson  
Sammy Standefer  
Marilyn Rapp

Mayor  
City Manager  
City Treasurer

Beasley, Mitchell & Co., LLP

Dahlia Garcia, CPA  
Avi Chettry, CPA  
Jesse Olivar

Audit Manager  
Senior Accountant  
Staff

An exit conference was held on December 11, 2019 in a closed meeting with Beasley, Mitchell & Co., LLP and with the following City officials:

Michael Miller  
Sammy Standefer  
Marilyn Rapp

Mayor Pro-Tem  
City Manager  
City Treasurer

Beasley, Mitchell & Co., LLP

Dahlia Garcia, CPA  
Juan Garcia  
Avi Chettry, CPA

Audit Manager  
Audit Specialist  
Audit Senior

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.