

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
FINANCIAL STATEMENTS
FOR THE YEAR-ENDED JUNE 30, 2016



INTRODUCTORY SECTION

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CITY OF ELEPHANT BUTTE
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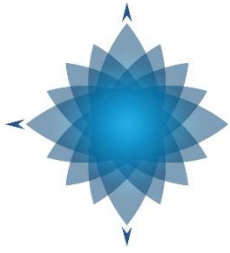
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CITY OF ELEPHANT BUTTE
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**STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
OFFICIAL ROSTER
FOR THE YEAR ENDED JUNE 30, 2016**

<u>Elected Officials</u>	<u>Title</u>
Eunice Kent	Mayor
Kim Skinner	Mayor Pro-Tem
Gerald LaFont	Councilor
Dee Rogers	Councilor
Edna Trager	Councilor
<u>Administrative Officials</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, 2016, 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, 2016, 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, 2016, 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, 2016, 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 41-43 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 December 12, 2016, 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

December 12, 2016

**STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
STATEMENT OF NET POSITION
As of June 30, 2016**

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Totals</u>
Assets and deferred inflows of resources:			
Assets:			
Cash and cash equivalents	\$ 1,014,728	436,043	1,450,771
Receivables			
Accounts receivable	200	39,138	39,338
Taxes receivable	<u>352,405</u>	<u>-</u>	<u>352,405</u>
Total current assets	1,367,333	475,181	1,842,514
Non-current assets:			
Restricted cash	-	125,065	125,065
Capital assets	6,805,826	14,638,970	21,444,796
Less: Accumulated depreciation	<u>(1,386,384)</u>	<u>(2,601,017)</u>	<u>(3,987,401)</u>
Total non-current assets	<u>5,419,442</u>	<u>12,163,018</u>	<u>17,582,460</u>
Total assets	<u>6,786,775</u>	<u>12,638,199</u>	<u>19,424,974</u>
Deferred Outflows of Resources:			
Employer contributions subsequent to the measurement date	27,786	-	27,786
Net difference between expected and actual earnings	71,790	-	71,790
Change in assumptions	<u>3</u>	<u>-</u>	<u>3</u>
Total deferred outflows of resources	<u>99,579</u>	<u>-</u>	<u>99,579</u>
Total assets and deferred outflows of resources	<u>\$ 6,886,354</u>	<u>12,638,199</u>	<u>19,524,553</u>
Liabilities, deferred inflows of resources and net position:			
Liabilities:			
Accounts payable	\$ 10,105	8,871	18,976
Accrued payroll liabilities	13,892	5,878	19,770
Accrued interest	2,776	23,177	25,953
Customer deposits	-	49,431	49,431
Current portion of compensated absences	4,048	2,295	6,343
Current portion of long-term debt	<u>42,321</u>	<u>94,031</u>	<u>136,352</u>
Total current liabilities	73,142	183,683	256,825
Non-current liabilities			
Compensated absences	1,012	574	1,586
Notes payable	433,481	1,437,108	1,870,589
Net pension liability	<u>316,072</u>	<u>-</u>	<u>316,072</u>
Total non-current liabilities	<u>750,565</u>	<u>1,437,682</u>	<u>2,188,247</u>
Total liabilities	823,707	1,621,365	2,445,072
Deferred Inflows of Resources:			
Actuarial experience	7,001	-	7,001
Investment experience	72,790	-	72,790
Change of assumptions	126	-	126
Change of proportion	<u>4,766</u>	<u>-</u>	<u>4,766</u>
Total deferred inflows of resources	84,683	-	84,683
Net position			
Net Investment in Capital Assets	4,943,640	10,631,879	15,575,519
Unrestricted Net Position	<u>1,034,324</u>	<u>384,955</u>	<u>1,419,279</u>
Total net position	<u>5,977,964</u>	<u>11,016,834</u>	<u>16,994,798</u>
Total liabilities, deferred inflows of resources and net position:	<u>\$ 6,886,354</u>	<u>12,638,199</u>	<u>19,524,553</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, 2016

<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>
Primary government:							
Governmental activities							
General government	\$ 858,247	83	198,609	-	(659,555)	-	(659,555)
Public safety	92,356	-	97,887	-	5,531	-	5,531
Public works	106,191	-	-	761,998	655,807	-	655,807
Culture and recreation	84,444	12,632	27,003	-	(44,809)	-	(44,809)
Health and welfare	31,929	-	-	-	(31,929)	-	(31,929)
Interest expense	20,554	-	-	-	(20,554)	-	(20,554)
Total governmental activities	<u>1,193,721</u>	<u>12,715</u>	<u>323,499</u>	<u>761,998</u>	<u>(95,509)</u>	<u>-</u>	<u>(95,509)</u>
Business-type activities:							
Utilities							
Water	188,708	197,485	-	56,172	-	64,949	64,949
Wastewater	508,245	305,164	-	162,006	-	(41,075)	(41,075)
Total business-type activities	<u>\$ 696,953</u>	<u>502,649</u>	<u>-</u>	<u>218,178</u>	<u>-</u>	<u>23,874</u>	<u>23,874</u>
Total primary government					<u>(95,509)</u>	<u>23,874</u>	<u>(71,635)</u>
General revenues:							
Taxes							
Property taxes levied for general purposes					\$ 274,198	-	274,198
Gross receipts taxes					443,349	-	443,349
Other taxes and fees					65,202	-	65,202
Licenses and permits					15,250	-	15,250
Fines, forfeitures, and penalties					2,904	-	2,904
Interest income					3,436	-	3,436
Miscellaneous income					56,049	-	56,049
Total general revenue and transfers					<u>860,388</u>	<u>-</u>	<u>860,388</u>
Changes in net position					764,879	23,874	788,753
Beginning net position					<u>5,213,085</u>	<u>10,992,960</u>	<u>16,206,045</u>
Net position, end of year					<u>\$ 5,977,964</u>	<u>11,016,834</u>	<u>16,994,798</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, 2016**

	<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	\$ 914,370	25,867	52,277	-	22,213	1,014,727
Receivables						
Accounts receivable	200	-	-	-	-	200
Taxes receivable	342,678	-	4,924	-	4,802	352,404
Total assets	<u>1,257,248</u>	<u>25,867</u>	<u>57,201</u>	<u>-</u>	<u>27,015</u>	<u>1,367,331</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>\$ 1,257,248</u>	<u>25,867</u>	<u>57,201</u>	<u>-</u>	<u>27,015</u>	<u>1,367,331</u>
Liabilities, deferred inflows of resources and fund balances:						
Liabilities:						
Accounts payable	\$ 9,448	-	-	-	657	10,105
Accrued payroll liabilities	13,892	-	-	-	-	13,892
Total liabilities	<u>23,340</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>657</u>	<u>23,997</u>
Deferred Inflows of Resources:						
"Unavailable" revenues	270,727	-	-	-	-	270,727
Total deferred inflows of resource:	<u>270,727</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>270,727</u>
Fund balances:						
Nonspendable	-	-	-	-	-	-
Restricted	-	25,867	57,201	-	20,694	103,762
Committed	88,078	-	-	-	5,664	93,742
Assigned	-	-	-	-	-	-
Unassigned	875,103	-	-	-	-	875,103
Total fund balances	<u>963,181</u>	<u>25,867</u>	<u>57,201</u>	<u>-</u>	<u>26,358</u>	<u>1,072,607</u>
Total liabilities, deferred inflows of resources and fund balances:	<u>\$ 1,257,248</u>	<u>25,867</u>	<u>57,201</u>	<u>-</u>	<u>27,015</u>	<u>1,367,331</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, 2016**

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

Total fund balance - Governmental funds	\$	1,072,607
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.		5,419,442
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.		270,727
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		27,786
Deferred outflows of resources related to investment experience		71,790
Deferred outflows of resources related to change of assumptions		3
Deferred inflows of resources related to actuarial experience		(7,001)
Deferred inflows of resources related to investment experience		(72,790)
Deferred inflows of resources related to change of assumptions		(126)
Deferred inflows of resources related to change of proportion		(4,766)
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	\$	(2,776)
Current compensated absences		(4,048)
Noncurrent compensated absences		(1,012)
Current notes payable		(42,321)
Noncurrent notes payable		(433,481)
Net pension liability	\$	(316,072)
		(799,710)
Rounding		<u>2</u>
Net position for governmental activities	\$	<u><u>5,977,964</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, 2016**

	<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	\$ 252,779	-	-	-	-	252,779
Gross receipts	381,330	-	62,019	-	-	443,349
Other	27,729	-	-	-	37,473	65,202
Licenses and permits	9,620	-	-	-	5,630	15,250
Charges for services	83	-	-	-	12,632	12,715
Fines and forfeitures	2,613	-	-	-	290	2,903
Intergovernmental revenue						
State grants	198,609	70,081	533,240	-	54,810	856,740
Interest income	1,055	36	1,898	-	447	3,436
Miscellaneous income	56,049	-	-	-	-	56,049
Total revenues	<u>929,867</u>	<u>70,117</u>	<u>597,157</u>	<u>-</u>	<u>111,282</u>	<u>1,708,423</u>
Expenditures:						
Current:						
General government	472,431	-	-	-	-	472,431
Public safety	44,950	22,948	-	-	24,458	92,356
Public works	106,191	-	-	-	-	106,191
Culture and recreation	6,000	-	-	-	78,444	84,444
Health and welfare	31,929	-	-	-	-	31,929
Capital outlay	16,203	12,575	772,045	-	-	800,823
Debt service						
Principal	-	16,988	20,996	-	-	37,984
Interest	-	8,149	7,549	-	-	15,698
Total expenditures	<u>677,704</u>	<u>60,660</u>	<u>800,590</u>	<u>-</u>	<u>102,902</u>	<u>1,641,856</u>
Excess (deficiency) of revenues over (under) expenditures	252,163	9,457	(203,433)	-	8,380	66,567
Other financing sources (uses):						
Proceeds from debt issuance	-	-	268,459	-	-	268,459
Transfers in	-	-	-	-	-	-
Transfers out	-	-	-	-	-	-
Total other financing sources (uses):	<u>-</u>	<u>-</u>	<u>268,459</u>	<u>-</u>	<u>-</u>	<u>268,459</u>
Net change in fund balances	252,163	9,457	65,026	-	8,380	335,026
Beginning fund balance	711,018	16,410	(7,825)	-	17,978	737,581
Restatement	-	-	-	-	-	-
Beginning fund balance, as restated	<u>711,018</u>	<u>16,410</u>	<u>(7,825)</u>	<u>-</u>	<u>17,978</u>	<u>737,581</u>
Ending fund balance	<u>\$ 963,181</u>	<u>25,867</u>	<u>57,201</u>	<u>-</u>	<u>26,358</u>	<u>1,072,607</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, 2016**

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

Total net change in fund balances-governmental funds	\$	335,026
<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		797,059
Capital assets received as donations		-
<p>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.</p>		
		(176,000)
<p>In the statement of activities, a gain/loss is recorded for assets that are removed from service that are not fully depreciated. Thus the change in net position differs from the change in fund balance by the amount of the gain/loss recorded for deleted capital assets.</p>		
		-
<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		21,419
<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		(1,186)
(Increase)/decrease in accrued interest		(387)
Issuance of long-term debt		(268,459)
Principal payments on long-term debt		37,984
<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>		
Pension expense		19,416
Rounding		7
Change in net position of governmental activities	\$	764,879

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, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes				
Property	\$ 248,649	248,649	258,859	10,210
Gross receipts	380,839	380,839	387,611	6,772
Other	31,000	31,000	30,312	(688)
Licenses and permits	9,510	9,510	9,620	110
Charges for services	50	50	83	33
Fines and forfeitures	2,270	2,270	2,613	343
Intergovernmental revenue				
State grants	190,200	190,200	198,409	8,209
Interest income	800	800	1,055	255
Miscellaneous income	225,243	225,243	56,049	(169,194)
Total revenues	<u>1,088,561</u>	<u>1,088,561</u>	<u>944,611</u>	<u>(143,950)</u>
Expenditures:				
Current:				
General government	555,138	555,138	469,688	85,450
Public safety	40,000	40,000	42,750	(2,750)
Public works	174,935	174,935	113,257	61,678
Culture and recreation	6,000	6,000	6,000	-
Health and welfare	27,894	27,894	29,661	(1,767)
Capital outlay	252,969	252,969	21,237	231,732
Total expenditures	<u>1,056,936</u>	<u>1,056,936</u>	<u>682,593</u>	<u>374,343</u>
Excess (deficiency) of revenues over (under) expenditures	31,625	31,625	262,018	(518,293)
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	(28,103)	(31,603)	-	31,603
Total other financing sources (uses):	<u>(28,103)</u>	<u>(31,603)</u>	<u>-</u>	<u>31,603</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	3,522	22	<u>262,018</u>	<u>(486,690)</u>
Budgeted cash carryover	<u>-</u>	<u>-</u>		
Net change in fund balance	<u>\$ 3,522</u>	<u>22</u>		
Reconciliation From Budget/Actual to GAAP				
Net change in fund balance (Non-GAAP budgetary basis)			\$ 262,018	
Adjustments to revenue for tax accruals and other miscellaneous revenue accruals			(14,743)	
Adjustments to expenditures for payables and accrued wages			<u>4,888</u>	
Net change in fund balance (GAAP)			<u>\$ 252,163</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, 2016

	Budgeted Amounts		Actual	Favorable (Unfavorable)
	Original	Final		
Revenues:				
Intergovernmental revenue				
State grants	\$ 70,068	70,068	44,931	(25,137)
Total revenues	70,068	70,068	44,931	(25,137)
Expenditures:				
Current:				
Public safety	37,700	37,700	23,391	14,309
Capital outlay	32,368	49,221	12,575	36,646
Total expenditures	70,068	86,921	35,966	50,955
Excess (deficiency) of revenues over (under) expenditures	-	(16,853)	8,965	(76,092)
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses):	-	-	-	-
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	-	(16,853)	8,965	(76,092)
Budgeted cash carryover	-	16,853		
Net change in fund balance	\$ -	-		
Reconciliation From Budget/Actual to GAAP				
Net change in fund balance (Non-GAAP budgetary basis)			\$ 8,965	
Adjustments to revenue for tax accruals and other miscellaneous revenue accruals			25,186	
Adjustments to expenditures for payables and accrued wages			(24,694)	
Net change in fund balance (GAAP)			\$ 9,457	

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, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes				
Gross receipts	\$ 31,000	31,000	27,430	(3,570)
Intergovernmental revenue				
State grants	<u>1,181,052</u>	<u>1,181,052</u>	<u>533,240</u>	<u>(647,812)</u>
Total revenues	<u>1,212,052</u>	<u>1,212,052</u>	<u>560,670</u>	<u>(651,382)</u>
Expenditures:				
Current:				
Public works	161,413	161,413	12,321	149,092
Capital outlay	<u>1,078,742</u>	<u>1,078,742</u>	<u>538,788</u>	<u>539,954</u>
Total expenditures	<u>1,240,155</u>	<u>1,240,155</u>	<u>551,109</u>	<u>689,046</u>
Excess (deficiency) of revenues over (under) expenditures	(28,103)	(28,103)	9,561	(1,340,428)
Other financing sources (uses):				
Transfers in	28,103	28,103	-	(28,103)
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses):	<u>28,103</u>	<u>28,103</u>	<u>-</u>	<u>(28,103)</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	-	-	<u>9,561</u>	<u>(1,368,531)</u>
Budgeted cash carryover	<u>-</u>	<u>-</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)			\$ 9,561	
Adjustments to revenue for tax accruals and other miscellaneous revenue accruals			304,946	
Adjustments to expenditures for payables and accrued wages			<u>(249,481)</u>	
Net change in fund balance (GAAP)			<u>\$ 65,026</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, 2016**

	<u>Water</u>	<u>Waste Water</u>	<u>Total</u>
Assets and deferred inflows of resources:			
Assets:			
Cash and cash equivalents	\$ 310,065	125,978	436,043
Receivables			
Accounts receivable	<u>11,726</u>	<u>27,412</u>	<u>39,138</u>
Total current assets	<u>321,791</u>	<u>153,390</u>	<u>475,181</u>
Non-current assets:			
Restricted cash	46,096	78,969	125,065
Capital assets	2,147,529	12,491,441	14,638,970
Less: Accumulated depreciation	<u>(751,886)</u>	<u>(1,849,131)</u>	<u>(2,601,017)</u>
Total non-current assets	<u>1,441,739</u>	<u>10,721,279</u>	<u>12,163,018</u>
Total assets	<u>1,763,530</u>	<u>10,874,669</u>	<u>12,638,199</u>
Deferred Outflows of Resources:			
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 1,763,530</u>	<u>10,874,669</u>	<u>12,638,199</u>
Liabilities, deferred inflows of resources and net position:			
Liabilities:			
Accounts payable	\$ 775	8,096	8,871
Accrued payroll liabilities	2,051	3,827	5,878
Accrued interest	428	22,749	23,177
Customer deposits	49,431	-	49,431
Current portion of compensated absences	1,816	479	2,295
Current portion of long-term debt	<u>15,069</u>	<u>78,962</u>	<u>94,031</u>
Total liabilities	<u>69,570</u>	<u>114,113</u>	<u>183,683</u>
Non-current liabilities			
Compensated absences	454	120	574
Notes payable	<u>265,436</u>	<u>1,171,672</u>	<u>1,437,108</u>
Total non-current liabilities	<u>265,890</u>	<u>1,171,792</u>	<u>1,437,682</u>
Total liabilities	<u>335,460</u>	<u>1,285,905</u>	<u>1,621,365</u>
Deferred Inflows of Resources:			
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
Net position			
Net Investment in Capital Assets	1,161,234	9,470,645	10,631,879
Unrestricted Net Position	<u>266,836</u>	<u>118,119</u>	<u>384,955</u>
Total net position	<u>1,428,070</u>	<u>9,588,764</u>	<u>11,016,834</u>
Total liabilities, deferred inflows of resources and net position:	<u>\$ 1,763,530</u>	<u>10,874,669</u>	<u>12,638,199</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 NET POSITION
PROPRIETARY FUNDS
For the Year Ended June 30, 2016**

	<u>Water</u>	<u>Waste Water</u>	<u>Total</u>
Operating revenues:			
Charges for services	\$ 197,485	305,164	502,649
Total operating revenues	<u>197,485</u>	<u>305,164</u>	<u>502,649</u>
Operating expenses:			
Personnel services	83,828	109,038	192,866
Operating expenses	41,642	109,659	151,301
Depreciation and amortization	<u>57,828</u>	<u>257,975</u>	<u>315,803</u>
Total operating expenses	183,298	476,672	659,970
Operating income (loss)	14,187	(171,508)	(157,321)
Non-operating revenues (expenses):			
Grant revenues - State	56,172	162,006	218,178
Interest expense	<u>(5,410)</u>	<u>(31,573)</u>	<u>(36,983)</u>
Total non-operating revenues (expenses)	<u>50,762</u>	<u>130,433</u>	<u>181,195</u>
Income (loss) before transfers	64,949	(41,075)	23,874
Transfers in	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	64,949	(41,075)	23,874
Net position, beginning of year	1,363,121	9,629,839	10,992,960
Restatement	-	-	-
Beginning net position, as restated	<u>1,363,121</u>	<u>9,629,839</u>	<u>10,992,960</u>
Net position, end of year	<u>\$ 1,428,070</u>	<u>9,588,764</u>	<u>11,016,834</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, 2016**

	<u>Water</u>	<u>Waste Water</u>	<u>Total</u>
Cash flows from operating activities:			
Receipts from customers and users	\$ 307,075	422,118	729,193
Payments to suppliers	(43,137)	(220,933)	(264,070)
Payments to employees	(82,963)	(109,227)	(192,190)
Net cash provided (used) for operating activities	<u>180,975</u>	<u>91,958</u>	<u>272,933</u>
Cash flows from noncapital financing activities:			
Intergovernmental receipts	<u>56,172</u>	<u>162,006</u>	<u>218,178</u>
Net cash provided (used) for noncapital financing activities	56,172	162,006	218,178
Cash flows from capital and related financing activities:			
Acquisition and construction of capital assets	(59,307)	(420,146)	(479,453)
Principal paid on long-term debt	(14,799)	(77,216)	(92,015)
Interest paid on long-term debt	(5,410)	(31,573)	(36,983)
Net cash provided (used) for capital and related financing activities.	<u>(79,516)</u>	<u>(528,935)</u>	<u>(608,451)</u>
Cash flows from investing activities:			
Net cash provided (used) for investing activities.	<u>-</u>	<u>-</u>	<u>-</u>
Net increase (decrease) in cash and cash equivalents	157,631	(274,971)	(117,340)
Cash and cash equivalents – beginning of year	<u>198,530</u>	<u>479,918</u>	<u>678,448</u>
Cash and cash equivalents – end of year	<u>\$ 356,161</u>	<u>204,947</u>	<u>561,108</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities			
Operating income (loss)	\$ 14,187	(171,508)	(157,321)
Adjustments			
Depreciation and amortization	57,828	257,975	315,803
Bad debt expense	2,006	9,630	11,636
Changes in assets and liabilities:			
Receivables	109,590	116,954	226,544
Accounts payable	(5,825)	(120,904)	(126,729)
Accrued expenses and other liabilities	184	144	328
Deposits	2,324	-	2,324
Compensated absences	681	(333)	348
Net cash provided by operating activities	<u>\$ 180,975</u>	<u>91,958</u>	<u>272,933</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, 2016**

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, 2016**

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, 2016**

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
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

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

**STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

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.

During the year ended June 30, 2016, the City liquidated all of its balances in the State Treasurer Local Government Investment Pool. As of June 30, 2016, the City does not hold any investment accounts.

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 10th and April 10th. Penalty and interest will

**STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

be accrued after the delinquency due dates of December 10th and May 10th. 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
CITY OF ELEPHANT BUTTE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

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, 2016.

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. These amounts are deferred and recognized as an outflow of resources in the period the amounts become available. The City has recorded \$27,786 related to contributions subsequent to the measurement date, \$71,790 related to the net difference between expected and actual earnings on pension plan investments and \$3 related to change in assumptions.

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 six types of items which qualify for reporting in this category. The items, unavailable revenue - property taxes and unavailable revenue - grants, are reported only in the

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governmental funds 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 \$270,727 related to property taxes and \$-0- related to grants that are considered “unavailable”.

The items, net difference between expected and actual earnings on pension plan investments, change in assumptions, investment experience, and change in proportion, are reported on the Statement of Net Position. These amounts are deferred and recognized as an inflow of resources in the period that the amounts become available. The City has recorded \$126 related to change in assumptions, \$72,790 related to the net difference between expected and actual earnings on pension plan investments, \$7,001 related to actuarial experience, and \$4,766 related to change in proportion

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 57 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.

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 2013. For the year ended June 30, 2016, no interest or penalties were recorded or included in the financial statements.

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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.

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.

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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, 2016 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 58 of this report.

The following is a summary of the City's cash and cash equivalents balances by fund type as of June 30, 2016:

<u>Fund Type</u>	<u>Amount</u>
Cash and equivalents	
Governmental funds	\$ 1,014,728
Business-type activities	<u>561,108</u>
Total cash and cash equivalents	<u>\$ 1,575,836</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. 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 59 of this report.

As of June 30, 2016, the City's bank balances of \$1,548,223 were exposed to custodial credit risk as follows:

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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.	1,298,223
Uninsured and uncollateralized	<u>-</u>
Total uninsured deposits	<u>\$ 1,548,223</u>

NOTE 4 – RECEIVABLES

Receivables as of June 30, 2016 are as follows:

Governmental Activities

	General Fund	Fire Fund	Streets Fund	Capital Projects	Nonmajor Funds	Total Receivables
Accounts	\$ 200	-	-	-	-	200
Taxes:						
Property	274,446	-	-	-	-	274,446
State	64,806	-	4,924	-	-	69,730
Other	<u>3,426</u>	-	-	-	4,803	<u>8,229</u>
Subtotal	342,878	-	4,924	-	4,803	352,605
Less: Allowance for uncollectibles	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net Receivables	<u>\$ 342,878</u>	<u>-</u>	<u>4,924</u>	<u>-</u>	<u>4,803</u>	<u>352,605</u>

Business-type Activities	Water Fund	WW Fund	Total Receivables
Accounts	\$ 18,899	50,784	69,683
Subtotal	18,899	50,784	69,683
Less: Allowance for uncollectibles	<u>(7,173)</u>	<u>(23,372)</u>	<u>(30,545)</u>
Net Receivables	<u>\$ 11,726</u>	<u>27,412</u>	<u>39,138</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 \$270,727 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 5 – CAPITAL ASSETS

A summary of capital assets and changes occurring during the year ended June 30, 2016 follows. Land and construction in progress are not subject to depreciation.

GOVERNMENTAL ACTIVITIES	Balance 06/30/15	Additions	Deletions	Balance 06/30/16
Non-depreciable capital assets:				
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>
Capital assets being depreciated:				
Buildings	839,623	12,000	-	851,623
Infrastructure	2,855,940	785,059	-	3,640,999
Equipment	451,391	-	-	451,391
Vehicles	684,186	-	-	684,186
Total capital assets being depreciated	<u>4,831,140</u>	<u>797,059</u>	<u>-</u>	<u>5,628,199</u>
Less accumulated depreciation for:				
Buildings	(309,070)	(17,266)	-	(326,336)
Infrastructure	(403,367)	(91,310)	-	(494,677)
Equipment	(145,398)	(26,076)	-	(171,474)
Vehicles	(352,550)	(41,348)	-	(393,898)
Total accumulated depreciation	<u>(1,210,385)</u>	<u>(176,000)</u>	<u>-</u>	<u>(1,386,385)</u>
Total capital assets being depreciated	<u>3,620,755</u>	<u>621,059</u>	<u>-</u>	<u>4,241,814</u>
Total capital assets, net of depreciation	<u>\$ 4,798,382</u>	<u>621,059</u>	<u>-</u>	<u>5,419,441</u>
BUSINESS-TYPE ACTIVITIES				
Non-depreciable capital assets:				
Land	50,901	-	-	50,901
Construction in progress	\$ 445,731	-	(445,731)	-
Total non-depreciable capital assets	<u>496,632</u>	<u>-</u>	<u>(445,731)</u>	<u>50,901</u>
Capital assets being depreciated:				
Waste Water System	13,495,436	925,181	-	14,420,617
Equipment	7,000	-	-	7,000
Vehicles	160,451	-	-	160,451
Total capital assets being depreciated	<u>13,662,887</u>	<u>925,181</u>	<u>-</u>	<u>14,588,068</u>
Less accumulated depreciation for:				
Waste Water System	(2,239,018)	(304,779)	-	(2,543,797)
Equipment	(6,387)	(583)	-	(6,970)
Vehicles	(39,810)	(10,441)	-	(50,251)
Total accumulated depreciation	<u>(2,285,215)</u>	<u>(315,803)</u>	<u>-</u>	<u>(2,601,018)</u>
Total capital assets being depreciated	<u>11,377,672</u>	<u>609,378</u>	<u>-</u>	<u>11,987,050</u>
Total capital assets, net of depreciation	<u>\$ 11,874,304</u>	<u>609,378</u>	<u>(445,731)</u>	<u>12,037,951</u>

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Depreciation expense for the year ended June 30, 2016 was charged to the following functions and funds:

Governmental activities:	
General government	\$ 16,580
Public safety	60,378
Public works	97,767
Culture and recreation	<u>1,275</u>
Total governmental activities	<u>\$ 176,000</u>
Business type activities	
Water fund	\$ 57,828
Wastewater fund	<u>257,975</u>
Total governmental activities	<u>\$ 315,803</u>

NOTE 6 – LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2016, was as follows:

	Balance <u>June 30, 2015</u>	<u>Increases</u>	<u>Decreases</u>	Balance <u>June 30, 2016</u>	Due within <u>one year</u>
Governmental funds debt					
Compensated absences	\$ 3,874	17,103	(15,917)	5,060	4,048
Notes payable	<u>245,327</u>	<u>268,459</u>	<u>(37,984)</u>	<u>475,802</u>	<u>42,321</u>
Total governmental activities	<u>\$ 249,201</u>	<u>285,562</u>	<u>(53,901)</u>	<u>480,862</u>	<u>46,369</u>
Business-type funds debt					
Compensated absences	\$ 2,521	10,629	(10,281)	2,869	2,295
Notes payable	<u>1,623,155</u>	<u>-</u>	<u>(92,016)</u>	<u>1,531,139</u>	<u>94,031</u>
Total business-type activities	<u>\$ 1,625,676</u>	<u>10,629</u>	<u>(102,297)</u>	<u>1,534,008</u>	<u>96,326</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 2016.

The annual principal and interest requirements on long-term debt outstanding as of June 30, 2016 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 3.46% per annum. The payments of principal and interest are paid from pledged State Fire Protection Funds. The revenues pledged totaled \$282,765 at June 30, 2016, and equal 36.7% of future

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State Fire Protection Funds at their current rate. During the year ended June 30, 2016, the City collected \$70,081 in pledged revenues, and retired \$25,137 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. Proceeds from the note totaling \$268,459 had been drawn as of June 30, 2016.

The payments of principal and interest are paid from pledged governmental gross receipts taxes. The revenues pledged totaled \$655,155 at June 30, 2016, and equal 21.5% of future gross receipts tax at their current rate. During the year ended June 30, 2016, the City collected \$160,734 in pledged revenues, and retired \$28,545 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>
2017	\$	42,321	15,394	57,715
2018		43,027	16,283	59,310
2019		43,918	15,651	59,569
2020		44,953	14,849	59,802
2021		46,121	13,907	60,028
2022-2026		230,315	46,530	276,845
2027-2031		25,147	1,064	26,211
2032-2036		-	-	-
Total	\$	<u>475,802</u>	<u>123,678</u>	<u>599,480</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 \$436,902 at June 30, 2016, and equal 6.7% of future estimated net revenues at their current rate. During the year ended June 30, 2016, the City collected \$502,648 in pledged revenues, and retired \$33,608 in principal and interest on the aforementioned note.

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

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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, 2016, and equal 6.7% of future estimated net revenues at their current rate. During the year ended June 30, 2016, the City collected \$502,648 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 \$67,646 at June 30, 2016, and equal 2.0% of future estimated net revenues at their current rate. During the year ended June 30, 2016, the City collected \$305,164 in pledged revenues, and retired \$6,241 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 \$81,569 at June 30, 2016, and equal 2.2% of future estimated net revenues at their current rate. During the year ended June 30, 2016, the City collected \$305,164 in pledged revenues, and retired \$6,797 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 \$298,844 at June 30, 2016, and equal 9.5% of future estimated net revenues at their current rate. During the year ended June 30, 2016, the City collected \$197,485 in pledged revenues, and retired \$18,678 in principal and interest on the aforementioned note.

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 \$27,548 at June 30, 2016, and equal 0.8% of future estimated net revenues at their current rate. During the

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year ended June 30, 2016, the City collected \$197,485 in pledged revenues, and retired \$1,531 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 \$428,049 at June 30, 2016, and equal 9.4% of future estimated net revenues at their current rate. During the year ended June 30, 2016, the City collected \$305,164 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>
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		102,643	26,280	128,923
2022-2026		548,909	95,478	644,387
2027-2031		467,946	30,703	498,649
2032-2036		<u>22,879</u>	<u>389</u>	<u>23,268</u>
Total	\$	<u>1,531,139</u>	<u>279,930</u>	<u>1,811,069</u>

NOTE 7 – INTERFUND BALANCES AND TRANSFERS

The City periodically records 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. For the year ended June 30, 2016, the City did not make any transfers between funds.

The City periodically records interfund receivables/payables to reflect temporary loans between funds. As of June 30, 2016, the City did not have any amounts owed between funds.

NOTE 8 – 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

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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, 2016 was \$51,649.

NOTE 9 – PERA PENSION PLAN

General Information about the 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, 2015 available at http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2015.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 FY15 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 FY15 annual audit report at http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_2015.pdf. The PERA coverage options that apply to the City are: Municipal General Division. Statutorily required contributions to the pension plan from the City were \$27,786 and no employer paid member benefits that were “picked up” by the employer for the year ended June 30, 2016.

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, 2014. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2015, using generally accepted

**STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2015.

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 of Elephant Butte'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, 2015. Only employer contributions for the pay period end dates that fell within the period of July 1, 2014 to June 30, 2015 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2015 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, 2016, the City reported a liability of \$316,072 for its proportionate share of the net pension liability. At June 30, 2015, the City's proportion was 0.0310 percent, which changed from its proportion of 0.0318 percent as of June 30, 2014

For the year ended June 30, 2016, the City recognized PERA Fund Division Municipal General pension expense of \$19,419. At June 30, 2016, the City reported PERA Fund Division Municipal General deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	7,001
Changes of assumptions	3	126
Net difference between projected and actual earnings on pension plan investments	71,790	72,790
Changes in proportion and differences between City contributions and proportionate share of contributions	-	4,766
City contributions subsequent to the measurement date	<u>27,786</u>	<u>-</u>
	<u>\$ 99,579</u>	<u>84,683</u>

\$27,786 reported as deferred outflows of resources related to pensions resulting from City of Elephant Butte contributions subsequent to the measurement date June 30, 2015 will be recognized

**STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

as a reduction of the net pension liability in the year ended June 30, 2017. 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	\$ (9,847)
2017	(9,847)
2018	(9,847)
2019	16,651
2020	-
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, 2014 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, 2015 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, 2015. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2014 actuarial valuation.

Actuarial valuation date	June 30, 2014
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay, open
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

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:

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CITY OF ELEPHANT BUTTE
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<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.

	<u>1% Decrease (6.75%)</u>	<u>Current Discount Rate (7.75%)</u>	<u>1% Increase (8.75%)</u>
City's proportionate share of the net pension liability	\$ 538,145	316,072	131,433

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued FY15 PERA financial report. The report is available at <http://www.pera.state.nm.us/publications.html>.

NOTE 10 – 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.

**STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 11 – 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:

<u>Fiscal Year</u>		
<u>Ending June 30,</u>	<u>Amount</u>	
2017	\$	4,113
2018		685
2019		-
2020		-
2021		-
Total	\$	<u>4,798</u>

Rental payments charged to current operations for the year ended June 30, 2016 totaled \$6,796.

NOTE 12 – FUND DEFICITS AND NON-COMPLIANCE

Deficit Fund Balances

There were no funds with deficit fund balances as of June 30, 2016.

Legal Compliance with Budget

The City was in compliance with Section 6-6-6 of the New Mexico State Statues regarding legal compliance with approved budgets. No funds exceeded budgeted expenditures/transfers as of June 30, 2016.

NOTE 13 – 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, 2016, 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.

**STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

NOTE 14 – COMMITMENTS

Commitments for engineering and construction projects relating to construction or major repairs in progress aggregated approximately \$237,957 as of June 30, 2016. The total amounts spent as of June 30, 2016 on the projects was \$-0-. 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 15 – EVALUATION OF SUBSEQUENT EVENTS

The City has evaluated subsequent events through December 12, 2016, the date which the financial statements were available to be issued.

NOTE 16 – SUBSEQUENT PRONOUNCEMENTS

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: A portion of this provision 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 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 a material effect on the financial statements as they do not participate in such a plan.

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.

In December 2015, GASB Statement No. 78 *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged. The City is still evaluating how this pronouncement will affect the financial statements.

**STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2016**

In January 2016, GASB Statement No. 80 *Blending Requirements for Certain Component Units-an amendment of GASB Statement No. 14*, was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. Earlier application is encouraged. The City is still evaluating how this pronouncement will affect the financial statements.

In March 2016, GASB Statement No. 81 *Irrevocable Split-Interest Agreements*, was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2016. Earlier application is encouraged. 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***

	<u>2016</u>	<u>2015</u>
City of Elephant Butte's proportion of the net pension liability (asset)	0.0310%	0.0318%
City of Elephant Butte's proportionate share of the net pension liability (asset)	\$ 316,072	\$ 248,074
City of Elephant Butte's covered-employee payroll	\$ 398,047	\$ 407,836
City of Elephant Butte's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	79.41%	60.83%
Plan fiduciary net position as a percentage of the total pension liability	76.99%	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***

	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 27,786	24,699
Contributions in relation to the contractually required contribution	<u>(27,786)</u>	<u>(24,699)</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>
City's covered-employee payroll	398,047	407,836
Contributions as a percentage of covered-employee payroll	6.98%	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.

**STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
NOTES TO REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2016**

Changes of benefit terms. The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY15 audit available at http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2015.pdf.

Changes of assumptions. The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2015 report is available at <http://www.nmpera.org/assets/uploads/downloads/retirementfund-valuation-reports/6-30-2015-PERA-Valuation-Report-FINAL.pdf>. See appendix B on pages 53-61 of the report which summarizes actuarial assumptions and methods effective with the June 30, 2014 valuation.

Changes in assumption resulted in a decrease of \$91.8 million to the total pension liability for the PERA Fund and an increase of 0.42% to the funded ratio for the year ended June 30, 2015. See more details of actuarial methods and assumptions on Note 2 on page 34 of PERA's Schedule of Employer Allocations and Pension amounts at http://osanm.org/media/audits/366-B_PERA_Schedule_of_Employer_Allocations_FY2015.pdf

SUPPLEMENTAL INFORMATION

**STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

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).

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
NON-MAJOR GOVERNMENTAL FUNDS - SPECIAL REVENUE FUNDS
COMBINING BALANCE SHEET
As of June 30, 2016

	Corrections Fund	EMS Fund	Law Enforcement Protection Fund	Lodgers' Tax Fund
Assets and deferred inflows of resources:				
Assets:				
Cash and cash equivalents	\$ 2,923	4,027	-	8,942
Receivables				
Taxes receivable	-	-	-	4,802
Total assets	<u>2,923</u>	<u>4,027</u>	<u>-</u>	<u>13,744</u>
Deferred Outflows of Resources:				
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 2,923</u>	<u>4,027</u>	<u>-</u>	<u>13,744</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	2,923	4,027	-	13,744
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	-	-	-
Total fund balances	<u>2,923</u>	<u>4,027</u>	<u>-</u>	<u>13,744</u>
Total liabilities, deferred inflows of resources and fund balances:	<u>\$ 2,923</u>	<u>4,027</u>	<u>-</u>	<u>13,744</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, 2016**

	<u>Recreation Fund</u>	<u>Grants Fund</u>	<u>Total</u>
Assets and deferred inflows of resources:			
Assets:			
Cash and cash equivalents	\$ 6,321	-	22,213
Receivables			
Taxes receivable	-	-	4,802
Total assets	<u>6,321</u>	<u>-</u>	<u>27,015</u>
Deferred Outflows of Resources:			
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 6,321</u>	<u>-</u>	<u>27,015</u>
Liabilities, deferred inflows of resources and fund balances:			
Liabilities:			
Accounts payable	\$ 657	-	657
Total liabilities	<u>657</u>	<u>-</u>	<u>657</u>
Deferred Inflows of Resources:			
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:			
Nonspendable	-	-	-
Restricted	-	-	20,694
Committed	5,664	-	5,664
Assigned	-	-	-
Unassigned	-	-	-
Total fund balances	<u>5,664</u>	<u>-</u>	<u>26,358</u>
Total liabilities, deferred inflows of resources and fund balances:	<u>\$ 6,321</u>	<u>-</u>	<u>27,015</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, 2016**

	<u>Corrections Fund</u>	<u>EMS Fund</u>	<u>Law Enforcement Protection Fund</u>	<u>Lodgers' Tax Fund</u>
Revenues:				
Taxes				
Other	\$ -	-	-	37,473
Fines and forfeitures	290	-	-	-
Intergovernmental revenue				
State grants	-	7,806	20,000	21,906
Interest income	447	-	-	-
Total revenues	<u>737</u>	<u>7,806</u>	<u>20,000</u>	<u>59,379</u>
Expenditures:				
Current:				
Public safety	-	4,458	20,000	-
Culture and recreation	-	-	-	52,906
Total expenditures	<u>-</u>	<u>4,458</u>	<u>20,000</u>	<u>52,906</u>
Excess (deficiency) of revenues over (under) expenditures	737	3,348	-	6,473
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses):	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change in fund balances	737	3,348	-	6,473
Beginning fund balance	<u>2,186</u>	<u>679</u>	<u>-</u>	<u>7,271</u>
Ending fund balance	<u>\$ 2,923</u>	<u>4,027</u>	<u>-</u>	<u>13,744</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, 2016**

	<u>Recreation Fund</u>	<u>Total</u>
Revenues:		
Taxes		
Other	\$ -	37,473
Licenses and permits	5,630	5,630
Charges for services	12,632	12,632
Fines and forfeitures	-	290
Intergovernmental revenue		
State grants	5,098	54,810
Interest income	-	447
Total revenues	<u>23,360</u>	<u>111,282</u>
Expenditures:		
Current:		
Public safety	-	24,458
Culture and recreation	<u>25,538</u>	<u>78,444</u>
Total expenditures	<u>25,538</u>	<u>102,902</u>
Excess (deficiency) of revenues over (under) expenditures	(2,178)	8,380
Other financing sources (uses):		
Transfers in	-	-
Transfers out	<u>-</u>	<u>-</u>
Total other financing sources (uses):	<u>-</u>	<u>-</u>
Net change in fund balances	(2,178)	8,380
Beginning fund balance	<u>7,842</u>	<u>17,978</u>
Ending fund balance	<u>\$ 5,664</u>	<u>26,358</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, 2016

	Budgeted Amounts		Actual	Favorable (Unfavorable)
	Original	Final		
Revenues:				
Fines and forfeitures	\$ 500	500	290	(210)
Interest income	-	-	447	447
Total revenues	500	500	737	237
Expenditures:				
Current:				
Public safety	500	500	-	500
Total expenditures	500	500	-	500
Excess (deficiency) of revenues over (under) expenditures	-	-	737	(263)
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses):	-	-	-	-
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	-	-	737	(263)
Budgeted cash carryover	-	-		
Net change in fund balance	\$ -	-		
Reconciliation From Budget/Actual to GAAP				
Net change in fund balance (Non-GAAP budgetary basis)			\$ 737	
Adjustments to revenue for tax accruals and other miscellaneous revenue accr			-	
Adjustments to expenditures for payables and accrued wages			-	
Net change in fund balance (GAAP)			\$ 737	

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, 2016

	Budgeted Amounts		Actual	Favorable (Unfavorable)
	Original	Final		
Revenues:				
Intergovernmental revenue				
State grants	\$ 2,800	7,806	7,806	-
Total revenues	2,800	7,806	7,806	-
Expenditures:				
Current:				
Public safety	2,800	8,485	4,458	4,027
Total expenditures	2,800	8,485	4,458	4,027
Excess (deficiency) of revenues over (under) expenditures	-	(679)	3,348	(4,027)
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)	3,348	(4,027)
Budgeted cash carryover	-	679		
Net change in fund balance	\$ -	-		
Reconciliation From Budget/Actual to GAAP				
Net change in fund balance (Non-GAAP budgetary basis)			\$ 3,348	
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)			\$ 3,348	

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, 2016

	<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	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>
Total expenditures	<u>20,000</u>	<u>20,000</u>	<u>20,000</u>	<u>-</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-
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)	-	-	<u>-</u>	<u>-</u>
Budgeted cash carryover	<u>-</u>	<u>-</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)			\$ -	
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>\$ -</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, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes				
Other	\$ 30,000	30,000	39,941	9,941
Intergovernmental revenue				
State grants	<u>30,000</u>	<u>30,000</u>	<u>21,906</u>	<u>(8,094)</u>
Total revenues	<u>60,000</u>	<u>60,000</u>	<u>61,847</u>	<u>1,847</u>
Expenditures:				
Current:				
Culture and recreation	<u>60,000</u>	<u>60,000</u>	<u>52,905</u>	<u>7,095</u>
Total expenditures	<u>60,000</u>	<u>60,000</u>	<u>52,905</u>	<u>7,095</u>
Excess (deficiency) of revenues over (under) expenditures	-	-	8,942	(5,248)
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)	-	-	<u>8,942</u>	<u>(5,248)</u>
Budgeted cash carryover	<u>-</u>	<u>-</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)			\$ 8,942	
Adjustments to revenue for tax accruals and other miscellaneous revenue accrual			(2,469)	
Adjustments to expenditures for payables and accrued wages			<u>-</u>	
Net change in fund balance (GAAP)			<u>\$ 6,473</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, 2016**

	Budgeted Amounts			Favorable (Unfavorable) Difference
	Original	Final	Actual	
Revenues:				
Licenses and permits	\$ 9,500	9,500	5,630	(3,870)
Charges for services	6,800	6,800	12,632	5,832
Intergovernmental revenue				
State grants	6,500	6,500	5,098	(1,402)
Total revenues	22,800	22,800	23,360	560
Expenditures:				
Current:				
Culture and recreation	21,900	21,900	25,634	(3,734)
Capital outlay	900	4,400	-	4,400
Total expenditures	22,800	26,300	25,634	666
Excess (deficiency) of revenues over (under) expenditures	-	(3,500)	(2,274)	(106)
Other financing sources (uses):				
Transfers in	3,500	7,000	-	(7,000)
Total other financing sources (uses):	3,500	7,000	-	(7,000)
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	3,500	3,500	(2,274)	(7,106)
Budgeted cash carryover	-	-		
Net change in fund balance	\$ 3,500	3,500		
Reconciliation From Budget/Actual to GAAP				
Net change in fund balance (Non-GAAP budgetary basis)			\$ (2,274)	
Adjustments to revenue for tax accruals and other miscellaneous revenue accruals			-	
Adjustments to expenditures for payables and accrued wages			96	
Net change in fund balance (GAAP)			\$ (2,178)	

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, 2016

	Budgeted Amounts			Favorable (Unfavorable)
	Original	Final	Actual	
Revenues:				
Intergovernmental revenue				
State grants	\$ -	-	-	-
Total revenues	-	-	-	-
Expenditures:				
Current:				
Capital outlay	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over (under) expenditures	-	-	-	-
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses):	-	-	-	-
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	-	-	-	-
Budgeted cash carryover	-	-		
Net change in fund balance	\$ -	-		
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 accruals			-	
Adjustments to expenditures for payables and accrued wages			-	
Net change in fund balance (GAAP)			\$ -	

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, 2016

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Operating revenues:				
Charges for services	\$ 211,914	211,914	200,120	(11,794)
Total operating revenues	<u>211,914</u>	<u>211,914</u>	<u>200,120</u>	<u>(11,794)</u>
Operating expenses:				
Personnel services	104,581	104,581	82,994	21,587
Operating expenses	<u>130,104</u>	<u>130,104</u>	<u>106,397</u>	<u>23,707</u>
Total operating expenses	234,685	234,685	189,391	45,294
Operating income (loss)	(22,771)	(22,771)	10,729	33,500
Non-operating revenues (expenses):				
Grant revenues - State	44,765	44,765	165,451	120,686
Interest expense	<u>(21,000)</u>	<u>(21,000)</u>	<u>(18,546)</u>	<u>(2,454)</u>
Total non-operating revenues (expenses)	<u>23,765</u>	<u>23,765</u>	<u>146,905</u>	<u>118,232</u>
Income (loss) before transfers	994	994	157,634	151,732
Transfers in	-	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	994	994	<u>157,634</u>	<u>151,732</u>
Budgeted cash carryover	<u>-</u>	<u>-</u>		
Total	\$ <u>994</u>	<u>994</u>		
Reconciliation From Budget/Actual to GAAP				
Change in net position (Non-GAAP budgetary basis)			\$ 157,634	
Adjustments to revenue for tax and other miscellaneous revenue accruals			(111,914)	
Adjustments to expenditures for accrued wages and expenditures			77,057	
Depreciation and other non-cash items			<u>(57,828)</u>	
Change in net position (GAAP)			<u>\$ 64,949</u>	

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, 2016**

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Operating revenues:				
Charges for services	\$ 287,446	287,446	299,124	11,678
Total operating revenues	<u>287,446</u>	<u>287,446</u>	<u>299,124</u>	<u>11,678</u>
Operating expenses:				
Personnel services	127,688	127,688	108,213	19,475
Operating expenses	<u>838,406</u>	<u>838,406</u>	<u>675,176</u>	<u>163,230</u>
Total operating expenses	966,094	966,094	783,389	182,705
Operating income (loss)	(678,648)	(678,648)	(484,265)	194,383
Non-operating revenues (expenses):				
Grant revenues - State	435,000	435,000	285,000	(150,000)
Interest income	2,200	2,200	-	(2,200)
Interest expense	<u>(29,600)</u>	<u>(29,600)</u>	<u>(75,182)</u>	<u>45,582</u>
Total non-operating revenues (expenses)	<u>407,600</u>	<u>407,600</u>	<u>209,818</u>	<u>(106,618)</u>
Income (loss) before transfers	(271,048)	(271,048)	(274,447)	87,765
Transfers in	-	-	-	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Change in net position	(271,048)	(271,048)	<u>(274,447)</u>	<u>87,765</u>
Budgeted cash carryover	<u>271,048</u>	<u>271,048</u>		
Total	<u>\$ -</u>	<u>-</u>		

Reconciliation From Budget/Actual to GAAP

Change in net position (Non-GAAP budgetary basis)	\$ (274,447)
Adjustments to revenue for tax and other miscellaneous revenue accruals	(116,954)
Adjustments to expenditures for accrued wages and expenditures	608,301
Depreciation and other non-cash items	<u>(257,975)</u>
Change in net position (GAAP)	<u>\$ (41,075)</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, 2016

	<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:						
Road improvements	-	-	57,201	-	-	57,201
Providing emergency medical services	-	-	-	-	4,027	4,027
Fire fighting efforts/equipment	-	25,867	-	-	-	25,867
Public safety and law enforcement efforts	-	-	-	-	2,923	2,923
Economic development efforts	-	-	-	-	13,744	13,744
Subtotal restricted funds	-	25,867	57,201	-	20,694	103,762
Committed to:						
Operate/maintain recreational facilities	-	-	-	-	5,664	5,664
DFA Reserve requirements	88,078	-	-	-	-	88,078
Subtotal committed funds	88,078	-	-	-	5,664	93,742
Assigned to:						
Subtotal assigned funds	-	-	-	-	-	-
Unassigned	875,103	-	-	-	-	875,103
	\$ <u>963,181</u>	<u>25,867</u>	<u>57,201</u>	<u>-</u>	<u>26,358</u>	<u>1,072,607</u>

See independent auditor's report.

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
SCHEDULE OF DEPOSITORIES
As of June 30, 2016

<u>Account name</u>	<u>Type</u>	<u>First Savings Bank</u>	<u>NM Finance Authority</u>	<u>Plus Deposit in Transit</u>	<u>Less O/S Checks</u>	<u>Balance Per Books</u>
General pooled cash	CK*	313,876	-	328	(16,280)	297,924
Commander MMKT Acct	CK*	1,234,347	-	-	-	1,234,347
Reserve and Debt Service	CK*	-	42,765	-	-	42,765
Petty cash	On hand	-	-	-	-	800
Total cash and equivalents		<u>1,548,223</u>	<u>42,765</u>	<u>328</u>	<u>(16,280)</u>	<u>1,575,836</u>
Total amount on deposit		1,548,223	42,765	<u>328</u>	<u>(16,280)</u>	<u>1,575,836</u>
FDIC coverage		<u>(250,000)</u>	-			
Total uninsured public funds		1,298,223	42,765			
50% collateral requirement (Section 6-10-17 NMSA-1978)		649,112	-			
Pledge security		2,049,294				
See NMFA audited financials			-			
Amount (over)/under collateralized		<u>(1,400,183)</u>	<u>-</u>			

* denotes interest bearing account

**STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
SCHEDULE OF PLEDGED COLLATERAL BY DEPOSITORY
As of June 30, 2016**

<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>	
First Savings Bank									
<i>Safekeeping Location - Federal Reserve</i>									
31282CA98	FHLMC RELO 15YR 4/1/2020	4.00	45.71%	\$ 1,750,000	\$ 800,000	27,785	24,793	28,627	
31376KUBo	FNMA 15 Yr 9/1/2020	5.00	100%	1,300,000	1,300,000	92,067	91,103	97,087	
3138A7GY8	FNMA 15 Yr 2/1/2026	3.50	55.17%	1,450,000	800,000	317,612	332,235	337,654	
36176XE21	GNMA 15YR 3/15/2027	3.00	28.57%	700,000	200,000	90,241	94,276	94,763	
38378HAUo	GNR 2012-96 AD 8/20/2027	1.50	20.00%	2,000,000	400,000	202,436	201,605	201,826	
3137AWKN4	FHR 4136 NG 11/15/2027	1.25	4.55%	3,300,000	150,000	90,697	89,683	89,500	
3128MDNRo	FHLMC 15YR 1/1/2028	3.00	87.50%	\$ 2,000,000	\$ 1,750,000	985,623	1,032,347	1,035,197	
3138EKJA4	FNMA 15 Yr 1/1/2028	2.50	7.32%	2,050,000	150,000	97,026	101,008	100,260	
38377NLJ1	GNR 2010-150 GJ 9/20/2039	3.00	18.18%	1,100,000	200,000	57,758	59,324	59,026	
38377U5F1	GNR 2011-62 AE 10/20/2040	3.50	22.33%	2,015,000	450,000	5,348	5,358	5,355	
				\$	<u>17,665,000</u>	<u>6,200,000</u>	<u>1,966,593</u>	<u>2,031,731</u>	<u>2,049,294</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, 2016

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, 2016

Description	Appropriation #	Appropriation Period	Original Appropriation	Expenditures To Date	Out-standing Encumbrances	Approps Expired	Unencumbered Balances
Severance Tax Bonds Outstanding*							
Laws 2013 - Chapter 226, Section 23	13-1504	07/01/2013 - 06/30/2017	\$ 214,000	214,000	-	-	-
Laws 2014 - Chapter 66, Section 16	14-1703	07/01/2014 - 06/30/2018	285,000	285,000	-	-	-
Laws 2014 - Chapter 66, Section 16	14-1704	07/01/2014 - 06/30/2018	* 100,000	-	-	-	100,000
Laws 2015 - Chapter 3, Section 20	15-0557	07/01/2015 - 06/30/2019	* 150,000	-	-	-	150,000
Laws 2016 - Chapter 81, Section 18	A2308	07/01/2016 - 06/30/2020	200,000	-	-	-	200,000
Total Amounts			<u>\$ 949,000</u>	<u>499,000</u>	<u>-</u>	<u>-</u>	<u>450,000</u>

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

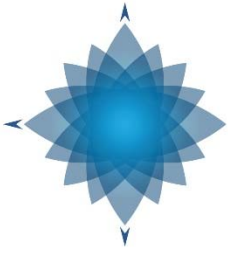
All unencumbered balances may be used during the appropriation period noted above.

*Funding currently frozen by the NM Department of Finance and Administration due to state-wide budget concerns.

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
SCHEDULE OF VENDOR INFORMATION FOR PURCHASES EXCEEDING \$60,000
For The Year Ended June 30, 2016

Agency Number	Agency Name	Agency Type	RFB#/RFP# (If applicable)	Type of Procurement	Vendor Name	Did Vendor Win Contract?	\$ Amount of Awarded Contract	\$ Amount of Amended Contract	Physical address of vendor (City, State) Truth or	Did the Vendor provide documentation of eligibility for in-state preference?	Did the Vendor provide documentation of eligibility for veterans' preference?	Brief Description of the Scope of Work	If the procurement is attributable to a Component Unit, Name of Component Unit
6057	City of Elephant Butte	Municipalities	RFP#16-01	Competitive (RFP or RFB)	Sierra Valley Contractors	Winner	449,971.00	526,263.62	Consequences, NM	Yes	Yes	Wastewater collection line installation - Jade & Nambe Loop	
6057	City of Elephant Butte	Municipalities	RFP#16-01	Competitive (RFP or RFB)	NM Underground Utilities, Inc.	Loser			Albuquerque, NM	Yes	No	Wastewater collection line installation - Jade & Nambe Loop	
6057	City of Elephant Butte	Municipalities	RFP#16-01	Competitive (RFP or RFB)	DuCross Construction, LLC	Loser			Las Cruces, NM	Yes	No	Wastewater collection line installation - Jade & Nambe Loop	
6057	City of Elephant Butte	Municipalities	RFP#16-01	Competitive (RFP or RFB)	Garrett Western Construction Co	Loser			Elephant Butte, NM	Yes	No	Wastewater collection line installation - Jade & Nambe Loop	
6057	City of Elephant Butte	Municipalities	RFP#16-02	Competitive (RFP or RFB)	Mountain States Constructors, Inc.	Winner	671,367.50	687,555.36	Albuquerque, NM	Yes	No	Road paving and drainage work on Rock Canyon Road	
6057	City of Elephant Butte	Municipalities	RFP#16-02	Competitive (RFP or RFB)	Southwest Concrete Construction	Loser			Las Cruces, NM	Yes	No	Road paving and drainage work on Rock Canyon Road	
6057	City of Elephant Butte	Municipalities	RFP#16-02	Competitive (RFP or RFB)	Spartan Construction	Loser			El Paso, TX	No	No	Road paving and drainage work on Rock Canyon Road	
6057	City of Elephant Butte	Municipalities	RFP#16-02	Competitive (RFP or RFB)	Burns Construction Co., Inc	Loser			Las Cruces, NM	Yes	Yes	Road paving and drainage work on Rock Canyon Road	
6057	City of Elephant Butte	Municipalities	RFP#16-02	Competitive (RFP or RFB)	Albuquerque Asphalt, Inc	Loser			Albuquerque, NM	Yes	Yes	Road paving and drainage work on Rock Canyon Road	
6057	City of Elephant Butte	Municipalities	RFP#16-02	Competitive (RFP or RFB)	Highland Enterprises Inc.	Loser			Las Cruces, NM	Yes	No	Road paving and drainage work on Rock Canyon Road	
6057	City of Elephant Butte	Municipalities	RFP#16-02	Competitive (RFP or RFB)	Morrow Enterprises Inc.	Loser			Las Cruces, NM	Yes	No	Road paving and drainage work on Rock Canyon Road	
6057	City of Elephant Butte	Municipalities	RFP#16-02	Competitive (RFP or RFB)	Smith & Aguirre Construction	Loser			Las Cruces, NM	No	No	Road paving and drainage work on Rock Canyon Road	
6057	City of Elephant Butte	Municipalities	RFP#16-02	Competitive (RFP or RFB)	Sierra Valley Contractors	Loser			Truth or Consequences, NM	Yes	Yes	Road paving and drainage work on Rock Canyon Road	
6057	City of Elephant Butte	Municipalities	RFP#16-02	Competitive (RFP or RFB)	A Mountain Construction	Loser			Las Cruces, NM	Yes	No	Road paving and drainage work on Rock Canyon Road	
6057	City of Elephant Butte	Municipalities	RFP#16-02	Competitive (RFP or RFB)	Renegade Construction	Loser			Las Cruces, NM	Yes	No	Road paving and drainage work on Rock Canyon Road	

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, 2016, 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 December 12, 2016.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Authority'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 no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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

December 12, 2016

**STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
SCHEDULE OF FINDINGS AND REPOSSES
FOR THE YEAR ENDED JUNE 30, 2016**

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? | | No |
| c. | Noncompliance material to the financial statements noted? | | No |
| d. | Other noncompliance/other matters? | | No |

SECTION II FINDINGS – FINANCIAL STATEMENTS

Finding	Status of Current and Prior Year Findings	Financial Statement Finding
Prior Year Findings		
2015-001 Accounting Software Access	Resolved	Yes
2015-002 IT Maintenance	Resolved	Yes
2015-003 Approved Pay Rates	Resolved	Yes
2015-004 Legal compliance with Budget	Resolved	Yes
Current Year Findings		
None		

PRIOR YEAR FINDINGS

None repeated in current year.

CURRENT YEAR FINDINGS

None

**STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
OTHER DISCLOSURES
FOR THE YEAR ENDED JUNE 30, 2016**

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 December 12, 2016. The following individuals were in attendance.

City of Elephant Butte Officials

Eunice Kent, Mayor
Kim Skinner, City Councilor
Andrew Finzen, City Manager
Karen Rieth, City Clerk/Treasurer

Integrity Accounting & Consulting

Erick Robinson, CPA, CFE Partner