
STATE OF NEW MEXICO
City of Texico
June 30, 2013

Financial Statements and Supplementary Information
As Of And For The Year Ended June 30, 2013
With Independent Auditor's Report Thereon

Sandra Rush
Certified Public Accountant, PC

1101 E Llano Estacado
Clovis, New Mexico 88101

Introductory Section

STATE OF NEW MEXICO
CITY OF TEXICO

Official Roster
For the year ended June 30, 2013

Board of Trustees

| | |
|-------------------|---------------|
| Jerry Cunningham | Mayor |
| Oran Jay Autrey | Mayor Pro Tem |
| Monnie Cunningham | Member |
| Audrey Kittrell | Member |
| Doug Scioli | Member |

Administrative Officials

| | |
|-----------------|-----------------|
| Carolyn Johnson | Clerk-Treasurer |
|-----------------|-----------------|

STATE OF NEW MEXICO
CITY OF TEXICO
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June 30, 2013

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CITY OF TEXICO
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Financial Section

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Sandra Rush

Certified Public Accountant PC

1101 E Llano Estacado • Clovis, New Mexico 88101 • 575-763-2245

Independent Auditor's Report

Hector H. Balderas
New Mexico State Auditor
The Office of Management and Budget and
The Governing Board
City of Texico
Texico, New Mexico

Report on Financial Statements

I was engaged to audit 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 and major special revenue funds of the City of Texico (the City), as of and for the year ended June 30, 2013, and the related notes to the financial statements which collectively comprise the City's basic financial statements as listed in the table of contents. I also was engaged to audit the financial statements of each of the City's nonmajor governmental funds and the budgetary comparisons, and all nonmajor funds presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2013, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express an opinion on these financial statements based on conducting the audit in accordance with auditing standards generally accepted in the United States of America. Because of the matters described in the Basis for Disclaimer of Opinion paragraph, however, I was not able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion.

Basis for Disclaimer of Opinion

The City could not provide adequate supporting documentation for all transactions during the fiscal year ended June 30, 2013 which was a result of inadequate internal controls over financial reporting for all governmental and proprietary funds. The City's records do not permit the application of auditing procedures to all transaction classes. Since the City could not provide adequate supporting documentation for all transactions for the year ended June 30, 2013 I was unable to apply other auditing procedures to satisfy myself as to the accuracy of the governmental and business-type fund financial records, the scope of my work was not sufficient to enable me to express, and I do not express an opinion on these financial statements.

Disclaimer of Opinion

Because of the significance of the matters described in the Basis for Disclaimer of Opinion paragraph, I was not been able to obtain sufficient appropriate audit evidence to provide a basis for an audit opinion. Accordingly, I do not express an opinion on these financial statements.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America require 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. My opinion on the basic financial statements is not affected by this missing information.

Other Information

I were engaged to conduct an audit for the purpose of forming opinions 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 other schedules as required by 2.2.2 NMAC are presented for the purposes of additional analysis and are not a required part of the basic financial statements. For the reasons described above, I was 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, I express no opinion on them.

In accordance with *Government Auditing Standards*, I have also issued my report dated December 2, 2013 on my consideration of the City's internal control over financial reporting and on my 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 my 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 *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Sandra Rush CPA PC

Sandra Rush CPA PC
Clovis, New Mexico
December 2, 2013

Basic Financial Statements

Government-wide Financial Statements

STATE OF NEW MEXICO
CITY OF TEXICO
Statement of Net Position
June 30, 2013

| | <u>Governmental Activities</u> | <u>Business-type Activities</u> | <u>Total</u> |
|--|------------------------------------|-------------------------------------|---------------------|
| <u>ASSETS</u> | | | |
| Current assets: | | | |
| Cash and cash equivalents | \$ 1,118,092 | \$ 183,675 | \$ 1,301,767 |
| Accounts receivable | 23,923 | - | 23,923 |
| | <u>1,142,015</u> | <u>183,675</u> | <u>1,325,690</u> |
| Noncurrent assets: | | | |
| Restricted cash, customer meter deposits | - | 39,973 | 39,973 |
| Capital assets | 2,950,976 | 1,816,939 | 4,767,915 |
| Less: accumulated depreciation | <u>(2,143,333)</u> | <u>(1,059,047)</u> | <u>(3,202,380)</u> |
| | <u>807,643</u> | <u>797,865</u> | <u>1,605,508</u> |
| | <u>\$ 1,949,658</u> | <u>\$ 981,540</u> | <u>\$ 2,931,198</u> |
| <u>LIABILITIES AND NET POSITION</u> | | | |
| Current liabilities: | | | |
| Accounts payable | \$ 203,248 | \$ - | \$ 203,248 |
| Accrued liabilities | 31,655 | 1,075 | 32,730 |
| Current portion of long term debt | <u>81,860</u> | <u>28,140</u> | <u>110,000</u> |
| | <u>316,763</u> | <u>29,215</u> | <u>345,978</u> |
| Non-current liabilities: | | | |
| Customer meter deposits | - | 39,973 | 39,973 |
| Long term debt | <u>589,551</u> | <u>879,736</u> | <u>1,469,287</u> |
| | <u>589,551</u> | <u>919,709</u> | <u>1,509,260</u> |
| | <u>906,314</u> | <u>948,924</u> | <u>1,855,238</u> |
| <u>NET POSITION</u> | | | |
| Invested in capital assets | 218,092 | (149,984) | 68,108 |
| Restricted: | | | |
| Special revenue fund | 9,913 | - | 9,913 |
| Unrestricted | <u>815,339</u> | <u>182,600</u> | <u>997,939</u> |
| | <u>1,043,344</u> | <u>32,616</u> | <u>1,075,960</u> |
| | <u>\$ 1,949,658</u> | <u>\$ 981,540</u> | <u>\$ 2,931,198</u> |

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF TEXICO

Statement of Activities
For the year ended June 30, 2013

| Functions / Programs | Expenses | Program Revenues | | |
|---|---------------------|----------------------|------------------------------------|----------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Governmental activities: | | | | |
| General government | \$ 189,823 | \$ 4,341 | \$ - | \$ - |
| Public safety | 435,426 | 77,419 | 96,563 | 286,111 |
| Public works | 13,393 | - | - | - |
| Health and welfare | 2,828 | 2,200 | - | - |
| Culture and recreation | 18,544 | - | 14,231 | - |
| Interest | 313 | - | - | - |
| Depreciation expense | 185,301 | - | - | - |
| Total governmental activities | <u>845,628</u> | <u>83,960</u> | <u>110,794</u> | <u>286,111</u> |
| Business-type activities: | | | | |
| Public works | <u>483,802</u> | <u>409,320</u> | <u>-</u> | <u>308,881</u> |
| Total business-type activities | <u>483,802</u> | <u>409,320</u> | <u>-</u> | <u>308,881</u> |
| Total governmental and business-type activities | <u>\$ 1,329,430</u> | <u>\$ 493,280</u> | <u>\$ 110,794</u> | <u>\$ 594,992</u> |

General Revenues:

Taxes
Miscellaneous
Contributions
Interest income
State sources
State shared taxes

Total general revenues

Change in net position

Net position, beginning
Restatement

Net position, beginning restated

Net position, ending

The accompanying notes are an integral part of these financial statements.

| Net (Expenses) Revenues | | |
|----------------------------|-----------------------------|---------------------|
| Governmental Activities | Business-type Activities | Total |
| \$ (185,482) | \$ - | \$ (185,482) |
| 24,667 | - | 24,667 |
| (13,393) | - | (13,393) |
| (628) | - | (628) |
| (4,313) | - | (4,313) |
| (313) | - | (313) |
| <u>(185,301)</u> | <u>-</u> | <u>(185,301)</u> |
| <u>(364,763)</u> | <u>-</u> | <u>(364,763)</u> |
| - | 234,399 | 234,399 |
| - | 234,399 | 234,399 |
| <u>\$ (364,763)</u> | <u>\$ 234,399</u> | <u>\$ (130,364)</u> |
| 13,251 | 26,912 | 40,163 |
| 1,910 | - | 1,910 |
| 3,400 | - | 3,400 |
| 8,067 | 1,114 | 9,181 |
| 323,834 | - | 323,834 |
| <u>105,445</u> | <u>-</u> | <u>105,445</u> |
| <u>455,907</u> | <u>28,026</u> | <u>378,488</u> |
| 91,144 | 262,425 | 353,569 |
| 1,380,676 | (51,157) | 1,329,519 |
| <u>(428,476)</u> | <u>(178,652)</u> | <u>(607,128)</u> |
| <u>952,200</u> | <u>(229,809)</u> | <u>722,391</u> |
| <u>\$ 1,043,344</u> | <u>\$ 32,616</u> | <u>\$ 1,075,960</u> |

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Fund Financial Statements

STATE OF NEW MEXICO
CITY OF TEXICO
Balance Sheet
Governmental Funds
June 30, 2013

| | General 101 | Fire Protection 209 | Other Governmental Funds | Total Governmental Funds |
|----------------------------------|-------------------|------------------------|--------------------------------|--------------------------------|
| <u>ASSETS</u> | | | | |
| Cash and cash equivalents | \$ 875,822 | \$ 181,648 | \$ 60,622 | \$ 1,118,092 |
| Accounts receivable | 23,923 | - | - | 23,923 |
| Total assets | <u>\$ 899,745</u> | <u>\$ 181,648</u> | <u>\$ 60,622</u> | <u>\$ 1,142,015</u> |
| <u>LIABILITIES</u> | | | | |
| Accounts payables | \$ - | \$ 203,248 | \$ - | \$ 203,248 |
| Accrued liabilities | 2,546 | 6,028 | (256) | 8,318 |
| Loan payable | - | 2,604 | - | 2,604 |
| Interest payable | - | 20,733 | - | 20,733 |
| Total liabilities | <u>2,546</u> | <u>232,613</u> | <u>(256)</u> | <u>234,903</u> |
| <u>FUND BALANCE</u> | | | | |
| Restricted for: | | | | |
| Special revenue funds | - | (50,965) | 60,878 | 9,913 |
| Unassigned, reported in: | - | - | - | - |
| General government funds | 897,199 | - | - | 897,199 |
| Total fund balance | <u>897,199</u> | <u>(50,965)</u> | <u>60,878</u> | <u>907,112</u> |
| Total liabilities & fund balance | <u>\$ 899,745</u> | <u>\$ 181,648</u> | <u>\$ 60,622</u> | <u>\$ 1,142,015</u> |

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
 CITY OF TEXICO
 Reconciliation of the Balance Sheet All Governmental Funds
 to the Statement of Net Position
 For the year ended June 30, 2013

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

| | | | |
|--|--|----|---------|
| Fund balances - total governmental funds | | \$ | 907,112 |
|--|--|----|---------|

Capital assets used in governmental activities are not financial
 resources and, therefore, are not reported in the funds
 financial statement, but are reported in the governmental
 activities of the statement of net position

| | | | |
|--------------------------|----|--------------------|---------|
| Capital assets | \$ | 2,950,976 | |
| Accumulated depreciation | | <u>(2,143,333)</u> | 807,643 |

Certain liabilities are not due and payable in the current
 period and, therefore, are not reported in the funds
 financial statement, but are reported in the
 governmental activities of the statement of net position

| | | | |
|----------------|--|--|------------------|
| Long-term debt | | | <u>(671,411)</u> |
|----------------|--|--|------------------|

| | | | |
|---|--|----|------------------|
| Net position of governmental activities | | \$ | <u>1,043,344</u> |
|---|--|----|------------------|

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF TEXICO
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the year ended June 30, 2013

| | General 101 | Fire Protection 209 | Other Governmental Funds | Total Governmental Funds |
|--|-----------------|------------------------|--------------------------------|--------------------------------|
| Revenue: | | | | |
| Local sources | \$ - | \$ 1,817 | \$ 4,100 | \$ 5,917 |
| Taxes | - | - | - | - |
| Licenses and permits | 1,703 | - | - | 1,703 |
| Charges for services | 8,153 | 45,975 | - | 54,128 |
| Fines and forfeits | 27,522 | - | - | 27,522 |
| Interest | 6,718 | 1,061 | 288 | 8,067 |
| State sources | 437,741 | 282,018 | 8,027 | 727,786 |
| State shared taxes | 105,445 | - | - | 105,445 |
| Federal sources | - | - | 6,204 | 6,204 |
| Total revenues | 587,282 | 330,871 | 18,619 | 936,772 |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 189,822 | - | - | 189,822 |
| Public safety | 252,214 | 183,212 | - | 435,426 |
| Public works | 13,393 | - | - | 13,393 |
| Health and welfare | - | - | 2,828 | 2,828 |
| Culture and recreation | - | - | 18,545 | 18,545 |
| Capital outlay | 67,889 | 63,321 | - | 131,210 |
| Debt service - principal | 15,550 | 68,125 | - | 83,675 |
| Debt service - interest | 313 | - | - | 313 |
| Total expenditures | 539,181 | 314,658 | 21,373 | 875,212 |
| Excess (deficiency) of revenues over expenditures | 48,101 | 16,213 | (2,754) | 61,560 |
| Other financing sources (uses): | | | | |
| Operating transfers (net) | (10,000) | 5,000 | 5,000 | - |
| Total other financing sources (uses) | (10,000) | 5,000 | 5,000 | - |
| Net change in fund balances | 38,101 | 21,213 | 2,246 | 61,560 |
| Fund balances, beginning of year | 503,977 | (2,460) | 75,832 | 577,349 |
| Restatement | 355,121 | (69,718) | (17,200) | 268,203 |
| Fund balances, beginning of year restated | 859,098 | (72,178) | 58,632 | 845,552 |
| Fund balances, end of year | \$ 897,199 | \$ (50,965) | \$ 60,878 | \$ 907,112 |

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO

CITY OF TEXICO

Reconciliation of the Statement of Revenue, Expenditures, and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the year ended June 30, 2013

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

Net change in fund balances - total governmental funds \$ 61,560

Governmental funds report capital outlay as expenditures.
However, in the statement of activities the cost of those assets
are allocated over their estimated useful lives and reported as
depreciation expense.

Capital expenditures:

| | | |
|---|------------------|----------|
| Current year capital expenditures capitalized | \$ 131,210 | |
| Depreciation | <u>(185,301)</u> | (54,091) |

Debt service is an expenditure for governmental fund statements.
The principal portion reduces long term debt on the statement
of activities

| | |
|----------------|---------------|
| Long term debt | <u>83,675</u> |
|----------------|---------------|

| | |
|--|-------------------------|
| Change in Net Position of governmental activities. | <u><u>\$ 91,144</u></u> |
|--|-------------------------|

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF TEXICO
General Fund - 101
Statement of Revenue, Expenditures, and Changes in Cash Balance
Budget and Actual (Non - GAAP Budgetary Basis)
For the year ended June 30, 2013

| | Budgeted Amounts | | Actual | Variance |
|--|------------------|------------|------------|------------|
| | Original | Final | | |
| Revenue: | | | | |
| Local sources | \$ | \$ | \$ | \$ - |
| Taxes | | | | - |
| Licenses and permits | 2,740 | 2,000 | 1,703 | (297) |
| Charges for services | 16,700 | 9,150 | 8,153 | (997) |
| Fines and forfeits | 42,000 | 42,000 | 27,522 | (14,478) |
| Interest | 8,000 | 11,150 | 6,718 | (4,432) |
| State sources | 477,359 | 465,464 | 380,952 | (84,512) |
| State shared taxes | 137,000 | 227,667 | 138,311 | (89,356) |
| Total revenue | 683,799 | 757,431 | 563,359 | (194,072) |
| Expenditures: | | | | |
| Current: | | | | |
| General government | 234,278 | 234,278 | 189,822 | 44,456 |
| Public safety | 278,889 | 278,889 | 252,214 | 26,675 |
| Public works | 59,157 | 59,157 | 13,393 | 45,764 |
| Health and welfare | - | - | - | - |
| Culture and recreation | 70,000 | 70,000 | - | 70,000 |
| Capital outlay | - | - | 67,889 | (67,889) |
| Debt service - principal | - | - | 15,550 | (15,550) |
| Debt service - interest | - | - | 313 | (313) |
| Total expenditures | 642,324 | 642,324 | 539,181 | 103,143 |
| Excess (deficiency) revenues over (under) expenditures | 41,475 | 115,107 | 24,178 | (90,929) |
| Other financing sources (uses): | | | | |
| Operating transfers net | (10,000) | (10,000) | (10,000) | - |
| Designated cash | - | - | - | - |
| Total other financing sources (uses) | (10,000) | (10,000) | (10,000) | - |
| Net change in fund balances | 31,475 | 105,107 | 14,178 | (90,929) |
| Cash balance, beginning of year | - | - | 506,523 | 506,523 |
| Prior period adjustment | - | - | 355,121 | 355,121 |
| Cash balance, beg. of year restated | - | - | 861,644 | 861,644 |
| Cash balance, end of year | \$ 31,475 | \$ 105,107 | \$ 875,822 | \$ 770,715 |
| Net change in fund balance (Non-GAAP Budgetary Basis) | | | \$ 14,178 | |
| Adjustment to revenues for accruals and other deferrals | | | 23,923 | |
| Adjustment to expenditures for payables, prepaids and other accruals | | | - | |
| Net change in fund balance (GAAP Basis) | | | \$ 38,101 | |

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF TEXICO
Major Special Revenue Fund - Fire Protection Fund - 209
Statement of Revenue, Expenditures, and Changes in Cash Balances
Budget and Actual (Non - GAAP Budgetary Basis)
For the year ended June 30, 2013

| | Budgeted Amounts | | Actual | Variance |
|--|--------------------|--------------------|-------------------|-------------------|
| | Original | Final | | |
| Revenues: | | | | |
| Local sources | \$ 873 | \$ 43,889 | \$ 1,817 | \$ (42,072) |
| Taxes | - | - | - | - |
| Licenses and permits | - | - | - | - |
| Charges for services | - | - | 45,975 | 45,975 |
| Fines and forfeits | - | - | - | - |
| Interest | - | - | 1,061 | 1,061 |
| State sources | - | - | 213,893 | 213,893 |
| State shared taxes | - | - | 68,125 | 68,125 |
| Total revenues | <u>873</u> | <u>43,889</u> | <u>330,871</u> | <u>286,982</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government | - | - | - | 0 |
| Public safety | 150,000 | 136,584 | 183,212 | (46,628) |
| Public works | - | - | - | - |
| Health and welfare | - | - | - | - |
| Culture and recreation | - | - | - | - |
| Capital outlay | - | - | 63,321 | (63,321) |
| Debt service - principal | - | - | 68,125 | (68,125) |
| Total expenditures | <u>150,000</u> | <u>136,584</u> | <u>314,658</u> | <u>(178,074)</u> |
| Excess (deficiency) revenues over (under) expenditures | (149,127) | (92,695) | 16,213 | 108,908 |
| Other financing sources (uses): | | | | |
| Operating transfers | - | - | 5,000 | 5,000 |
| Designated cash | <u>59,289</u> | <u>60,000</u> | - | <u>(60,000)</u> |
| Total other financing sources (uses) | <u>59,289</u> | <u>60,000</u> | <u>5,000</u> | <u>(55,000)</u> |
| Net change in fund balances | (89,838) | (32,695) | 21,213 | 53,908 |
| Cash balance, beginning of year | - | - | 230,153 | 230,153 |
| Prior period adjustment | - | - | <u>(69,718)</u> | <u>(69,718)</u> |
| Cash balance, beg of year restated | - | - | <u>160,435</u> | <u>160,435</u> |
| Cash balance, end of year | <u>\$ (89,838)</u> | <u>\$ (32,695)</u> | <u>\$ 181,648</u> | <u>\$ 214,343</u> |
| Net change in fund balance (Non-GAAP Budgetary Basis) | | | \$ 21,213 | |
| Adjustment to revenues for accruals and other deferrals | | | - | |
| Adjustment to expenditures for payables, prepaids and other accruals | | | - | |
| Net change in fund balance (GAAP Basis) | | | <u>\$ 21,213</u> | |

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
 CITY OF TEXICO
 Proprietary Fund
 Statement of Net Position
 June 30, 2013

| | <u>Public Works</u> |
|--|---------------------|
| <u>ASSETS</u> | |
| Current assets: | |
| Cash and cash equivalents | \$ 183,675 |
| Accounts receivable, net | - |
| Total current assets | <u>183,675</u> |
| Noncurrent assets | |
| Restricted cash, customer meter deposits | 39,973 |
| Capital assets | 1,816,939 |
| Less: accumulated depreciation | <u>(1,059,047)</u> |
| Total noncurrent assets | <u>797,865</u> |
| Total assets | <u>\$ 981,540</u> |
| <u>LIABILITIES AND NET POSITION</u> | |
| Current liabilities: | |
| Accrued liabilities | \$ 1,075 |
| Current portion long-term debt | <u>28,140</u> |
| Total current liabilities | <u>29,215</u> |
| Noncurrent liabilities | |
| Customer meter deposits | 39,973 |
| Long-term debt | <u>879,736</u> |
| Total noncurrent liabilities | <u>919,709</u> |
| Total liabilities | <u>948,924</u> |
| Net position: | |
| Net Investment in capital assets | (149,984) |
| Unrestricted | <u>182,600</u> |
| Total net position | <u>32,616</u> |
| Total liabilities and net position | <u>\$ 981,540</u> |

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF TEXICO

Proprietary Fund
Statement of Revenue, Expenses and Changes in Net Position
For the year ended June 30, 2013

| | <u>Public Works</u> |
|---|---------------------|
| Operating revenues: | |
| Sales and services | \$ 409,320 |
| Miscellaneous | - |
| Total operating revenues | <u>409,320</u> |
| Operating expenses: | |
| Public works | 438,390 |
| Depreciation | <u>45,412</u> |
| Total operating expenses | <u>483,802</u> |
| Operating income (loss) | (74,482) |
| Non-operating revenues (expenses): | |
| Taxes - gross receipts | 26,912 |
| Interest income | 1,114 |
| Meter deposits | - |
| Federal grant - CDBG | <u>308,881</u> |
| Total non-operating revenue (expenses) | <u>336,907</u> |
| Net income (loss) | 262,425 |
| Operating transfers (net) | <u>-</u> |
| Change in net position | 262,425 |
| Net position, beginning of year | (51,157) |
| Prior period adjustment | <u>(178,652)</u> |
| Net position, beginning of year, restated | <u>(229,809)</u> |
| Net position, end of year | <u>\$ 32,616</u> |

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF TEXICO
Proprietary Funds
Statement of Cash Flows
For the year ended June 30, 2013

| | Business-type Activities Enterprise Fund |
|---|--|
| Cash flows from operating activities: | |
| Receipts from customers | \$ 409,320 |
| Payments to suppliers, contractors and employees | <u>(401,164)</u> |
| Net cash provided (used) by operating activities | <u>8,156</u> |
| Cash flows from non capital financing activities: | |
| Taxes - gross receipts | 26,912 |
| Interest income | 999 |
| Change in customer meter deposits | <u>1,280</u> |
| Net cash provided (used) by non capital financing activities | <u>29,191</u> |
| Cash flows from capital and related financing activities: | |
| Federal grant - CDBG | 308,881 |
| Acquisition of capital assets | (346,313) |
| Debt payment | <u>(31,671)</u> |
| Net cash provided (used) by capital and related financing activities | <u>(69,103)</u> |
| Net increase (decrease) in cash and cash equivalents | (31,756) |
| Cash and cash equivalents, beginning of year | 291,672 |
| Prior period adjustment | <u>(36,268)</u> |
| Cash and cash equivalents, restated | <u>255,404</u> |
| Total cash and cash equivalents, end of year | <u>\$ 223,648</u> |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | |
| Operating income (loss) | \$ (37,256) |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | |
| Depreciation and amortization | 45,412 |
| Changes in assets and liabilities: | |
| (Increase) decrease in accounts receivable | - |
| Increase (Decrease) in accounts payable | <u>-</u> |
| Net cash provided (used) by operating activities | <u>\$ 8,156</u> |

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF TEXICO
Agency Funds
Statement of Fiduciary Assets and Liabilities
June 30, 2013

| | <u>Agency Funds</u> |
|---------------------------|-------------------------|
| <u>ASSETS</u> | |
| Cash and cash equivalents | <u>\$ 28,332</u> |
| Total assets | <u><u>\$ 28,332</u></u> |
| <u>LIABILITIES</u> | |
| Deposits held for others | <u>\$ 28,332</u> |
| Total liabilities | <u><u>\$ 28,332</u></u> |

The accompanying notes are an integral part of these financial statements.

Notes to Financial Statements

1. Summary Of Significant Accounting Policies

The financial statements of the City of Texico (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 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 activities and proprietary funds, the City has not chosen to do so.

A. Reporting Entity

The City of Texico is a political subdivision of the state of New Mexico and was incorporated under provisions of Chapter 3, Article 2, NMSA 1978 as amended. The City operates under the mayor-trustee 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 basic financial statements include all activities and accounts of the City's *financial reporting entity*.

The financial reporting entity consists of the primary government, and any another organization for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body, and either it is able to impose its will on that organization, or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens, on the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, activities, or level of services performed or provided by the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

Based upon the application of these criteria, there are no component units of the City. The City is not considered a component unit of another governmental agency during the fiscal year ended June 30, 2013.

B. Government-Wide 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 non-fiduciary activities of the primary government. For the most part, the effect of inter-fund 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 on a significant extent on fees and charges for support. The Statement of Net Position and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Non-Exchange Transactions*.

The government-wide statement of activities demonstrates the degree to which the direct expenses of a function category (general government, public safety, etc.) or activity are offset by program revenues. Direct expenses are those that are clearly identifiable with specific function or activity. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity, 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or activity and 3) grants and contributions that are restricted to meeting the capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported as general revenues.

The net cost (by function of governmental-type activity) is normally covered by general revenues (property, sales, franchise, public service taxes, interest income, etc.). The City does not allocate indirect costs. Depreciation expense is specifically identified by function and is included in the direct expense of each function. Interest on general long-term is considered an indirect expense and is reported separately on the Statement of Activities.

Separate fund based financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual government funds and major individual enterprise funds are reported as separate columns in the fund financial statements. 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 nonmajor funds are combined in a column in the fund financial statements. The nonmajor funds are detailed in the combining section of the statements.

The City's fiduciary funds (which have been refined and narrowed in scope) are presented in the fund financial statements by type. Since, by definition, the assets are being held for the benefit of a third party, and cannot be used to address activities or obligations of the municipality; these funds are not incorporated into the government-wide statements.

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. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation

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.

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 balance 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 sixty days of the end of the current fiscal period. Generally, intergovernmental revenues and grants are recognized when all eligibility requirements are met and the revenues are available. 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 due.

Property, franchise, sales and public service 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.

Business-type activities and all proprietary funds are accounted for on a flow of economic resources measurement focus. 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 principal ongoing operations. The principal operating revenues of the City's water, sewer, and sanitary landfill funds are charges to customers for sales and services. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The City reports the following major governmental funds:

General Fund

The City's primary operating fund. It accounts for all the financial resources of the general government, except those required to be accounted for in another fund. Revenues are provided through property, sales and other taxes, federal sources, state sources, charges for services, licenses and fees, and other miscellaneous recoveries and revenues. Expenditures include all costs associated with the daily operation of the City, except for items included in other funds.

Special Revenue Funds

Fire Protection Fund

To accounts for the proceeds of the state fire allotment, and the expenditures for public safety there from. New Mexico state law requires that these funds be used to help maintain the fire department. The fund was established by local ordinance and in accordance with Section 59A-53-1, of the New Mexico State Insurance Code. Section 59A-53-8 of the code restricts the use of the funds for only the maintenance of the City's fire department.

The City reports the following major business-type funds:

Public Works Fund

This fund is used to account for the provision of water, sewer, and solid waste 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.

D. Budgets

Budgets for all funds are prepared by management and approved by the Board of Trustees and the New Mexico Department of Finance and Administration. The clerk-treasurer is responsible for preparing the budget from requests submitted by department heads. The appropriated budget is prepared by line item within object class, program, department and fund; revenues expected to be available are estimated to provide for balanced budgeting. The comprehensive budget package is brought before the Board of Trustees for approval by resolution.

The proposed budget is then submitted by June 1st to the New Mexico Department of Finance and Administration Local Government Division (DFA) for approval. DFA certifies a pending budget by July 1st with final certification of the budget by the first Monday of September. The expenditure section of the budget, once adopted, is legally binding. Based on the final certified budget submitted, DFA certifies the allowable tax rates for property taxes in September.

These budgets are prepared on the non-GAAP cash basis, excluding encumbrances, and secure appropriation of funds for only one year. Carryover funds are reappropriated in the budget of the subsequent fiscal year. The budget process in the state of New Mexico requires that the beginning cash balance be utilized to fund deficit budgets appropriated in the budget of the subsequent fiscal year. Such appropriated balance is presented as a committed portion of fund balance.

Actual expenditures may not exceed the budget on a fund basis. Budgets may be amended in two ways. If a budget transfer is necessary within a fund, this may be accomplished with only local board approval. If a transfer between "funds" or a budget increase is required, approval must be obtained from the Department of Finance and Administration.

E. Assets, Liabilities, and Net Position or Equity

Deposits and Investments

Investments in the City's cash and certificates of deposit are stated at cost, which approximates fair 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

STATE OF NEW MEXICO
 CITY OF TEXICO
 Notes To The Financial Statements
 June 30, 2013

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.

Inventory

The cost of inventories are recorded as expenditures/expenses when purchased rather than when consumed.

Interfund Receivables and Payables

Activities between funds, that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year, are referred to as interfund balance. Long term advances between funds, reported in the fund financial statements as noncurrent, are offset by a nonspendable fund balance in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets

Certain long-term assets are classified as restricted assets on the balance sheet because their use is limited to payments for debt service or other purposes such as deposits held in trust for others.

Interfund Activity

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

Capital Assets

Property, plant, and equipment purchased or acquired is carried at historical cost or estimated cost. Contributed capital assets are recorded at estimated fair market value at the time received. The City defines capital assets as assets with an initial, individual cost or donated value of \$5,000 or more and an estimated useful life in excess of one year. The City does not capitalize computer software or software developed for internal use (if applicable) unless it exceeds the \$5,000 threshold.

Infrastructure fixed assets consisting of roads, curbs and gutters, streets and sidewalks, drainage systems and lighting systems have been recorded at estimated historical cost. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Net revenue bond interest cost incurred during construction is capitalized when material.

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

| Assets | Years |
|-------------------------|---------|
| Buildings | 5 - 50 |
| Building Improvements | 5 - 50 |
| Water system | 30 - 50 |
| Machinery and equipment | 5 - 15 |

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 Revenues

Within the government-wide financial statements, deferred revenues represent unearned revenues advanced to the City. Such advances are reported as deferred revenue until the earnings process is complete. Deferred revenues may include grant awards not recognized as revenues since all criteria have not been met.

Within the governmental funds, revenues must be available in order to be recognized. Revenues such as property taxes that are not available are recorded as deferred revenues and reflected as a liability within the balance sheet.

Short-Term Obligations

No short-term debt occurred during the current fiscal year.

Long-Term Obligations

In the government-wide 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 straight line 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. 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.

For the fiscal year ended June 30, 2013, the only long-term obligation is the compensated absences liability.

Taxes

Motor Vehicle Registration Fees

Under the provision of Chapter 66, Article 6, NMSA 1978, the State of New Mexico collects various fees for the registration and regulation of motor vehicles in the state. Of the amount collected, certain specified amounts are distributed to various governmental agencies within the state, including: the Motor Vehicle Division, State Road Fund, municipalities, and counties. After certain priority payments, as detailed in 66-6-23 NMSA 1978 have been made, a portion of the remaining fees held in the motor vehicle suspense fund are distributed as required in 66-6-23 B(4) and 66-6-23 B(5). These distributions are commonly referred to as the 10% and 15% motor vehicle tax distribution.

Gasoline Tax

The State of New Mexico, by authority of Chapter 7, Article 13 NMSA 1978, imposed an \$0.17 excise tax on each gallon of gasoline sold in New Mexico. Of the total gasoline tax received, a portion is distributed to the various municipalities within the state pursuant to Chapter 7, Article 1-6.9 NMSA 1978 and Chapter 7, Article 1-6.27 NMSA 1978.

Municipal Gross Receipts Tax

Under authority of Chapter 7, Article 19 and 19D, NMSA 1978, the City adopted gross receipts taxing through ordinance. Said ordinance provide for the imposition of gross receipts taxes on all non-exempt persons engaging in business in the municipality. The tax is collected by the state of New Mexico and remitted to the City after deducting certain administrative costs.

State Gross Receipts Tax

Under authority of Chapter 7, Article 1 NMSA 1978, the State of New Mexico imposes a gross receipts tax on all businesses within the State. Of the total state gross receipts taxes collected, 1.225% of the collected gross receipts tax is distributed to the municipality reporting the taxable receipts.

Restricted Assets

Certain long-term assets in the proprietary funds are classified as restricted assets on the balance sheet because the use is limited to payments for debt service or other purposes such as "deposits held in trust for others".

Net Position

The government-wide financial statements utilize a net position presentation. Net position is categorized as follows:

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 – This category reflects the portion of net position that have third party limitations on their use.

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

Fund Equity

In the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources.

Nonspendable

The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form—prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

Spendable

The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted fund balance

This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance

These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the board of trustees—the government's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the board of trustees removes the specified use by taking the same type of action imposing the commitment. This classification also includes contractual obligations to the extent that existing resources in the fund have been specifically committed for use in satisfying those contractual requirements.

Assigned fund balance

This classification reflects the amounts constrained by the City's "intent" to be used for specific purposes, but are neither restricted nor committed. The board of trustees and town clerk-treasurer has the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance

This fund balance is the residual classification for the General Fund. It is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, it is the City's policy to use externally restricted resources first, then unrestricted resources—committed, assigned, and unassigned—in order as needed.

F. Other Matters

Cash Flows

For the purpose of the statement of cash flows, the City considers all highly liquid investments, including restricted cash with maturity of three months or less when purchased, to be cash equivalents.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

2. Cash And Deposits With Financial Institutions

Cash

New Mexico State Statutes provide authoritative guidance regarding the deposit of cash and idle cash. Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more bank or savings and loan associations within the geographical boundaries of the City. Deposits may be made to the extent that they are insured by an agency of the United States of America or by collateral deposited as security or by bond given by the financial institution.

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 United States Treasury bills of the same maturity on the day of deposit.

Idle cash may be invested in a wide variety of instruments, including money market accounts, certificates of deposit, the New Mexico State Treasurer's investment pool, or in securities that 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.

Cash Deposited with Financial Institutions

The City maintains cash in a financial institutions located in Curry County. The City's deposits are carried at cost. The Federal Depository Insurance Corporation (FDIC) insures the cash accounts at the financial institution.

Except for items in transit, the carrying value of deposits by the respective depositories equated to the carrying value by the City. 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 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.

STATE OF NEW MEXICO
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 Notes To The Financial Statements
 June 30, 2013

| | Citizens Bank | |
|--|---------------|----------|
| | Clovis, NM | Type |
| Total amount on deposit on June 30, 2013 | | |
| Operating | \$ 64,390 | Checking |
| Fire | 63,139 | Checking |
| Meter | 16,999 | Checking |
| Public works | 45,283 | Checking |
| Ute water project | 24,957 | Checking |
| Cemetery | 47,917 | Checking |
| Cemetery headstone | 4,905 | Checking |
| Senior citizens | 4,668 | Checking |
| Recreation | 3,132 | Checking |
| General | 811,432 | Savings |
| Fire | 118,509 | Savings |
| Meter | 22,974 | Savings |
| Public works | 113,435 | Savings |
| Total deposited | 1,341,740 | |
| Less FDIC coverage | (250,000) | |
| Total uninsured public funds | 1,091,740 | |
| 50% collateral requirement | | |
| as per Section 6-10-17, NMSA 1978 | (2,533,560) | |
| Pledged securities | | |
| Over (under) | \$ 1,441,820 | |

According to the Federal Deposit Insurance Corporation, public unit deposits are owned by the public unit. Time deposits, savings deposits and interest bearing money market accounts at a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution.

Pledged Collateral: GNMAII Pool #MA0926, CUIISP 36179NA32, maturity date 4/20/2043, market value \$2,497,164 held at Texas Independent Bank, Dallas Texas, not in the City's name.

Pledged Collateral: GNMAII Pool #80750, CUIISP 36225CZQ2, maturity date 10/20/2033, market value \$36,396 held at Texas Independent Bank, Dallas Texas, not in the City's name.

Custodial Credit Risk – Deposits – 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 deposit policy for custodial credit risk. As of June 30, 2013, none of the City's bank balance of \$1,341,740 was exposed to custodial credit risk.

3. Receivables, Net

Receivables as of June 30, 2013 are as follows:

| Governmental Activities | General Fund |
|-------------------------|------------------|
| Property tax receivable | |
| Current | \$ 216 |
| Delinquent | 145 |
| Municipal Taxes | |
| Franchise tax | 3,613 |
| Infrastructure | 1,717 |
| Gross receipts | 8,823 |
| State shared taxes | |
| Gasoline 2 cent | 279 |
| Gross receipts 1.35 | 7,449 |
| Motor vehicle fees | 120 |
| Streets | |
| Gasoline tax | <u>1,561</u> |
| Totals | <u>\$ 23,923</u> |

The City's policy is to provide for uncollectible accounts based upon expected defaults.

4. Property Tax

Property taxes attached as an enforceable lien on property as of January 1st. Property tax rates for the year are set no later than September 1st each year by the New Mexico Secretary of Finance and Administration. The rates of tax are then used by the County Assessor to develop the property tax schedule by October 1st. Tax notices are sent by the County Treasurer to property owners by November 1st of each year. Taxes are payable in equal semiannual installments by November 10th and April 10th of the subsequent year. Thirty days later the bill becomes delinquent and the County Treasurer assesses penalties and interest. Taxes are collected on behalf of the City by the County Treasurer, and are remitted to the City in the month following collection. The County Treasurer is statutorily required to collect taxes as an intermediary agency for all forms of government. Distribution of taxes collected is made through the County Treasurer's office.

The City is permitted to levy taxes for general operating purposes up to an amount determined by a formula based upon each \$1,000 of taxable value for both residential and nonresidential property, taxable value being defined as one third of the fully assessed value. In addition, the City is allowed to levy taxes for payments of bonds principal and interest in amounts approved by voters of the City.

5. Capital Assets

The amount of property, plant and equipment in the Governmental-Type Activities are as follows

| | Beginning Balances | Increase | Adjustments/ Decrease | Ending Balances |
|---|-----------------------|--------------------|--------------------------|--------------------|
| Governmental activities: | | | | |
| Capital assets not being depreciated | | | | |
| Land | \$ 69,284 | \$ - | \$ - | \$ 69,284 |
| Capital assets being depreciated | | | | |
| Buildings and improvements | 1,047,188 | 63,321 | - | 1,110,509 |
| Machinery and equipment | 576,027 | - | - | 576,027 |
| Vehicles | 1,127,267 | 67,889 | - | 1,195,156 |
| | - | - | - | - |
| Total assets | <u>2,819,766</u> | <u>131,210</u> | <u>-</u> | <u>2,950,976</u> |
| Less accumulated depreciation | | | | |
| Buildings and improvements | (302,648) | (26,789) | - | (329,437) |
| Machinery and equipment | (613,593) | (40,116) | - | (653,709) |
| Vehicles | (1,041,791) | (118,396) | - | (1,160,187) |
| | - | - | - | - |
| Total accumulated depreciation | <u>(1,958,032)</u> | <u>(185,301)</u> | <u>-</u> | <u>(2,143,333)</u> |
| Governmental activity capital assets, net | <u>\$ 861,734</u> | <u>\$ (54,091)</u> | <u>\$ -</u> | <u>\$ 807,643</u> |

The amount of property, plant and equipment in the Business-Type Activities are as follows

| | Beginning Balances | Increase | Adjustments/ Decrease | Ending Balances |
|---|-----------------------|-------------------|--------------------------|--------------------|
| Business-type activities: | | | | |
| Capital assets being depreciated | | | | |
| Buildings and improvements | \$ 67,655 | \$ - | \$ - | \$ 67,655 |
| Machinery and equipment | 66,844 | - | - | 66,844 |
| Vehicles | 32,273 | - | - | 32,273 |
| Infrastructure | 1,303,854 | 346,313 | - | 1,650,167 |
| | - | - | - | - |
| Total assets | <u>1,470,626</u> | <u>346,313</u> | <u>-</u> | <u>1,816,939</u> |
| Less accumulated depreciation | | | | |
| Buildings and improvements | (30,454) | (2,255) | - | (32,709) |
| Machinery and equipment | (72,379) | (3,540) | - | (75,919) |
| Vehicles | (56,393) | (4,824) | - | (61,217) |
| Infrastructure | (854,409) | (34,793) | - | (889,202) |
| | - | - | - | - |
| Total accumulated depreciation | <u>(1,013,635)</u> | <u>(45,412)</u> | <u>-</u> | <u>(1,059,047)</u> |
| Business-type governmental activity capital assets, net | <u>\$ 456,991</u> | <u>\$ 300,901</u> | <u>\$ -</u> | <u>\$ 757,892</u> |

The capital asset records were not sufficient for depreciation to be charged by function in order to comply with GASB 34.

6. Long-Term Obligations

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 vacation leave days due to employees at June 30, 2013 was unavailable. All compensated absences are due within one year. The Enterprise or General Fund, as appropriate, is used to liquidate this liability.

A summary of changes in long-term debt for the year ended June 30, 2013 is as follows:

| | Beginning | | | Ending | Due in |
|------------------------------|-------------------|-----------------|--------------------|-------------------|------------------|
| General Debt | Balance | Additions | Reductions | Balance | One Year |
| City Hall | \$ 94,780 | \$ | \$ (15,550) | \$ 79,230 | \$ 15,400 |
| Medical rescue service truck | 279,687 | 2,187 | (27,319) | 254,555 | 27,120 |
| Fire tanker truck | 237,753 | | (28,017) | 209,736 | 27,460 |
| Fire station construction | 140,679 | | (12,789) | 127,890 | 11,880 |
| Total General Debt | \$ 752,899 | \$ 2,187 | \$ (83,675) | \$ 671,411 | \$ 81,860 |

| | Beginning | | | Ending | Due in |
|------------------------------|-------------------|---------------|--------------------|-------------------|------------------|
| Enterprise Debt | Balance | Additions | Reductions | Balance | One Year |
| Water system upgrade | \$ 140,626 | \$ 176 | \$ (10,058) | \$ 130,744 | \$ 9,570 |
| Phase I Infrastructure | 798,745 | | (21,613) | 777,132 | 18,570 |
| Total Enterprise Debt | \$ 939,371 | \$ 176 | \$ (31,671) | \$ 907,876 | \$ 28,140 |

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.

7. Interfund Transfers

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend them. Additionally, transfers are used to move unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations.

The City was unable to provide a schedule of long-term debt maturities for general long-term or enterprise long-term debt.

8. Restatement Of Net Assets And Fund Balances

The prior year's statements of financial position of the government-wide activities and individual funds, omitted certain assets and liabilities or those assets and liabilities presented contained errors and misstatements in order for the financial

statements to be in conformity accounting principles generally accepted in the United States of America. As a result, the following restatements have been made to the beginning equity amounts both on the government-wide statements and the individual fund statements:

The fund balance changes are: Recreation (\$218). senior Citizens \$140. Cemetery (\$17,200). General \$355,121, and Fire Protection (\$69,718).

The change in Net Position for the governmental funds was (\$428,476) and the change in Net Position for the business-type activities was (\$178,652). The changes are the resulted from changes to cash, long term debt, and meter deposit liabilities.

9. Pension Plan – Public Employees Retirement Association

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 benefits, 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 for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, NM 87504-2123. The report is also available on PERA's website at <http://www.pera.state.nm.us>.

Funding Policy. Plan members are required to contribute 7% for regular employees and 16.3% for police (ranges from 3.83% to 16.65% depending upon the plan - i.e., state general, state hazardous duty, state police and adult correctional officers, municipal general, municipal police, municipal fire, municipal detention officer) of their gross salary. The City is required to contribute 7% for regular employees and 18.5% for police (ranges from 7.0% to 25.72% depending upon the plan) of the gross covered salary. The contribution requirements of plan members and the City are established in State statute 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 fiscal years ending June 30, 2013, 2012 and 2011 were \$17,219, \$12,636, and \$6,544, respectively, which equal the amount of the required contributions for each fiscal year.

10. Post-Employment Benefits - State Retiree Health Care Plan

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

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

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

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

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

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 that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plan 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary. For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2013, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The City's contributions to the RHCA for the years ended June 30, 2013, and 2012 were \$5,044, and \$2,348, respectively, which equal the required contributions for each year.

11. Subsequent Review

The City of Texico has evaluated subsequent events from July 1, 2013 through December 2, 2013, which is the date of the independent auditors' report.

12. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has purchased insurance from a commercial vendor and pays an annual premium for its general insurance coverage, as such all risk of loss is transferred.

13. Contingent Liabilities

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 amounts, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

14. Expenditures / Expense Exceeded Budget

The following funds has expenditures or expenses that exceeded the approved budget. Insufficient budget oversight on the part of the City's management caused the actual expenditures to exceed budgeted expenditures in the following funds

| | Budget Original | Budget Final | Actual | Over Budget |
|--------------------------|--------------------|-----------------|------------|----------------|
| Recreation | | | | |
| Culture and recreation | \$ - | \$ - | \$ 508 | \$ (508) |
| Fire Protection | | | | |
| Public safety | \$ 150,000 | \$ 136,584 | \$ 183,212 | \$ (46,628) |
| Capital outlay | - | - | 63,321 | (63,321) |
| Debt service - principal | - | - | 68,125 | (68,125) |
| Public Utilities | | | | |
| Public works | \$ 429,085 | \$ 223,940 | \$ 401,164 | \$ (177,224) |
| Capital outlay | 308,881 | 308,881 | 346,313 | (37,432) |
| Debt service - principal | 31,671 | - | 31,671 | (31,671) |

Supplementary Information Related to Non-Major Governmental Funds

Non-Major Special Revenue Funds

Recreation Fund

Accounts for receipts which are restricted for use in recreational areas only. The fund was established by local ordinance.

Senior Citizens Fund

Accounts for the operation and maintenance of the senior citizens transportation and health awareness program. The municipality provides out-of-town transportation for senior citizens seeking medical services. Funding is provided by federal, state, and local sources. The federal funding source is: Title III-B, funded by the United States Department of Health and Human Services and passed through the state of New Mexico. The state funds are authorized by the New Mexico General Appropriations Act (Chapter 3, 1999 Laws of New Mexico). The fund was established by local ordinance.

Cemetery Fund

Accounts for funds received from sale of lots and donations for the purpose of maintaining a community cemetery. The fund was established by local ordinance authorized by Section 3-40-1, NMSA 1978.

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STATE OF NEW MEXICO
 CITY OF TEXICO
 Nonmajor Governmental Funds
 Combining Balance Sheet
 June 30, 2013

| | Recreation 217 | Senior Citizens 219 | Cemetery 600 | Totals |
|------------------------------------|-------------------|------------------------|------------------|------------------|
| <u>ASSETS</u> | | | | |
| Cash in banks | \$ 3,132 | \$ 4,668 | \$ 52,822 | \$ 60,622 |
| Total assets | <u>\$ 3,132</u> | <u>\$ 4,668</u> | <u>\$ 52,822</u> | <u>\$ 60,622</u> |
| <u>LIABILITIES</u> | | | | |
| Accounts payable | \$ - | \$ (256) | \$ - | \$ (256) |
| Total liabilities | <u>-</u> | <u>(256)</u> | <u>-</u> | <u>(256)</u> |
| <u>FUND BALANCE</u> | | | | |
| Restricted for: | | | | |
| Special revenue funds | <u>3,132</u> | <u>4,924</u> | <u>52,822</u> | <u>60,878</u> |
| Total fund balance | <u>3,132</u> | <u>4,924</u> | <u>52,822</u> | <u>60,878</u> |
| Total liabilities and fund balance | <u>\$ 3,132</u> | <u>\$ 4,668</u> | <u>\$ 52,822</u> | <u>\$ 60,622</u> |

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF TEXICO
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures and Changes in Fund Balances
For the year ended June 30, 2013

| | Recreation 217 | Senior Citizens 219 | Cemetery 600 | Totals |
|--|-------------------|------------------------|------------------|------------------|
| Revenues: | | | | |
| Local sources | \$ - | \$ 1,900 | \$ 2,200 | \$ 4,100 |
| Taxes | - | - | - | - |
| Licenses and permits | - | - | - | - |
| Charges for services | - | - | - | - |
| Fines and forfeits | - | - | - | - |
| Interest | - | - | 288 | 288 |
| State sources | - | 8,027 | - | 8,027 |
| Federal sources | - | 6,204 | - | 6,204 |
| Total revenues | <u>-</u> | <u>16,131</u> | <u>2,488</u> | <u>18,619</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government | - | - | - | - |
| Public safety | - | - | - | - |
| Public works | - | - | - | - |
| Health and welfare | - | - | 2,828 | 2,828 |
| Culture and recreation | 508 | 18,037 | - | 18,545 |
| Total expenditures | <u>508</u> | <u>18,037</u> | <u>2,828</u> | <u>21,373</u> |
| Excess (deficiency) of revenues over expenditures | (508) | (1,906) | (340) | (2,754) |
| Other financing sources (uses): | | | | |
| Operating transfers (net) | - | 5,000 | - | 5,000 |
| Total other financing sources (uses) | <u>-</u> | <u>5,000</u> | <u>-</u> | <u>5,000</u> |
| Net change in fund balances | (508) | 3,094 | (340) | 2,246 |
| Fund balances, beginning of year | 3,858 | 1,690 | 70,284 | 75,832 |
| Restatement | (218) | 140 | (17,122) | (17,200) |
| Fund balances, beginning of year rest | <u>3,640</u> | <u>1,830</u> | <u>53,162</u> | <u>58,632</u> |
| Fund balances, ending | <u>\$ 3,132</u> | <u>\$ 4,924</u> | <u>\$ 52,822</u> | <u>\$ 60,878</u> |

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF TEXICO
Special Revenue Fund - Recreation Fund - 217
Statement of Revenue, Expenditures, and Changes in Cash Balances
Budget and Actual (Non - GAAP Budgetary Basis)
For the year ended June 30, 2013

| | Budgeted Amounts | | Actual | Variance |
|--|------------------|-------|----------|----------|
| | Original | Final | | |
| Revenues: | | | | |
| Local sources | \$ - | \$ - | \$ - | \$ - |
| Taxes | - | - | - | - |
| Licenses and permits | - | - | - | - |
| Charges for services | - | - | - | - |
| Fines and forfeits | - | - | - | - |
| Interest | - | - | - | - |
| State sources | - | - | - | - |
| State shared taxes | - | - | - | - |
| Total revenues | - | - | - | - |
| Expenditures: | | | | |
| Current: | | | | |
| General government | - | - | - | - |
| Public safety | - | - | - | - |
| Public works | - | - | - | - |
| Health and welfare | - | - | - | - |
| Culture and recreation | - | - | 508 | (508) |
| Capital outlay | - | - | - | - |
| Total expenditures | - | - | 508 | (508) |
| Excess (deficiency) revenues over (under) expenditures | - | - | (508) | (508) |
| Other financing sources (uses): | | | | |
| Operating transfers | - | - | - | - |
| Designated cash | - | - | - | - |
| Total other financing sources (uses) | - | - | - | - |
| Net change in fund balances | - | - | (508) | (508) |
| Cash balance, beginning of year | - | - | 3,858 | 3,858 |
| Prior period adjustment | - | - | (218) | (218) |
| Cash balance, beginning of year restated | - | - | 3,640 | 3,640 |
| Cash balance, end of year | \$ - | \$ - | \$ 3,132 | \$ 3,132 |
| Net change in fund balance (Non-GAAP Budgetary Basis) | | | \$ (508) | |
| Adjustment to revenues for accruals and other deferrals | | | - | |
| Adjustment to expenditures for payables, prepaids and other accruals | | | - | |
| Net change in fund balance (GAAP Basis) | | | \$ (508) | |

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF TEXICO
Special Revenue Fund - Senior Citizens Fund - 219
Statement of Revenue, Expenditures, and Changes in Cash Balances
Budget and Actual (Non - GAAP Budgetary Basis)
For the year ended June 30, 2013

| | Budgeted Amounts | | Actual | Variance |
|--|------------------|---------------|-----------------|-----------------|
| | Original | Final | | |
| Revenues: | | | | |
| Local sources | \$ 1,843 | \$ 2,000 | \$ 1,900 | \$ (100) |
| Taxes | - | - | - | - |
| Licenses and permits | - | - | - | - |
| Charges for services | - | - | - | - |
| Fines and forfeits | - | - | - | - |
| Interest | - | - | - | - |
| State sources | 5,387 | 8,490 | 8,027 | (463) |
| Federal sources | 4,963 | 6,703 | 6,204 | (499) |
| Total revenues | <u>12,193</u> | <u>17,193</u> | <u>16,131</u> | <u>(1,062)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government | - | - | - | - |
| Public safety | - | - | - | - |
| Public works | - | - | - | - |
| Health and welfare | - | - | - | - |
| Culture and recreation | 19,275 | 19,275 | 18,037 | 1,238 |
| Capital outlay | - | - | - | - |
| Total expenditures | <u>19,275</u> | <u>19,275</u> | <u>18,037</u> | <u>1,238</u> |
| Excess (deficiency) revenues over (under) expenditures | (7,082) | (2,082) | (1,906) | 176 |
| Other financing sources (uses): | | | | |
| Operating transfers | 5,000 | 5,000 | 5,000 | - |
| Designated cash | 2,082 | - | - | - |
| Total other financing sources (uses) | <u>7,082</u> | <u>5,000</u> | <u>5,000</u> | <u>-</u> |
| Net change in fund balances | - | 2,918 | 3,094 | 176 |
| Cash balance, beginning of year | - | - | 1,434 | 1,434 |
| Prior period adjustment | - | - | 140 | 140 |
| Cash balance, beginning of year restated | - | - | 1,574 | 1,574 |
| Cash balance, end of year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 4,668</u> | <u>\$ 4,668</u> |
| Net change in fund balance (Non-GAAP Budgetary Basis) | | | \$ 3,094 | |
| Adjustment to revenues for accruals and other deferrals | | | - | |
| Adjustment to expenditures for payables, prepaids and other accruals | | | - | |
| Net change in fund balance (GAAP Basis) | | | <u>\$ 3,094</u> | |

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF TEXICO
Special Revenue Fund - Cemetery Fund - 600
Statement of Revenue, Expenditures, and Changes in Cash Balances
Budget and Actual (Non - GAAP Budgetary Basis)
For the year ended June 30, 2013

| | Budgeted Amounts | | Actual | Variance |
|--|------------------|--------------|------------------|------------------|
| | Original | Final | | |
| Revenues: | | | | |
| Local sources | \$ - | \$ - | \$ - | \$ - |
| Taxes | - | - | - | - |
| Licenses and permits | - | - | - | - |
| Charges for services | 3,000 | 3,000 | 2,200 | (800) |
| Fines and forfeits | - | - | - | - |
| Interest | 335 | 350 | 288 | (62) |
| State sources | - | - | - | - |
| State shared taxes | - | - | - | - |
| Total revenues | <u>3,335</u> | <u>3,350</u> | <u>2,488</u> | <u>(862)</u> |
| Expenditures: | | | | |
| Current: | | | | |
| General government | - | - | - | - |
| Public safety | - | - | - | - |
| Public works | - | - | - | - |
| Health and welfare | 8,000 | 8,000 | 2,828 | 5,172 |
| Culture and recreation | - | - | - | - |
| Capital outlay | - | - | - | - |
| Total expenditures | <u>8,000</u> | <u>8,000</u> | <u>2,828</u> | <u>5,172</u> |
| Excess (deficiency) revenues over (under) expenditures | (4,665) | (4,650) | (340) | 4,310 |
| Other financing sources (uses): | | | | |
| Operating transfers | - | - | - | - |
| Designated cash | <u>4,665</u> | <u>4,650</u> | - | <u>(4,650)</u> |
| Total other financing sources (uses) | <u>4,665</u> | <u>4,650</u> | - | <u>(4,650)</u> |
| Net change in fund balances | - | - | (340) | (340) |
| Cash balance, beginning of year | - | - | 70,284 | 70,284 |
| Prior period adjustment | - | - | <u>(17,122)</u> | <u>(17,122)</u> |
| Cash balance, beginning of year restated | - | - | <u>53,162</u> | <u>53,162</u> |
| Cash balance, end of year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 52,822</u> | <u>\$ 52,822</u> |
| Net change in fund balance (Non-GAAP Budgetary Basis) | | | \$ (340) | |
| Adjustment to revenues for accruals and other deferrals | | | - | |
| Adjustment to expenditures for payables, prepaids and other accruals | | | - | |
| Net change in fund balance (GAAP Basis) | | | <u>\$ (340)</u> | |

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF TEXICO
Enterprise Fund - Public Utility Fund - 500
Statement of Revenue, Expenses, and Changes in Cash Balance
Budget and Actual (Non - GAAP Budgetary Basis)
For the year ended June 30, 2013

| | Budgeted Amounts | | Actual | Variance |
|--|------------------|----------------|-------------------|-------------------|
| | Original | Final | | |
| Revenues: | | | | |
| Sales and service | \$ 415,750 | \$ 423,175 | \$ 409,320 | \$ (13,855) |
| Miscellaneous | 1,200 | 1,975 | 999 | (976) |
| Total revenue | <u>416,950</u> | <u>425,150</u> | <u>410,319</u> | <u>(14,831)</u> |
| Expenses: | | | | |
| Current: | | | | |
| Public works | 429,085 | 223,940 | 401,164 | (177,224) |
| Capital outlay | 308,881 | 308,881 | 346,313 | (37,432) |
| Debt service | 31,671 | - | 31,671 | (31,671) |
| Total expenses | <u>769,637</u> | <u>532,821</u> | <u>779,148</u> | <u>(246,327)</u> |
| Excess (deficiency) revenues over (under) expenditures | (352,687) | (107,671) | (368,829) | (261,158) |
| Other financing sources (uses): | | | | |
| Taxes - gross receipts (net) | 32,500 | 24,500 | 26,912 | 2,412 |
| Change in meter deposits | - | - | 1,280 | 1,280 |
| Federal grant - CDBG | 308,881 | 308,881 | 308,881 | - |
| Operating transfers (net) | 5,500 | - | - | - |
| Designated cash | - | - | - | - |
| Total other financing sources (use) | <u>346,881</u> | <u>333,381</u> | <u>337,073</u> | <u>3,692</u> |
| Net change in fund balance | (5,806) | 225,710 | (31,756) | (257,466) |
| Cash balance, beginning of year | - | - | 291,672 | 291,672 |
| Prior period adjustment | - | - | (36,268) | (36,268) |
| Cash balance, beg of year restated | <u>-</u> | <u>-</u> | <u>255,404</u> | <u>255,404</u> |
| Cash balance, end of year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 223,648</u> | <u>\$ 223,648</u> |
| Net change in fund balance (Non-GAAP Budgetary Basis) | | | \$ (31,756) | |
| Adjustment to revenues for accruals and other deferrals | | | - | |
| Adjustment to expenditures for payables, prepaids and other accruals | | | <u>332,572</u> | |
| Net change in fund balance (GAAP Basis) | | | <u>\$ 300,816</u> | |

The accompanying notes are an integral part of these financial statements.

Supplementary Information Related to Agency Funds

AGENCY FUNDS

Correction

To account for funds collected on behalf of the State Of New Mexico that is custodial in nature.

Cemetery

To account for funds collected and disbursed on behalf of the community cemetery.

STATE OF NEW MEXICO
 CITY OF TEXICO
 Agency Funds
 Statement of Changes in Assets and Liabilities
 June 30, 2013

| | <u>Beginning Balance</u> | <u>Additions</u> | <u>Deductions</u> | <u>Ending Balance</u> |
|-----------------------------|------------------------------|------------------|-------------------|---------------------------|
| <u>ASSETS</u> | | | | |
| Cemetery Association | \$ - | \$ 31,451 | \$ (2,913) | \$ 28,538 |
| Correction fees | - | 3,404 | (3,610) | (206) |
| Total assets | <u>\$ -</u> | <u>\$ 34,855</u> | <u>\$ (6,523)</u> | <u>\$ 28,332</u> |
| <u>LIABILITIES</u> | | | | |
| Funds handled on behalf of: | | | | |
| Citizens of Texico | \$ - | \$ 31,451 | \$ (2,913) | \$ 28,538 |
| State of New Mexico | - | 3,404 | (3,610) | (206) |
| Total liabilities | <u>\$ -</u> | <u>\$ 34,855</u> | <u>\$ (6,523)</u> | <u>\$ 28,332</u> |

The accompanying notes are an integral part of these financial statements.

Other Supplementary Information

STATE OF NEW MEXICO
CITY OF TEXICO
Bank Reconciliation - All Accounts
For the Year Ended June 30, 2013

| The Citizens Bank of Clovis | Bank Statement Balance | Outstanding Deposits | Outstanding Checks | Reconciled Balance |
|--------------------------------|---------------------------|-------------------------|-----------------------|-----------------------|
| Checking | | | | |
| General | \$ 74,067 | \$ 2,454 | \$ (12,129) | \$ 64,392 |
| Fire | 67,286 | 973 | (5,120) | 63,139 |
| Meter | 16,999 | - | - | 16,999 |
| Public Works | 47,567 | 1,869 | (4,154) | 45,283 |
| Ute Water Project | 24,957 | - | - | 24,957 |
| Cemetery | 48,077 | - | (160) | 47,917 |
| Cemetery Headstone | 4,905 | - | - | 4,905 |
| Senior Citizens | 5,619 | - | (952) | 4,668 |
| Recreation | 3,132 | - | - | 3,132 |
| Savings | | | | |
| General | 811,432 | - | - | 811,432 |
| Fire | 118,509 | - | - | 118,509 |
| Meter | 22,974 | - | - | 22,974 |
| Public Works | <u>111,566</u> | <u>1,869</u> | - | <u>113,435</u> |
| Total | <u>\$ 1,357,090</u> | <u>\$ 7,165</u> | <u>\$ (22,514)</u> | <u>\$ 1,341,740</u> |
| Agency | | | | |
| Checking | | | | |
| Cemetery Assoc | \$ 20,213 | \$ - | \$ (881) | \$ 19,332 |
| Certificate of Deposits | | | | |
| Cemetery Assoc | <u>9,000</u> | - | - | <u>9,000</u> |
| Total Agency | <u>\$ 29,213</u> | <u>\$ \$ -</u> | <u>\$ (881)</u> | <u>\$ 28,332</u> |

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

Hector H. Balderas
New Mexico State Auditor
The Office of Management and Budget and
The Governing Board
City of Texico
Texico, New Mexico

I was engaged to audit, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, the budgetary comparisons of the general fund and major special revenue funds of the City of Texico (the City) as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and the combining and individual funds and related budgetary comparisons of the City, presented as supplemental information, and have issued my report thereon dated December 2, 2013. I was 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

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

My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, I identified certain deficiencies in internal control that I consider to be material weaknesses and 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. I consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses. 2004-01, 2004-06, 2013-01, 2013-02, 2013-05.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies. 2004-02 and 2006-02.

Compliance and Other Matters

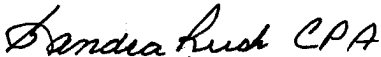
As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items. 2004-01, 2004-02, 2004-06, 2006-02, 2013-01, 2013-02, 2013-03, 2013-04, and 2013-05.

The City's Response to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of my 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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Sandra Rush CPA PC
Clovis, New Mexico
December 2, 2013

STATE OF NEW MEXICO
CITY OF TEXICO
Schedule of Findings and Responses
June 30, 2013

Prior Year Audit Findings

| | | |
|---------|---|----------|
| 2004-01 | Segregation of Accounting Duties | Repeated |
| 2004-02 | Late Audit Report | Repeated |
| 2004-06 | General Ledger Preparation and Controls | Repeated |
| 2006-02 | Exceeded budget Authority | Repeated |

2004-01 Segregation of Accounting Duties - Compliance and Internal Control - Material Weakness

Condition

The City of Texico only has 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.

2004-02 Audit Report Filed Late – Compliance and Internal Control – Significant Deficiency

Condition

The June 30, 2013 audit report was submitted to the State Auditor's office January 17, 2014 which was not timely.

Criteria

According to State Auditor Rule NMAC 2.2.2.9.A, the audited financial statements were due December 2 of the fiscal year audited.

Cause

The audit was not submitted to the New Mexico State Auditor on or before December 2, 2013.

Effect

The District is not in compliance with State Auditor Rule 2.2.2.9.A for the fiscal year ended June 30, 2013.

Recommendation

The audit needs to be submitted timely.

Agency response

The District agrees.

2004-06 General Ledger Preparation and Controls Condition - Compliance and Internal Control - 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 QuickBooks to mirror the reporting requirements of DFA and comply with the State Auditor Rule.

Management Response

Management has begun the process of restructuring the fund structure chart of accounts in QuickBooks..

STATE OF NEW MEXICO
 CITY OF TEXICO
 Schedule of Findings and Responses
 June 30, 2013

2006-02 Exceeded Budgetary Authority - Compliance and Internal Control - 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

| | Budget Original | Budget Final | Actual | Over Budget |
|--------------------------|--------------------|-----------------|------------|----------------|
| Recreation | | | | |
| Culture and recreation | \$ - | \$ - | \$ 508 | \$ (508) |
| Fire Protection | | | | |
| Public safety | \$ 150,000 | \$ 136,584 | \$ 183,212 | \$ (46,628) |
| Capital outlay | - | - | 63,321 | (63,321) |
| Debt service - principal | - | - | 68,125 | (68,125) |
| Public Utilities | | | | |
| Public works | \$ 429,085 | \$ 223,940 | \$ 401,164 | \$ (177,224) |
| Capital outlay | 308,881 | 308,881 | 346,313 | (37,432) |
| Debt service - principal | 31,671 | - | 31,671 | (31,671) |

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.

STATE OF NEW MEXICO
CITY OF TEXICO
Schedule of Findings and Responses
June 30, 2013

2013-01 Capital Asset Listing – Compliance and Internal Control – Material Weakness

Condition

The City did not provide a complete Capital Asset listing and depreciation schedule for the fiscal year ending June 30, 2013. The board has not approved a formal depreciation policy.

Criteria

A depreciation schedule should be maintained. The depreciation schedule should be separated by each major class of asset to comply with GASB 34.177a. Also, a depreciation schedule is required to comply with 3.30.1.12 NMAC.

Cause

Management of the City are relying on the auditors to prepare this schedule. For the year ended June 30, 2013, the capital asset listing segregated the assets into major classes. However the information to segregate the depreciation into functions was unavailable.

Effect

Management is not complying with Generally Accepted Accounting Principles.

Recommendation

Management should update and complete their capital asset list including depreciation based on the policy approved by the Board. Management has made progress in completing the capital asset listing, however additional work is need to assign a functions to each assets depreciation. Management should continue working on the capital asset listing.

Response

Management will work on compiling a capital asset listing that will comply with GASB 34. An annual inventory will be taken at year end and certified as correct.

2013-02 Financial Statements and Disclosures - - Compliance and Internal Control - Material Weakness

Condition

The City relies upon their independent auditor to prepare the financial statements in accordance with generally accepted accounting principles (GAAP). The accounting staff lacks the knowledge to prepare such statements, as well as the ability to detect accuracy and completeness of all required notes that explain financial activity contained in the financial statements. The City requires the independent auditor gather all necessary information in order to convert their cash basis accounting information into financial statements prepared in accordance with GAAP.

Criteria

Auditing standards adopted in the United States of America in particular Statement on Auditing Standards (SAS) 115, paragraph 3 states the following: "Internal control is a process – effected by those charged with governance, management, and other personnel – designed to provide reasonable assurance about the achievement of the entity's objectives with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with laws and regulations. Internal control over safeguarding of assets against unauthorized acquisition, use, or disposition may include control relating to financial reporting and operations objectives. Generally, controls that are relevant to an audit of financial statements are those that pertain to the entity's objective of reliable financial reporting."

Appropriate internal control procedures over financial reporting include the ability to prepare financial statements in accordance with GAAP or at a minimum, management should have the ability to comprehend the requirements for financial reporting. Financial statements prepared in accordance with GAAP include all required statements of financial position, statements of changes in financial position, changes in cash flow, and notes.

SAS 115 paragraph 5 provides an explanation of a deficiency in internal control as either a deficiency in design or in operation. Paragraph 6 states "A material weakness is a deficiency, or combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis." SAS 115 paragraph 15 provides a list of indicators of a material weakness in internal control. One such example is "Ineffective oversight of the entity's financial reporting and internal control by those charged with governance."

Effect

Since the City personnel lack the ability to prepare, and did not prepare, the financial statements, there is an increased risk that a misstatement of the City's financial statements, that is more than inconsequential, will not be prevented or detected. Further, since the City accounting staff lacks the proper knowledge or training regarding the requirements of GAAP financial reporting, there is more than a remote possibility that a material misstatement of the financial statements will not be prevented or detected.

Cause

The City's staff lacks the proper ability to prepare financial statements and the associated disclosures. When audit services are sought, there is a requirement that the auditor will prepare the financial statements. In the past this may have been sufficient; however, the accounting profession, by issuance of SAS 115, now requires recognition and reporting of significant deficiencies in internal control when there is an ineffective oversight of the financial reporting and internal control by those charged with governance.

Recommendation

I recommend the accounting staff of the City attend seminars on governmental financial reporting to increase their knowledge and abilities.

Response

Management and the current contracted auditor have agreed that the auditor will provide guidance on training. Management will also seek training through the Municipal League, DFA and contact the State Auditor to find out upcoming trainings. Management will also seek other training services.

STATE OF NEW MEXICO
CITY OF TEXICO
Schedule of Findings and Responses
June 30, 2013

2013-03 Presentation of Audit Report – Other –

Condition

The audit report for the year ended June 30, 2012 was not presented to a quorum of the City's governing authority at a public meeting for approval.

Criteria

New Mexico State Statutes Section 12-6-12 requires the state auditor to promulgate reasonable regulations necessary to carry out the duties of the office. New Mexico Administrative Code Title 2, Chapter 2, Part 2, Audits of Governmental Entities Requirements for Contracting and Conducting Audits of Agencies section 2.2.2.10(J)(3)(d) states the following, "Once the audit report is officially released to the agency by the State Auditor and the required waiting period of five calendar days has passed, unless waived, the audit report shall be presented by the independent public accountant, to a quorum of the governing authority of the City at a meeting held in accordance with the Open Meetings Act. The presentation of the audit report should be documented in the minutes of the meeting."

Effect

The purpose of the presentation is to afford the auditor the opportunity to directly communicate the results of the audit, including the expression of the auditor's opinion on the financial statements along with matters communicated in the report on internal controls that includes the audit findings. Without a timely presentation, appropriate action by the governing board, if necessary, could be delayed or foregone.

Cause

The City was not aware of section 2.2.2.10(J)(3)(d) NMAC, and the previous year's auditor failed to inform the City of her responsibility to present the audit report to the governing board.

Recommendation

The City should become familiar with section 2.2.2.10(J)(3)(d) NMAC, and establish a procedure to ensure compliance with the code section. The presentation should be on a timely basis so that appropriate action by the governing board, where necessary, can be taken.

Response

All future audit reports will be presented to the governing body at the first board meeting following the official release by the office of the State Auditor and the waiting period of 5 days has passed. The auditor will be in attendance either at this meeting, or a later meeting, at which time the motion to accept the audit report will be requested by the governing body.

STATE OF NEW MEXICO
CITY OF TEXICO
Schedule of Findings and Responses
June 30, 2013

2013-04 Submission of the Audit contract and Recommendation – Other

Condition

For the year ended June 30, 2013 the City did not deliver a fully completed and signed IPA Recommendation Form for Audits and the completed audit contract to the State Auditor by the May 15 deadline.

Criteria

The agency shall deliver the fully completed and signed IPA Recommendation Form for Audits and the completed audit contract to the State Auditor by the deadlines shown below. If a completed IPA Recommendation Form and audit contract are not delivered to the State Auditor by these deadlines, the auditor must include a finding on compliance with Paragraph (6) of Subsection G of 2.2.2.8 NMAC in the audit report.

Cause

The June 2012 audit was not completed submitted to the New Mexico State Auditor until September 12, 2013.

Effect

The City is not in compliance with Paragraph (6) of Subsection G of 2.2.2.8 NMAC for the fiscal year ended June 30, 2013.

Recommendation

A fully completed and signed IPA Recommendation Form for Audits and the completed audit contract should be submitted to the State Auditor by the May 15 deadline.

Agency response

Management will submit all future auditor recommendations by the deadline.

STATE OF NEW MEXICO
CITY OF TEXICO
Schedule of Findings and Responses
June 30, 2013

2013-05 Capital Asset Listing – Compliance and Internal Control – Material Weakness

Condition

The City does not have a formal capital assets management policy. For the year ended June 30, 2013, the City had not maintained a capital asset listing that was reconciled to the general ledger nor was it in compliance with the GASB 34. At the end of the fiscal year, management did not conduct a physical inventory of movable chattels and equipment costing more than five thousand dollars (\$5,000) and under the control of the City.

Criteria

The State Audit Act, 12-6-10 NMSA 1978 requires that the City of Texico prepare and maintain an accurate listing of fixed assets. The City must have a capital assets management policy to provide accountability for the safeguarding of assets in accordance with GASB 34 and NMSA 1978 Section 12-2-10.

12-6-10 NMSA 1978 requires the governing authority of each agency, at the end of each fiscal year, conduct a physical inventory of movable chattels and equipment costing more than five thousand dollars (\$5,000) and under the control of the governing authority.

Cause

There are no procedures in place to ensure that all capital assets are accounted for in a capital asset inventory listing. Further, the City did not have a system in place to track capital asset additions and deletions and to calculate and account for depreciation and accumulated depreciation.

Effect

Lack of sufficient records results in assets that are not properly safeguarded. Asset identification and location are essential in the prevention of theft and loss of assets due to fraudulent activity. Capital assets cannot be depreciated due to lack of information that is being maintained. As a result, the financial statements of the City will be materially misstated due to the balances of capital assets and accumulated depreciation being materially misstated.

Recommendation

The City must conduct a physical inventory of its capital assets in accordance with 12-6-10 NMSA 1978 and its capitalization policy and update the inventory annually. The inventory report must include asset identification, location and historical cost. This process will also assist the City in the determination of obsolete equipment. Finally, a complete capital assets inventory listing will be required to be completed by the City in order to be in compliance with GASB 34.

I also recommend that the City of Texico implement procedures to ensure that all capital assets are accounted for in the inventory listing. The City should reconcile the capital asset list compiled by a third party to the general ledger and historical cost records.

Agency response

Management will develop a capital asset listing and will take a physical inventory at year end.

Financial Statement Preparation

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 Sandra Rush CPA PC.

Exit Conference

The contents of this report were discussed with, Jerry Cunningham, Mayor, Carolyn Johnson, Clerk/Treasurer, and Sandra Rush, CPA, in an exit conference on December 2, 2013.

