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STATE OF NEW MEXICO  
City of Texico  
June 30, 2015

Financial Statements and Supplementary Information  
As Of And For The Year Ended June 30, 2015  
With Independent Auditor's Report Thereon

*Sandra Rush*  
*Certified Public Accountant, PC*

*1101 E Llano Estacado*  
*Clovis, New Mexico 88101*

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## Introductory Section

STATE OF NEW MEXICO  
CITY OF TEXICO

Official Roster  
For the year ended June 30, 2015

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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CITY OF TEXICO  
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CITY OF TEXICO  
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## Financial Section

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## Independent Auditor's Report

Timothy Keller  
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, 2015, and the related notes to the financial statements which collectively comprise the City's basic financial statements as listed in the table of contents. I also have audited the financial statements of each of the City's nonmajor governmental funds, 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, 2015, as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **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, 2015. 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, 2014 or the depreciation expense for the fiscal year ended June 30, 2015. 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, 2015 and the depreciation accrual for the year then ended. The effect on assets, net position, and expenditures of the governmental activities and business-type activities are 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, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2015, 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, 2015, 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, 2015 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.

Accounting principles generally accepted in the United States of America require that Schedules A-1 and A-2 and notes to the Required Supplementary Information on pages 43-46 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. I have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to my inquiries, the basic financial statements, and other knowledge I obtained during my audit of the basic financial statements. I do not express an opinion or provide any assurance on the information because the limited procedures do not provide me with sufficient evidence to express an opinion or provide any assurance.

### *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 Supporting Schedules I and II required by 2.2.2 NMAC are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

The Supporting Schedules I and II required by 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 financial statements. Such information has been subjected to the auditing procedures applied in the audit of the 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 themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In my opinion, the Supporting Schedules I and II required by 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Schedule III has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, I do not express an opinion or provide any assurance on it.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, I have also issued my report dated December 12, 2015 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  
Clovis, New Mexico  
December 12, 2015

## Basic Financial Statements

## Government-wide Financial Statements

STATE OF NEW MEXICO  
CITY OF TEXICO  
Statement of Net Position  
June 30, 2015

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
<u>ASSETS</u>			
Current assets			
Cash and cash equivalents	\$ 1,525,518	\$ 200,751	\$ 1,726,269
Accounts receivable			
Taxes	51,196	1,374	52,570
Grantor	1,175	-	1,175
Other	5,978	-	5,978
Sales (net)	-	39,271	39,271
	<u>1,583,867</u>	<u>241,396</u>	<u>1,825,263</u>
Total current assets			
Noncurrent assets			
Restricted cash, AOC & JE	45	-	45
Restricted cash, customer meter deposits	-	43,376	43,376
Cash NMFA state investment pool	39,896	-	39,896
Cash NMFA funds held reserve	14,164	10,179	24,343
Capital assets	3,088,880	1,824,239	4,913,119
Less: accumulated depreciation	<u>(2,521,563)</u>	<u>(1,150,371)</u>	<u>(3,671,934)</u>
	<u>621,422</u>	<u>727,423</u>	<u>1,348,845</u>
Total noncurrent assets			
	<u>2,205,289</u>	<u>968,819</u>	<u>3,174,108</u>
Total assets			
<u>DEFERRED OUTFLOWS OF RESOURCES</u>			
Aggregated deferred outflows	<u>17,969</u>	-	<u>17,969</u>
Total assets and deferred outflows of resources			
	<u>\$ 2,223,258</u>	<u>\$ 968,819</u>	<u>\$ 3,192,077</u>

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

STATE OF NEW MEXICO  
CITY OF TEXICO  
Statement of Net Position  
June 30, 2015

	Governmental Activities	Business-type Activities	Total
<b><u>LIABILITIES</u></b>			
Current liabilities			
Accounts payable	\$ 3,709	\$ 12,242	\$ 15,951
Accrued wages	1,878	541	2,419
Compensated absences	5,453	1,293	6,746
Current portion of long term debt	<u>90,824</u>	<u>25,116</u>	<u>115,940</u>
Total current liabilities	<u>101,864</u>	<u>39,192</u>	<u>141,056</u>
Non-current liabilities			
Customer meter deposits	-	43,173	43,173
Long term portion of long term debt	427,998	300,924	728,922
Net pension liability	<u>176,798</u>	<u>-</u>	<u>176,798</u>
Total non-current liabilities	<u>604,796</u>	<u>344,097</u>	<u>948,893</u>
Total liabilities	<u>706,660</u>	<u>383,289</u>	<u>1,089,949</u>
<b><u>DEFERRED INFLOWS OF RESOURCES</u></b>			
Aggregated deferred inflows	<u>74,233</u>	<u>-</u>	<u>74,233</u>
<b><u>NET POSITION</u></b>			
Net investment in capital assets	48,495	347,828	396,323
Restricted			
Special revenue fund	346,860	-	346,860
Unrestricted	<u>1,047,010</u>	<u>237,702</u>	<u>1,284,712</u>
Total net position	<u>1,442,365</u>	<u>585,530</u>	<u>2,027,895</u>
Total liabilities and net position	<u>\$ 2,223,258</u>	<u>\$ 968,819</u>	<u>\$ 3,192,077</u>

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

STATE OF NEW MEXICO  
CITY OF TEXICO

Statement of Activities  
For the year ended June 30, 2015

Functions / Programs	Expenses	Program Revenues			Net (Expenses) Revenues		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
<b>Governmental activities</b>							
General government	\$ 191,450	\$ 4,644	\$ -	\$ -	\$ (186,806)	\$ -	\$ (186,806)
Public safety	429,354	60,964	274,323	99,408	5,341	-	5,341
Public works	76,034	12,092	-	27,764	(36,178)	-	(36,178)
Culture and recreation	22,097	7,600	-	-	(14,497)	-	(14,497)
Interest	9,196	-	-	-	(9,196)	-	(9,196)
Depreciation expense	189,115	-	-	-	(189,115)	-	(189,115)
Change in inflows / outflows	(8,541)	-	-	-	8,541	-	8,541
<b>Total governmental activities</b>	<b>908,705</b>	<b>85,300</b>	<b>274,323</b>	<b>127,172</b>	<b>(421,910)</b>	<b>-</b>	<b>(421,910)</b>
<b>Business-type activities</b>							
Public works	458,502	407,075	-	-	-	(51,427)	(51,427)
<b>Total business-type activities</b>	<b>458,502</b>	<b>407,075</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>(51,427)</b>	<b>(51,427)</b>
<b>Total governmental and business-type activities</b>	<b>\$ 1,367,207</b>	<b>\$ 492,375</b>	<b>\$ 274,323</b>	<b>\$ 127,172</b>	<b>\$ (421,910)</b>	<b>\$ (51,427)</b>	<b>\$ (473,337)</b>

General Revenues			
Taxes			
Property		\$ 15,336	\$ -
Gross receipts		196,360	27,664
Franchise		31,061	4,896
Motor vehicle department		1,545	-
Other		58,684	-
Miscellaneous		2,743	1,691
Licenses, fees, fines and forfeits		7,727	-
Interest income		7,824	136
Intergovernmental		294,056	-
State grants		5,959	-
Federal grants		4,468	-
Gain (loss) disposal of assets		4,201	-
Penalty income		-	10,907
<b>Total general revenues</b>		<b>629,964</b>	<b>45,294</b>
<b>Change in net position</b>		<b>208,054</b>	<b>(6,133)</b>
<b>Net position, beginning</b>		<b>1,475,914</b>	<b>591,663</b>
<b>Restatement</b>		<b>(241,603)</b>	<b>-</b>
<b>Net position, beginning restated</b>		<b>1,234,311</b>	<b>591,663</b>
<b>Net position, ending</b>		<b>\$ 1,442,365</b>	<b>\$ 585,530</b>

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

Fund Financial Statements



STATE OF NEW MEXICO  
CITY OF TEXICO  
Balance Sheet  
Governmental Funds  
June 30, 2015

	General 101	Fire Protection 209	Other Governmental Funds	Total Governmental Funds
<u>ASSETS</u>				
Cash and cash equivalents	\$ 1,184,506	\$ 294,769	\$ 46,243	\$ 1,525,518
Cash NMFA state investment pool	39,869	27	-	39,896
Cash NMFA funds held reserve	14,164	-	-	14,164
Accounts receivable				
Taxes	51,196	-	-	51,196
Grantor	-	-	1,175	1,175
Other	-	5,978	-	5,978
Restricted cash, AOC & JE	45	-	-	45
	<u>\$ 1,289,780</u>	<u>\$ 300,774</u>	<u>\$ 47,418</u>	<u>\$ 1,637,972</u>
<u>LIABILITIES</u>				
Accounts payables	\$ 2,408	\$ 1,301	\$ -	\$ 3,709
Accrued wages	1,878	-	-	1,878
	<u>4,286</u>	<u>1,301</u>	<u>-</u>	<u>5,587</u>
<u>FUND BALANCE</u>				
Restricted for				
Special revenue funds	-	299,473	47,418	346,891
Unassigned, reported in				
General government funds	1,285,494	-	-	1,285,494
	<u>1,285,494</u>	<u>299,473</u>	<u>47,418</u>	<u>1,632,385</u>
Total liabilities and fund balance	<u>\$ 1,289,780</u>	<u>\$ 300,774</u>	<u>\$ 47,418</u>	<u>\$ 1,637,972</u>

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

STATE OF NEW MEXICO  
 CITY OF TEXICO  
 Reconciliation of the Balance Sheet All Governmental Funds  
 to the Statement of Net Position  
 For the year ended June 30, 2015

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

Fund balances - total governmental funds	\$	1,632,385
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Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds

Capital assets	\$ 3,088,880	
Accumulated depreciation	<u>(2,521,563)</u>	567,317

Deferred outflows and inflows of resources related to pensions are applicable to future periods and therefore, are not reported in the funds:

Deferred outflows of resources related to employer contribution subsequent to the measurement date		17,969
Deferred inflows of resources related to change in assumption	(6,632)	
Deferred inflows of resources related to investment experience	<u>(67,601)</u>	(74,233)

Certain long-term liabilities, including compensated absences, bonds payable, lease purchase notes and net pension liability, are not due and payable in the current period and therefore are reported in the funds

Accrued compensated absences	(5,453)	
Loans and notes payable	(518,822)	
Net pension liability	<u>(176,798)</u>	<u>(701,073)</u>

Net position of governmental activities		<u>\$ 1,442,365</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, 2015

	General 101	Fire Protection 209	Other Governmental Funds	Total Governmental Funds
Revenue				
Property tax	\$ 15,336	\$ 72,156	\$ -	\$ 87,492
Franchise tax	31,061	-	-	31,061
Gross receipts tax - from state	196,360	-	-	196,360
Motor Vehicle Department tax	1,545	-	-	1,545
Other tax	86,448	-	-	86,448
Charges for services	7,981	-	12,092	20,073
Interest income	6,094	-	189	6,283
Licenses, fees and fines	7,727	-	-	7,727
Miscellaneous	1,143	341,830	413	343,386
Intergovernmental	323,653	-	12,731	336,384
	<u>677,348</u>	<u>413,986</u>	<u>25,425</u>	<u>1,116,759</u>
Total revenues				
Expenditures				
Current				
General government	191,383	-	-	191,383
Public safety	197,750	230,252	-	428,002
Public works	52,929	-	23,105	76,034
Health and welfare	-	-	-	-
Culture and recreation	400	-	21,697	22,097
Capital outlay	19,197	64,567	-	83,764
Debt service - principal	22,583	67,555	-	90,138
Debt service - interest	436	8,100	-	8,536
	<u>484,678</u>	<u>370,474</u>	<u>44,802</u>	<u>899,954</u>
Total expenditures				
Excess (deficiency) of revenues over expenditures	192,670	43,512	(19,377)	216,805
Other financing sources (uses)				
Operating transfers (net)	(14,500)	6,500	8,000	-
Loan proceeds	19,197	-	-	19,197
	<u>4,697</u>	<u>6,500</u>	<u>8,000</u>	<u>19,197</u>
Total other financing sources (uses)				
Net change in fund balances	197,367	50,012	(11,377)	236,002
Fund balances, beginning	1,082,595	249,461	58,795	1,390,851
Restatement	5,532	-	-	5,532
	<u>1,088,127</u>	<u>249,461</u>	<u>58,795</u>	<u>1,396,383</u>
Fund balances, beginning restated				
Fund balances, ending	<u>\$ 1,285,494</u>	<u>\$ 299,473</u>	<u>\$ 47,418</u>	<u>\$ 1,632,385</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, 2015

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

Net change in fund balances - total governmental funds	\$ 236,002
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Capital outlays to purchase or build capital assets are reported in the governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net position and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities. This is the amount by which depreciation exceeds capital outlays for the period.

Current year capital expenditures capitalized	83,764
Depreciation expense	(189,115)

The issuance of long-term debt (e.g., bonds, notes, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums, discounts, and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.

Note proceeds	(19,197)
Principal payment	89,478

Expenditures in the statement of activities that do not provide current financial resources are not reported as expenditures in the funds.

Governmental funds report city pension contributions as expenditures. However, in the statement of activities, the cost of pension benefits earned net of employee contributions is reported as pension expense:

Compensated absences	(1,419)
Pension expense	<u>8,541</u>

Change in net position of governmental activities	<u>\$ 208,054</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, 2015

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenue				
Property tax	\$ 14,963	\$ 14,963	\$ 14,237	\$ (726)
Franchise tax	27,000	27,000	24,696	(2,304)
Gross receipts tax - from state	159,794	159,794	189,734	29,940
Motor Vehicle Department tax	1,500	1,500	1,512	12
Other tax	81,468	81,468	80,093	(1,375)
Charges for services	13,220	13,220	7,981	(5,239)
Interest income	6,500	6,500	6,094	(406)
Licenses, fees and fines	27,115	27,115	7,727	(19,388)
Miscellaneous	2,000	2,000	1,143	(857)
Intergovernmental	271,200	271,200	323,653	52,453
<b>Total revenue</b>	<b>604,760</b>	<b>604,760</b>	<b>656,870</b>	<b>52,110</b>
Expenditures				
Current				
General government	251,545	251,545	203,045	48,500
Public safety	304,758	304,758	198,389	106,369
Public works	15,465	15,465	14,706	759
Health and welfare	-	-	-	-
Culture and recreation	400	400	400	-
Capital outlay	37,050	37,050	37,019	31
Debt service - principal	47,115	47,115	21,923	25,192
Debt service - interest	5,000	5,000	1,096	3,904
<b>Total expenditures</b>	<b>661,333</b>	<b>661,333</b>	<b>476,578</b>	<b>184,755</b>
Excess (deficiency) revenues over (under) expenditures	(56,573)	(56,573)	180,292	236,865
Other financing sources (uses)				
Operating transfers net	(15,255)	(15,255)	(14,500)	755
Designated cash	71,828	71,828	-	(71,828)
<b>Total other financing sources (uses)</b>	<b>56,573</b>	<b>56,573</b>	<b>(14,500)</b>	<b>(71,073)</b>
Net change in fund balances	-	-	165,792	165,792
Cash balance, beginning	-	-	1,072,792	1,072,792
Cash balance, ending	\$ -	\$ -	\$ 1,238,584	\$ 1,238,584
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 165,792	
Adjustment to revenues for accruals and other deferrals			20,478	
Adjustment to expenditures for payables, prepaids and other accruals			11,097	
Net change in fund balance (GAAP Basis)			\$ 197,367	

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

STATE OF NEW MEXICO  
CITY OF TEXICO  
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, 2015

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
Property tax	\$ -	\$ -	\$ -	\$ -
Franchise tax	-	-	-	-
Gross receipts tax - from state	-	-	-	-
Motor Vehicle Department tax	-	-	-	-
Other tax	-	-	-	-
Charges for services	42,000	42,000	59,249	17,249
Interest income	-	-	1,541	1,541
Licenses, fees and fines	-	-	-	-
Miscellaneous	3,900	3,900	1,187	(2,713)
Gain (loss) disposal of asset	-	-	4,201	4,201
Intergovernmental	265,749	265,749	341,830	76,081
<b>Total revenues</b>	<b>311,649</b>	<b>311,649</b>	<b>408,008</b>	<b>96,359</b>
Expenditures				
Current				
General government	-	-	-	-
Public safety	346,646	346,646	232,887	113,759
Public works	-	-	-	-
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	64,567	(64,567)
Debt service - principal	-	-	67,555	(67,555)
Debt service - interest	-	-	8,100	(8,100)
<b>Total expenditures</b>	<b>346,646</b>	<b>346,646</b>	<b>373,109</b>	<b>(26,463)</b>
Excess (deficiency) revenues over (under) expenditures	(34,997)	(34,997)	34,899	69,896
Other financing sources (uses)				
Operating transfers	6,500	6,500	6,500	-
Designated cash	28,497	28,497	-	(28,497)
<b>Total other financing sources (uses)</b>	<b>34,997</b>	<b>34,997</b>	<b>6,500</b>	<b>(28,497)</b>
Net change in fund balances	-	-	41,399	41,399
Cash balance, beginning	-	-	253,397	253,397
Cash balance, ending	\$ -	\$ -	\$ 294,796	\$ 294,796
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 41,399	
Adjustment to revenues for accruals and other deferrals			5,978	
Adjustment to expenditures for payables, prepaids and other accruals			2,635	
Net change in fund balance (GAAP Basis)			\$ 50,012	

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, 2015

	<u>Public Works</u>
<u>ASSETS</u>	
Current assets	
Cash and cash equivalents	\$ 200,751
Accounts receivable	
Taxes	1,374
Sales (net)	<u>39,271</u>
Total current assets	<u>241,396</u>
Noncurrent assets	
Restricted cash, customer meter deposits	43,376
Cash NMFA funds held reserve	10,179
Capital assets	1,824,239
Less: accumulated depreciation	<u>(1,150,371)</u>
Total noncurrent assets	<u>727,423</u>
Total assets	<u>\$ 968,819</u>
 <u>LIABILITIES AND NET POSITION</u>	
Current liabilities	
Accounts payable	\$ 12,242
Accrued wages	541
Compensated absences	1,293
Current portion long-term debt	<u>25,116</u>
Total current liabilities	<u>39,192</u>
Noncurrent liabilities	
Customer meter deposits	43,173
Long term portion of long term debt	<u>300,924</u>
Total noncurrent liabilities	<u>344,097</u>
Total liabilities	<u>383,289</u>
Net position	
Net Investment in capital assets	347,828
Unrestricted	<u>237,702</u>
Total net position	<u>585,530</u>
Total liabilities and net position	<u>\$ 968,819</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, 2015

	<u>Public Works</u>
Operating revenues	
Sales and services	\$ 407,075
Miscellaneous	<u>1,691</u>
Total operating revenues	<u>408,766</u>
Operating expenses	
Public works	292,015
Personnel services	114,154
Depreciation	<u>45,662</u>
Total operating expenses	<u>451,831</u>
Operating income (loss)	(43,065)
Non-operating revenues (expenses)	
Gross receipts taxes	27,664
Franchise taxes	4,896
Interest income	935
Penalties	10,907
Interest expense	<u>(7,470)</u>
Total non-operating revenue (expenses)	<u>36,932</u>
Net income (loss)	(6,133)
Operating transfers (net)	<u>-</u>
Change in net position	(6,133)
Net position, beginning	591,663
Restatement	<u>-</u>
Net position, beginning restated	<u>591,663</u>
Net position, ending	<u><u>\$ 585,530</u></u>

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



STATE OF NEW MEXICO  
CITY OF TEXICO  
Proprietary Fund  
Statement of Cash Flows  
For the year ended June 30, 2015

	<u>Public Works</u>
Cash flows from operating activities	
Receipts from customers	\$ 404,202
Payments to suppliers, contractors and employees	<u>(396,989)</u>
Net cash provided (used) by operating activities	<u>7,213</u>
Cash flows from non capital financing activities	
Gross receipts taxes	27,471
Franchise taxes	4,401
Interest income	935
Penalties	10,907
Ute water project	
Meter deposit (change)	3,121
Interest expense	<u>(7,470)</u>
Net cash provided (used) by non capital financing activities	<u>39,365</u>
Cash flows from capital and related financing activities	
Federal grant - CDBG	-
Acquisition of capital assets	-
Debt payment	<u>(30,703)</u>
Net cash provided (used) by capital and related financing activities	<u>(30,703)</u>
Net increase (decrease) in cash and cash equivalents	15,875
Cash and cash equivalents, beginning	238,431
Restatement	<u>-</u>
Cash and cash equivalents, beginning restated	<u>238,431</u>
Total cash and cash equivalents, ending	<u><u>\$ 254,306</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities	
Operating income (loss)	\$ (43,065)
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	(4,564)
Increase (Decrease) in accounts payable	<u>9,180</u>
Net cash provided (used) by operating activities	<u><u>\$ 7,213</u></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, 2015

	<u>Agency Funds</u>
<u>ASSETS</u>	
Cash and cash equivalents	\$ 26,145
Total assets	<u>\$ 26,145</u>
<u>LIABILITIES</u>	
Deposits held for others	\$ 26,145
Total liabilities	<u>\$ 26,145</u>

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

## Notes to Financial Statements

## **Note 1 Summary of Significant Accounting Policies**

This summary of significant accounting policies of the City is presented to assist in the understanding of the City's financial statements. The financial statements and notes are the representation of the City's management who is responsible for their integrity and objectivity. The financial statements of 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 financial statements have incorporated all applicable GASB statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on accounting procedures. The more significant of the government's accounting policies are described below.

During the year ended June 30, 2015, the City adopted GASB Statements No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* ("GASB 68"), and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68* ("GASB 71"). These two Statements are required to be implemented at the same time. GASB 68 addresses accounting and financial reporting for pensions that are provided to the employees of state and local governments through pension plans that are administered through trusts that have the following characteristics:

Contributions from employers and non-employer contributing entities to the pension plan and earnings on those contributions are irrevocable.

Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.

Pension plan assets are legally protected from the creditors of employers, non-employer contributing entities, and the pension plan administrator. If the plan is a defined benefit plan, plan assets are also legally protected from creditors of the plan members.

GASB 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to pensions. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. As a result of the implementation of GASB 68, the government would recognize a net pension liability ("NPL") measured as of a date no later than the end of its prior fiscal year. If the government employer makes a contribution to the pension plan subsequent to the measurement date but prior to the end of the current fiscal year, GASB 68 requires the government to recognize that contribution as a deferred outflow of resources. In addition, GASB 68 requires the recognition of deferred outflows of resources and deferred inflows of resources for changes in the NPL that arise from other types of events, but does not require the government to recognize beginning deferred outflows of resources or deferred inflows of resources if the amounts are not practical to estimate. At transition to Statement 68, Statement 71 requires the employer or non-employer contributing entity to recognize a beginning deferred outflow of resources for its pension contributions made subsequent to the measurement date of the beginning net pension liability but before the start of the government's fiscal year, thus avoiding possible understatement of an employer or non-employer contributing entity's beginning net position and expense in the initial period of implementation. This pronouncement has materially impacted the financial statements and additional disclosures are included in the notes to the financial statements to highlight the effects.

### **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, 2015.

## **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. No other funds were required to be presented as major at the discretion of management.

#### 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 Protection Fund Special Revenue Fund

To account for discretionary funds used for the fire department.

The government reports its Public Works Fund (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.

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**

##### **Cash and Cash Equivalents:**

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.

Investments for the City are reported at fair value. The State Treasurer's Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

##### **Restricted Assets:**

Restricted assets are those held in trust for others.

##### **Receivables and Payables:**

Inter-fund activity is reported either as loans, services provided, reimbursements, or transfers. Loans are reported as inter-fund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund, and reduces its related costs as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or between proprietary funds are netted as part of the reconciliation to the government-wide financial statements. All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible.

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 purchased inventory is recorded as an expenditure at the time individual inventory items are 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, per section 12-6-10 NMSA 1978, 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. Pursuant to the implementation of GASB Statement No. 34, the historical cost of infrastructure assets, (retroactive to 1979) are to be included as part of the governmental capital assets reported in the government wide statements. 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).

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
Machinery and equipment	3 - 15 years
Vehicles	3 - 15 years

**Deferred Outflows of Resources:**

In addition to assets, the balance sheet reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a use of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until that time. The City has one type of item that qualifies for reporting in this category. Accordingly, the item, employer contributions subsequent to measurement date, is reported in the Statement of Net Position. This amount is deferred and recognized as an outflow of resources in the period the amount becomes available. The City has recorded \$17,969 related to employer contributions subsequent to measurement date.

**Deferred Inflows of Resources:**

In addition to liabilities, the balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Revenue must be susceptible to accrual (measurable and available to finance expenditures of the current fiscal period) to be recognized. If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by a corresponding liability for deferred inflows of resources.

In addition, the City has two types of items present on the Statement of Net Position which arise due to the implementation of GASB 68 and the related net pension liability. Accordingly, the difference between expected and actual experience, \$20,391; and net difference between projected and actual earnings, \$74,233 are reported on the Statement of Net Position. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.



**Compensated Absences:**

All permanent employees who have completed six months of satisfactory service shall earn paid vacation time at the rate of ten (10) days per year. At the end of six months, and upon successful completion of probation, the employee is entitled to his or her pro rata vacation time even if the employee has not been employed for one year. Accumulated vacation in excess of the ten normal days in a calendar year is limited to five (5) additional days.

Permanent employees who terminate are paid for accrued annual leave. Initial probationary and temporary employees are not paid annual leave upon termination. Accrued sick leave is not paid upon termination.

**Long-term Obligations:**

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities Statement of Net Position.

In the fund financial statements, the face amount of the debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt services expenditures.

**Net Position and Fund Equity:**

Governmental funds report fund balance classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent.

In the government-wide financial statements, fund equity is classified as net position and is displayed in three components:

**Net investment in capital assets:**

Consists of capital assets 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 those assets.

**Restricted Net Position:**

Consist of net position with "legally enforceable" 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. Legally enforceable means that a government can be compelled by an external party – such as citizens, public interest groups, or the judiciary to use resources created by enabling legislation, only for the purposes specified by the legislation. Generally, the enforceability of an enabling legislation restriction is determined by professional judgment. If it is determined that the restrictions continue to be legally enforceable, then for the purposes of financial reporting, the restricted net position should not reflect any reduction for resources used for purposes not stipulated by the enabling legislation. Descriptions for the related restrictions for net position are restricted for "debt service or capital projects."

**Unrestricted Net Position:**

All other net positions that do not meet the definition of "restricted" or "net investment in capital assets".

**Inter-fund 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 it 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 inter-fund transactions, except quasi-external transactions and reimbursements, are reported as transfers. Non-recurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other inter-fund 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. Significant estimates affecting the City's financials include management's estimate of the useful lives of capital assets.

**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.

**E. Pensions**

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

**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, 2015, is presented.

The appropriated budget for the year ended June 30, 2015, was properly amended by the City Council throughout the year.

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, 2015 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, 2015.

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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 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.

New Mexico 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, 2015		
General	\$ 94,040	Checking
General	1,104,709	Public Funds MMDAS
Fire	53,367	Checking
Fire	240,216	Public Funds MMDAS
Senior Citizens	1,916	Checking
Meter Fund	16,406	Checking
Meter Fund	27,239	Savings
Cemetery	35,932	Public Funds MMDAS
Cemetery Headstone	6,855	Checking
Recreation	2,620	Checking
Ute Water	6,660	Checking
Public works	85,224	Checking
Public works	113,891	Public Funds MMDAS
Cemetery Assoc.	17,073	Checking
Cemetery Assoc.	9,072	Savings
Total deposited	<u>1,815,220</u>	
Less FDIC coverage	<u>(250,000)</u>	
Total uninsured public funds	<u>1,565,220</u>	
50% collateral requirement		
as per Section 6-10-17, NMSA 1978	782,610	
Pledged securities	<u>1,942,282</u>	
Over (under)	<u>\$ 1,159,672</u>	

Pledged Collateral

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

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<u>Description</u>	<u>CUSIP</u>	<u>Fair Value</u>	<u>Date</u>	<u>Location</u>
GNMA II Pool #80750	36225CZQ2	\$ 30,802	10/20/33	Independent Bankers
GNR 2010-130 PE	38377LM54	1,911,480	08/16/39	Independent Bankers
		<u>\$ 1,942,282</u>		

Cash Held by Fiscal Agent

As required by note agreements with the New Mexico Finance Authority (NMFA) the City has cash held and invested with the NMFA.

<u>Governmental Activities</u>		<u>Business-type Activities</u>	
<u>General Fund</u>		<u>Public Works</u>	
NMFA Cash - State Treasurer	\$ 39,896	NMFA Cash - State Treasurer	\$ -
NMFA Cash - Reserved Funds	<u>14,164</u>	NMFA Cash - Reserved Funds	<u>10,179</u>
	<u>\$ 54,060</u>		<u>\$ 10,179</u>

Custodial Credit Risk

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2015, none of the City's bank balance of \$1,815,220 was exposed to custodial credit risk.

Custodial Credit Risk Deposits	
Account Balance	\$ 1,815,220
FDIC Insurance	250,000
Collateral:	
Collateral held by the pledging bank, not in the City's name	1,942,282
Uninsured and uncollateralized	<u>(377,064)</u>
Total Deposits	<u>\$ 1,815,218</u>

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**Note 4 Receivables**

Receivables as of June 30, 2015, are as follows:

	Governmental Activities			Business-type Activities		
	Major Funds	Nonmajor Funds	Totals	Taxes	Utility Service	Totals
Accounts receivable taxes						
General Fund						
Franchise Tax	\$ 6,365	-	-	-	-	-
Gross Receipts Tax Infrastructure	3,516	-	-	-	-	-
Gross Receipts Tax	18,006	-	-	-	-	-
Property Tax	1,099	-	-	-	-	-
Gas Tax 2 Cent	6,355	-	-	-	-	-
Gross Receipts Tax 1.35	15,822	-	-	-	-	-
Motor Vehicle	33	-	51,196	-	-	-
Public Works						
Franchise Tax	-	-	-	495	-	-
Gross Receipts Tax Environmental	-	-	-	879	-	1,374
Accounts receivable other						
Fire Fund						
Charges for services	6,317	-	-	-	-	-
Allowance for uncollectible	(339)	-	5,978	-	-	-
Accounts receivable from grantor						
Senior Citizens Fund						
Local grant	-	461	-	-	-	-
State grant	-	363	-	-	-	-
Federal grant	-	351	1,175	-	-	-
Accounts receivable sales						
Public Works						
Sales	-	-	-	-	43,440	-
Allowance for uncollectible	-	-	-	-	(4,169)	39,271
	<u>\$ 57,174</u>	<u>\$ 1,175</u>	<u>\$ 58,349</u>	<u>\$ 1,374</u>	<u>\$ 39,271</u>	<u>\$ 40,645</u>

The above accounts receivable taxes and accounts receivable from grantor 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

	Transfer In	Transfer Out
EMS	\$ 6,500	\$ -
General	-	(6,500)
Senior Citizens	8,000	-
General	-	(8,000)
Totals	<u>\$ 14,500</u>	<u>\$ (14,500)</u>

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**Note 6 Accounts Payables**

Accounts payable as of June 30, 2015, are as follows:

	Governmental Activities		Business-type Activities
Payable to suppliers		Payable to suppliers	
General	\$ 2,408	Public Works	\$ 12,242
Fire Protection	1,301		
Total	<u>\$ 3,709</u>	Total	<u>\$ 12,242</u>
Compensated absences			
General	<u>\$ 5,453</u>		<u>\$ 541</u>
Accrued payroll			
General	<u>\$ 1,878</u>		<u>\$ 1,293</u>

**Note 7 Capital Assets**

A summary of capital assets and changes occurring during the year ended June 30, 2015 follows.

Governmental Activities

	Beginning Balances	Increase	Adjustments/ Decrease	Ending Balances
Governmental activities:				
Capital assets not being depreciated				
Land	\$ 85,284	\$ -	\$ -	\$ 85,284
Capital assets being depreciated				
Buildings and improvements	1,110,509	44,300	-	1,154,809
Machinery and equipment	604,167	-	-	604,167
Vehicles	1,205,156	39,464	-	1,244,620
Total assets	<u>3,005,116</u>	<u>83,764</u>	<u>-</u>	<u>3,088,880</u>
Less accumulated depreciation				
Buildings and improvements	(356,226)	(26,789)	-	(383,015)
Machinery and equipment	(696,639)	(42,930)	-	(739,569)
Vehicles	(1,279,583)	(119,396)	-	(1,398,979)
Total accumulated depreciation	<u>(2,332,448)</u>	<u>(189,115)</u>	<u>-</u>	<u>(2,521,563)</u>
Governmental activity capital assets, net	<u>\$ 672,668</u>	<u>\$ (105,351)</u>	<u>\$ -</u>	<u>\$ 567,317</u>

Capital assets, at June 30, 2015 appear in the Statement of Net Position as follows: Governmental activities capital assets total \$3,088,880 accumulated depreciation total \$2,521,563. Depreciation expense related to governmental activities totaling \$189,115 was charged to the general government function.

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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	74,144	-	-	74,144
Vehicles	32,273	-	-	32,273
Infrastructure	1,650,167	-	-	1,650,167
	-	-	-	-
Total assets	1,824,239	-	-	1,824,239
Less accumulated depreciation				
Buildings and improvements	(34,964)	(2,255)	-	(37,219)
Machinery & equipment	(79,709)	(3,790)	-	(83,499)
Vehicles	(66,041)	(4,824)	-	(70,865)
Infrastructure	(923,995)	(34,793)	-	(958,788)
	-	-	-	-
Total accumulated depreciation	(1,104,709)	(45,662)	-	(1,150,371)
Business-type activity capital assets, net	\$ 719,530	\$ (45,662)	\$ -	\$ 673,868

Depreciation expense related to business-type activities for the year ended June 30, 2015 totaled \$45,662.

**Note 8 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 9 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.  
None
- C. Excess expenditures over budget.  
Fire Protection Fund      \$(26,463)

**Note 10 Long-term Debts**

Governmental Activities

During the year ended June 30, 2015, the following changes occurred in the long-term liabilities reported in the government wide statement of net position:

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	Beginning Balance	Additions	Reductions	Ending Balance	Amount Due Within One Year
Governmental activities					
Note payable					
General Fund					
Kansas State Bank	\$ -	\$ 19,197	\$ (6,184)	\$ 13,013	\$ 6,396
NMFA City Hall	63,588	-	(15,739)	47,849	15,841
Fire Protection Fund					
NMFA Medical rescue vehicle	229,030	-	(25,986)	203,044	26,528
NMFA Tanker	181,384	-	(28,780)	152,604	29,270
NMFA Fire station	115,101	-	(12,789)	102,312	12,789
	<u>\$ 589,103</u>	<u>\$ 19,197</u>	<u>\$ (89,478)</u>	<u>\$ 518,822</u>	<u>- 90,824</u>
Other long term liabilities					
Compensated absences	\$ 4,034	\$ 11,789	\$ (10,370)	\$ 5,453	\$ 5,453

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

Governmental Activities Notes Payable

The general fund, police department vehicle note is payable to Kansas State Bank in annual principal and interest payments through September 1, 2016. Principal payments vary from \$6,397 to \$6,616 and the interest rates is 3.440%. The police vehicle is general long-term debt of the City.

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, 2015 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, 2015 was \$30,061. 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, 2015 was \$30,806. 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, 2015 was \$12,789. The fire station and equipment is general long-term debt of the City.



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The annual requirement to amortize the loan as of June 30, 2015, including interest and administration fees is as follows:

Kansas State Bank Police Vehicle			
Year Ended June 30,	Principal	Interest	Total
2016	\$ 6,396	\$ 448	\$ 6,844
2017	6,617	228	6,845
	<u>\$ 13,013</u>	<u>\$ 676</u>	<u>\$ 13,689</u>

New Mexico Finance Authority City Hall			
Year Ended June 30,	Principal	Interest	Total
2016	\$ 15,841	\$ 334	\$ 16,175
2017	15,948	228	16,176
2018	16,060	116	16,176
	<u>\$ 47,849</u>	<u>\$ 678</u>	<u>\$ 48,527</u>

New Mexico Finance Authority Medical Rescue Truck			
Year Ended June 30,	Principal	Interest	Total
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	29,531	1,871	31,402
2021	63,271	3,743	67,014
	<u>\$ 203,044</u>	<u>\$ 18,656</u>	<u>\$ 221,700</u>

New Mexico Finance Authority Fire Tanker Truck			
Year Ended June 30,	Principal	Interest	Total
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>\$ 152,604</u>	<u>\$ 11,428</u>	<u>\$ 164,032</u>

New Mexico Finance Authority Fire Station and Equip.			
Year Ended June 30,	Principal	Interest	Total
2016	\$ 12,789	\$ -	\$ 12,789
2017	12,789	-	12,789
2018	12,789	-	12,789
2019	12,789	-	12,789
2020	12,789	-	12,789
2021-2023	38,367	-	38,367
	<u>\$ 102,312</u>	<u>\$ -</u>	<u>\$ 102,312</u>

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Business-type Activities

During the year ended June 30, 2015, 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	\$ 6,054	\$ -	\$ (6,054)	\$ -	\$ -
RIP Phase I infrastructure	229,852	-	(14,717)	215,135	15,159
NMFA Water upgrade	120,837	-	(9,932)	110,905	9,957
	<u>\$ 356,743</u>	<u>\$ -</u>	<u>\$ (30,703)</u>	<u>\$ 326,040</u>	<u>- 25,116</u>
Other long term liabilities					
Compensated absences	\$ 58	\$ 6,581	\$ (5,346)	\$ 1,293	\$ 1,293

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

Business-type Activities Notes Payable

The Public Works Fund pickup note is payable to Kansas State Bank in annual principal and interest payments through May 15, 2015. The final payment was made during the year ending June 30, 2015. The pickup was a general long-term debt of the City. Debt payments were made by the Public Works Fund.

The City entered into a loan arrangement with the New Mexico Environmental Department - 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 Works Fund.

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, 2015 was \$10,083. The water system upgrade is general long-term debt of the City. Debt payments are made by the Public Works Fund.

The annual requirement to amortize the loan as of June 30, 2015, including interest and are as follows:

NM Environment Dept. - RIP

Phase I Infrastructure

Year Ended June 30,	Principal	Interest	Total
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	17,061	4,551	21,612
2021-2025	93,298	14,765	108,063
2026-2027	41,357	1,870	43,227
	<u>\$ 215,135</u>	<u>\$ 44,218</u>	<u>\$ 259,353</u>

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New Mexico Finance Authority

Water Upgrade

Year Ended June 30,	Principal	Interest	Total
2016	\$ 9,957	\$ -	\$ 9,957
2017	9,981	-	9,981
2018	10,006	-	10,006
2019	10,032	-	10,032
2020	10,057	-	10,057
2021-2025	50,663	-	50,663
2026	10,209	-	10,209
	<u>\$ 110,905</u>	<u>\$ -</u>	<u>\$ 110,905</u>

**Note 11 Public Employees Retirement Association (PERA) Plan**

**General Information about the Pension Plan**

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

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

**Benefits provided.** For a description of the benefits provided and recent changes to the benefits see Note 1 in the PERA audited financial statements for the fiscal year ended June 30, 2014 available at: [http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366\\_Public\\_Employees\\_Retirement\\_Association\\_2014.pdf](http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2014.pdf).

**Contributions.** The contribution requirements of defined benefit plan members and the City are established in state statute under Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature. For the employer and employee contribution rates in effect for FY14 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on pages 29 through 31 of the PERA FY14 annual audit report at [http://osanm.org/media/audits/366\\_Public\\_Employees\\_Retirement\\_Association\\_2014.pdf](http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_2014.pdf). The PERA coverage options that apply to the City are the: Municipal General Division and Municipal Police Division. Statutorily required contributions to the pension plan from the City was \$20,391 and there were no employer paid member benefits that were "picked up" by the employer for the year ended June 30, 2015.

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

The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members) for whom separate contribution rates are determined each year pursuant to chapter 10, Article 11 NMSA 1978. Therefore, the calculations of the net pension liability, pension expense and deferred inflows and outflows were preformed separately for each of the membership groups: municipal general members; municipal police members; municipal fire members; state general members; state police members and legislative members. The City's proportion of the net pension liability for each membership group that the employer participates in is based on the employer contributing entity's percentage of that

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membership group's total employer contributions for the fiscal year ended June 30, 2014. Only employer contributions for the pay period end dates that fell within the period of July 1, 2013 to June 30, 2014 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2014 are included in the total contribution amounts. In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

**For PERA Fund Division Municipal General**, at June 30, 2015, the City reported a liability of \$95,953 for its proportionate share of the net pension liability. At June 30, 2014, the City's proportion was 0.0123 percent, which was unchanged from its proportion measured as of June 30, 2013, due to the insignificance of the difference.

For the year ended June 30, 2015, the City recognized PERA Fund Division Municipal General pension expense of \$4,003. At June 30, 2015, the City reported PERA Fund Division Municipal General deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

General Division	Deferred Outflows of Resources	Deferred Inflows of Resources
	<u>                    </u>	<u>                    </u>
Difference between expected and actual experience		
Change in assumptions	\$ -	\$ 65
Net difference between projected and actual earnings on plan investments	-	37,539
Change in proportion and difference between City contribution and proportionate share of contributions	-	-
City's contribution subsequent to the measurement date	<u>9,122</u>	<u>-</u>
Totals	<u>\$ 9,122</u>	<u>\$ 37,604</u>

\$9,122 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date June 30, 2014 will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2016	\$ (9,401)
2017	(9,401)
2018	(9,401)
2019	(9,401)
2020	-
Thereafter	-

**For PERA Fund Division Municipal Police**, at June 30, 2015, the City reported a liability of \$80,845 for its proportionate share of the net pension liability. At June 30, 2014, the City's proportion was 0.0248 percent, which was unchanged from its proportion measured as of June 30, 2013, due to the insignificance of the difference.

For the year ended June 30, 2015, the City recognized PERA Fund Division Municipal Police pension expense of \$5,429. At June 30, 2015, the City reported PERA Fund Division Municipal Police deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

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Police Division	Deferred Outflows of Resources	Deferred Inflows of Resources
Difference between expected and actual experience		
Change in assumptions	\$ -	\$ 6,567
Net difference between projected and actual earnings on plan investments	-	30,062
Change in proportion and difference between City contribution and proportionate share of contributions	-	-
City's contribution subsequent to the measurement date	8,847	-
Totals	<u>\$ 8,847</u>	<u>\$ 36,629</u>

\$8,847 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date June 30, 2014 will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30,	
2016	\$ (9,149)
2017	(9,149)
2018	(9,149)
2019	(9,149)
2020	(33)
Thereafter	-

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

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

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

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All Funds - Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	21.10%	5.00%
International Equity	24.80%	5.20%
Private Equity	7.00%	8.20%
Core and Global Fixed Income	26.10%	1.85%
Fixed Income Plus Sectors	5.00%	4.80%
Real Estate	5.00%	5.30%
Absolute Return	7.00%	5.70%
Total	4.00%	4.15%
	100.00%	

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

**Sensitivity of the Employer's proportionate share of the net pension liability to changes in the discount rate:** The following tables show the sensitivity of the net pension liability to changes in the discount rate. In particular, the tables present the City's net pension liability in each PERA Fund Division that the City participates in, under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.75%) or one percentage point higher (8.75%) than the single discount rate.

PERA Fund Division Municipal General

PERA Fund Division	1% Decrease 6.75%	Current Discount Rate 7.75%	1% Increase 8.75%
General Division			
Proportionate share of the net pension liability	\$ 180,893	\$ 95,953	\$ 30,333

PERA Fund Division Municipal Police

PERA Fund Division	1% Decrease 6.75%	Current Discount Rate 7.75%	1% Increase 8.75%
Police Division			
Proportionate share of the net pension liability	\$ 154,172	\$ 80,845	\$ 26,093

**Pension plan fiduciary net position.**

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

**Payables to the pension plan.**

As of June 30, 2015 the City had no outstanding payable to PERA.

**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](http://www.nmrhca.state.nm.us).

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

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 are not members of an enhanced retirement plan during the fiscal year ended June 30, 2015, 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 contributions to the RHCA for the year ended June 30, 2015, 2014 and 2013 were \$7,153, \$6,977, and \$5,044, 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 Subsequent Accounting Standard Pronouncements**

In February 2015, GASB Statement No. 72 Fair Value Measurement and Application, was issued. Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2015. Earlier application is encouraged. The City is still evaluating how this pronouncement will affect the financial statements.

In June 2015, GASB Statement No. 73 Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68, was issued. Effective

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Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2016. Earlier application is encouraged. The City is still evaluating how this pronouncement will affect the financial statements.

In June 2015, GASB Statement No. 74 Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans, was issued. Effective Date: The provisions of this Statement are effective for fiscal years beginning after June 15, 2016. The City is still evaluating how this pronouncement will affect the financial statements.

In June 2015, GASB Statement No. 75 Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions, was issued. Effective Date: The provisions of this Statement are effective for fiscal years beginning after June 15, 2017. The City is still evaluating how this pronouncement will affect the financial statements.

In June 2015, GASB Statement No. 76: The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, was issued. Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2015. Earlier application is encouraged. The City is still evaluating how this pronouncement will affect the financial statements.

In August 2015, GASB Statement No. 77 Tax Abatement Disclosures, was issued. Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2015. Earlier application is encouraged. The City is still evaluating how this pronouncement will affect the financial statements.

**Note 16 Subsequent Review**

The City has evaluated subsequent events through December 12, 2015 which is the date the financial statements were available for issuance.

**Note 17 Restatement of Net Position**

The following adjustments were made to restate Governmental Activities Net Position:

Beginning Net Position, beginning	<u>\$ 1,475,914</u>
Restatement - GASB 68	<u>(241,603)</u>
Net Position, beginning restated	<u>\$ 1,234,311</u>



## Required Supplementary Information

STATE OF NEW MEXICO  
 CITY OF TEXICO  
 Schedule of Proportionate Share of the Net Pension Liability  
 Public Employee Retirement Association (PERA) Pension Plan  
 Last 10 Fiscal Years\*

Schedule A-1

Municipal General Division	<u>2015</u>
The City's proportion of the net pension liability (asset)	0.01230%
The City's proportionate share of the net pension liability (asset)	\$ 95,953
The City's covered-employee payroll	\$ 147,520
The City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	65.04%
Plan fiduciary net position as a percentage of the total pension liability	81.29%

Municipal Police Division	<u>2015</u>
The City's proportion of the net pension liability (asset)	0.02480%
The City's proportionate share of the net pension liability (asset)	\$ 80,845
The City's covered-employee payroll	\$ 91,114
The City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	88.73%
Plan fiduciary net position as a percentage of the total pension liability	81.29%

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

See notes to required supplementary information

STATE OF NEW MEXICO  
 CITY OF TEXICO  
 Schedule of Contributions  
 Public Employee Retirement Association (PERA) Pension Plan  
 Last 10 Fiscal Years\*

Schedule A-2

	<u>2015</u>
Municipal General Division	
Contractually required contribution	\$ 10,916
Contributions in relation to the contractually required contribution	<u>10,916</u>
Contribution deficiency (excess)	<u>\$ -</u>
The City's covered-employee payroll	\$ 147,520
Contributions as a percentage of covered-employee payroll	7.40%

	<u>2015</u>
Municipal Police Division	
Contractually required contribution	\$ 9,475
Contributions in relation to the contractually required contribution	<u>9,475</u>
Contribution deficiency (excess)	<u>\$ -</u>
The City's covered-employee payroll	\$ 91,114
Contributions as a percentage of covered-employee payroll	10.40%

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

**Changes of benefit terms.**

The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY14 audit available at:

[http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366\\_Public\\_Employees\\_Retirement\\_Association\\_2014.pdf](http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2014.pdf)

Changes of assumptions. The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2014 report is available at [http://www.pera.state.nm.us/pdf/Investments/RetirementFundValuationReports/6-30-2014%20PERA%20Valuation%20Report\\_FINAL.pdf](http://www.pera.state.nm.us/pdf/Investments/RetirementFundValuationReports/6-30-2014%20PERA%20Valuation%20Report_FINAL.pdf).

The summary of Key Findings for the PERA Fund (on page 2 of the report) states "based on a recent experience study for the five-year period ending June 30, 2013, the economic and demographic assumptions were updated for this valuation. The changes in assumptions resulted in a decrease of \$30.8 million to Fund liabilities and an increase of 0.13% to the funded ratio. For details about changes in the actuarial assumptions, see Appendix B on page 60 of the report.

Supplementary Information Related to Non-Major Governmental Funds

NON-MAJOR  
SPECIAL REVENUE FUNDS

Recreation Fund

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

Senior Citizens Fund

Accounts for the operation and maintenance of the senior citizens transportation and health awareness program. The municipality provides out-of-City 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, 2015

	Recreation 217	Senior Citizens 219	Cemetery 600	Totals
<u>ASSETS</u>				
Cash in banks	\$ 2,620	\$ 901	\$ 42,722	\$ 46,243
Accounts receivable grantor	-	1,175	-	1,175
Total assets	<u>\$ 2,620</u>	<u>\$ 2,076</u>	<u>\$ 42,722</u>	<u>\$ 47,418</u>
<u>LIABILITIES</u>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Total liabilities	-	-	-	-
<u>FUND BALANCE</u>				
Restricted for				
Special revenue funds	2,620	2,076	42,722	47,418
Total fund balance	<u>2,620</u>	<u>2,076</u>	<u>42,722</u>	<u>47,418</u>
Total liabilities and fund balance	<u>\$ 2,620</u>	<u>\$ 2,076</u>	<u>\$ 42,722</u>	<u>\$ 47,418</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, 2015

	Recreation 217	Senior Citizens 219	Cemetery 600	Totals
Revenues				
Property tax	\$ -	\$ -	\$ -	\$ -
Franchise tax	-	-	-	-
Gross receipts tax - from state	-	-	-	-
Motor Vehicle Department tax	-	-	-	-
Other tax	-	-	-	-
Charges for services	-	-	12,092	12,092
Interest income	-	-	189	189
Licenses, fees and fines	-	-	-	-
Miscellaneous	-	400	13	413
Intergovernmental	-	12,731	-	12,731
Total revenues	<u>-</u>	<u>13,131</u>	<u>12,294</u>	<u>25,425</u>
Expenditures				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	23,105	23,105
Culture and recreation	68	21,629	-	21,697
Capital outlay	-	-	-	-
Total expenditures	<u>68</u>	<u>21,629</u>	<u>23,105</u>	<u>44,802</u>
Excess (deficiency) of revenues over expenditures	(68)	(8,498)	(10,811)	(19,377)
Other financing sources (uses)				
Operating transfers (net)	<u>-</u>	<u>8,000</u>	<u>-</u>	<u>8,000</u>
Total other financing sources (uses)	<u>-</u>	<u>8,000</u>	<u>-</u>	<u>8,000</u>
Net change in fund balances	(68)	(498)	(10,811)	(11,377)
Fund balances, beginning	<u>2,688</u>	<u>2,574</u>	<u>53,533</u>	<u>58,795</u>
Fund balances, ending	<u>\$ 2,620</u>	<u>\$ 2,076</u>	<u>\$ 42,722</u>	<u>\$ 47,418</u>

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



STATE OF NEW MEXICO  
CITY OF TEXICO  
Special Revenue Fund - Recreation Fund - 217  
Statement of Revenues, Expenditures, and Changes in Cash Balances  
Budget and Actual (Non - GAAP Budgetary Basis)  
For the year ended June 30, 2015

	Budgeted Amounts		Actual	Variance
	Original	Final		
<b>Revenues</b>				
Property tax	\$ -	\$ -	\$ -	\$ -
Franchise tax	-	-	-	-
Gross receipts tax - from state	-	-	-	-
Motor Vehicle Department tax	-	-	-	-
Other tax	-	-	-	-
Charges for services	-	-	-	-
Interest income	-	-	-	-
Licenses, fees and fines	-	-	-	-
Miscellaneous	-	-	-	-
Intergovernmental	-	-	-	-
<b>Total revenues</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>-</b>
<b>Expenditures</b>				
<b>Current</b>				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	400	400	68	332
Capital outlay	-	-	-	-
<b>Total expenditures</b>	<b>400</b>	<b>400</b>	<b>68</b>	<b>332</b>
Excess (deficiency) revenues over (under) expenditures	(400)	(400)	(68)	332
<b>Other financing sources (uses)</b>				
Operating transfers	-	-	-	-
Designated cash	400	400	-	(400)
<b>Total other financing sources (uses)</b>	<b>400</b>	<b>400</b>	<b>-</b>	<b>(400)</b>
Net change in fund balances	-	-	(68)	(68)
Cash balance, beginning	-	-	2,688	2,688
Cash balance, ending	\$ -	\$ -	\$ 2,620	\$ 2,620
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ (68)	
Adjustment to revenues for accruals and other deferrals			-	
Adjustment to expenditures for payables, prepaids and other accruals			-	
Net change in fund balance (GAAP Basis)			\$ (68)	

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, 2015

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
Property tax	\$ -	\$ -	\$ -	\$ -
Franchise tax	-	-	-	-
Gross receipts tax - from state	-	-	-	-
Motor Vehicle Department tax	-	-	-	-
Other tax	-	-	-	-
Charges for services	-	-	-	-
Interest income	-	-	-	-
Licenses, fees and fines	-	-	-	-
Miscellaneous	400	400	400	-
Intergovernmental	11,793	11,793	11,556	(237)
<b>Total revenues</b>	<b>12,193</b>	<b>12,193</b>	<b>11,956</b>	<b>(237)</b>
Expenditures				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	22,794	22,794	21,735	1,059
Capital outlay	-	-	-	-
<b>Total expenditures</b>	<b>22,794</b>	<b>22,794</b>	<b>21,735</b>	<b>1,059</b>
Excess (deficiency) revenues over (under) expenditures	(10,601)	(10,601)	(9,779)	822
Other financing sources (uses)				
Operating transfers	8,000	8,000	8,000	-
Designated cash	2,601	2,601	-	(2,601)
<b>Total other financing sources (uses)</b>	<b>10,601</b>	<b>10,601</b>	<b>8,000</b>	<b>(2,601)</b>
Net change in fund balances	-	-	(1,779)	(1,779)
Cash balance, beginning	-	-	2,680	2,680
Cash balance, ending	\$ -	\$ -	\$ 901	\$ 901
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ (1,779)	
Adjustment to revenues for accruals and other deferrals			1,175	
Adjustment to expenditures for payables, prepaids and other accruals			106	
Net change in fund balance (GAAP Basis)			\$ (498)	

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, 2015

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
Property tax	\$ -	\$ -	\$ -	\$ -
Franchise tax	-	-	-	-
Gross receipts tax - from state	-	-	-	-
Motor Vehicle Department tax	-	-	-	-
Other tax	-	-	-	-
Charges for services	2,395	2,395	12,972	10,577
Interest income	190	190	189	(1)
Licenses, fees and fines	-	-	-	-
Miscellaneous	15	15	13	(2)
Intergovernmental	-	-	-	-
Total revenues	<u>2,600</u>	<u>2,600</u>	<u>13,174</u>	<u>10,574</u>
Expenditures				
Current				
General government	-	-	-	-
Public safety	31,000	31,000	23,985	7,015
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	<u>31,000</u>	<u>31,000</u>	<u>23,985</u>	<u>7,015</u>
Excess (deficiency) revenues over (under) expenditures	(28,400)	(28,400)	(10,811)	17,589
Other financing sources (uses)				
Operating transfers	-	-	-	-
Designated cash	<u>28,400</u>	<u>28,400</u>	-	<u>(28,400)</u>
Total other financing sources (uses)	<u>28,400</u>	<u>28,400</u>	-	<u>(28,400)</u>
Net change in fund balances	-	-	(10,811)	(10,811)
Cash balance, beginning	-	-	<u>53,533</u>	<u>53,533</u>
Cash balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,722</u>	<u>\$ 42,722</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ (10,811)	
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>\$ (10,811)</u>	

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

STATE OF NEW MEXICO  
CITY OF TEXICO  
Enterprise Fund - Public Works Fund - 500  
Statement of Revenues, Expenses, and Changes in Cash Balance  
Budget and Actual (Non - GAAP Budgetary Basis)  
For the year ended June 30, 2015

	Budgeted Amounts		Actual	Variance
	Original	Final		
Revenues				
Sales and service	\$ 415,050	\$ 415,050	\$ 402,511	\$ (12,539)
Miscellaneous	-	-	1,691	1,691
Total revenue	<u>415,050</u>	<u>415,050</u>	<u>404,202</u>	<u>(10,848)</u>
Expenses				
Current				
Public works	284,050	299,129	284,611	14,518
Personnel services	<u>129,000</u>	<u>113,921</u>	<u>112,378</u>	<u>1,543</u>
Total expenses	<u>413,050</u>	<u>413,050</u>	<u>396,989</u>	<u>16,061</u>
Excess (deficiency) revenues over (under) expenditures	2,000	2,000	7,213	5,213
Other financing sources (uses)				
Gross receipts taxes - (net)	28,200	28,200	27,471	(729)
Franchise taxes	5,000	5,000	4,401	(599)
Interest income	980	980	935	(45)
Penalties	-	-	10,907	10,907
Water meter deposits (change)	2,000	2,000	3,121	1,121
Capital outlay	-	-	-	-
Debt service principal	(35,000)	(35,000)	(30,703)	4,297
Debt service interest	(10,000)	(10,000)	(7,470)	2,530
Operating transfers (net)	-	-	-	-
Designated cash	<u>6,820</u>	<u>6,820</u>	<u>-</u>	<u>(6,820)</u>
Total other financing sources (uses)	<u>(2,000)</u>	<u>(2,000)</u>	<u>8,662</u>	<u>10,662</u>
Net change in fund balance	-	-	15,875	15,875
Cash balance, beginning	-	-	238,431	238,431
Restatement	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash balance, beginning restated	<u>-</u>	<u>-</u>	<u>238,431</u>	<u>238,431</u>
Cash balance, ending	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 254,306</u>	<u>\$ 254,306</u>
Net change in fund balance (Non-GAAP Budgetary Basis)			\$ 15,875	
Adjustment to revenues for accruals and other deferrals			32,834	
Adjustment to expenditures for payables, prepaids and other accruals			<u>(54,842)</u>	
Net change in fund balance (GAAP Basis)			<u>\$ (6,133)</u>	

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

## Supplementary Information Related to Agency Funds

## AGENCY FUNDS

### Activity Trust Fund

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

STATE OF NEW MEXICO  
 CITY OF TEXICO  
 Agency Funds  
 Statement of Changes in Assets and Liabilities  
 June 30, 2015

	<u>Beginning Balance</u>	<u>Additions</u>	<u>Deductions</u>	<u>Ending Balance</u>
<u>ASSETS</u>				
Cemetery Association	\$ 30,609	\$ 9,241	\$ (13,705)	\$ 26,145
Correction fees	<u>(206)</u>	<u>206</u>	<u>-</u>	<u>-</u>
Total assets	<u>\$ 30,403</u>	<u>\$ 9,447</u>	<u>\$ (13,705)</u>	<u>\$ 26,145</u>
<u>LIABILITIES</u>				
Funds handled on behalf of				
Citizens of Texico	\$ 30,609	\$ 9,241	\$ (13,705)	\$ 26,145
State of New Mexico	<u>(206)</u>	<u>206</u>	<u>-</u>	<u>-</u>
Total liabilities	<u>\$ 30,403</u>	<u>\$ 9,447</u>	<u>\$ (13,705)</u>	<u>\$ 26,145</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, 2015

Schedule II

Bank Name	Bank Statement Balance	Outstanding Deposits	Outstanding Checks	Reconciled Balance
The Citizens Bank of Clovis				
Checking				
General	\$ 94,040	\$ 430	\$ (14,628)	\$ 79,842
Fire	53,367	4,263	(3,077)	54,553
Recreation	2,620	-	-	2,620
Senior Citizens	1,916	-	(1,015)	901
Cemetery	35,932	-	-	35,932
Cemetery Headstone	6,855	-	(65)	6,790
Savings				
General	1,104,709	-	-	1,104,709
Fire	240,216	-	-	240,216
Total governmental funds	1,539,655	4,693	(18,785)	1,525,563
Checking				
Meter	16,406	150	(419)	16,137
Public Works	85,224	778	(5,802)	80,200
Ute Water Project	6,660	-	-	6,660
Savings				
Meter	27,239	-	-	27,239
Public Works	113,891	-	-	113,891
Total business type activities	249,420	928	(6,221)	244,127
Agency				
Checking				
Cemetery Association	17,073	-	-	17,073
Certificate of Deposits				
Cemetery Association	9,072	-	-	9,072
Total Agency	26,145	-	-	26,145
Total Citizens Bank of Clovis	<u>\$ 1,815,220</u>	<u>\$ 5,621</u>	<u>\$ (25,006)</u>	<u>\$ 1,795,835</u>
New Mexico Finance Authority				
State investment pool				
Funds held reserve	39,896	-	-	39,896
Funds held reserve	14,164	-	-	14,164
Total governmental funds	54,060	-	-	54,060
New Mexico Finance Authority				
Funds held reserve				
Funds held reserve	10,179	-	-	10,179
Total business type activities	10,179	-	-	10,179
Total all types	<u>\$ 1,879,459</u>	<u>\$ 5,621</u>	<u>\$ (25,006)</u>	<u>\$ 1,860,074</u>

STATE OF NEW MEXICO  
CITY OF TEXICO  
Revenue Schedule  
For the year ended June 30, 2015

	<u>General - 101</u>	<u>Fire Protection - 209</u>	<u>Recreation - 217</u>	<u>Senior Citizens - 219</u>
<b>Revenues</b>				
Local sources				
Tax - property	\$ 15,336	\$ -	\$ -	\$ -
Tax - gross receipts	124,686	-	-	-
Tax - franchise	31,061	-	-	-
Licenses and permits	1,706	-	-	-
Charges for services	125	60,964	-	-
Rent	7,856	4,263	-	-
Correction charges	7,929	-	-	-
Fines and forfeits	8,793	-	-	-
Interest on investments	6,094	1,541	-	-
Donations	-	-	-	400
County of Curry	-	-	-	2,304
Miscellaneous	1,143	5,388	-	-
Sales - cemetery lots	-	-	-	-
Sales - headstones	-	-	-	-
Sales - services	-	-	-	-
Penalties	-	-	-	-
Loan proceeds	19,197	-	-	-
<b>Total local sources</b>	<b>223,926</b>	<b>72,156</b>	<b>-</b>	<b>2,704</b>
State sources				
Tax - Cigarette	45	-	-	-
Tax - Gas [two cents]	58,639	-	-	-
Tax - Municipal Gross Receipts	71,674	-	-	-
Grant - EMS	-	8,794	-	-
Grant - Fire	-	99,408	-	-
Fire allotment	-	233,628	-	-
Grant - LEP	21,200	-	-	-
Highway Co-Op	27,764	-	-	-
Motor Vehicle	1,545	-	-	-
Agency on Aging	-	-	-	5,959
Small Cities assistance	291,752	-	-	-
<b>Total state sources</b>	<b>472,619</b>	<b>341,830</b>	<b>-</b>	<b>5,959</b>
Federal sources				
Grant - other	-	-	-	4,468
<b>Total federal sources</b>	<b>-</b>	<b>-</b>	<b>-</b>	<b>4,468</b>
<b>Total</b>	<b>\$ 696,545</b>	<b>\$ 413,986</b>	<b>\$ -</b>	<b>\$ 13,131</b>

Cemetery - 600	Total Governmental Funds	Public Works 500
\$ -	\$ 15,336	\$ -
-	124,686	27,664
-	31,061	4,896
-	1,706	-
-	61,089	-
-	12,119	-
-	7,929	-
-	8,793	-
189	7,824	935
-	400	-
-	2,304	-
13	6,544	1,691
10,272	10,272	-
1,820	1,820	-
-	-	407,075
-	-	10,907
-	19,197	-
<u>12,294</u>	<u>311,080</u>	<u>453,168</u>
-	45	-
-	58,639	-
-	71,674	-
-	8,794	-
-	99,408	-
-	233,628	-
-	21,200	-
-	27,764	-
-	1,545	-
-	5,959	-
-	291,752	-
-	820,408	-
-	4,468	-
-	4,468	-
<u>\$ 12,294</u>	<u>\$ 1,135,956</u>	<u>\$ 453,168</u>

STATE OF NEW MEXICO  
 CITY OF TECICO  
 SCHEDULE OF VENDOR INFORMATION for Purchases Exceeding \$60,000 (excluding GRT)  
 For the Year Ended June 30, 2015  
 Prepared by Agency Staff  
 Name: Carolyn Johnson Title: Clerk/Treasurer Date 12/02/15

Schedule III

<i>RFB#/RFP#</i>	<i>Type of Procurement</i>	<i>Awarded Vendor</i>	<i>\$ Amount of Awarded Contract</i>	<i>\$ Amount of Amended Contract</i>	<i>Name and Physical Address per the procurement documentation, of ALL Vendor(s) that responded</i>	<i>In-State/Out-of-State Vendor (Y or N) (Based on Statutory Definition)</i>	<i>Was the vendor in-state and chose Veteran's preference (Y or N) For federal funds answer N/A</i>	<i>Brief Description of the Scope of Work</i>
N/A								

## Compliance Section

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Report on Internal Control Over Financial Reporting  
and on Compliance and Other Matters Based on an  
Audit of Financial Statements Performed in  
Accordance with *Government Auditing Standards*

Independent Auditors Report

Timothy Keller  
New Mexico State Auditor  
The 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 the City of Texico (the City) as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and the combining and individual funds and related budgetary comparisons of the City, presented as supplementary information, and have issued my report thereon dated December 12, 2015.

### Internal Control Over Financial Reporting

In planning and performing my audit, of the financial statements, I considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing my opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, I do not express an opinion on the effectiveness of the City's internal control. My consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, I identified certain deficiencies in internal control that I consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. I consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses. 2004-006, 2013-001, 2013-002

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. I consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies. 2004-004

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of my audit, and accordingly, I do

not express such an opinion. The results of my tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2014-002, 2015-001, 2015-002, 2015-003.

### **The City's Responses to Findings**

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

### **Purpose of this Report**

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



Sandra Rush CPA PC  
Clovis, New Mexico  
December 12, 2015



STATE OF NEW MEXICO  
CITY OF TEXICO  
Schedule of Findings and Responses  
June 30, 2015

2004-004 (2004-04) Exceeded Budgetary Authority - Significant Deficiency

Condition

The City maintained expenditures at the fund level in which actual expenditures exceeded budgetary authority in the following funds: Fire Protection \$(26,463). After June 30, 2015 the clerk attended training which included budgets. With assistance from the City's DFA budget analysts and the training received the clerks anticipates not being over budget for the year ended June 30, 2016. No progress has been made.

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

Response

The clerk concurs with this recommendation, and will obtain training prior to June 30, 2016.

STATE OF NEW MEXICO  
CITY OF TEXICO  
Schedule of Findings and Responses  
June 30, 2015

2004-006 (2004-6) Accounting System - Material Weakness

Condition

The City is currently using accounting computer software for its general ledger and accounts payable function, which is not conducive to fund accounting required for governmental accounting and financial reporting. This software, while easy to use by individuals who do not have a great deal of formal accounting training or experience, allows corrections and changes to be easily made, which can be detrimental to the entire accounting process. To further complicate the situation, the accounting staff lacks the proper knowledge regarding governmental accounting requirements in order to adapt the computer software to meet the needs of fund accounting. No progress has been made.

Criteria

Section 6-6-3(A) NMSA 1978 requires that every local public body shall "keep all the books, records and accounts in their respective offices in the form prescribed by the local government division" of the New Mexico Department of Finance and Administration. This requires the City maintain accounting records in such a manner as to allow the preparation of financial statements and accurate reports for other governmental agencies. Further, the general ledger must be able to substantiate detail as to the financial activity of the City.

Statement on Auditing Standards (SAS) 115 paragraph 3 issued by the American Institute of Certified Public Accountants 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." Appropriate internal controls would include establishing a general ledger system that maintains financial data in such a manner that reliable financial reports can be generated.

Effect

The present general ledger accounting software, as utilized by the accounting staff, is incapable of producing reliable financial data needed for governmental financial reporting.

Cause

Due to financial constraints, the City has opted to utilize a popular computer software for its general ledger, accounts payable. This particular software, while inexpensive when compared to fund accounting packages, is not designed for fund accounting. Its market appeal is to the small commercial business owner.

Recommendation

I recommend the staff receive additional training in how to adapt their current software to fit the fund concept required by governmental accounting model.

Response

The clerk will obtain assistance to adapt the current software to allow the preparation of financial statements and accurate reports. The process should be complete by June 30, 2016.

STATE OF NEW MEXICO  
CITY OF TEXICO  
Schedule of Findings and Responses  
June 30, 2015

2013-001 (2013-01) Capital Asset Listing / Depreciation Schedule - Material Weakness

Condition

The City could not provide a complete Capital Asset listing and depreciation schedule for the fiscal year ending June 30, 2015 for governmental activities or business-type activities. Nor has the council approved a formal depreciation policy. Also the City did not conduct an annual inventory of movable chattel and equipment on the inventory list at the end of the physical year, nor did the City certify the correctness of the inventory after the physical inventory. No progress has been made.

Criteria

A capital asset inventory and depreciation schedule should be maintained in a usable form. Section 12-6-10(A) NMSA 1978 requires each agency 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 Section 12-6-10(A) NMSA 1978. Also, the City is required to conduct an annual physical inventory of movable chattel and equipment on the inventory list at the end of the physical year. The agency shall certify the correctness of the inventory after the physical inventory. This certification is to be provided to the auditor.

Cause

There are no procedures in place to ensure that all capital assets are accounted for in a capital asset inventory listing. Management of the City is not adequately trained to maintain a capital asset inventory and depreciation schedule. For the year ended June 30, 2015, 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. For the year ended June 30, 2015, the entity had done extensive work on developing a usable listing, however the list needs historical cost, date purchased, and accumulated depreciation and current year's depreciation. The list should also provide the fund and function that purchased the asset.

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 correctly depreciated due to lack of information being maintained. As a result, the financial statements of the City are not in compliance with GASB 34 and Section 12-6-10(A) NMSA 1978.

Recommendation

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

Response

The clerk will continue working on compiling a capital asset listing that complies with GASB 34 and Section 12-6-10(A) NMSA 1978. An annual inventory will be taken at June 30, 2016 and certified as correct. The clerk is responsible for compiling the Capital Asset listing and does not anticipate completing the process by June 30, 2016.

STATE OF NEW MEXICO  
CITY OF TEXICO  
Schedule of Findings and Responses  
June 30, 2015

2013-002 (2013-02) Financial Statements and Disclosures - - 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. Presently the clerk is unable to prepare the financial statements in accordance with GAAP and does not anticipate being able to obtain sufficient knowledge to prepare GAAP financial statements. No progress has been made.

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. Also, the clerk should attend accounting classes at the local community college.

Response

The clerk will seek training through the Municipal League, DFA and the State Auditor. However, due to lack of accounting knowledges the clerk does not anticipate ever having the knowledge to prepare GAAP financial statements.

STATE OF NEW MEXICO  
CITY OF TEXICO  
Schedule of Findings and Responses  
June 30, 2015

2014-002 (2014-002) Mileage and Per Diem Act - Compliance Other

Condition

During the course of the audit, we performed tests of travel and per diem expenditures. Our sample size was twelve transactions, which were selected throughout the fiscal year, and contained the following discrepancies: There was nine (9) instance where the employee received 100% advance for per diem and mileage prior to departure. The discrepancies totaled \$2,706.95. The clerk implemented a new travel and per diem request form January 1, 2016.

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.

Section 2.42.2.10(A) of the Travel and Per Diem regulations states, "Employee's (travel) request to be advanced up to 80 percent of per diem rates and mileage cost or for the actual cost of lodging and meals."

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

Recommendation

I recommend the Clerk begin by reviewing the Travel and Per Diem Act. Once a solid understanding of the Act is obtained, procedures should be established to ensure compliance with the Act. At a minimum, approval by an authorized supervisor, employee certification upon return, and 80% advance should be in place.

Response

The clerk has already implemented a new travel and per diem request form, and will review the rate set as of January 1, of the previous year. The Travel and Per Diem Act will be used as our guidelines. Payments in advance of travel will be limited to 80% beginning January 1, 2016.

STATE OF NEW MEXICO  
CITY OF TEXICO  
Schedule of Findings and Responses  
June 30, 2015

2015-001 Stale Dated Checks – Compliance Other

Condition

The City maintained 1 check totaling \$28.88 in the General Fund checking account and 1 check totaling \$31.35 in the Fire Protection Fund checking account that was dated at least one year prior to June 30, 2015. The clerk is responsible for reconciling the bank accounts.

Criteria

Section 7-8A NMSA 1978 and related regulations require the City provide information about the payee and the related funds to Unclaimed Property Division of the New Mexico Taxation and Revenue Department for checks that were distributed but not cashed within one year.

Cause

The City did not implement an internal control policy to account for stale dated outstanding checks.

Effect

The City is in violation of Section 7-8A NMSA 1978, and related regulations. Also carrying numerous bank reconciling items could result in a misstatement in the accounting records or related misappropriation of funds.

Recommendation

The City should implement a procedure to review the outstanding check list for all bank accounts and track stale dated checks. If checks on the outstanding check list are greater than one-year-old take appropriate steps to ensure the funds are reported to the Unclaimed Property Division of the New Mexico Taxation and Revenue Department.

Response

The clerk is in the process of going through all these outstanding checks to find out why they are outstanding and will work with our auditors with the information we gather to find out what to do with them. For the year ended June 30, 2016, if checks on the outstanding check list are greater than one-year-old the clerk will take appropriate steps to ensure the funds are reported to the Unclaimed Property Division of the New Mexico Taxation and Revenue Department as needed.

STATE OF NEW MEXICO  
CITY OF TEXICO  
Schedule of Findings and Responses  
June 30, 2015

2015-002 Credit Card - Other

Condition

The City has a credit card issued by Citizens Bank.

Criteria

In accordance with Laws of 2007, Regular Session, Chapter 28, Section 3, Subsection L states, "Except for gasoline credit cards used solely for operation of official vehicles, telephone credit cards used solely for official business and procurement cards used as authorized by section 6-5-9(I) NMSA 1978, none of the appropriations contained in the General Appropriation Act of 2007 may be expended for payment of agency-issued credit card invoices.

Cause

Management was unaware that a credit card could not be used.

Effect

The City could potentially lose spending control with the use of the credit card if the users do not follow the procurement process. Additionally, the City has a potential risk of loss and theft through inappropriate purchases by an employee or the loss of control of the credit card number resulting in fraudulent use.

Recommendation

The clerk should replace the credit cards with procurement cards authorized by Section 6-5-9(I) NMSA 1978.

Response

Response

The City Council will discuss replacing the Credit Cards with a Procurement Card. For the year ended June 30, 2016, the City Council is undecided about changing from credit cards to procurement cards.

STATE OF NEW MEXICO  
 CITY OF TEXICO  
 Schedule of Findings and Responses  
 June 30, 2015

2015-003 Audit Report Filed Late – Compliance Other

Condition

The June 30, 2015 audit report was not received by the State Auditor’s office timely.

Criteria

According to State Auditor Rule NMAC 2.2.2.9.A, the audited financial statements were due December 15 of the fiscal year audited.

Cause

The audit was submitted to the New Mexico State Auditor on December 13, 2015, but it did not arrive timely.

Effect

The City is not in compliance with State Auditor Rule 2.2.2.9.A for the fiscal year ended June 30, 2015.

Recommendation

The audit needs to be submitted timely.

Agency response

The Clerk and Auditor are responsible for submitting the audit timely and will do so for the June 30, 2016 audit.

Prior Year Audit Findings

2004-004 (2004-04)	Exceeded Budgetary Authority	Significant Deficiency	Repeated
2004-006 (2004-6)	Accounting System	Material Weakness	Repeated
2013-001 (2013-01)	Capital Asset List	Material Weakness	Repeated
2013-002 (2013-02)	Financial Statements and Disclosures	Material Weakness	Repeated
2014-002 (2014-002)	Mileage and Per Diem	Compliance Other	Revised and Repeated
2013-003	Presentation of Audit Report	Other	Resolved
2014-001	Agency Fund	Significant Deficiency	Resolved

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 signed a management responsibility letter accepting responsibility for the financial statements.

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 December 11, 2015.