
STATE OF NEW MEXICO
City of Texico
June 30, 2014

Financial Statements and Supplementary Information
As Of And For The Year Ended June 30, 2014
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, 2014

Board of Trustees

Jerry Bradley	Mayor
Oran Jay Autrey	Mayor Pro Tem
Max Carter	Member
Audrey Kittrell	Member
Doug Scioli	Member

Administrative Officials

Carolyn Johnson	Clerk-Treasurer
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STATE OF NEW MEXICO
CITY OF TEXICO
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June 30, 2014

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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 have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue fund of the City of Texico, (the City) as of and for the year ended June 30, 2014, and the related notes to the financial statements which collectively comprise the City's basic financial statements as listed in the table of contents. I also have audited the financial statements of each of the City's nonmajor governmental, fiduciary funds and the budgetary comparisons for 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, 2014, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

My responsibility is to express opinions on these financial statements based on my audit. I conducted my audit in accordance with 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. Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, I express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my audit opinions.

Basis for Qualified Opinion

I was not able to verify balances due to inadequate accounting records relating to the City's capital assets, accumulated depreciation, and depreciation expense accounts as of and for the year ended June 30, 2014. Furthermore, evidence supporting historical cost of capital assets maintained by the City was not available. I was not able to verify either accumulated depreciation at July 1, 2013 or the depreciation expense for the fiscal year ended June 30, 2014. I was unable to determine these amounts through the use of alternative procedures and, as such, am unable to express an opinion on capital assets as of June 30, 2014 and the depreciation accrual for the year then ended. The effect on assets, net position, and expenditures of the governmental activities is not readily determinable.

Qualified Opinion

In my opinion, except for the possible effects of the matter described in the "Basis for Qualified Opinion" paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, and the aggregate remaining fund information of the City, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in my opinion, except for the possible effects of the matters described in the "Basis for Qualified Opinion" paragraph, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund of the City as of June 30, 2014, and the respective changes in financial position, thereof and the respective budgetary comparisons for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in my opinion, except for the possible effects of the matters described in the "Basis for Qualified Opinion" paragraph, the financial statements referred to above present fairly, in all material respects, the budgetary comparisons of the general fund and each of the City's nonmajor funds for the year then ended June 30, 2014 in conformity with the budgetary basis more fully described in Note 2, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

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

My audit was conducted for the purpose of forming opinions on the City's financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The other schedules as required by Section 2.2.2 NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The other schedules required by Section 2.2.2 NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the other schedules required by Section 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated November 25, 2014 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
November 25, 2014

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Basic Financial Statements

Government-wide Financial Statements

STATE OF NEW MEXICO
CITY OF TEXICO
Statement of Net Position
June 30, 2014

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Current assets:			
Cash and cash equivalents	\$ 1,331,169	\$ 188,171	\$ 1,519,340
Accounts receivable:			
Taxes	30,718	686	31,404
Sales	-	34,707	34,707
	<u>1,361,887</u>	<u>223,564</u>	<u>1,585,451</u>
Total current assets			
Noncurrent assets:			
Restricted cash	53,921	50,260	104,181
Capital assets	3,005,116	1,824,239	4,829,355
Less: accumulated depreciation	<u>(2,332,448)</u>	<u>(1,104,709)</u>	<u>(3,437,157)</u>
	<u>726,589</u>	<u>769,790</u>	<u>1,496,379</u>
Total noncurrent assets			
	<u>\$ 2,088,476</u>	<u>\$ 993,354</u>	<u>\$ 3,081,830</u>
<u>LIABILITIES AND NET POSITION</u>			
Current liabilities:			
Accounts payable	\$ 14,841	\$ 4,917	\$ 19,758
Accrued liabilities	4,584	-	4,584
Current portion of long term debt	<u>83,249</u>	<u>30,703</u>	<u>113,952</u>
	<u>102,674</u>	<u>35,620</u>	<u>138,294</u>
Total current liabilities			
Non-current liabilities:			
Customer meter deposits	-	39,973	39,973
Compensated absences	4,034	58	4,092
Long term debt	<u>505,854</u>	<u>326,040</u>	<u>831,894</u>
	<u>509,888</u>	<u>366,071</u>	<u>875,959</u>
Total non-current liabilities			
	<u>612,562</u>	<u>401,691</u>	<u>1,014,253</u>
<u>NET POSITION</u>			
Net investment in capital assets	83,565	362,787	446,352
Restricted:			
Special revenue fund	308,256	-	308,256
Unrestricted	<u>1,084,093</u>	<u>228,876</u>	<u>1,312,969</u>
	<u>1,475,914</u>	<u>591,663</u>	<u>2,067,577</u>
Total net position			
	<u>\$ 2,088,476</u>	<u>\$ 993,354</u>	<u>\$ 3,081,830</u>
Total liabilities and net position			

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, 2014

Functions / Programs	Expenses	Program Revenues		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Governmental activities:				
General government	\$ 204,707	\$ 10,289	\$ 7,951	\$ -
Public safety	353,806	40,118	312,105	-
Public works	65,793	-	38,878	-
Health and welfare	24,421	-	-	-
Culture and recreation	444	-	13,648	-
Interest	9,264	-	-	-
Depreciation expense	189,115	-	-	-
Total governmental activities	<u>847,550</u>	<u>50,407</u>	<u>372,582</u>	<u>-</u>
Business-type activities:				
Public works	<u>433,470</u>	<u>431,363</u>	<u>-</u>	<u>-</u>
Total business-type activities	<u>433,470</u>	<u>431,363</u>	<u>-</u>	<u>-</u>
Total governmental and business-type activities	<u>\$ 1,281,020</u>	<u>\$ 481,770</u>	<u>\$ 372,582</u>	<u>\$ -</u>

General Revenues:

Taxes:

Property
Gross receipts
Franchise
State shared
Rents and royalties
Miscellaneous
Contributions
Interest income
State sources

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
\$ (186,467)	\$ -	\$ (186,467)
(1,583)	-	(1,583)
(26,915)	-	(26,915)
(24,421)	-	(24,421)
13,204	-	13,204
(9,264)	-	(9,264)
<u>(189,115)</u>	<u>-</u>	<u>(189,115)</u>
		-
<u>(424,561)</u>	<u>-</u>	<u>(424,561)</u>
-	(2,107)	(2,107)
-	(2,107)	(2,107)
<u>\$ (424,561)</u>	<u>\$ (2,107)</u>	<u>\$ (426,668)</u>

13,607		13,607
99,311	2,671	101,982
22,029	1,392	23,421
134,332	-	134,332
7,675	-	7,675
1,504	-	1,504
600	-	600
9,264	163	9,427
<u>283,145</u>	<u>-</u>	<u>283,145</u>
<u>571,467</u>	<u>4,226</u>	<u>292,548</u>
146,906	2,119	149,025
1,043,344	32,616	1,075,960
<u>285,664</u>	<u>556,928</u>	<u>842,592</u>
<u>1,329,008</u>	<u>589,544</u>	<u>1,918,552</u>
<u>\$ 1,475,914</u>	<u>\$ 591,663</u>	<u>\$ 2,067,577</u>

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Fund Financial Statements

STATE OF NEW MEXICO
CITY OF TEXICO
Balance Sheet
Governmental Funds
June 30, 2014

	General 101	Fire Protection 209	Other Governmental Funds	Total Governmental Funds
ASSETS				
Cash and cash equivalents	\$ 1,018,892	\$ 253,376	\$ 58,901	\$ 1,331,169
Other accounts receivable	30,718	-	-	30,718
Restricted cash	53,900	21	-	53,921
Total assets	\$ 1,103,510	\$ 253,397	\$ 58,901	\$ 1,415,808
LIABILITIES				
Accounts payables	\$ 10,799	\$ 3,936	\$ 106	\$ 14,841
Accrued liabilities	4,584	-	-	4,584
Loan payable	5,532	-	-	5,532
Total liabilities	20,915	3,936	106	24,957
FUND BALANCE				
Restricted for:				
Special revenue funds	-	249,461	58,795	308,256
Unassigned, reported in:				
General government funds	1,082,595	-	-	1,082,595
Total fund balance	1,082,595	249,461	58,795	1,390,851
Total liabilities & fund balance	\$ 1,103,510	\$ 253,397	\$ 58,901	\$ 1,415,808

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, 2014

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

Fund balances - total governmental funds		\$ 1,390,851
--	--	--------------

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	\$ 3,005,116	
Accumulated depreciation	<u>(2,332,448)</u>	672,668

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	(671,411)	
Principal payment on long-term debt	87,840	
Compensated absences	(4,034)	<u>(587,605)</u>

Net position of governmental activities		<u>\$ 1,475,914</u>
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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, 2014

	General 101	Fire Protection 209	Other Governmental Funds	Total Governmental Funds
Revenue:				
Local sources	\$ 170,858	\$ 38,118	\$ 5,772	\$ 214,748
State sources	479,659	287,783	6,424	773,866
Federal sources	-	-	5,842	5,842
Total revenues	650,517	325,901	18,038	994,456
Expenditures:				
Current:				
General government	200,673	-	-	200,673
Public safety	194,216	159,590	-	353,806
Public works	65,793	-	-	65,793
Health and welfare	-	-	24,421	24,421
Culture and recreation	-	-	444	444
Capital outlay	26,000	28,140	-	54,140
Debt service - principal	21,174	66,666	-	87,840
Debt service - interest	561	8,703	-	9,264
Total expenditures	508,417	263,099	24,865	796,381
Excess (deficiency) of revenues over expenditures	142,100	62,802	(6,827)	198,075
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	132,100	67,802	(1,827)	198,075
Fund balances, beginning of year	897,199	(50,965)	60,878	907,112
Restatement	53,296	232,624	(256)	285,664
Fund balances, beginning of year restated	950,495	181,659	60,622	1,192,776
Fund balances, end of year	<u>\$ 1,082,595</u>	<u>\$ 249,461</u>	<u>\$ 58,795</u>	<u>\$ 1,390,851</u>

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

STATE OF NEW MEXICO
CITY OF TEXICO

Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the year ended June 30, 2014

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

Net change in fund balances - total governmental funds	\$ 198,075
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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	\$ 54,140	
Depreciation	<u>(189,115)</u>	(134,975)

Compensated absences expensed as paid in governmental fund
statements and expensed as incurred in entity wide statements
and reflected as liability on statement of net position

Compensated absences	(4,034)
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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>87,840</u>
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Change in Net Position of governmental activities.	<u><u>\$ 146,906</u></u>
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The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO
CITY OF TEXICO
General Fund - 101
Statement of Revenues, Expenditures, and Changes in Cash Balance
Budget and Actual (Non - GAAP Budgetary Basis)
For the year ended June 30, 2014

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenue:				
Local sources	\$ 205,063	\$ 205,063	\$ 172,642	\$ (32,421)
State sources	173,000	173,000	481,550	308,550
Federal sources	-	-	-	-
Total revenue	<u>378,063</u>	<u>378,063</u>	<u>654,192</u>	<u>276,129</u>
Expenditures:				
Current:				
General government	34,863	34,863	205,055	(170,192)
Public safety	256,624	256,624	188,010	68,614
Public works	65,837	65,837	65,793	44
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	26,000	(26,000)
Debt service - principal	-	-	15,642	(15,642)
Debt service - interest	-	-	335	(335)
Total expenditures	<u>357,324</u>	<u>357,324</u>	<u>500,835</u>	<u>(143,511)</u>
Excess (deficiency) revenues over (under) expenditures	20,739	20,739	153,357	132,618
Other financing sources (uses):				
Operating transfers net	(10,000)	(10,000)	(10,000)	-
Designated cash	-	-	-	-
Total other financing sources (uses)	<u>(10,000)</u>	<u>(10,000)</u>	<u>(10,000)</u>	<u>-</u>
Net change in fund balances	10,739	10,739	143,357	132,618
Cash balance, beginning of year	-	-	875,822	875,822
Prior period adjustment	-	-	53,613	53,613
Cash balance, beg. of year restated	-	-	929,435	929,435
Cash balance, end of year	<u>\$ 10,739</u>	<u>\$ 10,739</u>	<u>\$ 1,072,792</u>	<u>\$ 1,062,053</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 143,357	
Adjustment to revenues for accruals and other deferrals			(3,675)	
Adjustment to expenditures for payables, prepaids and other accruals			(7,582)	
Net change in fund balance (GAAP Basis)			<u>\$ 132,100</u>	

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

STATE OF NEW MEXICO
CITY OF TEXICO
Major Special Revenues 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, 2014

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues:				
Local sources	\$ -	\$ -	\$ 38,118	\$ 38,118
State sources	186,656	184,656	287,783	103,127
Federal sources	-	-	-	-
Total revenues	<u>186,656</u>	<u>184,656</u>	<u>325,901</u>	<u>141,245</u>
Expenditures:				
Current:				
General government	-	-	-	0
Public safety	148,392	148,392	155,654	(7,262)
Public works	-	-	-	-
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	28,140	(28,140)
Debt service - principal	-	-	66,666	(66,666)
Debt service - interest	-	-	8,703	(8,703)
Total expenditures	<u>148,392</u>	<u>148,392</u>	<u>259,163</u>	<u>(110,771)</u>
Excess (deficiency) revenues over (under) expenditures	38,264	36,264	66,738	30,474
Other financing sources (uses):				
Operating transfers	5,000	5,000	5,000	-
Designated cash	-	-	-	-
Total other financing sources (uses)	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	<u>-</u>
Net change in fund balances	43,264	41,264	71,738	30,474
Cash balance, beginning of year	-	-	181,648	181,648
Prior period adjustment	-	-	11	11
Cash balance, beg of year restated	<u>-</u>	<u>-</u>	<u>181,659</u>	<u>181,659</u>
Cash balance, end of year	<u>\$ 43,264</u>	<u>\$ 41,264</u>	<u>\$ 253,397</u>	<u>\$ 212,133</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 71,738	
Adjustment to revenues for accruals and other deferrals			-	
Adjustment to expenditures for payables, prepaids and other accruals			<u>(3,936)</u>	
Net change in fund balance (GAAP Basis)			<u>\$ 67,802</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, 2014

	<u>Public Works</u>
<u>ASSETS</u>	
Current assets:	
Cash and cash equivalents	\$ 188,171
Accounts receivable:	
Taxes	686
Sales	<u>34,707</u>
Total current assets	<u>223,564</u>
Noncurrent assets	
Restricted cash, customer meter deposits	50,260
Capital assets	1,824,239
Less: accumulated depreciation	<u>(1,104,709)</u>
Total noncurrent assets	<u>769,790</u>
Total assets	<u>\$ 993,354</u>
 <u>LIABILITIES AND NET POSITION</u>	
Current liabilities:	
Accrued liabilities	\$ 4,917
Current portion long-term debt	<u>30,703</u>
Total current liabilities	<u>35,620</u>
Noncurrent liabilities	
Customer meter deposits	39,973
Compensated absences	58
Long-term debt	<u>326,040</u>
Total noncurrent liabilities	<u>366,071</u>
Total liabilities	<u>401,691</u>
Net position:	
Net Investment in capital assets	362,787
Unrestricted	<u>228,876</u>
Total net position	<u>591,663</u>
Total liabilities and net position	<u>\$ 993,354</u>

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

STATE OF NEW MEXICO
CITY OF TEXICO

Proprietary Fund
Statement of Revenues, Expenses and Changes in Net Position
For the year ended June 30, 2014

	<u>Public Works</u>
Operating revenues:	
Sales and services	\$ 419,440
Miscellaneous	<u>185</u>
Total operating revenues	<u>419,625</u>
Operating expenses:	
Public works	262,966
Personnel services	116,659
Depreciation	<u>45,662</u>
Total operating expenses	<u>425,287</u>
Operating income (loss)	(5,662)
Non-operating revenues (expenses):	
Taxes - gross receipts	5,455
Interest income	1,215
Penalties	9,294
Meter deposits	-
Interest expense	<u>(8,183)</u>
Total non-operating revenue (expenses)	<u>7,781</u>
Net income (loss)	2,119
Operating transfers (net)	<u>-</u>
Change in net position	2,119
Net position, beginning of year	32,616
Prior period adjustment	<u>556,928</u>
Net position, beginning of year, restated	<u>589,544</u>
Net position, end of year	<u>\$ 591,663</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, 2014

	Business-type Activities Enterprise Fund
Cash flows from operating activities:	
Receipts from customers	\$ 419,357
Payments to suppliers, contractors and employees	<u>(379,896)</u>
Net cash provided (used) by operating activities	<u>39,461</u>
Cash flows from non capital financing activities:	
Taxes - gross receipts	5,535
Interest income	1,215
Penalties	9,294
Interest expense	<u>(8,183)</u>
Net cash provided (used) by non capital financing activities	<u>7,861</u>
Cash flows from capital and related financing activities:	
Federal grant - CDBG	-
Acquisition of capital assets	(7,300)
Debt payment	<u>(35,697)</u>
Net cash provided (used) by capital and related financing activities	<u>(42,997)</u>
Net increase (decrease) in cash and cash equivalents	4,325
Cash and cash equivalents, beginning of year	223,648
Prior period adjustment	<u>10,458</u>
Cash and cash equivalents, restated	<u>234,106</u>
Total cash and cash equivalents, end of year	<u>\$ 238,431</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:	
Operating income (loss)	\$ (5,662)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:	
Depreciation and amortization	45,662
Changes in assets and liabilities:	
(Increase) decrease in accounts receivable	(268)
Increase (Decrease) in accounts payable	<u>(271)</u>
Net cash provided (used) by operating activities	<u>\$ 39,461</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, 2014

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash and cash equivalents	<u>\$ 30,403</u>
Total assets	<u><u>\$ 30,403</u></u>
<u>LIABILITIES</u>	
Deposits held for others	<u>\$ 30,403</u>
Total liabilities	<u><u>\$ 30,403</u></u>

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

Notes to Financial Statements

Note 1 Summary of Significant Accounting Policies

The financial statements of the City of Texico (the City) have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant of the City's accounting policies are described below.

A. Reporting Entity

The City 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, 2014.

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.

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met and the susceptible to accrual criteria have been met.

Governmental funds are used to account for the City's general government activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of general fixed assets and the servicing of general long-term debt. Governmental funds include:

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

The *Special Revenue Funds* account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

The *Debt Service Funds* account for the services of general long-term debt not being financed by proprietary or nonexpendable trust funds.

The *Capital Projects Funds* account for the acquisition of fixed assets or construction of major capital projects not being financed by the proprietary or nonexpendable trust funds.

Under the requirements of GASB No. 34, the City is required to present certain of its governmental funds as major based upon certain criteria. The major funds presented in the fund financial statements include only the General Fund and the Fire Protection Fund.

General Fund – the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues are provided primarily through property, gross receipts and other miscellaneous taxes.

Fire Discretionary Fund (Special Revenue Fund) – to account for discretionary funds donated to be used for the fire department.

The government reports its Public Utility (Proprietary funds) as major business-type funds. Additionally, the government reports the following fund types:

The *fiduciary funds* are purely custodial (assets equal liabilities) and do not involve measurement of results of operations. The City reports the Correction and Cemetery Association as a fiduciary fund.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes, because elimination of these charges would distort the direct costs and program revenues reported in the Statement of Activities

Program revenues reduce the cost of the function to be financed from the City's general revenues. Amounts reported as *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 segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*. When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

The City reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. The City does not currently employ indirect cost allocation systems. Depreciation expense is specifically identified function and is included in the direct expense of each function. Interest on general and long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing service in connection with the fund's principal ongoing operations. The principal operating revenue of the City's enterprise fund is charges for services for the City's garbage, water & sewer utilities. Operating expenses for enterprise funds include the cost of services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. When both restricted and unrestricted resources are available for use, it is the City's policy to use the restricted resources first, then unrestricted resources as they are needed.

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.

D. Assets, Liabilities, and Net Position or Equity

Deposits and Investments: The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. State statutes authorize the City to invest in Certificates of Deposit, obligations of the U.S. Government, and the State Treasurer's Investment Pool.

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

Investments for the City are reported at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties. The City's investment consists of long term certificates of deposit.

Receivables and Payables: Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds or internal balances" (i.e., the current portion of interfund loans) or "advances to/from other funds or internal balances" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds."

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. In the government-wide and governmental fund financial statements, delinquent property taxes are recorded when levied.

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

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

Capital Assets: Capital assets, which include property, plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. Information Technology Equipment including software is being capitalized and included in furniture, fixtures and equipment in accordance with NMAC 2.20.1.9 C (5). Library books are expensed as purchased.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Major outlays for capital assets and improvements are capitalized as projects are constructed. No interest was included as part of the cost of capital assets under construction.

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

Buildings and improvements	20 - 65 years
Equipment	3 - 15 years

Unearned Revenues: Accounting principles generally accepted in the United States of America require that grant revenue be recognized at the time the related expense is made if the expenditure of funds is the prime factor for determining eligibility for reimbursement; therefore, amounts received and not expended in the Special Revenue Funds are shown as Unearned Revenues. In addition, property taxes receivable but uncollected within sixty (60) days of year-end are classified as unearned revenue.

Deferred Inflow/Outflows of Resources: GASB 63 amended previous guidance on Unearned Revenues in the Government-Wide Financial Statements to include deferred outflow of resources, which is the consumption of net assets by the government that is applicable to a future reporting period and deferred inflow of resources, which is acquisition of net assets by the government that is applicable to a future reporting period. Property taxes levied but not received are recorded as deferred inflows of resources unless the amount is undetermined.

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

Long-term Obligations: In the government-wide fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position.

Net Position or Fund Equity:

Committed fund balance represents amounts that are useable only for specified purposes by formal action of the governments' highest level of decision-making authority.

Assigned fund balance represents amounts that are intended to be used for specific purpose, but are neither restricted nor committed. Intent is expressed by the governing body or a subordinate high level body or official whom the governing body has delegated

Restricted fund balance represents amounts with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation.

Unassigned fund balance is the residual classification for the general fund and represents the amount that have not been assigned to other funds, and that have not been restricted, committed or assigned to specific purposes.

Net investment in capital assets, consists of net position including restricted capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes or other borrowings that are attributable to the acquisition, construction, or improvement of these assets.

Interfund Transactions: Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund from expenditures/expenses initially made from a fund that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Reclassifications: Certain amounts presented in prior year data have been reclassified in order to be consistent with the current year's presentation.

Tax Revenues: The City receives mill levy and ad-valorem tax revenues. Property taxes are assessed on January 1st of each year and are payable in two equal installments, on November 10th of the year in which the tax bill is prepared and April 10th of the following year with the levies becoming delinquent 30 days (one month) thereafter. The City recognizes tax revenues in the period for which they are levied in the government-wide financial statements. The City records only the portion of the taxes considered 'measurable' and 'available' in the governmental fund financial statements.

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 a \$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 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".

Note 2 Stewardship, Compliance, and Accountability

Budgetary Information

Annual budgets of the City are prepared prior to June 1 and must be approved by City Council resolution, and submitted to the Department of Finance and Administration for State approval. Once the budget has been formally approved, any amendments must also be approved by the City Council and the Department of Finance and Administration. A separate budget is prepared for each fund. Line items within each budget may be over-expended; however, it is not legally permissible to over-expend any budget in total.

These budgets are prepared on the Non-GAAP cash basis, excluding encumbrances, and secure appropriation of the funds for only one year. Carryover funds must be re-appropriated in the budget of the subsequent fiscal year.

The budgetary information presented in these financial statements has been amended in accordance with the above procedures.

Formal budgetary integration is employed as a management control device during the year for the General Fund, and Special Revenue Funds. The City is required to balance its budgets each year. Accordingly, amounts that are in excess or deficient are presented as changes in cash designated for expenditures, not as an excess or deficiency of revenues over expenditures. The City Council may approve amendments to the appropriated budget, which are required when a change is made affecting budgeted ending fund balance.

The accompanying Statements of Revenues, Expenditures, and Changes in Cash Balance – Budget (non-GAAP Budgetary Basis) and Actual presents comparisons of the legally adopted budget with actual data on a budgetary basis.

Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with Generally Accepted Accounting Principles, a reconciliation of resultant basis, perspective, equity, and timing differences in the excess (deficiency) of revenues and other sources of financial resources for the year ended June 30, 2014 is presented as part of the budgetary statements.

Note 3 Deposits and Investments

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

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the City. Deposits may be made to the

STATE OF NEW MEXICO
 CITY OF TEXICO
 Notes To The Financial Statements
 June 30, 2014

extent that they are insured by an agency of the United States or by collateral deposited as security or by bond given by the financial institution.

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.

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

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

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

The schedule listed below discloses the State of New Mexico, Office of the State Auditor's requirements on reporting the insured portion of the City's deposits.

	Citizens Bank	
	Clovis, NM	Type
Total amount on deposit on June 30, 2014		
Operating	\$ 57,808	Checking
Fire	63,548	Checking
Meter	14,396	Checking
Public works	56,350	Checking
Ute water project	19,354	Checking
Cemetery	48,233	Checking
Cemetery headstone	4,925	Checking
Senior citizens	2,955	Checking
Recreation	2,688	Checking
General	976,983	Savings
Fire	193,680	Savings
Meter	27,103	Savings
Public works	113,075	Savings
Total deposited	<u>1,581,098</u>	
Less FDIC coverage	(250,000)	
Total uninsured public funds	<u>1,331,098</u>	
50% collateral requirement		
as per Section 6-10-17, NMSA 1978	665,549	
Pledged securities	<u>2,542,002</u>	
Over (under)	<u>\$ 1,876,453</u>	

STATE OF NEW MEXICO
 CITY OF TEXICO
 Notes To The Financial Statements
 June 30, 2014

Pledged Collateral

Description	CUSIP	Fair Value	Maturity Date	Location
GNMA II Pool #80750	36225CZQ2	\$ 32,241	10/20/33	Independent Bankers
GNMA II Pool #80750	36179MHU7	2,509,761	07/20/42	Independent Bankers
		<u>\$ 2,542,002</u>		

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 government does not have a deposit policy for custodial credit risk. As of June 30, 2014, \$.00 of the City's bank balance of \$1,581,098 was exposed to custodial credit risk.

Custodial Credit Risk Deposits	
Account Balance	\$ 1,581,098
FDIC Insurance	250,000
Collateral:	
Collateral held by the pledging bank, not in the District's name	2,542,002
Uninsured and uncollateralized	(1,210,904)
Total Deposits	<u>\$ 1,581,098</u>

Note 4 Receivables

Receivables as of June 30, 2014, are as follows:

	Governmental		Business-type Activities	
	Taxes		Taxes	Utility Service
Accounts receivable				
General				
Gross receipts tax infrastructure	\$	2,745	\$	-
Gross receipts taxes municipal		14,031		-
Gross receipts taxes state shared		13,942		-
Public Utility				
Gross receipts enviromental		-	686	-
Utility service		-		34,707
	\$	<u>30,718</u>	\$	<u>686</u>
			\$	<u>34,707</u>

The above receivables are deemed 100% collectible. In accordance with GASB No.33, property tax receivables are presented net of unearned revenue in the governmental balance sheet. In accordance with GASB No.65, Deferred inflows of resources accounts for delinquent property taxes that are due to the City but that have not been remitted to the City. The deferred inflows of resources totaling \$0, as presented in the general fund.

Note 5 Interfund Receivables, Payables, and Transfers

The outstanding balances between funds result mainly from the time lag between the dates the (1) interfund goods and services are provided or reimbursable expenditures occur, (2) transactions are recorded in the accounting system, and (3) payments between funds are made. The City Council authorizes transfers between funds to cover the expenditures in the receiving funds. Interfund balances are due within one year.

STATE OF NEW MEXICO
CITY OF TEXICO
Notes To The Financial Statements
June 30, 2014

	Transfer In	Transfer Out
Fire Fund	\$ 5,000	\$ -
Senior Citizens	5,000	-
General	-	(10,000)
Totals	<u>\$ 10,000</u>	<u>\$ (10,000)</u>

Note 6 Accounts Payables

Accounts payable as of June 30, 2014, are as follows:

	Governmental		Business-type
Payable to suppliers		Payable to suppliers	
General	\$ 10,799	Public Works	\$ 4,917
Fire Protection	3,936		
Senior Citizens	106		
Total	<u>\$ 14,841</u>	Total	<u>\$ 4,917</u>
Accrued payroll			
General	<u>\$ 4,584</u>		
Compensated absences			
General	<u>\$ 4,034</u>		

Note 7 Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2014 follows.

	Beginning Balances	Increase	Adjustments/ Decrease	Ending Balances
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 69,284	\$ 16,000	\$ -	\$ 85,284
Capital assets being depreciated				
Buildings and improvements	1,110,509	-	-	1,110,509
Equipment	576,027	28,140	-	604,167
Vehicles	1,195,156	10,000	-	1,205,156
-	-	-	-	-
Total assets	<u>2,950,976</u>	<u>54,140</u>	<u>-</u>	<u>3,005,116</u>
Less accumulated depreciation				
Buildings and improvements	(329,437)	(26,789)	-	(356,226)
Equipment	(653,709)	(42,930)	-	(696,639)
Vehicles	(1,160,187)	(119,396)	-	(1,279,583)
Total accumulated depreciation	<u>(2,143,333)</u>	<u>(189,115)</u>	<u>-</u>	<u>(2,332,448)</u>
Governmental activity capital assets, net	<u>\$ 807,643</u>	<u>\$ (134,975)</u>	<u>\$ -</u>	<u>\$ 672,668</u>

Capital assets, net of accumulated depreciation, at June 30, 2014 appear in the Statement of Net Position as follows: Governmental activities \$ 672,668 Depreciation expense for the year ended June 30, 2014 was charged to the general government function.

STATE OF NEW MEXICO
CITY OF TEXICO
Notes To The Financial Statements
June 30, 2014

Business-Type Activities

	Beginning Balances	Increase	Adjustments/ Decrease	Ending Balances
Business-type activities:				
Capital assets being depreciated				
Buildings and improvements	\$ 67,655	\$ -	\$ -	\$ 67,655
Machinery & equipment	66,844	7,300	-	74,144
Vehicles	32,273	-	-	32,273
Infrastructure	1,650,167	-	-	1,650,167
Total assets	<u>1,816,939</u>	<u>7,300</u>	<u>-</u>	<u>1,824,239</u>
Less accumulated depreciation				
Buildings and improvements	(32,709)	(2,255)	-	(34,964)
Machinery & equipment	(75,919)	(3,790)	-	(79,709)
Vehicles	(61,217)	(4,824)	-	(66,041)
Infrastructure	(889,202)	(34,793)	-	(923,995)
Total accumulated depreciation	<u>(1,059,047)</u>	<u>(45,662)</u>	<u>-</u>	<u>(1,104,709)</u>
Business-type activity capital assets, net	<u>\$ 757,892</u>	<u>\$ (38,362)</u>	<u>\$ -</u>	<u>\$ 719,530</u>

Depreciation expense relating to business-like activities for the year ended June 30, 2014 totaled \$45,662.

Note 8 Long-term Debts

Governmental Funds

During the year ended June 30, 2014, the following changes occurred in the liabilities reported in the government wide statement of net position:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Governmental activities					
Note payable					
General Fund					
Kansas State Bank	\$ 5,532	\$ -	\$ (5,532)	\$ -	\$ -
NMFA City Hall	79,230	-	(15,642)	63,588	15,739
Fire Protection Fund					
NMFA Mdicl rescue vehicle	254,555	-	(25,525)	229,030	25,986
NMFA Tanker	209,736	-	(28,352)	181,384	28,780
NMFA Fire station	127,890	-	(12,789)	115,101	12,789
	<u>\$ 676,943</u>	<u>\$ -</u>	<u>\$ (87,840)</u>	<u>\$ 589,103</u>	<u>83,294</u>
Other long term liabilities					
Compensated absences	<u>\$ -</u>	<u>\$ 18,591</u>	<u>\$ (14,557)</u>	<u>\$ 4,034</u>	<u>\$ -</u>

In prior years, the General Fund has typically liquidated the compensated absences.

Governmental Note Payable

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% and principal payments vary from \$6,040 to \$16,060. The City pledged State Shared Gross Receipts Tax revenue distributed monthly by the New Mexico Taxation and Revenue Department pursuant to Section 7-9-4, 7-1-6.4 and 7-1-6.15 NMSA 1978. The intercept amount for the year ended June 30, 2014 was \$16,188. The city hall is 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 through May 1, 2021. The blended interest rate is 1.785% and principal payments vary from \$24,813 to \$63,271. The City pledged the distribution of State Fire Protection revenue pursuant to Section 59A-53-7 NMSA. The intercept amount for the year ended June 30, 2014 was \$29,773. The medical rescue truck is general long-term debt of the City.

The fire tanker truck note is payable to the New Mexico Finance Authority in annual principal installments and semi-annual interest installments through May 1, 2020. The interest rate varies from .84% to 2.77% and principal payments vary from \$18,706 to \$31,922. The City pledged the distribution of State Fire Protection revenue pursuant to Section 59A-53-7 NMSA. The intercept amount for the year ended June 30, 2014 was \$32,807. The fire tanker truck is general long-term debt of the City.

The fire station and equipment note is payable to the New Mexico Finance Authority in annual principal installments and semi-annual interest installments through May 1, 2023. The interest rate is 0% and the principal payments are \$12,789. The City pledged the distribution of State Fire Protection revenue pursuant to Section 59A-53-7 NMSA. The intercept amount for the year ended June 30, 2014 was \$31,789. The fire station and equipment is general long-term debt of the City.

The annual requirement to amortize the loan as of June 30, 2014, including interest and administration fees is as follows:

City Hall Year Ended June 30,	Principal	Interest	Total
2015	\$ 15,739	\$ 436	\$ 16,175
2016	15,841	334	16,175
2017	15,948	228	16,176
2018	16,060	116	16,176
	<u>\$ 63,588</u>	<u>\$ 1,114</u>	<u>\$ 64,702</u>

Medical Rescue Truck Year Ended June 30,	Principal	Interest	Total
2015	\$ 25,986	\$ 4,074	\$ 30,060
2016	26,528	3,815	30,343
2017	27,163	3,480	30,643
2018	27,879	3,091	30,970
2019	28,672	2,656	31,328
2020-2021	92,802	3,743	96,545
	<u>\$ 229,030</u>	<u>\$ 20,859</u>	<u>\$ 249,889</u>

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June 30, 2014

Fire Tanker Truck Year Ended June 30,	Principal	Interest	Total
2015	\$ 28,780	\$ 4,026	\$ 32,806
2016	29,270	3,536	32,806
2017	29,821	2,985	32,806
2018	30,448	2,358	32,806
2019	31,143	1,664	32,807
2020	31,922	885	32,807
	<u>\$ 181,384</u>	<u>\$ 15,454</u>	<u>\$ 196,838</u>

Fire Station and Equip. Year Ended June 30,	Principal	Interest	Total
2015	\$ 12,789	\$ -	\$ 12,789
2016	12,789	-	12,789
2017	12,789	-	12,789
2018	12,789	-	12,789
2019	12,789	-	12,789
2020-2023	51,156	-	51,156
	<u>\$ 115,101</u>	<u>\$ -</u>	<u>\$ 115,101</u>

Business-type Funds

During the year ended June 30, 2014, the following changes occurred in the liabilities reported in the government wide statement of net position:

	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Business-type activities					
Note payable					
Public Utility Fund					
Kansas State Bank	\$ 11,848	\$ -	\$ (5,794)	\$ 6,054	\$ 6,054
RIP Phase I infrastructure	244,141	-	(14,289)	229,852	14,717
NMFA Water upgrade	130,744	-	(9,907)	120,837	9,932
	<u>\$ 386,733</u>	<u>\$ -</u>	<u>\$ (29,990)</u>	<u>\$ 356,743</u>	<u>30,703</u>
Other long term liabilities					
Compensated absences	\$ -	\$ 6,284	\$ (6,226)	\$ 58	\$ -

In prior years, the Public Utility Fund has typically liquidated the compensated absences.

The City entered into a loan arrangement with the Rural Infrastructure Program (RIP) to help finance a water project. The note is payable in annual principal installments and interest installments through February 27, 2027. The annual principal payments vary from \$11,966 to \$20,983. The interest rate is 3.00%. The RIP Phase I Infrastructure note is general long-term debt of the City. Debt payments are made by the Public Utility Fund.

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 June 30, 2014

The water system upgrade note is payable to the New Mexico Finance Authority in annual principal installments through May 1, 2026. The interest rate is 0% and the principal payments vary from \$6,422 to \$10,102. The City pledged the distribution of State Shared Gross Receipts Tax revenue by the New Mexico Taxation and Revenue Department pursuant to Section 7-9-4, 7-1-6.4 and 7-1-6.15 NMSA 1978. State Fire Protection revenue pursuant to Section 59A-53-7 NMSA. The intercept amount for the year ended June 30, 2014 was \$10,070. The water system upgrade is general long-term debt of the City.

The annual requirement to amortize the loan as of June 30, 2014, including interest and are as follows:

Kansas State Bank

Year Ended June 30, 2015	Principal	Interest	Total
	\$ 6,054	\$ 272	\$ 6,326
	<u>\$ 6,054</u>	<u>\$ 272</u>	<u>\$ 6,326</u>

RIP Phase I Infrastructure

Year Ended June 30,	Principal	Interest	Total
2015	\$ 14,717	\$ 6,896	\$ 21,613
2016	15,159	6,454	21,613
2017	15,614	5,999	21,613
2018	16,082	5,531	21,613
2019	16,564	5,048	21,612
2020-2024	90,580	17,482	108,062
2025-2027	61,136	3,702	64,838
	<u>\$ 229,852</u>	<u>\$ 51,112</u>	<u>\$ 280,964</u>

NMFA Water Upgrade

Year Ended June 30,	Principal	Interest	Total
2015	\$ 9,977	\$ -	\$ 9,977
2016	9,989	-	9,989
2017	10,002	-	10,002
2018	10,015	-	10,015
2019	10,027	-	10,027
2020-2024	50,320	-	50,320
2025-2027	20,507	-	20,507
	<u>\$ 120,837</u>	<u>\$ -</u>	<u>\$ 120,837</u>

Note 9 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.

Note 10 Other Required Individual Fund Disclosures

Generally accepted accounting principles require disclosures as part of the Combining Statements

Overview of certain information concerning individual funds including:

A. Deficit fund balance of individual funds.
None

B. Expenditures exceeded appropriations by fund.

General Fund	\$(143,511)
Fire Protection Fund	\$(110,771)
Recreation Fund	\$ (44)
Senior Citizen Fund	\$ (9,043)

C. Designated cash and appropriations in excess of available balances.
None

Note 11 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 8.5% (ranges from 6.28% to 18.15% depending upon the plan - i.e., state general, state police and adult correctional officers, State Plan 3 – Peace Officer, Juvenile Correctional Officer Plan 2, municipal general, municipal police, municipal fire, municipal detention officer) of their gross salary. The City is required to contribute 8.5% (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, and 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, 2014, 2013 and 2012 were \$34,368, \$17,219, and \$12,636, respectively, which equal the amount of the required contributions for each fiscal year.

Note 12 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, 2014, the statutes 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, 2014, 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, 2014, 2013 and 2012 were \$6,977, \$5,044 and \$2,348, respectively, which equal the required contributions for each year.

Note 13 Contingent Liabilities

In the normal course of operations, the City receives grant funds from various federal and state agencies. Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as a result of these audits is not believed to be material.

Note 14 Surety Bond

The officials and certain employees of the City are covered by a surety bond as required by Section 126-7 NMSA 1978 Compilation.

Note 15 Joint Powers Agreements

Joint Powers Agreements was unavailable.

Note 16 Subsequent Accounting Standard Pronouncements

Statement No. 67, Financial Reporting for Pension Plans. This statement also amends Statement No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, and No. 50, Pension Disclosures, as they relate to pension plans that are administered through trust or equivalent arrangements. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered plans that provide postemployment benefits other than pensions. This Statement is effective for financial statements for the fiscal years beginning after June 15, 2013 with earlier application encouraged. The City has reviewed the statement and has determined that this does not apply to the City.

Statement No. 68, Accounting and Financial Reporting for Pensions. The statement replaces the requirements of GASBS 27, Accounting for Pensions by State and Local Governmental Employers, and the requirements of GASBS 50 Pension Disclosures, as they related to pensions that are provided through pension plans administered as trusts. The requirements of Statements 27 and 50 remain applicable for pensions that are covered by GASBS 68. This statement is effective for financial statements for fiscal years beginning after June 15, 2014. The City is reviewing the effects of the implementation of this statement.

Statement No. 69, Government Combinations and Disposals of Government Operations. This statement establishes accounting and financial reporting standards related to government mergers, acquisitions, and transfers of operations. The requirements of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013 and should be applied on a prospective basis. The City has reviewed the statement and has determined that this does not apply to the City.

Statement No. 70, Accounting and Financial Reporting for Non-exchange Financial Guarantees. This statement establishes accounting and financial reporting standards for financial guarantees that are non exchange transactions extended or received by a state or local government. A non-exchange financial guarantee is a guarantee of an obligation of a legally separate entity or individual, including a blended or discretely presented component unit, which requires the guarantor to indemnify a third-party obligation holder under specified conditions. This statement is effective for financial statements for reporting periods beginning after June 15, 2013. The City has reviewed the statement and has determined that this does not apply to the City.

Note 17 Subsequent Review

The City has evaluated subsequent events through November 25, which is the date the financial statements were available for issuance.

Note 18 Restatements of Net Position and Fund Balances

The prior year's financial statements omitted certain assets and liabilities or the assets and liabilities presented contained errors and misstatements. In order for the financial statements to be in conformity with accounting principles generally accepted in the United States of America, the following restatements have been made to the beginning equity amounts both on the government-wide statements and the individual fund statements.

Business-types	
Beginning Net Position, beginning	\$ 32,616
Public Utility - cash	10,458
Public Utility - accounts payable	(4,171)
Public Utility - accounts receivable	35,205
Public Utility - notes payable	515,436
Restatement	556,928
Net Position, beginning restated	<u>\$ 589,544</u>

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June 30, 2014

Governmental

Beginning Net Position, beginning	\$	1,043,344
General - cash		53,613
General - accounts receivable		10,470
General - accounts payable		(5,255)
General - note payable		(5,532)
Fire Protection - accounts payable		232,613
Fire Protection - restricted cash		11
Senior Citizens - accounts payable		<u>(256)</u>
Restatement		<u>285,664</u>
Net Position, beginning restated	\$	<u><u>1,329,008</u></u>

Supplementary Information Related to Non-Major Governmental Funds

NONMAJOR GOVERNMENTAL FUNDS

The Special Revenue Funds are used to account for Federal, State, and Local funded grants. These grants are awarded to the City with the purpose of accomplishing specific tasks. Grants accounted for in the Special Revenue Funds include:

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.

STATE OF NEW MEXICO
 CITY OF TEXICO
 Nonmajor Governmental Funds
 Combining Balance Sheet
 June 30, 2014

	Recreation 217	Senior Citizens 219	Cemetery 600	Totals
<u>ASSETS</u>				
Cash in banks	\$ 2,688	\$ 2,680	\$ 53,533	\$ 58,901
Total assets	<u>\$ 2,688</u>	<u>\$ 2,680</u>	<u>\$ 53,533</u>	<u>\$ 58,901</u>
<u>LIABILITIES</u>				
Accounts payable	\$ -	\$ 106	\$ -	\$ 106
Total liabilities	<u>-</u>	<u>106</u>	<u>-</u>	<u>106</u>
<u>FUND BALANCE</u>				
Restricted for:				
Special revenue funds	<u>2,688</u>	<u>2,574</u>	<u>53,533</u>	<u>58,795</u>
Total fund balance	<u>2,688</u>	<u>2,574</u>	<u>53,533</u>	<u>58,795</u>
Total liabilities and fund balance	<u>\$ 2,688</u>	<u>\$ 2,680</u>	<u>\$ 53,533</u>	<u>\$ 58,901</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, 2014

	Recreation 217	Senior Citizens 219	Cemetery 600	Totals
Revenues:				
Local sources	\$ -	\$ 1,982	\$ 3,790	\$ 5,772
State sources	-	6,424	-	6,424
Federal sources	-	5,842	-	5,842
Total revenues	-	14,248	3,790	18,038
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Health and welfare	-	21,342	3,079	24,421
Culture and recreation	444	-	-	444
Capital outlay	-	-	-	-
Total expenditures	444	21,342	3,079	24,865
Excess (deficiency) of revenues over expenditures	(444)	(7,094)	711	(6,827)
Other financing sources (uses):				
Operating transfers (net)	-	5,000	-	5,000
Total other financing sources (uses)	-	5,000	-	5,000
Net change in fund balances	(444)	(2,094)	711	(1,827)
Fund balances, beginning of year	3,132	4,924	52,822	60,878
Restatement	-	(256)	-	(256)
Fund balances, beginning of year rest	3,132	4,668	52,822	60,622
Fund balances, ending	\$ 2,688	\$ 2,574	\$ 53,533	\$ 58,795

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 Revenues, Expenditures, and Changes in Cash Balances
Budget and Actual (Non - GAAP Budgetary Basis)
For the year ended June 30, 2014

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues:				
Local sources	\$ -	\$ -	\$ -	\$ -
State sources	-	-	-	-
Federal sources	-	-	-	-
Total revenues	-	-	-	-
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Health and welfare	-	-	-	-
Culture and recreation	400	400	444	(44)
Capital outlay	-	-	-	-
Total expenditures	400	400	444	(44)
Excess (deficiency) revenues over (under) expenditures	(400)	(400)	(444)	(44)
Other financing sources (uses):				
Operating transfers	-	-	-	-
Designated cash	3,132	3,132	-	(3,132)
Total other financing sources (uses)	3,132	3,132	-	(3,132)
Net change in fund balances	2,732	2,732	(444)	(3,176)
Cash balance, beginning of year	-	-	3,132	3,132
Prior period adjustment	-	-	-	-
Cash balance, beginning of year restated	-	-	3,132	3,132
Cash balance, end of year	<u>\$ 2,732</u>	<u>\$ 2,732</u>	<u>\$ 2,688</u>	<u>\$ (44)</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ (444)	
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>\$ (444)</u>	

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 Revenues, Expenditures, and Changes in Cash Balances
Budget and Actual (Non - GAAP Budgetary Basis)
For the year ended June 30, 2014

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues:				
Local sources	\$ 1,843	\$ 1,843	\$ 1,982	\$ 139
State sources	5,387	5,387	6,424	1,037
Federal sources	4,963	4,963	5,842	879
Total revenues	<u>12,193</u>	<u>12,193</u>	<u>14,248</u>	<u>2,055</u>
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Health and welfare	12,193	12,193	21,236	(9,043)
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>12,193</u>	<u>12,193</u>	<u>21,236</u>	<u>(9,043)</u>
Excess (deficiency) revenues over (under) expenditures	-	-	(6,988)	(6,988)
Other financing sources (uses):				
Operating transfers	5,000	5,000	5,000	-
Designated cash	-	-	-	-
Total other financing sources (uses)	<u>5,000</u>	<u>5,000</u>	<u>5,000</u>	<u>-</u>
Net change in fund balances	5,000	5,000	(1,988)	(6,988)
Cash balance, beginning of year	-	-	4,668	4,668
Prior period adjustment	-	-	-	-
Cash balance, beginning of year restated	-	-	4,668	4,668
Cash balance, end of year	<u>\$ 5,000</u>	<u>\$ 5,000</u>	<u>\$ 2,680</u>	<u>\$ (2,320)</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ (1,988)	
Adjustment to revenues for accruals and other deferrals			-	
Adjustment to expenditures for payables, prepaids and other accruals			(106)	
Net change in fund balance (GAAP Basis)			<u>\$ (2,094)</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 Revenues, Expenditures, and Changes in Cash Balances
Budget and Actual (Non - GAAP Budgetary Basis)
For the year ended June 30, 2014

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues:				
Local sources	\$ 1,800	\$ 1,800	\$ 3,790	\$ 1,990
State sources	-	-	-	-
Federal sources	-	-	-	-
Total revenues	<u>1,800</u>	<u>1,800</u>	<u>3,790</u>	<u>1,990</u>
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Health and welfare	18,500	18,500	3,079	15,421
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>18,500</u>	<u>18,500</u>	<u>3,079</u>	<u>15,421</u>
Excess (deficiency) revenues over (under) expenditures	(16,700)	(16,700)	711	17,411
Other financing sources (uses):				
Operating transfers	-	-	-	-
Designated cash	<u>16,700</u>	<u>16,700</u>	-	<u>(16,700)</u>
Total other financing sources (uses)	<u>16,700</u>	<u>16,700</u>	-	<u>(16,700)</u>
Net change in fund balances	-	-	711	711
Cash balance, beginning of year	-	-	52,822	52,822
Prior period adjustment	-	-	-	-
Cash balance, beginning of year restated	-	-	<u>52,822</u>	<u>52,822</u>
Cash balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 53,533</u>	<u>\$ 53,533</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 711	
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>\$ 711</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 Revenues, Expenses, and Changes in Cash Balance
Budget and Actual (Non - GAAP Budgetary Basis)
For the year ended June 30, 2014

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues:				
Sales and service	\$ 407,550	\$ 407,550	\$ 419,172	\$ 11,622
Miscellaneous	-	-	185	185
Total revenue	<u>407,550</u>	<u>407,550</u>	<u>419,357</u>	<u>11,807</u>
Expenses:				
Current:				
Public works	461,726	461,726	260,524	201,202
Personnel services	-	-	119,372	(119,372)
Total expenses	<u>461,726</u>	<u>461,726</u>	<u>379,896</u>	<u>81,830</u>
Excess (deficiency) revenues over (under) expenditures	(54,176)	(54,176)	39,461	93,637
Other financing sources (uses):				
Taxes - gross receipts (net)	-	-	5,535	5,535
Interest income	-	-	1,215	1,215
Penalties	-	-	9,294	9,294
Capital outlay	-	-	(7,300)	(7,300)
Debt service principal	-	-	(35,697)	(35,697)
Debt service interest	-	-	(8,183)	(8,183)
Operating transfers (net)	-	-	-	-
Designated cash	54,176	54,176	-	(54,176)
Total other financing sources (use)	<u>54,176</u>	<u>54,176</u>	<u>(35,136)</u>	<u>(89,312)</u>
Net change in fund balance	-	-	4,325	4,325
Cash balance, beginning of year	-	-	223,648	223,648
Prior period adjustment	-	-	10,458	10,458
Cash balance, beg of year restated	<u>-</u>	<u>-</u>	<u>234,106</u>	<u>234,106</u>
Cash balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 238,431</u>	<u>\$ 238,431</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 4,325	
Adjustment to revenues for accruals and other deferrals			188	
Adjustment to expenditures for payables, prepaids and other accruals			(2,394)	
Net change in fund balance (GAAP Basis)			<u>\$ 2,119</u>	

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

Supplementary Information Related to Agency Funds

AGENCY FUNDS

Agency Fund

To account for funds held on behalf of the Correction Fund that is custodial in nature.

STATE OF NEW MEXICO
 CITY OF TEXICO
 Agency Funds
 Statement of Changes in Assets and Liabilities
 June 30, 2014

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
<u>ASSETS</u>				
Cemetery Association	\$ 28,538	\$ 6,957	\$ (4,886)	\$ 30,609
Correction fees	<u>(206)</u>	<u>-</u>	<u>-</u>	<u>(206)</u>
Total assets	<u>\$ 28,332</u>	<u>\$ 6,957</u>	<u>\$ (4,886)</u>	<u>\$ 30,403</u>
<u>LIABILITIES</u>				
Funds handled on behalf of:				
Citizens of Texico	\$ 28,538	\$ 6,957	\$ (4,886)	\$ 30,609
State of New Mexico	<u>(206)</u>	<u>-</u>	<u>-</u>	<u>(206)</u>
Total liabilities	<u>\$ 28,332</u>	<u>\$ 6,957</u>	<u>\$ (4,886)</u>	<u>\$ 30,403</u>

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

Other Supplemental Information

STATE OF NEW MEXICO
CITY OF TEXICO
Bank Reconciliation - All Accounts
For the year ended June 30, 2014

Bank Name	Bank Statement Balance	Outstanding Deposits	Outstanding Checks	Reconciled Balance
The Citizens Bank of Clovis				
Checking				
General	\$ 57,808	\$ 537	\$ (16,436)	\$ 41,909
Fire	63,548	-	(3,852)	59,696
Recreation	2,688	-	-	2,688
Senior Citizens	2,955	-	(275)	2,680
Cemetery	48,233	300	-	48,533
Cemetery Headstone	4,925	75	-	5,000
Savings				
General	976,983	-	-	976,983
Fire	193,680	-	-	193,680
Total Citizens Bank of Clovis	1,350,820	912	(20,563)	1,331,169
New Mexico Finance Authority				
102 Debt Service	39,788			39,788
Reserve funds payable	14,112			14,112
Reserve funds payable	8			8
Tanker	9			9
Fire Station	4			4
Total New Mexico Finance Authority	53,921	-	-	53,921
Total governmental funds	1,404,741	912	(20,563)	1,385,090
The Citizens Bank of Clovis				
Checking				
Meter	14,396	-	(1,381)	13,015
Public Works	56,350	2,375	(2,983)	55,742
Ute Water Project	19,354	-	-	19,354
Savings				
Meter	27,103	-	-	27,103
Public Works	113,075	-	-	113,075
Total Citizens Bank of Clovis	230,278	2,375	(4,364)	228,289
New Mexico Finance Authority				
Reserve funds payable	10,142			- 10,142
Total business type activities	240,420	2,375	(4,364)	238,431
Total	<u>\$ 1,645,161</u>	<u>\$ 3,287</u>	<u>\$ (24,927)</u>	<u>\$ 1,623,521</u>
Agency:				
Checking				
Cemetery Association	22,189	65	(675)	21,579
Certificate of Deposits				
Cemetery Association	9,030	-	-	9,030
Total Agency	<u>\$ 31,219</u>	<u>\$ 65</u>	<u>\$ (675)</u>	<u>\$ 30,609</u>

STATE OF NEW MEXICO
 CITY OF TEXICO
 Revenue Schedule
 For the year ended June 30, 2014

	General - 101	Fire Protection - 209	Recreation - 217	Senior Citizens 219
Revenues:				
Local sources:				
Tax - property	\$ 13,607	\$ -	\$ -	\$ -
Tax - gross receipts	99,311	-	-	-
Tax - franchise	22,029	-	-	-
Licenses and permits	1,655	-	-	-
Charges for services	163	36,328	-	-
Rent	7,675	-	-	-
Correction charges	2,522	-	-	-
Fines and forfeits	8,471	-	-	-
Interest on investments	7,474	1,790	-	-
Donations	-	-	-	600
Miscellaneous	7,951	-	-	1,382
Sales - other	-	-	-	-
Penalties	-	-	-	-
Total local sources	170,858	38,118	-	1,982
State sources:				
Tax - Gas [two cents]	33,397	-	-	-
Tax - Gas Streets	18,232	-	-	-
Tax - Municipal Gross Receipts	82,703	-	-	-
Grant - EMS	-	38,422	-	-
Fire allotment	-	223,761	-	-
Grant - LEP	21,800	-	-	-
Highway Co-Op	38,878	-	-	-
State Forestry	-	25,600	-	-
Motor Vehicle	1,504	-	-	-
Agency on Aging	-	-	-	6,424
Small Cities assistance	283,145	-	-	-
Total state sources	479,659	287,783	-	6,424
Federal sources:				
Grant - other	-	-	-	5,842
Total federal sources	-	-	-	5,842
Total	\$ 650,517	\$ 325,901	\$ -	\$ 14,248

Cemetery 600	Total Governmental Funds	Public Works 500
\$ -	\$ 13,607	\$ -
-	99,311	4,063
-	22,029	1,392
-	1,655	-
3,505	39,996	396,383
-	7,675	-
-	2,522	-
-	8,471	-
285	9,549	1,215
-	600	-
-	9,333	185
-	-	23,057
-	-	9,294
3,790	214,748	435,589
-	33,397	-
-	18,232	-
-	82,703	-
-	38,422	-
-	223,761	-
-	21,800	-
-	38,878	-
-	25,600	-
-	1,504	-
-	6,424	-
-	283,145	-
-	773,866	-
-	5,842	-
-	5,842	-
\$ 3,790	\$ 994,456	\$ 435,589

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 have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, the budgetary comparisons of the general fund and major special revenue fund, of City of Texico (the City) as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and the combining and individual funds and related budgetary comparisons of the City, presented as supplementary information, and have issued my report thereon dated November 25, 2014.

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 over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be 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 over financial reporting 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. 2013-0001, 2013-0002, 2013-0005

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. 2006-0002 and 2014-0001

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 item 2013-0003, and 2014-0002.

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 City'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 District's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Sandra Rush CPA PC
Clovis, New Mexico
November 25, 2014

STATE OF NEW MEXICO
 CITY OF TEXICO
 Schedule of Findings and Responses
 June 30, 2014

Prior Year Findings

2004-001	Segregation of Accounting Duties	Resolved
2004-002	Late Audit Report	Resolved
2004-006	General Ledger Preparation and Controls	Resolved
2006-002	Exceeded budget Authority	Repeated
2013-001	Capital Asset Listing	Repeated
2013-002	Financial Statements and Disclosures	Repeated
2013-003	Presentation of Audit Report	Repeated
2013-004	Submission of the Audit contract and Recommendation	Resolved
2013-005	Capital Asset Listing	Repeated

2006-002 Exceeded Budgetary Authority - Compliance and Internal Control - Significant Deficiency

Condition

The City maintained expenditures at the fund level in which actual expenditures exceeded budgetary authority in the following funds:

General	\$(143,511)
Fire	\$(110,771)
Recreation Fund	\$ (44)
Senior Citizens Fund	\$ (9,043)

Criteria

Sound financial management and state regulation 6.20.2.9 (A), NMAC and state statutes 22-8-5 through 22-8-12.2, NMSA 1978, require that budgets not be exceeded at the legal level of control. For municipalities, the fund is the legal level of control.

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. Also the original budget was not adjusted to reflect changes in revenue received and expenditures paid.

Effect

As a result, the City is not in compliance with New Mexico regulation 6.20.2.9 (A), NMAC and state statutes 22-8-5 through 22-8-12.2, NMSA 1978.

Recommendation

The City must establish a policy of budgetary review and make necessary budget adjustments. It is recommended that the City work with DFA Local Government Division in monitoring budgetary compliance throughout the fiscal year.

Response

The City concurs with this recommendation.

2013-001 Capital Asset Listing / Depreciation Schedule – Compliance and Internal Control - Material Weakness

Condition

The City could not provide a complete Capital Asset listing and depreciation schedule for the fiscal year ending June 30, 2014. The board has not approved a formal depreciation policy.

Criteria

A capital asset inventory and depreciation schedule should be maintained in a usable form. 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 is not adequately trained to maintain a capital asset inventory and depreciation schedule. For the year ended June 30, 2014, the entity was unable to provide a list that contained current year depreciation and capital asset information compliant with GASB 34.177a and 3.30.1.12 NMAC.

Effect

Management is not complying with Generally Accepted Accounting Principles.

Recommendation

Management should attend training to become familiar with the preparation of a capital asset inventory and depreciation schedule that is GASB 34 compliant.

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.

2013-002 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, 2014

2013-003 Presentation of Audit Report – Other –

Condition

The audit report for the year ended June 30, 2013 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, 2014

2013-005 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 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 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.

Current year findings

2014-001 Agency Funds - Internal Control & Compliance - Significant Deficiency

Condition

The City is including Court Automation Fees and Judicial Education Fees as revenues and expenditures in the General fund. These are collections made on behalf of the State and should be kept separate in an Agency Fund in the books of record and the DFA report.

Criteria

All amounts collected on behalf of another entity should be collected, disbursed and reported in an Agency Fund.

Cause

Management was not aware of this requirement.

Effect

These amounts are incorrectly included as revenue and expenditures for budget purposes in the General fund. Also, any cash left in the bank at June 30, could be mistakenly budgeted for the General fund.

Recommendation

Management should separate these receipts and disbursements in an Agency fund as soon as possible, not only on the DFA report but on the books of record.

Response

Management will set up a separate general ledger account for funds collected on behalf of the State. In the future, the funds will be reported on the quarterly DFA report as an agency fund.

2014-002 Mileage and Per Diem Act - Other

Condition

During the course of the audit, we performed tests of travel and per diem expenditures. Our sample size was thirteen transactions, which were selected throughout the fiscal year, and contained the following discrepancies: There was one instance where the employee failed to sign the form certifying the reimbursement was correct, one instance where the receipt attached didn't agree with payment, six instances where the mileage was paid at an incorrect rate and thirteen instances where payment was not authorized. The discrepancies totaled \$4,203.84.

Criteria

The New Mexico Department of Finance and Administration (DFA) has issued regulations in the form of Title 2, Chapter 42, Part 2, *Travel and Per Diem Regulations Governing the Per Diem and Mileage Act* of the New Mexico Administrative Code. The rule was issued in accordance with Section 10-8-1 to 10-8-8 NMSA 1978.

Effect

Non-compliance with the state of New Mexico Travel and Per Diem Act subjects officials and employees to penalties as required by state statutes.

Cause

The City did not understand and apply DFA regulations correctly. Travel requests were not reviewed properly prior to payment.

Recommendation

The City should review the Mileage and Per Diem Act. Once a solid understanding of the Act is obtained, procedures should be reviewed and modified to ensure compliance with the Act.

Response

Management will review the Mileage and Per Diem Act and obtain a solid understanding of the Act to ensure that they are in compliance with the Act.

Financial Statement Preparation

Although it would be preferred and desirable for the City to prepare its own GAAP-basis financial statements, it is felt that the City's personnel did not have the time to prepare them. Therefore, the outside auditor prepared the GAAP-basis financial statements and footnotes for inclusion in the annual audit report from the original books and records provided to them by the management of the City. Management of the City has reviewed and approved these financial statements and related notes and believes they are adequately supported by the books and records of the government.

Exit Conference

The contents of this report were discussed with Jerry Bradley, Mayor, Carolyn Johnson, Clerk/Treasurer, and Sandra Rush, CPA, in an exit conference on November 28, 2014.

