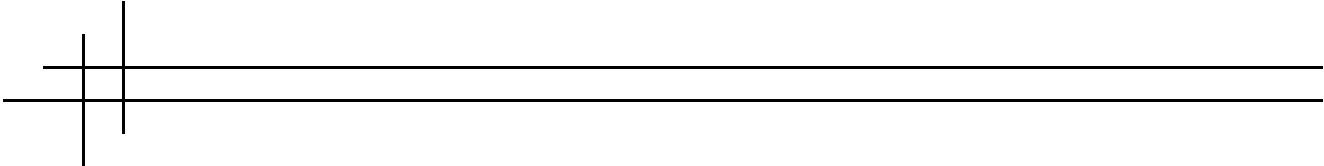




STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE

ANNUAL FINANCIAL REPORT
June 30, 2010

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, 2010

CITY COUNCIL

Eunice Kent	Mayor
Alan Brown	Councilor
Gerald LaFont	Councilor
Kim Skinner	Councilor
Sarah Stagner	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 and the budgetary comparisons for the general fund of CITY OF ELEPHANT BUTTE, (City), as of and for the year ended June 30, 2010, 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 and the budgetary comparisons for the major capital project fund and all nonmajor funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2010, 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, 2010, 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 of the City as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the major capital project fund and for 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 November 30, 2010, 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 *Government Auditing Standards* and should be considered in assessing the results of our audit.

The City has not presented the Management's Discussion and Analysis that the Governmental Accounting Standards Board has determined is necessary to supplement, although not required to be a part of, the basic financial statements and the combining and individual financial statements and budgetary comparisons presented as supplemental information.

Our audit was conducted for the purpose of forming opinions on the basic financial statements and the combining and individual fund financial statements. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is 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 taken as a whole.

De'Ann Willoughby CPA PC

November 30, 2010

FINANCIAL SECTION

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
 Government-Wide Statement of Net Assets
 June 30, 2010

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 670,366	\$ 43,865	\$ 714,231
Investments	649,722	500,000	1,149,722
Receivables	268,121	41,547	309,668
Total Current Assets	<u>1,588,209</u>	<u>585,412</u>	<u>2,173,621</u>
Noncurrent Assets			
Restricted Cash	0	32,156	32,156
Capital Assets	3,991,910	11,060,742	15,052,652
Less: Accumulated Depreciation	(626,599)	(957,838)	(1,584,437)
Total Noncurrent Assets	<u>3,365,311</u>	<u>10,135,060</u>	<u>13,500,371</u>
Total Assets	<u>4,953,520</u>	<u>10,720,472</u>	<u>15,673,992</u>
LIABILITIES			
Current Liabilities			
Accounts Payable	25,793	5,799	31,592
Accrued Salaries & Benefits	3,244	3,194	6,438
Accrued Interest	0	30,000	30,000
Compensated Absences	7,952	0	7,952
Current Portion of Long-Term Debt	0	70,351	70,351
Total Current Liabilities	<u>36,989</u>	<u>109,344</u>	<u>146,333</u>
Noncurrent Liabilities			
Customer Deposits	0	32,156	32,156
Long-Term Debt	0	1,652,141	1,652,141
Total Noncurrent Liabilities	<u>0</u>	<u>1,684,297</u>	<u>1,684,297</u>
Total Liabilities	<u>36,989</u>	<u>1,793,641</u>	<u>1,830,630</u>
NET ASSETS			
Invested in Capital Assets net of Related Debt Restricted for Capital Projects	3,365,311	8,380,412	11,745,723
Unrestricted	466,784	0	466,784
Total Net Assets	<u>1,084,436</u>	<u>546,419</u>	<u>1,630,855</u>
Total Net Assets	<u>\$ 4,916,531</u>	<u>\$ 8,926,831</u>	<u>\$ 13,843,362</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, 2010

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	\$ 378,684	\$ 0	\$ 143,547	\$ 0	\$ (235,137)	\$ 0	\$ (235,137)
Public Safety	169,578	17,239	93,975	0	(58,364)	0	(58,364)
Public Works	326,163	0	0	1,017,077	690,914	0	690,914
Public Health	17,186	0	0	0	(17,186)	0	(17,186)
Culture & Recreation	82,932	0	0	0	(82,932)	0	(82,932)
Total Governmental Activities	<u>\$ 974,543</u>	<u>\$ 17,239</u>	<u>\$ 237,522</u>	<u>\$ 1,017,077</u>	<u>297,295</u>	<u>0</u>	<u>314,481</u>
Business-type Activities	<u>\$ 519,224</u>	<u>\$ 371,341</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>0</u>	<u>(147,883)</u>	<u>(147,883)</u>
General Revenues							
Property Taxes					117,786	0	117,786
Gross Receipts Taxes					424,667	0	424,667
Gasoline Taxes					25,085		
Franchise Taxes					33,880	0	33,880
Motor Vehicle Taxes					15,244		
Lodgers Taxes					38,875	0	38,875
Other Taxes					2,843	0	2,843
Interest Income					966	268	1,234
Miscellaneous					53,821	0	53,821
Total General Revenues					<u>713,167</u>	<u>268</u>	<u>673,106</u>
Other Items							
Transfers					(78,410)	78,410	0
Contribution of Capital Assets					(91,815)	91,815	0
Change in Net Assets					840,237	22,610	862,847
Net Assets - beginning					<u>4,076,294</u>	<u>8,904,221</u>	<u>12,980,515</u>
Net Assets - ending					<u>\$ 4,916,531</u>	<u>\$ 8,926,831</u>	<u>\$ 13,843,362</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, 2010

	<u>General Fund</u>	<u>Capital Projects</u>	<u>Non-Major Governmental Funds</u>
ASSETS			
Cash and Cash Equivalents	\$ 113,388	\$ 8,375	\$ 548,603
Investments	399,722	250,000	0
Receivables (Net of Allowance for Uncollectibles if Applicable)			
Taxes	53,651	0	6,061
Due from Lending Agent	<u>0</u>	<u>208,409</u>	<u>0</u>
Total Assets	<u>\$ 566,761</u>	<u>\$ 466,784</u>	<u>\$ 554,664</u>
 LIABILITIES AND FUND BALANCE			
Liabilities			
Current Liabilities			
Accounts Payable	\$ 15,339	\$ 0	\$ 10,454
Accrued Salaries & Benefits	<u>3,244</u>	<u>0</u>	<u>0</u>
Total Liabilities	<u>18,583</u>	<u>0</u>	<u>10,454</u>
 Fund Balances			
Reserved			
Special Revenue Fund	0	0	544,210
Capital Projects	0	466,784	0
Unreserved Reported In			
General Fund	<u>548,178</u>	<u>0</u>	<u>0</u>
Total Fund Balances	<u>548,178</u>	<u>466,784</u>	<u>544,210</u>
 Total Liabilities and Fund Balances	 <u>\$ 566,761</u>	 <u>\$ 466,784</u>	 <u>\$ 554,664</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, 2010

	Total Governmental Funds
	<u> </u>
ASSETS	
Cash and Cash Equivalents	\$ 670,366
Investments	649,722
Receivables (Net of Allowance for Uncollectibles if Applicable)	
Taxes	59,712
Due from Lending Agent	208,409
Total Assets	<u>\$ 1,588,209</u>
LIABILITIES AND FUND BALANCE	
Liabilities	
Current Liabilities	
Accounts Payable	\$ 25,793
Accrued Salaries & Benefits	3,244
Total Liabilities	<u>29,037</u>
Fund Balances	
Reserved	
Special Revenue Fund	544,210
Capital Projects	466,784
Unreserved Reported In General Fund	548,178
Total Fund Balances	<u>1,559,172</u>
Total Liabilities and Fund Balances	<u>\$ 1,588,209</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, 2010

Total Fund Balance - Governmental Funds \$ 1,559,172

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

Capital assets used in governmental activities are not
 financial resources and therefore are not reported as assets
 in governmental funds.

	\$	3,991,910	
The cost of capital assets			
Accumulated depreciation is		<u>(626,599)</u>	3,365,311

Compensated absences are not due and payable in the
 current period and therefore are not reported as liabilities in
 the funds.

(7,952)

Total net assets - governmental activities \$ 4,916,531

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, 2010

	General Fund	Capital Projects	Non-Major Governmental Funds
Revenues			
Taxes			
Gross Receipts Taxes	\$ 424,667	\$ 0	\$ 0
Property Taxes	117,786	0	0
Franchise Taxes	33,880	0	0
Lodgers Taxes	0	0	38,875
Gasoline Taxes	0	0	25,085
Motor Vehicle Taxes	0	0	15,244
Cigarette Taxes	0	0	2,843
Federal Grants	0	701,693	0
State Grants	143,547	283,229	126,130
License, Fees and Fines	16,859	0	380
Interest Income	966	0	0
Other	25,420	0	28,401
Total Revenues	<u>763,125</u>	<u>984,922</u>	<u>236,958</u>
Expenditures			
Current			
General Government	366,330	0	0
Public Safety	39,501	0	102,784
Public Health	17,186	0	0
Public Works	197,647	0	85,895
Culture and Recreation	17,418	0	62,201
Capital Outlay	0	1,960,527	0
Total Expenditures	<u>638,082</u>	<u>1,960,527</u>	<u>250,880</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>125,043</u>	<u>(975,605)</u>	<u>(13,922)</u>
Other Financing Sources (Uses)			
Loan Proceeds	0	1,000,000	0
Transfers In	24,500	400,000	0
Transfers (Out)	(478,410)	0	(24,500)
Total Other Financing Sources (Uses)	<u>(453,910)</u>	<u>1,400,000</u>	<u>(24,500)</u>
Net Change in Fund Balance	(328,867)	424,395	(38,422)
Fund Balances at Beginning of Year	<u>877,045</u>	<u>42,389</u>	<u>582,632</u>
Fund Balance End of Year	<u>\$ 548,178</u>	<u>\$ 466,784</u>	<u>\$ 544,210</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, 2010

	<u>Total Governmental Funds</u>
Revenues	
Taxes	
Gross Receipts Taxes	\$ 424,667
Property Taxes	117,786
Franchise Taxes	33,880
Lodgers Taxes	38,875
Gasoline Taxes	25,085
Motor Vehicle Taxes	15,244
Cigarette Taxes	2,843
Federal Grants	701,693
State Grants	552,906
License, Fees and Fines	17,239
Interest Income	966
Other	53,821
Total Revenues	<u>1,985,005</u>
Expenditures	
Current	
General Government	366,330
Public Safety	142,285
Public Health	17,186
Public Works	283,542
Culture and Recreation	79,619
Capital Outlay	1,960,527
Total Expenditures	<u>2,849,489</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(864,484)</u>
Other Financing Sources (Uses)	
Loan Proceeds	1,000,000
Transfers In	424,500
Transfers (Out)	(502,910)
Total Other Financing Sources (Uses)	<u>921,590</u>
Net Change in Fund Balance	57,106
Fund Balances at Beginning of Year	<u>1,502,066</u>
Fund Balance End of Year	<u>\$ 1,559,172</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, 2010

Net Change in Fund Balance \$ 57,106

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.

Depreciation expense	\$	(77,629)	
Capital Outlays		<u>1,960,527</u>	1,882,898

Some expenses reported in the Statement of Activities, such as compensated absences, do not require the use of current financial resources and therefore are not reported as expenditures in governmental funds. (7,952)

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. (1,091,815)

Changes in Net Assets of Governmental Activities \$ 840,237

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, 2010

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Taxes				
Gross Receipts	\$ 399,000	\$ 399,000	\$ 423,936	\$ 24,936
Property	87,569	87,569	119,113	31,544
Franchise	26,000	26,000	30,508	4,508
Cigarette	0	0	0	0
License & Permits	10,000	10,000	14,698	4,698
Fines & Forfeitures	1,500	1,500	2,161	661
State Grants	115,000	115,000	143,547	28,547
Interest Income	15,000	15,000	966	(14,034)
Miscellaneous	1,000	1,000	25,406	24,406
Total Revenues	<u>655,069</u>	<u>655,069</u>	<u>760,335</u>	<u>105,266</u>
Expenditures				
Executive				
Personnel Services	9,127	9,127	9,125	2
Benefits	911	911	858	53
Operating Costs	13,900	13,900	15,596	(1,696)
Total Executive	<u>23,938</u>	<u>23,938</u>	<u>25,579</u>	<u>(1,641)</u>
Judicial				
Personnel Services	6,332	6,332	5,581	751
Benefits	1,266	1,266	1,013	253
Operating Costs	30,850	30,850	4,111	26,739
Total Judicial	<u>38,448</u>	<u>38,448</u>	<u>10,705</u>	<u>27,743</u>
Election				
Operating Costs	3,000	3,000	4,788	(1,788)
Total Election	<u>3,000</u>	<u>3,000</u>	<u>4,788</u>	<u>(1,788)</u>
Financial				
Personnel Services	149,284	149,284	144,402	4,882
Benefits	40,623	40,623	37,064	3,559
Operating Costs	132,872	132,872	142,476	(9,604)
Total Financial	<u>322,779</u>	<u>322,779</u>	<u>323,942</u>	<u>(1,163)</u>
Health & Welfare				
Operating Costs	9,000	9,000	17,186	(8,186)
Total Health & Welfare	<u>\$ 9,000</u>	<u>\$ 9,000</u>	<u>\$ 17,186</u>	<u>\$ (8,186)</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, 2010

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Planning and Zoning				
Personnel Services	\$ 30,091	\$ 30,091	\$ 28,132	\$ 1,959
Benefits	10,112	10,112	8,702	1,410
Operating Costs	47,780	47,780	29,752	18,028
Total Planning and Zoning	<u>87,983</u>	<u>87,983</u>	<u>66,586</u>	<u>21,397</u>
Public Safety				
Operating Costs	30,000	30,000	28,651	1,349
Total Public Safety	<u>30,000</u>	<u>30,000</u>	<u>28,651</u>	<u>1,349</u>
Streets				
Personnel Services	20,831	20,831	14,488	6,343
Operating Expenses	8,385	8,385	2,371	6,014
Capital Purchases	245,500	216,284	129,403	86,881
Total Streets	<u>274,716</u>	<u>245,500</u>	<u>146,262</u>	<u>99,238</u>
Culture & Recreation				
Operating Expenses	9,900	9,900	17,418	(7,518)
Total Culture & Recreation	<u>9,900</u>	<u>9,900</u>	<u>17,418</u>	<u>(7,518)</u>
Total Expenditures	<u>799,764</u>	<u>770,548</u>	<u>641,117</u>	<u>129,431</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(144,695)</u>	<u>(115,479)</u>	<u>119,218</u>	<u>234,697</u>
Other Financing Sources (Uses)				
Transfer In/(Out)	<u>(453,969)</u>	<u>(453,969)</u>	<u>(453,910)</u>	<u>(59)</u>
Total Financing Other Sources (Uses)	<u>(453,969)</u>	<u>(453,969)</u>	<u>(453,910)</u>	<u>(59)</u>
Net Change in Cash Balance	(598,664)	(569,448)	(334,692)	234,756
Cash Balance Beginning of Year	<u>847,802</u>	<u>847,802</u>	<u>847,802</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 249,138</u>	<u>\$ 278,354</u>	<u>\$ 513,110</u>	<u>\$ 234,756</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Net Change in Cash Balance			\$ (334,692)	
Net change in Taxes Receivable			2,792	
Net change in Accounts Payable			6,277	
Net change in Accrued Salaries & Benefits			(3,244)	
Net Change in Fund Balance			<u>\$ (328,867)</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, 2010

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 43,865
Investments	500,000
Receivables (net of allowance for uncollectible accounts)	
Accounts	41,547
Total Current Assets	<u>585,412</u>

Noncurrent Assets

Restricted Cash	32,156
Capital Assets	11,060,742
Less: Accumulated Depreciation	<u>(957,838)</u>
Total Noncurrent Assets	<u>10,135,060</u>

Total Assets	<u>10,720,472</u>
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LIABILITIES

Current Liabilities

Accounts Payable	5,799
Accrued Salaries	3,194
Accrued Interest	30,000
Current Portion of Long-Term Debt	<u>70,351</u>
Total Current Liabilities	<u>109,344</u>

Noncurrent Liabilities

Customer Deposits	32,156
Long-Term Debt	<u>1,652,141</u>
Total Noncurrent Liabilities	<u>1,684,297</u>

Total Liabilities	<u>1,793,641</u>
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NET ASSETS

Invested in Capital Assets net of Related Debt	8,380,412
Unrestricted	<u>546,419</u>
Total Net Assets	<u>\$ 8,926,831</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 Net Assets
 For the Year Ended June 30, 2010

Operating Revenues	
Sales & Service	\$ 371,341
Total Operating Revenues	<u>371,341</u>
Operating Expenses	
Operating Expenses	278,592
Depreciation	203,403
Total Operating Expenses	<u>481,995</u>
Operating Income	<u>(110,654)</u>
Nonoperating Revenue (Expenses)	
Interest Income	268
Interest Expense	<u>(37,229)</u>
Total Nonoperating Revenue (Expenses)	<u>(36,961)</u>
Other Items	
Transfer In	78,410
Contribution of Capital Assets	91,815
Total Other Items	<u>170,225</u>
Net Change in Net Assets	22,610
Total Net Assets - Beginning	<u>8,904,221</u>
Total Net Assets - Ending	<u>\$ 8,926,831</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, 2010

Cash Flows from Operating Activities	
Cash Received From Customers	\$ 390,084
Cash Paid to Suppliers and Employees	<u>(267,060)</u>
Net Cash Provided by Operating Activities	<u>123,024</u>
Cash Flows from Capital & Related Financing Activities	
Transfer In from General	78,410
Contribution of Capital Assets	91,815
Invested in Capital Assets	(1,165,105)
Loan Proceeds	1,000,000
Principal Paid	(18,600)
Interest Paid	<u>(37,229)</u>
Net Cash Provided by Capital & Related Financing Activities	<u>(50,709)</u>
Cash Flows from Investing Activities	
Interest Received	<u>268</u>
Net Cash Provided by Investing Activities	<u>268</u>
Net Increase (Decrease) in Cash	72,583
Cash, Beginning of the Year	<u>503,438</u>
Cash, Ending of the Year	<u>\$ 576,021</u>
Cash and Cash Equivalents	\$ 43,865
Investments	500,000
Restricted Cash	<u>32,156</u>
Total Cash and Cash Equivalents	<u>\$ 576,021</u>
Reconciliation of Net Income to Net Cash Provided by Operating Activities	
Operating Income (Loss)	\$ (110,654)
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities	
Depreciation	203,403
Change in Assets and Liabilities	
(Increase) Decrease in Accounts Receivable	(11,526)
Increase (Decrease) in Accounts Payable	3,254
Increase (Decrease) in Accrued Salaries	3,194
Increase (Decrease) in Accrued Interest	30,000
Increase (Decrease) in Customer Deposits	<u>5,353</u>
Net Cash Provided by Operating Activities	<u>\$ 123,024</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 generally 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.

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.

Proprietary Utility Fund - The fund is used to account for the provision of water and 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.

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: DEPOSITS 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> 6/30/10	<u>Reconciled</u> <u>Balance</u>	<u>Type</u>
Elephant Butte	\$ 44,436	\$ 42,483	Checking
TOTAL Deposited	44,436	<u>42,483</u>	
Less: FDIC Coverage	<u>(44,436)</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.

First Savings

<u>Name of Account</u>	<u>Bank Balance</u> 6/30/10	<u>Reconciled</u> <u>Balance</u>	<u>Type</u>
Elephant Butte	\$ 703,904	\$ 703,904	Checking
TOTAL Deposited	703,904	<u>703,904</u>	
Less: FDIC Coverage	<u>(250,000)</u>		
Uninsured Amount	453,904		
50% collateral requirement	226,952		
Pledged securities	862,782		
Over (Under) requirement	<u>\$ 635,830</u>		

The following securities are pledged:

<u>Description</u>	<u>CUSIP #</u>	<u>Market Value</u>	<u>Maturity Date</u>	<u>Location</u>
FHLMC	31282CA98	\$ 304,862	4/1/2020	Federal Reserve, Minneapolis
FNMA	31376KU80	557,920	9/1/2020	Federal Reserve, Minneapolis
		<u>\$ 862,782</u>		

Custodial Credit Risk-Deposits

<u>Depository Account</u>	<u>Bank</u> <u>Balance</u>
Insured	\$ 250,000
Collateralized:	
Collateral held by the pledging bank in City's name	498,340
Uninsured and uncollateralized	0
Total Deposits	<u>\$ 748,340</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.

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
 Notes to the Financial Statements
 June 30, 2010

New Mexico State Treasurer

Name of Account	Balance 6/30/10	Reconciled Balance	Type
City of Elephant Butte	\$ 1,149,722	\$ 1,149,722	Investment
TOTAL Deposited	<u>\$ 1,149,722</u>	<u>\$ 1,149,722</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. However, our portfolio is posted on the State Treasurer's website www.stonm.org and available for review by participants at any time.
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. As of June 30, 2010, the LGIP WAM is 50 days.
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 6/30/09	Increases	Decreases	Ending Balance 6/30/10
Governmental Activities				
Capital Assets, not being Depreciated				
Land	\$ 777,004	\$ 400,623	\$ 0	\$ 1,177,627
Construction in Progress	<u>0</u>	<u>1,091,815</u>	<u>1,091,815</u>	<u>0</u>
Total Capital Assets, not being Depreciated	<u>\$ 777,004</u>	<u>\$ 1,492,438</u>	<u>\$ 1,091,815</u>	<u>\$ 1,177,627</u>

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
Notes to the Financial Statements
June 30, 2010

Capital Assets, being Depreciated				
Infrastructure	\$ 1,214,355	\$ 384,898	\$ 0	\$ 1,599,253
Buildings & Improvements	469,741	83,190	0	552,931
Equipment	110,779	0	0	110,779
Vehicles	551,320	0	0	551,320
Total Capital Assets, being Depreciated	<u>2,346,195</u>	<u>468,088</u>	<u>0</u>	<u>2,814,283</u>
Total Capital Assets	<u>3,123,199</u>	<u>1,960,526</u>	<u>1,091,815</u>	<u>3,991,910</u>
Less Accumulated Depreciation				
Infrastructure	65,153	38,408	0	103,561
Buildings & Improvements	240,418	8,830	0	249,248
Equipment	35,710	7,253	0	42,963
Vehicles	207,688	23,139	0	230,827
Total Accumulated Depreciation	<u>548,969</u>	<u>77,630</u>	<u>0</u>	<u>626,599</u>
Capital Assets, net	<u>\$ 2,574,230</u>	<u>\$ 1,882,896</u>	<u>\$ 1,091,815</u>	<u>\$ 3,365,311</u>

Depreciation expense was charged to governmental activities as follows:

General	\$ 4,402
Public Safety	27,293
Public Works	42,621
Culture & Recreation	3,314
Total depreciation expenses	<u>\$ 77,630</u>

	Beginning Balance 6/30/09	Increases	Decreases	Ending Balance 6/30/10
Business-Type Activities				
Capital Assets not being Depreciated				
Land	\$ 50,901	\$ 0	\$ 0	\$ 50,901
Total Capital Assets not being Depreciated	<u>50,901</u>	<u>0</u>	<u>0</u>	<u>50,901</u>
Capital Assets, being Depreciated				
Other Capital Assets				
Lakeshore Water System	1,053,962	0		1,053,962
Waste Water System	8,783,774	1,091,815	0	9,875,589
Equipment	7,000	0	0	7,000
Vehicles	0	73,290	0	73,290
Total Capital Assets, being Depreciated	<u>9,844,736</u>	<u>1,165,105</u>	<u>0</u>	<u>11,009,841</u>
Total Capital Assets at Historical Cost	<u>\$ 9,895,637</u>	<u>\$ 1,165,105</u>	<u>\$ 0</u>	<u>\$ 11,060,742</u>

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
Notes to the Financial Statements
June 30, 2010

Less Accumulated Depreciation

Improvements	\$ 428,026	\$ 198,088	\$ 0	\$ 626,114
Equipment	323,523	583	0	324,106
Vehicles	2,886	4,732	0	7,618
Total Accumulated Depreciation	<u>754,435</u>	<u>203,403</u>	<u>0</u>	<u>957,838</u>
Capital Assets, net	\$ <u>9,141,202</u>	\$ <u>961,702</u>	\$ <u>0</u>	\$ <u>10,102,904</u>

NOTE F: LONG TERM DEBT

Proprietary Funds

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

	Beginning Balance 6/30/09	Additions	Reductions	Ending Balance 6/30/10	Amounts Due Within One Year
Loans Payable					
NMFA-WTB 59	\$ 115,116	\$ 0	\$ 12,117	\$ 102,999	\$ 6,059
RIP 2006-02	500,000	0	0	500,000	18,608
NMFA-WTB 87	125,975	0	6,482	119,493	6,498
RIP 2007-02	0	500,000	0	500,000	18,608
ARRA	0	500,000	0	500,000	20,578
Total	\$ <u>741,091</u>	\$ <u>1,000,000</u>	\$ <u>18,599</u>	\$ <u>1,722,492</u>	\$ <u>70,351</u>

All activities of bonds and loans payable at June 30, 2010 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	500,000	6/15/2028	3%	33,608	Utility Revenues
NMFA-WTB 87	128,400	6/1/2027	0%	6,797	Utility Revenues
RIP 2007-02	500,000	7/16/2030	3%	33,508	Utility Revenues
ARRA	\$ 500,000	6/1/2030	2%	\$ 28,400	Revenues

The annual requirements to above loans as of June 30, 2010, including interest payments are as follows:

	Principal	Interest	Total
2011	\$ 70,351	\$ 37,822	\$ 108,173
2012	71,895	36,384	108,279
2013	73,482	34,905	108,387
2014	75,110	33,386	108,496
2015	76,784	31,824	108,608
2016-2020	410,648	134,133	544,781
2021-2025	459,854	88,025	547,879
2026-2030	484,368	35,104	519,472
	\$ <u>1,722,492</u>	\$ <u>431,583</u>	\$ <u>2,154,075</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.

Funding Policy. Plan members are required to contribute 7% of the gross salary. The City is required to contribute 7% for all employee's 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, 2010, 2009 and 2008 were \$19,859.61 \$13,189.26, and \$7,817.53, respectively, which equal the amount of the required contributions for each fiscal year.

NOTE I: POST-EMPLOYMENT BENEFITS

The City does not participate in the State of New Mexico Retiree Health Care plan.

NOTE J: INTERFUND TRANSFERS

Interfund transfers at the fiscal year end were as follows:

	Transfers In		
	Capital Projects	General	Utility
General	\$ 400,000	\$ 0	\$ 78,410
Fire	0	24,500	0
	<u>\$ 400,000</u>	<u>\$ 24,500</u>	<u>\$ 78,410</u>

A transfer from General Fund to Capital Projects to cover match requirements. A transfer was made from Fire to General to reimburse the General Fund for expenditures made on behalf of the Fire Fund. A transfer was made to the Utility Fund from the General Fund to cover excess expenditures while the system is being built.

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	Capital Projects	Non-Major Funds	Utility
Accounts Receivable	\$ 0	\$ 0	\$ 0	\$ 41,547
Gross Receipts Taxes	49,403	0	0	0
Property Taxes	776	0	0	0
Franchise Taxes	3,373	0	0	0
Gasoline Taxes	0	0	1,895	0
Lodgers Tax	0	0	4,166	0
Other Taxes	99	0	0	0
Due from Lending Agency	0	208,409	0	0
	<u>\$ 53,651</u>	<u>\$ 208,409</u>	<u>\$ 6,061</u>	<u>\$ 41,547</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 \$26,000, 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, 2010

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Federal Grant	\$ 1,600,000	\$ 1,600,000	\$ 701,693	\$ (898,307)
State Grant	20,624	20,624	183,229	162,605
Loan Proceeds	984,898	984,898	891,591	(93,307)
Total Revenues	<u>2,605,522</u>	<u>2,605,522</u>	<u>1,776,513</u>	<u>(829,009)</u>
Expenditures				
Capital Outlay	<u>2,508,133</u>	<u>2,508,133</u>	<u>1,960,527</u>	<u>547,606</u>
Total Expenditures	<u>2,508,133</u>	<u>2,508,133</u>	<u>1,960,527</u>	<u>547,606</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>97,389</u>	<u>97,389</u>	<u>(184,014)</u>	<u>(281,403)</u>
Other Financing Sources (Uses)				
Transfer In/(Out)	<u>400,000</u>	<u>400,000</u>	<u>400,000</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>400,000</u>	<u>400,000</u>	<u>400,000</u>	<u>0</u>
Net Change in Cash Balance	497,389	497,389	215,986	(281,403)
Cash Balance Beginning of Year	<u>42,389</u>	<u>42,389</u>	<u>42,389</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 539,778</u>	<u>\$ 539,778</u>	<u>\$ 258,375</u>	<u>\$ (281,403)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 215,986	
Net Change in Due Lending Agent			208,409	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 424,395</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 City 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.

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.

Recreation Fund

To account for the operation and maintenance of the City'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)

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
NONMAJOR GOVERNMENTAL FUNDS
Combining Balance Sheet
June 30, 2010

	Special Revenue Funds		
	Law Enforcement Protection Fund	Fire Fund	Correction Fund
ASSETS			
Cash and Cash Equivalents	\$ 3,952	\$ 45,715	\$ 15,236
Receivables			
Taxes	0	0	0
Total Assets	<u>\$ 3,952</u>	<u>\$ 45,715</u>	<u>\$ 15,236</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts Payable	\$ 993	\$ 9,461	\$ 0
Total Liabilities	<u>993</u>	<u>9,461</u>	<u>0</u>
Fund Balance			
Reserved			
Special Revenue	2,959	36,254	15,236
Total Fund Balance	<u>2,959</u>	<u>36,254</u>	<u>15,236</u>
 Total Liabilities and Fund Balance	 <u>\$ 3,952</u>	 <u>\$ 45,715</u>	 <u>\$ 15,236</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, 2010

	Special Revenue Funds		
	Lodgers Tax Fund	Municipal Street Fund	Recreation Fund
ASSETS			
Cash and Cash Equivalents	\$ 30,415	\$ 453,248	\$ 37
Receivables			
Taxes	4,166	1,895	0
Total Assets	<u>\$ 34,581</u>	<u>\$ 455,143</u>	<u>\$ 37</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts Payable	\$ 0	\$ 0	\$ 0
Total Liabilities	<u>0</u>	<u>0</u>	<u>0</u>
Fund Balance			
Reserved			
Special Revenue	34,581	455,143	37
Total Fund Balance	<u>34,581</u>	<u>455,143</u>	<u>37</u>
 Total Liabilities and Fund Balance	 <u>\$ 34,581</u>	 <u>\$ 455,143</u>	 <u>\$ 37</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, 2010

	<u>Total</u>
ASSETS	
Cash and Cash Equivalents	\$ 548,603
Receivables	
Taxes	6,061
Total Assets	<u>\$ 554,664</u>
LIABILITIES AND FUND BALANCE	
Liabilities	
Accounts Payable	\$ 10,454
Total Liabilities	<u>10,454</u>
Fund Balance	
Reserved	
Special Revenue	544,210
Total Fund Balance	<u>544,210</u>
Total Liabilities and Fund Balance	<u>\$ 554,664</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, 2010

	Special Revenue Funds		
	Law Enforcement Protection Fund	Fire Fund	Correction Fund
Revenues			
Lodgers Taxes	\$ 0	\$ 0	\$ 0
Gasoline Taxes	0	0	0
Motor Vehicle Taxes	0	0	0
Cigarette Taxes	0	0	0
State Grants	20,600	73,375	0
Fees & Fines	0	0	380
Other	5,043	8,356	23
Total Revenues	<u>25,643</u>	<u>81,731</u>	<u>403</u>
Expenditures			
Current			
Public Safety	29,764	73,020	0
Public Works	0	0	0
Culture & Recreation	0	0	0
Total Expenditures	<u>29,764</u>	<u>73,020</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(4,121)</u>	<u>8,711</u>	<u>403</u>
Other Financing Sources (Uses)			
Transfers In/Out	0	(24,500)	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>(24,500)</u>	<u>0</u>
Net Change in Fund Balance	(4,121)	(15,789)	403
Fund Balances at Beginning of Year	<u>7,080</u>	<u>52,043</u>	<u>14,833</u>
Fund Balance End of Year	<u>\$ 2,959</u>	<u>\$ 36,254</u>	<u>\$ 15,236</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, 2010

	Special Revenue Funds		
	Lodgers Tax Fund	Municipal Street Fund	Recreation Fund
Revenues			
Lodgers Taxes	\$ 38,875	\$ 0	\$ 0
Gasoline Taxes	0	25,085	0
Motor Vehicle Taxes	0	15,244	0
Cigarette Taxes	0	0	2,843
State Grants	0	32,155	0
Fees & Fines	0	0	0
Other	23	68	14,888
Total Revenues	<u>38,898</u>	<u>72,552</u>	<u>17,731</u>
Expenditures			
Current			
Public Safety	0	0	0
Public Works	0	85,895	0
Culture & Recreation	36,843	0	25,358
Total Expenditures	<u>36,843</u>	<u>85,895</u>	<u>25,358</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>2,055</u>	<u>(13,343)</u>	<u>(7,627)</u>
Other Financing Sources (Uses)			
Transfers In/Out	0	0	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balance	2,055	(13,343)	(7,627)
Fund Balances at Beginning of Year	<u>32,526</u>	<u>468,486</u>	<u>7,664</u>
Fund Balance End of Year	<u>\$ 34,581</u>	<u>\$ 455,143</u>	<u>\$ 37</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, 2010

	<u>Total</u>
Revenues	
Lodgers Taxes	\$ 38,875
Gasoline Taxes	25,085
Motor Vehicle Taxes	15,244
Cigarette Taxes	2,843
State Grants	126,130
Fees & Fines	380
Other	28,401
Total Revenues	<u>236,958</u>
Expenditures	
Current	
Public Safety	102,784
Public Works	85,895
Culture & Recreation	62,201
Total Expenditures	<u>250,880</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(13,922)</u>
Other Financing Sources (Uses)	
Transfers In/Out	<u>(24,500)</u>
Total Other Financing Sources (Uses)	<u>(24,500)</u>
Net Change in Fund Balance	(38,422)
Fund Balances at Beginning of Year	<u>582,632</u>
Fund Balance End of Year	<u>\$ 544,210</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, 2010

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
State Grants	\$ 20,600	\$ 20,600	\$ 20,600	\$ 0
Other	0	0	5,043	5,043
Total Revenues	<u>20,600</u>	<u>20,600</u>	<u>25,643</u>	<u>5,043</u>
Expenditures				
Public Safety				
Operating Expenses	<u>27,680</u>	<u>28,771</u>	<u>28,771</u>	<u>0</u>
Total Expenditures	<u>27,680</u>	<u>28,771</u>	<u>28,771</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	(7,080)	(8,171)	(3,128)	5,043
Cash Balance Beginning of Year	<u>7,080</u>	<u>7,080</u>	<u>7,080</u>	<u>0</u>
Cash Balance End of Year	\$ <u>0</u>	\$ <u>(1,091)</u>	\$ <u>3,952</u>	\$ <u>5,043</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (3,128)	
Net Change in Accounts Payable			<u>(993)</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			\$ <u>(4,121)</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, 2010

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
State Grants	\$ 55,501	\$ 55,501	\$ 73,375	\$ 17,874
Other	25,500	32,500	8,356	(24,144)
Total Revenues	<u>81,001</u>	<u>88,001</u>	<u>81,731</u>	<u>(6,270)</u>
Expenditures				
Public Safety				
Operating	91,136	98,136	63,559	34,577
Total Expenditures	<u>91,136</u>	<u>98,136</u>	<u>63,559</u>	<u>34,577</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(10,135)</u>	<u>(10,135)</u>	<u>18,172</u>	<u>(40,847)</u>
Other Financing Sources (Uses)				
Transfer In/(Out)	(24,500)	(24,500)	(24,500)	0
Total Other Financing Sources (Uses)	<u>(24,500)</u>	<u>(24,500)</u>	<u>(24,500)</u>	<u>0</u>
Net Change in Cash Balance	(34,635)	(34,635)	(6,328)	28,307
Cash Balance Beginning of Year	<u>52,043</u>	<u>52,043</u>	<u>52,043</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 17,408</u>	<u>\$ 17,408</u>	<u>\$ 45,715</u>	<u>\$ 28,307</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (6,328)	
Net change in Accounts Payable			(9,461)	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (15,789)</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, 2010

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Correction Fees	\$ 2,000	\$ 2,000	\$ 380	\$ (1,620)
Other	100	100	23	(77)
Total Revenues	<u>2,100</u>	<u>2,100</u>	<u>403</u>	<u>(1,697)</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	2,100	2,100	403	(1,697)
Cash Balance Beginning of Year	<u>14,833</u>	<u>14,833</u>	<u>14,833</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 16,933</u>	<u>\$ 16,933</u>	<u>\$ 15,236</u>	<u>\$ (1,697)</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			<u>\$ 403</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 403</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, 2010

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Lodgers Tax	\$ 28,000	\$ 28,000	\$ 36,125	\$ 8,125
Other	250	250	23	(227)
Total Revenues	<u>28,250</u>	<u>28,250</u>	<u>36,148</u>	<u>7,898</u>
Expenditures				
Culture & Recreation				
Operating Expenses	<u>35,230</u>	<u>36,843</u>	<u>36,843</u>	<u>0</u>
Total Expenditures	<u>35,230</u>	<u>36,843</u>	<u>36,843</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	(6,980)	(8,593)	(695)	7,898
Cash Balance Beginning of Year	<u>31,110</u>	<u>31,110</u>	<u>31,110</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 24,130</u>	<u>\$ 22,517</u>	<u>\$ 30,415</u>	<u>\$ 7,898</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (695)	
Net Change in Taxes Receivable			<u>2,750</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 2,055</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, 2010

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Gasoline Taxes	\$ 28,000	\$ 28,000	\$ 26,806	\$ (1,194)
State Grant	0	0	32,155	32,155
Fees & Fines	5,000	5,000	15,244	10,244
Other	91,200	91,200	68	(91,132)
Total Revenues	<u>124,200</u>	<u>124,200</u>	<u>74,273</u>	<u>(49,927)</u>
Expenditures				
Public Works				
Operating Expenses	<u>576,000</u>	<u>576,000</u>	<u>85,895</u>	<u>490,105</u>
Total Expenditures	<u>576,000</u>	<u>576,000</u>	<u>85,895</u>	<u>490,105</u>
Excess (Deficiency) of Revenues Over Expenditures	(451,800)	(451,800)	(11,622)	440,178
Cash Balance Beginning of Year	<u>464,870</u>	<u>464,870</u>	<u>464,870</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 13,070</u>	<u>\$ 13,070</u>	<u>\$ 453,248</u>	<u>\$ 440,178</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (11,622)	
Net Change in Taxes Receivable			<u>(1,721)</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (13,343)</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, 2010

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Cigarette Taxes	\$ 3,800	\$ 2,800	\$ 2,886	\$ 86
Other	15,000	16,000	14,888	(1,112)
Total Revenues	<u>18,800</u>	<u>18,800</u>	<u>17,774</u>	<u>(1,026)</u>
Expenditures				
Culture & Recreation				
Operating Expenses	<u>26,422</u>	<u>26,422</u>	<u>25,359</u>	<u>1,063</u>
Total Expenditures	<u>26,422</u>	<u>26,422</u>	<u>25,359</u>	<u>1,063</u>
Excess (Deficiency) of Revenues Over Expenditures	(7,622)	(7,622)	(7,585)	37
Cash Balance Beginning of Year	<u>7,622</u>	<u>7,622</u>	<u>7,622</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 37</u>	<u>\$ 37</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (7,585)	
Net change in Taxes Receivable			<u>(42)</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (7,627)</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, 2010

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Water				
Charge for Services	\$ 139,445	\$ 139,445	\$ 144,691	\$ 5,246
Interest Income	100	100	23	(77)
Miscellaneous	125,000	125,000	40,238	(84,762)
Total Water	<u>264,545</u>	<u>264,545</u>	<u>184,952</u>	<u>(79,593)</u>
Waste Water				
Charge for Services	170,226	170,226	180,180	9,954
Interest Income	200	2,000	245	(1,755)
Miscellaneous	0	0	60	60
Total Waste Water	<u>170,426</u>	<u>172,226</u>	<u>180,485</u>	<u>8,259</u>
Total Revenues	<u>434,971</u>	<u>436,771</u>	<u>365,437</u>	<u>(71,334)</u>
Expenditures				
Water				
Operating Expenses				
Personnel	43,497	43,497	35,913	7,584
Employee Benefits	14,573	14,573	11,972	2,601
Operating Expenses	142,698	142,698	65,875	76,823
Capital Outlay	235,700	235,700	36,282	199,418
Total Water	<u>436,468</u>	<u>436,468</u>	<u>150,042</u>	<u>286,426</u>
Waste Water				
Operating Expenses				
Personnel	52,092	52,092	54,821	(2,729)
Employee Benefits	16,010	16,010	15,798	212
Operating Expenses	115,806	115,806	86,520	29,286
Capital Outlay	80,069	80,069	37,008	43,061
Debt Service				
Principal	20,000	20,000	18,600	1,400
Interest	0	0	8,475	(8,475)
Total Waste Water	<u>283,977</u>	<u>283,977</u>	<u>221,222</u>	<u>62,755</u>
Total Expenditures	<u>720,445</u>	<u>720,445</u>	<u>371,264</u>	<u>349,181</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(285,474)</u>	<u>(283,674)</u>	<u>(5,827)</u>	<u>(420,515)</u>
Other Financing Sources (Uses)				
Transfer In/(Out)	0	0	78,410	(78,410)
Total Other Financing Sources (Uses)	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 78,410</u>	<u>\$ (78,410)</u>

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, 2010

Net Change in Cash Balance	\$	(285,474)	\$	(283,674)	\$	72,583	\$	356,257
Cash Balance Beginning of Year		<u>503,438</u>		<u>503,438</u>		<u>503,438</u>		<u>0</u>
Cash Balance End of Year	\$	<u>217,964</u>	\$	<u>219,764</u>	\$	<u>576,021</u>	\$	<u>356,257</u>

Reconciliation of Budgetary Basis to GAAP Basis

Net Change in Cash Balance	\$	72,583
Net change in Accounts Receivable		11,526
Capital Purchases		165,105
Depreciation		(203,403)
Principal Paid		18,600
Net change in Accounts Payables		(3,254)
Net change in Accrued Salaries		(3,194)
Net change in Accrued Interest		(30,000)
Net change in Customer Deposits		<u>(5,353)</u>
Change in Net Assets-GAAP Basis	\$	<u>22,610</u>

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

FEDERAL COMPLIANCE

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
 Schedule of Expenditures of Federal Awards
 For the Year Ended June 30, 2010

Federal Agency/Pass Through Grantor/Program Title	Federal CFDA Number	State ID Number	Total Federal Awards Expended
Pass through New Mexico Environmental Protection Agency			
Construction Grants for Wastewater Treatment Works, Recovery Act	66.418	ECO-1146(8)02	\$ 618,503
Loan Proceeds	66.418	ECO-1146(8)02	500,000
			<u>1,118,503</u>
Department of Commerce			
National Institute of Standards and Technology Construction Grant Program	11.618		83,190
Total Federal Assistance			<u>\$ 1,201,693</u>

See accompanying notes to the Schedule of Expenditures of Federal Awards

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE

Notes to the Schedule of Expenditures of Federal Awards
June 30, 2010

Note 1: Significant Accounting Policies used in preparing the Schedule of Expenditure of Federal Awards

The modified accrual basis was used to prepare the Schedule of Expenditures of Federal Awards

Note 2: Insurance Requirements

There are no insurance requirements on the federal awards disclosed on the Schedule of Expenditures of Federal Awards

Note 3: Loans or Loan Guarantees

There was a loan outstanding at year end.

De'Aun Willoughby CPA, PC

Certified Public Accountant

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

Mr. Hector 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, the aggregate remaining fund information, the budgetary comparisons for the general fund and capital outlay fund, and the combining and individual funds and related budgetary comparisons presented as supplemental information of CITY OF ELEPHANT BUTTE, (City), as of and for the year ended June 30, 2010, and have issued our report thereon dated November 30, 2010. 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 auditing 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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A material weakness is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs to be material weaknesses listed as 09-1, 10-1 and 10-2.

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 it's 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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

The City's responses to the findings identified in our audit as described in the accompanying schedule of findings and questioned cost. 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 board members, the Office of the State Auditor, the New Mexico Department of Finance and Administration, the New Mexico State Legislature and federal grantors and is not intended to be and should not be used by anyone other than these specified parties.

De'Ann Willoughby, CPA PC

November 30, 2010

Report on Compliance with Requirements
Applicable to Each Major Program and Internal Control
Over Compliance in Accordance With OMB Circular A-133

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

Mr. Balderas and Members of the Board

Compliance

We have audited CITY OF ELEPHANT BUTTE (City) compliance with the types of compliance requirements described in the OMB A-133 Compliance Supplement that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2010. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the City's compliance with those requirements.

In our opinion, the City, complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2010.

Internal Control Over Compliance

Management of the City, is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A material weakness in internal control over compliance is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

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

This report is intended solely for the information and use of management, the board members, the Office of the State Auditor, the New Mexico Department of Finance and Administration, the New Mexico State Legislature and federal grantors and is not intended to be and should not be used by anyone other than these specified parties.

De'Ann Willoughby CPA PC

November 30, 2010

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2010

A. SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditor's report issued: unqualified

Internal control over financial reporting

- * Significant deficiencies __ yes X no
- * Material weaknesses X yes __ none reported
- Noncompliance material to financial statements noted? __ yes X no

Federal Awards

Internal control over major programs:

- * Significant deficiencies __ yes X no
- * Significant deficiencies(s) identified that are not considered to be material weaknesses? __ yes X none reported

Type of auditor's report issued on compliance for major programs: unqualified

Any audit findings disclosed that are required to be reported in accordance with section 510(a) of Circular A-133 __ yes X no

Identification of major programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program of Cluster</u>
66.418	Construction Grants for Wastewater Treatment Works, Recovery Act

Dollar threshold used to distinguish between type A and type B programs: \$ 300,000

Auditee qualified as low risk Auditee __ yes X no

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
 Schedule of Findings and Questioned Costs
 For the Year Ended June 30, 2010

Prior Year Audit Findings		<u>Status</u>
09-1	Preparation of Financial Statements	Repeated
09-2	Late Filing of Department of Labor Reports	Resolved

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.

10-1 Cash Appropriations in Excess of Available Cash Balances

Condition

The City maintained a deficit budget in excess of available cash balance in the Law Enforcement Fund of \$(1,091).

Criteria

Section 2.2.210. (P) (1), NMAC, requires all City funds, with the exception of agency funds, to be budgeted by the local governing body and submitted to the DFA for approval. Cash balances re-budgeted to make up the deficit budgeted revenues that do not cover the budgeted expenditures, cannot exceed the actual cash balance available at the end of the prior year.

Effect

The City will be required to supplement this budget deficit in this fund with cash reserves from other funds. This supplement may lead to financial difficulties and deplete the budget in other funds.

Cause

The City lacks a proper procedure to ensure that sufficient beginning cash balances exist to absorb budget deficits later in the fiscal year.

Recommendation

The City should review the budget for future years to insure that all funds have adequate budget authority for budgeted expenditures. Greater attention should be given to the budget monitoring process and the end of the year cash balance estimates.

Response

The City has implemented a policy whereby they will review and compare the June 30th reconciled cash balances in each fund to ensure that budgeted cash balances are sufficient for the fund's purposes. If this review reveals a that there is not sufficient cash to balance the budget, budget amendments will be made.

10-2 Late Audit Report

Condition

The June 30, 2010 audit report was submitted to the Office of the New Mexico State Auditor after the December 1, 2010 deadline.

Criteria

City's audits are to be submitted to the State Auditor by December 1 as required by NMAC 2.2.2.9A (1) (d).

Effect

Those relying on the financial statements including but not limited to the NM Department of Finance and Administration (DFA) and Local Government Division (LGD) did not have audited financial statements to facilitate their oversight function.

Cause

The Auditor submitted the report before the due date of December 1st. A rejection fax was received after the December 1st deadline making the audit report late.

Recommendation

The City should contract with an auditor that will perform and submit the audit reports timely.

Response

We will ask the auditor to submit our audit earlier so required changes to not make our audit late.

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 November 30, 2010. In attendance were Eunice Kent, Mayor, Alan Briley-City Manager, Mary Ann Dix-City Clerk and De'Aun Willoughby, CPA.