

**STATE OF NEW MEXICO**  
**CITY OF ELEPHANT BUTTE**  
**FINANCIAL STATEMENTS**  
**FOR THE YEAR-ENDED JUNE 30, 2015**



## **INTRODUCTORY SECTION**

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CITY OF ELEPHANT BUTTE  
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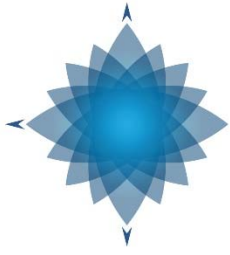
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CITY OF ELEPHANT BUTTE  
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**STATE OF NEW MEXICO  
CITY OF ELEPHANT BUTTE  
OFFICIAL ROSTER  
FOR THE YEAR ENDED JUNE 30, 2015**

<u><b>Elected Officials</b></u>	<u><b>Title</b></u>
Eunice Kent	Mayor
Kim Skinner	Mayor Pro-Tem
Gerald LaFont	Councilor
Dee Rogers	Councilor
Edna Trager	Councilor
<u><b>Administrative Officials</b></u>	
Andrew Finzen	City Manager
Karen Rieth	City Clerk-Treasurer

## **FINANCIAL SECTION**



## Independent Auditor's Report

Timothy Keller  
New Mexico State Auditor  
Mayor and City Council  
City of Elephant Butte  
Elephant Butte, New Mexico

To the Mayor and City Council

### **Report of the Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue funds of the City of Elephant Butte, New Mexico, as of and for the year-ended June 30, 2015, and the related notes to the financial statements 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 funds, proprietary funds, and all nonmajor funds presented as supplementary information as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year-ended June 30, 2015, as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

### **Auditor's Responsibility**

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that

are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## **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, 2015, and the respective changes in financial position, and, where applicable, cash flows thereof and the respective budgetary comparisons for the general fund and major special revenue funds for the year then ended in accordance 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, 2015, and the respective changes in financial position and cash flows where applicable, thereof and the respective budgetary comparisons for the major capital project funds, proprietary fund, and all nonmajor funds for the year then-ended in accordance with accounting principles generally accepted in the United States of America.

## **Other Matters**

### *Required Supplementary Information*

Accounting principles generally accepted in the United States of America require that the Schedule of proportionate share of the net pension liability and the schedule of contributions and notes to the Required Supplementary Information on pages 43-45 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with evidence sufficient to express an opinion or provide any assurance.

Management has omitted the Management Discussion and Analysis that accounting principles generally accepted in the United States of America 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 the Governmental Accounting Standards Board who considers it to be an essential part of 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.



### *Other Information*

Our audit was conducted for the purpose of forming opinions on the City's financial statements, and the combining and individual fund financial statements, and the budgetary comparisons. The schedules required by 2.2.2 NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedules required by 2.2.2 NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedules required by 2.2.2 NMAC are fairly stated in all material respects in relation to the basic financial statements as a whole.

The schedule of vendor information has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

### **Other Reporting Required by *Government Auditing Standards***

In accordance with *Government Auditing Standards*, we have also issued our report dated November 23, 2015, 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 internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City's internal control over financial reporting and compliance.

*Integrity Accounting + Consulting, LLC*

Integrity Accounting & Consulting, LLC  
Albuquerque, NM

November 23, 2015

**STATE OF NEW MEXICO  
CITY OF ELEPHANT BUTTE  
STATEMENT OF NET POSITION  
As of June 30, 2015**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
Assets and deferred inflows of resources:			
Assets:			
Cash and cash equivalents	\$ 680,424	561,959	1,242,383
Investments	578	-	578
Receivables			
Accounts receivable	-	45,045	45,045
Taxes receivable	347,970	-	347,970
Due from other governments	-	232,273	232,273
Total current assets	<u>1,028,972</u>	<u>839,277</u>	<u>1,868,249</u>
Non-current assets:			
Restricted cash	-	116,489	116,489
Capital assets	6,008,767	14,159,519	20,168,286
Less: Accumulated depreciation	<u>(1,210,384)</u>	<u>(2,285,214)</u>	<u>(3,495,598)</u>
Total non-current assets	<u>4,798,383</u>	<u>11,990,794</u>	<u>16,789,177</u>
Total assets	<u>5,827,355</u>	<u>12,830,071</u>	<u>18,657,426</u>
Deferred Outflows of Resources:			
Employer contributions subsequent to the measurement date	<u>24,699</u>	<u>-</u>	<u>24,699</u>
Total deferred outflows of resources	<u>24,699</u>	<u>-</u>	<u>24,699</u>
Total assets and deferred outflows of resources	<u>\$ 5,852,054</u>	<u>12,830,071</u>	<u>18,682,125</u>
Liabilities, deferred inflows of resources and net position:			
Liabilities:			
Accounts payable	\$ 34,963	135,600	170,563
Accrued payroll liabilities	7,121	4,587	11,708
Accrued interest	2,389	24,140	26,529
Customer deposits	-	47,107	47,107
Current portion of compensated absences	3,099	2,017	5,116
Current portion of long-term debt	<u>37,984</u>	<u>92,015</u>	<u>129,999</u>
Total current liabilities	85,556	305,466	391,022
Non-current liabilities			
Compensated absences	775	504	1,279
Notes payable	207,343	1,531,141	1,738,484
Net pension liability	<u>248,074</u>	<u>-</u>	<u>248,074</u>
Total non-current liabilities	<u>456,192</u>	<u>1,531,645</u>	<u>1,987,837</u>
Total liabilities	541,748	1,837,111	2,378,859
Deferred Inflows of Resources:			
Investment experience	97,053	-	97,053
Change of assumptions	<u>168</u>	<u>-</u>	<u>168</u>
Total deferred inflows of resources	97,221	-	97,221
Net position			
Net Investment in Capital Assets	4,553,056	10,367,638	14,920,694
Unrestricted Net Position	<u>660,029</u>	<u>625,322</u>	<u>1,285,351</u>
Total net position	<u>5,213,085</u>	<u>10,992,960</u>	<u>16,206,045</u>
Total liabilities, deferred inflows of resources and net position:	<u>\$ 5,852,054</u>	<u>12,830,071</u>	<u>18,682,125</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO  
CITY OF ELEPHANT BUTTE  
STATEMENT OF ACTIVITIES  
For the Year Ended June 30, 2015

<u>Functions/programs</u>	<u>Program Revenues</u>				<u>Net (Expense) Revenue and Changes In Net Primary Government</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
<b>Primary government:</b>							
Governmental activities							
General government	\$ 757,624	32	283,968	-	(473,624)	-	(473,624)
Public safety	54,733	-	93,134	-	38,401	-	38,401
Public works	44,969	-	-	1,775	(43,194)	-	(43,194)
Culture and recreation	122,701	13,930	9,465	-	(99,306)	-	(99,306)
Interest expense	9,389	-	-	-	(9,389)	-	(9,389)
Total governmental activities	<u>989,416</u>	<u>13,962</u>	<u>386,567</u>	<u>1,775</u>	<u>(587,112)</u>	<u>-</u>	<u>(587,112)</u>
<b>Business-type activities:</b>							
Utilities							
Water	194,995	196,140	-	379,106	-	380,251	380,251
Wastewater	653,783	313,218	-	122,994	-	(217,571)	(217,571)
Total business-type activities	<u>\$ 848,778</u>	<u>509,358</u>	<u>-</u>	<u>502,100</u>	<u>-</u>	<u>162,680</u>	<u>162,680</u>
Total primary government					<u>(587,112)</u>	<u>162,680</u>	<u>(424,432)</u>
<b>General revenues:</b>							
Taxes							
Property taxes levied for general purposes					\$ 185,747	-	185,747
Gross receipts taxes					398,996	-	398,996
Other taxes and fees					71,164	-	71,164
Licenses and permits					15,335	-	15,335
Fines, forfeitures, and penalties					3,371	-	3,371
Interest income					911	186	1,097
Miscellaneous income					139,056	-	139,056
Transfers					(309,658)	309,658	-
Total general revenue and transfers					<u>504,922</u>	<u>309,844</u>	<u>814,766</u>
Changes in net position					(82,190)	472,524	390,334
Beginning net position					5,252,147	10,528,811	15,780,958
Restatement					43,128	(8,375)	34,753
Beginning net position, as restated					<u>5,295,275</u>	<u>10,520,436</u>	<u>15,815,711</u>
Net position, end of year					<u>\$ 5,213,085</u>	<u>10,992,960</u>	<u>16,206,045</u>

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO  
CITY OF ELEPHANT BUTTE  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
As of June 30, 2015**

	<u>Major Funds</u>				<u>Total Non- Major Funds</u>	<u>Total Funds</u>
	<u>Spec Revenue</u>					
	<u>General Fund</u>	<u>Fire Fund</u>	<u>Streets Fund</u>	<u>Capital Projects Fund</u>		
Assets and deferred inflows of resources:						
Assets:						
Cash and cash equivalents	\$ 652,112	16,853	-	-	11,460	680,425
Investments	578	-	-	-	-	578
Receivables						
Taxes receivable	336,203	-	4,496	-	7,271	347,970
Total assets	<u>988,893</u>	<u>16,853</u>	<u>4,496</u>	<u>-</u>	<u>18,731</u>	<u>1,028,973</u>
Deferred Outflows of Resources:						
Total deferred outflows of resource	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assests and deferred outflows of resources	<u>\$ 988,893</u>	<u>16,853</u>	<u>4,496</u>	<u>-</u>	<u>18,731</u>	<u>1,028,973</u>
Liabilities, deferred inflows of resources and fund balances:						
Liabilities:						
Accounts payable	\$ 21,446	443	12,321	-	753	34,963
Accrued payroll liabilities	7,121	-	-	-	-	7,121
Total liabilities	<u>28,567</u>	<u>443</u>	<u>12,321</u>	<u>-</u>	<u>753</u>	<u>42,084</u>
Deferred Inflows of Resources:						
"Unavailable" revenues	249,308	-	-	-	-	249,308
Total deferred inflows of resource:	<u>249,308</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>249,308</u>
Fund balances:						
Nonspendable	-	-	-	-	-	-
Restricted	-	16,410	-	-	17,978	34,388
Committed	-	-	-	-	-	-
Assigned	-	-	-	-	-	-
Unassigned	711,018	-	(7,825)	-	-	703,193
Total fund balances	<u>711,018</u>	<u>16,410</u>	<u>(7,825)</u>	<u>-</u>	<u>17,978</u>	<u>737,581</u>
Total liabilities, deferred inflows of resources and fund balances:	<u>\$ 988,893</u>	<u>16,853</u>	<u>4,496</u>	<u>-</u>	<u>18,731</u>	<u>1,028,973</u>

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO  
CITY OF ELEPHANT BUTTE  
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCE  
TO THE STATEMENT OF NET POSITION  
As of June 30, 2015**

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

Total fund balance - Governmental funds	\$	737,581
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.		4,798,383
Delinquent property tax not collected within sixty days after year end are not considered "available" revenues and are considered to be deferred inflows of resources in the fund financial statements, but are considered revenue in the statement of activities.		249,308
Deferred outflows and inflows of resources related to pensions are applicable to future periods and therefore, are not reported in the funds:		
Deferred outflows of resources related to employer contribution subsequent to the measurement date		24,699
Deferred inflows of resources related to investment experience		(97,053)
Deferred inflows of resources related to change of assumptions		(168)
Long-term liabilities, including bonds payable, are not due and payable in the current period and therefore are not reported in the funds. Long-term liabilities at year-end consist of:		
Accrued interest on notes payable	\$	(2,389)
Current compensated absences		(3,099)
Noncurrent compensated absences		(775)
Current notes payable		(37,984)
Noncurrent notes payable		(207,343)
Net pension liability	\$	(248,074)
		(499,664)
Rounding		<u>(1)</u>
Net position for governmental activities	\$	<u><u>5,213,085</u></u>

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO  
CITY OF ELEPHANT BUTTE  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2015**

	<u>Major Funds</u>			<u>Capital Projects Fund</u>	<u>Total Non- Major Funds</u>	<u>Total Funds</u>
	<u>Spec Revenue</u>					
	<u>General Fund</u>	<u>Fire Fund</u>	<u>Streets Fund</u>			
Revenues:						
Taxes						
Property	\$ 270,299	-	-	-	-	270,299
Gross receipts	369,736	-	29,261	-	-	398,997
Other	36,926	-	-	-	34,238	71,164
Licenses and permits	8,875	-	-	-	6,460	15,335
Charges for services	32	-	-	-	13,930	13,962
Fines and forfeitures	2,951	-	-	-	420	3,371
Intergovernmental revenue						
State grants	283,967	70,089	1,775	-	32,510	388,341
Interest income	744	-	-	-	167	911
Miscellaneous income	38,968	100,000	-	-	89	139,057
Total revenues	<u>1,012,498</u>	<u>170,089</u>	<u>31,036</u>	<u>-</u>	<u>87,814</u>	<u>1,301,437</u>
Expenditures:						
Current:						
General government	612,739	-	-	-	-	612,739
Public safety	-	28,719	-	-	26,014	54,733
Public works	-	-	44,969	-	-	44,969
Culture and recreation	-	-	-	-	122,701	122,701
Capital outlay	61,372	147,777	145,703	-	29,586	384,438
Debt service						
Principal	-	16,592	-	-	-	16,592
Interest	-	8,399	-	-	-	8,399
Total expenditures	<u>674,111</u>	<u>201,487</u>	<u>190,672</u>	<u>-</u>	<u>178,301</u>	<u>1,244,571</u>
Excess (deficiency) of revenues over (under) expenditures	338,387	(31,398)	(159,636)	-	(90,487)	56,866
Other financing sources (uses):						
Transfers in	-	-	25,518	-	6,327	31,845
Transfers out	(31,845)	-	-	(309,658)	-	(341,503)
Total other financing sources (uses):	<u>(31,845)</u>	<u>-</u>	<u>25,518</u>	<u>(309,658)</u>	<u>6,327</u>	<u>(309,658)</u>
Net change in fund balances	306,542	(31,398)	(134,118)	(309,658)	(84,160)	(252,792)
Beginning fund balance	364,479	47,808	122,094	309,658	102,138	946,177
Restatement	39,997	-	4,199	-	-	44,196
Beginning fund balance, as restated	<u>404,476</u>	<u>47,808</u>	<u>126,293</u>	<u>309,658</u>	<u>102,138</u>	<u>990,373</u>
Ending fund balance	<u>\$ 711,018</u>	<u>16,410</u>	<u>(7,825)</u>	<u>-</u>	<u>17,978</u>	<u>737,581</u>

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO  
CITY OF ELEPHANT BUTTE  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES  
IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
As of June 30, 2015**

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

Total net change in fund balances-governmental funds	\$ (252,792)
<p>Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimates useful lives and reported as depreciation expense.</p>	
Capital expenditures recorded as capital outlay or other expenses	367,770
Depreciation expense on capital assets is reported in the government-wide statement of activities and changes in net position, but they do not require the use of current financial resources. Therefore depreciation expense is not reported as an expenditure in the governmental funds.	(147,026)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.</p>	
Change in deferred inflows of resources related to property taxes receivable	(84,552)
<p>The issuance of long-term debt (e.g. bonds, notes, capital leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however has any effect on net position. Also, governmental funds report the effect of premiums and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.</p>	
(Increase)/decrease in compensated absences	4,465
(Increase)/decrease in accrued interest	(989)
Principal payments on long-term debt	16,592
<p>Governmental funds report pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense:</p>	
Employer contributions subsequent to the measurement date	24,699
Pension expense	(10,367)
Rounding	<u>10</u>
Change in net position of governmental activities	<u><u>\$ (82,190)</u></u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO  
CITY OF ELEPHANT BUTTE  
GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
For the Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes				
Property	\$ 244,608	244,608	268,905	24,297
Gross receipts	386,802	386,802	368,296	(18,506)
Other	31,000	31,000	30,918	(82)
Licenses and permits	9,550	9,550	8,875	(675)
Charges for services	50	50	32	(18)
Fines and forfeitures	1,470	1,470	2,951	1,481
Intergovernmental revenue				
State grants	170,500	170,500	283,967	113,467
Interest income	1,200	1,200	744	(456)
Miscellaneous income	2,000	2,000	38,968	36,968
Total revenues	<u>847,180</u>	<u>847,180</u>	<u>1,003,656</u>	<u>156,476</u>
Expenditures:				
Current:				
General government	866,892	866,892	601,535	265,357
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	<u>75,000</u>	<u>75,000</u>	<u>56,337</u>	<u>18,663</u>
Total expenditures	<u>941,892</u>	<u>941,892</u>	<u>657,872</u>	<u>284,020</u>
Excess (deficiency) of revenues over (under) expenditures	(94,712)	(94,712)	345,784	(127,544)
Other financing sources (uses):				
Transfers in	143,440	143,440	-	(143,440)
Transfers out	<u>(284,908)</u>	<u>(284,908)</u>	<u>(31,845)</u>	<u>253,063</u>
Total other financing sources (uses):	<u>(141,468)</u>	<u>(141,468)</u>	<u>(31,845)</u>	<u>109,623</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(236,180)	(236,180)	<u>313,939</u>	<u>(17,921)</u>
Budgeted cash carryover	<u>236,180</u>	<u>236,180</u>		
Net change in fund balance	<u>\$ -</u>	<u>-</u>		
Reconciliation From Budget/Actual to GAAP				
Net change in fund balance (Non-GAAP budgetary basis)			\$ 313,939	
Adjustments to revenue for tax accruals and other miscellaneous revenue accruals			8,842	
Adjustments to expenditures for payables and accrued wages			<u>(16,239)</u>	
Net change in fund balance (GAAP)			<u>\$ 306,542</u>	

The accompanying notes are an integral part of these financial statements.



**STATE OF NEW MEXICO  
CITY OF ELEPHANT BUTTE  
FIRE FUND - SPECIAL REVENUE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual	Favorable (Unfavorable)
	Original	Final		
Revenues:				
Intergovernmental revenue				
State grants	\$ 145,098	145,098	45,098	(100,000)
Interest income	20	20	-	(20)
Miscellaneous income	200	200	100,000	99,800
Total revenues	145,318	145,318	145,098	(220)
Expenditures:				
Current:				
Public safety	41,750	41,750	28,815	12,935
Capital outlay	151,914	151,914	147,777	4,137
Total expenditures	193,664	193,664	176,592	17,072
Excess (deficiency) of revenues over (under) expenditures	(48,346)	(48,346)	(31,494)	(17,292)
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses):	-	-	-	-
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(48,346)	(48,346)	(31,494)	(17,292)
Budgeted cash carryover	48,346	48,346		
Net change in fund balance	\$ -	-		
Reconciliation From Budget/Actual to GAAP				
Net change in fund balance (Non-GAAP budgetary basis)			\$ (31,494)	
Adjustments to revenue for tax accruals and other miscellaneous revenue accruals			24,991	
Adjustments to expenditures for payables and accrued wages			(24,895)	
Net change in fund balance (GAAP)			\$ (31,398)	

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO  
CITY OF ELEPHANT BUTTE  
STREETS FUND - SPECIAL REVENUE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
For the Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes				
Gross receipts	\$ 32,000	32,000	31,648	(352)
Intergovernmental revenue				
State grants	<u>53,454</u>	<u>53,454</u>	<u>1,775</u>	<u>(51,679)</u>
Total revenues	<u>85,454</u>	<u>85,454</u>	<u>33,423</u>	<u>(52,031)</u>
Expenditures:				
Current:				
Public works	81,272	81,272	32,637	48,635
Capital outlay	<u>150,000</u>	<u>150,000</u>	<u>145,703</u>	<u>4,297</u>
Total expenditures	<u>231,272</u>	<u>231,272</u>	<u>178,340</u>	<u>52,932</u>
Excess (deficiency) of revenues over (under) expenditures	(145,818)	(145,818)	(144,917)	(104,963)
Other financing sources (uses):				
Transfers in	40,000	40,000	25,518	(14,482)
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses):	<u>40,000</u>	<u>40,000</u>	<u>25,518</u>	<u>(14,482)</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(105,818)	(105,818)	<u>(119,399)</u>	<u>(119,445)</u>
Budgeted cash carryover	<u>105,818</u>	<u>105,818</u>		
Net change in fund balance	\$ <u>-</u>	<u>-</u>		
Reconciliation From Budget/Actual to GAAP				
Net change in fund balance (Non-GAAP budgetary basis)			\$ (119,399)	
Adjustments to revenue for tax accruals and other miscellaneous revenue accruals			(2,387)	
Adjustments to expenditures for payables and accrued wages			<u>(12,332)</u>	
Net change in fund balance (GAAP)			<u>\$ (134,118)</u>	

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO  
CITY OF ELEPHANT BUTTE  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
As of June 30, 2015**

	<b>Water</b>	<b>Waste Water</b>	<b>Total</b>
Assets and deferred inflows of resources:			
Assets:			
Cash and cash equivalents	\$ 155,514	406,445	561,959
Receivables			
Accounts receivable	14,043	31,002	45,045
Due from other governments	109,279	122,994	232,273
Total current assets	278,836	560,441	839,277
Non-current assets:			
Restricted cash	43,016	73,473	116,489
Capital assets	2,088,224	12,071,295	14,159,519
Less: Accumulated depreciation	(694,058)	(1,591,156)	(2,285,214)
Total non-current assets	1,437,182	10,553,612	11,990,794
Total assets	1,716,018	11,114,053	12,830,071
Deferred Outflows of Resources:			
Total deferred outflows of resources	-	-	-
Total assests and deferred outflows of resources	\$ 1,716,018	11,114,053	12,830,071
Liabilities, deferred inflows of resources and net position:			
Liabilities:			
Accounts payable	\$ 6,600	129,000	135,600
Accrued payroll liabilities	1,901	2,686	4,587
Accrued interest	395	23,745	24,140
Customer deposits	47,107	-	47,107
Current portion of compensated absences	1,271	746	2,017
Current portion of long-term debt	14,799	77,216	92,015
Total liabilities	72,073	233,393	305,466
Non-current liabilities			
Compensated absences	318	186	504
Notes payable	280,506	1,250,635	1,531,141
Total non-current liabilities	280,824	1,250,821	1,531,645
Total liabilities	352,897	1,484,214	1,837,111
Deferred Inflows of Resources:			
Total deferred inflows of resources	-	-	-
Net position			
Net Investment in Capital Assets	1,141,877	9,225,761	10,367,638
Unrestricted Net Position	221,244	404,078	625,322
Total net position	1,363,121	9,629,839	10,992,960
Total liabilities, deferred inflows of resources and net position:	\$ 1,716,018	11,114,053	12,830,071

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO  
CITY OF ELEPHANT BUTTE  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
For the Year Ended June 30, 2015**

	<u>Water</u>	<u>Waste Water</u>	<u>Total</u>
Operating revenues:			
Charges for services	\$ 196,140	313,218	509,358
Total operating revenues	<u>196,140</u>	<u>313,218</u>	<u>509,358</u>
Operating expenses:			
Personnel services	98,031	95,723	193,754
Operating expenses	47,531	259,570	307,101
Depreciation and amortization	<u>43,372</u>	<u>245,266</u>	<u>288,638</u>
Total operating expenses	188,934	600,559	789,493
Operating income (loss)	7,206	(287,341)	(280,135)
Non-operating revenues (expenses):			
Grant revenues - State	379,106	122,994	502,100
Interest income	-	186	186
Interest expense	<u>(6,061)</u>	<u>(53,224)</u>	<u>(59,285)</u>
Total non-operating revenues (expenses)	<u>373,045</u>	<u>69,956</u>	<u>443,001</u>
Income (loss) before transfers	380,251	(217,385)	162,866
Transfers in	-	309,658	309,658
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	380,251	92,273	472,524
Net position, beginning of year	991,245	9,537,566	10,528,811
Restatement	(8,375)	-	(8,375)
Beginning net position, as restated	<u>982,870</u>	<u>9,537,566</u>	<u>10,520,436</u>
Net position, end of year	<u>\$ 1,363,121</u>	<u>9,629,839</u>	<u>10,992,960</u>

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO  
CITY OF ELEPHANT BUTTE  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
For the Year Ended June 30, 2015**

	<u>Water</u>	<u>Waste Water</u>	<u>Total</u>
Cash flows from operating activities:			
Receipts from customers and users	\$ 195,586	290,729	486,315
Payments to suppliers	(36,636)	(126,740)	(163,376)
Payments to employees	<u>(95,923)</u>	<u>(94,445)</u>	<u>(190,368)</u>
Net cash provided (used) for operating activities	63,027	69,544	132,571
Cash flows from noncapital financing activities:			
Transfers from other funds	-	309,658	309,658
Intergovernmental receipts	<u>269,827</u>	<u>-</u>	<u>269,827</u>
Net cash provided (used) for noncapital financing activities	269,827	309,658	579,485
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(436,637)	(25,889)	(462,526)
Principal paid on long-term debt	(14,371)	(75,517)	(89,888)
Interest paid on long-term debt	(5,666)	(30,838)	(36,504)
Long-term debt proceeds.	<u>29,658</u>	<u>-</u>	<u>29,658</u>
Net cash provided (used) for capital and related financing activities.	(427,016)	(132,244)	(559,260)
Cash flows from investing activities:			
Interest and dividends	<u>-</u>	<u>186</u>	<u>186</u>
Net cash provided (used) for investing activities.	-	186	186
Net increase (decrease) in cash and cash equivalents	(94,162)	247,144	152,982
Cash and cash equivalents – beginning of year	<u>292,692</u>	<u>232,774</u>	<u>525,466</u>
Cash and cash equivalents – end of year	\$ <u><u>198,530</u></u>	<u><u>479,918</u></u>	<u><u>678,448</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ 7,206	(287,341)	(280,135)
Adjustments			
Depreciation and amortization	43,372	245,266	288,638
Bad debt expense	5,167	13,742	18,909
Changes in assets and liabilities:			
Receivables	(554)	(22,489)	(23,043)
Accounts payable	5,808	119,088	124,896
Accrued expenses and other liabilities	519	346	865
Deposits	(80)	-	(80)
Compensated absences	<u>1,589</u>	<u>932</u>	<u>2,521</u>
Net cash provided by operating activities	\$ <u><u>63,027</u></u>	<u><u>69,544</u></u>	<u><u>132,571</u></u>

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO  
CITY OF ELEPHANT BUTTE  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Elephant Butte was incorporated under the laws of the State of New Mexico. The City is a political subdivision of the State of New Mexico, operates under the Council-Mayor form of government. The City provides the following authorized services; public safety, police and fire, highways and streets, water, sanitation, health and welfare, social services, culture and recreation, public improvements, planning and zoning and general administrative services.

The financial statements of the City have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is the accepted standard setting body for establishing governmental accounting and financial reporting principles. The City's most significant accounting policies are described below.

*A. Reporting Entity*

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is accountable and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body, and either it is able to impose its will on that organization, or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens, on the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

In evaluating how to define the City, for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB-14. The first criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters.

A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon

**STATE OF NEW MEXICO  
CITY OF ELEPHANT BUTTE  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

the application of these criteria, the City has no component units and is not a component unit of another governmental agency.

*B. Basis of Accounting/Measurement Focus*

The accounts of the City are organized on the basis of funds, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, deferred outflows of resources, liabilities, deferred inflows of resources, fund equity, revenues, and expenditures or expenses, as appropriate. Governmental resources are allocated to and accounted for in individual funds based upon the purposes for which they are to be spent and the means by which spending activities are controlled.

*Government-Wide Financial Statements*

The City's Government-Wide Financial Statements include a Statement of Net Position and a Statement of Activities. These statements present summaries of Governmental and Business-Type Activities for the City accompanied by a total column. Fiduciary activities of the City are not included in these statements.

These statements are presented on an "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all of the City's assets, deferred outflows of resources, liabilities, and deferred inflows of resources, including capital assets and long-term liabilities, are included in the accompanying Statement of Net Position. The Statement of Activities presents changes in net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows. The types of transactions reported as program revenues for the City include: 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*

Certain eliminations have been made to interfund activities, payables, and receivables. All internal balances in the Statement of Net Position have been eliminated except those representing balances between the governmental activities and the business-type activities, which are presented as internal balances and eliminated in the total primary government column. In the Statement of Activities, those transactions between governmental and business-type activities have not been eliminated.

*Governmental Fund Financial Statements*

Governmental fund financial statements include a Balance Sheet and a Statement of Revenues, Expenditures and Changes in Fund Balances for all major governmental funds and non-major funds aggregated. An accompanying schedule is presented to reconcile and explain the differences in fund balances and changes in fund balances as presented in these statements to

**STATE OF NEW MEXICO  
CITY OF ELEPHANT BUTTE  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

the net position and changes in net position presented in the Government-Wide financial statements.

The City reports the general fund as a major governmental fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues are provided through property and other taxes, federal sources, state sources, charges for services, licenses and fees, and other miscellaneous recoveries and revenue. Expenditures include all costs associated with the daily operation of the City except for items included in other funds.

In addition, the City reports the following other major funds:

Special Revenue Fund – 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)

Special Revenue Fund – 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.

All governmental funds are accounted for on a spending or “current financial resources” measurement focus and the modified accrual basis of accounting. Accordingly, only current assets, deferred outflows of resources, current liabilities, and deferred inflows of resources are included on the Balance Sheets. The Statement of Revenues, Expenditures and Changes in Fund Balances present increases (revenues and other financing sources) and decreases (expenditures and other financing uses) in net current assets.

Under the modified accrual basis of accounting, revenues are recognized in the accounting period in which they become both measurable and available to finance expenditures of the current period. Accordingly, revenues are recorded when received in cash, except that revenues subject to accrual (generally 60 days after year-end) are recognized when due. The primary revenue sources, which have been treated as susceptible to accrual by the City, are property tax, sales tax, intergovernmental revenues and other taxes. Expenditures are recorded in the accounting period in which the related fund liability is incurred.

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met and the susceptible to accrual criteria have been met.

Under the terms of grant agreements, the City funds certain programs by a combination of specific cost-reimbursement grants, categorical block grants, and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net assets available



**STATE OF NEW MEXICO  
CITY OF ELEPHANT BUTTE  
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FOR THE YEAR ENDED JUNE 30, 2015**

to finance the program. It is the City's policy to first apply cost-reimbursement grant resources to such programs, followed by categorical block grants, and then by general revenues.

*Proprietary Fund Financial Statements*

Proprietary fund financial statements include a Statement of Net Position, a Statement of Revenues, Expenses and Changes in Fund Net Position, and a Statement of Cash Flows for each major proprietary fund and for the non-major funds aggregated. The City's reports the following proprietary funds.

Water Fund – To account for the operations of the City's water department.

Wastewater Fund – To account for the operations of the City's wastewater department.

Proprietary funds are accounted for using the "economic resources" measurement focus and the accrual basis of accounting. Accordingly, all assets, deferred outflows of resources, liabilities (whether current or noncurrent), and deferred inflows of resources are included on the Statement of Net Position. The Statement of Revenues, Expenses and Changes in Fund Net Position presents increases (revenues) and decreases (expenses) in total net position. Under the accrual basis of accounting, revenues are recognized in the period in which they are earned while expenses are recognized in the period in which the liability is incurred, regardless of the timing of related cash flows.

Operating revenues, such as charges for services, in the proprietary funds are those revenues that are generated from the primary operations of the fund. All other revenues, such as subsidies/grants and investment earnings, are reported as non-operating revenues. Operating expenses are those expenses that are essential to the primary operations of the fund. All other expenses are reported as non-operating expenses.

*Fiduciary Fund Financial Statements*

Fiduciary fund financial statements include a Statement of Net Position. The City's fiduciary funds are Agency Funds, which are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations. The Agency funds are accounted for on a spending or "economic resources" measurement focus and the accrual basis of accounting as are the proprietary funds explained above. The City currently does not report any fiduciary funds.

*C. Assets, Liabilities and Equity*

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 pools idle cash from all funds for the purpose of increasing income through investment activities. A "Pooled Cash" concept is used in maintaining the cash and

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investment accounts in the accounting records. Under this method, all cash is pooled for investment purposes and each fund has equity in the pooled amount. All amounts included in pooled cash and investments are considered to be cash equivalents for the purposes of the statement of cash flows, except for certificates of deposit or other investments that have original maturities of more than 90 days.

Investments

The City's investments are regulated by state law as well as by guidelines and rules promulgated by the State Investment Council and the State Treasurer. All investments are generally highly liquid in nature and are integrated with cash on the financial statements with appropriate disclosure. Investments are stated at fair value, which is determined using selected bases. Certificates of deposit are reported at carrying amount, which reasonably estimates fair value. Investments in a U.S. Treasury Fund and repurchase agreements are valued at the last reported sales price at current exchange rates. Additional cash, investment information, and fair values are presented in Notes 3 and 4.

The City also participates in the State Treasurer Local Government Investment Pool. State law and regulations regulate this pool. Investment in the pool is reported at carrying amount, which reasonably estimates fair value.

Receivables and Payables

Transactions between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e. the current portion of interfund loans) or "advances to/from other funds" (i.e. the non-current portion of interfund loans). Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances." In governmental fund financial statements, advances between funds are offset by an amount reported as nonspendable fund balance to indicate that they are not available for appropriation and are not expendable available financial resources.

All receivables are shown net of an allowance for uncollectible accounts. Trade accounts receivable in excess of 90 days comprise the trade accounts receivable allowance for uncollectible accounts.

Receivables from and payables to external parties are reported separately and are not offset in the proprietary fund financial statements and business-type activities of the government-wide financial statements, unless a right of offset exists.

Property taxes attach as an unsubordinated enforceable lien on property as of January 1 of the assessment year. Current year taxes are levied within five days of the rate setting order received from New Mexico Department of Finance and Administration (7-38-32 thru 7-38-36). Tax bills are mailed by November 1, unless the Sierra County Assessor obtains a formal extension of time from the New Mexico Property Tax Division. Taxpayers have the option to pay in two equal installments due by the close of business November 10<sup>th</sup> and April 10<sup>th</sup>. Penalty and interest will

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be accrued after the delinquency due dates of December 10<sup>th</sup> and May 10<sup>th</sup>. In the event of a formal extension, the respective dates are correspondingly extended.

Inventories and Prepaid Items

Inventories in governmental funds consist of expendable supplies held for consumption, and are valued at cost using a first-in, first-out (FIFO) method. Expendable supplies are accounted for using the consumption method. Proprietary fund inventories are recorded at the lower of cost or market on a first-in, first-out basis, and consist of operating supplies held for use in operations and are recorded as expenditures when consumed rather than when purchased. The City current does not hold any items in inventory.

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide and fund financial statements.

Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Pursuant to the implementation of GASB Statement No. 34, the historical cost of infrastructure assets, (retroactive to 1979) are included as part of the governmental capital assets reported in the government wide statements. Information technology equipment including software is being capitalized and included in machinery and equipment in accordance with NMAC 2.20.1.9 C (5). Donated capital assets are recorded at estimated fair market value at the date of donation. Capital assets that have been disposed of are recorded as deletions on the government-wide financial statements. Accumulated depreciation is adjusted for all deletions.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense capitalized by the City during the current fiscal year was \$0. No interest was included as part of the cost of capital assets under construction.

**STATE OF NEW MEXICO  
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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

Property, plant, and equipment of the primary government are depreciated using the straight line method over the following estimated useful lives:

Asset Type	Years
Land	Perpetuity
Construction in progress	Perpetuity
Buildings	30 - 40
Other improvements	30 - 40
Infrastructure	30 - 40
Equipment	5 - 10
Vehicles	5 - 10

Analysis of Impairment

Management reviews long-lived assets and intangible assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In management's opinion, there is no impairment of such City assets at June 30, 2015.

Deferred Outflows of Resources

In addition to assets, the balance sheet reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a use of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until that time. The City has one type of item that qualifies for reporting in this category. Accordingly, the item, employer contributions subsequent to measurement date and change in assumptions, are reported on the Statement of Net Position. The City has recorded \$24,699 related to employer contributions subsequent to measurement date. These amounts are deferred and recognized as an outflow of resources in the period the amounts become available.

Deferred Inflows of Resources

In addition to liabilities, the balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Revenue must be susceptible to accrual (measurable and available to finance expenditures of the current fiscal period) to be recognized.

If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by a corresponding liability for deferred inflows of resources.

The City has two types of items which arises under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the items, unavailable revenue – property taxes and unavailable revenue - grants, are reported only in the governmental funds

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balance sheet. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The City has recorded \$249,308 related to property taxes and \$-0- related to grants that are considered “unavailable”.

In addition, the City has two types of items present on the Statement of Net Position which arise due to the implementation of GASB 68 and the related net pension liability. Accordingly, the items, net difference between expected and actual earnings and change in assumptions, are reported on the Statement of Net Position. The City has recorded \$168 related to change in assumptions and \$97,053 related to the net difference between expected and actual earnings. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available.

Compensated Absences

Full-time permanent employees are granted paid time off (PTO) benefits in varying amounts to specified maximums depending on their tenure with the City. Accumulated unused PTO may be carried from one calendar year to another. Accumulated unused PTO is payable upon retirement or termination from employment at a rate of one-half of the accrued balance. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for compensated absences is not reported in the governmental fund balance sheet unless it was actually due and payable at year end for payments due to retired or terminated employees.

Long-Term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund statement of fund net position. Bond premiums and discounts are deferred and amortized over the life of the bonds using the straight-line method. Bonds payable are reported net of the applicable bond premium or discount.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as debt issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures.

Fund Balance

The governmental fund financial statements present fund balances based on classifications that comprise a hierarchy based primarily on the extent to which the organization is bound to honor constraints on the specific purpose for which amounts in the funds can be spent.

*Governmental Fund Financial Statements.* In accordance with GASBS No. 54, the City classifies

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fund balances in the governmental funds as follows:

*Nonspendable Fund Balance* includes fund balance amounts that cannot be spent either because they are not in spendable form or because of legal/contractual requirements. Examples are Prepaid Expenses and Inventory.

*Spendable Fund Balance* includes Restricted, Committed, Assigned, and Unassigned designations:

*Restricted* includes fund balance amounts that are limited for specific purposes which are externally imposed by providers, such as creditors or amounts constrained due to constitutional provisions or enabling legislation.

*Committed* includes fund balance amounts that are obligated to a specific purpose which are internally imposed by the government through formal action (Ordinances and Resolutions) at the highest level of decision making authority (Board of Trustees). These commitments can only be overturned by a like action.

*Assigned* includes spendable fund balance amounts that are intended to be used for specific purposes that are considered neither restricted nor committed. Undesignated excess Fund Balances may be assigned by the Board of Trustees, Mayor, or City Clerk/Treasurer for specific purposes through the budget process or agenda items. The assigned designation may be reversed by the Board of Trustees at any public meeting.

*Unassigned* includes residual positive fund balances within the General Fund, which have not been classified within the other above mentioned categories. Unassigned Fund Balances may also include negative balances for any governmental fund if expenditures exceed amounts restricted, committed, or assigned for those specific purposes.

See the Schedule of Fund Balances on page 59 for additional information about fund balances.

When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, then unrestricted resources (committed, assigned, and unassigned) as they are needed. When unrestricted resources (committed, assigned, and unassigned) are available for use in the General Fund, it is the City's policy to use unassigned resources first, then assigned, and then committed as needed. When unrestricted resources (committed, assigned, and unassigned) are available for use in any other governmental fund, it is the City's policy to use committed resources first, then assigned, and then unassigned as needed.

The City does not have a formal minimum fund balance requirement.

Net Position

*Government-wide and Proprietary Fund Financial Statements.* The City classifies net position in the government-wide and proprietary fund financial statements as follows:

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*Net Investment in Capital Assets* includes the City's capital assets (net of accumulated depreciation) reduced by the outstanding balances of bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

*Restricted Net Position* includes assets that have third-party (statutory, bond covenant, or granting agency) limitations on their use. The City typically uses restricted assets first, as appropriate opportunities arise, but reserves the right to selectively defer the use until a future project.

*Unrestricted Net Position* typically includes unrestricted liquid assets. The City Council has the authority to revisit or alter this designation.

*D. Pensions*

For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the New Mexico Public Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA, on the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

*E. Inter-Fund Transactions*

Interfund activity is reported as loans, services provided, reimbursements, or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or between proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

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*F. Income Taxes*

As a local government entity, the City is not subject to federal or state income taxes. The City is generally no longer subject to examination by federal and state taxing authorities for years prior to 2012. For the year ended June 30, 2015, no interest or penalties were recorded or included in the financial statements.

*G. Estimates*

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

**NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY**

The City adopts budgets for each individual fund (governmental and proprietary).

In late winter or early spring, the City prepares a budget calendar, thus starting the budgetary process for the upcoming June 1 fiscal year. Budget request forms are distributed to City departments with a specified completion date. Legally mandated advance notices are formally published for grant availability and other purposes once budget hearings have been scheduled. The budget hearings are then held with all City department heads. Generally, in late May or early June, a budget meeting is held for tentative approval of the completed budget by the Board of Trustees. After tentative approval at the City level, the budget is submitted to the New Mexico Department of Finance and Administration (DFA) for approval of a temporary operational budget beginning June 1.

Immediately after July 1, when ending cash balances for the preceding fiscal year have been accurately ascertained, a final hearing is convened for finalization of the budget, and it is resubmitted to DFA for formal approval. None of the above budgetary processes are legally required to occur at any specified time; however DFA requires that the time frame be such that they (DFA) render their final budget approval no later than September 1 of the budget year in question.

During the course of the fiscal year, the City prepares monthly budget reports. Under New Mexico State law, each year's budget appropriation legally lapses at year-end.

*Budgetary Compliance* – Budgetary control is required to be maintained at the individual fund level.

Actual fund revenues may be either over or under the budgeted amounts; however, the variance is required to be reasonable, particularly in the case of over-budgeted revenues. Major over-budgeted revenues require a budget amendment as soon as the extent of the shortage is reasonably ascertainable.



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*Budget Amendments* – Budget increases and decreases can only be accomplished by Board of Trustee resolution, followed by DFA approval. Similarly, budget transfers must follow the same procedure.

*Budgetary Basis* – State law prescribes that the City's budget be prepared on the basis of cash receipts and cash expenditures. Therefore, budgetary comparisons shown in exhibits are prepared on a cash basis to compare actual revenues and expenditures with a cash basis budget as amended.

The accompanying Statements of Revenue, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual present comparisons of the legally adopted budget with actual data on a budgetary basis.

Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with accounting principles generally accepted in the United States of America (GAAP) a reconciliation of resultant basis, perspective, equity and timing differences in the excess (deficiency) of revenues and other sources of financial resources for the year ended June 30, 2015 is presented. Reconciliations between the Non-GAAP budgetary basis amounts and the financial statements on the GAAP basis by fund can be found on each individual budgetary statement.

**NOTE 3 – CASH AND CASH EQUIVALENTS**

The City's cash balances consist of demand deposits, interest bearing savings accounts. The majority of City's cash and investments are pooled. All interest income is accounted for in the related funds. The City does not have a deposit policy. The City's cash and cash equivalents are listed on page 60 of this report.

The following is a summary of the City's cash and cash equivalents balances by fund type as of June 30, 2015:

<b>Fund Type</b>	<b>Amount</b>
Cash and equivalents	
Governmental funds	\$ 680,424
Business-type activities	<u>678,448</u>
Total cash and cash equivalents	<u>\$ 1,358,872</u>

*Custodial Credit Risk Deposits* - Custodial credit risk is the risk that in the event of a bank failure, the City funds may not be returned. The City does not have a deposit policy for custodial risk

State regulations require that uninsured demand deposits and deposit-type investments such as certificates of deposit be collateralized by the depository thrift or banking institution. At present, state statutes require that a minimum of fifty percent of uninsured balances on deposit with anyone institution must be collateralized, with higher requirements up to 102% for financially troubled institutions.

Based on the above, the City is required to obtain from each bank that is a depository for public funds pledged collateral in an aggregate amount equal to 50% of the public money in each account.

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The pledged securities must be in the name of the governmental entity and held by the entity or its agent. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency or political subdivision of the State of New Mexico. The City's Schedule of Collateral is presented on page 61 of this report.

As of June 30, 2015, the City's bank balances of \$1,438,309 were exposed to custodial credit risk as follows:

Insured through federal depository insurance	\$ 250,000
Uninsured, collateralized with securities held by pledging financial institution's trust department or agent in the Town's name.	1,427,280
Uninsured and uncollateralized	-
Total uninsured deposits	\$ 1,677,280

**NOTE 4 – INVESTMENTS**

A summary of the City's investments by fund type as of June 30, 2015 is as follows:

Fund Type	Amount
Governmental funds	\$ 578
Business-type activities	-
Total investments	\$ 578

The City's investments consisted of the following as of June 30, 2015:

Investment Type	Cost Basis	Market Value	Credit Risk- Rating	WAM (R)	WAM (F)
NM LGIP Fund	\$ 578	578	AAAm	54.6 days	77.7 days
	\$ 578	578			

The State Treasurer is authorized to invest in short-term investment funds, with the advice and consent of the State Board of Finance, in accordance with Sections 6-10-10 I through 6-10-10 P and Sections 6-10-10.1 A and E, NMSA 1978.

The pool does not have unit shares. Per Section 6-10-101F, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the fund amounts were invested. Participation in the local government investment pool is voluntary.

The investments are valued at fair value based on quoted market prices as of the valuation date. Investments owned by the City and the investment strategy is outlined on New MexiGROW LGIP website <http://www.stonm.org/NewMexiGROWLGIP/MonthlyInvestmentReports>.

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**NOTE 5 – RECEIVABLES**

Receivables as of June 30, 2015 are as follows:

Governmental Activities						
	General	Fire	Streets	Capital	Nonmajor	Total
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Projects</u>	<u>Funds</u>	<u>Receivables</u>
Taxes:						
Property	\$ 259,107	-	-	-	-	259,107
State	71,088	-	4,496	-	-	75,584
Other	<u>6,008</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,271</u>	<u>13,279</u>
Subtotal	336,203	-	4,496	-	7,271	347,970
Less: Allowance for uncollectibles						
	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Receivables	<u>\$ 336,203</u>	<u>-</u>	<u>4,496</u>	<u>-</u>	<u>7,271</u>	<u>347,970</u>
Business-type Activities		Water	WW	Total		
		<u>Fund</u>	<u>Fund</u>	<u>Receivables</u>		
Accounts	\$	19,210	44,744	63,954		
Other intergovernmental		<u>109,279</u>	<u>122,994</u>	<u>232,273</u>		
Subtotal		128,489	167,738	296,227		
Less: Allowance for uncollectibles						
		<u>(5,167)</u>	<u>(13,742)</u>	<u>(18,909)</u>		
Net Receivables	\$	<u>123,322</u>	<u>153,996</u>	<u>277,318</u>		

The City has an established policy where an allowance for doubtful accounts is established for all receivable items outstanding over ninety (90) days.

In accordance with GASB No. 33, the property tax revenues totaling \$249,308 that were not collected within the period of availability have been reclassified as deferred inflows of resources in the governmental fund financial statements.

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**NOTE 6 – CAPITAL ASSETS**

A summary of capital assets and changes occurring during the year ended June 30, 2015 follows. Land and construction in progress are not subject to depreciation.

<b>GOVERNMENTAL ACTIVITIES</b>	<b>Balance 06/30/14</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance 06/30/15</b>
<b>Non-depreciable capital assets:</b>				
Land	\$ 1,177,627	-	-	1,177,627
Total non-depreciable capital assets	<u>1,177,627</u>	<u>-</u>	<u>-</u>	<u>1,177,627</u>
<b>Capital assets being depreciated:</b>				
Buildings	793,022	46,601	-	839,623
Infrastructure	2,667,637	188,303	-	2,855,940
Equipment	451,391	-	-	451,391
Vehicles	<u>551,320</u>	<u>132,866</u>	<u>-</u>	<u>684,186</u>
Total capital assets being depreciated	4,463,370	367,770	-	4,831,140
<b>Less accumulated depreciation for:</b>				
Buildings	(295,973)	(13,097)	-	(309,070)
Infrastructure	(324,683)	(78,684)	-	(403,367)
Equipment	(119,321)	(26,077)	-	(145,398)
Vehicles	<u>(323,382)</u>	<u>(29,168)</u>	<u>-</u>	<u>(352,550)</u>
Total accumulated depreciation	<u>(1,063,359)</u>	<u>(147,026)</u>	<u>-</u>	<u>(1,210,385)</u>
Total capital assets being depreciated	3,400,011	220,744	-	3,620,755
Total capital assets, net of depreciation	<u>\$ 4,577,638</u>	<u>220,744</u>	<u>-</u>	<u>4,798,382</u>
<b>BUSINESS-TYPE ACTIVITIES</b>				
<b>Non-depreciable capital assets:</b>				
Land	50,901	-	-	50,901
Construction in progress	\$ -	445,731	-	445,731
Total non-depreciable capital assets	<u>50,901</u>	<u>445,731</u>	<u>-</u>	<u>496,632</u>
<b>Capital assets being depreciated:</b>				
Lakeshore Water System	1,572,667	-	-	1,572,667
Waste Water System	11,906,300	16,469	-	11,922,769
Equipment	7,000	-	-	7,000
Vehicles	<u>160,451</u>	<u>-</u>	<u>-</u>	<u>160,451</u>
Total capital assets being depreciated	13,646,418	16,469	-	13,662,887
<b>Less accumulated depreciation for:</b>				
Lakeshore Water System	(635,446)	(37,808)	-	(673,254)
Waste Water System	(1,325,957)	(239,807)	-	(1,565,764)
Equipment	(5,804)	(583)	-	(6,387)
Vehicles	<u>(29,370)</u>	<u>(10,440)</u>	<u>-</u>	<u>(39,810)</u>
Total accumulated depreciation	<u>(1,996,577)</u>	<u>(288,638)</u>	<u>-</u>	<u>(2,285,215)</u>
Total capital assets being depreciated	<u>11,649,841</u>	<u>(272,169)</u>	<u>-</u>	<u>11,377,672</u>
Total capital assets, net of depreciation	<u>\$ 11,700,742</u>	<u>173,562</u>	<u>-</u>	<u>11,874,304</u>

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Depreciation expense for the year ended June 30, 2015 was charged to the following functions and funds:

Governmental activities:	
General government	\$ 28,056
Public safety	100,016
Public works	17,679
Culture and recreation	<u>1,275</u>
Total governmental activities	<u>\$ 147,026</u>
Business type activities	
Water fund	\$ 43,372
Wastewater fund	<u>245,266</u>
Total governmental activities	<u>\$ 288,638</u>

**NOTE 7 – LONG-TERM DEBT**

Long-term liability activity for the year ended June 30, 2015, was as follows:

	Balance			Balance	Amount due
	<u>June 30, 2014</u>	<u>Increases</u>	<u>Decreases</u>	<u>June 30, 2015</u>	<u>within one</u>
					<u>year</u>
Governmental funds debt					
Compensated absences	\$ 8,339	9,625	(14,090)	3,874	3,099
Notes payable	<u>261,919</u>	-	<u>(16,592)</u>	<u>245,327</u>	<u>37,984</u>
Total governmental activities	<u>\$ 270,258</u>	<u>9,625</u>	<u>(30,682)</u>	<u>249,201</u>	<u>41,083</u>
Business-type funds debt					
Compensated absences	\$ -	8,871	(6,350)	2,521	2,017
Notes payable	<u>1,683,386</u>	<u>29,658</u>	<u>(89,889)</u>	<u>1,623,155</u>	<u>92,015</u>
Total business-type activities	<u>\$ 1,683,386</u>	<u>38,529</u>	<u>(96,239)</u>	<u>1,625,676</u>	<u>94,032</u>

Long-term liabilities are liquidated from the general fund and special revenue funds. Business-type long-term liabilities are liquidated from the water and wastewater funds, as applicable. No short-term debt was incurred during fiscal year 2015.

The annual principal and interest requirements on long-term debt outstanding as of June 30, 2015 are as follows.

**Governmental activities**

Notes payable

NMFA - #2591-PP

On June 11, 2011, the City borrowed \$284,200 from the New Mexico Finance Authority for the purchase of a fire pumper truck. The note matures on May 1, 2017, and accrues interest at a rate of

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3.46% per annum. The payments of principal and interest are paid from pledged State Fire Protection Funds. The revenues pledged totaled \$307,902 at June 30, 2015, and equal 36.6% of future State Fire Protection Funds at their current rate. During the year ended June 30, 2015, the City collected \$70,089 in pledged revenues, and retired \$24,991 in principal and interest on the aforementioned note. The City has authorized the New Mexico Taxation and Revenue Department to intercept the required annual payment from their State Fire Protection Funds.

NMFA - #3317-PP

On June 26, 2015, the City borrowed \$595,984 from the New Mexico Finance Authority. The note matures on May 1, 2035, and accrues interest at the rate of 1.31% per annum. The proceeds of the loan are roadway and building renovations. Due to the timing of the note, proceeds from the note had not been drawn as of June 30, 2015. As a result, the amount of the note is not included in the City's outstanding debt as of June 30, 2015.

The payments of principal and interest are paid from pledged governmental gross receipts taxes. The revenues pledged totaled \$686,700 at June 30, 2015, and equal 19.9% of future gross receipts tax at their current rate. During the year ended June 30, 2015, the City collected \$172,891 in pledged revenues, and retired \$-0- in principal and interest on the aforementioned note. The City has authorized the New Mexico Taxation and Revenue Department to intercept the required monthly payment from their gross receipts tax remittances.

The aggregated future payments required on the NMFA notes payable are as follows.

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$ 37,984	15,738	53,722
2017	45,321	16,658	61,979
2018	43,027	16,099	59,126
2019	43,918	15,365	59,283
2020	44,953	14,492	59,445
2021-2025	242,205	54,784	296,989
2026-2030	203,929	16,644	220,573
2031-2035	<u>182,974</u>	<u>549</u>	<u>183,523</u>
Total	<u>\$ 844,311</u>	<u>150,329</u>	<u>994,640</u>

**Business-type activities**

Notes payable

NMED - RIP 2006-02

In January 2006, the City borrowed \$500,000 from the New Mexico Environment Department. The note matures on July 16, 2029, and carries a 3.00% interest rate. The proceeds of the loan are to be used for the design and construction of a wastewater treatment facility. The payments of principal and interest are paid from pledged net system revenues of the water/wastewater utility systems. The revenues pledged totaled \$470,510 at June 30, 2015, and equal 6.6% of future estimated net revenues at their current rate. During the year ended June 30, 2015, the City collected \$509,298 in pledged revenues, and retired \$33,608 in principal and interest on the aforementioned note.

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NMED - RIP 2007-02

In January 2006, the City borrowed \$500,000 from the New Mexico Environment Department. The note matures on September 11, 2029, and carries a 3.00% interest rate. The proceeds of the loan are to be used for the design and construction of a wastewater treatment facility. The payments of principal and interest are paid from pledged net system revenues of the water/wastewater utility systems. The revenues pledged totaled \$504,118 at June 30, 2015, and equal 6.6% of future estimated net revenues at their current rate. During the year ended June 30, 2015, the City collected \$509,298 in pledged revenues, and retired \$33,608 in principal and interest on the aforementioned note.

NMFA - WTB-59

In August 2007, the City borrowed \$121,175 from the New Mexico Finance Authority. The note matures on June 5, 2028, and carries a 0% interest rate; however, a .25% administrative fee is assessed with each payment. The proceeds of the loan are to be used for the design and construction of a wastewater treatment facility. The payments of principal and the administrative fees are paid from pledged net system revenues of the wastewater utility system. The revenues pledged totaled \$73,866 at June 30, 2015, and equal 2.0% of future estimated net revenues at their current rate. During the year ended June 30, 2015, the City collected \$313,218 in pledged revenues, and retired \$6,256 in principal and interest on the aforementioned note.

NMFA - WTB-87

In January 2009, the City borrowed \$128,400 from the New Mexico Finance Authority. The note matures on June 1, 2027, and carries a 0% interest rate; however, a .25% administrative fee is assessed with each payment. The proceeds of the loan are to be used for the design and construction of a wastewater treatment facility. The payments of principal and the administrative fees are paid from pledged net system revenues of the wastewater utility system. The revenues pledged totaled \$88,366 at June 30, 2015, and equal 1.3% of future estimated net revenues at their current rate. During the year ended June 30, 2015, the City collected \$313,218 in pledged revenues, and retired \$6,798 in principal and interest on the aforementioned note.

NMFA - DW-2495

In December 2010, the City borrowed \$299,186 from the New Mexico Finance Authority. The note matures on June 1, 2032, and carries a 2.0% interest rate. The proceeds of the loan are to be used for the design and construction of a water well and well house. The payments of principal and interest are paid from pledged net system revenues of the water utility system. The revenues pledged totaled \$317,522 at June 30, 2015, and equal 9.5% of future estimated net revenues at their current rate. During the year ended June 30, 2015, the City collected \$196,080 in pledged revenues, and retired \$18,678 in principal and interest on the aforementioned note.

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NMFA - WTB-280

On July 11, 2014, the City borrowed \$29,658 from the New Mexico Finance Authority. The note matures on June 1, 2034, and carries a 0% interest rate; however, a .25% administrative fee is assessed with each payment. The proceeds of the loan are to be used for the design and construction of a booster pump. The payments of principal and the administrative fees are paid from pledged net system revenues of the water utility system. The revenues pledged totaled \$29,078 at June 30, 2015, and equal 0.8% of future estimated net revenues at their current rate. During the year ended June 30, 2015, the City collected \$196,080 in pledged revenues, and retired \$1,360 in principal and interest on the aforementioned note.

NMED - CWSRF-06

In August 2011, the City borrowed \$466,614 from the New Mexico Environment Department. The note matures on April 13, 2031, and carries a 0% interest rate; however, a .25% administrative fee is assessed with each payment. The proceeds of the loan are to be used for the design and construction of a wastewater treatment facility. The payments of principal and the administrative fees are paid from pledged net system revenues of the wastewater utility system. The revenues pledged totaled \$456,585 at June 30, 2015, and equal 9.1% of future estimated net revenues at their current rate. During the year ended June 30, 2015, the City collected \$313,218 in pledged revenues, and retired \$28,537 in principal and interest on the aforementioned note.

The aggregated future payments required on the NMFA notes payable are as follows.

		<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2016	\$	92,015	36,983	128,998
2017		94,031	34,952	128,983
2018		96,101	32,867	128,968
2019		98,225	30,728	128,953
2020		100,405	28,533	128,938
2021-2025		536,800	107,663	644,463
2026-2030		535,253	43,497	578,750
2031-2035		<u>70,325</u>	<u>1,689</u>	<u>72,014</u>
Total	\$	<u>1,552,830</u>	<u>315,223</u>	<u>1,868,053</u>

**NOTE 8 – INTERFUND BALANCES AND TRANSFERS**

The City recorded interfund transfers to reflect activity occurring between funds. Transfers and payments within the City are substantially for the purpose of subsidizing operating functions and funding various projects within the City. All transfers made during the year were considered routine and were consistent with the general characteristics of the City's transfer policy.

The composition of interfund transfers during the year ended June 30, 2015 was as follows:



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Transfers Out	Transfers In			Total
	Street Fund	Non-Major Govern- mental	WW Fund	
General	\$ 25,518	6,327	-	31,845
Capital projects fund	-	-	309,658	309,658
Total	<u>\$ 25,518</u>	<u>6,327</u>	<u>309,658</u>	<u>341,503</u>

The City periodically records interfund receivables/payables to reflect temporary loans between funds. As of June 30, 2015, the City did not have any amounts owed between funds.

**NOTE 10 – RISK MANAGEMENT**

The City is exposed to various risks of loss related to torts, theft of, damage to and destruction of assets; errors and omissions; injuries and natural disasters.

The City has joined together with other local governments in the state and obtained insurance through the New Mexico Self-Insurers Fund, a public entity risk pool currently operating as a common risk management and insurance program for local governments. The City pays an annual premium to New Mexico Self-Insured Fund for general insurance coverage and all risk of loss is transferred. The premium paid for the year ended June 30, 2015 was \$46,755.

**NOTE 11 – PERA PENSION PLAN**

**Plan description.** The Public Employees Retirement Fund (PERA Fund) is a cost-sharing, multiple employer defined benefit pension plan. This fund has six divisions of members, including State General, State Police/Adult Correction Officer, Municipal General, Municipal Police/Detention Officers, Municipal fire, and State Legislative Divisions, and offers 24 different types of coverage within the PERA plan. All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of this plan. Certain coverage plans are only applicable to a specific division. Eligibility for membership in the PERA Fund is set forth in the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). Except as provided for in the Volunteer Firefighters Retirement Act (10-11A-1 to 10-11A-7, NMSA 1978), the Judicial Retirement Act (10-12B-1 to 10-12B-19, NMSA 1978), the Magistrate Retirement Act (10-12C- 1 to 10-12C-18, NMSA 1978), and the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978), and the provisions of Sections 29-4-1 through 29-4-11, NMSA 1978 governing the State Police Pension Fund, each employee and elected official of every affiliated public employer is required to be a member in the PERA Fund.

PERA issues a publicly available financial report and a comprehensive annual financial report that can be obtained at <http://saonm.org/> using the Audit Report Search function for agency 366.

**Benefits provided.** For a description of the benefits provided and recent changes to the benefits see Note 1 in the PERA audited financial statements for the fiscal year ended June 30, 2014 available

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at [http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366\\_Public\\_Employees\\_Retirement\\_Association\\_2014.pdf](http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2014.pdf).

**Contributions.** The contribution requirements of defined benefit plan members and the City of Elephant Butte are established in state statute under Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature. For the employer and employee contribution rates in effect for FY14 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on pages 29 through 31 of the PERA FY14 annual audit report at [http://osanm.org/media/audits/366\\_Public\\_Employees\\_Retirement\\_Association\\_2014.pdf](http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_2014.pdf). The PERA coverage options that apply to the City are: Municipal General. Statutorily required contributions to the pension plan from the City were \$24,699 and no employer paid member benefits that were “picked up” by the employer for the year ended June 30, 2015.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:** The PERA pension liability amounts, net pension liability amounts, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2013. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2014, using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date June 30, 2014.

The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members) for whom separate contribution rates are determined each year pursuant to chapter 10, Article 11 NMSA 1978. Therefore, the calculations of the net pension liability, pension expense and deferred inflows and outflows were performed separately for each of the membership groups: municipal general members; municipal police members; municipal fire members; state general members; state police members and legislative members. The City’s proportion of the net pension liability for each membership group that the employer participates in is based on the employer contributing entity’s percentage of that membership group’s total employer contributions for the fiscal year ended June 30, 2014. Only employer contributions for the pay period end dates that fell within the period of July 1, 2013 to June 30, 2014 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2014 are included in the total contribution amounts. In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

For PERA Fund Division Municipal General, at June 30, 2015, the City reported a liability of \$248,074 for its proportionate share of the net pension liability. At June 30, 2014, the City’s proportion was 0.0318 percent, which was unchanged from its proportion measured as of June 30, 2013, due to the insignificance of the difference.

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For the year ended June 30, 2015, the City recognized PERA Fund Division Municipal General pension expense of \$10,350. At June 30, 2015, the City reported PERA Fund Division Municipal General deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Changes of assumptions	\$ -	168
Net difference between projected and actual earnings on pension plan investments	-	97,053
Town contributions subsequent to the measurement date	24,699	-
	\$ 24,699	97,221

\$24,699 reported as deferred outflows of resources related to pensions resulting from City of Elephant Butte contributions subsequent to the measurement date June 30, 2014 will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$ (24,305)
2017	(24,305)
2018	(24,305)
2019	(24,305)
2020	(1)
Thereafter	-

**Actuarial assumptions.** As described above, the PERA Fund member group pension liabilities and net pension liabilities are based on actuarial valuations performed as of June 30, 2013 for each of the membership groups. Then each PERA Fund member group pension liability was rolled forward from the evaluation date to the Plan year ending June 30, 2014 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2014. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2014 actuarial valuation.

Actuarial valuation date	June 30, 2013
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay
Amortization period	Solved for based on statutory rates
Asset valuation method	Fair value
Actuarial assumptions:	
Investment rate of return	7.75% annual rate, net of investment expense
Payroll growth	3.50% annual rate
Projected salary increases	3.50% to 14.25% annual rate
Includes inflation at	3.00% annual rate

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The long-term expected rate of return on pension plan investments was determined using a statistical analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and most recent best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>ALL FUNDS - Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
US Equity	21.10%	5.00%
International Equity	24.80%	5.20%
Private Equity	7.00%	8.20%
Core and Global Fixed Income	26.10%	1.85%
Fixed Income Plus Sectors	5.00%	4.80%
Real Estate	5.00%	5.30%
Real Assets	7.00%	5.70%
Absolute Return	4.00%	4.15%
	<u>100.00%</u>	

**Discount rate:** The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that future contributions will be made in accordance with statutory rates. On this basis, the pension plan's fiduciary net position together with the expected future contributions are sufficient to provide all projected future benefit payments of current plan members as determined in accordance with GASBS 67. Therefore, the 7.75% assumed longterm expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate. The following tables show the sensitivity of the net pension liability to changes in the discount rate. In particular, the tables present the City's net pension liability in each PERA Fund Division that City participates in, under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.75%) or one percentage point higher (8.75%) than the single discount rate.

PERA Fund Division - Municipal General	Current		
	1% Decrease	Discount Rate	1% Increase
	<u>(6.75%)</u>	<u>(7.75%)</u>	<u>(8.75%)</u>
Town's proportionate share of the net pension liability	\$ 467,676	248,074	78,422

**Pension plan fiduciary net position.** Detailed information about the pension plan's fiduciary net position is available in the separately issued FY14 Restated PERA financial report. The report is available at <http://www.pera.state.nm.us/publications.html>.

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NOTES TO THE FINANCIAL STATEMENTS  
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**NOTE 12 – POST EMPLOYMENT BENEFITS**

The Retiree Health Care Act, Chapter IV, Article 7C NMSA 1978 provides a comprehensive core group health insurance for persons who have retired from certain public service in New Mexico. The City has elected not to participate in the post-employment health insurance plan.

**NOTE 13 – OPERATING LEASES**

The City has entered into a number of operating leases, which contain cancellation provisions and are subject to annual appropriations. The rent expenditures for these leases were primarily from the General Fund. Future minimum lease payments are:

Fiscal Year		
<u>Ending June 30,</u>	<u>Amount</u>	
2016	\$ 5,664	
2017	5,664	
2018	-	
2019	-	
2020	-	
Total	<u>\$ 11,328</u>	

Rental payments charged to current operations for the year ended June 30, 2015 totaled \$4,756.

**NOTE 14 – FUND DEFICITS AND NON-COMPLIANCE**

Deficit Fund Balances

The following non-major funds incurred a deficit fund balance at June 30, 2015:

<u>Fund</u>	<u>Fund Type</u>	<u>Amount</u>
Streets fund	Special revenue fund	\$ (7,825)

Management intends to transfer sufficient funds from General Fund to cover any deficits.

Legal Compliance with Budget

The City was out of compliance with Section 6-6-6 of the New Mexico State Statues regarding legal compliance with approved budgets. The following funds exceeded budgeted expenditures as of June 30, 2015:

<u>Fund</u>	<u>Category</u>	<u>Budget Amount</u>	<u>Actual Amount</u>	<u>Over Expended</u>
Capital Projects Fund	Expenditures	\$ 227,937	309,658	(81,721)

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**NOTE 15 – CONTINGENCIES**

The City participates in a number of federal, state, and county programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the City may be required to reimburse the grantor government. As of June 30, 2015, significant amounts of grant expenditures have not been audited by the grantor agencies.

Management believes that any disallowed expenditures discovered in subsequent audits, if any, will not have a material effect on any of the individual funds of the overall financial position of the City.

The City is party to various legal proceedings, which are the unavoidable results of governmental operations. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City's legal counsel that resolution of these matters will not have a material effect on the financial condition of the City.

**NOTE 16 – COMMITMENTS**

Commitments for engineering and construction projects relating to construction or major repairs in progress aggregated approximately \$749,000 as of June 30, 2015. The total amounts spent as of June 30, 2015 on the projects was \$379,265. The percentage of completion of the existing projects varies based on the project. These projects will be paid in future periods as work is performed. Payment will be made with proceeds remaining from debt issuances, operating revenues, and future grants to be received.

**NOTE 17 – RESTATEMENTS OF BEGINNING FUND BALANCES/NET POSITION**

During the year ended June 30, 2015, the City adopted GASB Statements No. 68, *Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27* ("GASB 68"), and No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68* ("GASB 71"). These two Statements are required to be implemented at the same time. GASB 68 addresses accounting and financial reporting for pensions that are provided to the employees of state and local governments through pension plans that are administered through trusts that have certain characteristics. GASB 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to pensions. At transition to Statement 68, Statement 71 requires the employer or nonemployer contributing entity to recognize a beginning deferred outflow of resources for its pension contributions made subsequent to the measurement date of the beginning net pension liability but before the start of the government's fiscal year, thus avoiding possible understatement of an employer or non-employer contributing entity's beginning net position and expense in the initial period of implementation. Additional information regarding the adoption of GASB 68 can be found in Note 1 and Note 11.

The City has a prior period adjustment of \$(334,928) which was required due to the adoption of GASB 68. This adjustment reflects a beginning net pension liability of \$(358,566) and a beginning

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deferred outflow of resources – employer contributions subsequent to the measurement date of \$23,638.

The following table outlines the cumulative effect of the adjustments to net position/fund balances:

<u>Fund</u>	<u>Purpose/Reason</u>	<u>Amount</u>
Governmental funds		
Major funds		
General fund	Prior year GRT receivables were understated	\$ 37,711
	Prior year property tax receivables were understated	336,146
	Prior year unavailable revenues were understated	<u>(333,860)</u>
Total general fund		39,997
Streets fund	Prior year GRT receivables were understated	<u>4,199</u>
Total governmental funds		<u>\$ 44,196</u>
Government-wide statements	Restatements from above	\$ 44,196
	Implementation of GASB 68 and GASB 71	(334,928)
	Prior year property tax revenues were understated	<u>333,860</u>
Total governmental activities		<u>\$ 43,128</u>
Business-type activities		
Proprietary funds		
Water fund	Prior year restricted cash was overstated	\$ <u>(8,375)</u>
Total proprietary funds		<u>(8,375)</u>
Total business-type activities		<u>\$ (8,375)</u>

**NOTE 18 – EVALUATION OF SUBSEQUENT EVENTS**

The City has evaluated subsequent events through November 23, 2015, the date which the financial statements were available to be issued.

**NOTE 19 – SUBSEQUENT PRONOUNCEMENTS**

In February 2015, GASB Statement No. 72 *Fair Value Measurement and Application*, was issued. Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2015. Earlier application is encouraged. The City will implement this standard during the fiscal year ended June 30, 2016. The City is still evaluating how this pronouncement will affect the financial statements.

In June 2015, GASB Statement No. 73 *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, was issued. Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2016. Earlier application is encouraged. The City is still evaluating how this pronouncement will affect the financial statements.

In June 2015, GASB Statement No. 74 *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, was issued. Effective Date: The provisions of this Statement are effective for

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NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2015**

fiscal years beginning after June 15, 2016. This pronouncement will not affect the City's financial statements.

In June 2015, GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, was issued. Effective Date: The provisions of this Statement are effective for fiscal years beginning after June 15, 2017. The standard will be implemented during the fiscal year ended June 30, 2018. The City does not expect this pronouncement to have an effect on the financial statements as they do not participate in such a plan.

In June 2015, GASB Statement No. 76 *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, was issued. Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2015. Earlier application is encouraged. The City will implement this standard during the fiscal year ended June 30, 2016. The City expects the pronouncement to have a material effect on the financial statements.

In August 2015, GASB Statement No. 77 *Tax Abatement Disclosures*, was issued. Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2015. Earlier application is encouraged. The City will implement this standard during the fiscal year ended June 30, 2017. The City is still evaluating how this pronouncement will affect the financial statements.



**REQUIRED SUPPLEMENTARY INFORMATION**

**STATE OF NEW MEXICO  
CITY OF ELEPHANT BUTTE  
SCHEDULE OF PROPORTIONATE SHARE OF THE  
NET PENSION LIABILITY OF PERA FUND DIVISION MUNICIPAL GENERAL  
Public Employees Retirement Association (PERA) Plan  
Last 10 Fiscal Years\***

	<b>2015</b>
City of Elephant Butte's proportion of the net pension liability (asset)	0.0318%
City of Elephant Butte's proportionate share of the net pension liability (asset)	\$ 248,074
City of Elephant Butte's covered-employee payroll	\$ 407,836
City of Elephant Butte's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	60.83%
Plan fiduciary net position as a percentage of the total pension liability	81.29%

\*The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

**STATE OF NEW MEXICO**  
**CITY OF ELEPHANT BUTTE**  
**SCHEDULE OF CONTRIBUTIONS**  
**Public Employees Retirement Association (PERA) Plan**  
**PERA Municipal General Division**  
**Last 10 Fiscal Years\***

	<b>2015</b>
Contractually required contribution	\$ 24,699
Contributions in relation to the contractually required contribution	24,699
Contribution deficiency (excess)	-
City's covered-employee payroll	407,836
Contributions as a percentage of covered-employee payroll	6.06%

\* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

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NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
FOR THE YEAR ENDED JUNE 30, 2015**

*Changes of benefit terms.* The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY14 audit available at [http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366\\_Public\\_Employees\\_Retirement\\_Association\\_2014.pdf](http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2014.pdf).

*Changes of assumptions.*

The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2014 report is available at [http://www.pera.state.nm.us/pdf/Investments/RetirementFundValuationReports/6-30-2014%20PERA%20Valuation%20Report\\_FINAL.pdf](http://www.pera.state.nm.us/pdf/Investments/RetirementFundValuationReports/6-30-2014%20PERA%20Valuation%20Report_FINAL.pdf). The summary of Key Findings for the PERA Fund (on page 2 of the report) states “based on a recent experience study for the five-year period ending June 30, 2013, the economic and demographic assumptions were updated for this valuation. The changes in assumptions resulted in a decrease of \$30.8 million to Fund liabilities and an increase of 0.13% to the funded ratio. For details about changes in the actuarial assumptions, see Appendix B on page 60 of the report.

## **SUPPLEMENTAL INFORMATION**

**STATE OF NEW MEXICO  
CITY OF ELEPHANT BUTTE  
NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2015**

**SPECIAL REVENUE FUNDS**

**Correction Fees** – 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)

**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** – To account for receipts and disbursements of State Funds Chapter 289, Law of 1983. These funds are to enhance the efficiency and effectiveness of the police force (NMSA 29-13-3)

**Lodgers' Tax** – To account for the operations of promotional activities of the City of Elephant Butte. Financing is provided primarily by specific tax levy on area motels (NMSA 3-38-14).

**Recreation** – To account for the operations and maintenance of recreation facilities. Financing is provided by a cigarette tax levy to the extent that other revenues are not sufficient to provide such services (NMSA 7-12-15 and 16).

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CITY OF ELEPHANT BUTTE  
NON-MAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET  
As of June 30, 2015**

	<u>Corrections</u>	<u>EMS</u>	<u>Law Enforcement Protection</u>	<u>Lodgers' Tax Fund</u>
	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>	<u>Fund</u>
Assets and deferred inflows of resources:				
Assets:				
Cash and cash equivalents	\$ 2,186	679	-	-
Receivables				
Taxes receivable	-	-	-	7,271
Total assets	<u>2,186</u>	<u>679</u>	<u>-</u>	<u>7,271</u>
Deferred Outflows of Resources:				
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assests and deferred outflows of resources	<u>\$ 2,186</u>	<u>679</u>	<u>-</u>	<u>7,271</u>
Liabilities, deferred inflows of resources and fund balances:				
Liabilities:				
Accounts payable	\$ -	-	-	-
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Deferred Inflows of Resources:				
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:				
Nonspendable	-	-	-	-
Restricted	2,186	679	-	7,271
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	<u>2,186</u>	<u>679</u>	<u>-</u>	<u>7,271</u>
Total liabilities, deferred inflows of resources and fund balances:	<u>\$ 2,186</u>	<u>679</u>	<u>-</u>	<u>7,271</u>

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO  
CITY OF ELEPHANT BUTTE  
NON-MAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEET  
As of June 30, 2015**

	<u>Recreation Fund</u>	<u>Total</u>
Assets and deferred inflows of resources:		
Assets:		
Cash and cash equivalents	\$ 8,595	11,460
Receivables		
Taxes receivable	-	7,271
Total assets	<u>8,595</u>	<u>18,731</u>
Deferred Outflows of Resources:		
Total deferred outflows of resources	<u>-</u>	<u>-</u>
Total assests and deferred outflows of resources	\$ <u>8,595</u>	<u>18,731</u>
Liabilities, deferred inflows of resources and fund balances:		
Liabilities:		
Accounts payable	\$ <u>753</u>	<u>753</u>
Total liabilities	<u>753</u>	<u>753</u>
Deferred Inflows of Resources:		
Total deferred inflows of resources	<u>-</u>	<u>-</u>
Fund balances:		
Nonspendable	-	-
Restricted	7,842	17,978
Committed	-	-
Assigned	-	-
Unassigned	<u>-</u>	<u>-</u>
Total fund balances	<u>7,842</u>	<u>17,978</u>
Total liabilities, deferred inflows of resources and fund balances:	\$ <u>8,595</u>	<u>18,731</u>

The accompanying notes are an integral part of these financial statements.



**STATE OF NEW MEXICO  
CITY OF ELEPHANT BUTTE  
NON-MAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
For the Year Ended June 30, 2015**

	<u>Corrections Fund</u>	<u>EMS Fund</u>	<u>Law Enforcement Protection Fund</u>	<u>Lodgers' Tax Fund</u>
Revenues:				
Taxes				
Other	\$ -	-	-	34,238
Fines and forfeitures	420	-	-	-
Intergovernmental revenue				
State grants	-	3,045	20,000	9,084
Interest income	167	-	-	-
Total revenues	<u>587</u>	<u>3,045</u>	<u>20,000</u>	<u>43,322</u>
Expenditures:				
Current:				
Public safety	-	2,366	23,648	-
Culture and recreation	-	-	-	72,929
Capital outlay	-	-	19,436	-
Total expenditures	<u>-</u>	<u>2,366</u>	<u>43,084</u>	<u>72,929</u>
Excess (deficiency) of revenues over (under) expenditures	587	679	(23,084)	(29,607)
Other financing sources (uses):				
Transfers in	-	-	-	6,327
Transfers out	-	-	-	-
Total other financing sources (uses):	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,327</u>
Net change in fund balances	587	679	(23,084)	(23,280)
Beginning fund balance	1,599	-	23,084	30,551
Restatement	-	-	-	-
Beginning fund balance, as restated	<u>1,599</u>	<u>-</u>	<u>23,084</u>	<u>30,551</u>
Ending fund balance	<u>\$ 2,186</u>	<u>679</u>	<u>-</u>	<u>7,271</u>

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO  
CITY OF ELEPHANT BUTTE  
NON-MAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
For the Year Ended June 30, 2015**

	<u>Recreation Fund</u>	<u>Total</u>
Revenues:		
Taxes		
Other	\$ -	34,238
Licenses and permits	6,460	6,460
Charges for services	13,930	13,930
Fines and forfeitures	-	420
Intergovernmental revenue		
State grants	381	32,510
Interest income	-	167
Miscellaneous income	89	89
Total revenues	<u>20,860</u>	<u>87,814</u>
Expenditures:		
Current:		
Public safety	-	26,014
Culture and recreation	49,772	122,701
Capital outlay	<u>10,150</u>	<u>29,586</u>
Total expenditures	<u>59,922</u>	<u>178,301</u>
Excess (deficiency) of revenues over (under) expenditures	(39,062)	(90,487)
Other financing sources (uses):		
Transfers in	-	6,327
Transfers out	<u>-</u>	<u>-</u>
Total other financing sources (uses):	<u>-</u>	<u>6,327</u>
Net change in fund balances	(39,062)	(84,160)
Beginning fund balance	46,904	102,138
Restatement	<u>-</u>	<u>-</u>
Beginning fund balance, as restated	<u>46,904</u>	<u>102,138</u>
Ending fund balance	<u>\$ 7,842</u>	<u>17,978</u>

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO  
CITY OF ELEPHANT BUTTE  
CORRECTIONS FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
For the Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Fines and forfeitures	\$ 500	500	420	(80)
Interest income	<u>25</u>	<u>25</u>	<u>167</u>	<u>142</u>
Total revenues	525	525	587	62
Expenditures:				
Current:				
Public safety	<u>500</u>	<u>500</u>	<u>-</u>	<u>500</u>
Total expenditures	<u>500</u>	<u>500</u>	<u>-</u>	<u>500</u>
Excess (deficiency) of revenues over (under) expenditures	25	25	587	(438)
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses):	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	25	25	<u>587</u>	<u>(438)</u>
Budgeted cash carryover	<u>-</u>	<u>-</u>		
Net change in fund balance	\$ <u>25</u>	<u>25</u>		
Reconciliation From Budget/Actual to GAAP				
Net change in fund balance (Non-GAAP budgetary basis)			\$ 587	
Adjustments to revenue for tax accruals and other miscellaneous revenue accru			-	
Adjustments to expenditures for payables and accrued wages			<u>-</u>	
Net change in fund balance (GAAP)			\$ <u>587</u>	

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO  
CITY OF ELEPHANT BUTTE  
EMS FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Favorable (Unfavorable)
	Original	Final		
Revenues:				
Intergovernmental revenue				
State grants	\$ 2,800	2,800	3,045	245
Total revenues	2,800	2,800	3,045	245
Expenditures:				
Current:				
Public safety	2,800	2,800	2,366	434
Total expenditures	2,800	2,800	2,366	434
Excess (deficiency) of revenues over (under) expenditures	-	-	679	(189)
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses):	-	-	-	-
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	-	-	679	(189)
Budgeted cash carryover	-	-		
Net change in fund balance	-	-		
Reconciliation From Budget/Actual to GAAP				
Net change in fund balance (Non-GAAP budgetary basis)			\$ 679	
Adjustments to revenue for tax accruals and other miscellaneous revenue accruals			-	
Adjustments to expenditures for payables and accrued wages			-	
Net change in fund balance (GAAP)			\$ 679	

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO  
CITY OF ELEPHANT BUTTE  
LAW ENFORCEMENT FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
For the Year Ended June 30, 2015

	<u>Budgeted Amounts</u>			<u>Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Revenues:				
Intergovernmental revenue				
State grants	\$ 20,000	20,000	20,000	-
Total revenues	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>
Expenditures:				
Current:				
Public safety	25,484	25,484	23,648	1,836
Capital outlay	<u>17,600</u>	<u>17,600</u>	<u>19,436</u>	<u>(1,836)</u>
Total expenditures	<u>43,084</u>	<u>43,084</u>	<u>43,084</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	(23,084)	(23,084)	(23,084)	-
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses):	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(23,084)	(23,084)	<u>(23,084)</u>	<u>-</u>
Budgeted cash carryover	<u>23,084</u>	<u>23,084</u>		
Net change in fund balance	\$ <u>-</u>	<u>-</u>		
Reconciliation From Budget/Actual to GAAP				
Net change in fund balance (Non-GAAP budgetary basis)			\$ (23,084)	
Adjustments to revenue for tax accruals and other miscellaneous revenue accru			-	
Adjustments to expenditures for payables and accrued wages			<u>-</u>	
Net change in fund balance (GAAP)			\$ <u>(23,084)</u>	

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO  
CITY OF ELEPHANT BUTTE  
LODGERS' TAX FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
For the Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes				
Other	\$ 30,000	30,000	31,116	1,116
Intergovernmental revenue				
State grants	<u>68,000</u>	<u>68,000</u>	<u>37,075</u>	<u>(30,925)</u>
Total revenues	<u>98,000</u>	<u>98,000</u>	<u>68,191</u>	<u>(29,809)</u>
Expenditures:				
Current:				
Culture and recreation	<u>95,000</u>	<u>95,000</u>	<u>74,518</u>	<u>20,482</u>
Total expenditures	<u>95,000</u>	<u>95,000</u>	<u>74,518</u>	<u>20,482</u>
Excess (deficiency) of revenues over (under) expenditures	3,000	3,000	(6,327)	(50,291)
Other financing sources (uses):				
Transfers in	-	-	6,327	6,327
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses):	<u>-</u>	<u>-</u>	<u>6,327</u>	<u>6,327</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	3,000	3,000	<u>-</u>	<u>(43,964)</u>
Budgeted cash carryover	<u>-</u>	<u>-</u>		
Net change in fund balance	<u>\$ 3,000</u>	<u>3,000</u>		
Reconciliation From Budget/Actual to GAAP				
Net change in fund balance (Non-GAAP budgetary basis)			\$ -	
Adjustments to revenue for tax accruals and other miscellaneous revenue accrual			(24,869)	
Adjustments to expenditures for payables and accrued wages			<u>1,589</u>	
Net change in fund balance (GAAP)			<u>\$ (23,280)</u>	

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO  
CITY OF ELEPHANT BUTTE  
RECREATION FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
For the Year Ended June 30, 2015**

	<b>Budgeted Amounts</b>			<b>Favorable (Unfavorable) Difference</b>
	<b>Original</b>	<b>Final</b>	<b>Actual</b>	
Revenues:				
Licenses and permits	\$ 60,000	60,000	6,460	(53,540)
Charges for services	7,600	7,600	13,930	6,330
Intergovernmental revenue				
State grants	10,000	10,000	381	(9,619)
Miscellaneous income	13,070	13,070	88	(12,982)
Total revenues	90,670	90,670	20,859	(69,811)
Expenditures:				
Current:				
Culture and recreation	109,300	109,300	51,024	58,276
Capital outlay	70,000	70,000	10,150	59,850
Total expenditures	179,300	179,300	61,174	118,126
Excess (deficiency) of revenues over (under) expenditures	(88,630)	(88,630)	(40,315)	(187,937)
Other financing sources (uses):				
Transfers in	40,300	40,300	-	(40,300)
Transfers out	-	-	-	-
Total other financing sources (uses):	40,300	40,300	-	(40,300)
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(48,330)	(48,330)	(40,315)	(228,237)
Budgeted cash carryover	48,330	48,330		
Net change in fund balance	\$ -	-		
Reconciliation From Budget/Actual to GAAP				
Net change in fund balance (Non-GAAP budgetary basis)			\$ (40,315)	
Adjustments to revenue for tax accruals and other miscellaneous revenue accruals			-	
Adjustments to expenditures for payables and accrued wages			1,253	
Net change in fund balance (GAAP)			\$ (39,062)	

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO  
CITY OF ELEPHANT BUTTE  
CAPITAL PROJECTS FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
For the Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental revenue				
State grants	\$ -	-	-	-
Total revenues	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Expenditures:				
Current:				
Capital outlay	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	<u>(227,937)</u>	<u>(227,937)</u>	<u>(309,658)</u>	<u>81,721</u>
Total other financing sources (uses):	<u>(227,937)</u>	<u>(227,937)</u>	<u>(309,658)</u>	<u>81,721</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(227,937)	(227,937)	<u>(309,658)</u>	<u>81,721</u>
Budgeted cash carryover	<u>227,937</u>	<u>227,937</u>		
Net change in fund balance	<u>\$ -</u>	<u>-</u>		
Reconciliation From Budget/Actual to GAAP				
Net change in fund balance (Non-GAAP budgetary basis)			\$ (309,658)	
Adjustments to revenue for tax accruals and other miscellaneous revenue accruals			-	
Adjustments to expenditures for payables and accrued wages			<u>-</u>	
Net change in fund balance (GAAP)			<u>\$ (309,658)</u>	

The accompanying notes are an integral part of these financial statements.



**STATE OF NEW MEXICO  
CITY OF ELEPHANT BUTTE  
WATER FUND - PROPRIETARY FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
For the Year Ended June 30, 2015**

	Budgeted Amounts		Actual	Favorable (Unfavorable)
	Original	Final		
Operating revenues:				
Charges for services	\$ 212,997	212,997	195,525	(17,472)
Total operating revenues	212,997	212,997	195,525	(17,472)
Operating expenses:				
Personnel services	104,501	104,501	95,923	8,578
Operating expenses	746,491	746,491	472,868	273,623
Depreciation and amortization	-	-	-	-
Total operating expenses	850,992	850,992	568,791	282,201
Operating income (loss)	(637,995)	(637,995)	(373,266)	264,729
Non-operating revenues (expenses):				
Grant revenues - State	614,200	614,200	299,485	(314,715)
Miscellaneous	20	20	-	(20)
Interest income	150	150	-	(150)
Interest expense	(18,600)	(18,600)	(20,038)	1,438
Total non-operating revenues (expenses)	595,770	595,770	279,447	(313,447)
Income (loss) before transfers	(42,225)	(42,225)	(93,819)	(48,718)
Transfers in	-	-	-	-
Transfers out	(74,000)	(74,000)	-	74,000
	(74,000)	(74,000)	-	74,000
Change in net position	(190,225)	(190,225)	(93,819)	25,282
Budgeted cash carryover	190,225	190,225		
Total	\$ -	-		
Reconciliation From Budget/Actual to GAAP				
Change in net position (Non-GAAP budgetary basis)			\$ (93,819)	
Adjustments to revenue for tax and other miscellaneous revenue accruals			80,235	
Adjustments to expenditures for accrued wages and expenditures			437,207	
Depreciation and other non-cash items			(43,372)	
Change in net position (GAAP)			\$ 380,251	

The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO  
CITY OF ELEPHANT BUTTE  
WASTEWATER FUND - PROPRIETARY FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
For the Year Ended June 30, 2015**

	<u>Budgeted Amounts</u>			<b>Favorable (Unfavorable)</b>
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	
Operating revenues:				
Charges for services	\$ 270,806	270,806	290,728	19,922
Total operating revenues	<u>270,806</u>	<u>270,806</u>	<u>290,728</u>	<u>19,922</u>
Operating expenses:				
Personnel services	110,596	110,596	94,445	16,151
Operating expenses	<u>833,976</u>	<u>833,976</u>	<u>152,628</u>	<u>681,348</u>
Total operating expenses	944,572	944,572	247,073	697,499
Operating income (loss)	(673,766)	(673,766)	43,655	717,421
Non-operating revenues (expenses):				
Grant revenues - State	285,100	285,100	-	(285,100)
Interest income	2,200	2,200	186	(2,014)
Interest expense	<u>(110,921)</u>	<u>(110,921)</u>	<u>(106,355)</u>	<u>(4,566)</u>
Total non-operating revenues (expenses)	<u>176,379</u>	<u>176,379</u>	<u>(106,169)</u>	<u>(291,680)</u>
Income (loss) before transfers	(497,387)	(497,387)	(62,514)	425,741
Transfers in	472,545	472,545	309,658	(162,887)
Transfers out	<u>(34,000)</u>	<u>(34,000)</u>	<u>-</u>	<u>34,000</u>
	<u>438,545</u>	<u>438,545</u>	<u>309,658</u>	<u>(128,887)</u>
Change in net position	379,703	379,703	<u>247,144</u>	<u>296,854</u>
Budgeted cash carryover	<u>-</u>	<u>-</u>		
Total	\$ <u>379,703</u>	<u>379,703</u>		
Reconciliation From Budget/Actual to GAAP				
Change in net position (Non-GAAP budgetary basis)			\$ 247,144	
Adjustments to revenue for tax and other miscellaneous revenue accruals			145,484	
Adjustments to expenditures for accrued wages and expenditures			(55,089)	
Depreciation and other non-cash items			<u>(245,266)</u>	
Change in net position (GAAP)			<u>\$ 92,273</u>	

The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO  
CITY OF ELEPHANT BUTTE  
SCHEDULE OF FUND BALANCES  
As of June 30, 2015

	<u>Major Funds</u>				<u>Total Non-Major Funds</u>	<u>Total Funds</u>
	<u>General Fund</u>	<u>Spec Revenue</u>		<u>Capital Projects Fund</u>		
	<u>Fire Fund</u>	<u>Streets Fund</u>				
Fund Balances:						
Nonspendable:						
Subtotal nonspendable funds	\$ -	-	-	-	-	-
Restricted for:						
Operate/maintain recreational facilities	-	-	-	-	7,842	7,842
Providing emergency medical services	-	-	-	-	679	679
Fire fighting efforts/equipment	-	16,410	-	-	-	16,410
Public safety and law enforcement efforts	-	-	-	-	2,186	2,186
Economic development efforts	-	-	-	-	7,271	7,271
Subtotal restricted funds	-	16,410	-	-	17,978	34,388
Committed to:						
Subtotal committed funds	-	-	-	-	-	-
Assigned to:						
Subtotal assigned funds	-	-	-	-	-	-
Unassigned	711,018	-	(7,825)	-	-	703,193
	<u>\$ 711,018</u>	<u>16,410</u>	<u>(7,825)</u>	<u>-</u>	<u>17,978</u>	<u>737,581</u>

See independent auditor's report.

STATE OF NEW MEXICO  
CITY OF ELEPHANT BUTTE  
SCHEDULE OF DEPOSITORIES  
As of June 30, 2015

<u>Account name</u>	<u>Type</u>	<u>First National Bank</u>	<u>Plus Deposit in Transit</u>	<u>Less O/S Checks</u>	<u>Balance Per Books</u>
General pooled cash	CK	444,707	629	(319,037)	126,299
Commander MMKT Acct	CK*	1,232,573	-	-	1,232,573
Total cash and equivalents		<u>1,677,280</u>	<u>629</u>	<u>(319,037)</u>	<u>1,358,872</u>
Total amount on deposit		1,677,280	<u>629</u>	<u>(319,037)</u>	<u>1,358,872</u>
FDIC coverage		<u>(250,000)</u>			
Total uninsured public funds		1,427,280			
50% collateral requirement (Section 6-10-17 NMSA-1978)		713,640			
Pledge security		<u>2,304,384</u>			
Amount (over)/under collateralized		<u>(1,590,744)</u>			

\* denotes interest bearing account

**STATE OF NEW MEXICO  
CITY OF ELEPHANT BUTTE  
SCHEDULE OF PLEDGED COLLATERAL BY DEPOSITORY  
As of June 30, 2015**

<u>Cuspid</u>	<u>Description/ Maturity</u>	<u>Coupon</u>	<u>Pledged Percent</u>	<u>Original Face</u>	<u>Pledged</u>				
					<u>Original Face</u>	<u>Par</u>	<u>Book Value</u>	<u>Market Value</u>	
<b>First Savings Bank</b>									
<i>Safekeeping Location - Federal Reserve</i>									
31282CA98	FHLMC RELO 15YR 4/1/2020	4.00	45.71%	\$ 1,750,000	800,000	43,716	43,168	46,103	
31376KUBo	FNMA 15 Yr 9/1/2020	5.00	100%	1,300,000	1,300,000	133,066	131,492	142,174	
3138A7GY8	FNMA 15 Yr 2/1/2026	3.50	55.17%	1,450,000	800,000	395,392	414,956	419,358	
36176XE21	GNMA 15YR 3/15/2027	3.00	28.57%	700,000	200,000	117,982	123,545	124,053	
3128MDNRo	FHLMC 15YR 1/1/2028	3.00	87.50%	2,000,000	1,750,000	1,190,319	1,251,746	1,242,766	
3138EKJA4	FNMA 15 Yr 1/1/2028	2.50	7.32%	2,050,000	150,000	112,628	117,581	115,222	
38377TBL4	GNR 2011-4 MD 11/20/2038	4.00	7.50%	2,000,000	150,000	55,451	57,191	57,614	
38377NLJ1	GNR 2010-150 GJ 9/20/2039	3.00	18.18%	1,100,000	200,000	81,582	84,131	83,665	
38377U5F1	GNR 2011-62 AE 10/20/2040	3.50	22.33%	2,015,000	450,000	72,863	73,835	73,429	
				\$	<u>14,365,000</u>	<u>5,800,000</u>	<u>2,202,999</u>	<u>2,297,645</u>	<u>2,304,384</u>

See independent auditor's report.

**STATE OF NEW MEXICO**  
**CITY OF ELEPHANT BUTTE**  
**SCHEDULE OF JOINT POWERS AGREEMENTS AND MEMORANDUMS OF UNDERSTANDING**  
**As of June 30, 2015**

**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.  
Period: Perpetual  
Project costs: City of Elephant Butte agrees to pay \$26,000 per year.  
City contributions: \$26,000  
Audit responsibility: County of Sierra

**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 stand-by 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 service in Sierra county, New Mexico.  
Period: Perpetual  
Project costs: Undeterminable  
City contributions: Undeterminable  
Audit responsibility: County of Sierra

**Animal Control**

Participants: City of Elephant Butte and the City of Truth or Consequences  
Responsible party: Bureau of Land Management, Department of Interior  
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 animals in City of Elephant Butte through the joint exercise of the City's Animal Control Officers.  
Period: Perpetual  
Project costs: Undeterminable  
City contributions: Undeterminable  
Audit responsibility: City of Truth or Consequences

STATE OF NEW MEXICO  
CITY OF ELEPHANT BUTTE  
SCHEDULE OF SPECIAL, DEFICIENCY, SPECIFIC AND CAPITAL OUTLAY APPROPRIATIONS  
For the Year Ended June 30, 2015

Description	Appropriation #	Appropriation Period	Original Appropriation	Expenditures To Date	Out-standing Encumbrances	Approps Expired	Unencumbered Balances
<b>Severance Tax Bonds Outstanding*</b>							
Laws 2013 - Chapter 226, Section 23	13-1504	07/01/2013 - 06/30/2017	\$ 214,000	168,234	-	-	45,766
Laws 2014 - Chapter 66, Section 16	14-1703	07/01/2014 - 06/30/2018	285,000	122,994	-	-	162,006
Laws 2014 - Chapter 66, Section 16	14-1704	07/01/2014 - 06/30/2018	100,000	88,037	-	-	11,963
Laws 2015 - Chapter 3, Section 20	15-0557	07/01/2015 - 06/30/2019	<u>150,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>150,000</u>
<b>Total Amounts</b>			<u>\$ 749,000</u>	<u>379,265</u>	<u>-</u>	<u>-</u>	<u>369,735</u>

\*Revenue associated with severance tax bonds is recognized when eligibility requirements are met.

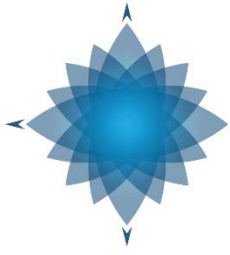
All unencumbered balances may be used during the appropriation period noted above.

STATE OF NEW MEXICO  
 CITY OF ELEPHANT BUTTE  
 SCHEDULE OF VENDOR INFORMATION FOR PURCHASES EXCEEDING \$60,000  
 For The Year Ended June 30, 2015

<i>RFB#/ RFP#</i>	<i>Type of Procurement</i>	<i>Awarded Vendor</i>	<i>\$ Amount of Awarded Contract</i>	<i>\$ Amount of Amended Contract</i>	<i>Name and Physical Address per the procurement documentation, of ALL Vendor(s) that responded</i>	<i>In-State/ Out-of- State Vendor (Y or N) (Based on Statutory Definition)</i>	<i>Was the vendor in- state and chose Veteran's preference (Y or N) For federal funds answer N/A</i>	<i>Brief Description of the Scope of Work</i>
WTB-280	Booster Station Unpgrade	Smithco Construction, Inc.	370,500.00	408,539.76	Smithco Construction Inc 6 King Canyon Loop Caballo, NM 87931	Y	Y	Booster Pump Upgrade
					C.D. General Contractors Inc 1730 West Picacho Avenue # East Las Cruces, NM 88005			
NM 195P	Rock Canyon Road Project	Renegade Construction	311,546.63	313,586.64	Renegade Construction , LLC PO Box 830 Fairacres, NM 88033	Y	Y	Rock Canyon Road Improvements
					Smith and Aguirre Construction Co., Inc. 2475 Lakeside Drive Las Cruces, NM 88007			
					Burn Construction Co 2100 W Amador Avenue Las Cruces NM 88005			
					Sierra Valley Contractors, LLC 701 Juniper St Truth or Consequences, NM 87901			
					Century Club 8201 Golf Course Road Nw Albuquerque, NM 87120			
	Fire Brush Truck	Deep South	132,866.00		HGAC -Buy Interlocal Contract For Co-op Purchasing	Y	N	New Fire Truck

See independent auditors' report.





**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**

Timothy Keller  
New Mexico State Auditor  
The City Council  
City of Elephant Butte, New Mexico

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons of the general fund and major special revenue funds of the City of Elephant Butte, State of New Mexico, as of and for the year ended June 30, 2015, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and the combining and individual funds and related budgetary comparisons of the City, presented as supplementary information, and have issued our report thereon dated November 23, 2015.

**Internal Control over Financial Reporting**

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. *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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant

deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify certain deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies: 2015-001 and 2015-002.

### **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2015-003, and 2015-004.

### **City of Elephant Butte, State of New Mexico's Response to Findings**

The City's response to the findings identified in our audit is described in the accompanying schedule of findings and responses. The City's response was not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on it.

### **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Integrity Accounting + Consulting, LLC*

Integrity Accounting & Consulting, LLC  
Albuquerque, NM

November 23, 2015

**STATE OF NEW MEXICO  
CITY OF ELEPHANT BUTTE  
SCHEDULE OF FINDINGS AND REPOSSES  
FOR THE YEAR ENDED JUNE 30, 2015**

**SECTION I SUMMARY OF AUDIT RESULTS**

*Financial Statements:*

- |    |   |  |            |
|----|---|--|------------|
| 1. | Type of auditors' report issued   |  | Unmodified |
| 1. | Internal control over financial reporting:                                    |  |            |
| a. | Material weakness identified?   |  | No         |
| b. | Significant deficiencies identified not considered to be material weaknesses? |  | Yes        |
| c. | Noncompliance material to the financial statements noted?                     |  | No         |
| d. | Other noncompliance/other matters?  |  | Yes        |

**SECTION II FINDINGS – FINANCIAL STATEMENTS**

<b>Finding</b>	<b>Status of Current and Prior Year Findings</b>	<b>Financial Statement Finding</b>
<b>Prior Year Findings</b>		
2011-001 Payroll Tax Reports	Resolved	Yes
2014-001 New Hire Reporting	Resolved	Yes
2014-002 State Withholding	Resolved	Yes
2014-003 Personnel Files	Resolved	Yes
2014-004 Late IPA Recommendation	Resolved	Yes
<b>Current Year Findings</b>		
2015-001 Accounting Software Access	Current	Yes
2015-002 IT Maintenance	Current	Yes
2015-003 Approved Pay Rates	Current	Yes
2015-004 Legal compliance with Budget	Current	Yes

**STATE OF NEW MEXICO  
CITY OF ELEPHANT BUTTE  
SCHEDULE OF FINDINGS AND REPOSSES  
FOR THE YEAR ENDED JUNE 30, 2015**

**PRIOR YEAR FINDINGS**

NONE REPEATED

**CURRENT YEAR FINDINGS**

**2015-001 – ACCOUNTING SOFTWARE ACCESS** – Significant Deficiency

**Statement of Condition**

While reviewing the City’s access controls for its financial software it was brought to our attention that several employees had Administrator-level access to the accounting software. This access would potentially allow them to make unauthorized changes to the system and data therein.

**Criteria**

6-5-2CNMSA 1978 states that an entity shall implement internal accounting controls designed to prevent accounting errors and violations of state and federal law and rules related to financial matters. Furthermore, adequate segregation of duties shall be considered for all control implementations in that no single individual has authority to initiate or conduct a transaction, process and record transactions, and maintain custody of an asset.

**Effect**

Access to processing transactions and having administrative rights is considered a segregation of duties violation as it gives an individual the ability to circumvent controls set up in the accounting software and causes risk for the Village and payment to fictitious disbursements.

**Cause**

The City gave users administrative-level access in order that certain reports could be pulled by each employee. Without this level of access the employees would be unable to generate the necessary reporting.

**Recommendation**

It is recommended the City contact the software vendor and examine the user access levels to identify methods for restricting system access while also allowing personnel to perform their duties.

**Response**

On November 24, 2015, the Clerk-Treasurer clarified with Tyler Incode Version 10 Software Support that although “administrator” is listed for several employees, the access is allowed on a per-user basis, and individual controls have been set for each user, and were in place at the time of the audit.

**2015-002 – IT MAINTENANCE** – Significant Deficiency

**Statement of Condition**

While reviewing the City’s internal controls related to its IT environment, it was identified that the City’s overall system of IT and specifically its data back-up processes were not current. IT was not known if all computers were being back-up regularly as newer computers had not been fully integrated into the system.

**STATE OF NEW MEXICO  
CITY OF ELEPHANT BUTTE  
SCHEDULE OF FINDINGS AND REPOSSES  
FOR THE YEAR ENDED JUNE 30, 2015**

**Criteria**

Good internal controls indicate that critical/important computer files should be regularly backed up and maintained in a secure location off-site so that the files can be recovered in the case of a disaster at the organization's place of operation

**Effect**

The City is at risk for potential data loss in the event of computer failure.

**Cause**

The City does not have an in-house IT staff and relies on outside contractors for IT maintenance. Routine maintenance of the City's IT system is not performed.

**Recommendation**

It is recommended the City review its IT environment to ensure that all computers with critical files are backed-up regularly. As new machines are added to the system, they should be integrated into the back-up process.

**Response**

The Clerk-Treasurer will verify with IT contractor that all computers are on the back-up system and backing up properly. Expected completion: 12/31/2015

**2015-003 – APPROVED PAY RATES** – Findings that do not rise to the level of significant deficiency

**Statement of Condition**

While testing the City's internal controls over payroll, we noted that on 2 out of the 6 files tested, a current approved pay rate was not in the personnel file.

**Criteria**

Documentation supporting the current approved rate of pay should be maintained for all employees.

**Effect**

The City is at risk for loss due to potentially paying employees the incorrect rate of pay.

**Cause**

The City's personnel files were not maintained regularly.

**Recommendation**

It is recommended the City review its personnel files and ensure that copies of approved pay rates are maintained for all employees

**Response**

The Clerk-Treasurer will verify all employee pay rates, and submit a memo for each employee to the City Manager and/or Mayor for approval, then add the memo to each file. Expected completion: 12/31/2015

**STATE OF NEW MEXICO  
CITY OF ELEPHANT BUTTE  
SCHEDULE OF FINDINGS AND REPOSSES  
FOR THE YEAR ENDED JUNE 30, 2015**

**2015-004 – LEGAL COMPLIANCE WITH BUDGET** – Other noncompliance

**Statement of Condition**

The City’s actual expenditures exceeded approved budgeted expenditures one fund.

The following fund exceeded approved budgeted expenditures.

<u>Fund</u>	<u>Category</u>	<u>Budget Amount</u>	<u>Actual Amount</u>	<u>Over Expended</u>
Capital Projects Fund	Expenditures	\$ 227,937	309,658	(81,721)

**Criteria**

New Mexico State Statutes Section 6-6-6 NMSA 1978 restricts all officials and governing authorities from approving claims in excess of the approved budget. Additionally, Section 6-6-6 prohibits any payments in excess of the approved budget. City officials and governing Authorities have the obligation to follow applicable state statutes.

**Effect**

The City was in violation of State Statute and could be subject to fines or other restrictions.

**Cause**

The overage was not captured when the final end of year adjustments were processed.

**Recommendation**

It is recommended the City ensure that the proper reports are utilized to monitor its budgetary compliance.

**Response**

As a result of this finding, it was brought to the City’s attention that a discrepancy exists between trial balance and Income Statement reports from our financial software. Certain operational transfer accounts were set up as Equity Accounts, which do not accurately reflect activity in all reports.

On November 25, 2015, the Clerk-Treasurer contacted Tyler Incode Version 10 Software support and discussed the issues. As recommended, the Clerk-Treasurer will correct the issue by inactivating all Transfer in/Transfer Out line items that were set up as equity accounts, and create operational transfer funds in all accounts. Expected completion: 12/31/2015.

**STATE OF NEW MEXICO  
CITY OF ELEPHANT BUTTE  
OTHER DISCLOSURES  
FOR THE YEAR ENDED JUNE 30, 2015**

**A. AUDITOR PREPARED FINANCIAL STATEMENTS**

Presentation: The accompanying financial statements are the responsibility of the City and are based on information from the City's financial records. Assistance was provided by Integrity Accounting & Consulting to the City in preparing the financial statements.

**B. EXIT CONFERENCE**

The contents of the report for the City of Elephant Butte were discussed on November 18, 2015. The following individuals were in attendance.

City of Elephant Butte Officials

Eunice Kent, Mayor  
Edna Trager, City Councilor  
Andrew Finzen, City Manager  
Karen Rieth, City Clerk/Treasurer

Integrity Accounting & Consulting

Erick Robinson, CPA, CFE Partner