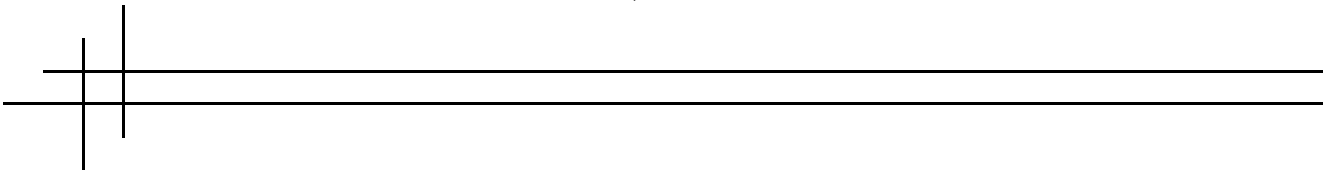




STATE OF NEW MEXICO  
**CITY OF ELEPHANT BUTTE**

**ANNUAL FINANCIAL REPORT**  
June 30, 2009

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



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STATE OF NEW MEXICO  
**CITY OF ELEPHANT BUTTE**  
Official Roster  
June 30, 2009

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**CITY COUNCIL**

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

**ADMINISTRATIVE OFFICIAL**

Alan Briley	City Manager
Mary Ann Dix	Clerk/Treasurer

De'Aun Willoughby CPA, PC

Certified Public Accountant

P.O. Box 223 Melrose, NM 88124

(575) 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, 2009, 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, 2009, 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, 2009, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund and major special revenue 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, 2009, 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 August 31, 2009 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.

*De'Ann Willoughby* CPA PC

August 31, 2009

## **FINANCIAL SECTION**

STATE OF NEW MEXICO  
**CITY OF ELEPHANT BUTTE**  
 Government-Wide Statement of Net Assets  
 June 30, 2009

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current Assets			
Cash and Cash Equivalents	\$ 320,333	\$ 74,893	\$ 395,226
Investments	1,147,415	400,000	1,547,415
Receivables	55,934	30,021	85,955
Total Current Assets	<u>1,523,682</u>	<u>504,914</u>	<u>2,028,596</u>
Noncurrent Assets			
Restricted Cash	0	28,545	28,545
Capital Assets	3,123,198	9,895,636	13,018,834
Less: Accumulated Depreciation	(548,970)	(754,435)	(1,303,405)
Total Noncurrent Assets	<u>2,574,228</u>	<u>9,169,746</u>	<u>11,743,974</u>
Total Assets	<u>4,097,910</u>	<u>9,674,660</u>	<u>13,772,570</u>
<b>LIABILITIES</b>			
Current Liabilities			
Accounts Payable	21,616	2,545	24,161
Current Portion of Long-Term Debt	0	31,149	31,149
Total Current Liabilities	<u>21,616</u>	<u>33,694</u>	<u>55,310</u>
Noncurrent Liabilities			
Customer Deposits	0	26,802	26,802
Long-Term Debt	0	709,943	709,943
Total Noncurrent Liabilities	<u>0</u>	<u>736,745</u>	<u>736,745</u>
Total Liabilities	<u>21,616</u>	<u>770,439</u>	<u>792,055</u>
<b>NET ASSETS</b>			
Invested in Capital Assets net of Related Debt Restricted for Capital Projects	2,574,228	8,400,109	10,974,337
Unrestricted	42,389	0	42,389
Total Net Assets	<u>\$ 1,459,677</u>	<u>\$ 504,112</u>	<u>\$ 1,963,789</u>
Total Net Assets	<u>\$ 4,076,294</u>	<u>\$ 8,904,221</u>	<u>\$ 12,980,515</u>

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



STATE OF NEW MEXICO  
**CITY OF ELEPHANT BUTTE**  
 Government-Wide Statement of Activities  
 For the Year Ended June 30, 2009

Functions/Programs	Expenses	Program Revenues			Net(Expenses) Revenue and Changes in Net Assets		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
Governmental Activities							
General Government	\$ 348,445	\$ 0	\$ 118,001	\$ 0	\$ (230,444)	\$ 0	\$ (230,444)
Public Safety	114,028	11,692	81,179	0	(21,157)	0	(21,157)
Public Works	134,810	0	0	1,182,876	1,048,066	0	1,048,066
Culture & Recreation	91,477	0	0	1,575	(89,902)	0	(89,902)
Total Governmental Activities	<u>\$ 688,760</u>	<u>\$ 11,692</u>	<u>\$ 199,180</u>	<u>\$ 1,184,451</u>	<u>\$ 706,563</u>	<u>\$ 0</u>	<u>\$ 706,563</u>
Business-type Activities	<u>\$ 433,650</u>	<u>\$ 275,072</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ (158,578)</u>	<u>\$ (158,578)</u>
General Revenues							
Property Taxes				\$ 125,362	\$ 0	\$ 125,362	
Gross Receipts Taxes				477,428	0	477,428	
Franchise Taxes				28,321	0	28,321	
Lodgers Taxes				28,126	0	28,126	
Other Taxes				5,302	0	5,302	
Interest Income				11,966	446	12,412	
Miscellaneous				67,045	0	67,045	
Total General Revenues				<u>743,550</u>	<u>446</u>	<u>743,996</u>	
Other Items							
Contribution of Capital Assets				<u>(1,306,463)</u>	<u>2,233,676</u>	<u>927,213</u>	
Change in Net Assets				143,650	2,075,544	2,219,194	
Net Assets - beginning				<u>3,932,644</u>	<u>6,828,677</u>	<u>10,761,321</u>	
Net Assets - ending				<u>\$ 4,076,294</u>	<u>\$ 8,904,221</u>	<u>\$ 12,980,515</u>	

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, 2009

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	<u>General Fund</u>	<u>Municipal Street Fund</u>	<u>Capital Projects</u>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 47,802	\$ 117,455	\$ 42,389
Investments	800,000	347,415	0
Receivables (Net of Allowance for Uncollectibles if Applicable)			
Taxes	50,859	3,616	0
Total Assets	<u>\$ 898,661</u>	<u>\$ 468,486</u>	<u>\$ 42,389</u>
<b>LIABILITIES AND FUND BALANCE</b>			
Liabilities			
Current Liabilities			
Accounts Payable	\$ 21,616	\$ 0	\$ 0
Total Liabilities	<u>21,616</u>	<u>0</u>	<u>0</u>
Fund Balances			
Reserved for Capital Projects	0	0	42,389
Unreserved Reported In:			
General Fund	877,045	0	0
Special Revenue Fund	0	468,486	0
Total Fund Balances	<u>877,045</u>	<u>468,486</u>	<u>42,389</u>
Total Liabilities and Fund Balances	<u>\$ 898,661</u>	<u>\$ 468,486</u>	<u>\$ 42,389</u>

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, 2009

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	Non-Major Governmental Funds	Total Governmental Funds
	<u>          </u>	<u>          </u>
<b>ASSETS</b>		
Cash and Cash Equivalents	\$ 112,687	\$ 320,333
Investments	0	1,147,415
Receivables (Net of Allowance for Uncollectibles if Applicable)		
Taxes	1,459	55,934
Total Assets	<u>\$ 114,146</u>	<u>\$ 1,523,682</u>
 <b>LIABILITIES AND FUND BALANCE</b>		
Liabilities		
Current Liabilities		
Accounts Payable	\$ 0	\$ 21,616
Total Liabilities	<u>0</u>	<u>21,616</u>
 Fund Balances		
Reserved for Capital Projects	0	42,389
Unreserved Reported In:		
General Fund	0	877,045
Special Revenue Fund	114,146	582,632
Total Fund Balances	<u>114,146</u>	<u>1,502,066</u>
 Total Liabilities and Fund Balances	 <u>\$ 114,146</u>	 <u>\$ 1,523,682</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  
Balance Sheet to the Statement of Net Assets  
June 30, 2009

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Amounts reported for governmental activities in the Statement of Net Assets are different because:

Total Fund Balance - Governmental Funds		\$	1,502,066
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	\$	3,123,198
	Accumulated depreciation is	<u>(548,970)</u>	<u>2,574,228</u>
Total net assets - governmental activities		\$	<u><u>4,076,294</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, 2009

	General Fund	Municipal Street Fund	Capital Projects
<b>Revenues</b>			
Taxes			
Gross Receipts Taxes	\$ 477,428	\$ 0	\$ 0
Property Taxes	95,698	29,664	0
Franchise Taxes	28,321	0	0
Lodgers Taxes	0	0	0
Cigarette Taxes	1,928	0	0
Federal Grant	0	0	13,600
State Grant	118,001	213,668	955,608
License, Fees and Fines	11,332	0	0
Interest Income	9,772	792	0
Other	12,966	9,933	0
Total Revenues	<u>755,446</u>	<u>254,057</u>	<u>969,208</u>
<b>Expenditures</b>			
Current			
General Government	344,043	0	0
Public Safety	9,611	0	0
Public Works	102,880	0	0
Culture and Recreation	19,926	0	0
Capital Outlay	417,754	249,261	2,056,038
Total Expenditures	<u>894,214</u>	<u>249,261</u>	<u>2,056,038</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(138,768)</u>	<u>4,796</u>	<u>(1,086,830)</u>
<b>Other Financing Sources (Uses)</b>			
Loan Proceeds	0	0	749,575
Transfers In/Out	(390,483)	390,483	0
Total Other Sources (Uses)	<u>(390,483)</u>	<u>390,483</u>	<u>749,575</u>
Net Change in Fund Balance	(529,251)	395,279	(337,255)
Fund Balances at Beginning of Year	<u>1,406,296</u>	<u>73,207</u>	<u>379,644</u>
Fund Balance End of Year	<u>\$ 877,045</u>	<u>\$ 468,486</u>	<u>\$ 42,389</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, 2009

	<u>Non-Major Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues		
Taxes		
Gross Receipts Taxes	\$ 0	\$ 477,428
Property Taxes	0	125,362
Franchise Taxes	0	28,321
Lodgers Taxes	28,126	28,126
Cigarette Taxes	3,374	5,302
Federal Grant	0	13,600
State Grant	82,754	1,370,031
License, Fees and Fines	360	11,692
Interest Income	1,402	11,966
Other	44,146	67,045
Total Revenues	<u>160,162</u>	<u>2,138,873</u>
Expenditures		
Current		
General Government	0	344,043
Public Safety	77,124	86,735
Public Works	0	102,880
Culture and Recreation	68,238	88,164
Capital Outlay	26,039	2,749,092
Total Expenditures	<u>171,401</u>	<u>3,370,914</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(11,239)</u>	<u>(1,232,041)</u>
Other Financing Sources (Uses)		
Loan Proceeds	0	749,575
Transfers In/Out	0	0
Total Other Sources (Uses)	<u>0</u>	<u>749,575</u>
Net Change in Fund Balance	(11,239)	(482,466)
Fund Balances at Beginning of Year	<u>125,385</u>	<u>1,984,532</u>
Fund Balance End of Year	<u>\$ 114,146</u>	<u>\$ 1,502,066</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, 2009

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Net Change in Fund Balance \$ (482,466)

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	\$	(66,938)	
Capital Outlays		<u>2,749,092</u>	2,682,154

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.

(2,056,038)

Changes in Net Assets of Governmental Activities

\$ 143,650

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, 2009

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
<b>Taxes</b>				
Gross Receipts	\$ 332,500	\$ 332,500	\$ 489,575	\$ 157,075
Property	86,000	86,000	94,730	8,730
Franchise	26,000	26,000	28,321	2,321
Cigarette	2,000	2,000	2,073	73
Other License & Permits	2,000	2,000	9,965	7,965
Charge for Services	0	0	19	19
Fines and Forfeitures	0	0	1,367	1,367
Grants	115,000	115,000	118,001	3,001
Interest Income	0	0	9,772	9,772
Miscellaneous	29,210	29,210	12,947	(16,263)
Total Revenues	<u>592,710</u>	<u>592,710</u>	<u>766,770</u>	<u>174,060</u>
<b>Expenditures</b>				
<b>Executive</b>				
Personnel Services	9,391	9,391	9,136	255
Benefits	927	927	759	168
Travel	6,000	6,000	5,806	194
Operating Costs	2,900	2,900	2,146	754
Total Executive	<u>19,218</u>	<u>19,218</u>	<u>17,847</u>	<u>1,371</u>
<b>Judicial</b>				
Personnel Services	6,350	6,350	5,550	800
Benefits	2,057	2,057	2,233	(176)
Travel	3,526	3,526	2,561	965
Contract Services	3,500	3,500	1,104	2,396
Supplies	1,200	1,200	1,055	145
Operating Costs	2,225	2,225	1,653	572
Court Automation Costs	0	0	1,092	(1,092)
Total Judicial	<u>18,858</u>	<u>18,858</u>	<u>15,248</u>	<u>3,610</u>
<b>Financial</b>				
Personnel Services	135,610	135,610	132,473	3,137
Benefits	32,314	32,314	28,665	3,649
Travel	9,500	9,500	7,913	1,587
Operating Costs	147,660	147,660	71,374	76,286
Insurance	15,000	15,000	14,940	60
Capital Outlay	7,443	7,443	0	7,443



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, 2009

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Total Financial	\$ 347,527	\$ 347,527	\$ 255,365	\$ 92,162
Health & Welfare				
Hospital	\$ 26,500	\$ 26,500	\$ 26,500	\$ 0
Total Health & Welfare	26,500	26,500	26,500	0
Planning and Zoning				
Personnel Services	13,500	13,500	13,319	181
Benefits	2,923	2,923	1,273	1,650
Travel	1,500	1,500	1,315	185
Contract Services	5,500	5,500	6,953	(1,453)
Operating Costs	7,280	7,280	2,182	5,098
Total Planning and Zoning	30,703	30,703	25,042	5,661
Public Safety				
Personnel Services	9,000	9,000	9,000	0
Benefits	689	689	689	0
Capital Outlay-Fire Truck	250,000	250,000	247,200	2,800
Total Public Safety	259,689	259,689	256,889	2,800
Streets				
Operating Expenses	252,500	252,500	98,458	154,042
Capital Purchases-Paving	0	0	170,554	(170,554)
Capital Purchases-Draining	250,000	250,000	0	250,000
Total Streets	502,500	502,500	269,012	233,488
Culture & Recreation				
Fireworks	0	0	2,500	(2,500)
10 Year Celebration	17,500	17,500	17,427	73
Area on Aging	0	0	0	0
Total Culture & Recreation	17,500	17,500	19,927	(2,427)
Total Expenditures	1,222,495	1,222,495	885,830	336,665
Excess (Deficiency) of Revenues Over Expenditures	(629,785)	(629,785)	(119,060)	510,725
Other Financial Sources (Uses)				
Transfer to Streets	0	0	(390,483)	390,483
Total Other Sources (Uses)	\$ 0	\$ 0	\$ (390,483)	\$ 390,483

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, 2009

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Net Change in Cash Balance	\$ (629,785)	\$ (629,785)	\$ (509,543)	\$ 120,242
Cash Balance Beginning of Year	<u>1,357,345</u>	<u>1,357,345</u>	<u>1,357,345</u>	<u>0</u>
Cash Balance End of Year	\$ <u><u>727,560</u></u>	\$ <u><u>727,560</u></u>	\$ <u><u>847,802</u></u>	\$ <u><u>120,242</u></u>
Reconciliation of Budgetary Basis to GAAP Basis				
Net Change in Cash Balance			\$ (509,543)	
Net change in Taxes Receivable			(11,325)	
Net change in Accounts Payable			(15,102)	
Net change in Accrued Salaries & Benefits			6,719	
Net Change in Fund Balance			\$ <u><u>(529,251)</u></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, 2009

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
Taxes	\$ 36,000	\$ 36,000	\$ 29,318	\$ (6,682)
State Grant	151,500	151,500	213,668	62,168
Interest Income	100	100	792	692
Miscellaneous	0	0	9,933	9,933
Total Revenues	<u>187,600</u>	<u>187,600</u>	<u>253,711</u>	<u>66,111</u>
<b>Expenditures</b>				
<b>Public Works</b>				
Capital Outlay	<u>700,333</u>	<u>700,333</u>	<u>249,261</u>	<u>451,072</u>
Total Expenditures	<u>700,333</u>	<u>700,333</u>	<u>249,261</u>	<u>451,072</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(512,733)</u>	<u>(512,733)</u>	<u>4,450</u>	<u>517,183</u>
<b>Other Financial Sources (Uses)</b>				
Transfer from General	<u>442,796</u>	<u>442,796</u>	<u>390,483</u>	<u>52,313</u>
Total Other Sources (Uses)	<u>\$ 442,796</u>	<u>\$ 442,796</u>	<u>\$ 390,483</u>	<u>\$ 52,313</u>
Net Change in Cash Balance	\$ (69,937)	\$ (69,937)	\$ 394,933	\$ 464,870
Cash Balance Beginning of Year	<u>69,937</u>	<u>69,937</u>	<u>69,937</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 464,870</u>	<u>\$ 517,183</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 4,450	
Net change in Taxes Receivable			<u>346</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 4,796</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, 2009

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ASSETS

Current Assets

Cash and Cash Equivalents	\$ 474,893
Receivables (net of allowance for uncollectible accounts)	
Accounts	<u>30,021</u>
Total Current Assets	<u>504,914</u>

Noncurrent Assets

Restricted Cash	28,545
Capital Assets	9,895,636
Less: Accumulated Depreciation	<u>(754,435)</u>
Total Noncurrent Assets	<u>9,169,746</u>

Total Assets	<u>9,674,660</u>
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LIABILITIES

Current Liabilities

Accounts Payable	2,545
Current Portion of Long-Term Debt	<u>31,149</u>
Total Current Liabilities	<u>33,694</u>

Noncurrent Liabilities

Customer Deposits	26,802
Long-Term Debt	<u>709,943</u>
Total Noncurrent Liabilities	<u>736,745</u>

Total Liabilities	<u>770,439</u>
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NET ASSETS

Invested in Capital Assets net of Related Debt	8,400,109
Unrestricted	<u>504,112</u>
Total Net Assets	<u>\$ 8,904,221</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, 2009

---

Operating Revenues	
Sales & Service	\$ 275,072
Total Operating Revenues	<u>275,072</u>
Operating Expenses	
Operating Expenses	234,859
Depreciation	<u>198,671</u>
Total Operating Expenses	<u>433,530</u>
Operating Income	<u>(158,458)</u>
Nonoperating Revenue (Expenses)	
Interest Income	446
Interest Expense	<u>(120)</u>
Total Nonoperating Revenue (Expenses)	<u>326</u>
Other Items	
Contribution of Capital Assets	<u>2,233,676</u>
Net Change in Net Assets	2,075,544
Total Net Assets - Beginning	<u>6,828,677</u>
Total Net Assets - Ending	<u>\$ 8,904,221</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, 2009

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Cash Flows from Operating Activities	
Cash Received From Customers	\$ 256,536
Cash Paid to Suppliers and Employees	(214,511)
Net Cash Provided by Operating Activities	<u>42,025</u>
Cash Flows from Capital & Related Financing Activities	
Contributed Net Capital Assets	2,233,676
Invested in Capital Assets	(2,703,053)
Loan Proceeds	749,574
Principal Paid	(8,484)
Interest Paid	(120)
Net Cash Provided by Capital & Related Financing Activities	<u>271,593</u>
Cash Flows from Investing Activities	
Interest Received	<u>446</u>
Net Cash Provided by Investing Activities	<u>446</u>
Net Increase (Decrease) in Cash	314,064
Cash, Beginning of the Year	<u>189,374</u>
Cash, Ending of the Year	<u>\$ 503,438</u>
Cash and Cash equivalents	\$ 474,893
Restricted Cash	<u>28,545</u>
Total Cash	<u>\$ 503,438</u>
Reconciliation of Net Income to Net Cash Provided by Operating Activities	
Operating Income (Loss)	\$ (158,458)
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities	
Depreciation	198,671
Change in Assets and Liabilities	
(Increase) Decrease in Accounts Receivable	(17,240)
Increase (Decrease) in Customer Deposits	16,968
Increase (Decrease) in Accounts Payable	2,084
Net Cash Provided by Operating Activities	<u>\$ 42,025</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.

**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.

**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.

**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.

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**

<u>Name of Account</u>	<u>Bank Balance</u> 6/30/09	<u>Reconciled</u> <u>Balance</u>	<u>Type</u>
Elephant Butte	\$ 414,286	\$ 60,172	Checking
TOTAL Deposited	414,286	<u>60,172</u>	
Less: FDIC Coverage	<u>(414,286)</u>		
Uninsured Amount	0		
50% collateral requirement	0		
Pledged securities	400,520		
Over (Under) requirement	<u>\$ 400,520</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>
FHLMC	3128JNKC8	\$ 262,408	9/1/2036	FHLB, Dallas, TX
FHLB	31411GTW2	138,112	3/1/2037	FHLB, Dallas, TX
		<u>\$ 400,520</u>		

**Wells Fargo**

<u>Name of Account</u>	<u>Bank Balance</u> 6/30/09	<u>Reconciled</u> <u>Balance</u>	<u>Type</u>
Elephant Butte	\$ 363,600	\$ 363,600	Checking
TOTAL Deposited	363,600	<u>363,600</u>	
Less: FDIC Coverage	<u>(363,600)</u>		
Uninsured Amount	(0)		
50% collateral requirement	(0)		
Pledged securities	0		
Over (Under) requirement	<u>\$ 0</u>		

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

**Custodial Credit Risk-Deposits**

<u>Depository Account</u>	<u>Bank Balance</u>
Insured	\$ 777,886
Collateralized:	
Collateral held by the pledging bank in City's name	0
Uninsured and uncollateralized	0
Total Deposits	<u>\$ 777,886</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 the end of the fiscal year none of the City's bank balance was exposed to custodial credit risk.

**New Mexico State Treasurer**

<u>Name of Account</u>	<u>Balance 6-30-09</u>	<u>Reconciled Balance</u>	<u>Type</u>
City of Elephant Butte	\$ 1,547,415	\$ 1,547,415	Investment
TOTAL Deposited	<u>\$ 1,547,415</u>	<u>\$ 1,547,415</u>	

GASB Statement No. 40, Deposit and Investment Risk Disclosures, relates to how deposits and investments are reported in the annual financial statements of governmental entities. GASB Statement No. 40 disclosures inform financial statement users about deposit and investment risks that could affect a government's ability to provide services and meet its obligations as they become due. GASB Statement No. 40 requires governments to disclose deposit and investment risks related to credit risk (including custodial credit risk), concentration of credit risk, interest rate risk, and foreign currency risk. The State Treasurer's Office provides the following information regarding the LGIP:

1. With respect to credit risk, the LGIP, a government investment pool, is rated AAAM by Standard & Poor's. Therefore, the LGIP reports AAAM for credit risk. Public funds are not required to disclose custodial credit risk for external investment pools. Therefore, the LGIP is exempt from this
2. GASB Statement No. 40 defines concentration of credit risk as investments of more than 5% in any one issuer. External investment pools, such as the LGIP, are excluded from the requirement of disclosing concentration of credit risk. Therefore, the LGIP is exempt from this disclosure.
3. GASB Statement No. 40 defines interest rate risk as the risk that interest rate variations may adversely affect the fair value of an investment. According to GASB Statement No. 40, an acceptable method for reporting interest rate risk is weighted average maturity ("WAM"). The State Treasurer's Office uses this method for reporting purposes for the LGIP. The WAM of the LGIP is identified on the monthly LGIP investment report found on the State Treasurer's Office website at [www.stonm.org](http://www.stonm.org). As of June 30, 2009, the LGIP WAM is 43 days.

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Notes to the Financial Statements  
June 30, 2009

4. Finally, with respect to foreign currency risk, all investments in the LGIP are in U.S. dollar denominated assets. Therefore, the LGIP has no foreign currency risk.

**NOTE D: RESTRICTED CASH**

The restricted cash is the utility deposits.

**NOTE E: CAPITAL ASSETS**

Capital Assets Balances and Activity for the fiscal year end is as follows:

	Beginning Balance 6/30/08	Increases	Decreases	Ending Balance 6/30/09
<b>Governmental Activities</b>				
Capital Assets, not being Depreciated				
Land	\$ 777,004	\$ 0	\$ 0	\$ 777,004
Construction in Progress	0	2,056,038	2,056,038	0
Total Capital Assets, not being Depreciated	<u>\$ 777,004</u>	<u>\$ 2,056,038</u>	<u>\$ 2,056,038</u>	<u>\$ 777,004</u>
Capital Assets, being Depreciated				
Infrastructure	\$ 794,540	\$ 419,815	\$ 0	\$ 1,214,355
Buildings & Improvements	469,741	0	0	469,741
Equipment	110,779	0	0	110,779
Vehicles	278,080	273,239	0	551,319
Total Capital Assets, being Depreciated	<u>1,653,140</u>	<u>693,054</u>	<u>0</u>	<u>2,346,194</u>
Total Capital Assets	<u>2,430,144</u>	<u>2,749,092</u>	<u>2,056,038</u>	<u>3,123,198</u>
<b>Less Accumulated Depreciation</b>				
Infrastructure	37,437	27,716	0	65,153
Buildings & Improvements	231,588	8,830	0	240,418
Equipment	28,457	7,253	0	35,710
Vehicles	184,550	23,139	0	207,689
Total Accumulated Depreciation	<u>482,032</u>	<u>66,938</u>	<u>0</u>	<u>548,970</u>
Capital Assets, net	<u>\$ 1,948,112</u>	<u>\$ 2,682,154</u>	<u>\$ 2,056,038</u>	<u>\$ 2,574,228</u>

Depreciation expense was charged to governmental activities as follows:

General	\$ 4,402
Public Safety	27,293
Public Works	31,930
Culture & Recreation	3,313
Total depreciation expenses	<u>\$ 66,938</u>

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	Beginning Balance 6/30/08	Increases	Decreases	Ending Balance 6/30/09
<b>Business-Type Activities</b>				
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				
Lakeshore Water System	1,053,962	0		1,053,962
Waste Water System	6,727,735	2,056,038	0	8,783,773
Equipment	7,000	0	0	7,000
Total Capital Assets, being Depreciated	7,788,697	2,056,038	0	9,844,735
Total Capital Assets at Historical Cost	7,839,598	2,056,038	0	9,895,636
<b>Less Accumulated Depreciation</b>				
Lakeshore Water System	406,947	21,079	0	428,026
Waste Water System	146,513	177,010	0	323,523
Equipment	2,304	582	0	2,886
Total Accumulated Depreciation	555,764	198,671	0	754,435
Capital Assets, net	\$ 7,283,834	\$ 1,857,367	\$ 0	\$ 9,141,201

Lakeshore Water contributed their water system to the City of Elephant Butte July, 2008. The cash balance transferred was \$280,197. The cost of the utility system was \$1,053,962 and accumulated depreciation on the system was \$406,947 for a net contribution of assets of \$927,212. The Capital Project Fund contributed an addition to the waste water system of \$2,056,038 net of \$749,575 loan used to construct the system. The net amount of the above contribution is \$2,233,675 as shown on the Proprietary Fund-Statement of Revenues, Expenditures and Changes in Fund Net Assets.

**NOTE F: LONG TERM DEBT**

Proprietary Funds

A summary of activity in the Long-Term Debt is as follows:

	Beginning Balance 6/30/08	Additions	Reductions	Ending Balance 6/30/09	Amounts Due Within One Year
Loans Payable					
NMFA-WTB 59	\$ 0	\$ 121,175	\$ 6,059	\$ 115,116	\$ 6,059
RIP 2006-02	0	500,000	0	500,000	18,608
NMFA-WTB 87	0	128,400	0	128,400	6,482
Total	\$ 0	\$ 749,575	\$ 6,059	\$ 743,516	\$ 31,149

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June 30, 2009

All activities of bonds and loans payable at June 30, 2009 are comprised of the following individual issues:

Description	Original Amount	Maturity Date	Interest Rate	Annual Payments	Collateral
NMFA-WTB 59	121,175	6/15/2027	0%	6,347	Utility Revenues
RIP 2006-02 NMFA-WTB 87	500,000	6/15/2028	3%	33,608	Utility Revenues
	128,400	6/1/2027	0%	6,797	Utility Revenues

The annual requirements to above loans as of June 30, 2009, including interest payments are as follows:

	Principal	Interest	Total
2010	\$ 31,149	\$ 15,603	\$ 46,752
2011	31,723	15,013	46,736
2012	32,314	14,407	46,721
2013	32,923	13,783	46,706
2014	33,549	13,142	46,691
2015-2019	177,803	55,425	233,228
2020-2025	196,459	36,390	232,849
2026-2029	205,171	14,446	219,617
	<u>\$ 741,091</u>	<u>\$ 178,209</u>	<u>\$ 919,300</u>

**NOTE G: PROPERTY TAXES**

The County collects the City's share of property taxes assessed. Property taxes attach an enforceable lien on property as of January 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 H: 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](http://www.pera.state.nm.us).



*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 total contributions to PERA for the fiscal years ending June 30, 2009, 2008 and 2007 were \$26,378.53, \$15,635.05 and \$9,093.88, respectively, which equal the amount of the required contributions for each fiscal year.

**NOTE I: 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 J: INTERFUND TRANSFERS**

Interfund transfers at the fiscal year end were as follows:

<u>Transfers Out</u>	<u>Transfers In</u>	
	Streets	Total
General	\$ 390,483	\$ 390,483
	<u>\$ 390,483</u>	<u>\$ 390,483</u>

A transfer from General Fund was made to Streets to provide local matches for construction projects.

**NOTE K: 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 L: RECEIVABLES**

Receivables at the fiscal year end were as follows:

Receivables	General	Non-Major Funds	Utility
Accounts Receivable	\$ 0	\$ 0	\$ 30,021
Gross Receipts Taxes	48,671	0	0
Property Taxes	2,103	0	0
Gasoline Taxes	0	3,617	0
Lodgers Tax	0	1,416	0
Other Taxes	85	43	0
	<u>\$ 50,859</u>	<u>\$ 5,076</u>	<u>\$ 30,021</u>

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 M: 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 N: 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

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, 2009

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
Federal Grant	\$ 13,600	\$ 13,600	\$ 13,600	\$ 0
State Grant	1,635,004	1,635,004	955,608	(679,396)
Loan Proceeds	749,575	749,575	749,575	0
Total Revenues	<u>2,398,179</u>	<u>2,398,179</u>	<u>1,718,783</u>	<u>(679,396)</u>
<b>Expenditures</b>				
Capital Outlay	<u>2,777,823</u>	<u>2,777,823</u>	<u>2,056,038</u>	<u>721,785</u>
Total Expenditures	<u>2,777,823</u>	<u>2,777,823</u>	<u>2,056,038</u>	<u>721,785</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(379,644)</u>	<u>(379,644)</u>	<u>(337,255)</u>	<u>42,389</u>
Cash Balance Beginning of Year	<u>379,644</u>	<u>379,644</u>	<u>379,644</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 42,389</u>	<u>\$ 42,389</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			<u>\$ (337,255)</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (337,255)</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)

**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, 2009

	Law Enforcement Protection Fund	Fire Fund	Correction Fund
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 7,080	\$ 52,043	\$ 14,833
Investments	0	0	0
Receivables			
Taxes	0	0	0
Total Assets	<u>\$ 7,080</u>	<u>\$ 52,043</u>	<u>\$ 14,833</u>
<b>LIABILITIES AND FUND BALANCE</b>			
Liabilities			
Accounts Payable	\$ 0	\$ 0	\$ 0
Total Liabilities	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance			
Unreserved Reported In:			
Special Revenue	<u>7,080</u>	<u>52,043</u>	<u>14,833</u>
Total Fund Balance	<u>7,080</u>	<u>52,043</u>	<u>14,833</u>
 Total Liabilities and Fund Balance	 <u>\$ 7,080</u>	 <u>\$ 52,043</u>	 <u>\$ 14,833</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, 2009

	Lodger Tax Fund	Recreation Fund	Community Center Fund
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 31,109	\$ 7,622	\$ 0
Investments	0	0	0
Receivables			
Taxes	1,417	42	0
Total Assets	<u>\$ 32,526</u>	<u>\$ 7,664</u>	<u>\$ 0</u>
<b>LIABILITIES AND FUND BALANCE</b>			
Liabilities			
Accounts Payable	\$ 0	\$ 0	\$ 0
Total Liabilities	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance			
Unreserved Reported In:			
Special Revenue	<u>32,526</u>	<u>7,664</u>	<u>0</u>
Total Fund Balance	<u>32,526</u>	<u>7,664</u>	<u>0</u>
Total Liabilities and Fund Balance	<u>\$ 32,526</u>	<u>\$ 7,664</u>	<u>\$ 0</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, 2009

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	<u>Total</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 112,687
Investments	0
Receivables	
Taxes	1,459
Total Assets	<u>\$ 114,146</u>
<b>LIABILITIES AND FUND BALANCE</b>	
Liabilities	
Accounts Payable	\$ 0
Total Liabilities	<u>0</u>
Fund Balance	
Unreserved Reported In:	
Special Revenue	114,146
Total Fund Balance	<u>114,146</u>
Total Liabilities and Fund Balance	<u>\$ 114,146</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, 2009

	Special Revenue Funds		
	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	60,579	0
Fees & Fines	0	0	360
Interest Income	0	792	0
Other	0	9,313	264
Total Revenues	<u>20,600</u>	<u>70,684</u>	<u>624</u>
Expenditures			
Current			
Public Safety	19,382	57,742	0
Public Works	0	0	0
Culture & Recreation	0	0	0
Capital Outlay	0	26,039	0
Debt Service			
Principal	0	0	0
Interest	0	0	0
Total Expenditures	<u>19,382</u>	<u>83,781</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	1,218	(13,097)	624
Fund Balances at Beginning of Year	<u>5,862</u>	<u>65,140</u>	<u>14,209</u>
Fund Balance End of Year	<u>\$ 7,080</u>	<u>\$ 52,043</u>	<u>\$ 14,833</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, 2009

	Special Revenue Funds		
	Lodger Tax Fund	Recreation Fund	Community Center Fund
Revenues			
Gross Receipts Taxes	\$ 0	\$ 0	\$ 0
Lodgers Taxes	28,126	0	0
Cigarette Taxes	0	3,374	0
State Grants	0	1,575	0
Fees & Fines	0	0	0
Interest Income	264	346	0
Other	0	34,569	0
Total Revenues	<u>28,390</u>	<u>39,864</u>	<u>0</u>
Expenditures			
Current			
Public Safety	0	0	0
Public Works	0	0	0
Culture & Recreation	25,380	35,441	7,417
Capital Outlay	0	0	0
Debt Service			
Principal	0	0	0
Interest	0	0	0
Total Expenditures	<u>25,380</u>	<u>35,441</u>	<u>7,417</u>
Excess (Deficiency) of Revenues Over Expenditures	3,010	4,423	(7,417)
Fund Balances at Beginning of Year	<u>29,516</u>	<u>3,241</u>	<u>7,417</u>
Fund Balance End of Year	<u>\$ 32,526</u>	<u>\$ 7,664</u>	<u>\$ 0</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, 2009

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	<u>Total</u>
Revenues	
Gross Receipts Taxes	\$ 0
Lodgers Taxes	28,126
Cigarette Taxes	3,374
State Grants	82,754
Fees & Fines	360
Interest Income	1,402
Other	44,146
Total Revenues	<u>160,162</u>
Expenditures	
Current	
Public Safety	77,124
Public Works	0
Culture & Recreation	68,238
Capital Outlay	26,039
Debt Service	
Principal	0
Interest	0
Total Expenditures	<u>171,401</u>
Excess (Deficiency) of Revenues Over Expenditures	(11,239)
Fund Balances at Beginning of Year	<u>125,385</u>
Fund Balance End of Year	<u>\$ 114,146</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, 2009

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
State Grants	\$ 20,600	\$ 20,600	\$ 20,600	\$ 0
Total Revenues	<u>20,600</u>	<u>20,600</u>	<u>20,600</u>	<u>0</u>
<b>Expenditures</b>				
<b>Public Safety</b>				
Operating Expenses	12,600	12,600	5,968	6,632
Capital Purchases	<u>18,115</u>	<u>18,115</u>	<u>17,667</u>	<u>448</u>
Total Expenditures	<u>30,715</u>	<u>30,715</u>	<u>23,635</u>	<u>7,080</u>
Excess (Deficiency) of Revenues Over Expenditures	(10,115)	(10,115)	(3,035)	7,080
Cash Balance Beginning of Year	<u>10,115</u>	<u>10,115</u>	<u>10,115</u>	<u>0</u>
Cash Balance End of Year	\$ <u>0</u>	\$ <u>0</u>	\$ <u>7,080</u>	\$ <u>7,080</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (3,035)	
Net change in Accounts Payable			<u>4,253</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			\$ <u>1,218</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, 2009

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
State Grants	\$ 70,488	\$ 70,488	\$ 60,579	\$ (9,909)
Interest Income	0	0	792	792
Miscellaneous	0	0	9,313	9,313
Total Revenues	<u>70,488</u>	<u>70,488</u>	<u>70,684</u>	<u>196</u>
<b>Expenditures</b>				
<b>Public Safety</b>				
Operating	17,800	17,800	15,698	2,102
Travel & Training	11,900	11,900	11,816	84
Insurance	10,000	10,000	10,000	0
Maintenance	21,800	21,800	22,636	(836)
Capital Outlay	44,000	44,000	26,039	17,961
Total Expenditures	<u>105,500</u>	<u>105,500</u>	<u>86,189</u>	<u>19,311</u>
Excess (Deficiency) of Revenues Over Expenditures	(35,012)	(35,012)	(15,505)	19,507
Cash Balance Beginning of Year	<u>67,548</u>	<u>67,548</u>	<u>67,548</u>	<u>0</u>
Cash Balance End of Year	\$ <u>32,536</u>	\$ <u>32,536</u>	\$ <u>52,043</u>	\$ <u>19,507</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (15,505)	
Net change in Accounts Payable			<u>2,408</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			\$ <u>(13,097)</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, 2009

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Correction Fees	\$ 2,000	\$ 2,000	\$ 360	\$ (1,640)
Other	<u>0</u>	<u>0</u>	<u>264</u>	<u>264</u>
Total Revenues	<u>2,000</u>	<u>2,000</u>	<u>624</u>	<u>(1,376)</u>
Expenditures				
Public Safety				
Housing Of Prisoners	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	2,000	2,000	624	(1,376)
Cash Balance Beginning of Year	<u>14,209</u>	<u>14,209</u>	<u>14,209</u>	<u>0</u>
Cash Balance End of Year	\$ <u>16,209</u>	\$ <u>16,209</u>	\$ <u>14,833</u>	\$ <u>(1,376)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ <u>624</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			\$ <u>624</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, 2009

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
Lodgers Tax	\$ 20,000	\$ 20,000	\$ 30,259	\$ 10,259
Interest Income	0	0	264	264
Total Revenues	<u>20,000</u>	<u>20,000</u>	<u>30,523</u>	<u>10,523</u>
<b>Expenditures</b>				
Culture & Recreation				
Operating Expenses	<u>29,000</u>	<u>29,000</u>	<u>25,380</u>	<u>3,620</u>
Total Expenditures	<u>29,000</u>	<u>29,000</u>	<u>25,380</u>	<u>3,620</u>
Excess (Deficiency) of Revenues Over Expenditures	(9,000)	(9,000)	5,143	14,143
Cash Balance Beginning of Year	<u>25,967</u>	<u>25,967</u>	<u>25,967</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 16,967</u>	<u>\$ 16,967</u>	<u>\$ 31,110</u>	<u>\$ 14,143</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 5,143	
Net change in Taxes Receivable			<u>(2,133)</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 3,010</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, 2009

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
Cigarette Taxes	\$ 2,700	\$ 2,700	\$ 3,448	\$ 748
Rent Income	0	0	2,979	2,979
Interest Income	0	0	346	346
State Grant	0	0	1,575	1,575
Miscellaneous	30,000	30,000	31,590	1,590
Total Revenues	<u>32,700</u>	<u>32,700</u>	<u>39,938</u>	<u>7,238</u>
<b>Expenditures</b>				
Culture & Recreation				
Operating Expenses	<u>35,501</u>	<u>35,501</u>	<u>35,501</u>	<u>0</u>
Total Expenditures	<u>35,501</u>	<u>35,501</u>	<u>35,501</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	(2,801)	(2,801)	4,437	7,238
Cash Balance Beginning of Year	<u>3,185</u>	<u>3,185</u>	<u>3,185</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 384</u>	<u>\$ 384</u>	<u>\$ 7,622</u>	<u>\$ 7,238</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 4,437	
Net change in Taxes Receivable			(74)	
Net change in Accounts Payable			60	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 4,423</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, 2009

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
Fees	\$ 0	\$ 0	\$ 0	\$ 0
Total Revenues	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<b>Expenditures</b>				
Culture & Recreation				
Operating Expenses	7,436	7,436	7,436	0
Total Expenditures	<u>7,436</u>	<u>7,436</u>	<u>7,436</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	(7,436)	(7,436)	(7,436)	0
Cash Balance Beginning of Year	<u>7,436</u>	<u>7,436</u>	<u>7,436</u>	<u>0</u>
Cash Balance End of Year	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>	\$ <u>0</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (7,436)	
Net change in Accounts Payable			19	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (7,417)</u>	

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

**ENTERPRISE FUNDS**

**Utility Fund**

To account for the provision of water and 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, 2009

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
Sales & Service	\$ 285,000	\$ 285,000	\$ 256,090	\$ (28,910)
Miscellaneous	0	0	446	446
Total Revenues	<u>285,000</u>	<u>285,000</u>	<u>256,536</u>	<u>(28,464)</u>
<b>Expenditures</b>				
<b>Operating Expenses</b>				
Personnel	69,769	69,769	51,498	18,271
Employee Benefits	22,444	22,444	11,189	11,255
Operating Expenses	205,722	205,722	170,209	35,513
Capital Outlay	160,000	160,000	0	160,000
<b>Debt Service</b>				
Principal	6,058	6,058	8,484	(2,426)
Total Expenditures	<u>463,993</u>	<u>463,993</u>	<u>241,380</u>	<u>222,613</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(178,993)</u>	<u>(178,993)</u>	<u>15,156</u>	<u>194,149</u>
<b>Other Financial Sources (Uses)</b>				
Contributed Capital	0	0	280,197	280,197
Cash Balance Beginning of Year	<u>179,540</u>	<u>179,540</u>	<u>179,540</u>	<u>0</u>
Cash Balance End of Year	\$ <u>547</u>	\$ <u>547</u>	\$ <u>474,893</u>	\$ <u>194,149</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 15,156	
Net change in Accounts Receivable			17,240	
Net change in Customer Deposits			1,742	
Net change in Utility System			3,110,000	
Net change in Accumulated Depreciation			(605,618)	
Contributed Capital			280,197	
Net change in Accounts Payables			(2,082)	
Net change in Current Portion Due			(31,149)	
Net change in Loans			(709,942)	
Change in Net Assets-GAAP Basis			<u>\$ 2,075,544</u>	

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

De'Aun Willoughby CPA, PC

Certified Public Accountant

P.O. Box 223 Melrose, NM 88124

(575) 253-4313

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, 2009, and have issued our report thereon dated August 31, 2009. 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 our audit, and accordingly, we do not express such an opinion. The results of our 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 09-1 and 09-2.

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

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*

August 31, 2009

**Prior Year Audit Findings**

There were no Prior year audit findings.

**Current Year Audit Findings**

**09-1 Preparation of Financial Statements**

**Condition**

The City's employees or management do not have the qualifications and training to apply GAAP in recording their financial transactions and preparing their financial statements.

**Criteria**

Statement on Accounting Standards (SAS) 112, Communication of Internal Control Related Matters Identified in an Audit, requires that management clearly accept responsibility for preparing all financial information and company's financial statements.

**Effect**

By preparing the financial statements, the auditors are auditing their own work product.

**Cause**

The City is so small, it cannot afford to hire personnel that have adequate qualifications and training to prepare the financial statements.

**Recommendation**

The City should hire someone with adequate qualifications and training to prepare the financial statements.

**Response**

Our City is so small and does not have sufficient funding to hire personnel to prepare the financial statements. We chose to receive a finding rather than spend additional funds hiring personnel capable of preparing our financial statements.

**09-2 Late Filing of Department of Labor Reports**

**Condition**

The City did not timely file the SUTA report with New Mexico Department of Workforce Solutions for the Quarter ending 3/31/09.

**Criteria**

According to the New Mexico Department of Workforce Solutions, all governmental agencies are required to file and pay unemployment taxes the reports and money is due by the 15th day following the quarter end..

**Effect**

The City is subject to taxes and penalties and interest.

**Cause**

The Clerk did not timely submit required form.

**Recommendation**

The Clerk should have a system set up to help detect if all reports are filed timely.

**Response**

The City did file the report late to the NM Department of Workforce Solutions and has set up a system to insure that these reports are filed timely.

**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 August 31, 2009. In attendance were Eunice Kent, Mayor, Alan Briley-City Manager, Mary Ann Dix-City Clerk and De'Aun Willoughby, CPA.