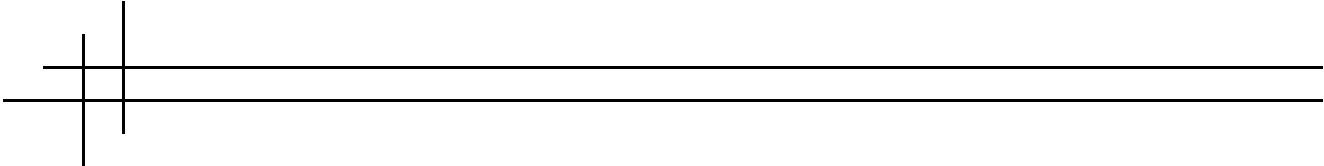




STATE OF NEW MEXICO  
**CITY OF ELEPHANT BUTTE**

**ANNUAL FINANCIAL REPORT**  
June 30, 2011

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



	<u>Page</u>
Official Roster.....	4
Independent Auditor's Report.....	5-6

**FINANCIAL SECTION**

Basic Financial Statements

Government Wide Financial Statements

Statement of Net Assets.....	8
Statement of Activities.....	9

Fund Financial Statements

Government Funds - Balance Sheet.....	10-11
Reconciliation of the Governmental Funds Balance Sheet to the Statement of Net Assets.....	12
Statement of Revenues, Expenditures, and Changes in Fund Balances.....	13-14
Reconciliation of Governmental Funds Statement of Revenues, Expenditures, and Changes in Fund Balance to the Statement of Activities.....	15

**MAJOR FUND**

**General Fund**

Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget and Actual (Budgetary Basis).....	16-17
--	-------

**Proprietary Funds**

Statement of Net Assets.....	18
Statement of Revenues, Expenses and Changes in Net Assets.....	19
Statement of Cash Flows.....	20

Notes to Financial Statements.....	21-31
------------------------------------	-------

**SUPPLEMENTARY INFORMATION RELATED TO MAJOR FUNDS**

**Capital Project Fund**

Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget and Actual (Budgetary Basis).....	33
--	----

	<u>Page</u>
<b>SUPPLEMENTARY INFORMATION RELATED TO NON MAJOR FUNDS</b>	
Combining Non-Major Governmental Funds	
Combining Balance Sheet - by Fund Type.....	36-38
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - by Fund Type.....	39-41
<b>Law Enforcement Protection Fund</b>	
Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget and Actual (Budgetary Basis).....	42
<b>Fire Fund</b>	
Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget and Actual (Budgetary Basis).....	43
<b>Correction Fund</b>	
Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget and Actual (Budgetary Basis).....	44
<b>Lodger Tax Fund</b>	
Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget and Actual (Budgetary Basis).....	45
<b>Municipal Streets Fund</b>	
Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget and Actual (Budgetary Basis).....	46
<b>Recreation Fund</b>	
Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget and Actual (Budgetary Basis).....	47
<b>Utility Fund</b>	
Statement of Revenues, Expenditures, and Changes in Cash Balance - Budget and Actual (Budgetary Basis).....	49-50
<b>FEDERAL COMPLIANCE</b>	
Schedule of Expenditures of Federal Awards.....	52
Notes to the Schedule of Expenditures of Federal Awards.....	53
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed In Accordance with <i>Government Auditing Standards</i> .....	54-55
Report on Compliance with Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance With OMB Circular A-133.....	56-57
Schedule of Findings and Questioned Costs.....	58-61

STATE OF NEW MEXICO  
**CITY OF ELEPHANT BUTTE**  
Official Roster  
June 30, 2011

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**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, 2011, 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, 2011, 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, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund of the City as of June 30, 2011, 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 October 24, 2011, 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

October 24, 2011

## **FINANCIAL SECTION**

STATE OF NEW MEXICO  
**CITY OF ELEPHANT BUTTE**  
 Government-Wide Statement of Net Assets  
 June 30, 2011

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Current Assets			
Cash and Cash Equivalents	\$ 155,517	\$ 530,407	\$ 685,924
Investments	1,152,324	0	1,152,324
Receivables	46,690	52,079	98,769
Total Current Assets	<u>1,354,531</u>	<u>582,486</u>	<u>1,937,017</u>
Noncurrent Assets			
Restricted Cash	0	68,454	68,454
Capital Assets	3,991,910	12,890,962	16,882,872
Less: Accumulated Depreciation	(705,338)	(1,161,241)	(1,866,579)
Total Noncurrent Assets	<u>3,286,572</u>	<u>11,798,175</u>	<u>15,084,747</u>
Total Assets	<u>4,641,103</u>	<u>12,380,661</u>	<u>17,021,764</u>
<b>LIABILITIES</b>			
Current Liabilities			
Accounts Payable	36,048	9,700	45,748
Accrued Salaries & Benefits	4,838	2,418	7,256
Accrued Interest	0	28,884	28,884
Current Portion of Long-Term Debt	0	70,493	70,493
Total Current Liabilities	<u>40,886</u>	<u>111,495</u>	<u>152,381</u>
Noncurrent Liabilities			
Compensated Absences	9,681	0	9,681
Customer Deposits	0	42,606	42,606
Long-Term Debt	0	1,568,840	1,568,840
Total Noncurrent Liabilities	<u>9,681</u>	<u>1,611,446</u>	<u>1,621,127</u>
Total Liabilities	<u>50,567</u>	<u>1,722,941</u>	<u>1,773,508</u>
<b>NET ASSETS</b>			
Invested in Capital Assets net of Related Debt Restricted for Capital Projects	3,286,572	10,090,388	13,376,960
Unrestricted	246,269	0	246,269
	1,057,695	567,332	1,625,027
Total Net Assets	<u>\$ 4,590,536</u>	<u>\$ 10,657,720</u>	<u>\$ 15,248,256</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, 2011

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
<b>Governmental Activities</b>							
General Government	\$ 402,597	\$ 0	\$ 171,717	\$ 0	\$ (230,880)	\$ 0	\$ (230,880)
Public Safety	101,949	15,911	99,122	0	13,084	0	13,084
Public Works	434,069	0	0	1,554,375	1,120,306	0	1,120,306
Public Health	32,999	0	0	0	(32,999)	0	(32,999)
Culture & Recreation	69,974	34,661	4,440	0	(30,873)	0	(30,873)
Total Governmental Activities	<u>\$ 1,041,588</u>	<u>\$ 50,572</u>	<u>\$ 275,279</u>	<u>\$ 1,554,375</u>	<u>838,638</u>	<u>0</u>	<u>838,638</u>
<b>Business-type Activities</b>							
Water	217,692	171,818	0	0	0	(45,874)	(45,874)
Waste Water	386,207	279,342	0	0	0	(106,865)	(106,865)
Total Business-type Activities	<u>\$ 603,899</u>	<u>\$ 451,160</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>0</u>	<u>(152,739)</u>	<u>(152,739)</u>
<b>General Revenues</b>							
Property Taxes					120,147	0	120,147
Gross Receipts Taxes					473,864	0	473,864
Gasoline Taxes					23,604	0	23,604
Franchise Taxes					30,570	0	30,570
Motor Vehicle Taxes					16,720	0	16,720
Lodgers Taxes					33,412	0	33,412
Interest Income					1,440	52	1,492
Miscellaneous					19,186	0	19,186
Total General Revenues					<u>718,943</u>	<u>52</u>	<u>718,995</u>
<b>Other Items</b>							
Transfers					(107,356)	107,356	0
Contribution of Capital Assets					<u>(1,776,220)</u>	<u>1,776,220</u>	<u>0</u>
Change in Net Assets					(325,995)	1,730,889	1,404,894
Net Assets - beginning					<u>4,916,531</u>	<u>8,926,831</u>	<u>13,843,362</u>
Net Assets - ending					<u>\$ 4,590,536</u>	<u>\$ 10,657,720</u>	<u>\$ 15,248,256</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, 2011

	General Fund	Capital Projects	Non-Major Governmental Funds
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 8,026	\$ 6,269	\$ 141,222
Investments	562,324	240,000	350,000
Receivables (Net of Allowance for Uncollectables if Applicable)			
Taxes	40,849	0	5,841
Total Assets	<u>\$ 611,199</u>	<u>\$ 246,269</u>	<u>\$ 497,063</u>
<b>LIABILITIES AND FUND BALANCE</b>			
Liabilities			
Current Liabilities			
Accounts Payable	\$ 26,158	\$ 0	\$ 9,890
Accrued Salaries & Benefits	4,838	0	0
Total Liabilities	<u>30,996</u>	<u>0</u>	<u>9,890</u>
Fund Balances			
Restricted for, reported in			
Special Revenue Funds	0	0	487,173
Capital Projects	0	246,269	0
Unassigned- General Fund	580,203	0	0
Total Fund Balances	<u>580,203</u>	<u>246,269</u>	<u>487,173</u>
Total Liabilities and Fund Balances	<u>\$ 611,199</u>	<u>\$ 246,269</u>	<u>\$ 497,063</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, 2011

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	Total Governmental Funds
	<u>                    </u>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 155,517
Investments	1,152,324
Receivables (Net of Allowance for Uncollectables if Applicable)	
Taxes	46,690
Total Assets	<u>\$ 1,354,531</u>
<b>LIABILITIES AND FUND BALANCE</b>	
Liabilities	
Current Liabilities	
Accounts Payable	\$ 36,048
Accrued Salaries & Benefits	4,838
Total Liabilities	<u>40,886</u>
Fund Balances	
Restricted for, reported in Special Revenue Funds	487,173
Capital Projects	246,269
Unassigned- General Fund	580,203
Total Fund Balances	<u>1,313,645</u>
Total Liabilities and Fund Balances	<u>\$ 1,354,531</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, 2011

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Total Fund Balance - Governmental Funds \$ 1,313,645

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		3,991,910	
Accumulated depreciation is		<u>(705,338)</u>	3,286,572

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

(9,681)

Total net assets - governmental activities \$ 4,590,536

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, 2011

	General Fund	Capital Projects	Non-Major Governmental Funds
<b>Revenues</b>			
Taxes			
Gross Receipts Taxes	\$ 473,864	\$ 0	\$ 0
Property Taxes	120,147	0	0
Franchise Taxes	30,570	0	0
Lodgers Taxes	0	0	33,412
Gasoline Taxes	0	0	23,604
Motor Vehicle Taxes	0	0	16,720
Charge for Services	27,906	0	9,567
Federal Grants	0	1,554,375	0
State Grants	171,717	0	103,562
License, Fees and Fines	12,699	0	400
Interest Income	1,440	0	0
Other	8,327	1,330	9,529
Total Revenues	<u>846,670</u>	<u>1,555,705</u>	<u>196,794</u>
<b>Expenditures</b>			
Current			
General Government	395,356	0	0
Public Safety	0	0	74,656
Public Works	264,934	0	126,514
Public Health	32,999	0	0
Culture and Recreation	0	0	66,661
Capital Outlay	0	1,776,220	0
Total Expenditures	<u>693,289</u>	<u>1,776,220</u>	<u>267,831</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>153,381</u>	<u>(220,515)</u>	<u>(71,037)</u>
<b>Other Financing Sources (Uses)</b>			
Transfers	(121,356)	0	14,000
Total Other Financing Sources (Uses)	<u>(121,356)</u>	<u>0</u>	<u>14,000</u>
Net Change in Fund Balance	32,025	(220,515)	(57,037)
Fund Balances at Beginning of Year	<u>548,178</u>	<u>466,784</u>	<u>544,210</u>
Fund Balance End of Year	<u>\$ 580,203</u>	<u>\$ 246,269</u>	<u>\$ 487,173</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, 2011

	<u>Total Governmental Funds</u>
Revenues	
Taxes	
Gross Receipts Taxes	\$ 473,864
Property Taxes	120,147
Franchise Taxes	30,570
Lodgers Taxes	33,412
Gasoline Taxes	23,604
Motor Vehicle Taxes	16,720
Charge for Services	37,473
Federal Grants	1,554,375
State Grants	275,279
License, Fees and Fines	13,099
Interest Income	1,440
Other	19,186
Total Revenues	<u>2,599,169</u>
Expenditures	
Current	
General Government	395,356
Public Safety	74,656
Public Works	391,448
Public Health	32,999
Culture and Recreation	66,661
Capital Outlay	1,776,220
Total Expenditures	<u>2,737,340</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(138,171)</u>
Other Financing Sources (Uses)	
Transfers	(107,356)
Total Other Financing Sources (Uses)	<u>(107,356)</u>
Net Change in Fund Balance	(245,527)
Fund Balances at Beginning of Year	<u>1,559,172</u>
Fund Balance End of Year	<u>\$ 1,313,645</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, 2011

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Net Change in Fund Balance \$ (245,527)

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	\$ (78,739)	
Capital Outlays	<u>1,776,220</u>	1,697,481

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.

Compensated Absences, June 30, 2010	7,952	
Compensated Absences, June 30, 2011	<u>(9,681)</u>	(1,729)

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.

(1,776,220)

Changes in Net Assets of Governmental Activities \$ (325,995)

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, 2011

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
<b>Taxes</b>				
Gross Receipts	\$ 444,375	\$ 444,375	\$ 491,693	\$ 47,318
Property	107,356	107,356	114,352	6,996
Franchise	26,000	26,000	31,237	5,237
License & Permits	8,750	8,750	11,695	2,945
Charge for Services	115	115	27,906	27,791
Fines & Forfeitures	1,540	1,540	1,004	(536)
State Grants	115,000	115,000	171,717	56,717
Interest Income	800	800	1,440	640
Miscellaneous	6,025	6,025	8,430	2,405
Total Revenues	<u>709,961</u>	<u>709,961</u>	<u>859,474</u>	<u>149,513</u>
<b>Expenditures</b>				
<b>Executive</b>				
Personnel Services	9,127	9,128	10,263	(1,135)
Benefits	741	741	785	(44)
Operating Costs	20,800	20,800	17,033	3,767
Total Executive	<u>30,668</u>	<u>30,669</u>	<u>28,081</u>	<u>2,588</u>
<b>Judicial</b>				
Personnel Services	6,332	6,332	6,047	285
Benefits	494	494	462	32
Operating Costs	28,140	28,140	8,163	19,977
Total Judicial	<u>34,966</u>	<u>34,966</u>	<u>14,672</u>	<u>20,294</u>
<b>Election</b>				
Operating Costs	100	100	0	100
Total Election	<u>100</u>	<u>100</u>	<u>0</u>	<u>100</u>
<b>Financial</b>				
Personnel Services	152,794	152,794	153,599	(805)
Benefits	41,328	41,328	41,313	15
Operating Costs	166,887	166,887	155,842	11,045
Capital Outlay	20,000	20,001	0	20,001
Total Financial	<u>381,009</u>	<u>381,010</u>	<u>350,754</u>	<u>30,256</u>
<b>Health &amp; Welfare</b>				
Operating Costs	32,625	32,625	32,999	(374)
Total Health & Welfare	<u>\$ 32,625</u>	<u>\$ 32,625</u>	<u>\$ 32,999</u>	<u>\$ (374)</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, 2011

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Planning and Zoning				
Personnel Services	\$ 31,784	\$ 31,784	\$ 32,328	\$ (544)
Benefits	10,427	10,784	9,414	1,370
Operating Costs	32,300	32,300	29,171	3,129
Total Planning and Zoning	<u>74,511</u>	<u>74,868</u>	<u>70,913</u>	<u>3,955</u>
Streets				
Personnel Services	34,946	34,946	25,447	9,499
Benefits	9,848	9,848	3,649	6,199
Operating Costs	203,300	203,300	154,363	48,937
Total Streets	<u>248,094</u>	<u>248,094</u>	<u>183,459</u>	<u>64,635</u>
Total Expenditures	<u>801,973</u>	<u>802,332</u>	<u>680,878</u>	<u>121,454</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(92,012)</u>	<u>(92,371)</u>	<u>178,596</u>	<u>270,967</u>
Other Financing Sources (Uses)				
Transfer In	0	0	32,000	(32,000)
Transfer (Out)	0	0	(153,356)	153,356
Total Financing Other Sources (Uses)	<u>0</u>	<u>0</u>	<u>(121,356)</u>	<u>121,356</u>
Net Change in Cash Balance	(92,012)	(92,371)	57,240	149,611
Cash Balance Beginning of Year	<u>513,110</u>	<u>513,110</u>	<u>513,110</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 421,098</u>	<u>\$ 420,739</u>	<u>\$ 570,350</u>	<u>\$ 149,611</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Net Change in Cash Balance			\$ 57,240	
Net change in Taxes Receivable			(12,802)	
Net change in Accounts Payable			(10,819)	
Net change in Accrued Salaries & Benefits			(1,594)	
Net Change in Fund Balance			<u>\$ 32,025</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, 2011

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ASSETS

Current Assets

Cash and Cash Equivalents	\$ 530,407
Receivables (net of allowance for uncollectible accounts)	
Accounts	52,079
Total Current Assets	<u>582,486</u>

Noncurrent Assets

Restricted Cash	68,454
Capital Assets	12,890,962
Less: Accumulated Depreciation	<u>(1,161,241)</u>
Total Noncurrent Assets	<u>11,798,175</u>

Total Assets	<u>12,380,661</u>
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LIABILITIES

Current Liabilities

Accounts Payable	9,700
Accrued Salaries	2,418
Accrued Interest	28,884
Current Portion of Long-Term Debt	<u>70,493</u>
Total Current Liabilities	<u>111,495</u>

Noncurrent Liabilities

Customer Deposits	42,606
Long-Term Debt	<u>1,568,840</u>
Total Noncurrent Liabilities	<u>1,611,446</u>

Total Liabilities	<u>1,722,941</u>
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NET ASSETS

Invested in Capital Assets net of Related Debt	10,090,388
Unrestricted	<u>567,332</u>
Total Net Assets	<u>\$ 10,657,720</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, 2011

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Operating Revenues	
Sales & Service	\$ 451,160
Total Operating Revenues	<u>451,160</u>
Operating Expenses	
Operating Expenses	371,056
Depreciation	203,403
Total Operating Expenses	<u>574,459</u>
Operating Income	<u>(123,299)</u>
Nonoperating Revenue (Expenses)	
Interest Income	52
Interest Expense	<u>(29,440)</u>
Total Nonoperating Revenue (Expenses)	<u>(29,388)</u>
Other Items	
Transfer In	107,356
Contribution of Capital Assets	1,776,220
Total Other Items	<u>1,883,576</u>
Net Change in Net Assets	1,730,889
Total Net Assets - Beginning	<u>8,926,831</u>
Total Net Assets - Ending	<u>\$ 10,657,720</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, 2011

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Cash Flows from Operating Activities	
Cash Received From Customers	\$ 451,105
Cash Paid to Suppliers and Employees	(369,074)
Net Cash Provided by Operating Activities	<u>82,031</u>
Cash Flows from Capital & Related Financing Activities	
Transfer In from General	107,356
Contribution of Capital Assets	1,776,220
Invested in Capital Assets	(1,830,220)
Loan Proceeds	0
Principal Paid	(83,159)
Interest Paid	(29,440)
Net Cash Provided by Capital & Related Financing Activities	<u>(59,243)</u>
Cash Flows from Investing Activities	
Interest Received	52
Net Cash Provided by Investing Activities	<u>52</u>
Net Increase (Decrease) in Cash	22,840
Cash, Beginning of the Year	<u>576,021</u>
Cash, Ending of the Year	<u>\$ 598,861</u>
Cash and Cash Equivalents	\$ 530,407
Restricted Cash	68,454
Total Cash and Cash Equivalents	<u>\$ 598,861</u>
Reconciliation of Net Income to Net Cash Provided by Operating Activities	
Operating Income (Loss)	\$ (123,299)
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	(10,531)
Increase (Decrease) in Accounts Payable	3,901
Increase (Decrease) in Accrued Salaries	(775)
Increase (Decrease) in Accrued Interest	(1,116)
Increase (Decrease) in Customer Deposits	10,448
Net Cash Provided by Operating Activities	<u>\$ 82,031</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 Equipment & Vehicles	15-30 Years
	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.

**First Savings**

<u>Name of Account</u>	<u>Bank Balance 6/30/11</u>	<u>Reconciled Balance</u>	<u>Type</u>
Elephant Butte	\$ 569,836	\$ 553,613	Checking
	<u>200,765</u>	<u>200,765</u>	Checking
TOTAL Deposited	<u>770,601</u>	<u>\$ 754,378</u>	
Less: FDIC Coverage	<u>(250,000)</u>		
Uninsured Amount	520,601		
50% collateral requirement	260,301		
Pledged securities	<u>1,171,589</u>		
Over (Under) requirement	<u>\$ 911,289</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	\$ 246,865	4/1/2020	Federal Reserve, Minneapolis
FNMA	31402RLT4	450,645	7/1/2020	FNB, Pierre, SD
FNMA	31376KU80	474,079	9/1/2020	Federal Reserve, Minneapolis
		<u>\$ 1,171,589</u>		

**Custodial Credit Risk-Deposits**

<u>Depository Account</u>	<u>Bank Balance</u>
Insured	\$ 250,000
Collateralized:	
Collateral held by the pledging bank in City's name	520,601
Uninsured and uncollateralized	0
Total Deposits	<u>\$ 770,601</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 6/30/11</u>	<u>Reconciled Balance</u>	<u>Type</u>
City of Elephant Butte	\$ 1,152,324	\$ 1,152,324	Investment
TOTAL Deposited	<u>\$ 1,152,324</u>	<u>\$ 1,152,324</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 requirement.
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](http://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](http://www.stonm.org). As of June 30, 2011, 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 and capacity fees restricted for future expansion.

**NOTE E: CAPITAL ASSETS**

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

	Beginning Balance 6/30/10	Increases	Decreases	Ending Balance 6/30/11
<b>Governmental Activities</b>				
Capital Assets, not being Depreciated				
Land	\$ 1,177,627	\$	\$ 0	\$ 1,177,627
Construction in Progress	0			0
Total Capital Assets, not being Depreciated	\$ 1,177,627	\$ 0	\$ 0	\$ 1,177,627

STATE OF NEW MEXICO  
**CITY OF ELEPHANT BUTTE**  
Notes to the Financial Statements  
June 30, 2011

Capital Assets, being Depreciated				
Infrastructure	\$ 1,599,253	\$ 0	\$ 0	\$ 1,599,253
Buildings & Improvements	552,931	0	0	552,931
Equipment	110,779	0	0	110,779
Vehicles	551,320	0	0	551,320
Total Capital Assets, being Depreciated	<u>2,814,283</u>	<u>0</u>	<u>0</u>	<u>2,814,283</u>
Total Capital Assets	<u>3,991,910</u>	<u>0</u>	<u>0</u>	<u>3,991,910</u>
<b>Less Accumulated Depreciation</b>				
Infrastructure	103,561	38,408	0	141,969
Buildings & Improvements	249,248	9,939	0	259,187
Equipment	42,963	7,253	0	50,216
Vehicles	230,827	23,139	0	253,966
Total Accumulated Depreciation	<u>626,599</u>	<u>78,739</u>	<u>0</u>	<u>705,338</u>
Capital Assets, net	<u>\$ 3,365,311</u>	<u>\$ (78,739)</u>	<u>\$ 0</u>	<u>\$ 3,286,572</u>

Depreciation expense was charged to governmental activities as follows:

General	\$ 5,511
Public Safety	27,293
Public Works	42,621
Culture & Recreation	3,313
Total depreciation expenses	<u>\$ 78,738</u>

	Beginning Balance 6/30/10	Increases	Decreases	Ending Balance 6/30/11
<b>Business-Type Activities</b>				
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	0	1,053,962
Waste Water System	9,875,589	1,830,220	0	11,705,809
Equipment	7,000	0	0	7,000
Vehicles	73,290	0	0	73,290
Total Capital Assets, being Depreciated	<u>11,009,841</u>	<u>1,830,220</u>	<u>0</u>	<u>12,840,061</u>
Total Capital Assets at Historical Cost	<u>\$ 11,060,742</u>	<u>\$ 1,830,220</u>	<u>\$ 0</u>	<u>\$ 12,890,962</u>

STATE OF NEW MEXICO  
**CITY OF ELEPHANT BUTTE**  
Notes to the Financial Statements  
June 30, 2011

**Less Accumulated Depreciation**

Improvements	\$ 626,114	\$ 198,088	\$ 0	\$ 824,202
Equipment	324,106	583	0	324,689
Vehicles	7,618	4,732	0	12,350
Total Accumulated Depreciation	<u>957,838</u>	<u>203,403</u>	<u>0</u>	<u>1,161,241</u>
Capital Assets, net	\$ <u>10,102,904</u>	\$ <u>1,626,817</u>	\$ <u>0</u>	\$ <u>11,729,721</u>

**NOTE F: LONG TERM DEBT**

Proprietary Funds

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

	Beginning Balance 6/30/10	Additions	Reductions	Ending Balance 6/30/11	Amounts Due Within One Year
Loans Payable					
NMFA-WTB 59	\$ 102,999	\$ 0	\$ 6,059	\$ 96,940	\$ 6,059
RIP 2006-02	500,000	0	18,608	481,392	19,166
NMFA-WTB 87	119,493	0	6,498	112,995	6,514
RIP 2007-02	500,000	0	18,608	481,392	19,166
ARRA	500,000	0	33,386	466,614	19,204
Total	\$ <u>1,722,492</u>	\$ <u>0</u>	\$ <u>83,159</u>	\$ <u>1,639,333</u>	\$ <u>70,109</u>

All activities of bonds and loans payable at June 30, 2011 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%	33,608	Utility Revenues
ARRA	\$ 500,000	6/1/2031	2%	\$ 28,400	Utility Revenues

The annual requirements to above loans as of June 30, 2011, including interest payments are as follows:

	Principal	Interest	Total
2012	\$ 70,109	\$ 38,216	\$ 108,325
2013	71,660	36,682	108,342
2014	73,252	35,106	108,358
2015	74,889	33,486	108,375
2016	76,569	31,822	108,391
2017-2021	409,708	132,495	542,203
2022-2026	459,187	83,434	542,621
2027-2031	403,959	27,192	431,151
	\$ <u>1,639,333</u>	\$ <u>418,433</u>	\$ <u>2,057,766</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 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, 2011, 2010 and 2009 were \$23,754, \$26,706 and \$18,778 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:

	<u>Transfers Out</u>		<u>Transfers In</u>	
	Recreation	General	General	Utility
General	\$ 46,000	\$ 0	\$ 0	\$ 107,356
Fire	0	32,000	32,000	0
	<u>\$ 46,000</u>	<u>\$ 32,000</u>	<u>\$ 32,000</u>	<u>\$ 107,356</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	Non-Major Funds	Utility
Accounts Receivable	\$ 0	\$ 0	\$ 52,079
Gross Receipts Taxes	31,573	0	0
Property Taxes	6,570	0	0
Franchise Taxes	2,706	0	0
Gasoline Taxes	0	1,669	0
Lodgers Tax	0	4,172	0
	<u>\$ 40,849</u>	<u>\$ 5,841</u>	<u>\$ 52,079</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, 2011

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Federal Grant	\$ 1,804,346	\$ 1,804,346	\$ 1,762,783	\$ (41,563)
State Grant	900,000	900,000	0	(900,000)
Miscellaneous	720	720	1,330	610
Total Revenues	<u>2,705,066</u>	<u>2,705,066</u>	<u>1,764,113</u>	<u>(940,953)</u>
Expenditures				
Capital Outlay	<u>2,926,557</u>	<u>2,926,557</u>	<u>1,776,219</u>	<u>1,150,338</u>
Total Expenditures	<u>2,926,557</u>	<u>2,926,557</u>	<u>1,776,219</u>	<u>1,150,338</u>
Excess (Deficiency) of Revenues Over Expenditures	(221,491)	(221,491)	(12,106)	209,385
Cash Balance Beginning of Year	<u>258,375</u>	<u>258,375</u>	<u>258,375</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 36,884</u>	<u>\$ 36,884</u>	<u>\$ 246,269</u>	<u>\$ 209,385</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (12,106)	
Net Change in Due Lending Agent			<u>(208,409)</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (220,515)</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, 2011

	Special Revenue Funds		
	Law Enforcement Protection Fund	Fire Fund	Correction Fund
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 4,163	\$ 37,425	\$ 15,662
Investments	0	0	0
Receivables			
Taxes	0	0	0
Total Assets	<u>\$ 4,163</u>	<u>\$ 37,425</u>	<u>\$ 15,662</u>
<b>LIABILITIES AND FUND BALANCE</b>			
Liabilities			
Accounts Payable	\$ 475	\$ 8,848	\$ 0
Total Liabilities	<u>475</u>	<u>8,848</u>	<u>0</u>
Fund Balance			
Restricted for, reported in			
Special Revenue	<u>3,688</u>	<u>28,577</u>	<u>15,662</u>
Total Fund Balance	<u>3,688</u>	<u>28,577</u>	<u>15,662</u>
Total Liabilities and Fund Balance	<u>\$ 4,163</u>	<u>\$ 37,425</u>	<u>\$ 15,662</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, 2011

	Special Revenue Funds		
	Lodgers Tax Fund	Municipal Street Fund	Recreation Fund
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 41,580	\$ 17,362	\$ 25,030
Investments	0	350,000	0
Receivables			
Taxes	4,172	1,669	0
Total Assets	<u>\$ 45,752</u>	<u>\$ 369,031</u>	<u>\$ 25,030</u>
<b>LIABILITIES AND FUND BALANCE</b>			
Liabilities			
Accounts Payable	\$ 323	\$ 0	\$ 244
Total Liabilities	<u>323</u>	<u>0</u>	<u>244</u>
Fund Balance			
Restricted for, reported in			
Special Revenue	45,429	369,031	24,786
Total Fund Balance	<u>45,429</u>	<u>369,031</u>	<u>24,786</u>
Total Liabilities and Fund Balance	<u>\$ 45,752</u>	<u>\$ 369,031</u>	<u>\$ 25,030</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, 2011

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	<u>Total</u>
<b>ASSETS</b>	
Cash and Cash Equivalents	\$ 141,222
Investments	350,000
Receivables	
Taxes	5,841
Total Assets	<u>\$ 497,063</u>
<b>LIABILITIES AND FUND BALANCE</b>	
Liabilities	
Accounts Payable	\$ 9,890
Total Liabilities	<u>9,890</u>
Fund Balance	
Restricted for, reported in	
Special Revenue	<u>487,173</u>
Total Fund Balance	<u>487,173</u>
Total Liabilities and Fund Balance	<u>\$ 497,063</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, 2011

	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
Charge for Services	0	0	0
State Grants	20,600	78,522	0
Fees & Fines	0	0	400
Other	0	586	26
Total Revenues	<u>20,600</u>	<u>79,108</u>	<u>426</u>
Expenditures			
Current			
Public Safety	19,871	54,785	0
Public Works	0	0	0
Culture & Recreation	0	0	0
Total Expenditures	<u>19,871</u>	<u>54,785</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>729</u>	<u>24,323</u>	<u>426</u>
Other Financing Sources (Uses)			
Transfers In/Out	0	(32,000)	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>(32,000)</u>	<u>0</u>
Net Change in Fund Balance	729	(7,677)	426
Fund Balances at Beginning of Year	<u>2,959</u>	<u>36,254</u>	<u>15,236</u>
Fund Balance End of Year	<u>\$ 3,688</u>	<u>\$ 28,577</u>	<u>\$ 15,662</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, 2011

	Special Revenue Funds		
	Lodgers Tax Fund	Municipal Street Fund	Recreation Fund
Revenues			
Lodgers Taxes	\$ 33,412	\$ 0	\$ 0
Gasoline Taxes	0	23,604	0
Motor Vehicle Taxes	0	16,720	0
Charge for Services	0	0	9,567
State Grants	0		4,440
Fees & Fines	0	0	0
Other	26	78	8,813
Total Revenues	<u>33,438</u>	<u>40,402</u>	<u>22,820</u>
Expenditures			
Current			
Public Safety	0	0	0
Public Works	0	126,514	0
Culture & Recreation	22,590	0	44,071
Total Expenditures	<u>22,590</u>	<u>126,514</u>	<u>44,071</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>10,848</u>	<u>(86,112)</u>	<u>(21,251)</u>
Other Financing Sources (Uses)			
Transfers In/Out	0	0	46,000
Total Other Financing Sources (Uses)	<u>0</u>	<u>0</u>	<u>46,000</u>
Net Change in Fund Balance	10,848	(86,112)	24,749
Fund Balances at Beginning of Year	<u>34,581</u>	<u>455,143</u>	<u>37</u>
Fund Balance End of Year	<u>\$ 45,429</u>	<u>\$ 369,031</u>	<u>\$ 24,786</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, 2011

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	<u>Total</u>
Revenues	
Lodgers Taxes	\$ 33,412
Gasoline Taxes	23,604
Motor Vehicle Taxes	16,720
Charge for Services	9,567
State Grants	103,562
Fees & Fines	400
Other	9,529
Total Revenues	<u>196,794</u>
Expenditures	
Current	
Public Safety	74,656
Public Works	126,514
Culture & Recreation	66,661
Total Expenditures	<u>267,831</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(71,037)</u>
Other Financing Sources (Uses)	
Transfers In/Out	14,000
Total Other Financing Sources (Uses)	<u>14,000</u>
Net Change in Fund Balance	(57,037)
Fund Balances at Beginning of Year	<u>544,210</u>
Fund Balance End of Year	<u>\$ 487,173</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, 2011

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
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>
Expenditures				
Public Safety				
Operating Expenses	24,552	24,551	20,389	4,162
Total Expenditures	<u>24,552</u>	<u>24,551</u>	<u>20,389</u>	<u>4,162</u>
Excess (Deficiency) of Revenues Over Expenditures	(3,952)	(3,951)	211	4,162
Cash Balance Beginning of Year	<u>3,952</u>	<u>3,952</u>	<u>3,952</u>	<u>0</u>
Cash Balance End of Year	\$ <u>0</u>	\$ <u>1</u>	\$ <u>4,163</u>	\$ <u>4,162</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 211	
Net Change in Accounts Payable			<u>518</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			\$ <u><u>729</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-FIRE FUND  
Statement of Revenues, Expenditures, and Changes in Cash Balance -  
Budget and Actual (Budgetary Basis)  
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
State Grants	\$ 62,501	\$ 62,501	\$ 78,522	\$ 16,021
Other	29,200	29,200	586	(28,614)
Total Revenues	<u>91,701</u>	<u>91,701</u>	<u>79,108</u>	<u>(12,593)</u>
<b>Expenditures</b>				
<b>Public Safety</b>				
Operating	53,300	53,300	47,341	5,959
EMS	10,500	10,500	8,057	2,443
Total Expenditures	<u>63,800</u>	<u>63,800</u>	<u>55,398</u>	<u>8,402</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>27,901</u>	<u>27,901</u>	<u>23,710</u>	<u>(20,995)</u>
<b>Other Financing Sources (Uses)</b>				
Transfer In/(Out)	<u>(32,000)</u>	<u>(32,000)</u>	<u>(32,000)</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>(32,000)</u>	<u>(32,000)</u>	<u>(32,000)</u>	<u>0</u>
Net Change in Cash Balance	(4,099)	(4,099)	(8,290)	(4,191)
Cash Balance Beginning of Year	<u>45,715</u>	<u>45,715</u>	<u>45,715</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 41,616</u>	<u>\$ 41,616</u>	<u>\$ 37,425</u>	<u>\$ (4,191)</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (8,290)	
Net change in Accounts Payable			613	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (7,677)</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, 2011

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
Correction Fees	\$ 1,000	\$ 1,000	\$ 400	\$ (600)
Other	50	50	26	(24)
Total Revenues	<u>1,050</u>	<u>1,050</u>	<u>426</u>	<u>(624)</u>
<b>Expenditures</b>				
<b>Public Safety</b>				
Housing Of Prisoners	800	800	0	800
Total Expenditures	<u>800</u>	<u>800</u>	<u>0</u>	<u>800</u>
Excess (Deficiency) of Revenues Over Expenditures	250	250	426	176
Cash Balance Beginning of Year	<u>15,236</u>	<u>15,236</u>	<u>15,236</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 15,486</u>	<u>\$ 15,486</u>	<u>\$ 15,662</u>	<u>\$ 176</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			<u>\$ 426</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 426</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, 2011

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
Lodgers Tax	\$ 30,000	\$ 30,000	\$ 33,407	\$ 3,407
Other	30	30	26	(4)
Total Revenues	<u>30,030</u>	<u>30,030</u>	<u>33,433</u>	<u>3,403</u>
<b>Expenditures</b>				
Culture & Recreation				
Operating Expenses	<u>55,030</u>	<u>55,030</u>	<u>22,268</u>	<u>32,762</u>
Total Expenditures	<u>55,030</u>	<u>55,030</u>	<u>22,268</u>	<u>32,762</u>
Excess (Deficiency) of Revenues Over Expenditures	(25,000)	(25,000)	11,165	36,165
Cash Balance Beginning of Year	<u>30,415</u>	<u>30,415</u>	<u>30,415</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 5,415</u>	<u>\$ 5,415</u>	<u>\$ 41,580</u>	<u>\$ 36,165</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 11,165	
Net Change in Taxes Receivable			6	
Net Change in Accounts Payable			(323)	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 10,848</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, 2011

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
Gasoline Taxes	\$ 28,000	\$ 28,000	\$ 23,830	\$ (4,170)
State Grant	39,800	39,800	0	(39,800)
Fees & Fines	10,000	10,000	16,720	6,720
Other	50	50	78	28
Total Revenues	<u>77,850</u>	<u>77,850</u>	<u>40,628</u>	<u>(37,222)</u>
<b>Expenditures</b>				
<b>Public Works</b>				
Capital Outlay	<u>503,067</u>	<u>503,067</u>	<u>126,514</u>	<u>376,553</u>
Total Expenditures	<u>503,067</u>	<u>503,067</u>	<u>126,514</u>	<u>376,553</u>
Excess (Deficiency) of Revenues Over Expenditures	(425,217)	(425,217)	(85,886)	339,331
Cash Balance Beginning of Year	<u>453,248</u>	<u>453,248</u>	<u>453,248</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 28,031</u>	<u>\$ 28,031</u>	<u>\$ 367,362</u>	<u>\$ 339,331</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (85,886)	
Net Change in Taxes Receivable			<u>(226)</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (86,112)</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, 2011

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
State Grants	\$ 9,063	\$ 9,063	\$ 4,440	\$ (4,623)
Miscellaneous	13,790	13,790	18,380	4,590
Total Revenues	<u>22,853</u>	<u>22,853</u>	<u>22,820</u>	<u>(33)</u>
<b>Expenditures</b>				
Culture & Recreation				
Operating Expenses	64,000	64,000	43,827	20,173
Total Expenditures	<u>64,000</u>	<u>64,000</u>	<u>43,827</u>	<u>20,173</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(41,147)</u>	<u>(41,147)</u>	<u>(21,007)</u>	<u>20,140</u>
<b>Other Financing Sources (Uses)</b>				
Transfer In/(Out)	46,000	46,000	46,000	0
Total Other Financing Sources (Uses)	<u>46,000</u>	<u>46,000</u>	<u>46,000</u>	<u>0</u>
Net Change in Cash Balance	4,853	4,853	24,993	20,140
Cash Balance Beginning of Year	<u>37</u>	<u>37</u>	<u>37</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 4,890</u>	<u>\$ 4,890</u>	<u>\$ 25,030</u>	<u>\$ 20,140</u>
<b>Reconciliation of Budgetary Basis to GAAP Basis</b>				
Net Change in Cash Balance			\$ 24,993	
Net change in Accounts Payable			(244)	
Net Change in Fund Balance			<u>\$ 24,749</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, 2011

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
<b>Revenues</b>				
<b>Water</b>				
Charge for Services	\$ 144,696	\$ 144,696	\$ 158,206	\$ 13,510
Interest Income	25	25	26	1
Total Water	<u>144,721</u>	<u>144,721</u>	<u>158,232</u>	<u>13,511</u>
<b>Waste Water</b>				
Charge for Services	190,181	190,181	199,839	9,658
Capacity Fee	7,088	7,088	49,198	42,110
Interest Income	60	60	26	(34)
Miscellaneous	0	0	43,836	43,836
Total Waste Water	<u>197,329</u>	<u>197,329</u>	<u>292,899</u>	<u>95,570</u>
Total Revenues	<u>342,050</u>	<u>342,050</u>	<u>451,131</u>	<u>109,081</u>
<b>Expenditures</b>				
<b>Water</b>				
<b>Operating Expenses</b>				
Personnel	54,999	54,999	43,069	11,930
Employee Benefits	17,030	17,030	12,027	5,003
Operating Expenses	122,868	122,868	109,964	12,904
Capital Outlay	74,200	74,200	0	74,200
Total Water	<u>269,097</u>	<u>269,097</u>	<u>165,060</u>	<u>104,037</u>
<b>Waste Water</b>				
<b>Operating Expenses</b>				
Personnel	64,742	64,742	63,719	1,023
Employee Benefits	17,482	17,482	40,361	(22,879)
Operating Expenses	141,344	141,344	98,792	42,552
Capital Outlay	38,000	38,000	54,000	(16,000)
<b>Debt Service</b>				
Principal	110,921	110,921	83,159	27,762
Interest	0	0	30,556	(30,556)
Total Waste Water	<u>372,489</u>	<u>372,489</u>	<u>370,587</u>	<u>1,902</u>
Total Expenditures	<u>641,586</u>	<u>641,586</u>	<u>535,647</u>	<u>105,939</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(299,536)</u>	<u>(299,536)</u>	<u>(84,516)</u>	<u>3,142</u>
<b>Other Financing Sources (Uses)</b>				
Transfer In/(Out)	<u>107,356</u>	<u>107,356</u>	<u>107,356</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>\$ 107,356</u>	<u>\$ 107,356</u>	<u>\$ 107,356</u>	<u>\$ 0</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, 2011

Net Change in Cash Balance	\$	(192,180)	\$	(192,180)	\$	22,840	\$	215,020
Cash Balance Beginning of Year		<u>576,021</u>		<u>576,021</u>		<u>576,021</u>		<u>0</u>
Cash Balance End of Year	\$	<u><u>383,841</u></u>	\$	<u><u>383,841</u></u>	\$	<u><u>598,861</u></u>	\$	<u><u>215,020</u></u>

Reconciliation of Budgetary Basis to GAAP Basis

Net Change in Cash Balance	\$	22,840
Net change in Accounts Receivable		10,531
Capital Purchases		1,830,220
Depreciation		(203,403)
Principal Paid		83,159
Net change in Accounts Payables		(3,901)
Net change in Accrued Salaries		775
Net change in Accrued Interest		1,116
Net change in Customer Deposits		<u>(10,448)</u>
Change in Net Assets-GAAP Basis	\$	<u><u>1,730,889</u></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, 2011

Federal Agency/Pass Through Grantor/Program Title	Federal CFDA Number	State ID Number	Total Federal Awards Expended
US Environmental Protection Agency Pass through New Mexico Environmental Protection Agency Construction Grants for Wastewater Treatment Works, Recovery Act	66.418	ECO-1146(8)02	\$ <u>1,554,375</u> <u>1,554,375</u>
Total Federal Assistance			\$ <u><u>1,554,375</u></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

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**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.

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 of the general fund, budgetary comparisons for the major capital project funds and the combining individual funds and related budgetary comparison presented as supplemental information of the City of Elephant Butte (City) as of and for the year ended June 30, 2011, and have issued our report thereon dated October 24, 2011. 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 our auditing procedures for the purpose of expressing our opinion 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 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 correct on a timely basis.

Our consideration of internal control over financial reporting 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 financial reporting that might be deficiencies, 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. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and questioned costs that we consider to be significant deficiencies in internal control over financial reporting; 09-1, 11-1, 11-2, 11-3 and 11-4. A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 questioned costs; 09-1, 11-1, 11-2, 11-3 and 11-4.

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 responses and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the administration, the board members, the Public Education Department, the Office of the State Auditor, 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*

October 24, 2011

De'Aun Willoughby CPA, PC

Certified Public Accountant

P.O. Box 223 Melrose, NM 88124

(575) 253-4313

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, 2011. 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, 2011.



### 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

October 24, 2011

STATE OF NEW MEXICO  
**CITY OF ELEPHANT BUTTE**  
 Schedule of Findings and Questioned Costs  
 For the Year Ended June 30, 2011

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**A. SUMMARY OF AUDIT RESULTS**

Financial Statements

Type of auditor's report issued Unqualified

Internal control over financial reporting

\* Material weaknesses identified? No

\* Significant deficiencies identified? Yes

Noncompliance material to financial statements noted? No

Federal Awards

Internal control over major programs:

\* Material weaknesses identified? No

\* Significant deficiencies identified? No

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 No

Identification of major programs:

<u>CFDA Numbers)</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

Audited qualified as low risk auditee No

STATE OF NEW MEXICO  
**CITY OF ELEPHANT BUTTE**  
 Schedule of Findings and Questioned Costs  
 For the Year Ended June 30, 2011

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<b>Prior Year Audit Findings</b>		<u><b>Status</b></u>
<b>09-1</b>	<b>Preparation of Financial Statements</b>	Repeated
<b>10-1</b>	<b>Cash Appropriations in Excess of Available Cash Balances</b>	Resolved
<b>10-2</b>	<b>Late Audit Report</b>	Resolved

**Current Year Audit Findings**

**09-1 Preparation of Financial Statements- Internal Control & Compliance**

**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.

**Cause**

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

**Effect**

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

**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.

**11-1 941 Payroll Tax Reports - Internal Control & Compliance**

**Condition**

An audit of the payroll procedures revealed two 941 tax reports as of date were not filed.

**Criteria**

IRS Publication 15 Circular E sets forth the required due dates for filing 941 payroll tax reports.

**Cause**

The clerk explained that after contacting the IRS they had informed her that they were no longer mailing the forms out and that she would have to obtain them from the IRS website. She stated that she was unaware of this and that is why the 941 payroll tax reports were not filed.

**Effect**

The Internal Revenue Service may penalized the City for failing to timely file the 941 payroll reports.

**Recommendation**

The Clerk should maintain a calendar or other system to remind her of all reports due dates.

**Response**

We will implement a system to track all reports and due dates.

**11-2 Misclassification of grant revenue and expenditures-Internal Control & Compliance**

**Condition**

The EMS grant revenue and expenditures are combined with the Fire Department Fund.

**Criteria**

Governmental GAAP requires fund accounting for governmental entities and a fund for each special revenue fund.

**Cause**

Management was unaware the funds could not be combined.

**Effect**

EMS expenditures were more than the revenue resulting in Fire Department funds being spent on other expenditures than allowed by the state fire marshal.

**Recommendation**

An EMS fund should be added to the general ledger to track revenues and expenditures by fund correctly.

**Response**

We had added the EMS fund to our general ledger and will not combine funds.

**11-3 PERA reconciliation-Internal Control & Compliance**

**Condition**

The City was unable to provide an adequate reconciliation of total wages paid in fiscal year ended June 30, 2011 to reported PERA wages for the same period. The City was able to determine the majority of the \$29,540.65 difference. \$10,231.25 was Board wages and \$18,709.76 was seasonal help which neither qualify for PERA. There was still a difference of \$599.64 that could not be explained.

**Criteria**

Section 2.2.2.10G(7) NMAC (Audit Rule) requires that total wages paid by a public entity must be reported for the Public Employees Retirement Act.

**Cause**

The City is not accurately reconciling total wages to total wages subject to PERA withholding.

**Effect**

Total contributions due to the Public Employees Retirement Fund may not have been accurately reported or remitted.

**Recommendation**

We recommend the City perform a reconciliation of total wages paid per pay period to the total wages subject to PERA withholding per pay period.

**Response**

The City will implement procedures to reconcile total wages to PERA wages for current and future pay periods.

**11-4 Payroll-Internal Control & Compliance**

**Condition**

-Two of the six employees sampled had incorrect state withholdings.

**Criteria**

Per Section 10-7-2, NMSA 1978, persons employed by and on behalf of the state, except those employed by institutions of higher education, including officers, shall receive their salaries and wages for service rendered in accordance with rules issued by the department of finance and administration. Per 2.20.4.8 of NMAC, the following payroll deductions are allowed by the Department of Finance and Administration: 1) those required by law (state and federal taxes, FICA), 2) state-sponsored and required insurance programs where the state shares the cost of the program, 3) PERA, ERA or other state sponsored retirement programs mandated by the statute, 4) deferred compensation plans under Chapter 10, Article 7A, NMSA 1978, 5) union dues as permitted by the department of finance and administration, 6) charities approved by the department of finance, 7) vanpool associations approved by the department of finance and administration, 8) savings bond programs, 9) exceptional or emergency circumstances which require special consideration and are approved by the department of finance on a case by case basis.

**Cause**

The exemptions and filing statute did not agree with the W-4 forms on file or with the exemptions entered for the federal withholding.

**Effect**

Employees do not an enough state withholding withheld and owe additional state taxes when their tax returns are filed.

**Recommendation**

We recommend that the City implement policies and procedures aimed at the elimination of unapproved or correct payroll deductions so the City complies with all state and federal regulations regarding payroll deductions.

**Response**

We will review paychecks before their issue hand calculating the withholding taxes to determine that the withholdings are correct.

**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 October 24, 2011. In attendance were Eunice Kent, Mayor, Alan Briley-City Manager, Mary Ann Dix-City Clerk and De'Aun Willoughby, CPA.