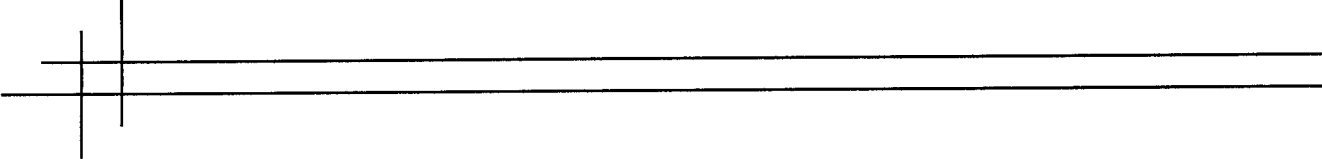




**STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE**

ANNUAL FINANCIAL REPORT
June 30, 2008

De'Aun Willoughby CPA, PC
Certified Public Accountant
Melrose, New Mexico



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CITY OF ELEPHANT BUTTE
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STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
Official Roster
June 30, 2008

CITY COUNCIL

Eunice Kent	Mayor
Patsy Barnett	Councilor
Alan J Brown	Councilor
Geald LaFont	Councilor
Kim Skinner	Councilor

ADMINISTRATIVE OFFICIAL

Mary Ann Dix	Clerk/Treasurer
Alan Briley	City Manager

De'Aun Willoughby CPA, PC

Certified Public Accountant

P.O. Box 223 SAN JON, NM 88124

(505) 253-4313

Independent Auditor's Report

Mr. Hector H. Balderas
State Auditor of the State of New Mexico
Board Members of the CITY OF ELEPHANT BUTTE

Mr. Balderas and Members of the Board

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the CITY OF ELEPHANT BUTTE, (City), as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the City's nonmajor governmental funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2008, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, 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, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the major capital project fund all nonmajor funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2008, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing, of internal control over financial reporting and compliance and the results of that testing and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Governmental Auditing Standards* and should be considered in assessing the results of our audit.

The City has not presented management's discussion and analysis that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be a part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the basic financial statements and the combining and individual fund financial statements and budgetary comparisons. The additional schedules listed as "other supplemental information" in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

De'Aun Willoughby, CPA PC

December 1, 2008

FINANCIAL SECTION

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
Statement of Net Assets
June 30, 2008

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 101,386	\$ 42,535	\$ 143,921
Investments	1,834,000	137,005	1,971,005
Receivables	69,119	12,781	81,900
Total Current Assets	<u>2,004,505</u>	<u>192,321</u>	<u>2,196,826</u>
Noncurrent Assets			
Restricted Cash	0	9,834	9,834
Capital Assets	2,430,144	6,785,636	9,215,780
Less: Accumulated Depreciation	(482,032)	(148,817)	(630,849)
Total Noncurrent Assets	<u>1,948,112</u>	<u>6,646,653</u>	<u>8,594,765</u>
Total Assets	<u>3,952,617</u>	<u>6,838,974</u>	<u>10,791,591</u>
LIABILITIES			
Current Liabilities			
Accounts Payable	13,254	463	13,717
Accrued Wages and Benefits	6,719	0	6,719
Total Current Liabilities	<u>19,973</u>	<u>463</u>	<u>20,436</u>
Noncurrent Liabilities			
Customer Deposits	0	9,834	9,834
Total Noncurrent Liabilities	<u>0</u>	<u>9,834</u>	<u>9,834</u>
Total Liabilities	<u>19,973</u>	<u>10,297</u>	<u>30,270</u>
NET ASSETS			
Invested in Capital Assets	1,948,112	6,636,819	8,584,931
Restricted for Capital Projects	379,644	0	379,644
Unrestricted	1,604,888	191,858	1,796,746
Total Net Assets	<u>\$ 3,932,644</u>	<u>\$ 6,828,677</u>	<u>\$ 10,761,321</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
 Statement of Activities
 For the Year Ended June 30, 2008

Functions/Programs	Program Revenues				Net(Expenses) Revenue and Changes in Net Assets		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	Total
Governmental Activities							
General Government	\$ 270,211	\$ 16	\$ 129,277	\$ 0	\$ (140,918)	\$ 0	\$ (140,918)
Public Safety	60,220	0	82,595	0	22,375	0	22,375
Public Works	56,102	15,817	120,064	4,246,846	4,326,625	0	4,326,625
Culture & Recreation	35,829	0	0	0	(35,829)	0	(35,829)
Interest on Long-Term Obligations	0	0	0	0	0	0	0
Total Governmental Activities	\$ 422,362	\$ 15,833	\$ 331,936	\$ 4,246,846	\$ 4,172,253	\$ 0	\$ 4,172,253
Business-type Activities							
	\$ 206,645	\$ 143,461	\$ 0	\$ 0	\$ 0	\$ (63,184)	\$ (63,184)
General Revenues							
Property Taxes					\$ 89,923	\$ 0	\$ 89,923
Gross Receipts Taxes					548,741	0	548,741
Franchise Taxes					29,512	0	29,512
Lodgers Taxes					33,248	0	33,248
Other Taxes					3,773	0	3,773
Interest Income					34,455	0	34,455
Miscellaneous					9,644	2,435	12,079
Total General Revenues					749,296	2,435	751,731
Other Items							
Contribution of Capital Assets to Utility Fund					(6,501,540)	6,501,540	0
Change in Net Assets					(1,579,991)	6,440,791	4,860,800
Net Assets - beginning					5,512,635	387,886	5,900,521
Net Assets - ending					\$ 3,932,644	\$ 6,828,677	\$ 10,761,321

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
GOVERNMENTAL FUNDS
Balance Sheet
June 30, 2008

	General Fund	Capital Projects	Non-Major Governmental Funds
ASSETS			
Cash and Cash Equivalents	\$ 57,345	\$ 29,644	\$ 14,397
Investments	1,300,000	350,000	184,000
Receivables (Net of Allowance for Uncollectibles if Applicable)			
Taxes	62,184	0	6,935
Due from Grantor	0	0	0
Total Assets	\$ 1,419,529	\$ 379,644	\$ 205,332
LIABILITIES AND FUND BALANCE			
Liabilities			
Current Liabilities			
Accounts Payable	\$ 6,514	\$ 0	\$ 6,740
Accrued Salaries & Benefits	6,719	0	0
Total Liabilities	13,233	0	6,740
Fund Balances			
Reserved for Capital Projects	0	379,644	0
Unreserved Reported In:			
General Fund	1,406,296	0	0
Special Revenue Fund	0	0	198,592
Total Fund Balances	1,406,296	379,644	198,592
Total Liabilities and Fund Balances	\$ 1,419,529	\$ 379,644	\$ 205,332

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
 CITY OF ELEPHANT BUTTE
 GOVERNMENTAL FUNDS
 Balance Sheet
 June 30, 2008

	<u>Total Governmental Funds</u>
ASSETS	
Cash and Cash Equivalents	\$ 101,386
Investments	1,834,000
Receivables (Net of Allowance for Uncollectibles if Applicable)	
Taxes	69,119
Due from Grantor	<u>0</u>
Total Assets	<u>\$ 2,004,505</u>
 LIABILITIES AND FUND BALANCE	
Liabilities	
Current Liabilities	
Accounts Payable	\$ 13,254
Accrued Salaries & Benefits	<u>6,719</u>
Total Liabilities	<u>19,973</u>
 Fund Balances	
Reserved for Capital Projects	379,644
Unreserved Reported In:	
General Fund	1,406,296
Special Revenue Fund	<u>198,592</u>
Total Fund Balances	<u>1,984,532</u>
 Total Liabilities and Fund Balances	 <u>\$ 2,004,505</u>

The notes to the financial statements are an integ

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
 Reconciliation of the Governmental Funds
 Balance Sheet to the Statement of Net Assets
 June 30, 2008

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

Total Fund Balance - Governmental Funds		\$	1,984,532
Capital assets used in governmental activities are not financial resources and therefore are not reported as assets in governmental funds.			
	The cost of capital assets	\$	2,430,144
	Accumulated depreciation is		<u>(482,032)</u>
			<u>1,948,112</u>
Total net assets - governmental activities		\$	<u><u>3,932,644</u></u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
GOVERNMENTAL FUNDS
Statement of Revenues, Expenditures and Changes
in Fund Balance
For the Year Ended June 30, 2008

	General Fund	Capital Projects	Non-Major Governmental Funds
Revenues			
Taxes			
Gross Receipts Taxes	\$ 516,487	\$ 0	\$ 32,254
Property Taxes	89,923	0	0
Franchise Taxes	29,512	0	0
Lodgers Taxes	0	0	33,248
Cigarette Taxes	2,460	0	1,313
Federal Grant	0	209,051	0
State Grant	129,277	4,037,795	202,659
License, Fees and Fines	12,205	0	3,612
Interest Income	30,748	0	3,707
Charges for Services	16	0	0
Other	5,756	0	3,888
Total Revenues	816,384	4,246,846	280,681
Expenditures			
Current			
General Government	265,807	0	0
Public Safety	29,220	0	21,923
Public Works	36,167	0	0
Culture and Recreation	6,250	0	26,266
Capital Outlay	97,413	3,877,303	196,090
Total Expenditures	434,857	3,877,303	244,279
Excess (Deficiency) of Revenues Over Expenditures	381,527	369,543	36,402
Other Financing Sources (Uses)			
Transfers In/Out	(100,000)	10,000	0
Total Other Sources (Uses)	(100,000)	10,000	0
Net Change in Fund Balance	281,527	379,543	36,402
Fund Balances at Beginning of Year	1,124,769	101	162,190
Fund Balance End of Year	\$ 1,406,296	\$ 379,644	\$ 198,592

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
GOVERNMENTAL FUNDS
Statement of Revenues, Expenditures and Changes
in Fund Balance
For the Year Ended June 30, 2008

	<u>Total Governmental Funds</u>
Revenues	
Taxes	
Gross Receipts Taxes	\$ 548,741
Property Taxes	89,923
Franchise Taxes	29,512
Lodgers Taxes	33,248
Cigarette Taxes	3,773
Federal Grant	209,051
State Grant	4,369,731
License, Fees and Fines	15,817
Interest Income	34,455
Charges for Services	16
Other	9,644
Total Revenues	<u>5,343,911</u>
Expenditures	
Current	
General Government	265,807
Public Safety	51,143
Public Works	36,167
Culture and Recreation	32,516
Capital Outlay	4,170,806
Total Expenditures	<u>4,556,439</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>787,472</u>
Other Financing Sources (Uses)	
Transfers In/Out	(90,000)
Total Other Sources (Uses)	<u>(90,000)</u>
Net Change in Fund Balance	697,472
Fund Balances at Beginning of Year	<u>1,287,060</u>
Fund Balance End of Year	<u>\$ 1,984,532</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
 Reconciliation of the Governmental Funds
 Statement of Revenues, Expenditures and Changes in Fund Balance
 To the Statement of Activities
 June 30, 2008

Net Change in Fund Balance \$ 697,472

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Capital outlays to purchase or build capital assets are reported in governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets 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 in the period.

Depreciation expense	\$	(36,727)	
Capital Outlays		<u>4,170,806</u>	4,134,079

Other Items reported in the Statement of Activities, such as transfers to the Utility fund for the completion of the Sewer project reported in the capital project fund and construction in process in the General Fixed Asset Group and do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (6,411,542)

Changes in Net Assets of Governmental Activities \$ (1,579,991)

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
GENERAL FUND

Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Taxes				
Gross Receipts	\$ 332,500	\$ 332,500	\$ 506,898	\$ 174,398
Property	81,197	81,197	89,522	8,325
Franchise	25,000	25,000	29,512	4,512
Cigarette	81,197	81,197	2,305	(78,892)
Other License & Permits	9,100	9,100	9,915	815
Charge for Services	100	100	16	(84)
Fines and Forfeitures	0	0	2,291	2,291
Grants	110,000	110,000	129,277	19,277
Interest Income	15,000	15,000	30,748	15,748
Miscellaneous	4,380	4,380	5,756	1,376
Total Revenues	<u>658,474</u>	<u>658,474</u>	<u>806,240</u>	<u>147,766</u>
Expenditures				
Executive				
Personnel Services	9,770	9,770	9,107	663
Benefits	968	968	680	288
Travel	6,000	6,000	3,769	2,231
Operating Costs	2,200	2,200	1,939	261
Total Executive	<u>18,938</u>	<u>18,938</u>	<u>15,495</u>	<u>3,443</u>
Judicial				
Personnel Services	5,950	5,950	5,200	750
Benefits	1,148	1,148	398	750
Travel	5,100	5,100	2,849	2,251
Contract Services	1,300	1,300	466	834
Supplies	1,200	1,200	481	719
Operating Costs	3,925	3,925	931	2,994
Court Automation Costs	2,000	2,000	2,677	(677)
Total Judicial	<u>20,623</u>	<u>20,623</u>	<u>13,002</u>	<u>7,621</u>
Election				
Contract Services	1,000	1,000	601	399
Supplies	0	0	1,437	(1,437)
Total Election	<u>\$ 1,000</u>	<u>\$ 1,000</u>	<u>\$ 2,038</u>	<u>\$ (1,038)</u>

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
GENERAL FUND

Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Financial				
Personnel Services	\$ 120,000	\$ 120,000	\$ 95,103	\$ 24,897
Benefits	18,680	18,680	20,315	(1,635)
Travel	5,000	5,000	4,158	842
Operating Costs	121,520	121,520	89,440	32,080
Insurance	15,000	15,000	15,000	0
Capital Outlay	12,000	12,000	4,380	7,620
Total Financial	<u>292,200</u>	<u>292,200</u>	<u>228,396</u>	<u>63,804</u>
Planning and Zoning				
Personnel Services	20,000	20,000	14,166	5,834
Benefits	4,330	4,330	996	3,334
Travel	1,500	1,500	813	687
Contract Services	12,000	12,000	8,585	3,415
Operating Costs	5,750	5,750	1,557	4,193
Total Planning and Zoning	<u>43,580</u>	<u>43,580</u>	<u>26,117</u>	<u>17,463</u>
Public Safety				
Personnel Services	15,000	15,000	6,080	8,920
Benefits	1,259	1,259	420	839
Dispatch	24,300	24,300	22,642	1,658
Operating Costs	3,800	3,800	0	3,800
Hospital Support	16,000	1,600	0	1,600
Total Public Safety	<u>60,359</u>	<u>45,959</u>	<u>29,142</u>	<u>16,817</u>
Streets				
Operating Expenses	23,300	23,300	3,770	19,530
Capital Purchases	550,000	550,000	97,414	452,586
Total Streets	<u>573,300</u>	<u>573,300</u>	<u>101,184</u>	<u>472,116</u>
Culture & Recreation				
Fireworks	2,500	2,500	2,500	0
Park	5,000	5,000	3,750	1,250
Total Culture & Recreation	<u>7,500</u>	<u>7,500</u>	<u>6,250</u>	<u>1,250</u>
Total Expenditures	<u>1,017,500</u>	<u>1,003,100</u>	<u>421,624</u>	<u>581,476</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(359,026)</u>	<u>(344,626)</u>	<u>384,616</u>	<u>729,242</u>
Transfer to Capital Projects	0	0	(10,000)	10,000
Transfer to Utility	0	0	(90,000)	90,000
Total Other Sources (Uses)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (100,000)</u>	<u>\$ 100,000</u>

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
GENERAL FUND

Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Net Change in Cash Balance	\$ (359,026)	\$ (344,626)	\$ 284,616	\$ 629,242
Cash Balance Beginning of Year	<u>1,072,729</u>	<u>1,072,729</u>	<u>1,072,729</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 713,703</u>	<u>\$ 728,103</u>	<u>\$ 1,357,345</u>	<u>\$ 629,242</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			\$ 384,616	
Net change in Taxes Receivable			10,144	
Net change in Accounts Payable			(6,514)	
Net change in Accrued Salaries & Benefits			<u>(6,719)</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 381,527</u>	

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
PROPRIETARY FUND
Statement of Net Assets
June 30, 2008

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 179,540
Receivables (net of allowance for uncollectible accounts)	
Accounts	12,781
Total Current Assets	<u>192,321</u>

Noncurrent Assets

Restricted Cash	9,834
Capital Assets	6,785,636
Less: Accumulated Depreciation	<u>(148,817)</u>
Total Noncurrent Assets	<u>6,646,653</u>

Total Assets	<u>6,838,974</u>
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LIABILITIES

Current Liabilities

Accounts Payable	<u>463</u>
Total Current Liabilities	<u>463</u>

Noncurrent Liabilities

Customer Deposits	<u>9,834</u>
Total Noncurrent Liabilities	<u>9,834</u>

Total Liabilities	<u>10,297</u>
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NET ASSETS

Invested in Capital Assets	6,636,819
Unrestricted	191,858
Total Net Assets	<u>\$ 6,828,677</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
 CITY OF ELEPHANT BUTTE
 PROPRIETARY FUND
 Statement of Revenue, Expenses and Changes in Fund Net Assets
 For the Year Ended June 30, 2008

Operating Revenues	
Sales & Service	\$ 143,461
Miscellaneous	2,435
Total Operating Revenues	<u>145,896</u>
Operating Expenses	
Operating Expenses	70,174
Depreciation	136,471
Total Operating Expenses	<u>206,645</u>
Operating Income	(60,749)
Other Items	
Transfer in from General Fund and Capital Assets	<u>6,501,540</u>
Net Change in Net Assets	6,440,791
Total Net Assets - Beginning	<u>387,886</u>
Total Net Assets - Ending	<u>\$ 6,828,677</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
PROPRIETARY FUND
Statement of Cash Flows
For the Year Ended June 30, 2008

Cash Flows from Operating Activities	
Cash Received From Customers	\$ 136,563
Cash Paid to Suppliers and Employees	<u>(66,265)</u>
Net Cash Provided by Operating Activities	<u>70,298</u>
Cash Flows from Capital & Related Financing Activities	
Transfer in from General Fund and Capital Assets	6,501,540
Invested in Capital Assets	<u>(6,411,540)</u>
Net Cash Provided by Capital & Related Financing Activities	<u>90,000</u>
Net Increase (Decrease) in Cash	160,298
Cash, Beginning of the Year	<u>29,076</u>
Cash, Ending of the Year	<u>\$ 189,374</u>
Cash and Cash equivalents	\$ 179,540
Restricted Cash	9,834
Total Cash	<u>\$ 189,374</u>
Reconciliation of Net Income to Net Cash Provided by Operating Activities	
Operating Income (Loss)	\$ (60,749)
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities	
Depreciation	136,471
Change in Assets and Liabilities	
(Increase) Decrease in Accounts Receivable	(9,332)
Increase (Decrease) in Customer Deposits	464
Increase (Decrease) in Accounts Payable	3,444
Net Cash Provided by Operating Activities	<u>\$ 70,298</u>

The notes to the financial statements are an integral part of this statement.

NOTE A: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the CITY OF ELEPHANT BUTTE (City) have been prepared in accordance with general accepted accounting principles (GAAP). The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements. Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) prior to November 30, 1989 that do not conflict with or contradict GASB pronouncements. The more significant of the City's accounting policies are described below.

In June 1999, the Governmental Accounting Standards Board (GASB) unanimously approved Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis for State and Local Governments*. Some of the significant changes in the Statement include the following:

- A Management's Discussion and Analysis (MD & A) providing an analysis of the City's overall financial position and results of operations.
- Financial Statements prepared using full-accrual accounting for all the City's activities.
- A change in fund financial statements to focus on major funds.

These and other changes are reflected in the accompanying financial statements (including the notes to the financial statements) as of June 30, 2008.

In addition, in June 2001, the GASB issued Statement No. 37, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments: Omnibus* - an amendment of GASB Statement No. 21 and No. 34 and Statement No. 38, *Certain Financial Note Disclosures*. These two statements clarify, modify, establish and rescind certain disclosure requirements under GASB No. 34. Both statements are being implemented in conjunction with GASB Statement No. 34. These statements do not have an impact on the results of operations or the financial position of the City.

Financial Reporting Entity

The City of Elephant Butte was incorporated under the laws of the State of New Mexico. The City operates under a Council-Mayor form of government and provides the following services as authorized by its charter: public safety (police and fire), streets, sanitation, culture-recreation, public improvements, planning and zoning, and general administrative services.

GASB Statement No. 14 established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity. Under provisions of this Statement, the City is considered a primary government, since it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement No. 14, fiscally independent means that the City may, without the approval or consent of another governmental entity, determine or modify its own budget, levy its own taxes or set rates or charges and issue bonded debt.

The City has no component units, defined by GASB Statement No. 14 as other legally separate organizations for which the elected City members are financially accountable. There are no other primary governments with which the City Board Members are financially accountable. There are no other primary governments with which the City has a significant relationship.

The accounts of the City are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

The funds of the City are classified into two categories: governmental and proprietary. Proprietary includes enterprise and internal service funds. The City does not have internal service funds. In the discussion of this audit, proprietary fund is referring to the enterprise fund. Each category is divided into separate fund types. The fund classification and a description of each existing fund type follows below:

Basis of Presentation

The government-wide financial statements (the statement of net assets and the statement of changes in net assets) report information on all of the activities of the City. Fiduciary funds are not included in the GWFS. Fiduciary Funds are reported only in the Statement of Fiduciary Net Assets at the fund financial statement level. The City has no Fiduciary Funds. The effect of interfund activity, within the governmental and business-type activities columns, has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

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

The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

Governmental funds are those funds through which most governmental functions typically are financed. The measurement focus of governmental funds is on the sources, uses and balance of current financial resources. The City has presented the following major governmental funds:

General Fund - The General Fund is the general operating fund of the City and accounts for all revenues and expenditures of the City not encompassed within other funds.

Proprietary Funds are accounted for using the economic resources measurement focus and the accrual basis of accounting. The accounting objectives are determinations of net income, financial position and cash flow. All assets and liabilities are included on the Statement of Net Assets. The City has presented the following major proprietary funds:

Proprietary Utility Fund - The fund is used to account for the provision of waste water services to the residents of the City. Activities of the fund includes administration, operations and maintenance of the sewer system and billing and collection activities. All costs are financed through charges to utility customers with rates reviewed regularly and adjusted if necessary to ensure integrity of the funds.

Capital Projects Fund - The Capital Projects Fund is used to account for all resources for the acquisition of capital facilities by the City. Expenditures are restricted to Capital Improvements.

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

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

Measurement Focus and Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements. Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

The Government-wide statements and fund financial statements for proprietary funds are reported using the economic resources measurement focus and the accrual basis of accounting. The economic resource measurement focus means all assets and liabilities (whether current or noncurrent) are included on the statement of net assets and the operating statements present increases (revenues) and decreases (expenses) in net total assets. Under the accrual basis of accounting, revenues are recognized when earned, including unbilled water and sewer services which are accrued. Expenses are recognized at the time the liability is incurred.

Governmental fund financial statements are reported using the current financial resources measurement focus and are accounted for using the modified accrual basis of accounting. Under the modified accrual basis of accounting, revenues are recognized when susceptible to accrual; i.e. when they become both measurable and available. "Measurable means the amount of the transaction can be determined and "available" means collectible within the current period or soon enough thereafter to be used to pay liabilities of the current period. The City considers property taxes as available if they are collected within 30 days after year end. Expenditures are recorded when the related fund liability is incurred. However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due.

The specific revenue recognition policy for property taxes are recognized when levied, derived tax revenue (such as gross receipts tax) are recognized when the underlying transaction takes place, and grants are recognized when all of the eligibility requirements have been met.

The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for service, interest income and intergovernmental revenues. Gross receipts taxes collected and held by the state at year on behalf of the government are also recognized as revenue. All other governmental fund revenues are recognized when received.

Budgetary Control

1. Prior to June 1, the City's Clerk-Treasurer submits the budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them.
2. Prior to July 1, the budget is legally enacted through passage of an ordinance and then must be approved by Local Government Division of the State Department of Finance and Administration.
3. The City treasurer is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the City Councilors and the State Department of Finance and Administration.
4. Formal budgetary integration is employed as a management control device during the year for all funds.
5. The level of budget authority is at the fund level.

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.

The City is authorized under the provisions of Chapter 6, Article 10, paragraph 10, NMSA 1978, to deposit its money in banks, savings and loan associations and/or credit unions whose accounts are insured by an agency of the United States.

Investments

All money not immediately necessary for the public uses of the City may be invested in :

(a) bonds or negotiable securities of the United States, the state or any county, municipality or City which has a taxable valuation of real property for the last preceding year of at least one million dollars (1,000,000) and has not defaulted in the payment of any interest or sinking fund obligation or failed to meet any bonds at maturity at any time within five years last preceding; or

(b) securities that are issued by the United States government or by its agencies or instrumentalities and that are either direct obligations of the United States or are backed by the full faith and credit of the United States government or agencies guaranteed by the United States government.

(c) in contracts with banks, savings and loan associations or credit unions for the present purchase and resale at a specified time in the future of specific securities at specified prices at a price differential representing the interest income to be earned by the investor. The contract shall be shown on the books of the financial institution as being the property of the investor and the designation shall be contemporaneous with the investment. The contract shall be fully secured by obligations of the United States having a market value of at least one hundred two percent of the contract. The collateral required for investment in the contracts provided for in this subsection shall be shown on the books of the financial institution as being the property of the investor and the designation shall be contemporaneous with investment.

Prepaid Items

Prepaid balances are for payments made by the City in the current year to provide services occurring in the subsequent fiscal year, and the reserve for prepaid items has been recorded to signify that a portion of fund balance is not available for other subsequent expenditures.

Receivables and Payables

Receivables include property taxes, interfund loans that are expected to be paid back and amount due from state government agencies related to various grant agreements. Payables represent routine monthly bills for services rendered and products purchased and accrued salaries and benefits.

Capital Assets

Capital assets, which includes property, plant, equipment (including software), and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. Capital assets are recorded at historical costs and depreciated over their estimated useful lives (with no salvage value). Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Donated capital assets are recorded at their estimated fair market value on the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The construction period interest is not capitalized in the proprietary funds.

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
Notes to the Financial Statements
June 30, 2008

Estimated useful life is management's estimate of how long the asset is expected to meet service demands. Straight line depreciation is used based on the following estimated useful lives:

Infrastructure	50 Years
Buildings, Improvements and	15-30 Years
Equipment & Vehicles	4-30 Years

Use of Restricted Funds

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

Revenue

The policy for defining the proprietary fund's operating revenues and expenses is how individual transactions would be categorized for purposes of preparing a statement of cash flows. Transactions for which cash flows are reported as capital and related financing activities, noncapital financing activities, or investing activities normally are not reported as components of operating income.

Compensated Absences

All full-time employees who have worked for the City for five years or less are entitled to two weeks per year vacation with full pay. Those employees who have worked for the City for more than five years earn three weeks paid vacation. Unused vacation does not accumulate beyond the employees anniversary date. Non-salaried employees are eligible for compensation time.

Each permanent employee of the City accrues sick leave as working days with full pay on the basis of one and a half hours per forty hour work week. Sick leave may be granted only from duty because of personal illness, legal quarantine, or medical, dental, or optical appointments. In case of an extended sickness in excess of the accumulated sick leave, annual leave may be applied to sick leave.

Net Assets

Net assets represent the difference between assets and liabilities. Net assets invested in capital assets, net of related debt consists of capital assets, net of accumulated depreciation, reduced by the outstanding balances of any borrowing used for the acquisition, construction or improvements of those assets, and adding back unspent proceeds. Net assets are reported as restricted when there are limitations imposed by creditors, grantors or laws or regulations of other governments.

NOTE B: RECONCILIATION OF BUDGETARY BASIS TO GAAP BASIS STATEMENTS

The Combined Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget and Actual - all Governmental Fund Types is presented on the budgetary basis to provide a comparison of actual results with the budget. The major differences between the budget basis and GAAP (Generally Accepted Accounting Principles) basis are that:

- A. Revenues are recorded when received in cash (budget basis) as opposed to when susceptible to accrual (GAAP basis).
- B. Expenditures are recorded when paid in cash (budget basis) as opposed to when the liability is incurred (GAAP basis).

The adjustments necessary to convert the results of operations for the year from GAAP basis to the budget basis for the governmental funds are presented on each individual Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget and Actual (Budgetary Basis).

NOTE C: CASH AND INVESTMENTS

The City is required by New Mexico State Statute (Section 6-10-17) to be 50% collateralized. Following is a schedule calculating the requirement and disclosing the pledged securities.

Compass Bank	Balance Per Bank 06-30-08	Reconciled Balance	Type
<u>Name of Account</u>	<u>06-30-08</u>	<u>Balance</u>	<u>Type</u>
Elephant Butte	\$ 163,991	\$ 153,755	Checking
TOTAL Deposited	163,991	<u>153,755</u>	
Less: FDIC Coverage	<u>(100,000)</u>		
Uninsured Amount	63,991		
50% collateral requirement	31,996		
Pledged securities	<u>810,008</u>		
Over (Under) requirement	<u>\$ 778,013</u>		

The difference between the bank balance and the reconciled balance is outstanding deposits, outstanding checks and pending bank adjustments.

The following securities are pledged:

<u>Description</u>	<u>CUSIP #</u>	<u>Market Value</u>	<u>Maturity Date</u>	<u>Location</u>
FHLB Non Callb	3133MBA6	\$ 810,008	5/14/2010	FHLB, Dallas, TX
		<u>\$ 810,008</u>		

STATE OF NEW MEXICO
 CITY OF ELEPHANT BUTTE
 Notes to the Financial Statements
 June 30, 2008

Custodial Credit Risk-Deposits

<u>Depository Account</u>	<u>Bank Balance</u>
Insured	\$ 100,000
Collateralized:	
Collateral held by the pledging bank in City's name	63,991
Uninsured and uncollateralized	0
Total Deposits	\$ <u>163,991</u>

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of June 30, 2008 none of the City's bank balance of \$163,991 was exposed to custodial credit risk.

New Mexico State Treasurer

<u>Name of Account</u>	<u>Balance 6-30-08</u>	<u>Reconciled Balance</u>	<u>Type</u>
City of Elephant Butte	\$ 1,971,005	\$ 1,971,005	Investment
TOTAL Deposited	\$ <u>1,971,005</u>	\$ <u>1,971,005</u>	

New Mexico State Treasurer

The investments with the State Treasurer are valued at fair value based on quoted market prices as of valuation date.

The State Treasurer Local Government Investment Pool is not SEC registered. Section 6-10-10 1, NMSA 1978, empowers the State Treasurer, with the advice and consent of the State Board of Finance, to invest money held in the short-term investment fund in securities that are issued by the United States government or by its departments or agencies and are either direct obligations of the United States or are backed by the full faith and credit of the United States government. The Local Government Investment Pool investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments;

The pool does not have unit shares. Per Section 6-10-10.1F, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the amounts were invested; and

Participation in the local government investment pool is voluntary.

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
Notes to the Financial Statements
June 30, 2008

Interest Rate Risk

Interest rate risk is the risk that interest rate variations may adversely affect an investment's fair value. The prices of securities fluctuate with market interest rates and the securities held in a portfolio will decline if market interest rates rise. The portfolio's weighted average maturity (WAM) is a key determinant of the tolerance of a fund's investments to rising interest rates. The WAM for this investment is 24 days. The investment is rated AAAM and the rate is 2.41%.

NOTE D: RESTRICTED CASH

The restricted cash is the utility deposits.

NOTE E: CAPITAL ASSETS

Capital Assets Balances and Activity for the Year Ended June 30, 2008, is as follows:

	Balance 6/30/07	Increases	Decreases	Balance 6/30/08
Governmental Activities				
Capital Assets, not being Depreciated				
Land	\$ 777,004	\$ 0	\$ 0	\$ 777,004
Construction in Progress	2,540,537	3,871,003	6,411,540	0
Total Capital Assets, not being Depreciated	<u>3,317,541</u>	<u>3,871,003</u>	<u>6,411,540</u>	<u>777,004</u>
Capital Assets, being Depreciated				
Infrastructure	556,172	97,413	0	653,585
Buildings & Improvements	463,441	6,300	0	469,741
Equipment	55,644	0	0	55,644
Vehicles	278,080	0	0	278,080
Total Capital Assets, being Depreciated	<u>1,353,337</u>	<u>103,713</u>	<u>0</u>	<u>1,457,050</u>
Total Capital Assets	<u>4,670,878</u>	<u>3,974,716</u>	<u>6,411,540</u>	<u>2,234,054</u>
Less Accumulated Depreciation				
Infrastructure	21,715	15,722	0	37,437
Buildings & Improvements	222,758	8,830	0	231,588
Equipment	21,204	7,253	0	28,457
Vehicles	179,628	4,922	0	184,550
Total Accumulated Depreciation	<u>445,305</u>	<u>36,727</u>	<u>0</u>	<u>482,032</u>
Capital Assets, net	<u>\$ 4,225,573</u>	<u>\$ 3,937,989</u>	<u>\$ 6,411,540</u>	<u>\$ 1,752,022</u>

Depreciation expense was charged to governmental activities as follows:

General	\$ 4,402
Public Safety	9,077
Public Works	12,232
Culture & Recreation	3,313
Total depreciation expenses	<u>\$ 29,024</u>

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
Notes to the Financial Statements
June 30, 2008

	Balance 6/30/07	Increases	Decreases	Balance 6/30/08
Business-Type Activities				
Capital Assets not being Depreciated				
Land	\$ 50,901	\$ 0	\$ 0	\$ 50,901
Total Capital Assets not being Depreciated	50,901	0	0	50,901
Capital Assets, being Depreciated				
Other Capital Assets				
Construction in Progress	216,195	0	216,195	0
Utility System	100,000	6,627,735	0	6,727,735
Equipment	7,000	0	0	7,000
Total Capital Assets, being Depreciated	323,195	6,627,735	216,195	6,734,735
Total Capital Assets at Historical Cost	374,096	6,627,735	216,195	6,785,636
Less Accumulated Depreciation				
Waste Water System	10,625	135,888	0	146,513
Equipment	1,721	583	0	2,304
Total Accumulated Depreciation	12,346	136,471	0	148,817
Capital Assets, net	\$ 361,750	\$ 6,491,264	\$ 216,195	\$ 6,636,819

NOTE F: PROPERTY TAXES

The County collects the City's share of property taxes assessed. Property taxes attach an enforceable lien on property as of January 1st. Tax notices are sent by the County treasurer to property owners by November 1st of each year to be paid in whole or in two installments by November 10th and April 10th of each year. The County collects such taxes and distributes them to the City on a monthly basis. The City accounts for its share of property taxes in the General and Capital Projects Funds. Only those collections received are recorded as revenues for the budget presentation.

NOTE G: RETIREMENT PLAN

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

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
 Notes to the Financial Statements
 June 30, 2008

Funding Policy. Plan members are required to contribute 7% of their gross salary. The City is required to contribute 7% for employees of the gross covered salary. The contribution requirements of plan members and the City are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The City's contributions to PERA for the fiscal years ending June 30, 2008, 2007 and 2006 were \$15,635.05, \$9,093.88, and \$8,465.82, respectively, which equal the amount of the required contributions for each fiscal year.

NOTE H: POST-EMPLOYMENT BENEFITS

The Retiree Health Care Act (Chapter 10, Article 7C NMSA 1978) provides comprehensive core group health insurance for persons who have retired from certain public service in New Mexico. The City has elected not to participate in the program by adoption of an ordinance.

NOTE I: INTERFUND TRANSFERS

Interfund transfers during the year ended June 30, 2008, were as follows:

<u>Transfers Out</u>	<u>Transfers In</u>		Total
	Capital Project	Utility	
General	\$ 10,000	\$ 90,000	\$ 100,000
	\$ 10,000	\$ 90,000	\$ 100,000

A transfer from General Fund was made to Capital Projects and Utility to provide local matches for construction projects.

NOTE J: RISK MANAGEMENT

The City participates in the New Mexico Self-Insurers Fund for medical insurance coverage for their employees. Commercial Insurance covers all other losses. There have been no significant reductions in insurance coverage. Settlement amounts have not exceeded insurance coverage for the current year or the three prior years. There are no claim liabilities at year end.

NOTE K: RECEIVABLES

Receivables as of June 30, 2008, were as follows:

Receivables	General	Non-Major Funds	Utility
Accounts Receivable	\$ 0	\$ 0	\$ 12,781
Gross Receipts Taxes	60,819	0	0
Property Taxes	1,134	0	0
Gasoline Taxes	0	3,270	0
Lodgers Tax	0	3,549	0
Other Taxes	231	116	0
	\$ 62,184	\$ 6,935	\$ 12,781

Taxes receivable for the governmental funds consists primarily of taxes collected by the collection agency in the current year, but not remitted to the City until after year-end. All governmental fund receivables are considered fully collectible.

NOTE L: SURETY BOND

The officials and certain employees of the City are covered by a surety bond as required by Section 12-6-7, NMSA, 1978 Compilation.

NOTE M: JOINT POWERS AGREEMENTS

Law Enforcement Services

Participants: County of Sierra/Sheriff's Office and City of Elephant Butte

Description: County Sheriff's office is to provide trained and certified personnel, equipment, training, and other law enforcement activities within the City during the period of time in which this Joint Powers Agreement is in force. The city's cost for this is \$20,600, and the Audit's Responsibility belongs to the County of Sierra. This agreement shall be perpetual, until terminated by one or more of the parties to this Agreement.

Sierra County Regional Dispatch Authority

Participants: County of Sierra, City of Truth or Consequences, City of Williamsburg and City of Elephant Butte

Description: The Joint Powers Agreement creates a separate legal entity that will provide a communications dispatch center to serve the County Sheriff's Department and various County Volunteer Fire Departments, City Police and Fire Departments, Emergency standby personnel, the City Police and Fire Departments, the State police, State Parks, State Game and Fish, Emergency Medical services and any such other similar agencies as shall later request communications services in Sierra county, New Mexico. The Audit's responsibility belongs to the County of Sierra. This agreement shall be perpetual, until terminated by one or more of the parties to this Agreement.

Animal Control

Participants: City of Elephant Butte and the City of Truth or Consequences

Description: The City of Elephant Butte and The City of Truth or Consequences have agreed to share resources in order to protect the citizens of City of Elephant Butte and to humanely treat the stray animal in City of Elephant Butte through the joint exercise of the City's Animal Control Officers. This Joint Powers Agreement may be terminated by either party upon ninety days written notice delivered to the other.

**SUPPLEMENTAL INFORMATION RELATED TO
MAJOR FUNDS**

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
CAPITAL PROJECTS FUND
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Federal Grant	\$ 209,051	\$ 209,051	\$ 209,051	\$ 0
State Grant	4,455,897	4,455,897	4,040,874	(415,023)
Total Revenues	<u>4,664,948</u>	<u>4,664,948</u>	<u>4,249,925</u>	<u>(415,023)</u>
Expenditures				
Capital Projects	4,109,051	4,109,051	3,877,303	231,748
Total Expenditures	<u>4,109,051</u>	<u>4,109,051</u>	<u>3,877,303</u>	<u>231,748</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>555,897</u>	<u>555,897</u>	<u>372,622</u>	<u>(183,275)</u>
Other Financing Sources (Uses)				
Transfer from General	<u>0</u>	<u>0</u>	<u>10,000</u>	<u>10,000</u>
Total Other Sources (Uses)	<u>0</u>	<u>0</u>	<u>10,000</u>	<u>10,000</u>
Excess (Deficiency) of Revenues and Other Sources Over Expenditures and Other Uses	555,897	555,897	382,622	(173,275)
Cash Balance Beginning of Year	<u>(2,978)</u>	<u>(2,978)</u>	<u>(2,978)</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 552,919</u>	<u>\$ 552,919</u>	<u>\$ 379,644</u>	<u>\$ (173,275)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 372,622	
Net change in Taxes Receivable			<u>(3,079)</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 369,543</u>	

The notes to the financial statements are an integral part of this statement.

**SUPPLEMENTAL INFORMATION RELATED TO
NON MAJOR FUNDS**

NONMAJOR GOVERNMENTAL FUNDS

Law Enforcement Protection Fund

To account for funds received from the State of New Mexico for law enforcement purposes. The fund was created by the authority of state grant provisions. (NMSA 29-13-3)

Fire Fund

To account for the operation and maintenance of the Village Fire Department. Financing is primarily from an annual state fire allotment. The fund was created by the authority of state grant provisions. (NMSA 59A-53-1)

Correction Fund

To account for the collection of fines which are used to supplement the cost of prisoner housing. The fund was created by the authority of state statute. (Section 29-1301 NASA 1978)

Municipal Streets Fund

To account for the one-cent gasoline tax being allocated to the City for the explicit purpose of street repair. The authority for the allocation and setup of the fund is 7-1-6-27, NMSA, 1978 Compilation, 1989 supplement.

Lodger Tax Fund

To account for lodge's tax, which is to be used for cultural and recreational purposes. Funding is authorized by NMSA 3-38-14.

Recreation Fund

To account for the operation and maintenance of the Village's youth recreation program. Financing is provided by the state shared cigarette tax. The fund was created by the authority of state statute. (NMSA 7-12-15)

Community Center Fund

To account for rental and other service charges received from customers who utilize the Community Center facilities. The cost of operating the facility, including applicable depreciation, are accounted for in this fund.

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
NONMAJOR GOVERNMENTAL FUNDS
Combining Balance Sheet
June 30, 2008

	Law Enforcement Protection Fund	Fire Fund	Correction Fund
ASSETS			
Cash and Cash Equivalents	\$ 115	\$ 2,548	\$ 209
Investments	10,000	65,000	14,000
Receivables			
Taxes	0	0	0
Total Assets	<u>\$ 10,115</u>	<u>\$ 67,548</u>	<u>\$ 14,209</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts Payable	\$ 4,253	\$ 2,408	\$ 0
Accrued Salaries	0	0	0
Total Liabilities	<u>4,253</u>	<u>2,408</u>	<u>0</u>
Fund Balance			
Unreserved Reported In:			
Special Revenue	5,862	65,140	14,209
Debt Service	0	0	0
Total Fund Balance	<u>5,862</u>	<u>65,140</u>	<u>14,209</u>
Total Liabilities and Fund Balance	<u>\$ 10,115</u>	<u>\$ 67,548</u>	<u>\$ 14,209</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
 NONMAJOR GOVERNMENTAL FUNDS
 Combining Balance Sheet
 June 30, 2008

	Municipal Streets Fund	Lodger Tax Fund	Recreation Fund
ASSETS			
Cash and Cash Equivalents	\$ 9,937	\$ 967	\$ 185
Investments	60,000	25,000	3,000
Receivables			
Taxes	3,270	3,549	116
Total Assets	<u>\$ 73,207</u>	<u>\$ 29,516</u>	<u>\$ 3,301</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts Payable	\$ 0	\$ 0	\$ 60
Accrued Salaries	0	0	0
Total Liabilities	<u>0</u>	<u>0</u>	<u>60</u>
Fund Balance			
Unreserved Reported In:			
Special Revenue	73,207	29,516	3,241
Debt Service	0	0	0
Total Fund Balance	<u>73,207</u>	<u>29,516</u>	<u>3,241</u>
Total Liabilities and Fund Balance	<u>\$ 73,207</u>	<u>\$ 29,516</u>	<u>\$ 3,301</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
 CITY OF ELEPHANT BUTTE
 NONMAJOR GOVERNMENTAL FUNDS
 Combining Balance Sheet
 June 30, 2008

	Community Center Fund	Total
ASSETS		
Cash and Cash Equivalents	\$ 436	\$ 14,397
Investments	7,000	184,000
Receivables		
Taxes	0	6,935
Total Assets	<u>\$ 7,436</u>	<u>\$ 205,332</u>
LIABILITIES AND FUND BALANCE		
Liabilities		
Accounts Payable	\$ 19	\$ 6,740
Accrued Salaries	0	0
Total Liabilities	<u>19</u>	<u>6,740</u>
Fund Balance		
Unreserved Reported In:		
Special Revenue	7,417	198,592
Debt Service	0	0
Total Fund Balance	<u>7,417</u>	<u>198,592</u>
Total Liabilities and Fund Balance	<u>\$ 7,436</u>	<u>\$ 205,332</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
NONMAJOR GOVERNMENTAL FUNDS
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance
For the Year Ended June 30, 2008

	Law Enforcement Protection Fund	Fire Fund	Correction Fund
Revenues			
Gross Receipts Taxes	\$ 0	\$ 0	\$ 0
Lodgers Taxes	0	0	0
Cigarette Taxes	0	0	0
State Grants	20,600	61,995	0
Fees & Fines	0	0	806
Interest Income	0	2,871	0
Other	249	0	836
Total Revenues	<u>20,849</u>	<u>64,866</u>	<u>1,642</u>
Expenditures			
Current			
Public Safety	7,631	14,292	0
Public Works	0	0	0
Culture & Recreation	0	0	0
Capital Outlay	9,234	45,900	0
Debt Service			
Principal	0	0	0
Interest	0	0	0
Total Expenditures	<u>16,865</u>	<u>60,192</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>3,984</u>	<u>4,674</u>	<u>1,642</u>
Fund Balances at Beginning of Year	1,878	60,466	12,567
Fund Balance End of Year	<u>\$ 5,862</u>	<u>\$ 65,140</u>	<u>\$ 14,209</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
NONMAJOR GOVERNMENTAL FUNDS
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance
For the Year Ended June 30, 2008

	Municipal Streets Fund	Lodger Tax Fund	Recreation Fund
Revenues			
Gross Receipts Taxes	\$ 32,254	\$ 0	\$ 0
Lodgers Taxes	0	33,248	0
Cigarette Taxes	0	0	1,313
State Grants	120,064	0	0
Fees & Fines	0	0	0
Interest Income	0	836	0
Other	2,803	0	0
Total Revenues	<u>155,121</u>	<u>34,084</u>	<u>1,313</u>
Expenditures			
Current			
Public Safety	0	0	0
Public Works	0	0	0
Culture & Recreation	0	21,302	588
Capital Outlay	140,956	0	0
Debt Service			
Principal	0	0	0
Interest	0	0	0
Total Expenditures	<u>140,956</u>	<u>21,302</u>	<u>588</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>14,165</u>	<u>12,782</u>	<u>725</u>
Fund Balances at Beginning of Year	59,042	16,734	2,516
Fund Balance End of Year	<u>\$ 73,207</u>	<u>\$ 29,516</u>	<u>\$ 3,241</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
NONMAJOR GOVERNMENTAL FUNDS
Combining Statement of Revenues, Expenditures
and Changes in Fund Balance
For the Year Ended June 30, 2008

	Community Center Fund	Total
Revenues		
Gross Receipts Taxes	\$ 0	\$ 32,254
Lodgers Taxes	0	33,248
Cigarette Taxes	0	1,313
State Grants	0	202,659
Fees & Fines	2,806	3,612
Interest Income	0	3,707
Other	0	3,888
Total Revenues	<u>2,806</u>	<u>280,681</u>
Expenditures		
Current		
Public Safety	0	21,923
Public Works	0	0
Culture & Recreation	4,376	26,266
Capital Outlay	0	196,090
Debt Service		
Principal	0	0
Interest	0	0
Total Expenditures	<u>4,376</u>	<u>244,279</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,570)</u>	<u>36,402</u>
Fund Balances at Beginning of Year	8,987	162,190
Fund Balance End of Year	<u>\$ 7,417</u>	<u>\$ 198,592</u>

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
SPECIAL REVENUE FUND-LAW ENFORCEMENT PROTECTION FUND
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Grants	\$ 20,600	\$ 20,600	\$ 20,600	\$ 0
Miscellaneous	0	0	249	249
Total Revenues	<u>20,600</u>	<u>20,600</u>	<u>20,849</u>	<u>249</u>
Expenditures				
Public Safety				
Operating Expenses	3,378	3,378	3,378	0
Capital Purchases	19,100	19,100	9,234	9,866
Total Expenditures	<u>22,478</u>	<u>22,478</u>	<u>12,612</u>	<u>9,866</u>
Excess (Deficiency) of Revenues Over Expenditures	(1,878)	(1,878)	8,237	10,115
Cash Balance Beginning of Year	<u>1,878</u>	<u>1,878</u>	<u>1,878</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 10,115</u>	<u>\$ 10,115</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 8,237	
Net change in Accounts Payable			(4,253)	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 3,984</u>	

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
SPECIAL REVENUE FUND-FIRE FUND
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
State Fire Allotment	\$ 55,501	\$ 55,501	\$ 61,995	\$ 6,494
Interest Income	0	0	2,871	2,871
Total Revenues	<u>55,501</u>	<u>55,501</u>	<u>64,866</u>	<u>9,365</u>
Expenditures				
Public Safety				
Operating	5,000	5,000	5,246	(246)
Maintenance	10,000	10,000	6,638	3,362
Capital Outlay	45,900	45,900	45,900	0
Total Expenditures	<u>60,900</u>	<u>60,900</u>	<u>57,784</u>	<u>3,116</u>
Excess (Deficiency) of Revenues Over Expenditures	(5,399)	(5,399)	7,082	12,481
Cash Balance Beginning of Year	<u>60,466</u>	<u>60,466</u>	<u>60,466</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 55,067</u>	<u>\$ 55,067</u>	<u>\$ 67,548</u>	<u>\$ 12,481</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 7,082	
Net change in Accounts Payable			<u>(2,408)</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 4,674</u>	

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
SPECIAL REVENUE FUND-CORRECTION FUND
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Correction Fees	\$ 2,000	\$ 2,000	\$ 806	\$ (1,194)
Other	0	0	836	836
Total Revenues	<u>2,000</u>	<u>2,000</u>	<u>1,642</u>	<u>(358)</u>
Expenditures				
Public Safety				
Housing Of Prisoners	<u>1,800</u>	<u>1,800</u>	<u>0</u>	<u>1,800</u>
Total Expenditures	<u>1,800</u>	<u>1,800</u>	<u>0</u>	<u>1,800</u>
Excess (Deficiency) of Revenues Over Expenditures	200	200	1,642	1,442
Cash Balance Beginning of Year	<u>12,567</u>	<u>12,567</u>	<u>12,567</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 12,767</u>	<u>\$ 12,767</u>	<u>\$ 14,209</u>	<u>\$ 1,442</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			<u>\$ 1,642</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 1,642</u>	

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
SPECIAL REVENUE FUND-MUNICIPAL STREETS FUND
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Taxes	\$ 35,000	\$ 35,000	\$ 33,488	\$ (1,512)
State Grant	120,600	120,600	120,064	(536)
Miscellaneous	0	0	2,803	2,803
Total Revenues	<u>155,600</u>	<u>155,600</u>	<u>156,355</u>	<u>755</u>
Expenditures				
Public Works				
Capital Outlay	<u>210,138</u>	<u>210,138</u>	<u>140,956</u>	<u>69,182</u>
Total Expenditures	<u>210,138</u>	<u>210,138</u>	<u>140,956</u>	<u>69,182</u>
Excess (Deficiency) of Revenues Over Expenditures	(54,538)	(54,538)	15,399	69,937
Cash Balance Beginning of Year	<u>54,538</u>	<u>54,538</u>	<u>54,538</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 69,937</u>	<u>\$ 69,937</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 15,399	
Net change in Taxes Receivable			<u>(1,234)</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 14,165</u>	

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
SPECIAL REVENUE FUND-LODGERS TAX FUND
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Lodgers Tax	\$ 20,000	\$ 20,000	\$ 29,699	\$ 9,699
Interest Income	0	0	836	836
Total Revenues	<u>20,000</u>	<u>20,000</u>	<u>30,535</u>	<u>10,535</u>
Expenditures				
Culture & Recreation				
Operating Expenses	<u>28,000</u>	<u>28,000</u>	<u>21,302</u>	<u>6,698</u>
Total Expenditures	<u>28,000</u>	<u>28,000</u>	<u>21,302</u>	<u>6,698</u>
Excess (Deficiency) of Revenues Over Expenditures	(8,000)	(8,000)	9,233	17,233
Cash Balance Beginning of Year	<u>16,734</u>	<u>16,734</u>	<u>16,734</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 8,734</u>	<u>\$ 8,734</u>	<u>\$ 25,967</u>	<u>\$ 17,233</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 9,233	
Net change in Taxes Receivable			<u>3,549</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 12,782</u>	

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
SPECIAL REVENUE FUND-RECREATION FUND
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Cigarette Taxes	\$ 600	\$ 600	\$ 1,235	\$ 635
Total Revenues	<u>600</u>	<u>600</u>	<u>1,235</u>	<u>635</u>
Expenditures				
Culture & Recreation				
Operating Expenses	<u>1,010</u>	<u>1,010</u>	<u>528</u>	<u>482</u>
Total Expenditures	<u>1,010</u>	<u>1,010</u>	<u>528</u>	<u>482</u>
Excess (Deficiency) of Revenues Over Expenditures	(410)	(410)	707	1,117
Cash Balance Beginning of Year	<u>2,478</u>	<u>2,478</u>	<u>2,478</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 2,068</u>	<u>\$ 2,068</u>	<u>\$ 3,185</u>	<u>\$ 1,117</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 707	
Net change in Taxes Receivable			78	
Net change in Accounts Payable			(60)	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 725</u>	

The notes to the financial statements are an integral part of this statement.

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
SPECIAL REVENUE FUND-COMMUNITY CENTER FUND
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2008

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Fees	\$ 2,000	\$ 2,000	\$ 2,806	\$ 806
Total Revenues	<u>2,000</u>	<u>2,000</u>	<u>2,806</u>	<u>806</u>
Expenditures				
Culture & Recreation				
Operating Expenses	<u>9,000</u>	<u>9,000</u>	<u>4,357</u>	<u>4,643</u>
Total Expenditures	<u>9,000</u>	<u>9,000</u>	<u>4,357</u>	<u>4,643</u>
Excess (Deficiency) of Revenues Over Expenditures	(7,000)	(7,000)	(1,551)	5,449
Cash Balance Beginning of Year	<u>8,987</u>	<u>8,987</u>	<u>8,987</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 1,987</u>	<u>\$ 1,987</u>	<u>\$ 7,436</u>	<u>\$ 5,449</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (1,551)	
Net change in Accounts Payable			<u>(19)</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (1,570)</u>	

The notes to the financial statements are an integral part of this statement.

ENTERPRISE FUNDS

Utility Fund

To account for the provision of waste water service to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to administration, operations, maintenance, financing and related debt service, and billing and collections.

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
 PROPRIETARY-UTILITY FUND
 Statement of Revenues, Expenditures, and Changes in Cash Balance -
 Budget and Actual (Budgetary Basis)
 For the Year Ended June 30, 2008

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Sales & Service	\$ 77,200	\$ 77,200	\$ 132,519	\$ 55,319
Miscellaneous	100	100	2,435	2,335
Governmental Gross Receipts Tax	0	0	1,609	1,609
Total Revenues	<u>77,300</u>	<u>77,300</u>	<u>136,563</u>	<u>59,263</u>
Expenditures				
Operating Expenses	73,469	73,469	63,483	9,986
Governmental Gross Receipts Tax	6,200	6,200	6,226	(26)
Total Expenditures	<u>79,669</u>	<u>79,669</u>	<u>69,709</u>	<u>9,960</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(2,369)</u>	<u>(2,369)</u>	<u>66,854</u>	<u>69,223</u>
Other Financing Sources (Uses)				
Transfer from General	0	0	90,000	90,000
Total Other Sources (Uses)	<u>0</u>	<u>0</u>	<u>90,000</u>	<u>90,000</u>
Net Change in Cash Balance	<u>(2,369)</u>	<u>(2,369)</u>	<u>156,854</u>	<u>159,223</u>
Cash Balance Beginning of Year	<u>22,686</u>	<u>22,686</u>	<u>22,686</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 20,317</u>	<u>\$ 20,317</u>	<u>\$ 179,540</u>	<u>\$ 159,223</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 66,854	
Net change in Accounts Receivable			9,332	
Expenditures Accruals			0	
Depreciation			(3,917)	
Principal Paid			0	
Capital Purchases			0	
Change in Net Assets-GAAP Basis			<u>\$ 72,269</u>	

The notes to the financial statements are an integral part of this statement.

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*

Mr. Hector H. Balderas
State Auditor of the State of New Mexico
Board Members of the CITY OF ELEPHANT BUTTE

Mr. Balderas and Members of the Board

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, the budgetary comparisons for the general fund and the capital outlay fund, and the combining and individual funds presented as supplemental information of the CITY OF ELEPHANT BUTTE (City), as of and for the year ended June 30, 2008, and have issued our report thereon dated December 1, 2008. We conducted our 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.

Internal Control Over Financial Reporting

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

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the City's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the City's financial statements that is more than inconsequential will not be prevented or detected by the City's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the City's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

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

This report is intended solely for the information and use of management, the New Mexico State Legislature and its committees, the Office of the State Auditor, the New Mexico Department of Finance and Administration, and federal awarding agencies and pass through entities and is not intended to be and should not be used by anyone other than these specified parties.

De'Ann Willoughby CPA PC

December 1, 2008

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
Schedule of Findings and Responses
For the Year Ended June 30, 2008

Prior Year Audit Findings

		<u>Status</u>
05-06	Late Audit Report	Resolved
07-02	Preparation of the Audit Report	Resolved
07-03	Collateral Pledged by Depository	Resolved

Current Year Audit Findings

There are no current year audit findings.

Financial Statement Preparation

The financial statements were prepared by De'Aun Willoughby CPA. However, they are the responsibility of management.

Exit Conference

An exit conference was held on December 1, 2008. In attendance were Alan J Brown-Mayor Protem, Alan Briley-City Manager, Mary Ann Dix-City Clerk and De'Aun Willoughby, CPA.