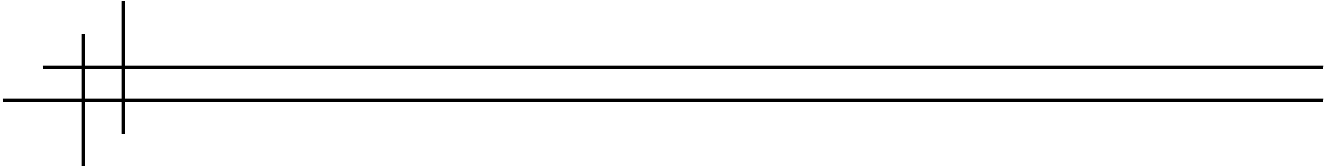




STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE

ANNUAL FINANCIAL REPORT
June 30, 2012

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



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STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
Official Roster
June 30, 2012

CITY COUNCIL

Eunice Kent	Mayor
Kim Skinner	Mayor Pro Tem
Dee Rogers	Councilor
Gerald LaFont	Councilor
Sarah Stagner	Councilor

ADMINISTRATIVE OFFICIAL

Alan Briley	City Manager
Mary Ann Dix	Clerk/Treasurer

De'Aun Willoughby CPA, PC

Certified Public Accountant

225 Innsdale Terrace, Clovis, NM 88101

(855) 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 and major special revenue funds of City of Elephant Butte, (City), as of and for the year ended June 30, 2012, 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, 2012, 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, 2012, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the general fund and major special revenue funds 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, 2012, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the major capital project fund and for all nonmajor funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2012, 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's management has omitted the Management's Discussion and Analysis that the Governmental Accounting Standards Board require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by Governmental Accounting Standards Board who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Our audit was conducted for the purpose of forming opinions on the basic financial statements. The accompanying budget comparison is not a required part of the financial statements. The additional schedule listed as "other supplemental information" in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

 CPA PC

November 15, 2012

FINANCIAL SECTION

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
 Government-Wide Statement of Net Assets
 June 30, 2012

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets			
Cash and Cash Equivalents	\$ 455,190	\$ 11,946	\$ 467,136
Investments	650,149	500,000	1,150,149
Receivables	79,974	71,759	151,733
Total Current Assets	<u>1,185,313</u>	<u>583,705</u>	<u>1,769,018</u>
Noncurrent Assets			
Restricted Cash	0	79,404	79,404
Capital Assets	4,699,762	13,081,109	17,780,871
Less: Accumulated Depreciation	(807,501)	(1,428,518)	(2,236,019)
Total Noncurrent Assets	<u>3,892,261</u>	<u>11,731,995</u>	<u>15,624,256</u>
Total Assets	<u>5,077,574</u>	<u>12,315,700</u>	<u>17,393,274</u>
LIABILITIES			
Current Liabilities			
Accounts Payable	30,671	7,641	38,312
Accrued Interest	8,758	13,867	22,625
Current Portion of Long-Term Debt	6,012	51,919	57,931
Total Current Liabilities	<u>45,441</u>	<u>73,427</u>	<u>118,868</u>
Noncurrent Liabilities			
Compensated Absences	2,472	0	2,472
Customer Deposits	0	27,489	27,489
Long-Term Debt	274,268	1,497,563	1,771,831
Total Noncurrent Liabilities	<u>276,740</u>	<u>1,525,052</u>	<u>1,801,792</u>
Total Liabilities	<u>322,181</u>	<u>1,598,479</u>	<u>1,920,660</u>
NET ASSETS			
Invested in Capital Assets net of Related Debt Restricted for Capital Projects	3,892,261	10,103,109	13,995,370
Unrestricted	232,760	0	232,760
	630,372	614,112	1,244,484
Total Net Assets	<u>\$ 4,755,393</u>	<u>\$ 10,717,221</u>	<u>\$ 15,472,614</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, 2012

Functions/Programs	Expenses	Program Revenues			Net(Expenses) Revenue and Changes in Net Assets		Total
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
Governmental Activities							
General Government	\$ 299,158	\$ 72	\$ 189,050	\$ 0	\$ (110,036)	\$ 0	\$ (110,036)
Public Safety	156,404	14,387	99,455	0	(42,562)	0	(42,562)
Public Works	281,848	0	0	254,145	(27,703)	0	(27,703)
Public Health	18,530	0	0	0	(18,530)	0	(18,530)
Culture & Recreation	104,848	15,057	0	0	(89,791)	0	(89,791)
Interest on Obligations	9,038				(9,038)	0	(9,038)
Total Governmental Activities	<u>\$ 869,826</u>	<u>\$ 29,516</u>	<u>\$ 288,505</u>	<u>\$ 254,145</u>	<u>(297,660)</u>	<u>0</u>	<u>(297,660)</u>
Business-type Activities							
Water	157,704	224,067	0	0	0	66,363	66,363
Waste Water	536,137	339,104	0	0	0	(197,033)	(197,033)
Total Business-type Activities	<u>\$ 693,841</u>	<u>\$ 563,171</u>	<u>\$ 0</u>	<u>\$ 0</u>	<u>0</u>	<u>(130,670)</u>	<u>(130,670)</u>
General Revenues							
Property Taxes					152,431	0	152,431
Gross Receipts Taxes					385,599	0	385,599
Gasoline Taxes					22,993	0	22,993
Franchise Taxes					29,552	0	29,552
Motor Vehicle Taxes					17,049	0	17,049
Lodgers Taxes					36,695	0	36,695
Interest Income					1,422	25	1,447
Miscellaneous					6,924	0	6,924
Total General Revenues					<u>652,665</u>	<u>25</u>	<u>652,690</u>
Other Items							
Transfers					0	0	0
Contribution of Capital Assets					(190,147)	190,147	0
Change in Net Assets					164,858	59,502	224,360
Net Assets - beginning					<u>4,590,535</u>	<u>10,657,719</u>	<u>15,248,254</u>
Net Assets - ending					<u>\$ 4,755,393</u>	<u>\$ 10,717,221</u>	<u>\$ 15,472,614</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, 2012

	General Fund	Special Revenue Funds	
		Fire	Streets
ASSETS			
Cash and Cash Equivalents	\$ 224,379	\$ 48,271	\$ 47,594
Investments	450,149	0	0
Receivables (Net of Allowance for Uncollectable if Applicable)			
Taxes	69,106	0	3,464
Total Assets	<u>\$ 743,634</u>	<u>\$ 48,271</u>	<u>\$ 51,058</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Current Liabilities			
Accounts Payable	\$ 14,649	\$ 858	\$ 7,967
Deferred Revenue	26,079	0	0
Total Liabilities	<u>40,728</u>	<u>858</u>	<u>7,967</u>
Fund Balances			
Restricted for, reported in			
Special Revenue Funds	0	47,413	43,091
Capital Projects	0	0	0
Unassigned- General Fund	702,906	0	0
Total Fund Balances	<u>702,906</u>	<u>47,413</u>	<u>43,091</u>
Total Liabilities and Fund Balances	<u>\$ 743,634</u>	<u>\$ 48,271</u>	<u>\$ 51,058</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, 2012

	Capital Projects Fund	Non-Major Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>
ASSETS			
Cash and Cash Equivalents	\$ 32,760	\$ 102,186	\$ 455,190
Investments	200,000	0	650,149
Receivables (Net of Allowance for Uncollectable if Applicable)			
Taxes	0	7,404	79,974
Total Assets	<u>\$ 232,760</u>	<u>\$ 109,590</u>	<u>\$ 1,185,313</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Current Liabilities			
Accounts Payable	\$ 0	\$ 7,197	\$ 30,671
Deferred Revenue	0	0	26,079
Total Liabilities	<u>0</u>	<u>7,197</u>	<u>56,750</u>
Fund Balances			
Restricted for, reported in			
Special Revenue Funds	0	102,393	192,897
Capital Projects	232,760	0	232,760
Unassigned- General Fund	0	0	702,906
Total Fund Balances	<u>232,760</u>	<u>102,393</u>	<u>1,128,563</u>
Total Liabilities and Fund Balances	<u>\$ 232,760</u>	<u>\$ 109,590</u>	<u>\$ 1,185,313</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, 2012

Total Fund Balance - Governmental Funds \$ 1,128,563

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

Property taxes receivable will be collected after the period of availability, but are not available soon enough to pay for the current period's expenditures, and therefore are deferred in the funds. 26,079

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

	\$	4,699,762	
The cost of capital assets			
Accumulated depreciation is		(807,501)	3,892,261

Long-term and certain other liabilities, including notes payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term and other liabilities at year end consist of :

		(284,200)	
Notes Payable			
Issue Costs		4,200	
Accumulated Amortization		(280)	
Accrued interest on Notes Payable		(8,758)	
Compensated Absences		(2,472)	(291,510)

Total net assets - governmental activities \$ 4,755,393

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, 2012

	General Fund	Special Revenue Funds	
		Fire	Streets
Revenues			
Taxes			
Gross Receipts Taxes	\$ 385,599	\$ 0	\$ 0
Property Taxes	126,352	0	0
Franchise Taxes	29,552	0	0
Lodgers Taxes	0	0	0
Gasoline Taxes	0	0	22,993
Motor Vehicle Taxes	0	0	17,049
Charge for Services	72	0	0
State Grants	189,050	70,092	78,675
License, Fees and Fines	13,987	0	0
Interest Income	1,422	0	0
Other	3,597	899	74
Total Revenues	<u>749,631</u>	<u>70,991</u>	<u>118,791</u>
Expenditures			
Current			
General Government	300,856	0	0
Public Safety	52,554	50,695	0
Public Works	198,929	0	16,873
Public Health	18,530	0	0
Culture and Recreation	16,059	0	0
Loan Issue Costs	0	4,200	0
Capital Outlay	0	279,994	427,858
Total Expenditures	<u>586,928</u>	<u>334,889</u>	<u>444,731</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>162,703</u>	<u>(263,898)</u>	<u>(325,940)</u>
Other Financing Sources (Uses)			
Loan Proceeds	0	284,200	0
Transfers In (Out)	(40,000)	(1,465)	0
Total Other Financing Sources (Uses)	<u>(40,000)</u>	<u>282,735</u>	<u>0</u>
Net Change in Fund Balance	122,703	18,837	(325,940)
Fund Balances at Beginning of Year	<u>580,203</u>	<u>28,576</u>	<u>369,031</u>
Fund Balance End of Year	<u>\$ 702,906</u>	<u>\$ 47,413</u>	<u>\$ 43,091</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, 2012

	Capital Projects Fund	Non-Major Governmental Funds	Total Governmental Funds
Revenues			
Taxes			
Gross Receipts Taxes	\$ 0	\$ 0	\$ 385,599
Property Taxes	0	0	126,352
Franchise Taxes	0	0	29,552
Lodgers Taxes	0	36,695	36,695
Gasoline Taxes	0	0	22,993
Motor Vehicle Taxes	0	0	17,049
Charge for Services	0	15,057	15,129
State Grants	175,380	29,453	542,650
License, Fees and Fines	0	400	14,387
Interest Income	0	0	1,422
Other	1,258	1,096	6,924
Total Revenues	<u>176,638</u>	<u>82,701</u>	<u>1,198,752</u>
Expenditures			
Current			
General Government	0	0	300,856
Public Safety	0	25,862	129,111
Public Works	0	0	215,802
Public Health	0	0	18,530
Culture and Recreation	0	85,476	101,535
Loan Issue Costs	0	0	4,200
Capital Outlay	190,147	0	897,999
Total Expenditures	<u>190,147</u>	<u>111,338</u>	<u>1,668,033</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(13,509)</u>	<u>(28,637)</u>	<u>(469,281)</u>
Other Financing Sources (Uses)			
Loan Proceeds	0	0	284,200
Transfers In (Out)	0	41,465	0
Total Other Financing Sources (Uses)	<u>0</u>	<u>41,465</u>	<u>284,200</u>
Net Change in Fund Balance	(13,509)	12,828	(185,081)
Fund Balances at Beginning of Year	<u>246,269</u>	<u>89,565</u>	<u>1,313,644</u>
Fund Balance End of Year	<u>\$ 232,760</u>	<u>\$ 102,393</u>	<u>\$ 1,128,563</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, 2012

Net Change in Fund Balance \$ (185,081)

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

Some property taxes will not be collected for several months after the City's fiscal year ends, they are not considered "available" revenues in the governmental funds, and are instead reported as deferred revenues. They are however, recorded as revenues in the Statement of Activities.

Property Taxes Receivable, June 30, 2011	\$ 0	
Property Taxes Receivable, June 30, 2012	<u>26,079</u>	26,079

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	(102,163)	
Capital Outlays	<u>897,999</u>	795,836

The issuance of long-term debt provides current financial resources to governmental funds but has no effect on net assets.

(284,200)

Bond issue costs are amortized in the Statement of Activities but are an expenditure in the governmental funds.

Issue Costs	4,200	
Amortized Bond Issue Costs	<u>(280)</u>	3,920

In the Statement of Activities, interest is accrued on outstanding bonds, whereas in governmental funds, an interest expenditure is reported when due.

Accrued Interest, June 30, 2011	0	
Accrued Interest, June 30, 2012	<u>(8,758)</u>	(8,758)

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, 2011	9,681	
Compensated Absences, June 30, 2012	<u>(2,472)</u>	7,209

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.

(190,147)

Changes in Net Assets of Governmental Activities	\$	<u><u>164,858</u></u>
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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, 2012

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Taxes				
Gross Receipts	\$ 444,375	\$ 444,375	\$ 384,400	\$ (59,975)
Property	110,155	110,155	125,860	15,705
Franchise	26,000	26,000	29,066	3,066
License & Permits	10,800	10,800	9,830	(970)
Charge for Services	100	100	72	(28)
Fines & Forfeitures	2,290	2,290	4,157	1,867
State Grants	115,000	115,000	189,050	74,050
Interest Income	1,200	1,200	1,422	222
Miscellaneous	5,220	5,220	3,597	(1,623)
Total Revenues	715,140	715,140	747,454	32,314
Expenditures				
Executive				
Personnel Services	9,771	9,771	9,770	1
Benefits	749	749	747	2
Operating Costs	23,550	23,550	18,233	5,317
Total Executive	34,070	34,070	28,750	5,320
Judicial				
Personnel Services	6,332	6,332	5,582	750
Benefits	485	485	427	58
Operating Costs	23,550	23,550	5,852	17,698
Total Judicial	30,367	30,367	11,861	18,506
Election				
Contract Services	1,925	1,925	1,729	196
Supplies	700	700	700	0
Total Election	2,625	2,625	2,429	196
Financial				
Personnel Services	161,636	161,636	155,242	6,394
Benefits	43,915	43,915	46,266	(2,351)
Operating Costs	182,167	182,167	38,950	143,217
Capital Outlay	37,360	37,360	16,982	20,378
Total Financial	425,078	425,078	257,440	167,638
Health & Welfare				
Hospital	21,750	21,750	18,530	3,220
Total Health & Welfare	\$ 21,750	\$ 21,750	\$ 18,530	\$ 3,220

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, 2012

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Planning and Zoning				
Personnel Services	\$ 32,611	\$ 32,611	\$ 30,712	\$ 1,899
Benefits	11,511	11,511	58,692	(47,181)
Operating Costs	32,450	32,450	18,107	14,343
Total Planning and Zoning	<u>76,572</u>	<u>76,572</u>	<u>107,511</u>	<u>(30,939)</u>
Public Safety				
Dispatch	30,000	30,000	30,000	0
Animal Shelter	1,320	1,320	1,320	0
Operating Cost	45,252	45,252	27,417	17,835
Total Public Safety	<u>76,572</u>	<u>76,572</u>	<u>58,737</u>	<u>17,835</u>
Streets				
Personnel Services	29,140	29,140	20,117	9,023
Benefits	6,725	6,725	2,545	4,180
Operating Costs	204,750	204,750	79,297	125,453
Total Streets	<u>240,615</u>	<u>240,615</u>	<u>101,959</u>	<u>138,656</u>
Economic Development				
Operating Expenses	10,000	10,000	10,000	0
Total Economic Development	<u>10,000</u>	<u>10,000</u>	<u>10,000</u>	<u>0</u>
Culture & Recreation				
Fireworks	3,000	3,000	3,000	0
Area on Aging	5,000	5,000	3,059	1,941
Total Culture & Recreation	<u>8,000</u>	<u>8,000</u>	<u>6,059</u>	<u>1,941</u>
Total Expenditures	<u>925,649</u>	<u>925,649</u>	<u>603,276</u>	<u>322,373</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(210,509)</u>	<u>(210,509)</u>	<u>144,178</u>	<u>354,687</u>
Other Financing Sources (Uses)				
Transfers In (Out)	<u>(70,501)</u>	<u>(80,501)</u>	<u>(40,000)</u>	<u>(40,501)</u>
Total Financing Other Sources (Uses)	<u>(70,501)</u>	<u>(80,501)</u>	<u>(40,000)</u>	<u>(40,501)</u>
Net Change in Cash Balance	(281,010)	(291,010)	104,178	395,188
Cash Balance Beginning of Year	<u>570,350</u>	<u>570,350</u>	<u>570,350</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 289,340</u>	<u>\$ 279,340</u>	<u>\$ 674,528</u>	<u>\$ 395,188</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, 2012

	<u>Budgeted Amounts</u>		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	<u>Original</u>	<u>Final</u>		
Reconciliation of Budgetary Basis to GAAP Basis				
Net Change in Cash Balance			\$ 104,178	
Net change in Taxes Receivable			28,257	
Net change in Accounts Payable			11,509	
Net change in Accrued Salaries & Benefits			4,838	
Net change in Deferred Revenue			<u>(26,079)</u>	
Net Change in Fund Balance			<u>\$ 122,703</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, 2012

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
State Grants	\$ 70,092	\$ 70,092	\$ 70,092	\$ 0
Other	1,150	1,150	899	(251)
Total Revenues	<u>71,242</u>	<u>71,242</u>	<u>70,991</u>	<u>(251)</u>
Expenditures				
Public Safety				
Operating	65,371	65,371	58,686	6,685
Loan Issue Costs	0	0	4,200	(4,200)
Capital Outlay	284,200	284,200	279,994	4,206
Total Expenditures	<u>349,571</u>	<u>349,571</u>	<u>342,880</u>	<u>6,691</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(278,329)</u>	<u>(278,329)</u>	<u>(271,889)</u>	<u>(6,942)</u>
Other Financing Sources (Uses)				
Loan Proceeds	0	284,200	284,200	0
Transfers In (Out)	0	0	(1,465)	(1,465)
Total Other Financing Sources (Uses)	<u>0</u>	<u>284,200</u>	<u>282,735</u>	<u>(1,465)</u>
Net Change in Cash Balance	(278,329)	5,871	10,846	4,975
Cash Balance Beginning of Year	<u>37,425</u>	<u>37,425</u>	<u>37,425</u>	<u>0</u>
Cash Balance End of Year	<u>\$ (240,904)</u>	<u>\$ 43,296</u>	<u>\$ 48,271</u>	<u>\$ 4,975</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 10,846	
Net change in Accounts Payable			7,991	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 18,837</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, 2012

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Gasoline Taxes	\$ 28,000	\$ 28,000	\$ 20,854	\$ (7,146)
State Grant	288,695	288,695	78,675	(210,020)
Fees & Fines	10,000	10,000	15,724	5,724
Other	60	60	74	14
Total Revenues	<u>326,755</u>	<u>326,755</u>	<u>115,327</u>	<u>(211,428)</u>
Expenditures				
Public Works				
Operating Expense	300,027	300,027	7,237	292,790
Capital Outlay	<u>355,000</u>	<u>355,000</u>	<u>427,858</u>	<u>(72,858)</u>
Total Expenditures	<u>655,027</u>	<u>655,027</u>	<u>435,095</u>	<u>219,932</u>
Excess (Deficiency) of Revenues Over Expenditures	(328,272)	(328,272)	(319,768)	8,504
Cash Balance Beginning of Year	<u>367,362</u>	<u>367,362</u>	<u>367,362</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 39,090</u>	<u>\$ 39,090</u>	<u>\$ 47,594</u>	<u>\$ 8,504</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (319,768)	
Net Change in Taxes Receivable			1,795	
Net Change in Accounts Payables			(7,967)	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (325,940)</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, 2012

ASSETS

Current Assets

Cash and Cash Equivalents	\$ 11,946
Investments	500,000
Receivables (net of allowance for uncollectible accounts)	
Accounts	71,759
Total Current Assets	<u>583,705</u>

Noncurrent Assets

Restricted Cash	79,404
Capital Assets	13,081,109
Less: Accumulated Depreciation	<u>(1,428,518)</u>
Total Noncurrent Assets	<u>11,731,995</u>

Total Assets	<u>12,315,700</u>
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LIABILITIES

Current Liabilities

Accounts Payable	7,641
Accrued Interest	13,867
Current Portion of Long-Term Debt	<u>51,919</u>
Total Current Liabilities	<u>73,427</u>

Noncurrent Liabilities

Customer Deposits	27,489
Long-Term Debt	<u>1,497,563</u>
Total Noncurrent Liabilities	<u>1,525,052</u>

Total Liabilities	<u>1,598,479</u>
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NET ASSETS

Invested in Capital Assets net of Related Debt	10,103,109
Unrestricted	<u>614,112</u>
Total Net Assets	<u>\$ 10,717,221</u>

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

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
 PROPRIETARY FUND
 Statement of Revenue, Expenses and Changes in Net Assets
 For the Year Ended June 30, 2012

Operating Revenues	
Sales & Service	\$ 563,171
Total Operating Revenues	<u>563,171</u>
Operating Expenses	
Operating Expenses	388,957
Depreciation	<u>267,277</u>
Total Operating Expenses	<u>656,234</u>
Operating Income	<u>(93,063)</u>
Nonoperating Revenue (Expenses)	
Interest Income	25
Interest Expense	<u>(37,607)</u>
Total Nonoperating Revenue (Expenses)	<u>(37,582)</u>
Other Items	
Contribution of Capital Assets	<u>190,147</u>
Total Other Items	<u>190,147</u>
Net Change in Net Assets	59,502
Total Net Assets - Beginning	<u>10,657,719</u>
Total Net Assets - Ending	<u>\$ 10,717,221</u>

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

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
 PROPRIETARY FUND
 Statement of Cash Flows
 For the Year Ended June 30, 2012

Cash Flows from Operating Activities	
Cash Received From Customers	\$ 528,373
Cash Paid to Suppliers and Employees	(408,450)
Net Cash Provided by Operating Activities	<u>119,923</u>
Cash Flows from Capital & Related Financing Activities	
Contribution of Capital Assets	190,147
Invested in Capital Assets	(190,147)
Loan Proceeds	0
Principal Paid	(89,852)
Interest Paid	(37,607)
Net Cash Provided by Capital & Related Financing Activities	<u>(127,459)</u>
Cash Flows from Investing Activities	
Interest Received	25
Net Cash Provided by Investing Activities	<u>25</u>
Net Increase (Decrease) in Cash	(7,511)
Cash, Beginning of the Year	<u>598,861</u>
Cash, Ending of the Year	<u>\$ 591,350</u>
Reconciliation of Cash	
Cash and Cash Equivalents	\$ 11,946
Investments	500,000
Restricted Cash	79,404
Total Cash and Cash Equivalents	<u>\$ 591,350</u>
Reconciliation of Net Income to Net Cash Provided by Operating Activities	
Operating Income (Loss)	\$ (93,063)
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities	
Depreciation	267,277
Change in Assets and Liabilities	
(Increase) Decrease in Accounts Receivable	(19,680)
Increase (Decrease) in Accounts Payable	(2,059)
Increase (Decrease) in Accrued Salaries	(2,418)
Increase (Decrease) in Accrued Interest	(15,017)
Increase (Decrease) in Customer Deposits	(15,117)
Net Cash Provided by Operating Activities	<u>\$ 119,923</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.

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)

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.

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

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

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

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

Measurement Focus and Basis of Accounting

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

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

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

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

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

Budgetary Control

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

Cash and Cash Equivalents

The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

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

Investments

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

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

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

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

Prepaid Items

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

Receivables and Payables

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

Capital Assets

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

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

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

Use of Restricted Funds

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

Revenue

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

Compensated Absences

The City calls this PTO. All full-time employees who have worked for the City for five years or less earn a rate of 2.77 hours for each full work week. Employees who have worked for the City between five and ten years earn a rate of 3.539 hours for each full work week. Employees who have worked for the City between ten and fifteen years earn a rate of 3.847 hours for each full work week. Employees who have worked for the City between fifteen and twenty years earn a rate of 4.154 hours for each full work week. Employees who have worked for the City twenty plus years earn a rate of 4.616 hours for each full work week. Each employee will have the ability to sell or cash in or redeem their PTO at their anniversary date, subject to the following:

- a. Employees can sell one-half of any accrued amount of PTO.
- b. Employees can combination - sell one-half and carry over as they feel necessary.

Employees are paid for one-half the PTO they have accrued and carried over at employment end.

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).

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
Notes to the Financial Statements
June 30, 2012

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 6/30/12</u>	<u>Reconciled Balance</u>	<u>Type</u>
Elephant Butte	\$ 351,416	\$ 345,443	Checking-Interest bearing
Elephant Butte	201,097	201,097	Checking-Interest bearing
TOTAL Deposited	<u>552,513</u>	<u>\$ 546,540</u>	
Less: FDIC Coverage	<u>(250,000)</u>		
Uninsured Amount	302,513		
50% collateral requirement	151,257		
Pledged securities	<u>876,685</u>		
Over (Under) requirement	<u>\$ 725,429</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	\$ 169,351	4/1/2020	Federal Reserve, Minneapolis
FNMA	31402RLT4	335,913	7/1/2020	FNB, Pierre, SD
FNMA	31376KUB0	<u>371,421</u>	9/1/2020	Federal Reserve, Minneapolis
		<u>\$ 876,685</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	302,513
Uninsured and uncollateralized	0
Total Deposits	<u>\$ 552,513</u>

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The government does not have a deposit policy for custodial credit risk. As of the end of the fiscal year none of the City's bank balance was exposed to custodial credit risk.

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
 Notes to the Financial Statements
 June 30, 2012

New Mexico State Treasurer

Name of Account	Balance 6/30/12	Reconciled Balance	Type
City of Elephant Butte	\$ 1,149,179	\$ 1,149,179	Investment
City of Elephant Butte-Reserve Fund	970	970	Investment
TOTAL Deposited	<u>\$ 1,150,149</u>	<u>\$ 1,150,149</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 and available for review by participants at any time.
3. GASB Statement No. 40 defines interest rate risk as the risk that interest rate variations may adversely affect the fair value of an investment. According to GASB Statement No. 40, an acceptable method for reporting interest rate risk is weighted average maturity (“WAM”). The State Treasurer’s Office uses this method for reporting purposes for the LGIP. The WAM of the LGIP is identified on the monthly LGIP investment report found on the State Treasurer’s Office website at www.stonm.org. As of June 30, 2012, the LGIP WAM(R) is 60 days and WAM(F) is 83 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.

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
Notes to the Financial Statements
June 30, 2012

NOTE E: CAPITAL ASSETS

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

	Beginning Balance 6/30/11	Increases	Decreases	Ending Balance 6/30/12
Governmental Activities				
Capital Assets, not being Depreciated				
Land	\$ 1,177,627	\$ 0	\$ 0	\$ 1,177,627
Construction in Progress	0	190,147	190,147	0
Total Capital Assets, not being Depreciated	<u>\$ 1,177,627</u>	<u>\$ 190,147</u>	<u>\$ 190,147</u>	<u>\$ 1,177,627</u>
Capital Assets, being Depreciated				
Infrastructure	\$ 1,599,253	\$ 427,858	\$ 0	\$ 2,027,111
Buildings & Improvements	552,931	0	0	552,931
Equipment	110,779	279,994	0	390,773
Vehicles	551,320	0	0	551,320
Total Capital Assets, being Depreciated	<u>2,814,283</u>	<u>707,852</u>	<u>0</u>	<u>3,522,135</u>
Total Capital Assets	<u>3,991,910</u>	<u>897,999</u>	<u>190,147</u>	<u>4,699,762</u>
Less Accumulated Depreciation				
Infrastructure	141,969	50,633	0	192,602
Buildings & Improvements	259,187	9,939	0	269,126
Equipment	50,216	18,453	0	68,669
Vehicles	253,966	23,138	0	277,104
Total Accumulated Depreciation	<u>705,338</u>	<u>102,163</u>	<u>0</u>	<u>807,501</u>
Capital Assets, net	<u>\$ 3,286,572</u>	<u>\$ 795,836</u>	<u>\$ 190,147</u>	<u>\$ 3,892,261</u>

Depreciation expense was charged to governmental activities as follows:

General	\$ 5,511
Public Safety	27,293
Public Works	66,046
Culture & Recreation	3,313
Total depreciation expenses	<u>\$ 102,163</u>

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
Notes to the Financial Statements
June 30, 2012

	Beginning Balance 6/30/11	Increases	Decreases	Ending Balance 6/30/12
Business-Type Activities				
Capital Assets not being Depreciated				
Land	\$ 50,901	\$ 0	\$ 0	\$ 50,901
Total Capital Assets not being Depreciated	50,901	0	0	50,901
Capital Assets, being Depreciated				
Other Capital Assets				
Lakeshore Water System	1,053,962	190,147	0	1,244,109
Waste Water System	11,705,809	0	0	11,705,809
Equipment	7,000	0	0	7,000
Vehicles	73,290	0	0	73,290
Total Capital Assets, being Depreciated	12,840,061	190,147	0	13,030,208
Total Capital Assets at Historical Cost	\$ 12,890,962	\$ 190,147	\$ 0	\$ 13,081,109
Less Accumulated Depreciation				
Improvements	\$ 1,147,724	\$ 261,962	\$ 0	\$ 1,409,686
Equipment	4,054	583	0	4,637
Vehicles	9,463	4,732	0	14,195
Total Accumulated Depreciation	1,161,241	267,277	0	1,428,518
Capital Assets, net	\$ 11,729,721	\$ (77,130)	\$ 0	\$ 11,652,591

NOTE F: LONG TERM DEBT

Governmental Funds

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

	Beginning Balance 6/30/11	Additions	Reductions	Ending Balance 6/30/12	Amounts Due Within One Year
Loans Payable					
NMFA-SC PP-2591	0	\$ 284,200	\$ 0	\$ 284,200	\$ 6,012
Total	\$ 0	\$ 284,200	\$ 0	\$ 284,200	\$ 6,012

All activities of bonds and loans payable at June 30, 2012 are comprised of the following individual issues:

Description	Original Amount	Maturity Date	Interest Rate	Annual Payments	Collateral
NMFA-SC PP-2591	284,200	5/1/2027	3.458%	Various	Fire Truck

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
Notes to the Financial Statements
June 30, 2012

The annual requirements to above loans as of June 30, 2012, including interest payments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	6,012	15,994	22,006
2014	16,269	8,585	24,854
2015	16,592	8,399	24,991
2016	16,988	8,149	25,137
2017	17,442	7,845	25,287
2018-2022	96,106	32,182	128,288
2023-2027	114,791	14,399	129,190
	<u>\$ 284,200</u>	<u>\$ 95,553</u>	<u>\$ 379,753</u>

Proprietary Funds

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

	<u>Beginning Balance 6/30/11</u>	<u>Additions</u>	<u>Reductions</u>	<u>Ending Balance 6/30/12</u>	<u>Amounts Due Within One Year</u>
Loans Payable					
NMFA-WTB 59	\$ 96,940	\$ 0	\$ 6,059	\$ 90,881	\$ 6,059
RIP 2006-02	481,392	0	38,907	442,485	0
NMFA-WTB 87	112,995	0	6,514	106,481	6,531
RIP 2007-02	481,392	0	19,166	462,226	19,741
ARRA	466,614	0	19,204	447,410	19,588
Total	<u>\$ 1,639,333</u>	<u>\$ 0</u>	<u>\$ 89,850</u>	<u>\$ 1,549,483</u>	<u>\$ 51,919</u>

All activities of bonds and loans payable at June 30, 2012 are comprised of the following individual issues:

<u>Description</u>	<u>Original Amount</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Annual Payments</u>	<u>Collateral</u>
NMFA-WTB 59	\$ 121,175	6/15/2027	0%	\$ 6,059	Utility Revenues
RIP 2006-02	500,000	6/15/2028	3%	33,608	Utility Revenues
NMFA-WTB 87	128,400	6/1/2027	0%	6,531	Utility Revenues
RIP 2007-02	500,000	7/16/2030	3%	19,741	Utility Revenues
ARRA	500,000	6/1/2031	2%	19,588	Utility Revenues

The annual requirements to above loans as of June 30, 2012, including interest payments are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 51,919	\$ 22,815	\$ 74,734
2014	73,252	35,106	108,358
2015	74,889	33,486	108,375
2016	76,569	31,822	108,391
2017	78,295	20,112	98,407
2018-2022	419,077	123,210	542,287
2023-2027	469,913	72,792	542,705
2028-2031	305,568	17,007	322,575
	<u>\$ 1,549,482</u>	<u>\$ 356,350</u>	<u>\$ 1,905,832</u>

NOTE G: PROPERTY TAXES

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

NOTE H: RETIREMENT PLAN

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

Funding Policy. Plan members are required to contribute 7% of the gross salary. The City is required to contribute 7% for all employee's of the gross covered salary. The contribution requirements of plan members and the City are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The total contributions to PERA for the fiscal years ending June 30, 2012, 2011 and 2010 were \$45,056, \$43,857 and \$39,720 respectively, which equal the amount of the required contributions for each fiscal year.

NOTE I: POST-EMPLOYMENT BENEFITS

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

NOTE J: INTERFUND TRANSFERS

Interfund transfers at the fiscal year end were as follows:

	Transfers Out		Transfers In		Total
	Recreation	General	Recreation	General	
General	\$ 40,000	\$ 0	\$ 40,000	\$ 0	\$ 40,000
Fire	0	1,465	0	1,465	1,465
	<u>\$ 40,000</u>	<u>\$ 1,465</u>	<u>\$ 40,000</u>	<u>\$ 1,465</u>	<u>\$ 41,465</u>

A transfer from General Fund to Recreation to cover the shortfall.

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	Streets	Non-Major Funds	Utility
Accounts Receivable	\$ 0	\$ 0	\$ 0	\$ 71,759
Gross Receipts Taxes	32,773	0	0	0
Property Taxes	7,063	0	0	0
Franchise Taxes	3,191	0	0	0
Gasoline Taxes	0	3,464	0	0
Lodgers Tax	0	7,404	7,404	0
	<u>\$ 43,027</u>	<u>\$ 10,868</u>	<u>\$ 7,404</u>	<u>\$ 71,759</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, 2012

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
State Grant	\$ 303,000	\$ 303,000	\$ 175,380	\$ (127,620)
Miscellaneous	820	820	1,259	439
Total Revenues	<u>303,820</u>	<u>303,820</u>	<u>176,639</u>	<u>(127,181)</u>
Expenditures				
Capital Outlay	<u>318,657</u>	<u>318,657</u>	<u>190,148</u>	<u>128,509</u>
Total Expenditures	<u>318,657</u>	<u>318,657</u>	<u>190,148</u>	<u>128,509</u>
Excess (Deficiency) of Revenues Over Expenditures	(14,837)	(14,837)	(13,509)	1,328
Cash Balance Beginning of Year	<u>246,269</u>	<u>246,269</u>	<u>246,269</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 231,432</u>	<u>\$ 231,432</u>	<u>\$ 232,760</u>	<u>\$ 1,328</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			<u>\$ (13,509)</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ (13,509)</u>	

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

**SUPPLEMENTAL INFORMATION RELATED TO
NON MAJOR FUNDS**

NONMAJOR GOVERNMENTAL FUNDS

Emergency Medical Services

To account for the operation and maintenance of the City's EMS Department. Financing is primarily from an annual EMS allotment and fees collected for emergency transportation. The fund was created by the authority of state grant provisions. (NMSA 59A-53-1)

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)

Correction Fund

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

Lodger Tax Fund

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

Recreation Fund

To account for the operation and maintenance of the 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, 2012

	Special Revenue Funds		
	Emergency Medical Services	Law Enforcement Protection	Correction
ASSETS			
Cash and Cash Equivalents	\$ 3,057	\$ 8,941	\$ 16,087
Receivables			
Taxes	0	0	0
Total Assets	<u>\$ 3,057</u>	<u>\$ 8,941</u>	<u>\$ 16,087</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts Payable	\$ 2,948	\$ 306	\$ 0
Total Liabilities	<u>2,948</u>	<u>306</u>	<u>0</u>
Fund Balance			
Restricted for, reported in			
Special Revenue	109	8,635	16,087
Total Fund Balance	<u>109</u>	<u>8,635</u>	<u>16,087</u>
Total Liabilities and Fund Balance	<u>\$ 3,057</u>	<u>\$ 8,941</u>	<u>\$ 16,087</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, 2012

	<u>Special Revenue Funds</u>		
	<u>Lodgers Tax</u>	<u>Recreation</u>	<u>Total</u>
ASSETS			
Cash and Cash Equivalents	\$ 39,502	\$ 34,599	\$ 102,186
Receivables			
Taxes	7,404	0	7,404
Total Assets	<u>\$ 46,906</u>	<u>\$ 34,599</u>	<u>\$ 109,590</u>
LIABILITIES AND FUND BALANCE			
Liabilities			
Accounts Payable	\$ 1,139	\$ 2,804	\$ 7,197
Total Liabilities	<u>1,139</u>	<u>2,804</u>	<u>7,197</u>
Fund Balance			
Restricted for, reported in			
Special Revenue	45,767	31,795	102,393
Total Fund Balance	<u>45,767</u>	<u>31,795</u>	<u>102,393</u>
Total Liabilities and Fund Balance	<u>\$ 46,906</u>	<u>\$ 34,599</u>	<u>\$ 109,590</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, 2012

	Special Revenue Funds		
	Emergency Medical Services	Law Enforcement Protection	Correction
Revenues			
Lodgers Taxes	\$ 0	\$ 0	\$ 0
Charge for Services	0	0	0
State Grants	7,978	21,475	0
Fees & Fines	0	0	400
Other	0	0	25
Total Revenues	<u>7,978</u>	<u>21,475</u>	<u>425</u>
Expenditures			
Current			
Public Safety	9,334	16,528	0
Culture & Recreation	0	0	0
Total Expenditures	<u>9,334</u>	<u>16,528</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(1,356)</u>	<u>4,947</u>	<u>425</u>
Other Financing Sources (Uses)			
Transfers In (Out)	1,465	0	0
Total Other Financing Sources (Uses)	<u>1,465</u>	<u>0</u>	<u>0</u>
Net Change in Fund Balance	109	4,947	425
Fund Balances at Beginning of Year	<u>0</u>	<u>3,688</u>	<u>15,662</u>
Fund Balance End of Year	<u>\$ 109</u>	<u>\$ 8,635</u>	<u>\$ 16,087</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, 2012

	<u>Special Revenue Funds</u>		
	<u>Lodgers Tax</u>	<u>Recreation</u>	<u>Total</u>
Revenues			
Lodgers Taxes	\$ 36,695	\$ 0	\$ 36,695
Charge for Services	0	15,057	15,057
State Grants	0	0	29,453
Fees & Fines	0	0	400
Other	25	1,046	1,096
Total Revenues	<u>36,720</u>	<u>16,103</u>	<u>82,701</u>
Expenditures			
Current			
Public Safety	0	0	25,862
Culture & Recreation	36,382	49,094	85,476
Total Expenditures	<u>36,382</u>	<u>49,094</u>	<u>111,338</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>338</u>	<u>(32,991)</u>	<u>(28,637)</u>
Other Financing Sources (Uses)			
Transfers In (Out)	0	40,000	41,465
Total Other Financing Sources (Uses)	<u>0</u>	<u>40,000</u>	<u>41,465</u>
Net Change in Fund Balance	338	7,009	12,828
Fund Balances at Beginning of Year	<u>45,429</u>	<u>24,786</u>	<u>89,565</u>
Fund Balance End of Year	<u>\$ 45,767</u>	<u>\$ 31,795</u>	<u>\$ 102,393</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-EMERGENCY MEDICAL SERVICES FUND
Statement of Revenues, Expenditures, and Changes in Cash Balance -
Budget and Actual (Budgetary Basis)
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
State Grants	\$ 7,978	\$ 7,978	\$ 7,978	\$ 0
Total Revenues	<u>7,978</u>	<u>7,978</u>	<u>7,978</u>	<u>0</u>
Expenditures				
Public Safety				
Operating Expenses	<u>7,978</u>	<u>7,978</u>	<u>6,386</u>	<u>1,592</u>
Total Expenditures	<u>7,978</u>	<u>7,978</u>	<u>6,386</u>	<u>1,592</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>0</u>	<u>0</u>	<u>1,592</u>	<u>1,592</u>
Other Financing Sources (Uses)				
Transfers In (Out)	<u>0</u>	<u>0</u>	<u>1,465</u>	<u>(1,465)</u>
Total Financing Other Sources (Uses)	<u>0</u>	<u>0</u>	<u>1,465</u>	<u>(1,465)</u>
Net Change in Cash Balance	0	0	3,057	3,057
Cash Balance Beginning of Year	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 3,057</u>	<u>\$ 3,057</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 3,057	
Net Change in Accounts Payable			<u>(2,948)</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 109</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, 2012

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
State Grants	\$ 20,600	\$ 20,600	\$ 21,475	\$ 875
Total Revenues	<u>20,600</u>	<u>20,600</u>	<u>21,475</u>	<u>875</u>
Expenditures				
Public Safety				
Operating Expenses	17,161	17,161	16,697	464
Capital Purchases	<u>7,600</u>	<u>7,600</u>	<u>0</u>	<u>7,600</u>
Total Expenditures	<u>24,761</u>	<u>24,761</u>	<u>16,697</u>	<u>8,064</u>
Excess (Deficiency) of Revenues Over Expenditures	(4,161)	(4,161)	4,778	8,939
Cash Balance Beginning of Year	<u>4,163</u>	<u>4,163</u>	<u>4,163</u>	<u>0</u>
Cash Balance End of Year	\$ <u>2</u>	\$ <u>2</u>	\$ <u>8,941</u>	\$ <u>8,939</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ 4,778	
Net Change in Accounts Payable			<u>169</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			\$ <u>4,947</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, 2012

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Correction Fees	\$ 0	\$ 0	\$ 400	\$ 400
Other	0	0	25	25
Total Revenues	<u>0</u>	<u>0</u>	<u>425</u>	<u>425</u>
Expenditures				
Public Safety				
Housing Of Prisoners	0	0	0	0
Total Expenditures	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
Excess (Deficiency) of Revenues Over Expenditures	0	0	425	425
Cash Balance Beginning of Year	<u>15,662</u>	<u>15,662</u>	<u>15,662</u>	<u>0</u>
Cash Balance End of Year	\$ <u>15,662</u>	\$ <u>15,662</u>	\$ <u>16,087</u>	\$ <u>425</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ <u>425</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			\$ <u>425</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, 2012

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Lodgers Tax	\$ 30,000	\$ 30,000	\$ 33,463	\$ 3,463
Other	30	30	25	(5)
Total Revenues	<u>30,030</u>	<u>30,030</u>	<u>33,488</u>	<u>3,458</u>
Expenditures				
Culture & Recreation				
Operating Expenses	<u>67,778</u>	<u>67,778</u>	<u>35,566</u>	<u>32,212</u>
Total Expenditures	<u>67,778</u>	<u>67,778</u>	<u>35,566</u>	<u>32,212</u>
Excess (Deficiency) of Revenues Over Expenditures	(37,748)	(37,748)	(2,078)	35,670
Cash Balance Beginning of Year	<u>41,580</u>	<u>41,580</u>	<u>41,580</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 3,832</u>	<u>\$ 3,832</u>	<u>\$ 39,502</u>	<u>\$ 35,670</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures-Cash Basis			\$ (2,078)	
Net Change in Taxes Receivable			3,232	
Net Change in Accounts Payable			<u>(816)</u>	
Excess (Deficiency) of Revenues Over Expenditures-GAAP Basis			<u>\$ 338</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, 2012

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Charge for Services	\$ 17,000	\$ 17,000	\$ 15,057	\$ (1,943)
Miscellaneous	2,045	2,045	1,046	(999)
Total Revenues	<u>19,045</u>	<u>19,045</u>	<u>16,103</u>	<u>(2,942)</u>
Expenditures				
Culture & Recreation				
Operating Expenses	<u>83,300</u>	<u>83,300</u>	<u>46,534</u>	<u>36,766</u>
Total Expenditures	<u>83,300</u>	<u>83,300</u>	<u>46,534</u>	<u>36,766</u>
Excess (Deficiency) of Revenues Over Expenditures	<u>(64,255)</u>	<u>(64,255)</u>	<u>(30,431)</u>	<u>33,824</u>
Other Financing Sources (Uses)				
Transfers In (Out)	<u>40,000</u>	<u>40,000</u>	<u>40,000</u>	<u>0</u>
Total Other Financing Sources (Uses)	<u>40,000</u>	<u>40,000</u>	<u>40,000</u>	<u>0</u>
Net Change in Cash Balance	(24,255)	(24,255)	9,569	33,824
Cash Balance Beginning of Year	<u>25,030</u>	<u>25,030</u>	<u>25,030</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 775</u>	<u>\$ 775</u>	<u>\$ 34,599</u>	<u>\$ 33,824</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Net Change in Cash Balance			\$ 9,569	
Net change in Accounts Payable			<u>(2,560)</u>	
Net Change in Fund Balance			<u>\$ 7,009</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, 2012

	Budgeted Amounts		Actual (Budgetary Basis)	Variance with Final Budget- Over (Under)
	Original	Final		
Revenues				
Water				
Charge for Services	\$ 224,749	\$ 224,749	\$ 204,386	\$ (20,363)
Total Water	<u>224,749</u>	<u>224,749</u>	<u>204,386</u>	<u>(20,363)</u>
Waste Water				
Charge for Services	267,666	267,666	309,362	41,696
Capacity Fee	14,586	14,583	14,625	42
Interest Income	0	0	25	25
Total Waste Water	<u>282,252</u>	<u>282,249</u>	<u>324,012</u>	<u>41,763</u>
Total Revenues	<u>507,001</u>	<u>506,998</u>	<u>528,398</u>	<u>21,400</u>
Expenditures				
Water				
Operating Expenses				
Personnel	55,359	55,359	45,794	9,565
Employee Benefits	18,472	18,472	14,478	3,994
Operating Expenses	199,695	199,695	72,004	127,691
Total Water	<u>273,526</u>	<u>273,526</u>	<u>132,276</u>	<u>141,250</u>
Waste Water				
Operating Expenses				
Personnel	71,671	71,671	66,042	5,629
Employee Benefits	24,224	24,224	18,167	6,057
Operating Expenses	212,255	212,255	176,950	35,305
Debt Service				
Principal	110,921	110,921	89,850	21,071
Interest			52,624	(52,624)
Total Waste Water	<u>419,071</u>	<u>419,071</u>	<u>403,633</u>	<u>15,438</u>
Total Expenditures	<u>692,597</u>	<u>692,597</u>	<u>535,909</u>	<u>156,688</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, 2012

Excess (Deficiency) of Revenues Over Expenditures	(185,596)	(185,599)	(7,511)	178,088
Cash Balance Beginning of Year	<u>598,861</u>	<u>598,861</u>	<u>598,861</u>	<u>0</u>
Cash Balance End of Year	<u>\$ 413,265</u>	<u>\$ 413,262</u>	<u>\$ 591,350</u>	<u>\$ 178,088</u>
Reconciliation of Budgetary Basis to GAAP Basis				
Excess (Deficiency) of Revenues Over Expenditures			\$ (7,511)	
Depreciation			(267,277)	
Principal Paid			89,850	
Capital Outlay			190,149	
Net change in Accounts Receivable			19,680	
Net change in Accounts Payables			2,059	
Net change in Accrued Salaries			2,418	
Net change in Accrued Interest			15,017	
Net change in Customer Deposits			<u>15,117</u>	
Change in Net Assets-GAAP Basis			<u>\$ 59,502</u>	

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

De'Aun Willoughby CPA, PC

Certified Public Accountant

225 Innsdale Terrace, Clovis, NM 88101

(855) 253-4313

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

Mr. Hector 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, major special revenue funds, and the 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, 2012, and have issued our report thereon dated November 15, 2012. 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

Management of the board is responsible for establishing and maintaining effective 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 responses that we consider to be significant deficiencies in internal control over financial reporting; 09-1, 11-1, 11-4, 12-1 and 12-2. 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 responses; 09-1, 11-1, 11-4, 12-1 and 12-2.

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

 De'Ann Willoughby CPA PC

November 15, 2012

Prior Year Audit Findings		<u>Status</u>
09-1	Preparation of Financial Statements	Repeated
11-1	941 Payroll Tax Reports	Repeated & Modified
11-2	Misclassification of grant revenue and expenditures	Resolved
11-3	PERA Reconciliation	Resolved
11-4	Payroll	Repeated & Modified

Current Year Audit Findings

09-1 Preparation of Financial Statements-Compliance and Internal Control-Significant Deficiency 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) 115, 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 Payroll Tax Reports-Compliance and Internal Control-Significant Deficiency Condition

Wages were under reported by \$8,138.25 on the 903A for two quarters ending 9/30/11 and 12/31/11.

Criteria

Instructions for completing the 903 A can be found at <https://www.jobs.state.nm.us/ES903 A>

Cause

The payroll tax form were completed after the due date. Quarterly reports for State Unemployment (SUTA Form 903A) were not being completed correctly by the employee responsible for preparing the reports.

Effect

Inaccurate reporting to state agencies allows charges and amounts due to be incorrect. Employees will not be paid the correct benefits and the City may overpay/underpay taxes due and penalized by Workforce Solutions.

Recommendation

The City must ensure that correct wages are being reported to the proper authorities to avoid the possibility of have to pay penalty and interest fees.

Response

We will implement a system to track all reports and the amounts reported on such reports.

11-4 Payroll-Compliance and Internal Control-Significant Deficiency

Condition

Of six employees sampled we noted the following:

-One I-9 was completed incorrectly.

Overtime was not calculated correctly on one paycheck totaling a \$15.10 underpayment.

Criteria

An employer is required by Immigration Reform and Control Act of 1986 (IRCA) to verify the citizenship or immigration status of all employees. New Mexico Overtime Pay Laws - 2012 FLSA Overtime Regulations requires overtime be paid at one and a half of the wage rate per 40 hour work week.

Cause

The I-9 was not completed correctly due to an oversight and overtime was miscalculated due to a misunderstanding of the overtime rules and laws.

Effect

The City could be penalized for the I-9 and be liable for underpayment of employees including benefits.

Recommendation

Care needs to be taken in completing I-9 and calculating overtime. A second review should be required and possibly additional training would be helpful.

Response

We will review the overtime laws in New Mexico and double check overtime and review all I-9s.

12-1 Stale Date Transactions-Compliance and Internal Control-Significant Deficiency

Condition

The City maintained stale checks in several bank accounts. An audit of the City's bank accounts revealed that the City maintained six checks that were dated over one year old as of June 30, 2012. The checks totaled \$355.19.

Criteria

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

Cause

The City did not implement an internal control policy to account for stale dated outstanding checks and did not void these checks on a timely basis.

Effect

Carrying numerous bank reconciling items could result in a misstatement in the accounting records or related misappropriation of funds.

Recommendation

We recommend that the City implement a procedure to review the outstanding check listings for all bank accounts and track stale-dated checks. If checks on the outstanding check listings are greater than one year old, we recommend these checks be voided and that the City take appropriate steps to ensure that the funds are reported to the Unclaimed Property Division as may be necessary.

Response

We will void all checks one year or older. Outstanding checks will be reviewed and voided on a monthly basis.

12-2 Expenditure Issues-Compliance and Internal Control-Significant Deficiency

Condition

Of a sample size of 159 revealed the following:

-A 1099 was not issued to a vendor consisting of two checks (#31791 & #31916) totaling \$4,500.00.

-One travel vouchers did not have an approval signature.

Criteria

In accordance with 6.20.2.17 Purchasing each entity shall establish and implement written policies and procedures for purchasing which shall be in compliance with the Procurement Code, Section 13-1-21 et seq, NMSA 1978.

Cause

The City is in the process of changing software. Their attention has been deciding which software to purchase, the implementation and maintain the current records with no support from the old software company.

Effect

Without proper documentation and following the procurement act, there are not adequate controls over expenditures. Results could be over spending.

Recommendation

Training of all staff on the procurement process would be helpful. The City Manager needs to enforce the procurement process and write up those who violate it. There should be consequences to violations.

Response

Trainings will be held with personnel on the procurement act with a reminder summary sheet given to every employee each year. City Manager will enforce the process through progressive discipline which includes reprimand up to deduction from payroll for expenditures that didn't have the proper documentation.

Financial Statement Preparation

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

Exit Conference

An exit conference was held on November 15, 2012. In attendance were Eunice Kent, Mayor, Alan Briley-City Manager, Mary Ann Dix-City Clerk and De'Aun Willoughby, CPA.