

CITY OF TEXICO
STATE OF NEW MEXICO
AUDITED FINANCIAL STATEMENTS AND
SUPPLEMENTAL INFORMATION
JUNE 30, 2012

**STATE OF NEW MEXICO
CITY OF TEXICO
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2012**

TABLE OF CONTENTS

	<u>Page No.</u>
INTRODUCTORY SECTION:	
Official Roster	i
FINANCIAL SECTION	
Independent Auditors' Report	1 - 2
BASIC FINANCIAL STATEMENTS:	
Government-Wide Financial Statements:	
Statement of Net Assets	3
Statement of Activities	4
Fund Financial Statements:	
Balance Sheet – Governmental Funds.....	5
Reconciliation of the Balance Sheet – Governmental Funds to the Statement of Net Assets.....	6
Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds	7
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances – Governmental Funds to the Statement of Activities	8
Statement of Revenues and Expenditures – Budget (Non-GAAP Budgetary Basis) and Actual (Non-GAAP Budgetary Basis) Special Revenue Funds:	
General	9
Fire Protection	10
Special Revenue.....	11
Statement of Net Assets – Proprietary Fund	12

**STATE OF NEW MEXICO
CITY OF TEXICO
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2012**

TABLE OF CONTENTS (continued)

Statement of Revenues, Expenses and Changes in Fund Net Assets Proprietary Fund	13
Statement of Cash Flows – Proprietary Fund	14
NOTES TO FINANCIAL STATEMENTS	15 - 28
COMBINING FUND STATEMENTS AND SCHEDULES	
Special Revenue Funds	30
Combining Balances Sheets – Nonmajor Governmental Funds	31
Combining Statement of Revenues, Expenditures and Changes in Fund Balance – Nonmajor Governmental Funds	32
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – EMS Fund	33
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – Recreation Fund	34
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – Environmental Gross Receipts Fund	35
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – Corrections Fund	36
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – Law Enforcement Protection Fund	37
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – Senior Citizens Fund	38
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – Cemetery Fund	39
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual – Debt Service Fund	40
Enterprise Fund	41

**STATE OF NEW MEXICO
CITY OF TEXICO
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2012**

TABLE OF CONTENTS (continued)

Statement of Revenues, Expenditures and Changes in Fund Balance -
Budget and Actual – Water and Sewer Fund 42

SUPPLEMENTARY INFORMATION

Schedule of Deposits and Temporary Investments by Depository for
Public Funds – All Funds..... 44

Schedule of Collateral by Depository for Public Funds..... 45

COMPLIANCE

Report on Internal Control Over Financial Reporting and on Compliance and
Other Matter Based on an Audit of Financial Statements Performed in
Accordance With Government Auditing Standards..... 46 – 47

Schedule of Findings and Recommendations – Current Year 48 - 51

Schedule of Findings and Recommendations – Prior Year 52

Exit Conference 53

STATE OF NEW MEXICO

CITY OF TEXICO

Official Roster

June 30, 2012

City Council

Jerry Cunningham

Mayor

Oran Jay Autrey

Mayor Pro Tem

Doug Scioli

Member

Jerry Bradley

Member

Monnie Cunningham

Member

Administrative Officials

Carolyn Johnson

Clerk / Treasurer

Kubiak & Melton, LLC

CERTIFIED PUBLIC ACCOUNTANTS

INDEPENDENT AUDITORS' REPORT

Hector H. Balderas, State Auditor
State of New Mexico and
City Council
City of Texico
P.O. Box 208
Texico, NM 88135

We were engaged to audit the accompanying financial statements of the governmental activities, the business-type activities, each major fund, budgetary comparisons for the general fund and the major special revenue funds, and the aggregate remaining fund information for the City of Texico (Texico), as of and for the year ended June 30, 2012, which collectively comprise Texico's basic financial statements as listed in the table of contents. We were also engaged to audit the financial statements and budgetary comparisons of the major capital projects fund and of each of Texico's non-major governmental funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2012 as listed in the table of contents. These financial statements are the responsibility of the City of Texico's management.

The City of Texico could not provide adequate supporting documentation for all transactions during the fiscal year ended June 30, 2012 which was a result of inadequate internal controls over financial reporting for all governmental and proprietary funds. The City of Texico's records do not permit the application of auditing procedures to all transaction classes.

Since the City of Texico could not provide adequate supporting documentation for all transactions for the year ended June 30, 2012 and we were unable to apply other auditing procedures to satisfy ourselves as to the accuracy of the governmental and proprietary fund financial records, the scope of our work was not sufficient to enable us to express, and we do not express an opinion on these financial statements.

Management has omitted the Management's Discussion and Analysis which is required to be presented to supplement the basic financial statements. Such missing 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. Our opinion on the basic financial statements is not affected by this missing information.

In accordance with Government Auditing Standards, we have also issued our report dated June 24, 2013 on our consideration of Texico's internal control over financial reporting and our tests

of its compliance with certain provisions of laws, regulations. Contracts, grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Governmental Auditing Standards and should be considered in assessing the results of our audit.

We were engaged to conduct an audit for the purpose of forming opinion on the financial statements that collectively comprise the City's basic financial statements, nonmajor governmental funds, fiduciary funds, and budgetary comparison information presented as supplementary information. The Schedule of Collateral Pledged by Depository and the Schedule of Deposits and Temporary Investments are presented for purposes of additional analysis and are not a required part of the financial statements. For the reasons described above, we were unable to obtain sufficient evidential matter to form an opinion regarding the fair presentation of this information in relation to the basic financial statements taken as a whole and accordingly, we express no opinion on them.

Kubiak & Melton, LLC

Kubiak & Melton, LLC
June 24, 2013

**CITY OF TEXICO
STATEMENT OF NET ASSETS
JUNE 30, 2012**

	<u>Primary government</u>		<u>Total</u>
	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	
ASSETS			
Current Assets			
Pooled Cash and Cash Equivalents	\$ 848,625	\$ 291,672	\$ 1,140,297
Receivables - Net	-	-	-
Other Receivables	-	-	-
Total Current Assets	<u>848,625</u>	<u>291,672</u>	<u>1,140,297</u>
Capital Assets	2,819,766	1,470,626	4,290,392
Less: Accumulated Depreciation	<u>(1,958,032)</u>	<u>(1,013,635)</u>	<u>(2,971,667)</u>
Total Capital Assets - Net	<u>861,734</u>	<u>456,991</u>	<u>1,318,725</u>
TOTAL ASSETS	<u>\$ 1,710,359</u>	<u>\$ 748,663</u>	<u>\$ 2,459,022</u>
LIABILITIES AND NET ASSETS			
Current Liabilities			
Accounts Payable	\$ 203,248	\$ -	\$ 203,248
Compensated Absences	-	-	-
Due to Other Funds	-	-	-
Accrued Liabilities	8,318	1,075	9,393
Loans Payable - Principle	2,604	-	2,604
Loans Payable - Interest	20,733	-	20,733
Current Portion of Long-term Debt	<u>60,388</u>	<u>110,000</u>	<u>170,388</u>
Total Current Liabilities	295,291	111,075	406,366
Noncurrent Liabilities			
Customer Deposits	-	-	-
Long-term Debt Due After One Year	<u>34,392</u>	<u>688,745</u>	<u>723,137</u>
Total Noncurrent Liabilities	34,392	688,745	723,137
TOTAL LIABILITIES	329,683	799,820	1,129,503
NET ASSETS			
Invested in Capital Assets - Net of Related Debt	861,734	490,694	1,352,428
Unrestricted	<u>518,942</u>	<u>(541,851)</u>	<u>(22,909)</u>
Total Net Assets	<u>1,380,676</u>	<u>(51,157)</u>	<u>1,329,519</u>
TOTAL LIABILITIES AND NET ASSETS	<u>\$ 1,710,359</u>	<u>\$ 748,663</u>	<u>\$ 2,459,022</u>

See Independent Auditors' Report and Notes to Financial Statements

**CITY OF TEXICO
STATEMENT OF ACTIVITIES
JUNE 30, 2012**

Functions and Programs	Expenses	Program Revenues		Net (Expenses) Revenues and Changes in Net Assets		Total
		Charges for Services	Operating Grants and Contributions	Primary Government		
				Governmental Activities	Business-Type Activities	
PRIMARY GOVERNMENT						
Governmental Activities						
General Government	\$ 185,786	\$ 1,658	\$ 199,483	\$ 15,355	\$ -	\$ 15,355
Public Safety	386,050	-	125,255	(260,795)	-	(260,795)
Highways and Streets	28,219	-	-	(28,219)	-	(28,219)
Health and Welfare	24,963	42,365	44,684	62,086	-	62,086
Culture and Recreation	15,372	97,291	-	81,919	-	81,919
Depreciation - Unallocated	177,876	-	-	(177,876)	-	(177,876)
	-	-	-	-	-	-
Interest on Long-term Debt	-	-	-	-	-	-
	<u>818,266</u>	<u>141,314</u>	<u>369,422</u>	<u>(307,530)</u>	<u>-</u>	<u>(307,530)</u>
Business-Type Activities						
Water and Sewer	446,821	423,962	1,472	-	(21,387)	(21,387)
Depreciation - Unallocated	33,702	-	-	-	(33,702)	(33,702)
Interest on Long-term Debt	-	-	-	-	-	-
	<u>480,523</u>	<u>423,962</u>	<u>1,472</u>	<u>-</u>	<u>(55,089)</u>	<u>(55,089)</u>
Total Primary Government	<u>\$ 1,298,789</u>	<u>\$ 565,276</u>	<u>\$ 370,894</u>	<u>(307,530)</u>	<u>(55,089)</u>	<u>(362,619)</u>
General Revenues:						
				276,002	-	276,002
				-	-	-
				-	-	-
				-	-	-
				-	-	-
				-	-	-
				45,306	-	45,306
				-	-	-
				-	-	-
				<u>321,308</u>	<u>-</u>	<u>321,308</u>
				13,778	(55,089)	(41,311)
				(323,865)	(201,287)	(525,152)
				<u>1,690,763</u>	<u>205,219</u>	<u>1,895,982</u>
				<u>\$ 1,380,676</u>	<u>\$ (51,157)</u>	<u>\$ 1,329,519</u>

See Independent Auditors' Report and Notes to Financial Statements

**CITY OF TEXICO
BALANCE SHEET
JUNE 30, 2012**

	<u>General Fund</u>	<u>Fire Protection</u>	<u>Street Fund</u>	<u>Other Funds</u>	<u>Total Governmental Funds</u>
ASSETS					
Pooled Cash and Cash Equivalents	\$ 506,523	\$ 230,153	\$ 22,733	\$ 89,216	\$ 848,625
Due from Other Funds	-	-	-	-	-
Taxes Receivable	-	-	-	-	-
TOTAL ASSETS	<u>\$ 506,523</u>	<u>\$ 230,153</u>	<u>\$ 22,733</u>	<u>\$ 89,216</u>	<u>\$ 848,625</u>
LIABILITIES AND FUND BALANCE					
LIABILITIES					
Accounts Payable	\$ -	\$ 203,248	\$ -	\$ -	\$ 203,248
Accrued Liabilities	2,546	6,028	-	(256)	8,318
Loan Payable - Principal	-	2,604	-	-	2,604
Loan Payable - Interest	-	20,733	-	-	20,733
Due to Other Funds	-	-	-	-	-
TOTAL LIABILITIES	2,546	232,613	-	(256)	234,903
FUND BALANCES					
Unassigned, Reported in:					
Special Revenue Funds				89,472	89,472
Governmental Funds	503,977	(2,460)	22,733	-	524,250
TOTAL FUND BALANCES	<u>503,977</u>	<u>(2,460)</u>	<u>22,733</u>	<u>89,472</u>	<u>613,722</u>
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ 506,523</u>	<u>\$ 230,153</u>	<u>\$ 22,733</u>	<u>\$ 89,216</u>	<u>\$ 848,625</u>

See Independent Auditors' Report and Notes to Financial Statements

**CITY OF TEXICO
RECONCILIATION OF BALANCE SHEET TO THE STATEMENT OF NET ASSETS
FOR THE YEAR ENDED JUNE 30, 2012**

Total Fund Balance - Governmental Funds	\$ 613,722
Amounts reported for governmental activities in the statement of net assets are different because:	
Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds	2,819,766
Less: Accumulated Depreciation	(1,958,032)
Certain liabilities are not due and payable in the current period and therefore are not reported in the funds. Those liabilities include:	
Compensated Absences	-
Long-term Debt	<u>(94,780)</u>
Net Assets of Governmental Activities	<u>\$ 1,380,676</u>

See Independent Auditors' Report and Notes to Financial Statements

CITY OF TEXICO
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
FOR THE YEAR ENDED JUNE 30, 2012

	<u>General Fund</u>	<u>Fire Protection</u>	<u>Street Fund</u>	<u>Other Funds</u>	<u>Total Governmental Funds</u>
REVENUES					
Taxes	\$ 252,089	\$ -	\$ 19,768	\$ 4,145	\$ 276,002
Licenses, Fees and Registrations	1,576	-	-	42,365	43,941
Court Fines	-	-	-	-	-
Intergovernmental Subsidies	-	-	-	-	-
Grants and Contributions	199,483	125,255	-	44,684	369,422
Service Fees	82	-	-	82,049	82,131
Rental Income	12,611	-	-	-	12,611
Interest Income	7,197	38,109	-	-	45,306
Other	150	-	-	2,481	2,631
TOTAL REVENUES	473,188	163,364	19,768	175,724	832,044
EXPENDITURES					
Current					
General Government	185,786	-	-	-	185,786
Public Safety	-	58,301	-	327,749	386,050
Highways and Streets	16,410	-	11,809	-	28,219
Health and Welfare	-	-	-	24,963	24,963
Culture and Recreation	-	-	-	15,372	15,372
Debt Service					
Principal	-	-	-	-	-
Interest and Other Charges	-	-	-	-	-
Capital Outlay	-	515,848	-	-	515,848
TOTAL EXPENDITURES	202,196	574,149	11,809	368,084	1,156,238
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	270,992	(410,785)	7,959	(192,360)	(324,194)
OTHER FINANCING SOURCES (USES)					
Transfers In	-	-	-	-	-
Transfers Out	-	-	-	-	-
Sale of Assets	-	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-	-
NET CHANGE IN FUND BALANCES	270,992	(410,785)	7,959	(192,360)	(324,194)
FUND BALANCE, BEGINNING OF YEAR	711,547	(41,584)	17,656	73,774	761,393
RESTATEMENT	(478,562)	449,909	(2,882)	208,058	176,523
FUND BALANCE, END OF YEAR	\$ 503,977	\$ (2,460)	\$ 22,733	\$ 89,472	\$ 613,722

See Independent Auditors' Report and Notes to Financial Statements

**CITY OF TEXICO
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2012**

Net Changes in Fund Balance - Governmental Funds \$ (324,194)

Amounts reported for governmental activities in the statement of activities are different because:

Governmental Funds to Statement of Activities Adjustments:

Governmental funds report capital outlays as expenditures. In the Statement of Activities, the costs of assets are allocated over their estimated useful lives in the form of depreciation. 515,848

Debt service is an expenditure for governmental funds consisting of both interest expense and principal for the Notes Payable. The principal portion reduces Notes Payable on the Governmental Activities Balance Sheet and is not an expense on the Statement of Activities. -

Governmental Funds to Statement of Activities Adjustments:

The change in compensated absences liability is reported on the Statement of Activities but is not reflected in the Governmental Funds

Depreciation is recognized on the Statement of Activities as allocating the cost of the assets over their estimated useful lives (177,876)

Change in Net Assets of Governmental Activities \$ 13,778

See Independent Auditors' Report and Notes to Financial Statements

**CITY OF TEXICO
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
REVENUES				
Taxes	\$ 199,182	\$ 199,182	\$ 252,089	\$ 52,907
Licenses, Fees and Registrations	40,565	40,565	1,576	(38,989)
Court Fines	-	-	-	-
Intergovernmental Subsidies	-	-	-	-
Grants and Contributions	140,000	140,000	199,483	59,483
Service Fees	150	150	82	(68)
Rental	-	-	12,611	12,611
Interest Income	6,500	6,500	7,197	697
Other	12,550	12,550	150	(12,400)
TOTAL REVENUES	398,947	398,947	473,188	74,241
EXPENDITURES				
Current				
General Government	207,935	207,935	186,267	21,668
Public Safety	269,555	269,555	-	269,555
Highways and Streets	10,179	10,179	16,410	(6,231)
Health and Welfare	-	-	-	-
Culture and Recreation	15,252	15,252	-	15,252
Capital Outlay	-	-	-	-
TOTAL EXPENDITURES	502,921	502,921	202,677	300,244
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	(103,974)	(103,974)	270,511	(226,003)
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Prior Year Cash Balance Budgeted	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	-	-	-	-
NET CHANGE IN FUND BALANCES	(103,974)	(103,974)	270,511	
FUND BALANCE, BEGINNING OF YEAR RESTATEMENT	-	-	711,547	(478,562)
FUND BALANCE, END OF YEAR	\$ (103,974)	\$ (103,974)	\$ 503,496	

See Independent Auditors' Report and Notes to Financial Statements

**CITY OF TEXICO
FIRE PROTECTION FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
REVENUES				
Taxes	\$ -	\$ -	\$ -	\$ -
Licenses, Fees and Registrations	-	-	-	-
Court Fines	-	-	-	-
Intergovernmental Subsidies	-	-	-	-
Grants and Contributions	156,605	156,605	125,255	(31,350)
Service Fees	-	-	-	-
Rental	-	-	-	-
Interest Income	-	-	38,109	38,109
Other	-	-	-	-
TOTAL REVENUES	<u>156,605</u>	<u>156,605</u>	<u>163,364</u>	<u>6,759</u>
EXPENDITURES				
Current				
General Government	-	-	-	-
Public Safety	156,605	156,605	54,159	102,446
Highways and Streets	-	-	-	-
Health and Welfare	-	-	-	-
Culture and Recreation	-	-	-	-
Capital Outlay	<u>-</u>	<u>-</u>	<u>312,600</u>	<u>(312,600)</u>
TOTAL EXPENDITURES	<u>156,605</u>	<u>156,605</u>	<u>366,759</u>	<u>(210,154)</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	-	-	(203,395)	216,913
OTHER FINANCING SOURCES (USES)				
Transfers In	-	-	-	-
Transfers Out	-	-	-	-
Sale of Assets	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
NET CHANGE IN FUND BALANCES	-	-	(203,395)	
FUND BALANCE, BEGINNING OF YEAR RESTATEMENT	<u>-</u>	<u>-</u>	<u>(41,584)</u> <u>449,909</u>	
FUND BALANCE, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 204,930</u>	

See Independent Auditors' Report and Notes to Financial Statements

**CITY OF TEXICO
STREET FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE -
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
REVENUES				
Taxes	\$ 18,000	\$ 18,000	\$ 19,768	\$ 1,768
Licenses, Fees and Registrations	-	-	-	-
Court Fines	-	-	-	-
Intergovernmental Subsidies	-	-	-	-
Grants and Contributions	47,789	47,789	-	(47,789)
Service Fees	-	-	-	-
Rental	-	-	-	-
Interest Income	-	-	-	-
Other	-	-	-	-
TOTAL REVENUES	<u>65,789</u>	<u>65,789</u>	<u>19,768</u>	<u>(46,021)</u>
EXPENDITURES				
Current				
General Government	-	-	-	-
Public Safety	-	-	-	-
Highways and Streets	79,819	79,819	11,809	68,010
Health and Welfare	-	-	-	-
Culture and Recreation	-	-	-	-
Capital Outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL EXPENDITURES	<u>79,819</u>	<u>79,819</u>	<u>11,809</u>	<u>68,010</u>
EXCESS (DEFICIENCY) OF REVENUES OVER EXPENDITURES	<u>(14,030)</u>	<u>(14,030)</u>	<u>7,959</u>	<u>(114,031)</u>
OTHER FINANCING SOURCES (USES)				
Transfers In	14,030	14,030	-	(14,030)
Transfers Out	-	-	-	-
Sale of Assets	-	-	-	-
TOTAL OTHER FINANCING SOURCES (USES)	<u>14,030</u>	<u>14,030</u>	<u>-</u>	<u>(14,030)</u>
NET CHANGE IN FUND BALANCES	-	-	7,959	
FUND BALANCE, BEGINNING OF YEAR RESTATEMENT	<u>-</u>	<u>-</u>	<u>17,656</u> <u>(2,882)</u>	
FUND BALANCE, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,733</u>	

See Independent Auditors' Report and Notes to Financial Statements

**CITY OF TEXICO
STATEMENT OF NET ASSETS
PROPRIETARY FUNDS
JUNE 30, 2012**

	Enterprise Fund
ASSETS	
Current Assets	
Pooled Cash and Cash Equivalents	\$ 291,672
Utilities Receivable	-
Total Current Assets	291,672
Noncurrent Assets	
Capital Assets - Net	456,991
TOTAL ASSETS	\$ 748,663
LIABILITIES AND NET ASSETS	
Current Liabilities	
Accounts Payable	\$ -
Accrued Liabilities	1,075
Accrued Interest	-
Current Portion of Long-term Debt	110,000
Total Current Liabilities	111,075
Noncurrent Liabilities	
Customer Deposits	-
Long-term Debt Due After One Year	688,745
Total Noncurrent Liabilities	688,745
TOTAL LIABILITIES	799,820
NET ASSETS	
Invested in Capital Assets - Net of Related Debt	490,694
Unrestricted	(541,851)
Total Net Assets	(51,157)
TOTAL LIABILITIES AND NET ASSETS	\$ 748,663

See Independent Auditors' Report and Notes to Financial Statements

CITY OF TEXICO
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	Enterprise Fund
OPERATING REVENUES	
Taxes - Gross Receipts	\$ -
Service Fees	423,962
Investment Income	1,472
Other Income	-
Total Revenues	425,434
OPERATING EXPENSES	
Personnel	105,390
Contracts	111,788
Other	229,643
Capital Outlay	-
Depreciation	33,702
Total Expenses	480,523
OPERATING INCOME	(55,089)
NON-OPERATING REVENUES (EXPENSES)	
Interest Income	-
Interest Expense	-
Total Nonoperating Revenues (Expenses)	-
CHANGE IN NET ASSETS BEFORE TRANSFERS	(55,089)
TRANSFERS - NET	-
CHANGE IN NET ASSETS AFTER TRANSFERS	(55,089)
NET ASSETS - BEGINNING OF YEAR	205,219
RESTATEMENT	(201,287)
NET ASSETS - END OF YEAR	\$ (51,157)

See Independent Auditors' Report and Notes to Financial Statements

**CITY OF TEXICO
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

	Enterprise Fund
CASH FLOWS FROM OPERATING ACTIVITIES	
Receipts from Customers	\$ 425,434
Payments to Suppliers and Contractors	(480,523)
Payments to and On Behalf of Employees	-
Net Cash Provided By (Used in) Operating Activities	(55,089)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES	
Interest Paid on Long-term Debt	51,587
Proceeds from Note Payable	-
Payments on Note Payable	-
Net Cash Provided By (Used in) Capital Financing Activities	51,587
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES	
Transfers - Net	(33,702)
Net Cash Provided By (Used in) Noncapital Financing Activities	(33,702)
CASH FLOWS FROM INVESTING ACTIVITIES	
Purchase of Capital Assets	-
Interest Income	-
Net Cash Provided By (Used in) Investing Activities	-
Net Increase (Decrease) in Cash and Cash Equivalents	(37,204)
CASH AND CASH EQUIVALENTS AT BEGINNING OF YEAR	328,876
CASH AND CASH EQUIVALENTS AT END OF YEAR	\$ 291,672
Reconciliation of Operating Income to Net Cash Provided By (Used in) Operating Activities	
Operating Income	(55,089)
Adjustments to Reconcile Operating Income to Net Cash Flows Provided by Operating Activities	
Depreciation	33,702
Changes in:	
Accounts Receivable	(33,702)
Accounts Payable	-
Accrued Liabilities	-
Other	-
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	\$ (55,089)

See Independent Auditors' Report and Notes to Financial Statements

**CITY OF TEXICO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING PRINCIPLES

The City of Texico (City) is incorporated under the laws of the State of New Mexico. The City operates under a Council – Mayor form of government, providing services as authorized by its charter: public safety (police and fire), streets, sanitation, health and welfare, and culture and recreation, public improvements, and general administrative services.

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. In June, 1999, GASB approved Statement No. 34, “Basic Financial Statements and Management’s Discussion and Analysis for State and Local Governments: Omnibus” and Statement No. 38 “Certain Financial Statement Note Disclosures.” Statement No. 37 clarifies and modifies Statement No. 34 and should be implemented simultaneously with Statement No. 34. Statement No. 38 modifies, establishes and rescinds certain financial statement disclosure requirements. The City implemented the provisions of the above statements effective July 1, 2003.

Reporting Entity – The City Council (Council) is elected by the public and it has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the City is a financial reporting entity as defined by the Governmental Accounting Standards Board (GASB) in its Statement No. 14, “The Financial Reporting Entity”. There are no component units included within the reporting entity as defined by Statement No. 14.

Government-Wide and Fund Financial Statements – The Statement of Net Assets and the Statement of Activities are government-wide financial statements. They report information on all of the City’s nonfiduciary activities with most of the interfund activities removed. Governmental activities include programs supported primarily by taxes, State funds, grants and other intergovernmental revenues. Business-type activities include operations that rely to a significant extent on fees and charges for support.

The Statement of Activities demonstrates how other people or entities that participate in programs the City operates have shared in the payment of the direct costs. The “charges for services” column includes payments made by parties that purchase, use, or directly benefit from goods or services provided by a given function or segment of the City. Examples include user charges at recreation facilities, municipal court fines, licenses and fees and other administrative related items. The “operating grants and contributions” and “capital grants and contributions” columns include amounts paid by organizations outside to help meet the operational or capital requirements of a given function. Examples include grants under Housing and Urban Development’s Community Development Block Grants or contributions from the State of New Mexico. If a revenue receipt is

**CITY OF TEXICO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

not considered program revenue, it is considered general revenue used to support all of the City's functions. Taxes are always considered general revenues.

Interfund activities between governmental funds or between governmental funds and proprietary funds appear as due to / due from on the Governmental Fund Balance Sheet and / or Proprietary Fund Statement of Net Assets if any pending transfers exist at the end of the fiscal year, and as transfers in / transfers out on the Governmental Fund Statement of Revenues, Expenditures and Changes in Fund Balance and / or Proprietary Fund Statement of Revenues, Expenses and Changes in Fund Net Assets.

The fund financial statements provide reports on the financial condition and results of operations for two fund categories: governmental and proprietary. The City considers some governmental funds major and their financial condition and results of operations are reported in separate columns from the non-major governmental funds.

Proprietary funds distinguish operating revenues and expenses from nonoperating items. Operating revenues result from providing goods and services in connection with a proprietary fund's principal ongoing operations. they usually come from exchange or exchange-like transactions. All other revenues are nonoperating. Operating expenses can be tied specifically to the production of the goods and services, such as materials and labor and direct overhead. Other expenses are nonoperating.

Measurement Focus, Basis of Accounting, and Financial Statement Presentation – The government-wide financial statements use the economic resources measurement focus and the accrual basis of accounting. As do the proprietary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of the related cash flows. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements use the current measurement focus and the modified accrual basis of accounting. With this measurement focus, only current assets, current liabilities and fund balances are included on the balance sheet. Operating statements of these funds present net increases and decreases in current assets (i.e., revenues and other financing sources and expenditures and other financing uses).

The modified accrual basis of accounting recognizes revenues in the accounting period in which they become both measurable and available, and it recognizes expenditures in the accounting period in which the fund liability is incurred, if measurable, except for unmatured interest and principal on long-term debt., which is recognized when due. The expenditures related to certain compensated absences and claims and judgments are recognized when the obligations are expected to be liquidated with expendable available financial resources. The City considers all revenues available if they are collectible within 60 days after year end.

See Independent Auditors' Report

CITY OF TEXICO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012

Revenues from local sources consist primarily of property, franchise, and gross receipts taxes. Non-exchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include gross receipts and property taxes, grants, entitlements, and donations. Revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenues from gross receipts taxes are recognized when the underlying transaction takes place. Revenue from grants, entitlements and donations are recognized in the fiscal year in which all eligibility requirements have been satisfied. Miscellaneous revenues are recorded as revenue when received because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Grants funds are considered to be earned to the extent of expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes may require the City to refund all or part of the unused amount.

The Proprietary Fund Types are accounted for on a flow of economic resources measurement focus and utilize the accrual basis of accounting. This basis of accounting recognizes revenues in the accounting period in which they are earned and become measurable and expenses in the accounting period in which they are incurred and become measurable. The City applies all GASB pronouncements as well as the Financial Accounting Standards Board pronouncements issued on or before November 30, 1989, unless these pronouncements conflict with or contradict GASB pronouncements. As allowed by GASB Statement No. 20, the City has elected not to apply FASB pronouncements issued after November 30, 1989. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the fund Statement of Net Assets. The fund equity is segregated into invested in capital assets net of related debt, restricted net assets, and unrestricted net assets.

The government-wide and business-type activities fund statements utilize a net asset presentation. Net assets are categorized as follows:

Investment in Capital Assets, Net of Related Debt – This category reflects the portion of net assets that are associated with capital assets less any outstanding capital asset related debt.

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

Unrestricted Net Assets – This category reflects net assets of the City, not restricted for any project or other purpose.

See Independent Auditors' Report

**CITY OF TEXICO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

Fund Accounting – The City uses funds to report its financial position and results of its operations. Fund accounting segregates funds according to their intended purpose and is designated to demonstrate legal compliance and to aid financial management by segregating transactions relating to certain governmental functions or activities. A fund is a separate accounting entity with a self-balancing set of accounts, which include assets, liabilities, fund balance / net assets, revenues and expenditures / expenses.

In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. The City records reserves to indicate that a portion of fund balance is legally restricted for a specific future use of is not available for appropriation and / or expenditure.

Governmental Funds – Are those funds through which most of the governmental functions of the City are financed. The City reports the following major governmental funds:

General Fund – The general fund is the City’s primary operating fund. It accounts for all financial resources except those required to be accounted for in another fund.

Fire Fund – The Fire Fund accounts for the receipts and expenditures of a special State grant related to rescue operations and for the operation and maintenance of the fire equipment.

Street Fund – The Street Fund accounts for the receipts and expenditures of services related to the improvement and maintenance of City streets.

Enterprise Funds – Are those funds used for operations that are financed and operated in a manner similar to private business enterprises where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered through user charges or where the governing body has decided that periodic determination of revenues earned, expenses incurred and / or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes. The City reports the following enterprise fund:

Water / Sewer Fund – The Water Fund is used to account for the provision 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 administration, operations billing, and maintenance.

Additionally, the City reports the following non-major funds:

Governmental Funds:

Special Revenue Funds – are used to account for the proceeds of specific revenue sources (other than special assessments or major capital outlays) that are restricted to expenditures for specified purposes.

See Independent Auditors’ Report

**CITY OF TEXICO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

Governmental Funds with Deficit Balances – While the total unreserved fund balance is not in a deficit position, the City has one fund with a deficit balance as of June 30, 2012: Fire Protection Fund: \$2,460. Water and Sewer Fund: \$51,157.

Other Accounting Policies

Cash Flows – For purposes of the Statement of Cash Flows for Proprietary Funds, the City considers highly liquid investments to be cash equivalents if they have a maturity of three months or less when purchased.

Inventories – The City reports inventories of supplies at cost including consumable maintenance and office items. Supplies are recorded as expenditures when they are consumed.

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

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are 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.

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.

Capital Assets – Capital assets, which include land, buildings, furniture and equipment and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the City as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend useful assets lives are not capitalized. Major outlays for capital assets and improvements

See Independent Auditors' Report

**CITY OF TEXICO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

are capitalized as projects are constructed. Interest expense during construction is capitalized in enterprise funds but not in governmental funds. Library books are not capitalized.

Buildings, furniture and equipment of the City are depreciated using the straight-line method over the following estimated useful lives:

<u>Assets</u>	<u>Years</u>
Buildings	50
Building improvements	50
Water system	30-50
Machinery and equipment	5-15

Customer Deposits – Cash held in the Proprietary Fund for customer deposits is restricted.

Use of Restricted Cash – 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.

Interfund Activity – In the process of aggregating data for the Statement of Net Assets and the Statement of Activities, some amounts reported as interfund activity and balances in the fund have either been eliminated or reclassified. Interfund payables and receivables were eliminated to minimize their effect on assets and liabilities within the governmental activities column.

Risk Management – The City is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruptions; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental, and accident benefits. Insurance coverage through New Mexico Self Insurers Fund (a State of New Mexico governmental agencies risk pool) is purchased for claims arising from such matters. Any settled claims have not exceeded this coverage in any preceding years.

NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Data – The City adopts an annual approved budget for the General Fund, Special Revenue Funds, and the Enterprise Fund. The City is required to present the adopted and final amended budgeted revenues and expenditures / expenses for each of these funds. The City compares the final amended budget to actual revenues and expenditures / expenses.

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

1. The City submits a proposed operating budget for the fiscal year commencing July 1, prior to June 30. The operating budget includes proposed expenditures and the means of

See Independent Auditors' Report

**CITY OF TEXICO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

financing them. A budget is proposed for the General, Special Revenue and Proprietary Funds.

2. Public Hearings are conducted to obtain taxpayer comments. The budgets are then submitted to the Department of Finance and Administration for review, adjustment and approval.
3. Prior to June 30, the budget is legally enacted through passage of a resolution and the council is authorized to transfer budgeted amounts between departments with 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.
4. Budgets for budgeted funds are adopted on the cash basis which is not consistent with generally accepted accounting principles. Budgetary comparisons have been presented in this report on the basis of the legally adopted budget.
5. Appropriations lapse at fiscal year-end with any unspent cash balance being available for expenditures and appropriation in the subsequent budget year.
6. The level of classification detail in which expenditures may not legally exceed appropriations for each budget is the fund total.

The City exceeded budgetary authority at the fund level by the following:

NOTE C – CASH DEPOSITS AND INVESTMENTS

State Statutes authorize the investment of the City's 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 of the City's invested funds properly follow State deposit and investment requirements as of June 30, 2012.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more financial institutions. 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.

Excess of funds may be temporarily invested in securities which are issued by the State or by the United States government, or by their departments or agencies, and which are either direct obligations of the State or the United States or are backed by the full faith and credit of those governments.

The rate of interest in non-demand interest-bearing accounts shall be set by the State Board of Finance, but in no case shall the rate of interest be less than one hundred percent of the asked price on the 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 may not be returned to it. The City does not have a formal deposit policy for custodial credit risk other than following the State statutes as put forth in the Public Money Act (Sec.

See Independent Auditors' Report

**CITY OF TEXICO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

6-10-1 to 6-10-63, NMSA 19778). At June 30, 2012, the carrying values of the City's deposits were \$1,140,297.

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 will be insured up to \$100,000 in aggregate and separate from the \$100,000 coverage for public unit demand deposits at the same institution. Of the City's funds on deposit, \$250,000 was covered by federal depository insurance, with \$890,297 uninsured. The 50% requirement leaves \$535,884 covered by collateral pledged by the financial institution in the City's name. Total pledged collateral at June 30, 2012 by financial institutions was \$1,208,144, showing overcollateralization of \$762,995.

Statutes require collateral pledged for deposits in excess of federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the City for at least one-half of the amount on deposit 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.

	Citizen's Bank
Total Amount of Cash Deposits	\$ 1,140,297
Less: FDIC Coverage	(250,000)
Total Public Funds to be Collateralized	\$ 890,297
50% Collateral Requirement	\$ 445,149
Securities Pledged by the Financial Institution in the City's Name	1,208,144
Over (Under) Collateralized	\$ 762,995

NOTE D – INTERFUND TRANSFER AND BALANCES

Interfund transfers are made for various purposes throughout the year. Transfers made by the City during the fiscal year ended June 30, 2012 or pending, were unavailable.

NOTE E – CAPITAL ASSETS

Capital asset activity for the City for the year ended June 30, 2012, was as follows:

See Independent Auditors' Report

**CITY OF TEXICO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

	Balance June 30, 2011	Additions	Deletions	Balance June 30, 2012
Governmental Activities:				
Land	\$ 69,284	\$ -	\$ -	\$ 69,284
Buildings and Improvements	1,047,188	-	-	1,047,188
Machinery and Equipment	576,027	-	-	576,027
Vehicles	1,127,267	-	-	1,127,267
Total	2,819,766	-	-	2,819,766
Less Accumulated Depreciation				
Buildings and Improvements	(279,025)	(23,623)	-	(302,648)
Machinery and Equipment	(573,477)	(40,116)	-	(613,593)
Vehicles	(927,654)	(114,137)	-	(1,041,791)
Total Accumulated Depreciation	(1,780,156)	(177,876)	-	(1,958,032)
Governmental Activities				
Capital Assets - Net	\$ 1,039,610	\$ (177,876)	\$ -	\$ 861,734
Business-Type Activities:				
Buildings and Improvements	\$ 67,655	\$ -	\$ -	\$ 67,655
Machinery and Equipment	66,844	-	-	66,844
Vehicles	32,273	-	-	32,273
Infrastructure	1,303,854	-	-	1,303,854
Total	1,470,626	-	-	1,470,626
Less Accumulated Depreciation				
Buildings and Improvements	(28,199)	(2,255)	-	(30,454)
Machinery and Equipment	(68,839)	(3,540)	-	(72,379)
Vehicles	(51,569)	(4,824)	-	(56,393)
Infrastructure	(831,326)	(23,083)	-	(854,409)
Total Accumulated Depreciation	(979,933)	(33,702)	-	(1,013,635)
Total Accumulated Depreciation				
Business-Type Activities				
Capital Assets - Net	\$ 490,693	\$ (33,702)	\$ -	\$ 456,991

Depreciation expense for the year ended June 30, 2012 for the Enterprise Fund was \$33,702. The City reported \$177,876 of 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

See Independent Auditors' Report

**CITY OF TEXICO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

governmental functions, instead presenting the amount separately from the functions on the statement.

NOTE F – LONG-TERM DEBT

A summary of changes in long-term debt for the year ended June 30, 2012 is as follows:

	Balance			Balance
	June 30, 2011	Additions	Reductions	June 30, 2012
General Debt:				
City Hall	\$ 110,240	\$ -	\$ 15,460	\$ 94,780
Total General	<u>\$ 110,240</u>	<u>\$ -</u>	<u>\$ 15,460</u>	<u>\$ 94,780</u>
Enterprise Debt:				
Water System Upgrade	\$ 150,483	\$ -	\$ 9,857	\$ 140,626
Medical Rescue Service Truck	304,500	-	24,813	279,687
Fire Station Construction	153,468	-	12,789	140,679
Phase I Infrastructure	-	265,494	27,741	237,753
Total Enterprise	<u>\$ 608,451</u>	<u>\$ 265,494</u>	<u>\$ 75,200</u>	<u>\$ 798,745</u>

The city hall note is payable to the New Mexico Finance Authority in annual principal installments and semi-annual interest installments through May 1, 2018. Interest rates vary from 1.23% to 3.86%. The city hall is general long-term debt of the City.

The water system upgrade note is payable to the New Mexico Finance Authority in annual principal installments and semi-annual interest installments through May 1, 2026. Phase 2 of the water improvement loan is a general long-term debt of the City.

The Medical Rescue Truck note is payable to the New Mexico Finance Authority in annual principal installments and semi-annual interest installments.

The fire station construction note is payable to the New Mexico Finance Authority.

**CITY OF TEXICO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

Following is a schedule of long-term debt maturities for general long-term debt:

	<u>Amount</u>	<u>Amount</u>	<u>Amount</u>
Year Ending June 30,			
2013	\$ 50,000	\$ 10,388	\$ 60,388
2014	29,392	5,000	34,392
2015	-	-	-
2016	-	-	-
2017	-	-	-
Thereafter	<u>-</u>	<u>-</u>	<u>-</u>
Totals	<u>\$ 79,392</u>	<u>\$ 15,388</u>	<u>\$ 94,780</u>

Following is a schedule of long-term debt maturities for the enterprise funds:

Year Ending June 30,			
2013	\$ 100,000	\$ 10,000	\$ 110,000
2014	100,000	10,000	110,000
2015	100,000	10,000	110,000
2016	100,000	10,000	110,000
2017	100,000	10,000	110,000
Thereafter	<u>240,294</u>	<u>8,451</u>	<u>248,745</u>
Totals	<u>\$ 740,294</u>	<u>\$ 58,451</u>	<u>\$ 798,745</u>

NOTE G - RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS FINANCIAL STATEMENTS

	<u>General Fund</u>	<u>Fire Protection</u>	<u>Senior Citizens Fund</u>	<u>Water and Sewer Fund</u>
Revenues Per Modified Accrual Basis	\$ 473,188	\$ 163,364	\$ 15,185	\$ 425,434
Prior Year Receivables	-	-	-	-
Current Year Receivables	-	-	-	-
Current Year Due From Other Governments	-	-	-	-
Revenues Per Budgetary Basis	<u>\$ 473,188</u>	<u>\$ 163,364</u>	<u>\$ 15,185</u>	<u>\$ 425,434</u>
Expenditures Per Modified Accrual Basis	\$ 202,196	\$ 574,149	\$ 18,399	\$ 480,523
Prior Year Accounts Payable	3,027	1,886	-	5,899
Current Year Acct. Pay. & Accrued Liabilities	(2,546)	(209,276)	256	(1,075)
Expenditures Per Budgetary Basis	<u>\$ 202,677</u>	<u>\$ 366,759</u>	<u>\$ 18,655</u>	<u>\$ 485,347</u>

See Independent Auditors' Report

**CITY OF TEXICO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

NOTE G – PROPERTY TAXES

The County collects the City's share of property taxes assessed. Property taxes attach an enforceable lien on property as of January 1. Tax notices are sent by the County Treasurer to property owners by November 1 of each year to be paid in whole or in two installments by November 10 and April 10 of the following year. The County collects such taxes and distributes them to the City on a monthly basis. The City accounts for its share of property taxes in the General Fund. Property tax revenues are considered available when they become due or past due and receivable within the current period and when they are expected to be collected during a 60-day period after the close of the fiscal year.

NOTE H – LIABILITY FOR COMPENSATED ABSENCES

Vacation leave is earned by employees during the year based on time worked and is non-cumulative. Vacation leave due, if any, is paid on an employee's termination. The accrued value of the vacation leave days due to employees at June 30, 2012 was unavailable. All compensated absences are considered due within one year. The Enterprise or General Fund, as appropriate, is used to liquidate this liability.

NOTE I – COMMITMENTS

The City has a contract for disposal services provided to the City with a term of five years. Payments for the year ended June 30, 2012 totaled \$70,253. The following is a schedule by years of future minimum payments under the contract as of June 30, 2012:

Year Ending June 30,	<u>Amount</u>
2013	\$ 70,253
2014	70,853
2015	70,853
2016	<u>70,853</u>
Totals	<u>\$ 282,812</u>

NOTE J - RETIREE HEALTH CARE CONTRIBUTIONS

The Retiree Health Care Act provides comprehensive care group health insurance for persons who have retired from certain public service in New Mexico as authorized under Section 9D of Chapter 6, Laws of 1990. The Retiree Health Authority is the administrator of the plan. The purpose is to provide eligible retirees, their spouses, dependents and surviving spouses and dependents with health insurance consisting of a plan, or optional plans, of benefits that can be purchased by funds

See Independent Auditors' Report

**CITY OF TEXICO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

flowing into the Retiree Health Care Fund and by co-payments or out of pocket payments of eligible retirees. Funds flow to the Retiree Health Care Fund on a pay-as-you-go basis from eligible employers and eligible retirees.

Eligible employers are institutions of higher education, school districts,, or other entities participating in the Public School Insurance Authority, and State Agencies, State Courts, Magistrate Courts, municipalities and counties, which are affiliated under or covered by the Educational Retirement Act, the Public Employees Retirement Act, Volunteer Firefighters Retirement Act, Judicial Retirement Act, or the Magistrate Retirement Act.

Eligible retirees are those who make contributions to the fund for at five years prior to retirement and whose eligible employer, during that period of time, made contributions as a participant in the Retiree Health Care Act on the person's behalf unless that person retires before the employer's NMRHCA 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; or retirees defined by the Act who retired prior to July 1, 1990 and former legislators who served at least two years.

Each participating employer makes contributions to the fund in the amount of 1.3% of each participating employees' annual salary. Each employee contributes to the fund the amount equal to .65% of the employee's annual salary. Each participating retiree pays a monthly premium for the medical plus basic life insurance plan and additional participation fee of five dollars if the participant retired prior to the employer's NMRHCA effective date or is a former legislator. Participants may also enroll in optional plans of coverage.

Contributions from participating employers become the property of the Retiree Health Care Fund and are not refundable under any circumstances, including termination of employment or termination of the participating employer's operation or participation in the Retiree Health Care Act. The employer, employee, and retiree contributions are required to be remitted to the Retiree Health Care Authority on a monthly basis.

The Retiree Health Care Authority issues a separate, publicly available audited financial report that includes post-employment benefit expenditures, premiums and claims paid, participant contributions, and net expenditures for the fiscal year. The report also includes the approximate number of retirees participating in the plan. That report may be obtained by writing to the Retiree Health Care Authority, Albuquerque State Government Center, 401 Roma NW, Suite 200, Albuquerque, NM 87102.

For the fiscal year ended June 30, 2012, the City remitted \$2,348 in contributions to the Retiree Health Care Authority.

NOTE K – PENSION PLAN

See Independent Auditors' Report

**CITY OF TEXICO
NOTES TO FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2012**

Plan Description: Substantially the entire City full time employees participate in a public employment retirement system authorized under the Public Employees Retirement Act. 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, P.O. Box 2123, Santa Fe, NM 87504.

Funding Policy: Non-Law Enforcement plan members are required to contribute 9.15% of their gross straight-time salary. Law enforcement personnel are required to contribute 7% of their straight gross salary. The City is required to contribute 9.15% of the gross covered salary for non-law enforcement personnel and 10% for law enforcement personnel. The contribution requirements of plan members and the City are established under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The City's contributions to PERA for the year ended June 30, 2012, 2011 and 2010 were \$12,636, \$15,282 and \$6,544, respectively.

NOTE L – RESTATEMENT

The client's beginning trial balance in the governmental and special revenue funds had to be restated, as explained below:

Several adjustments to the financial statements were made in the prior year (June 30, 2011). However, these adjustments were not posted by the client, thus the audit adjustments were never made into the client's accounting system. It was not deemed prudent to run these adjustments through as current year entries because of their material effect on the client's statement of revenues, expenditures and changes in fund balances. Therefore, the cumulative effect of these prior year adjustments is shown on the individual statements of revenues, expenditures and changes in fund balances by fund, at the bottom as restatements. The total effect of these adjustments was \$176,523 which is shown on the Statement of Revenues, Expenditures and Changes in Fund Balances, on page 7. On an accrual basis, shown on the Statement of Activities on page 4, the total restatement was \$323,865. In the proprietary fund, on the Statement of Revenues, Expenses and Changes in Net Assets shown on page 13, the restatement was \$201,287.

NOTE M – EXPENDITURES IN EXCESS OF BUDGETED EXPENDITURES

The following funds had actual expenditures in excess of budgeted expenditures during the fiscal year ended June 30, 2012: Fire Protection Fund: \$210,154; EMS Fund: \$7,508; Recreation Fund: \$5,110; Corrections Fund: \$18,834; Law Enforcement Protection Fund: \$258,654; Cemetery Fund: \$5,064; and Water and Sewer Fund: \$319,394.

COMBINING FUND STATEMENTS AND SCHEDULES

**CITY OF TEXICO
SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

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.

Recreation Fund – Accounts for operations and maintenance of recreation facilities. Financing is provided by a specific tax on cigarette sales.

EMS / Fire Rescue Fund – Accounts for operation and maintenance of the EMS / Fire Rescue Department. Financing is provided by a portion of the motor vehicle registration fee (24-10A-1, NMSA, 1978).

Senior Citizens Fund – Accounts for operation of the senior citizen activities (Section 28-4-1, NMSA 1978 / Older Americans Act of 1965, 42 USA 3001 as amended).

Municipal Street / Road Fund – Accounts for the maintenance of roads within the City. Financing is provided by a special tax on gasoline sold within the City boundaries (SP-HM-4648).

Environmental Gross Receipts Tax Fund – Accounts for municipal gross receipts tax revenues received to be used for the acquisition, construction, operation, and maintenance of solid waste facilities, water facilities, sewer systems, and related facilities (City ordinance).

Correction Fund – Accounts for revenues collected from the assessment of correction fees and court costs (NMSA, 35-14-11).

Law Enforcement Protection Fund – Accounts for state revenues received pursuant to the Law Enforcement Correction Act (NMSA 29-13-3).

Cemetery Fund – Accounts for operations and maintenance of the cemetery (City ordinance).

Debt Service / Capital Projects Fund – Accounts for state funding capital improvement projects.

See Independent Auditors' Report

**CITY OF TEXICO
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2012**

	<u>EMS / Fire Rescue Fund</u>	<u>Recreation Fund</u>	<u>Environmental Gross Receipts Tax Fund</u>	<u>Corrections Fund</u>	<u>Law Enforcement Protection Fund</u>	<u>Senior Citizens Fund</u>	<u>Cemetery Fund</u>	<u>Debt Service Capital Projects Fund</u>	<u>Total Governmental Funds</u>
ASSETS									
Pooled Cash and Cash Equivalents	\$ -	\$ 3,858	\$ -	\$ -	\$ -	\$ 1,434	\$ 70,284	\$ 13,640	\$ 89,216
Due from Other Funds									-
Taxes Receivable	-	-	-	-	-	-	-	-	-
TOTAL ASSETS	<u>\$ -</u>	<u>\$ 3,858</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,434</u>	<u>\$ 70,284</u>	<u>\$ 13,640</u>	<u>\$ 89,216</u>
LIABILITIES AND FUND BALANCE									
LIABILITIES									
Accounts Payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Accrued Liabilities	-	-	-	-	-	(256)	-	-	(256)
Due to Other Funds	-	-	-	-	-	-	-	-	-
TOTAL LIABILITIES	-	-	-	-	-	(256)	-	-	(256)
FUND BALANCES									
Unreserved	-	3,858	-	-	-	1,690	70,284	13,640	89,472
TOTAL FUND BALANCES	-	3,858	-	-	-	1,690	70,284	13,640	89,472
TOTAL LIABILITIES AND FUND BALANCES	<u>\$ -</u>	<u>\$ 3,858</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,434</u>	<u>\$ 70,284</u>	<u>\$ 13,640</u>	<u>\$ 89,216</u>

See Independent Auditors' Report

CITY OF TEXICO
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012

	EMS / Fire Rescue Fund	Recreation Fund	Environmental Gross Receipts Tax Fund	Corrections Fund	Law Enforcement Protection Fund	Senior Citizens Fund	Cemetery Fund	Debt Service Capital Projects Fund	Total Governmental Funds
REVENUES									
Taxes	\$ -	\$ 1	\$ 4,144	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,145
Service Fees	-	-	-	35,822	-	-	6,543	-	42,365
Fines and Forfeitures	-	-	-	-	-	-	-	-	-
Intergovernmental Subsidies	-	-	-	-	-	-	-	-	-
Grants and Contributions	-	-	-	29,499	-	15,185	-	-	44,684
Service Fees	82,049	-	-	-	-	-	-	-	82,049
Rental Income	-	-	-	-	-	-	-	-	-
Interest Income	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	2,481	-	2,481
TOTAL REVENUES	82,049	1	4,144	65,321	-	15,185	9,024	-	175,724
EXPENDITURES									
Current:									
Public Safety	60,523	-	-	18,834	248,392	-	-	-	327,749
Health and Welfare	-	-	-	-	-	18,399	6,564	-	24,963
Culture and Recreation	-	5,110	-	-	10,262	-	-	-	15,372
Capital Outlay	-	-	-	-	-	-	-	-	-
Debt Service:									
Principal	-	-	-	-	-	-	-	-	-
Interest	-	-	-	-	-	-	-	-	-
TOTAL EXPENDITURES	60,523	5,110	-	18,834	258,654	18,399	6,564	-	368,084
NET CHANGE IN FUND BALANCE	21,526	(5,109)	4,144	46,487	(258,654)	(3,214)	2,460	-	(192,360)
FUND BALANCE, BEGINNING OF YEAR	-	4,228	-	-	-	4,654	67,496	(2,604)	73,774
RESTATEMENT	(21,526)	4,739	(4,144)	(46,487)	258,654	250	328	16,244	208,058
FUND BALANCE, END OF YEAR	\$ -	\$ 3,858	\$ -	\$ -	\$ -	\$ 1,690	\$ 70,284	\$ 13,640	\$ 89,472

See Independent Auditors' Report

**CITY OF TEXICO
EMS FIRE RESCUE FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
REVENUES				
Sales of Services	\$ 42,900	\$ 42,900	\$ 82,049	\$ 39,149
Intergovernmental Subsidies	12,272	12,272	-	(12,272)
Interest Income	-	-	-	-
TOTAL REVENUES	<u>55,172</u>	<u>55,172</u>	<u>82,049</u>	<u>26,877</u>
EXPENDITURES				
Public Safety	53,015	53,015	60,523	(7,508)
Capital Outlay	-	-	-	-
TOTAL OPERATING EXPENSES	<u>53,015</u>	<u>53,015</u>	<u>60,523</u>	<u>(7,508)</u>
NET CHANGE IN FUND BALANCE	2,157	2,157	21,526	
Transfers In	-	-	-	
Prior Year Cash Balance Budgeted	10,115	10,115	-	
FUND BALANCE, BEGINNING OF YEAR	-	-	-	
RESTATEMENT	-	-	(21,526)	
FUND BALANCE, END OF YEAR	<u>\$ 12,272</u>	<u>\$ 2,157</u>	<u>\$ -</u>	

See Independent Auditors' Report

**CITY OF TEXICO
RECREATION FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
REVENUES				
Taxes	\$ -	\$ -	\$ 1	\$ 1
Charges for Services	-	-	-	-
TOTAL REVENUES	<u>-</u>	<u>-</u>	<u>1</u>	<u>1</u>
EXPENDITURES				
Culture and Recreation	-	-	5,110	(5,110)
Capital Outlay	-	-	-	-
TOTAL OPERATING EXPENSES	<u>-</u>	<u>-</u>	<u>5,110</u>	<u>(5,110)</u>
NET CHANGE IN FUND BALANCE	-	-	(5,109)	
FUND BALANCE, BEGINNING OF YEAR	-	-	4,228	
RESTATEMENT	-	-	4,739	
FUND BALANCE, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,858</u>	

See Independent Auditors' Report

**CITY OF TEXICO
ENVIRONMENTAL GROSS RECEIPTS TAX FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
REVENUES				
Gross Receipts Tax	\$ 4,000	\$ 4,000	\$ 4,144	\$ 144
TOTAL REVENUES	4,000	4,000	4,144	144
EXPENDITURES				
General Government	-	-	-	-
TOTAL OPERATING EXPENSES	-	-	-	-
NET CHANGE IN FUND BALANCE	4,000	4,000	4,144	
FUND BALANCE, BEGINNING OF YEAR	-	-	-	
RESTATEMENT	-	-	(4,144)	
FUND BALANCE, END OF YEAR	<u>\$ 4,000</u>	<u>\$ 4,000</u>	<u>\$ -</u>	

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**CITY OF TEXICO
CORRECTIONS FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
REVENUES				
Fines and Fees	\$ 10,000	\$ 10,000	\$ 35,822	\$ 25,822
Grants and Contributions	<u>-</u>	<u>-</u>	<u>29,499</u>	<u>29,499</u>
TOTAL REVENUES	10,000	10,000	65,321	55,321
EXPENDITURES				
Public Safety	<u>-</u>	<u>-</u>	<u>18,834</u>	<u>(18,834)</u>
TOTAL OPERATING EXPENSES	<u>-</u>	<u>-</u>	<u>18,834</u>	<u>(18,834)</u>
NET CHANGE IN FUND BALANCE	10,000	10,000	46,487	
FUND BALANCE, BEGINNING OF YEAR	-	-	-	
RESTATEMENT	<u>-</u>	<u>-</u>	<u>(46,487)</u>	
FUND BALANCE, END OF YEAR	<u>\$ 10,000</u>	<u>\$ 10,000</u>	<u>\$ -</u>	

See Independent Auditors' Report

**CITY OF TEXICO
LAW ENFORCEMENT PROTECTION FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
REVENUES				
Grants and Contributions	\$ 33,800	\$ 33,800	\$ -	\$ (33,800)
Intergovernmental Subsidies	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES	33,800	33,800	-	(33,800)
EXPENDITURES				
Public Safety	-	-	248,392	(248,392)
Culture and Recreation	-	-	10,262	(10,262)
Capital Outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OPERATING EXPENSES	<u>-</u>	<u>-</u>	<u>258,654</u>	<u>(258,654)</u>
NET CHANGE IN FUND BALANCE	33,800	33,800	-	
FUND BALANCE, BEGINNING OF YEAR	-	-	-	
RESTATEMENT	<u>-</u>	<u>-</u>	<u>258,654</u>	
FUND BALANCE, END OF YEAR	<u>\$ 33,800</u>	<u>\$ 33,800</u>	<u>\$ 258,654</u>	

See Independent Auditors' Report

**CITY OF TEXICO
SENIOR CITIZENS FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
REVENUES				
Other	\$ 1,350	\$ 1,350	\$ -	\$ (1,350)
Grants and Contributions	<u>10,171</u>	<u>10,171</u>	<u>15,185</u>	<u>5,014</u>
TOTAL REVENUES	11,521	11,521	15,185	3,664
EXPENDITURES				
Health and Welfare	19,368	19,368	18,655	713
Capital Outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OPERATING EXPENSES	<u>19,368</u>	<u>19,368</u>	<u>18,655</u>	<u>713</u>
NET CHANGE IN FUND BALANCE	(7,847)	(7,847)	(3,470)	
Transfers in	5,000	5,000	-	
Prior Year Cash Balance Budgeted	2,847	2,847	-	
FUND BALANCE, BEGINNING OF YEAR	-	-	4,654	
RESTATEMENT	<u>-</u>	<u>-</u>	<u>250</u>	
FUND BALANCE, END OF YEAR	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,434</u>	

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**CITY OF TEXICO
CEMETERY FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	Variance With Final Budget Favorable (Unfavorable)
REVENUES				
Service Fees	\$ 4,500	\$ 4,500	\$ 6,543	\$ 2,043
Interest Income	505	505	-	(505)
Other	<u>4,000</u>	<u>4,000</u>	<u>2,481</u>	<u>(1,519)</u>
TOTAL REVENUES	9,005	9,005	9,024	19
EXPENDITURES				
Health and Welfare	1,500	1,500	6,564	(5,064)
Capital Outlay	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL OPERATING EXPENSES	<u>1,500</u>	<u>1,500</u>	<u>6,564</u>	<u>(5,064)</u>
NET CHANGE IN FUND BALANCE	7,505	7,505	2,460	
FUND BALANCE, BEGINNING OF YEAR	-	-	67,496	
RESTATEMENT	<u>-</u>	<u>-</u>	<u>328</u>	
FUND BALANCE, END OF YEAR	<u>\$ 7,505</u>	<u>\$ 7,505</u>	<u>\$ 70,284</u>	

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**CITY OF TEXICO
DEBT SERVICE / CAPITAL PROJECTS FUND
STATEMENT OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCE – BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual</u>	<u>Variance With Final Budget Favorable (Unfavorable)</u>
REVENUES				
Intergovernmental Subsidies	\$ 150,000	\$ 150,000	\$ -	\$ (150,000)
Grans and Contributions	308,881	308,881	-	(308,881)
Other	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
TOTAL REVENUES	458,881	458,881	-	(458,881)
EXPENDITURES				
Debt Service Principal	300,000	300,000	-	300,000
Debt Service Interest	<u>1,500</u>	<u>1,500</u>	<u>-</u>	<u>1,500</u>
TOTAL OPERATING EXPENSES	<u>301,500</u>	<u>301,500</u>	<u>-</u>	<u>301,500</u>
NET CHANGE IN FUND BALANCE	157,381	157,381	-	
FUND BALANCE, BEGINNING OF YEAR	-	-	(2,604)	
RESTATEMENT	<u>-</u>	<u>-</u>	<u>16,244</u>	
FUND BALANCE, END OF YEAR	<u>\$ 157,381</u>	<u>\$ 157,381</u>	<u>\$ 13,640</u>	

See Independent Auditors' Report

**CITY OF TEXICO
ENTERPRISE FUNDS
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012**

Water and Sewer Fund – The Water and Sewer Fund is used to account for the City’s water and sewer operations. All activities necessary to provide such services are accounted for in this fund including administration, operations and maintenance, and billing and collection.

See Independent Auditors’ Report

**CITY OF TEXICO
WATER AND SEWER FUND
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
BUDGET AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2012**

	Original Budget	Final Budget	Actual	Variance With Final Budget Favorable (Unfavorable)
REVENUES				
Taxes	\$ 13,000	\$ 13,000	\$ -	\$ (13,000)
Service Fees	422,900	422,900	423,962	1,062
Investment Income	-	-	1,472	1,472
Other Income	-	-	-	-
TOTAL REVENUES	435,900	435,900	425,434	(10,466)
OPERATING EXPENSES				
Personnel	110,635	110,635	105,390	5,245
Contracts	27,659	27,659	116,612	(88,953)
Other	27,659	27,659	229,643	(201,984)
Capital Outlay	-	-	-	-
Depreciation	-	-	33,702	(33,702)
TOTAL OPERATING EXPENSES	165,953	165,953	485,347	(319,394)
OPERATING INCOME	269,947	269,947	(59,913)	308,928
NONOPERATING REVENUES (EXPENSES)				
Interest Income	-	-	-	-
Interest Expense	-	-	-	-
TOTAL NONOPERATING REVENUES (EXPENSES)	-	-	-	-
NET INCOME (LOSS) BEFORE TRANSFERS	269,947	269,947	(59,913)	308,928
Transfers - Net	4,000	4,000	-	(4,000)
NET INCOME (LOSS) AFTER TRANSFERS	273,947	273,947	(59,913)	
FUND BALANCE, BEGINNING OF YEAR	-	-	205,219	
RESTATEMENT	-	-	(201,287)	
FUND BALANCE, END OF YEAR	\$ 273,947	\$ 273,947	\$ (55,981)	
Reconciliation of Net Income (Loss) on a Budgetary Basis with Statement of Activities for Proprietary Funds				
Net Income After Transfers - Budgetary Basis			\$ (59,913)	
Amounts reported in the Statement of Activities differ because:				
Debt Proceeds increase Utility Liabilities and are not reported in Proprietary Funds Statement of Activities			-	
Debt Service Expenditures reduce Utilities liabilities and are not reported in Proprietary Funds Statement of Activities			-	
Depreciation is reported in the Proprietary Funds Statement of Activities but is not a budget expenditure item			(33,702)	
Net Income After Transfers - Per Financial Statements			\$ (93,615)	

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SUPPLEMENTARY INFORMATION

**CITY OF TEXICO
SCHEDULE OF DEPOSITS AND TEMPORARY INVESTMENTS
BY DEPOSITORY FOR PUBLIC FUNDS – ALL FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

Account Description	Account Number	Account Type	Fund Type	Bank Balance June 30, 2012	Net Reconciling Items	Reconciled Balance June 30, 2012
Citizens Bank of Clovis						
Meter Fund	371664206	Checking	Business-type	\$ 15,913	\$ (130)	\$ 15,783
General Fund	371665006	Checking	Governmental	65,600	-	65,600
Fire Fund	371683906	Checking	Governmental	50,613	46,439	97,052
Public Works	371686306	Checking	Business-type	84,224	(45,730)	38,494
Public Works	371717706	Checking	Business-type	22,221	-	22,221
Recreation	371693606	Checking	Governmental	3,640	218	3,858
Cemetery	371713411	Checking	Governmental	48,277	48	48,325
Senior Citizens Fund	379145806	Checking	Governmental	2,425	(961)	1,464
Headstone Account	371715006	Checking	Governmental	5,035	(150)	4,885
		Total Checking		297,948	(266)	297,682
Meter Fund	371664206	Savings	Business-type	22,860	-	22,860
Fire Fund	371683906	Savings	Governmental	117,348	-	117,348
Public Works	371686306	Savings	Business-Type	110,468	-	110,468
General Fund	371665006	Savings	Governmental	810,225	(257,925)	552,300
		Total Savings		1,060,901	(257,925)	802,976
New Mexico Finance Authority						
City of Texico	Texico2	Savings	Governmental	-	-	-
City of Texico	Texico3	Savings	Governmental	39,632	-	39,632
City of Texico	Texico4	Savings	Governmental	-	-	-
City of Texico	Texico6	Savings	Governmental	-	-	-
City of Texico	Texico7	Savings	Governmental	2	-	2
City of Texico	Texico10	Savings	Governmental	118	-	118
City of Texico	Texico8	Savings	Governmental	5	-	5
		Total Deposits		39,757	-	39,639
		Total Cash in Banks		\$ 1,398,606	\$ (258,191)	1,140,297
						FDIC Insurance at June 30, 2012 (250,000)
						Needed Security Collateral 890,297
						50% Collateral Requirement 445,149
						Total Pledged Collateral 1,208,144
						Amount Over (Under) Pledged \$ 762,995

**CITY OF TEXICO
SCHEDULE OF PLEDGED COLLATERAL BY DEPOSITORY
FOR PUBLIC FUNDS
FOR THE YEAR ENDED JUNE 30, 2012**

<u>Name of Depository</u>	<u>Pledged Collateral</u>	<u>CUSIP</u>	<u>Name and Location of Custodian</u>	<u>Fair Market Value June 30, 2012</u>
Citizens Bank, Clovis	GNMA Pool # 4768 Matures 8/20/2040	36202FJM9	Texas Independent Bankers Dallas, TX	\$ 1,135,396
Citizens Bank, Clovis	GNMA II Pool #80750 Matures 10/20/2033	36225CZQ2	Not Designated	37,850
Citizens Bank, Clovis	SBIC 2003-P10A 1 Matures 2/10/2013	831641DM4	The Independent Bankers AFS	<u>34,898</u>
Total Pledged Collateral				<u>\$ 1,208,144</u>

Kubiak & Melton, LLC

CERTIFIED PUBLIC ACCOUNTANTS

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

Hector Balderas, State Auditor
State of New Mexico, and
City Council
City of Texico
P.O. Box 208
Texico, NM 88135

We were engaged to audit the financial statements of the governmental activities, the business-type activities, each major fund, budgetary comparisons for the general fund and the major special revenue funds, and the aggregate remaining fund information of the City of Texico (City), as of and for the year end June 30, 2012, and have issued our report thereon dated June 24, 2013. We were also engaged to audit the financial statements of each of the Town's nonmajor governmental funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year end June 30, 2012 as listed in the table of contents. We were unable to express an opinion on those financial statements, because the City did not maintain sufficient internal controls and/or adequate documentation for all transactions.

Internal Control Over Financial Reporting

Management of the City is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the City's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing an opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies or material weaknesses have been identified. However, as described in the accompanying schedule of audit findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies that we consider to be significant deficiencies.

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. We consider the deficiencies described in the accompanying schedule of audit findings and responses as items 2004-01, and 2004-06.

Management of the City of Texico is responsible for establishing and maintaining effective internal control over financial reporting. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charges with governance. We consider the deficiencies described in the accompanying schedule of audit findings and responses as items 2004-02 and 2006-02 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

The City's responses to the findings identified in our audit is described in the accompanying schedule of audit findings and responses. We did not audit the City's responses and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the Texico City Council and management, the Office of the State Auditor, the New Mexico Legislature, the New Mexico Department of Finance and Administration – Local Government Division and applicable state and federal awarding agencies, and pass-through agencies, and is not intended to be and should not be used by anyone other than these specified parties.

Kubiak & Melton, LLC

Kubiak & Melton, LLC

Albuquerque, New Mexico

June 24, 2013

**CITY OF TEXICO
SCHEDULE OF AUDIT FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2012**

2004-01 Segregation of Accounting Duties (Material Weakness)

Condition – The City of Texico has only two administrative staff and therefore these employees are involved in all aspects of the financial transactions of the City, collecting and depositing funds, ordering and receiving goods, preparing payment vouchers and distributing checks to vendors, preparing and reviewing payroll, and reviewing financial information.

Criteria – Proper internal control requires a segregation of duties among personnel that receive goods, records transactions and report financial information.

Cause – The City has limited staff and resources. This makes proper internal control very difficult.

Effect – Because of the lack of segregation of duties, transactions and reporting could be circumvented and errors and irregularities may go undetected.

Recommendation – It is recommended that the members of the City Council and the Mayor review significant financial transactions on a regular basis and seek methods to segregate duties to ensure financial reporting accuracy.

Management Response – Due to the limited amount of staff available, we will try to involve the Council and the Mayor more in a supervisory capacity when necessary to maintain adequate safeguards.

**CITY OF TEXICO
SCHEDULE OF AUDIT FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2012**

2004-02 Late Audit Report (Significant Deficiency)

Condition – The audit report was delivered to the Office of the State Auditor on September 13, 2013, long after the deadline of December 1, 2012.

Criteria – The New Mexico State Auditor Rule 2.2.2.9A(1) requires annual audit reports for municipalities to be submitted by December 1st, following the end of the fiscal year.

Cause – Poor record-keeping and limited accounting knowledge on the part of management.

Effect – The City's financial status and other information was not available to the public and to various state agencies on a timely basis.

Recommendation – It is recommended that the City provide information for future audits to be completed by the mandatory submission date.

Management Response – The City will proactively work with the Independent Public Accountant to expedite the preparation of future financial statement audits.

**CITY OF TEXICO
SCHEDULE OF AUDIT FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2012**

2006-02 Exceeded Budgetary Authority (Significant Deficiency)

Condition: Insufficient budget oversight on the part of the City's management caused the actual expenditures to exceed budgeted expenditures in the following funds: Fire Protection Fund: \$210,154; EMS Fund: \$7,508; Recreation Fund: \$5,110; Corrections Fund: \$18,834; Law Enforcement Protection Fund: \$258,654; Cemetery Fund: \$5,064; and Water and Sewer Fund: \$319,394.

Criteria: DFA Local Government Division and New Mexico State Law require that government entities stay within budgetary allocations in carrying out the operations of the government unit. Section 6-6-6 NMSA 1978 requires the City to stay within approved budget amounts.

Cause: Staff shortages, insufficient budget oversight and failure to work closely with the DFA Local Government Division were all factors that contributed to this finding.

Effect: The City exceeded budgeted appropriations in certain funds and categories.

Recommendation: It is recommended that the City work with DFA Local Government Division in monitoring budgetary compliance throughout the fiscal year.

Management Response: The City concurs with this recommendation.

**CITY OF TEXICO
SCHEDULE OF AUDIT FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2012**

2004-06 General Ledger Preparation and Controls (Material Weakness)

Condition: The City of Texico prepares its general ledger and subsequent financial reports using Quickbooks software. The system is not properly organized in the sense that the chart of accounts and fund structure do not mirror the conventions mandated by DFA and the Office of the State Auditor. This makes it difficult to track various funds in order to prepare financial reports required by Local Government Division as well as making it very difficult for the IPA to prepare governmental GAAP-based financial statements.

Criteria: The City is required to develop an adequate accounting and internal control system in order to meet the financial reporting requirements of the City.

Cause: The accounts and funds in the software were not set up in a logical and coherent manner that would enable required reporting to be produced on a timely basis.

Effect: The City does not have an adequate accounting and internal control system in place to meet the mandated reporting requirements of DFA and the Office of the State Auditor.

Recommendation: It is recommended that the City re-do the chart of accounts and fund structure in the Quickbooks software to mirror the reporting requirements of DFA and comply with the State Auditor Rule.

Management Response: We will work with the IPA to strengthen the City's accounting records to enhance accounting and financial reliability.

**CITY OF TEXICO
SCHEDULE OF AUDIT FINDINGS AND RESPONSES
PRIOR YEAR**

<u>Prior Year</u>		
<u>Finding</u>	<u>Description</u>	<u>Status</u>
2004-01	Segregation of Accounting Duties	Repeated
2004-02	Late Audit Report	Repeated
2004-06	General Ledger Preparation and Controls	Repeated
2006-02	Exceeded Budgetary Authority	Repeated
2010-01	Bank Reconciliations - modified	Resolved

**CITY OF TEXICO
EXIT CONFERENCE
FOR THE YEAR ENDED JUNE 30, 2012**

The contents of this report were discussed with the City of Texico on September 9, 2013. The following individuals attended:

City of Texico:

Carolyn Johnson, Clerk / Treasurer
Jerry Cunningham, Mayor

Kubiak & Melton, LLC:

Don Wittman, CPA

The financial statements of the City of Texico were prepared from the original books and records provided by and with the assistance of the management of the City of Texico and Kubiak & Melton, LLC.

Although Statement of Auditing Standards No. 112, Communicating Internal Control Matters Identified in an Audit strongly emphasizes that the City prepare its own financial statements, the consensus between the City's management and the auditors was that it would be more time and cost efficient for the auditors to prepare the financial statements and the related notes. Accordingly, the City has designated a competent management-level individual to oversee the auditors' services and have made all management decisions and performed all management functions. The City has reviewed, approved, and accepted responsibility for the accompanying financial statements and related notes, and for ensuring that the underlying accounting records adequately support the preparation of the financial statements in accordance with generally accepted accounting principles and that the records are current and in balance.