

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
FINANCIAL STATEMENTS
FOR THE YEAR-ENDED JUNE 30, 2017



INTRODUCTORY SECTION

**STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
TABLE OF CONTENTS
FOR THE YEAR ENDED JUNE 30, 2017**

	Page
INTRODUCTORY SECTION	
Table of contents	i-ii
Official roster	iii
 FINANCIAL SECTION	
Independent auditors' report	1-3
Basic financial statements	
Government-wide financial statements:	
Statement of net position	4
Statement of activities	5
Fund financial statements:	
Balance sheet – Governmental funds	6
Reconciliation of the governmental fund balance to the statement of net position	7
Statement of revenues, expenditures, and changes in fund balances – Governmental funds	8
Reconciliation of the statement of revenues, expenditures and changes in fund balances of the governmental funds to the statement of activities	9
Statement of revenues, expenditures, and changes in fund balance – budget (non-GAAP budgetary basis) and actual – General fund	10
Statement of revenues, expenditures, and changes in fund balance – budget (non-GAAP budgetary basis) and actual – special revenue fund - Fire fund	11
Statement of revenues, expenditures, and changes in fund balance – budget (non-GAAP budgetary basis) and actual – special revenue fund - Streets fund	12
Statement of net position – Proprietary funds	13
Statement of revenues, expenditures, and changes in fund net position – Proprietary funds	14
Statement of cash flows – Proprietary funds	15
Notes to the financial statements	16-40
 REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of proportionate share of the net pension liability of PERA fund division municipal general Public employees retirement association (PERA) plan	41
Schedule of Contributions Public employees retirement association (PERA) plan PERA municipal general division	42
Notes to Required Supplementary Information	43

**STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
TABLE OF CONTENTS
FOR THE YEAR ENDED JUNE 30, 2017**

	Page
SUPPLEMENTAL INFORMATION	
Combining and individual fund statements and schedules:	
Nonmajor governmental fund descriptions	44
Combining balance sheets – Nonmajor funds	45-46
Combining statements of revenues, expenditures and changes in fund balance – Nonmajor funds	47-48
 OTHER SUPPLEMENTAL INFORMATION	
Schedule of fund balances	49
Schedule of depositories	50
Schedule of pledged collateral by depository	51
Schedule of joint powers agreements and memorandums of understanding	52
Schedule of special, deficiency, specific, and capital outlay appropriations	53
 COMPLIANCE SECTION	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	54-55
Schedule of Findings and Reponses	56-59
 OTHER DISCLOSURES	
	60

**STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
OFFICIAL ROSTER
FOR THE YEAR ENDED JUNE 30, 2017**

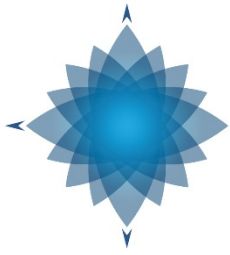
Elected Officials

Eunice Kent	Mayor
Kim Skinner	Mayor Pro-Tem
Gerald LaFont	Councilor
Dee Rogers	Councilor
Edna Trager	Councilor

Administrative Officials

Yovanne Lucero	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, 2017, 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, 2017, 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, 2017, 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, 2017, 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.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 11, 2017, 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 11, 2017

**STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
STATEMENT OF NET POSITION
As of June 30, 2017**

	Governmental Activities	Business-Type Activities	Totals
Assets and deferred inflows of resources:			
Assets:			
Cash and cash equivalents	\$ 993,822	365,637	1,359,459
Receivables			
Accounts receivable	200	90,022	90,222
Taxes receivable	152,688	-	152,688
Total current assets	<u>1,146,710</u>	<u>497,118</u>	<u>1,643,828</u>
Non-current assets:			
Restricted cash	-	132,983	132,983
Capital assets	7,187,551	18,172,996	25,360,547
Less: Accumulated depreciation	<u>(1,605,212)</u>	<u>(4,011,947)</u>	<u>(5,617,159)</u>
Total non-current assets	<u>5,582,339</u>	<u>14,294,032</u>	<u>19,876,371</u>
Total assets	<u>6,729,049</u>	<u>14,791,150</u>	<u>21,520,199</u>
Deferred Outflows of Resources:			
Employer contributions subsequent to the measurement date	28,085	-	28,085
Actuarial experience	24,985	-	24,985
Investment experience	92,012	-	92,012
Change of assumptions	29,323	-	29,323
Change of proportion	<u>2,371</u>	<u>-</u>	<u>2,371</u>
Total deferred outflows of resources	<u>176,776</u>	<u>-</u>	<u>176,776</u>
Total assets and deferred outflows of resources	<u>\$ 6,905,825</u>	<u>14,791,150</u>	<u>21,696,975</u>
Liabilities, deferred inflows of resources and net position:			
Liabilities:			
Accounts payable	\$ 20,496	37,539	58,035
Accrued payroll liabilities	18,358	4,272	22,630
Accrued interest	2,683	21,766	24,449
Customer deposits	-	50,153	50,153
Current portion of compensated absences	7,749	3,057	10,806
Current portion of long-term debt	<u>43,027</u>	<u>96,101</u>	<u>139,128</u>
Total current liabilities	92,313	212,888	305,201
Non-current liabilities			
Compensated absences	1,937	764	2,701
Notes payable	422,363	1,341,008	1,763,371
Net pension liability	<u>500,069</u>	<u>-</u>	<u>500,069</u>
Total non-current liabilities	<u>924,369</u>	<u>1,341,772</u>	<u>2,266,141</u>
Total liabilities	1,016,682	1,554,660	2,571,342
Deferred Inflows of Resources:			
Actuarial experience	4,881	-	4,881
Change of assumptions	83	-	83
Change of proportion	4,579	-	4,579
Deferred revenue	<u>-</u>	<u>16,541</u>	<u>16,541</u>
Total deferred inflows of resources	9,543	16,541	26,084
Net position			
Net Investment in Capital Assets	5,116,949	12,856,923	17,973,872
Unrestricted Net Position	<u>762,651</u>	<u>363,026</u>	<u>1,125,677</u>
Total net position	<u>5,879,600</u>	<u>13,219,949</u>	<u>19,099,549</u>
Total liabilities, deferred inflows of resources and net position:	<u>\$ 6,905,825</u>	<u>14,791,150</u>	<u>21,696,975</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, 2017

<u>Functions/programs</u>	<u>Program Revenues</u>				<u>Net (Expense) Revenue and Changes In Net Assets</u>		
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>	<u>Primary Government</u>		
					<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Primary government:							
Governmental activities							
General government	\$ 952,820	123	177,449	-	(775,248)	-	(775,248)
Public safety	113,458	-	178,650	-	65,192	-	65,192
Public works	132,650	-	-	102,310	(30,340)	-	(30,340)
Culture and recreation	85,184	11,463	-	-	(73,721)	-	(73,721)
Health and welfare	31,929	-	-	-	(31,929)	-	(31,929)
Interest expense	16,565	-	-	-	(16,565)	-	(16,565)
Total governmental activities	<u>1,332,606</u>	<u>11,586</u>	<u>356,099</u>	<u>102,310</u>	<u>(862,611)</u>	<u>-</u>	<u>(862,611)</u>
Business-type activities:							
Utilities							
Water	190,220	208,322	-	-	-	18,102	18,102
Wastewater	513,615	308,559	-	-	-	(205,056)	(205,056)
Golf Course	273,675	125,129	-	2,490,964	-	2,342,418	2,342,418
Total business-type activities	<u>\$ 977,510</u>	<u>642,010</u>	<u>-</u>	<u>2,490,964</u>	<u>-</u>	<u>2,155,464</u>	<u>2,155,464</u>
Total primary government					<u>(862,611)</u>	<u>2,155,464</u>	<u>1,292,853</u>
General revenues:							
Taxes							
Property taxes levied for general purposes					\$ 265,753	-	265,753
Gross receipts taxes					462,964	-	462,964
Other taxes and fees					79,795	-	79,795
Licenses and permits					19,964	-	19,964
Fines, forfeitures, and penalties					767	-	767
Interest income					4,612	550	5,162
Miscellaneous income					232,782	100	232,882
Transfers					(47,001)	47,001	-
Total general revenue and transfers					<u>1,019,636</u>	<u>47,651</u>	<u>1,067,287</u>
Changes in net position					157,025	2,203,115	2,360,140
Beginning net position					5,977,964	11,016,834	16,994,798
Restatement					(255,389)	-	(255,389)
Beginning net position, as restated					<u>5,722,575</u>	<u>11,016,834</u>	<u>16,739,409</u>
Net position, end of year					<u>\$ 5,879,600</u>	<u>13,219,949</u>	<u>19,099,549</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, 2017**

	Major Funds					Total Funds
	Spec Revenue				Total Non-Major Funds	
	General Fund	Fire Fund	Streets Fund	Capital Projects Fund		
Assets and deferred inflows of resources:						
Assets:						
Cash and cash equivalents	\$ 670,851	64,049	56,393	167,017	35,510	993,820
Investments	-	-	-	-	-	-
Receivables						
Accounts receivable	200	-	-	-	-	200
Taxes receivable	141,991	-	5,895	-	4,802	152,688
Total assets	813,042	64,049	62,288	167,017	40,312	1,146,708
Deferred Outflows of Resources:						
Total deferred outflows of resources	-	-	-	-	-	-
Total assets and deferred outflows of resources	\$ 813,042	64,049	62,288	167,017	40,312	1,146,708
Liabilities, deferred inflows of resources and fund balances:						
Liabilities:						
Accounts payable	\$ 17,924	788	-	-	1,784	20,496
Accrued payroll liabilities	18,358	-	-	-	-	18,358
Total liabilities	36,282	788	-	-	1,784	38,854
Deferred Inflows of Resources:						
"Unavailable" revenues	15,857	-	-	-	-	15,857
Total deferred inflows of resources	15,857	-	-	-	-	15,857
Fund balances:						
Nonspendable	-	-	-	-	-	-
Restricted	-	63,261	62,288	167,017	38,705	331,271
Committed	88,078	-	-	-	650	88,728
Assigned	-	-	-	-	-	-
Unassigned	672,825	-	-	-	(827)	671,998
Total fund balances	760,903	63,261	62,288	167,017	38,528	1,091,997
Total liabilities, deferred inflows of resources and fund balances:	\$ 813,042	64,049	62,288	167,017	40,312	1,146,708

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, 2017**

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

Total fund balance - Governmental funds	\$	1,091,997	
Capital assets used in governmental activities are not current financial resources and, therefore, are not reported in the funds.			5,582,339
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.			15,857
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			28,085
Deferred outflows of resources related to actuarial experience			24,985
Deferred outflows of resources related to investment experience			92,012
Deferred outflows of resources related to change of assumptions			29,323
Deferred outflows of resources related to change of proportion			2,371
Deferred inflows of resources related to actuarial experience			(4,881)
Deferred inflows of resources related to change of assumptions			(83)
Deferred inflows of resources related to change of proportion			(4,579)
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	\$	(2,683)	
Current compensated absences		(7,749)	
Noncurrent compensated absences		(1,937)	
Current notes payable		(43,027)	
Noncurrent notes payable		(422,363)	
Net pension liability	\$	(500,069)	
			(977,828)
Rounding			<u>2</u>
Net position for governmental activities	\$		<u><u>5,879,600</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, 2017**

	Major Funds					Total Non-Major Funds	Total Funds
	General Fund	Spec Revenue		Capital Projects Fund			
		Fire Fund	Streets Fund				
Revenues:							
Taxes							
Property	\$ 249,896	-	-	-	-	-	249,896
Gross receipts	402,150	-	60,813	-	-	-	462,963
Other	38,209	-	-	-	41,585	-	79,794
Licenses and permits	9,225	-	-	-	10,739	-	19,964
Charges for services	124	-	-	-	11,463	-	11,587
Fines and forfeitures	598	-	-	-	169	-	767
Intergovernmental revenue							
State grants	177,449	150,512	-	102,310	28,138	-	458,409
Interest income	1,927	65	2,620	-	-	-	4,612
Miscellaneous income	58,122	5,460	-	-	8,902	-	72,484
Total revenues	<u>937,700</u>	<u>156,037</u>	<u>63,433</u>	<u>102,310</u>	<u>100,996</u>	<u>-</u>	<u>1,360,476</u>
Expenditures:							
Current:							
General government	639,568	-	-	-	-	-	639,568
Public safety	44,950	35,316	-	-	33,192	-	113,458
Public works	106,191	-	26,459	-	-	-	132,650
Culture and recreation	6,000	-	-	-	79,184	-	85,184
Health and welfare	31,929	-	-	-	-	-	31,929
Capital outlay	25,125	58,040	34,004	162,395	-	-	279,564
Debt service							
Principal	-	17,442	24,879	-	-	-	42,321
Interest	-	7,845	8,813	-	-	-	16,658
Total expenditures	<u>853,763</u>	<u>118,643</u>	<u>94,155</u>	<u>162,395</u>	<u>112,376</u>	<u>-</u>	<u>1,341,332</u>
Excess (deficiency) of revenues over (under) expenditures	83,937	37,394	(30,722)	(60,085)	(11,380)	-	19,144
Other financing sources (uses):							
Proceeds from debt issuance	-	-	31,909	-	-	-	31,909
Transfers in	-	-	3,900	264,103	23,550	-	291,553
Transfers out	(301,553)	-	-	(37,001)	-	-	(338,554)
Total other financing sources (uses):	<u>(301,553)</u>	<u>-</u>	<u>35,809</u>	<u>227,102</u>	<u>23,550</u>	<u>-</u>	<u>(15,092)</u>
Net change in fund balances	(217,616)	37,394	5,087	167,017	12,170	-	4,052
Beginning fund balance	963,181	25,867	57,201	-	26,358	-	1,072,607
Restatement	15,338	-	-	-	-	-	15,338
Beginning fund balance, as restated	<u>978,519</u>	<u>25,867</u>	<u>57,201</u>	<u>-</u>	<u>26,358</u>	<u>-</u>	<u>1,087,945</u>
Ending fund balance	<u>\$ 760,903</u>	<u>63,261</u>	<u>62,288</u>	<u>167,017</u>	<u>38,528</u>	<u>-</u>	<u>1,091,997</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, 2017**

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

Total net change in fund balances-governmental funds	\$	4,052
<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		221,426
Capital assets received as donations		160,300
<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>		
		(218,827)
<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		15,857
<p>The issuance of long-term debt (e.g. bonds, notes, capital leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however has any effect on net position. Also, governmental funds report the effect of premiums and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities.</p>		
(Increase)/decrease in compensated absences		(4,627)
(Increase)/decrease in accrued interest		93
Issuance of long-term debt		(31,909)
Principal payments on long-term debt		42,321
<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		(31,660)
Rounding		<u>(1)</u>
Change in net position of governmental activities	\$	<u><u>157,025</u></u>

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

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For the Year Ended June 30, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes				
Property	\$ 251,887	251,887	258,951	7,064
Gross receipts	430,000	430,000	332,391	(97,609)
Other	44,000	44,000	38,209	(5,791)
Licenses and permits	12,100	12,100	9,225	(2,875)
Charges for services	70	70	124	54
Fines and forfeitures	3,170	3,170	598	(2,572)
Intergovernmental revenue				
State grants	195,000	195,000	178,592	(16,408)
Interest income	1,100	1,100	1,903	803
Miscellaneous income	27,566	27,566	56,978	29,412
Total revenues	<u>964,893</u>	<u>964,893</u>	<u>876,971</u>	<u>(87,922)</u>
Expenditures:				
Current:				
General government	642,910	642,910	625,104	17,806
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	35,000	35,000	25,125	9,875
Total expenditures	<u>926,739</u>	<u>926,739</u>	<u>841,897</u>	<u>84,842</u>
Excess (deficiency) of revenues over (under) expenditures	38,154	38,154	35,074	(172,764)
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	(301,553)	(301,553)	(301,553)	-
Total other financing sources (uses):	<u>(301,553)</u>	<u>(301,553)</u>	<u>(301,553)</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(263,399)	(263,399)	<u>(266,479)</u>	<u>(172,764)</u>
Budgeted cash carryover	<u>263,399</u>	<u>263,399</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)			\$ (266,479)	
Adjustments to revenue for tax accruals and other miscellaneous revenue accruals			60,728	
Adjustments to expenditures for payables and accrued wages			<u>(11,865)</u>	
Net change in fund balance (GAAP)			<u>\$ (217,616)</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, 2017

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Intergovernmental revenue				
State grants	\$ 46,398	125,225	46,398	(78,827)
Miscellaneous income	-	5,255	84,287	79,032
Total revenues	<u>46,398</u>	<u>130,480</u>	<u>130,685</u>	<u>205</u>
Expenditures:				
Current:				
Public safety	37,700	41,035	35,193	5,842
Capital outlay	8,698	114,732	57,376	57,356
Total expenditures	<u>46,398</u>	<u>155,767</u>	<u>92,569</u>	<u>63,198</u>
Excess (deficiency) of revenues over (under) expenditures	-	(25,287)	38,116	(62,993)
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
Total other financing sources (uses):	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	-	(25,287)	<u>38,116</u>	<u>(62,993)</u>
Budgeted cash carryover	<u>-</u>	<u>25,287</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)			\$ 38,116	
Adjustments to revenue for tax accruals and other miscellaneous revenue accruals			25,352	
Adjustments to expenditures for payables and accrued wages			<u>(26,074)</u>	
Net change in fund balance (GAAP)			<u>\$ 37,394</u>	

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, 2017

	Budgeted Amounts		Actual	Favorable (Unfavorable)
	Original	Final		
Revenues:				
Taxes				
Gross receipts	\$ 28,500	28,500	48,004	19,504
Intergovernmental revenue				
State grants	-	-	-	-
Total revenues	28,500	28,500	48,004	19,504
Expenditures:				
Current:				
Public works	32,400	32,400	26,459	5,941
Capital outlay	-	-	-	-
Total expenditures	32,400	32,400	26,459	5,941
Excess (deficiency) of revenues over (under) expenditures	(3,900)	(3,900)	21,545	13,563
Other financing sources (uses):				
Transfers in	-	-	3,900	3,900
Transfers out	-	-	-	-
Total other financing sources (uses):	-	-	3,900	3,900
Excess (deficiency) of revenues over expenditures and other financing sources (uses)	(3,900)	(3,900)	25,445	17,463
Budgeted cash carryover	3,900	3,900		
Net change in fund balance	\$ -	-		
Reconciliation From Budget/Actual to GAAP				
Net change in fund balance (Non-GAAP budgetary basis)			\$ 25,445	
Adjustments to revenue for tax accruals and other miscellaneous revenue accruals			47,339	
Adjustments to expenditures for payables and accrued wages			(67,697)	
Net change in fund balance (GAAP)			\$ 5,087	

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, 2017**

	Water	Waste Water	Golf Course	Total
Assets and deferred inflows of resources:				
Assets:				
Cash and cash equivalents	\$ 303,893	162,576	(100,832)	365,637
Receivables				
Accounts receivable	25,170	48,431	16,421	90,022
Inventories	-	-	41,459	41,459
Total current assets	329,063	211,007	(42,952)	497,118
Non-current assets:				
Restricted cash	54,014	78,969	-	132,983
Capital assets	2,147,529	12,545,432	3,480,035	18,172,996
Less: Accumulated depreciation	(820,039)	(2,118,112)	(1,073,796)	(4,011,947)
Total non-current assets	1,381,504	10,506,289	2,406,239	14,294,032
Total assets	1,710,567	10,717,296	2,363,287	14,791,150
Deferred Outflows of Resources:				
Total deferred outflows of resources	-	-	-	-
Total assets and deferred outflows of resources	\$ 1,710,567	10,717,296	2,363,287	14,791,150
Liabilities, deferred inflows of resources and net position:				
Liabilities:				
Accounts payable	\$ 9,655	7,015	20,869	37,539
Accrued payroll liabilities	1,431	2,841	-	4,272
Accrued interest	405	21,361	-	21,766
Customer deposits	50,153	-	-	50,153
Current portion of compensated absences	1,705	1,352	-	3,057
Current portion of long-term debt	15,345	80,756	-	96,101
Total liabilities	78,694	113,325	20,869	212,888
Non-current liabilities				
Compensated absences	426	338	-	764
Notes payable	250,092	1,090,916	-	1,341,008
Total non-current liabilities	250,518	1,091,254	-	1,341,772
Total liabilities	329,212	1,204,579	20,869	1,554,660
Deferred Inflows of Resources:				
Deferred revenue	5,955	10,586	-	16,541
Total deferred inflows of resources	5,955	10,586	-	16,541
Net position				
Net Investment in Capital Assets	1,116,067	9,334,617	2,406,239	12,856,923
Unrestricted Net Position	259,333	167,514	(63,821)	363,026
Total net position	1,375,400	9,502,131	2,342,418	13,219,949
Total liabilities, deferred inflows of resources and net position:	\$ 1,710,567	10,717,296	2,363,287	14,791,150

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, 2017**

	<u>Water</u>	<u>Waste Water</u>	<u>Golf Course</u>	<u>Total</u>
Operating revenues:				
Charges for services	\$ 208,322	308,559	125,129	642,010
Total operating revenues	<u>208,322</u>	<u>308,559</u>	<u>125,129</u>	<u>642,010</u>
Operating expenses:				
Personnel services	47,117	75,731	4,705	127,553
Operating expenses	69,834	140,479	242,125	452,438
Depreciation and amortization	<u>68,153</u>	<u>268,980</u>	<u>26,845</u>	<u>363,978</u>
Total operating expenses	185,104	485,190	273,675	943,969
Operating income (loss)	23,218	(176,631)	(148,546)	(301,959)
Non-operating revenues (expenses):				
Miscellaneous	6	94	2,490,964	2,491,064
Interest income	14	536	-	550
Interest expense	<u>(5,116)</u>	<u>(28,425)</u>	<u>-</u>	<u>(33,541)</u>
Total non-operating revenues (expenses)	<u>(5,096)</u>	<u>(27,795)</u>	<u>2,490,964</u>	<u>2,458,073</u>
Income (loss) before transfers	18,122	(204,426)	2,342,418	2,156,114
Transfers in	20,208	362,223	-	382,431
Transfers out	<u>(91,000)</u>	<u>(244,430)</u>	<u>-</u>	<u>(335,430)</u>
Change in net position	(52,670)	(86,633)	2,342,418	2,203,115
Net position, beginning of year	<u>1,428,070</u>	<u>9,588,764</u>	<u>-</u>	<u>11,016,834</u>
Net position, end of year	<u>\$ 1,375,400</u>	<u>9,502,131</u>	<u>2,342,418</u>	<u>13,219,949</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, 2017**

	<u>Water</u>	<u>Waste Water</u>	<u>Golf Course</u>	<u>Total</u>
Cash flows from operating activities:				
Receipts from customers and users	\$ 200,833	298,126	125,129	624,088
Payments to suppliers	(60,232)	(141,560)	(221,256)	(423,048)
Payments to employees	(47,899)	(77,013)	(4,705)	(129,617)
Net cash provided (used) for operating activities	<u>92,702</u>	<u>79,553</u>	<u>(100,832)</u>	<u>71,423</u>
Cash flows from noncapital financing activities:				
Transfers from other funds	20,208	362,223	-	382,431
Transfers to other funds	(91,000)	(244,430)	-	(335,430)
Miscellaneous income	6	94	-	100
Net cash provided (used) for noncapital financing activities	<u>(70,786)</u>	<u>117,887</u>	<u>-</u>	<u>47,101</u>
Cash flows from capital and related financing activities:				
Acquisition and construction of capital assets	-	(53,992)	-	(53,992)
Principal paid on long-term debt	(15,068)	(78,961)	-	(94,029)
Interest paid on long-term debt	(5,116)	(28,425)	-	(33,541)
Long-term debt proceeds.	-	-	-	-
Net cash provided (used) for capital and related financing activities.	<u>(20,184)</u>	<u>(161,378)</u>	<u>-</u>	<u>(181,562)</u>
Cash flows from investing activities:				
Interest and dividends	14	536	-	550
Net cash provided (used) for investing activities.	<u>14</u>	<u>536</u>	<u>-</u>	<u>550</u>
Net increase (decrease) in cash and cash equivalents	1,746	36,598	(100,832)	(62,488)
Cash and cash equivalents – beginning of year	<u>356,161</u>	<u>204,947</u>	<u>-</u>	<u>561,108</u>
Cash and cash equivalents – end of year	\$ <u><u>357,907</u></u>	<u><u>241,545</u></u>	<u><u>(100,832)</u></u>	<u><u>498,620</u></u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities				
Operating income (loss)	\$ 23,218	(176,631)	(148,546)	(301,959)
Adjustments				
Depreciation and amortization	68,153	268,980	26,845	363,978
Changes in assets and liabilities:				
Receivables	(13,444)	(21,019)	-	(34,463)
Accounts payable	8,880	(1,081)	20,869	28,668
Accrued expenses and other liabilities	(643)	(2,373)	-	(3,016)
Deferred revenues	5,955	10,586	-	16,541
Deposits	722	-	-	722
Compensated absences	(139)	1,091	-	952
Net cash provided by operating activities	\$ <u><u>92,702</u></u>	<u><u>79,553</u></u>	<u><u>(100,832)</u></u>	<u><u>71,423</u></u>

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

**STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

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

**STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

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 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,

**STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

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 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.

**STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

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.

Golf Course Fund – To account for the operations of the City's golf course.

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 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.

**STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

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.

As of June 30, 2017, 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 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

**STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

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.

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

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

**STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

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, 2017.

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 \$28,085 related to contributions subsequent to the measurement date, \$29,323 related to change in assumptions, \$92,012 related to the net difference between expected and actual earnings on pension plan investments, \$24,985 related to actuarial experience, and \$2,371 related to change in proportion.

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 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 \$16,541 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 \$83 related to change in assumptions, \$- related to the net difference between expected and actual earnings on pension plan investments, \$4,881 related to actuarial experience, and \$4,579 related to change in proportion.

**STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

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 be 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 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

**STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

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 49 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:

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

**STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

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 2014. For the year ended June 30, 2017, no interest or penalties were recorded or included in the financial statements.

G. Estimates

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

NOTE 2 – STEWARDSHIP, COMPLIANCE, AND ACCOUNTABILITY

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

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

**STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

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.

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, 2017 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 50 of this report.

**STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

The following is a summary of the City's cash and cash equivalents balances by fund type as of June 30, 2017:

Fund Type	Amount
Cash and equivalents	
Governmental funds	\$ 993,822
Business-type activities	498,620
Total cash and cash equivalents	\$ 1,492,442

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 51 of this report.

As of June 30, 2017, the City's bank balances of \$1,485,448 were exposed to custodial credit risk as follows:

Insured through federal depository insurance	\$ 250,000
Uninsured, collateralized with securities held by pledging financial institution's trust department or agent in the Town's name.	1,235,448
Uninsured and uncollateralized	-
Total uninsured deposits	\$ 1,485,448

NOTE 4 – RECEIVABLES

Receivables as of June 30, 2017 are as follows:

Governmental Activities	General Fund	Fire Fund	Streets Fund	Capital Projects	Nonmajor Funds	Total Receivables
Accounts	\$ 200	-	-	-	-	200
Taxes:						
Property	25,859	-	-	-	-	25,859
State	112,706	-	5,895	-	-	118,601
Other	3,426	-	-	-	4,802	8,228
Subtotal	142,191	-	5,895	-	4,802	152,888
Less: Allowance for uncollectibles	-	-	-	-	-	-
Net Receivables	\$ 142,191	-	5,895	-	4,802	152,888

**STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

Business-type Activities	Water <u>Fund</u>	WW <u>Fund</u>	Golf Course <u>Fund</u>	Total <u>Receivables</u>
Accounts	\$ 27,261	62,485	16,421	89,746
Subtotal	27,261	62,485	16,421	89,746
Less: Allowance for uncollectibles	<u>(2,091)</u>	<u>(14,054)</u>	-	<u>(16,145)</u>
Net Receivables	<u>\$ 25,170</u>	<u>48,431</u>	<u>16,421</u>	<u>73,601</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 \$15,857 that were not collected within the period of availability have been reclassified as deferred inflows of resources in the governmental fund financial statements.

NOTE 5 – CAPITAL ASSETS

A summary of capital assets and changes occurring during the year ended June 30, 2017 follows. Land and construction in progress are not subject to depreciation.

<u>GOVERNMENTAL ACTIVITIES</u>	<u>Balance 06/30/16</u>	<u>Additions</u>	<u>Deletions</u>	<u>Reclass</u>	<u>Balance 06/30/17</u>
Non-depreciable capital assets:					
Land	\$ 1,177,627	-	-	-	1,177,627
Construction in progress	-	14,574	-	-	14,574
Total non-depreciable capital assets	<u>1,177,627</u>	<u>14,574</u>	<u>-</u>	<u>-</u>	<u>1,192,201</u>
Capital assets being depreciated:					
Buildings	851,623	10,661	-	-	862,284
Infrastructure	3,640,999	196,190	-	-	3,837,189
Equipment	451,391	72,800	-	-	524,191
Vehicles	684,186	87,500	-	-	771,686
Total capital assets being depreciated	5,628,199	367,151	-	-	5,995,350
Less accumulated depreciation for:					
Buildings	(326,336)	(18,783)	-	-	(345,119)
Infrastructure	(494,677)	(126,996)	-	-	(621,673)
Equipment	(171,474)	(25,575)	-	-	(197,049)
Vehicles	(393,898)	(47,473)	-	-	(441,371)
Total accumulated depreciation	<u>(1,386,385)</u>	<u>(218,827)</u>	<u>-</u>	<u>-</u>	<u>(1,605,212)</u>
Total capital assets being depreciated	4,241,814	148,324	-	-	4,390,138
Total capital assets, net of depreciation	<u>\$ 5,419,441</u>	<u>162,898</u>	<u>-</u>	<u>-</u>	<u>5,582,339</u>

**STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

BUSINESS-TYPE ACTIVITIES	Balance 06/30/16	Additions	Deletions	Reclass	Balance 06/30/17
Non-depreciable capital assets:					
Land	50,901	1,563,063	-	-	1,613,964
Construction in progress	\$ -	31,543	-	-	31,543
Total non-depreciable capital assets	<u>50,901</u>	<u>1,594,606</u>	<u>-</u>	<u>-</u>	<u>1,645,507</u>
Capital assets being depreciated:					
Buildings	-	710,986	-	-	710,986
Waste Water System	14,420,617	22,449	-	-	14,443,066
Infrastructure	-	710,986	-	-	710,986
Equipment	7,000	495,000	-	-	502,000
Vehicles	160,451	-	-	-	160,451
Total capital assets being depreciated	<u>14,588,068</u>	<u>1,939,421</u>	<u>-</u>	<u>-</u>	<u>16,527,489</u>
Less accumulated depreciation for:					
Buildings	-	(5,078)	-	(198,060)	(203,138)
Waste Water System	(2,543,797)	(326,663)	-	-	(2,870,460)
Infrastructure	-	(11,850)	-	(462,141)	(473,991)
Equipment	(6,970)	(9,946)	-	(386,750)	(403,666)
Vehicles	(50,251)	(10,441)	-	-	(60,692)
Total accumulated depreciation	<u>(2,601,018)</u>	<u>(363,978)</u>	<u>-</u>	<u>(1,046,951)</u>	<u>(4,011,947)</u>
Total capital assets being depreciated	<u>11,987,050</u>	<u>1,575,443</u>	<u>-</u>	<u>(1,046,951)</u>	<u>12,515,542</u>
Total capital assets, net of depreciation	<u>\$ 12,037,951</u>	<u>3,170,049</u>	<u>-</u>	<u>(1,046,951)</u>	<u>14,161,049</u>

Depreciation expense for the year ended June 30, 2017 was charged to the following functions and funds:

Governmental activities:

General government	\$ 18,009
Public safety	66,002
Public works	133,453
Culture and recreation	1,363
Health and welfare	-
Total governmental activities	<u>\$ 218,827</u>

Business type activities

Water fund	\$ 68,153
Wastewater fund	268,980
Golf course fund	26,845
Total governmental activities	<u>\$ 363,978</u>

**STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 6 – LONG-TERM DEBT

Long-term liability activity for the year ended June 30, 2017, was as follows:

	Balance June 30, 2016	Increases	Decreases	Balance June 30, 2017	Due within one year
Governmental funds debt					
Compensated absences	\$ 5,060	15,639	(11,013)	9,686	7,749
Notes payable	475,802	31,909	(42,321)	465,390	43,027
Total governmental activities	<u>\$ 480,862</u>	<u>47,548</u>	<u>(53,334)</u>	<u>475,076</u>	<u>50,776</u>
Business-type funds debt					
Compensated absences	\$ 2,869	8,335	(7,383)	3,821	3,057
Notes payable	1,531,138	-	(94,030)	1,437,108	96,101
Total business-type activities	<u>\$ 1,534,007</u>	<u>8,335</u>	<u>(101,413)</u>	<u>1,440,929</u>	<u>99,158</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 2017.

The annual principal and interest requirements on long-term debt outstanding as of June 30, 2017 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 \$257,478 at June 30, 2017, and equal 17.1% of future State Fire Protection Funds at their current rate. During the year ended June 30, 2017, the City collected \$150,512 in pledged revenues, and retired \$25,287 in principal and interest on the 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 \$31,909 were drawn in the year ended June 30, 2017. In total, \$300,368 in proceeds have been drawn on the note with an additional \$295,616 in funds remaining to be drawn.

**STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

The payments of principal and interest are paid from pledged governmental gross receipts taxes. The revenues pledged totaled \$621,463 at June 30, 2017, and equal 19.9% of future gross receipts tax at their current rate. During the year ended June 30, 2017, the City collected \$173,092 in pledged revenues, and retired \$33,692 in principal and interest on the note.

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2018	\$ 43,027	16,099	59,126
2019	43,918	15,365	59,283
2020	44,953	14,492	59,445
2021	46,121	13,488	59,609
2022	46,941	12,344	59,285
2022-2026	<u>240,430</u>	<u>37,184</u>	<u>277,614</u>
Total	<u>\$ 465,390</u>	<u>108,972</u>	<u>574,362</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 \$403,294 at June 30, 2017, and equal 6.5% of future estimated net revenues at their current rate. During the year ended June 30, 2017, the City collected \$516,881 in pledged revenues, and retired \$33,608 in principal and interest on the 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 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, 2017, and equal 6.5% of future estimated net revenues at their current rate. During the year ended June 30, 2017, the City collected \$516,881 in pledged revenues, and retired \$33,608 in principal and interest on the 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 \$61,421 at June 30, 2017, and equal 2.0% of future estimated net revenues at their current rate. During the year ended June

**STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

30, 2017, the City collected \$308,559 in pledged revenues, and retired \$6,225 in principal and interest on the 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 \$74,773 at June 30, 2017, and equal 2.2% of future estimated net revenues at their current rate. During the year ended June 30, 2017, the City collected \$308,559 in pledged revenues, and retired \$6,797 in principal and interest on the 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 \$280,167 at June 30, 2017, and equal 9.0% of future estimated net revenues at their current rate. During the year ended June 30, 2017, the City collected \$208,322 in pledged revenues, and retired \$18,678 in principal and interest on the 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 \$26,017 at June 30, 2017, and equal 0.7% of future estimated net revenues at their current rate. During the year ended June 30, 2017, the City collected \$208,322 in pledged revenues, and retired \$1,530 in principal and interest on the 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 \$399,512 at June 30, 2017, and equal 9.2% of future estimated net revenues at their current rate. During the year ended June 30, 2017, the City collected \$308,559 in pledged revenues, and retired \$28,537 in principal and interest on the note.

**STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

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

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
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	104,940	23,968	128,908
2022-2026	561,339	82,971	644,310
2027-2031	370,406	19,619	390,025
2032-2036	3,050	11	3,061
Total	<u>\$ 1,437,109</u>	<u>244,977</u>	<u>1,682,086</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, 2017, the City did not make any transfers between funds.

	<u>Street Fund</u>	<u>Capital Projects Fund</u>	Transfers In			<u>Total</u>
			<u>Non-Major Govern- mental</u>	<u>Water Fund</u>	<u>WW Fund</u>	
Transfers Out						
General	\$ 3,900	144,103	23,550	-	130,000	301,553
Capital projects fund	-	-	-	1,530	35,471	37,001
Water fund	-	70,000	-	-	21,000	91,000
Wastewater fund	-	50,000	-	18,678	175,752	244,430
Total	<u>\$ 3,900</u>	<u>264,103</u>	<u>23,550</u>	<u>20,208</u>	<u>362,223</u>	<u>673,984</u>

The City periodically records interfund receivables/payables to reflect temporary loans between funds. As of June 30, 2017, 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 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, 2017 was \$52,648.

**STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

NOTE 9 – PERA PENSION PLAN

General Information about the Pension Plan

Plan description. *Public Employees Retirement 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 Officers, 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 Public Employees Retirement 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), each employee and elected official of every affiliated public employer is required to be a member in the Public Employees Retirement Fund, unless specifically excluded.

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 – Tier I - Benefits are generally available at age 65 with five or more years of service or after 25 years of service regardless of age for TIER I members. Provisions also exist for retirement between ages 60 and 65, with varying amounts of service required. Certain police and fire members may retire at any age with 20 or more years of service for Tier I members. Generally, the amount of retirement pension is based on final average salary, which is defined under Tier I as the average of salary for the 36 consecutive months of credited service producing the largest average; credited service; and the pension factor of the applicable coverage plan. Monthly benefits vary depending upon the plan under which the member qualifies, ranging from 2% to 3.5% of the member's final average salary per year of service. The maximum benefit that can be paid to a retiree may not exceed a range of 60% to 90% of the final average salary, depending on the division. Benefits for duty and non-duty death and disability and for post-retirement survivors' annuities are also available.

TIER II – The retirement age and service credit requirements for normal retirement for PERA state and municipal general members hired increased effective July 1, 2013 with the passage of Senate Bill 27 in the 2013 Legislative Session. Under the new requirements (Tier II), general members are eligible to retire at any age if the member has at least eight years of service credit and the sum of the member's age and service credit equals at least 85 or at age 67 with 8 or more years of service credit. General members hired on or before June 30, 2013 (Tier I) remain eligible to retire at any age with 25 or more years of service credit. Under Tier II, police and firefighters in Plans 3, 4 and 5 are eligible to retire at any age with 25 or more years of service credit. State police and adult correctional officers, peace officers and municipal juvenile detention officers will remain in 25-year retirement plans, however, service credit will no longer be enhanced by 20%. All public safety members in Tier II may retire at age 60 with 6 or more years of service credit. Generally, under Tier II pension factors were reduced by .5%, employee Contribution

**STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

increased 1.5 percent and effective July 1, 2014 employer contributions were raised .05 percent. The computation of final average salary increased as the average of salary for 60 consecutive months.

Contributions. See PERA’s compressive annual financial report for Contribution provided description

PERA Contribution Rates and Pension Factors as of July 1, 2016						
Coverage Plan	Employee Contribution Percentage		Employer Contribution Percentage	Pension Factor per Year of Service		Pension Maximum as a Percentage of the Final Average Salary
	Annual Salary less than \$20,000	Annual Salary greater than \$20,000		TIER 1	TIER 2	
State Plan 3	7.42 %	8.92 %	16.99 %	3.0 %	2.5 %	90 %
Municipal Plan 1 (plan open to new employers)	7.0 %	8.5 %	7.4 %	2.0 %	2.0 %	90 %
Municipal Plan 2 (plan open to new employers)	9.15 %	10.65 %	9.55 %	2.5 %	2.0 %	90 %
Municipal Plan 3 (plan closed to new employers 6/95)	13.15 %	14.65 %	9.55 %	3.0 %	2.5 %	90 %
Municipal Plan 4 (plan closed to new employers 6/00)	15.65 %	17.15 %	12.05 %	3.0 %	2.5 %	90 %
Municipal Police Plan 1	7.0%	8.5%	10.40%	2.0%	2.0%	90%
Municipal Police Plan 2	7.0%	8.5%	15.40%	2.5%	2.0%	90%
Municipal Police Plan 3	7.0%	8.5%	18.90%	2.5%	2.0%	90%
Municipal Police Plan 4	12.35%	13.85%	18.90%	3.0%	2.5%	90%
Municipal Police Plan 5	16.3%	17.8%	18.90%	3.5%	3.0%	90%
Municipal Fire Plan 1	8.0%	9.5%	11.40%	2.0%	2.0%	90%
Municipal Fire Plan 2	8.0%	9.5%	17.90%	2.5%	2.0%	90%
Municipal Fire Plan 3	8.0%	9.5%	21.65%	2.5%	2.0%	90%
Municipal Fire Plan 4	12.8%	14.3%	21.65%	3.0%	2.5%	90%
Municipal Fire Plan 5	16.2%	17.7%	21.65%	3.5%	3.0%	90%
Municipal Detention Officer Plan 1	16.65%	18.15%	17.05%	3.0%	3.0%	90%
State Police and Adult Correctional Officer Plan 1	7.60%	9.10%	25.50%	3.0%	3.0%	90%
State Plan 3 - Peace Officer	7.42%	8.92%	16.99%	3.0%	3.0%	90%
Juvenile Correctional Officer Plan 2	4.78%	6.28%	26.12%	3.0%	3.0%	90%

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At June 30, 2017, the City reported a liability of \$500,069 for its

**STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

proportionate share of the net pension liability. At June 30, 2016, the City's proportion was 0.0313%, which was a decrease of 0.0003% from its proportion measured as of June 30, 2015. The net pension liability was measured as of June 30, 2016, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2015. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2016 using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date of June 30, 2016. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2016. The City's proportion of the net pension liability was based on a projection of the City's long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined.

For the year ended June 30, 2017, the City recognized pension expense of \$31,660. At June 30, 2017, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 24,985	4,881
Changes of assumptions	29,323	83
Net difference between projected and actual earnings on pension plan investments	92,012	-
Changes in proportion and differences between City contributions and proportionate share of contributions	2,371	4,579
City contributions subsequent to the measurement date	<u>28,085</u>	<u>-</u>
	<u>\$ 176,776</u>	<u>9,543</u>

\$28,085 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. 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	\$	29,536
2017		29,536
2018		56,726
2019		23,350
2020		-
Thereafter	\$	-

**STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

Actuarial assumptions. The total pension liability in the June 30, 2016 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	June 30, 2015
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	7.48% annual rate, net of investment expense
Projected benefit payment	100 years
Payroll growth	2.75% for first 10 years, then 3.25% annual rate
Projected salary increases	2.75% to 14.00% annual rate
Includes inflation at	2.25% annual rate first 10 years 2.75% rate all other years
Mortality Assumption	RP-2000 Mortality Tables (Combined table for healthy post-retirement, Employee table for active members, and Disable table for disabled retirees before retirement age) with projection to 2018 using Scale AA. July 1, 2008 to June 30, 2013 (demographic) and July 1, 2010 through June 20, 2015 (economic)
Experience Study Dates	(economic)

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2015. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2016. These assumptions were adopted by the Board use in the June 30, 2015 actuarial valuation.

The long-term expected rate of return on pension plan investments was determined using a building-block method 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 allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>ALL FUNDS - Asset Class</u>	<u>Target Allocation</u>	<u>Long-term Expected Real Rate of Return</u>
Global Equity	43.50%	7.39%
Risk Reduciton & Mitigation	21.50%	1.79%
Credit Oriented Fixed Income	15.00%	5.77%
Real Assets	20.00%	7.35%
Total	<u>100.00%</u>	

**STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

Discount rate. A single discount rate of 7.48% was used to measure the total pension liability as of June 30, 2016. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.48%, compounded annually, net of expense. Based on the stated assumptions and the projection of cash flows, the plan’s fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

The projections of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels.

Sensitivity of the City’s proportionate share of the net pension liability to changes in the discount rate.

The following presents the City’s proportionate share of the net pension liability calculated using the discount rate of 7.48 percent, as well as what the City’s proportionate share of the net pension liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.48 percent) or 1-percentage-point higher (8.48 percent) than the current rate:

	1% Decrease (6.48%)	Current Discount Rate (7.48%)	1% Increase (8.48%)
City’s proportionate share of the net pension liability	\$ 745,558	500,069	296,448

Pension plan fiduciary net position. Detailed information about the pension plan’s fiduciary net position is available in separately issued PERA’S financial reports.

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.

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:

Fiscal Year	Amount
Ending June 30,	Amount
2018	\$ 61,576
2019	55,003
2020	51,136
2021	42,141
2022	32,048
Total	\$ 241,904

**STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

Rental payments charged to current operations for the year ended June 30, 2017 totaled \$38,334.

NOTE 12 – FUND DEFICITS AND NON-COMPLIANCE

Deficit Fund Balances

The following non-major funds incurred a deficit fund balance at June 30, 2017.

<u>Fund</u>	<u>Fund Type</u>	<u>Amount</u>
EMS fund	Special revenue fund	\$ (827)

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, 2017.

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, 2017, significant amounts of grant expenditures have not been audited by the grantor agencies.

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

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

NOTE 14 – COMMITMENTS

Commitments for engineering and construction projects relating to construction or major repairs in progress aggregated approximately \$42,000 as of June 30, 2017. The total amounts spent as of June 30, 2017 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 – RESTATEMENTS OF BEGINNING FUND BALANCES/NET POSITION

During the year ended June 30, 2017, it was identified that the prior year property taxes receivable and deferred inflows of resources were overstated. This resulted in an increase in to the General Fund net position of \$15,338.

**STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED JUNE 30, 2017**

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

<u>Fund</u>	<u>Purpose/Reason</u>	<u>Amount</u>
Governmental funds		
Major funds		
General fund	Prior year property tax receivables were overstated	\$ 223,663
	Prior year unavailable revenues were overstated	<u>(239,001)</u>
Total general fund		<u>(15,338)</u>
Total governmental funds		<u>\$ (15,338)</u>
Government-wide statements	Restatements from above	\$ (15,338)
	Prior year property tax revenues were overstated	<u>(240,051)</u>
Total governmental activities		<u>\$ (255,389)</u>

NOTE 15 – EVALUATION OF SUBSEQUENT EVENTS

The City has evaluated subsequent events through December 11, 2017, the date which the financial statements were available to be issued.

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>2017</u>	<u>2016</u>	<u>2015</u>
City of Elephant Butte's proportion of the net pension liability (asset)	0.0313%	0.0310%	0.0318%
City of Elephant Butte's proportionate share of the net pension liability (asset)	\$ 500,069	\$ 316,072	\$ 248,074
City of Elephant Butte's covered-employee payroll	\$ 425,248	\$ 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	117.59%	79.41%	60.83%
Plan fiduciary net position as a percentage of the total pension liability	76.99%	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>2016</u>	<u>2015</u>
Contractually required contribution	\$ 28,085	27,786	24,699
Contributions in relation to the contractually required contribution	<u>(28,085)</u>	<u>(27,786)</u>	<u>(24,699)</u>
Contribution deficiency (excess)	<u>-</u>	<u>-</u>	<u>-</u>
City's covered-employee payroll	425,248	398,047	407,836
Contributions as a percentage of covered-employee payroll	6.60%	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, 2017**

Changes of benefit terms: The PERA and COLA and retirement eligibility benefits changes in recent years are described in Note 1 of PERA's CFAR. <https://www.saonm.org>

Assumptions: The Public Employ Retirement Association of New Mexico Annual Actuarial Valuations as of June 2016 report is available at <http://www.nmpera.org/>

SUPPLEMENTAL INFORMATION

**STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2017**

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, 2017**

	Corrections Fund	EMS Fund	Law Enforcement Protection Fund	Lodgers' Tax Fund
Assets and deferred inflows of resources:				
Assets:				
Cash and cash equivalents	\$ 3,542	148	10,000	20,361
Receivables				
Taxes receivable	-	-	-	4,802
Total assets	<u>3,542</u>	<u>148</u>	<u>10,000</u>	<u>25,163</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>\$ 3,542</u>	<u>148</u>	<u>10,000</u>	<u>25,163</u>
Liabilities, deferred inflows of resources and fund balances:				
Liabilities:				
Accounts payable	\$ -	975	-	-
Total liabilities	<u>-</u>	<u>975</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	3,542	-	10,000	25,163
Committed	-	-	-	-
Assigned	-	-	-	-
Unassigned	-	(827)	-	-
Total fund balances	<u>3,542</u>	<u>(827)</u>	<u>10,000</u>	<u>25,163</u>
Total liabilities, deferred inflows of resources and fund balances:	<u>\$ 3,542</u>	<u>148</u>	<u>10,000</u>	<u>25,163</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, 2017**

	<u>Recreation Fund</u>	<u>Grants Fund</u>	<u>Total</u>
Assets and deferred inflows of resources:			
Assets:			
Cash and cash equivalents	\$ 1,459	-	35,510
Receivables			
Taxes receivable	-	-	4,802
Total assets	<u>1,459</u>	<u>-</u>	<u>40,312</u>
Deferred Outflows of Resources:			
Total deferred outflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
Total assets and deferred outflows of resources	<u>\$ 1,459</u>	<u>-</u>	<u>40,312</u>
Liabilities, deferred inflows of resources and fund balances:			
Liabilities:			
Accounts payable	\$ 809	-	1,784
Total liabilities	<u>809</u>	<u>-</u>	<u>1,784</u>
Deferred Inflows of Resources:			
Total deferred inflows of resources	<u>-</u>	<u>-</u>	<u>-</u>
Fund balances:			
Nonspendable	-	-	-
Restricted	-	-	38,705
Committed	650	-	650
Assigned	-	-	-
Unassigned	-	-	(827)
Total fund balances	<u>650</u>	<u>-</u>	<u>38,528</u>
Total liabilities, deferred inflows of resources and fund balances:	<u>\$ 1,459</u>	<u>-</u>	<u>40,312</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, 2017**

	Corrections Fund	EMS Fund	Law Enforcement Protection Fund	Lodgers' Tax Fund
Revenues:				
Taxes				
Other	\$ -	-	-	41,585
Fines and forfeitures	169	-	-	-
Intergovernmental revenue				
State grants	-	7,538	20,600	-
Interest income	-	-	-	-
Miscellaneous income	-	200	-	-
Total revenues	<u>169</u>	<u>7,738</u>	<u>20,600</u>	<u>41,585</u>
Expenditures:				
Current:				
Public safety	-	12,592	20,600	-
Culture and recreation	-	-	-	30,166
Total expenditures	<u>-</u>	<u>12,592</u>	<u>20,600</u>	<u>30,166</u>
Excess (deficiency) of revenues over (under) expenditures	169	(4,854)	-	11,419
Other financing sources (uses):				
Transfers in	450	-	10,000	-
Transfers out	-	-	-	-
Total other financing sources (uses):	<u>450</u>	<u>-</u>	<u>10,000</u>	<u>-</u>
Net change in fund balances	619	(4,854)	10,000	11,419
Beginning fund balance	<u>2,923</u>	<u>4,027</u>	<u>-</u>	<u>13,744</u>
Ending fund balance	<u>\$ 3,542</u>	<u>(827)</u>	<u>10,000</u>	<u>25,163</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, 2017

	<u>Recreation Fund</u>	<u>Total</u>
Revenues:		
Taxes		
Other	\$ -	41,585
Licenses and permits	10,739	10,739
Charges for services	11,463	11,463
Fines and forfeitures	-	169
Intergovernmental revenue		
State grants	-	28,138
Interest income	-	-
Total revenues	<u>30,904</u>	<u>100,996</u>
Expenditures:		
Current:		
Public safety	-	33,192
Culture and recreation	<u>49,018</u>	<u>79,184</u>
Total expenditures	<u>49,018</u>	<u>112,376</u>
Excess (deficiency) of revenues over (under) expenditures	(18,114)	(11,380)
Other financing sources (uses):		
Transfers in	13,100	23,550
Transfers out	<u>-</u>	<u>-</u>
Total other financing sources (uses):	<u>13,100</u>	<u>23,550</u>
Net change in fund balances	(5,014)	12,170
Beginning fund balance	<u>5,664</u>	<u>26,358</u>
Ending fund balance	<u>\$ 650</u>	<u>38,528</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, 2017

	<u>Major Funds</u>					<u>Total Funds</u>
	<u>General Fund</u>	<u>Spec Revenue</u>		<u>Capital Projects Fund</u>	<u>Total Non-Major Funds</u>	
	<u>General Fund</u>	<u>Fire Fund</u>	<u>Streets Fund</u>	<u>Capital Projects Fund</u>	<u>Total Non-Major Funds</u>	<u>Total Funds</u>
Fund Balances:						
Nonspendable:						
Inventory	-	-	-	-	-	-
Prepaid expenses	-	-	-	-	-	-
Subtotal nonspendable funds	\$ -	-	-	-	-	-
Restricted for:						
Various capital project efforts	-	-	-	167,017	-	167,017
Road improvements	-	-	62,288	-	-	62,288
Fire fighting efforts/equipment	-	63,261	-	-	-	63,261
Public safety and law enforcement efforts	-	-	-	-	13,542	13,542
Economic development efforts	-	-	-	-	25,163	25,163
Subtotal restricted funds	-	63,261	62,288	167,017	38,705	331,271
Committed to:						
Operate/maintain recreational facilities	-	-	-	-	650	650
DFA Reserve requirements	88,078	-	-	-	-	88,078
Subtotal committed funds	88,078	-	-	-	650	88,728
Assigned to:						
Subtotal assigned funds	-	-	-	-	-	-
Unassigned	672,825	-	-	-	(827)	671,998
	\$ <u>760,903</u>	<u>63,261</u>	<u>62,288</u>	<u>167,017</u>	<u>38,528</u>	<u>1,091,997</u>

See independent auditor's report.

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
SCHEDULE OF DEPOSITORIES
As of June 30, 2017

<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*	124,180	-	3,395	(41,077)	86,498
Commander MMKT Acct	CK*	1,336,244	-	-	-	1,336,244
Mescal Loop Acct	CK*	25,024	-	-	-	25,024
Reserve and Debt Service	CK*	-	43,376	-	-	43,376
Petty cash	On hand	-	-	-	-	1,300
Total cash and equivalents		<u>1,485,448</u>	<u>43,376</u>	<u>3,395</u>	<u>(41,077)</u>	<u>1,492,442</u>
Total amount on deposit		1,485,448	43,376	<u>3,395</u>	<u>(41,077)</u>	<u>1,492,442</u>
FDIC coverage		<u>(250,000)</u>	-			
Total uninsured public funds		<u>1,235,448</u>	<u>43,376</u>			
50% collateral requirement (Section 6-10-17 NMSA-1978)		617,724	-			
Pledge security		2,070,213				
See NMFA audited financials			-			
Amount (over)/under collateralized		<u>(1,452,489)</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, 2017**

Cuspid	Description/ Maturity	Coupon	Pledged Percent	Original Face	Pledged			Market Value
					Original Face	Par	Book Value	
First Savings Bank								
<i>Safekeeping Location - Federal Reserve</i>								
31376KUB0	FNMA 15 Yr 9/1/2020	5.00	100.00%	1,300,000	1,300,000	58,140	57,613	60,693
3138A7GY8	FNMA 15 Yr 2/1/2026	3.50	55%	1,450,000	800,000	250,406	261,009	261,860
36176XE21	GNMA 15YR 3/15/2027	3.00	28.57%	700,000	200,000	70,169	73,132	72,836
38378HAU0	GNR 2012-96 AD 8/20/2027	1.50	20.00%	2,000,000	400,000	161,069	160,427	156,840
3137AWKN4	FHR 4136 NG 11/15/2027	1.25	4.55%	3,300,000	150,000	75,413	74,619	72,799
3128MDNR0	FHLMC 15YR 1/1/2028	3.00	87.50%	2,000,000	1,750,000	761,704	794,556	785,822
3138EKJA4	FNMA 15 Yr 1/1/2028	2.50	7.32%	2,050,000	150,000	80,213	83,280	81,533
3132KFNN8	FHLMC 15YR 8/1/2031	2.50	19.05%	2,100,000	400,000	369,377	369,898	373,731
38377NLJ1	GNR 2010-150 GJ 9/20/2039	3.00	18.18%	1,100,000	200,000	39,414	40,299	39,863
3136AFTR5	FNR 2013-73 TC 9/25/2042	2.25	15.00%	2,000,000	300,000	165,126	168,952	164,236
				\$ <u>18,000,000</u>	<u>5,650,000</u>	<u>2,031,032</u>	<u>2,083,785</u>	<u>2,070,213</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, 2017**

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

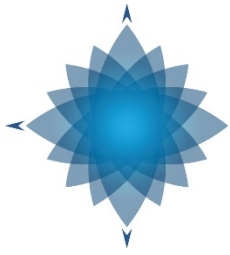
STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
SCHEDULE OF SPECIAL, DEFICIENCY, SPECIFIC AND CAPITAL OUTLAY APPROPRIATIONS
For the Year Ended June 30, 2017

Description	Appropriation #	Appropriation Period	Original Appropriation	Expenditures To Date	Out-standing Encumbrances	Approps Expired	Unencumbered Balances
Severance Tax Bonds Outstanding*							
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>\$ 350,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>350,000</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.

See independent auditor's 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, 2017, 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 11, 2017.

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. We did identify certain

deficiencies in internal control, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies: 2017-001, 2017-002, 2017-003

Compliance and Other Matters

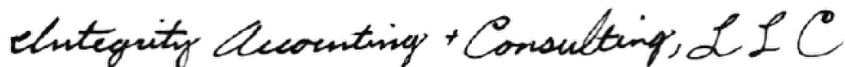
As part of obtaining reasonable assurance about whether the Authority's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material 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*.

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

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

Purpose of this Report

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



Integrity Accounting & Consulting, LLC
Albuquerque, NM

December 11, 2017

**STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
SCHEDULE OF FINDINGS AND REPOSSES
FOR THE YEAR ENDED JUNE 30, 2017**

SECTION I SUMMARY OF AUDIT RESULTS

Financial Statements:

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

SECTION II FINDINGS – FINANCIAL STATEMENTS

Finding	Status of Current and Prior Year Findings	Financial Statement Finding
Prior Year Findings		
None		
Current Year Findings		
2017-001 - Donated Capital Assets	Current	Y
2017-002 - Golf Course Internal Controls	Current	Y
2017-003 - Improper Signatures on Grant Draw	Current	Y

PRIOR YEAR FINDINGS

None repeated in current year.

CURRENT YEAR FINDINGS

2017-001 – DONATED CAPITAL ASSETS – Significant Deficiency

Statement of Condition

During the year ended June 30, 2017, the City was donated a golf course which included various buildings, land and improvements, and equipment. There did not appear to be a process in place to accurately value the donated assets at fair market value at the time of the donation. The land and buildings were valued at the property tax valuation set by Sierra County. Those rates typically are not consistent with what a property might be valued at on the fair market. The contributed equipment was not initially valued and a “best guess” was used to assign values to the items.

**STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
SCHEDULE OF FINDINGS AND REPOSSES
FOR THE YEAR ENDED JUNE 30, 2017**

Criteria

Per GASB 33, Donated fixed assets should be recorded in the fund to which they relate or in the General Fixed Assets Account Group, as appropriate, at their estimated fair value.

Effect

The City's valuations might be higher or lower than fair value at the time of the donation.

Cause

The City did not obtain a full appraisal of all assets received at the time of donation.

Recommendation

It is recommended that the City implement a policy to ensure that any future assets donated are valued property in accordance with GASB 33 at the time of the donation.

Management's Response

Impact: We do not know the full market value of the donation. None of our City Holdings have ever been appraised.

Responsible Individual: City Manager

Consideration of recommendation: We understand that the value of this newly acquired property may not be accurately reflected on our capital asset list.

Steps required: The next time a donation of land or real property is donated to the city, an appraisal will be obtained.

Monitor progress: Success will be measured by the lack of a repeat finding.

2017-002 – GOLF COURSE INTERNAL CONTROLS – Significant Deficiency

Statement of Condition

While performing test work related to the City's golf course, we identified several weaknesses in internal controls related to the golf course. These are as follows:

Physical controls over bar inventory – We noted that there wasn't an effective way to secure the liquor being actively used in the bar. The bar area was unsecured with full access to the liquor. We also noted that two refrigeration units at the golf course used to store back-stock beer and wine were unsecured at the time of our visit. The liquor back-stock was found to be properly secured.

Closeout controls – There did not appear to be an effective process in place for the nightly closeout of the bar cash register. We were unable to obtain documentation showing that the funds collected were counted and verified by someone independent of the cash register operations at the end of day. The result was there was not effective way to determine that revenue was being appropriately reported to the City for recording in the general ledger.

**STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
SCHEDULE OF FINDINGS AND REPOSES
FOR THE YEAR ENDED JUNE 30, 2017**

Criteria

The Codification of Statements on Auditing Standards (SAS AU) paragraph 110.03 states that management is responsible for adopting sound accounting policies and for establishing and maintain internal controls that will, among other things, initiate, authorize, record, process and report transactions (as well as events and conditions) consistent with management's assertions.

Effect

The City's golf course is susceptible to loss due to improperly reported revenue and pilferage of bar supplies/inventory.

Cause

The City only recently took over the golf course and had not finalized all of the policies and procedures related to operations.

Recommendation

It is recommended that the City review its golf course operations specific to the bar and implement sufficient controls to ensure inventory is fully secured and cash collections are property verified and accounted for.

Management's Response

Impact:

The bar is unsecured with full access to the liquor which can lead to a loss of inventory; deposits are showing overages/shortages at the end of shifts.

Responsible Individual: City Manager to secure the bar; City Manager, bar manager, Clerk-Treasurer to tighten cash handling and close-out procedures.

Consideration of recommendation: Processes are in place whereby the deposit is verified the next morning by the Clerk-Treasurer's office staff and locked bags are being utilized for chain of custody control.

Steps required: Additional training of bar & restaurant staff on proper close out and cash handling procedures will be done immediately; Will build into the next fiscal budget money to purchase a gate or door to close off the bar when not in use, to insure this is corrected prior to our next annual audit.

Clerk-Treasurer's office will no longer accept deposits that do not have proper back up documentation verifying all daily amounts. Cashiers will be held accountable for following the cash handling policy and procedures.

Monitor Progress: Instances of shortages/overages require automatic written reprimand per City Cash Handling policy. Bar manager will confirm that proper documentation is provided with each deposit prior to submitting it to the Clerk-Treasurer's office.

**STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
SCHEDULE OF FINDINGS AND REPOSSES
FOR THE YEAR ENDED JUNE 30, 2017**

2017-003 – IMPROPER SIGNATURES ON GRANT DRAW – Significant Deficiency

Statement of Condition

While reviewing documentation related to a special appropriation draw made on 10/13/2016 for \$159,918.43, we noticed that the signatures for the Department Head and the Procurement Officer on the Purchase Requisition/Quotation Form did not appear to be consistent with signatures we had observed previously. Additional review suggested that the signatures were not genuine and were obtained by the former City Manager due to the unavailability of the two proper signatories.

Due to this discrepancy, we reviewed the circumstances surrounding the draw in more detail and did not identify any concerns regarding the appropriateness of the overall transaction. A properly signed form was found in the file, but for an amount that did not include applicable GRT for the purchase. It appeared that the signature discrepancy was more a matter of convenience than anything nefarious.

Criteria

Signatures on official documents should be from the authorized signer. In the event an individual is unavailable, documentation should be maintained showing the actual signed had proper signature authority.

Effect

The City could be subject to draw requests and or other signed agreements being disallowed due to improper signatures.

Cause

The cause was not identifiable as the individual responsible for the form was no longer with the City.

Recommendation

It is recommended that the City ensure only authorized personnel are signing documents and that the signer uses his/her name when signing. Additionally, if a secondary individual is given signature authority, that should be documented and maintained with the signed document.

Management's Response

Impact: Falsifying signatures is against the law and could impact the City immensely by way of assets being given away.

Responsible Individual: City Manager and Clerk-Treasurer

Consideration of recommendation: We each sign our own signature on documents. The person responsible for this incident is no longer with the City.

Steps required: Do not rehire the Individual responsible.

Monitor progress: Success will be measured by the lack of a repeat finding.

**STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
OTHER DISCLOSURES
FOR THE YEAR ENDED JUNE 30, 2017**

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 11, 2017. The following individuals were in attendance.

City of Elephant Butte Officials

Gerald LaFont	City Councilor
Kim Skinner	City Councilor
Yovanne Lucero	City Manager
Karen Rieth	City Clerk/Treasurer

Integrity Accounting & Consulting

Erick Robinson, CPA, CFE	Partner
Jela Basista, CPA	Audit Staff