

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018
INDEPENDENT AUDITORS' REPORT

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
FOR THE YEAR ENDED JUNE 30, 2018
TABLE OF CONTENTS

	Page
DIRECTORY OF OFFICIALS	1
INDEPENDENT AUDITORS' REPORT	2 - 4
BASIC FINANCIAL STATEMENTS:	
Government-Wide Financial Statements	
Statement of Net Position	6 - 7
Statement of Activities	8
Fund Financial Statements	
Major Governmental Funds	
Balance Sheet - Governmental Funds	10
Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Position	11
Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds	12 - 13
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances of Governmental Funds to the Statement of Activities	14
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual - General Fund	15
Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual - Fire Fund	16

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
FOR THE YEAR ENDED JUNE 30, 2018
TABLE OF CONTENTS

	Page
Proprietary Funds	
Statement of Net Position	18 - 19
Statement of Revenues, Expenses and Changes in Net Position	20
Statement of Cash Flows	21
Notes to Financial Statements	23 - 48
 REQUIRED SUPPLEMENTARY INFORMATION:	
Schedule of Proportionate Share of the Net Pension Liability - PERA Municipal General Division	50
Schedule of Contributions - PERA Municipal General Division	51
Notes to Required Supplementary Information	52
 SUPPLEMENTARY INFORMATION:	
Nonmajor Governmental Funds	55
Combining Balance Sheet	56
Combining Statement of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual - Governmental Fund Types - Non-Major Funds	57 - 58
Schedule of Depositories	60
Schedule of Collateral Pledged by Depository for Public Funds	61
Schedule of Joint Powers Agreements	62
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>	64 - 66
Schedule of Findings and Responses	67 - 82
Entrance and Exit Conference	83

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
DIRECTORY OF OFFICIALS
JUNE 30, 2018

City Council

NAME	TITLE
Eunice Kent	Mayor
Kim Skinner	Mayor Pro Tem
Travis Atwell	Councilor
Gerald LaFont	Councilor
Edna Trager	Councilor

City Officials

David Duval	City Manager
Rani Bush	Clerk Treasurer
Jessica Newberry	Deputy Clerk



INDEPENDENT AUDITORS' REPORT

Brian Colon, State Auditor
and the Mayor and City Council of the
City of Elephant Butte, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, aggregate remaining fund information, and the budgetary comparisons for the general fund, and major special revenue fund of City of Elephant Butte, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements 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.

Auditors' 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.

Basis for Qualified Opinion

During testwork, we were not able to verify the beginning balances due to inadequate accounting records relating to the City's capital assets, accumulated depreciation, and depreciation expense accounts as of and for the year ended June 30, 2018. We were unable to determine these amounts through the use of alternative procedures and, as such, we are unable to verify amounts related to capital assets as of June 30, 2018 and the depreciation accrual for the year then ended. The effect on assets, net position, and expenses of the governmental and business-type activities is not readily determinable.

Qualified Opinion

In our opinion, except for the possible effects of the matters described in the "Basis for Qualified Opinion" paragraph, 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, 2018, and the respective changes in financial position and where applicable, cash flows thereof and the respective budgetary comparison 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, except for the possible effects of the matters described in the "Basis for Qualified Opinion" paragraph, 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, 2018, and the respective changes in financial position and cash flows, where applicable, for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the Management's Discussion and Analysis which is required 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. Accounting principles generally accepted in the United States of America require 10 year schedules on pages 50-51 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 sufficient evidence to express an opinion or provide any assurance.

Other Information

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

The other schedules required by Section 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 other schedules required by Section 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 July 17, 2019 on our consideration of City of Elephant Butte's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering City of Elephant Butte's internal control over financial reporting and compliance.


Beasley, Mitchell & Co.
Las Cruces, New Mexico
July 17, 2019

GOVERNMENT - WIDE FINANCIAL STATEMENTS

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
STATEMENT OF NET POSITION
JUNE 30, 2018

	Governmental Activities	Business-type Activities	Total
ASSETS AND DEFERRED OUTFLOWS			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 894,756	\$ 605,398	\$ 1,500,154
Taxes receivable	110,865	8,790	119,655
Accounts receivable	-	36,933	36,933
Due from other funds	68,325	9,452	77,777
Inventory	-	39,841	39,841
Total current assets	<u>1,073,946</u>	<u>700,414</u>	<u>1,774,360</u>
NON-CURRENT ASSETS:			
Restricted cash	318,843	46,792	365,635
Capital assets, net of accumulated depreciation	<u>5,516,828</u>	<u>13,967,654</u>	<u>19,484,482</u>
Total non-current assets	<u>5,835,671</u>	<u>14,014,446</u>	<u>19,850,117</u>
Total assets	6,909,617	14,714,860	21,624,477
DEFERRED OUTFLOWS:			
Deferred outflows	<u>83,947</u>	<u>69,912</u>	<u>153,859</u>
Total deferred outflows	<u>83,947</u>	<u>69,912</u>	<u>153,859</u>
Total assets and deferred outflows	<u>\$ 6,993,564</u>	<u>\$ 14,784,772</u>	<u>\$ 21,778,336</u>

See independent auditors' report and accompanying notes to financial statements

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
STATEMENT OF NET POSITION
JUNE 30, 2018

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
LIABILITIES, DEFERRED INFLOWS, AND NET POSITION			
CURRENT LIABILITIES:			
Accounts payable	\$ 74,536	\$ 67,531	\$ 142,067
Due to other funds	9,452	68,325	77,777
Compensated absences	17,380	14,359	31,739
Customer deposits	-	49,431	49,431
Accrued expenses	7,547	11,157	18,704
Accrued interest	2,259	18,306	20,565
Current portion of long-term debt	<u>44,068</u>	<u>98,240</u>	<u>142,308</u>
Total current liabilities	155,242	327,349	482,591
NON-CURRENT LIABILITIES:			
Compensated absences, net of current	5,793	4,786	10,579
Net pension liability	261,647	217,908	479,555
Loans and notes payable, net of current	<u>673,911</u>	<u>1,242,768</u>	<u>1,916,679</u>
Total non-current liabilities	<u>941,351</u>	<u>1,465,462</u>	<u>2,406,813</u>
Total liabilities	1,096,593	1,792,811	2,889,404
DEFERRED INFLOWS:			
Deferred inflows	<u>17,483</u>	<u>14,559</u>	<u>32,042</u>
Total deferred inflows	<u>17,483</u>	<u>14,559</u>	<u>32,042</u>
Total liabilities and deferred inflows	1,114,076	1,807,370	2,921,446
NET POSITION:			
Net investment in capital assets	4,798,849	12,626,646	17,425,495
Restricted for:			
General fund	25,049	-	25,049
Special revenue funds	386,821	-	386,821
Capital project fund	135,201	-	135,201
Unrestricted	<u>533,568</u>	<u>350,756</u>	<u>884,324</u>
Total net position	<u>5,879,488</u>	<u>12,977,402</u>	<u>18,856,890</u>
Total liabilities, deferred inflows, and net position	<u>\$ 6,993,564</u>	<u>\$ 14,784,772</u>	<u>\$ 21,778,336</u>

See independent auditors' report and accompanying notes to financial statements

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Functions/Programs:	Program Revenues				Net (Expense) Revenue and Change in Net Position		Total
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-type Activities	
Governmental activities:							
General government	\$ 674,109	\$ 28,000	\$ -	\$ -	\$ (646,109)	\$ -	\$ (646,109)
Public safety	306,465	7,284	170,782	-	(128,399)	-	(128,399)
Public works	172,660	-	-	233,129	60,469	-	60,469
Culture and recreation	70,649	9,939	-	-	(60,710)	-	(60,710)
Health and welfare	35,599	-	-	-	(35,599)	-	(35,599)
Total governmental activities	1,259,482	45,223	170,782	233,129	(810,348)	-	(810,348)
Business-type activities:							
Water	255,681	222,763	-	-	-	(32,918)	(32,918)
Waste water	594,567	289,276	-	-	-	(305,291)	(305,291)
Sierra Del Rio Golf Course	1,121,678	709,656	-	-	-	(412,022)	(412,022)
Total business-type activities	1,971,926	1,221,695	-	-	-	(750,231)	(750,231)
Total primary government	\$ 3,231,408	\$ 1,266,918	\$ 170,782	\$ 233,129	(810,348)	(750,231)	(1,560,579)
General Revenues:							
Taxes:							
Property taxes					273,794	-	273,794
Gross receipts taxes					328,728	66,577	395,305
Motor vehicle and fuel taxes					14,315	-	14,315
Gasoline taxes					25,199	-	25,199
Lodgers taxes					37,618	-	37,618
Franchise taxes					59,035	-	59,035
License, fees, and fines					293,410	-	293,410
Small cities assistance					131,704	-	131,704
Miscellaneous					79,339	729	80,068
Transfers between governmental and business-type					(440,378)	440,378	-
Total general revenues and transfers					802,764	507,684	1,310,448
Change in net position					(7,584)	(242,547)	(250,131)
Net position, beginning of year					5,879,600	13,219,949	19,099,549
Restatement					7,472	-	7,472
Net position, beginning of year as restated					5,887,072	13,219,949	19,107,021
Net position, end of year					\$ 5,879,488	\$ 12,977,402	\$ 18,856,890

See independent auditors' report and accompanying notes to financial statements

GOVERNMENTAL FUND STATEMENTS

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2018

	<u>General Fund</u>	<u>Fire Fund</u>	<u>Capital Projects Service</u>	<u>Non-Major Governmental Fund</u>	<u>Total Governmental Funds</u>
ASSETS					
Cash and cash equivalents	\$ 618,770	\$ 31,520	\$ 146,997	\$ 97,469	\$ 894,756
Restricted cash	25,049	215	-	293,579	318,843
Taxes receivable	103,774	-	-	7,091	110,865
Due from other funds	70,961	-	-	-	70,961
Total assets	<u>\$ 818,554</u>	<u>\$ 31,735</u>	<u>\$ 146,997</u>	<u>\$ 398,139</u>	<u>\$ 1,395,425</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE					
Current liabilities					
Accounts payable	\$ 22,323	\$ 3,829	\$ 11,796	\$ 36,588	\$ 74,536
Accrued expenses	7,547	-	-	-	7,547
Due to other funds	-	-	-	12,088	12,088
Total liabilities	<u>29,870</u>	<u>3,829</u>	<u>11,796</u>	<u>48,676</u>	<u>94,171</u>
Deferred inflows:					
Property tax	22,110	-	-	-	22,110
Total deferred inflows	<u>22,110</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>22,110</u>
Total liabilities and deferred inflows	<u>51,980</u>	<u>3,829</u>	<u>11,796</u>	<u>48,676</u>	<u>116,281</u>
FUND BALANCES:					
Restricted, reported in:					
General fund	25,049	-	-	-	25,049
Capital projects fund	-	-	135,201	-	135,201
Special revenue funds	-	27,906	-	358,915	386,821
Unrestricted, reported in:					
General fund	741,525	-	-	-	741,525
Debit services	-	-	-	(9,452)	(9,452)
Total fund balances	<u>766,574</u>	<u>27,906</u>	<u>135,201</u>	<u>349,463</u>	<u>1,279,144</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 818,554</u>	<u>\$ 31,735</u>	<u>\$ 146,997</u>	<u>\$ 398,139</u>	<u>\$ 1,395,425</u>

See independent auditors' report and accompanying notes to financial statements

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2018

Total fund balances - governmental funds		\$ 1,279,144
Amount reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.		
The cost of capital assets	7,253,623	
Accumulated depreciation	<u>(1,736,795)</u>	5,516,828
Deferred outflows - Contributions made after the measurement date, will be recognized as a reduction of net pension liability	22,564	
Deferred outflows- due to actual non-investment experience that was better than expected and changes in benefits or assumption which result in a decrease to net pension liability.	<u>61,383</u>	83,947
Deferred inflows- due to actual non-investment experience that was better than expected and changes in benefits or assumption which result in a decrease to net pension liability.		(17,483)
Long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds: - property tax		22,110
Other long-term liabilities and certain other liabilities are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term and other liabilities at year end consist of:		
Accrued Interest	(2,259)	
Note payable	(717,979)	
Net pension liability	(261,647)	
Compensated absences	<u>(23,173)</u>	<u>(1,005,058)</u>
Total net position - governmental activities		<u>\$ 5,879,488</u>

See independent auditors' report and accompanying notes to financial statements

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	<u>General Fund</u>	<u>Fire Fund</u>	<u>Capital Projects Fund</u>	<u>Non-Major Governmental Fund</u>	<u>Total Governmental Funds</u>
REVENUES					
Gross receipts tax	\$ 273,258	\$ -	\$ -	\$ 55,470	\$ 328,728
Franchise tax	59,035	-	-	-	59,035
Property tax	267,541	-	-	-	267,541
Motor vehicle tax	-	-	-	14,315	14,315
Lodgers tax	-	-	-	37,618	37,618
Gas tax	-	-	-	25,199	25,199
Small cities assistance	131,704	-	-	-	131,704
Charges for service	28,000	-	-	17,223	45,223
Intergovernmental-State	-	150,182	233,129	20,600	403,911
Licenses, permits and fees	292,284	-	-	480	292,764
Interest income	1,005	166	-	-	1,171
Miscellaneous	<u>56,815</u>	<u>4,745</u>	<u>10,164</u>	<u>6,668</u>	<u>78,392</u>
Total revenues	1,109,642	155,093	243,293	177,573	1,685,601
EXPENDITURES					
General government	766,075	-	-	-	766,075
Public safety	32,480	110,089	-	82,578	225,147
Public works	-	-	-	33,938	33,938
Culture and recreation	-	-	-	68,308	68,308
Health and welfare	35,599	-	-	-	35,599
Capital outlay	-	54,925	108,201	9,846	172,972
Debt service:					
Principal	-	17,964	-	25,063	43,027
Interest	<u>-</u>	<u>7,470</u>	<u>-</u>	<u>8,629</u>	<u>16,099</u>
Total expenditures	<u>834,154</u>	<u>190,448</u>	<u>108,201</u>	<u>228,362</u>	<u>1,361,165</u>
Excess (deficiency) of revenues over expenditures	<u>275,488</u>	<u>(35,355)</u>	<u>135,092</u>	<u>(50,789)</u>	<u>324,436</u>

See independent auditors' report and accompanying notes to financial statements

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS (CONT)
FOR THE YEAR ENDED JUNE 30, 2018

	<u>General Fund</u>	<u>Fire Fund</u>	<u>Capital Projects Fund</u>	<u>Non-Major Governmental Fund</u>	<u>Total Governmental Funds</u>
OTHER FINANCING SOURCES (USES):					
Transfer in	-	-	72,573	180,204	252,777
Transfer out	<u>(323,248)</u>	<u>-</u>	<u>(239,481)</u>	<u>(130,426)</u>	<u>(693,155)</u>
Total other sources (uses)	<u>(323,248)</u>	<u>-</u>	<u>(166,908)</u>	<u>49,778</u>	<u>(440,378)</u>
Net change in fund balance	(47,760)	(35,355)	(31,816)	(1,011)	(115,942)
Fund balance at beginning of year, previously restated	760,903	63,261	167,017	100,816	1,091,997
Restatement	<u>53,431</u>	<u>-</u>	<u>-</u>	<u>249,658</u>	<u>303,089</u>
Fund balance at beginning of year, as restated	<u>814,334</u>	<u>63,261</u>	<u>167,017</u>	<u>350,474</u>	<u>1,395,086</u>
Fund balance at end of year	<u>\$ 766,574</u>	<u>\$ 27,906</u>	<u>\$ 135,201</u>	<u>\$ 349,463</u>	<u>\$ 1,279,144</u>

See independent auditors' report and accompanying notes to financial statements

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND
BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2018

Net change in fund balances - total governmental funds \$ (115,942)

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

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital assets reported as capital outlay expenditures	172,972	
Depreciation expense	(238,483)	(65,511)
Change in deferred outflows		(92,828)
Change in deferred inflows		(7,940)
Change in net pension liability		238,422
Property taxes do not provide current financial resources, made available to pay for current period's expenditures, reported as deferred inflows in funds		6,253
Change in accrued interest		422
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		43,027
In the Statement of Activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts paid).		(13,487)
Change in net position of governmental activities		\$ (7,584)

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Gross receipts tax	\$ 376,000	\$ 378,500	\$ 234,841	\$ (143,659)
Franchise tax	36,000	36,000	59,035	23,035
Property tax	244,756	244,756	267,541	22,785
Small cities assistance	175,000	175,000	131,704	(43,296)
Charges for service	70	70	28,000	27,930
Licenses, permits and fees	14,555	14,555	292,284	277,729
Interest income	1,000	1,000	1,005	5
Miscellaneous revenue	<u>338,000</u>	<u>389,000</u>	<u>56,815</u>	<u>(332,185)</u>
Total revenues	1,185,381	1,238,881	1,071,225	(167,656)
EXPENDITURES:				
General government	817,589	868,189	759,663	108,526
Public safety	30,200	30,200	32,480	(2,280)
Public works	2,000	2,000	-	2,000
Health and welfare	<u>35,000</u>	<u>35,000</u>	<u>35,599</u>	<u>(599)</u>
Total expenditures	<u>884,789</u>	<u>935,389</u>	<u>827,742</u>	<u>107,647</u>
Excess (deficiency) of revenues over expenditures	300,592	303,492	243,483	(60,009)
OTHER FINANCING SOURCES (USES)				
Transfers in	10,000	10,000	-	(10,000)
Transfers out	<u>(304,123)</u>	<u>(387,796)</u>	<u>(323,248)</u>	<u>64,548</u>
Total other financing uses	(294,123)	(377,796)	(323,248)	54,548
Net changes in fund balance	6,469	(74,304)	(79,765)	(5,461)
Fund balance - beginning of the year, as previously stated	814,334	814,334	760,903	(53,431)
Restatement	-	-	53,431	53,431
Fund balance - beginning of the year	<u>814,334</u>	<u>814,334</u>	<u>814,334</u>	<u>-</u>
Fund balance - end of the year	<u>\$ 820,803</u>	<u>\$ 740,030</u>	<u>\$ 734,569</u>	<u>\$ (5,461)</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ (79,765)	
Net revenue accruals			38,417	
Net expenditure accruals			<u>6,412</u>	
Net change in fund balance GAAP basis			<u>\$ (47,760)</u>	

See independent auditors' report and accompanying notes to financial statements

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
SPECIAL REVENUE FUND - FIRE FUND
FOR THE YEAR ENDED JUNE 30, 2018

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
State-Fire Marshall Allotment	\$ 110,000	\$ 124,690	\$ 150,182	\$ 25,492
Interest income	-	-	166	166
Miscellaneous revenue	-	-	4,745	4,745
Total revenues	<u>110,000</u>	<u>124,690</u>	<u>155,093</u>	<u>30,403</u>
EXPENDITURES:				
Public safety	63,602	188,625	105,473	83,152
Capital outlay	-	-	54,924	(54,924)
Principal	-	-	17,964	(17,964)
Interest	-	-	7,470	(7,470)
Total expenditures	<u>63,602</u>	<u>188,625</u>	<u>185,831</u>	<u>2,794</u>
Excess (deficiency) of revenues over expenditures	46,398	(63,935)	(30,738)	33,197
Net changes in fund balance	46,398	(63,935)	(30,738)	33,197
Fund balance - beginning of the year	<u>63,261</u>	<u>63,261</u>	<u>63,261</u>	<u>-</u>
Fund balance - end of the year	<u>\$ 109,659</u>	<u>\$ (674)</u>	<u>\$ 32,523</u>	<u>\$ 33,197</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ (30,738)	
Net expenditure accruals			<u>(4,617)</u>	
Net change in fund balance GAAP basis			<u>\$ (35,355)</u>	

See independent auditors' report and accompanying notes to financial statements

PROPRIETARY FUNDS

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2018

ASSETS	<u>Water</u>	<u>Waste Water</u>	<u>Sierra Del Rio Golf Course</u>	<u>Total Proprietary</u>
CURRENT ASSETS:				
Cash and cash equivalents	\$ 353,012	\$ 252,386	\$ -	\$ 605,398
Accounts receivable	19,302	17,364	267	36,933
Taxes receivable	1,578	2,730	4,482	8,790
Due from government funds	3,572	5,880	-	9,452
Inventory	<u>-</u>	<u>-</u>	<u>39,841</u>	<u>39,841</u>
Total current assets	377,464	278,360	44,590	700,414
NON-CURRENT ASSETS:				
Restricted cash and cash equivalent	46,792	-	-	46,792
Capital assets, net of accumulated depreciation	<u>1,259,333</u>	<u>10,389,461</u>	<u>2,318,860</u>	<u>13,967,654</u>
Total non-current assets	<u>1,306,125</u>	<u>10,389,461</u>	<u>2,318,860</u>	<u>14,014,446</u>
Total assets	1,683,589	10,667,821	2,363,450	14,714,860
DEFERRED OUTFLOWS:				
Deferred outflows	<u>12,830</u>	<u>14,957</u>	<u>42,125</u>	<u>69,912</u>
Total assets and deferred outflows	<u>\$ 1,696,419</u>	<u>\$ 10,682,778</u>	<u>\$ 2,405,575</u>	<u>\$ 14,784,772</u>

See independent auditors' report and accompanying notes to financial statements

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
STATEMENT OF NET POSITION (CONT)
PROPRIETARY FUNDS
JUNE 30, 2018

	<u>Water</u>	<u>Waste Water</u>	<u>Sierra Del Rio Golf Course</u>	<u>Total Proprietary</u>
LIABILITIES, DEFERRED INFLOWS AND NET POSITION				
CURRENT LIABILITIES:				
Accounts payable	\$ 19,126	\$ 24,943	\$ 23,462	\$ 67,531
Due to governmental funds	-	-	68,325	68,325
Payroll liabilities	3,088	-	8,069	11,157
Accrued interest	377	17,929	-	18,306
Customer meter deposits	49,431	-	-	49,431
Current portion of compensated absences	6,965	-	7,394	14,359
Current portion of long-term debt	<u>15,626</u>	<u>82,614</u>	<u>-</u>	<u>98,240</u>
Total current liabilities	94,613	125,486	107,250	327,349
NON-CURRENT LIABILITIES:				
Compensated absences	2,321	-	2,465	4,786
Net pension liability	39,994	46,615	131,299	217,908
Notes payable, net of current	<u>234,466</u>	<u>1,008,302</u>	<u>-</u>	<u>1,242,768</u>
Total non-current liabilities	<u>276,781</u>	<u>1,054,917</u>	<u>133,764</u>	<u>1,465,462</u>
Total liabilities	371,394	1,180,403	241,014	1,792,811
DEFERRED INFLOWS:				
Deferred inflows	<u>2,671</u>	<u>3,116</u>	<u>8,772</u>	<u>14,559</u>
Total liabilities and deferred inflows	374,065	1,183,519	249,786	1,807,370
NET POSITION				
Net investment in capital assets	1,009,241	9,298,545	2,318,860	12,626,646
Unrestricted	<u>313,113</u>	<u>200,714</u>	<u>(163,071)</u>	<u>350,756</u>
Total net position	<u>1,322,354</u>	<u>9,499,259</u>	<u>2,155,789</u>	<u>12,977,402</u>
Total liabilities, deferred inflows and net position	<u>\$ 1,696,419</u>	<u>\$ 10,682,778</u>	<u>\$ 2,405,575</u>	<u>\$ 14,784,772</u>

See independent auditors' report and accompanying notes to financial statements

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Water</u>	<u>Waste Water</u>	<u>Sierra Del Rio Golf Course</u>	<u>Total Proprietary</u>
OPERATING REVENUES				
Charges for services	\$ 222,763	\$ 289,276	\$ 709,656	\$ 1,221,695
Total operating revenue	222,763	289,276	709,656	1,221,695
OPERATING EXPENSES				
General operating	108,171	164,912	469,724	742,807
Personnel services	74,550	106,389	564,574	745,513
Depreciation	68,154	277,343	87,380	432,877
Total operating expenses	250,875	548,644	1,121,678	1,921,197
Operating loss	(28,112)	(259,368)	(412,022)	(699,502)
NON-OPERATING REVENUES:				
Taxes	11,955	20,674	33,948	66,577
Interest expenses	(4,806)	(45,923)	-	(50,729)
Interest income	-	729	-	729
Total non-operating revenues	7,149	(24,520)	33,948	16,577
Income (loss) before transfers	(20,963)	(283,888)	(378,074)	(682,925)
OTHER FINANCING SOURCES				
Transfers in	20,203	348,231	191,445	559,879
Transfers out	(52,286)	(67,215)	-	(119,501)
Total transfers	(32,083)	281,016	191,445	440,378
Change in net position	(53,046)	(2,872)	(186,629)	(242,547)
Net position, beginning of year	1,375,400	9,502,131	2,342,418	13,219,949
Net position, end of year	<u>\$ 1,322,354</u>	<u>\$ 9,499,259</u>	<u>\$ 2,155,789</u>	<u>\$ 12,977,402</u>

See independent auditors' report and accompanying notes to financial statements

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Water</u>	<u>Waste Water</u>	<u>Sierra Del Rio Golf Course</u>	<u>Total Proprietary</u>
Cash flows from operating activities:				
Cash received from customers	\$ 207,935	\$ 293,626	\$ 683,685	\$ 1,185,246
Cash paid to suppliers and employees	(29,056)	(75,207)	(406,575)	(510,838)
Cash paid to suppliers and employees	<u>(95,125)</u>	<u>(141,106)</u>	<u>(397,189)</u>	<u>(633,420)</u>
Net cash provided by operating activities	83,754	77,313	(120,079)	40,988
Cash flows from non-capital financing activities:				
Taxes	10,377	17,944	29,466	57,787
Transfers from other funds	<u>(32,083)</u>	<u>281,016</u>	<u>191,445</u>	<u>440,378</u>
Net cash provided by non-capital financing activities	(21,706)	298,960	220,911	498,165
Cash flows from capital and related financing activities:				
Interest expense	(4,806)	(45,194)	-	(50,000)
Change in capital assets	-	(239,482)	-	(239,482)
Principal payments on debt	<u>(15,345)</u>	<u>(80,756)</u>	<u>-</u>	<u>(96,101)</u>
Net cash used in capital and related financing activities	<u>(20,151)</u>	<u>(365,432)</u>	<u>-</u>	<u>(385,583)</u>
Net decrease in cash and cash equivalents	41,897	10,841	100,832	153,570
Cash and cash equivalents - beginning	<u>357,907</u>	<u>241,545</u>	<u>(100,832)</u>	<u>498,620</u>
Cash and cash equivalents - ending	<u>\$ 399,804</u>	<u>\$ 252,386</u>	<u>\$ -</u>	<u>\$ 652,190</u>
Reconciliation of operating loss to net cash used in operating activities:				
Operating loss	\$ (28,112)	\$ (259,368)	\$ (412,022)	\$ (699,502)
Adjustments to operating loss to net cash used in operating activities:				
Depreciation	68,154	277,343	87,380	432,877
Changes in net position and liabilities:				
Accounts receivable	2,296	25,187	16,154	43,637
Inventory	-	-	1,618	1,618
Other assets	(12,827)	(14,959)	(42,126)	(69,912)
Accounts payable	11,100	11,655	78,987	101,742
Compensated absences	7,155	(1,690)	9,859	15,324
Customer deposits	(722)	-	-	(722)
Other liabilities	<u>36,710</u>	<u>39,145</u>	<u>140,071</u>	<u>215,926</u>
Net cash provided by operating activities	<u>\$ 83,754</u>	<u>\$ 77,313</u>	<u>\$ (120,079)</u>	<u>\$ 40,988</u>

See independent auditors' report and accompanying notes to financial statements

NOTES TO FINANCIAL STATEMENTS

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (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 GASB periodically updates its codification of the existing Governmental Accounting and Financial reporting standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The more significant of the City's accounting policies are described below.

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable.

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.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, activities, or level of services performed or provided by the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization.

A. Reporting Entity

GASB Statement No. 14 established criteria for determining the governmental reporting entity and component units that should be included within the reporting entity.

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

A. Reporting Entity (continued)

Under provisions of this Statement, the City is considered a primary government, since it is a special-purpose government that has a separately elected governing body, is legally separate, and is fiscally independent of other state or local governments. As used in GASB Statement No. 14, fiscally independent means that the City may, without the approval or consent of another governmental entity, determine or modify its own budget, set rates or charges and issue bonded debt.

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable.

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.

The City has no component units, defined by GASB Statement No. 14 as other legally separate organizations for which the elected City members are financially accountable. There are no other primary governments with which the City Council Members are financially accountable. There are no other primary governments with which the City has a significant relationship.

The accounts of the City are organized and operated on the basis of funds. A fund is an independent fiscal and accounting entity with a self-balancing set of accounts. Fund accounting segregates funds according to their intended purpose and is used to aid management in demonstrating compliance with finance-related legal and contractual provisions. The minimum number of funds are maintained consistent with legal and managerial requirements.

B. Basis of Presentation

Government-Wide Financial Statements (GWFS) - The government-wide financial statements (the statement of net position and the statement of changes in net position) report information on all of the activities of the City. Fiduciary funds are not included in the GWFS. Fiduciary Funds are reported only in the Statement of Fiduciary Net Position at the fund financial statement level. The City has no Fiduciary Funds.

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

B. Basis of Presentation (continued)

The effect of interfund activity, within the governmental and business-type activities columns, has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given program are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific program. Program revenues include: 1) Charges for services is the term used for a broad category of program revenues that arise from charges to customers, applicants, or others who purchase, use, or directly benefit from the goods, services, or privileges provided, or are otherwise directly affected by the services. Revenues in this category include fees charged for specific services, such as water use or garbage collection; licenses and permits, such as businesses licenses, liquor licenses, and building permits; operating special assessments, such as for street cleaning or special street lighting; and any other amounts charged to service recipients. Fines and forfeitures are also included in this category because they result from direct charges to those who are otherwise directly affected by a program or service, even though specific grants and contributions (operating and capital) include revenues arising from mandatory and voluntary nonexchange transactions with other governments, organizations, or individuals that are restricted for use in a particular program. Some grants and contributions consist of capital assets or resources that are restricted for capital purposes to purchase, construct, or renovate capital assets associated with a specific program. These should be reported separately from grants and contributions that may be used either for operating expenses or for capital expenditures of the program at the discretion of the reporting government. These categories of program revenue are specifically attributable to a program and reduce the net expense of that program to the reporting government.

The City segregates transactions related to certain functions or activities in separate funds in order to aid financial management and to demonstrate legal compliance. Separate statements are presented for governmental and proprietary activities. These statements present each major fund as separate column on the fund financial statements; all non-major funds are aggregated and presented in a single column.

C. Measurement Focus, Basis of Accounting

Measurement focus refers to what is being measured; basis of accounting refers to when revenues and expenditures are recognized in the accounts and reported in the financial statements.

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting (continued)

Basis of accounting relates to the timing of the measurement made, regardless of the measurement focus applied.

Government-wide and Fiduciary Financial Statements- are reported using the economic resources measurement focus. The government wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied. Derived tax revenue, such as franchise and sales tax revenue, is recognized when the underlying exchange transaction occurs.

Program revenues included in the statement of activities derive directly from the program itself or from parties outside the City's taxpayer or citizenry, as a whole; program revenues reduced the cost of the function to be financed from the City's general revenues. Program revenues include charges for services or applicants who purchase, use, or directly benefit from the goods or services provided by the given function.

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

However, debt service expenditures, as well as expenditures related to compensated absences are recorded only when payment is due. The revenues susceptible to accrual are property taxes, franchise fees, licenses, charges for service, interest income and intergovernmental revenues. Sales taxes collected and held by the state at year end on behalf of the government are also recognized as revenue. All other governmental fund revenues are recognized when received.

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting (continued)

Government funds are used to account for the City's general government activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of general capital assets and the servicing of general long-term debt. Governmental funds include:

General Fund - This is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues are provided through property and other taxes, federal sources, state sources, charges for services, licenses and fees, and other miscellaneous recoveries and revenue. Expenditures include all costs associated with the daily operation of the City except for items included in other funds.

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

Capital Projects Fund - The Capital Projects Fund issued to account for the revenue and expenditures related to capital improvements.

Proprietary Funds - To account for business type activities, i.e. joint utilities, water, sewer and solid waste operations generating revenues. This fund distinguishes operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenues, such as charges for services, result from exchange transactions in which each party receives and gives up essentially equal values. Operating expenses include the cost of services, administrative expenses, and depreciation on capital assets.

All revenues and expenses not meeting this definition are reported as non-operating revenues or expenses. These include operating subsidies, investment earnings, interest expense, and transactions that result from non-exchange transactions.

The proprietary funds account for services to the general public where all or most of the costs including depreciation are to be financed or recovered from users of such services. The City maintains separate funds for gas, water, sewer and solid waste utility operations. These are reported as the Joint Utility Fund and are considered a major fund.

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

C. Measurement Focus, Basis of Accounting (continued)

Those revenues susceptible to accrual are property taxes, gross receipts taxes, investment income and charges for services. Grant revenues are recognized as revenues when the related costs are incurred. All other revenues are recognized when they are received and are not susceptible to accrual, because they are usually not measurable until payment is actually received. Expenditures are recorded as liabilities when they are incurred, except for non-matured interest on general long-term debt which is recognized when due, and certain compensated absences which are recognized when the obligations are expected to be liquidated with expendable available financial resources. The accrual basis of accounting is utilized by the proprietary fund. Under this method, revenues are recorded when earned and expenses are recorded at the time liabilities are incurred.

The City reports deferred inflows on its combined balance sheet. Unearned revenues arise when potential revenues do not meet both the "measurable" and "available" criteria for recognition in the current period. Unearned revenues also arise when resources are received by the City before it has legal claim to them, as when grant monies are received prior to the incurrence of qualifying expenditures. In subsequent periods when both revenue recognition criteria methods are met or when the City has a legal claim to the resources, the liability for deferred inflows is removed from the combined balance sheet and revenue is recognized.

Fiduciary Funds - are purely custodial (assets equal liabilities) and do not involve measurement of results of operations.

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position

Cash and Cash Equivalents - The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition. The City is authorized under the provisions of Chapter 6, Article 10, paragraph 10, NMSA 1978, to deposit its money in banks, savings and loan associations and/or credit unions whose accounts are insured by an agency of the United States.

Inventory - Proprietary fund inventories are recorded at the lower of cost or market on a first-in, first-out basis, and consist of operating supplies held for use in operations and are recorded as an expense when consumed rather than when purchased.

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position (continued)

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

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

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

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

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

Deferred Outflows - In the government-wide fund financial statements, deferred outflows are contributions to a pension or OPEB plan or after the measurement date, and the change in assumption.

Capital Assets - Capital assets, which include property, buildings, equipment, and infrastructure assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements and in the fund financial statements for proprietary funds. Capital assets are recorded at historical costs and depreciated over their estimated useful lives (with no salvage value).

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position (continued)

Capital assets are defined by the City as assets with an initial individual cost of more than \$5,000 and an estimated useful life in excess of one year. Donated capital assets are recorded at their estimated fair market value on the date received. Additions, improvements and other capital outlays that significantly extend the useful life of an asset are capitalized. Other costs incurred for repairs and maintenance are expensed as incurred. The construction period interest is not capitalized in the proprietary funds.

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

Assets	Years
Buildings	30 - 40
Public domain infrastructure	10 - 40
System infrastructure	10 - 40
Equipment	5 - 25
Vehicles	10 -15

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

Compensated Absences - The City employees are entitled to certain compensated absences based on their employment classification and length of employment. With minor exceptions, the City allows 40 hour week employees to accumulate unused sick leave. Accumulated unused sick leave, however, is not paid upon termination from employment or retirement, but will be paid only upon illness while in the employment of the City. Accordingly, no provision for accumulated unused sick leave has been made in the accompanying financial statements.

Full-time, permanent employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the City.

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

1. **SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**

D. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Net Position (continued)

Compensated Absences (continued)

Accumulated unused vacation is payable upon retirement or termination from employment. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Deferred Inflows - Within the governmental funds, revenues must be available in order to be recognized. Revenues such as real estate taxes that are not available are recorded as deferred inflows and reflected within the balance sheet.

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 type statement of net position. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

Net Position - The government-wide and business-type activities fund financial statements utilize a net position presentation. When both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as needed.

Net Investment in Capital Assets - This category reflects the portion of net position that are associated with capital assets less outstanding capital asset related debt.

Unrestricted Net Position - This category reflects net position of the City, not restricted for any project or other purpose.

Restricted Net Position - Restricted net position results from the constraints placed on the use of net position when externally imposed by creditors, grantors, laws and regulations of other governments and imposed by law through constitutional provisions or enabling legislation.

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

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

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

- a. Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or
- b. Imposed by law through constitutional provisions or enabling legislation. Enabling legislation, as the term is used in this Statement, authorizes the government to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that a government can be compelled by an external party-such as citizens, public interest groups, or the judiciary-to use resources created by enabling legislation only for the purposes specified by the legislation.

Fund Balance - In the fund financial statements, governmental fund balances are classified as follows:

Reserved, designated for subsequent year's expenditures - Represents the amounts, other than carryover expenditures, which are required to be designated for subsequent year's expenditures.

Unreserved, undesignated - Amounts that have not been reserved or designated for any purpose. These funds are available for unrestricted use by the City.

Inter-Fund Transactions - Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund from expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed. All other inter-fund transactions, except quasi-external transactions and reimbursements are reported as transfers. All other inter-fund transfers are reported as operating transfers.

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Estimates - The preparation of financial statements in conformity with generally accepted accounting principles 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.

Implementation of New Accounting Standards

In June 2017, GASB Statement No. 87 Leases, was issued. Effective date: The provisions of this Statement are effective for financial statements for the objective of this Statement is to improve accounting and financial reporting for periods beginning after December 15, 2019. Earlier application is encouraged. The City is still evaluating how this pronouncement will affect the financial statements.

In June 2018, GASB No. 89, Accounting for Interest Cost Incurred Before the End of a Construction Period, was issued. The objectives of this Statement are (1) to enhance the relevance and comparability of information about capital assets and the cost of borrowing for a reporting period and (2) to simplify accounting for interest cost incurred before the end of a construction period. The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The requirements of this Statement should be applied prospectively. The City is still evaluating how this pronouncement will affect the financial statements.

In December 2018, GASB No. 90, Majority Equity Interests, was issued. The primary objectives of this Statement are to improve the consistency and comparability of reporting a government's majority equity interest in a legally separate organization and to improve the relevance of financial statement information for certain component units. It defines a majority equity interest and specifies that a majority equity interest in a legally separate organization should be reported as an investment if a government's holding of the equity interest meets the definition of an investment. A majority equity interest that meets the definition of an investment should be measured using the equity method, unless it is held by a special-purpose government engaged only in fiduciary activities, a fiduciary fund, or an endowment (including permanent and term endowments) or permanent fund. Those governments and funds should measure the majority equity interest at fair value.

For all other holdings of a majority equity interest in a legally separate organization, a government should report the legally separate organization as a component unit, and the government or fund that holds the equity interest should report an asset related to the majority equity interest using the equity method. This Statement establishes that ownership of a majority equity interest in a legally separate organization results in the government being financially accountable for the legally separate organization and, therefore, the government should report that organization as a component unit.

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

Implementation of New Accounting Standards (continued)

This Statement also requires that a component unit in which a government has a 100 percent equity interest account for its assets, deferred outflows of resources, liabilities, and deferred inflows of resources at acquisition value at the date the government acquired a 100 percent equity interest in the component unit. Transactions presented in flows statements of the component unit in that circumstance should include only transactions that occurred subsequent to the acquisition. The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. The City is still evaluating how this pronouncement will affect the financial statements.

In May 2019, GASB No. 91, Conduit Debt Obligations, was issued. The primary objectives of this Statement are to provide a single method of reporting conduit debt obligations by issuers and eliminate diversity in practice associated with (1) commitments extended by issuers, (2) arrangements associated with conduit debt obligations, and (3) related note disclosures. This Statement achieves those objectives by clarifying the existing definition of a conduit debt obligation; establishing that a conduit debt obligation is not a liability of the issuer; establishing standards for accounting and financial reporting of additional commitments and voluntary commitments extended by issuers and arrangements associated with conduit debt obligations; and improving required note disclosures. The requirements of this Statement are effective for reporting periods beginning after December 15, 2020. Earlier application is encouraged. The City is still evaluating how this pronouncement will affect the financial statements.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Annual budgets for the City are prepared prior to June 1 and must be approved by the Council Members and the New Mexico Department of Finance and Administration. Once the budget has been formally approved, the City Council Members and the Department of Finance and Administration must also approve any amendments. A separate budget is prepared for each fund. Line items within each budget may be over-expended; however, it is not legally permissible to over-expend any budget in total.

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

These budgets are prepared on the Non-GAAP cash basis, excluding encumbrances, and secure appropriation of funds for only one year. Carryover funds must be re-appropriated in the budget of the subsequent fiscal year.

The budgetary information presented in these financial statements has been amended in accordance with the above procedures.

Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, and Proprietary Funds.

The City is required to balance its budgets each year. Accordingly, amounts that are excess or deficient are presented as changes in cash designated for expenditures, not as an excess or deficiency of revenues over expenditures. The accompanying Statements of Revenues, Expenditures and Changes in Fund Balance - Budget (Non-GAP Budgetary Basis) and Actual present comparisons of the legally adopted budget with actual data on a budgetary basis.

Since accounting principals applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principals, 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, 2018 is presented.

Budgetary Control

1. Prior to June 1, the City's Clerk-Treasurer submits the budget for the fiscal year commencing the following July 1. The operating budget includes proposed expenditures and the means of financing them. Public hearings are conducted in May and June to obtain taxpayers comments.

2. Prior to July 1, the budget is legally enacted through passage of an ordinance and then must be approved by Local Government Division of the State Department of Finance and Administration.

3. The City Council is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the State Department of Finance and Administration.

4. Formal budgetary integration is employed as a management control device during the year for all funds.

5. The level of budget authority is at the fund level.

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

3. CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

New Mexico State Statutes provide authoritative guidance regarding the deposit of cash and idle cash.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more bank or savings and loan associations within the geographical boundaries of the City. Deposits may be made to the extent that they are insured by an agency of the United States of America or by collateral deposited as security or by bond given by the financial institution. The rate of interest in no case shall the rate of interest be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of deposit.

Idle cash may be invested in a wide variety of instruments, including money market accounts, certificates of deposit, the New Mexico State Treasurer's investment pool, or in securities which are issued by the state or by the United States government, or by their departments or agencies, and which are either direct obligations of the state or the United States, or are backed by the full faith and credit of those governments.

Cash Deposited with Financial Institutions

The City maintains cash in one financial institution within Sierra County, New Mexico. The City's deposits are carried at cost.

Cash and investments - The City is required by New Mexico State Statute (Section 6-10-17) to be 50 percent collateralized. Following is a schedule calculating the requirement and disclosing the pledged securities.

<u>Depository Account</u>	<u>Bank Balance</u>
Cash held by bank	\$ 1,757,015
FDIC Insured	250,000
Uninsured and uncollateralized	<u>1,507,015</u>
50% Collateralization Requirement	753,508
Pledged Securities	<u>2,304,933</u>
Over (Under) Collateralized	<u>1,551,425</u>

Custodial Credit Risk - Deposits - Custodial Credit Risk is the risk that in the event of bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of June 30, 2018, \$1,507,015 of the City's bank balance of \$2,050,810 was exposed to custodial credit risk as follows:

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

3. CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS (CONTINUED)

Except for items in transit, the carrying value of deposits by the respective depositories equated to the carrying value by the City. All deposits are collateralized with eligible securities, as described by New Mexico State Statute, in amounts equal to at least 50% of the City carrying value of the deposits (demand and certificates of deposit). Such collateral, as permitted by the state statutes is held in each respective depository bank's collateral pool at a Federal Elephant Butte Bank, or member bank other than the depository bank, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds with the exception of deposit insurance provided by the Federal Deposit Insurance Corporation.

A detailed listing of the pledged collateral is contained in the supplemental financial information section of this report. According to the Federal Deposit Insurance Corporation, public unit deposits are owned by the public unit. Demand, time deposits, savings deposits and interest bearing money market accounts at a public unit in an institution in the same state will be insured up to \$250,000 in aggregate.

4. ACCOUNTS AND TAXES RECEIVABLES

Receivables as of June 30, 2018 , were as follows:

	Governmental Activities	Business- Type Activities	Total
Accounts receivable	\$ -	\$ 36,933	\$ 36,933
Taxes receivable	110,865	8,790	119,655
Net receivables	\$ 110,865	\$ 45,723	\$ 156,588

Taxes receivable for the governmental funds consists primarily of taxes collected by the collection agency in the current year but not remitted to the City until after year-end. All governmental fund receivables are considered collectible.

The City has booked allowance for uncollectible accounts totaling \$20,159 that is netted against the utility receivables. All other receivables are considered collectible.

5. CAPITAL ASSETS

A summary of capital assets and changes occurring during the year ended June 30, 2018, including those changes pursuant to the implementation of GASB Statement No. 34, follows. Land and Construction in Progress is not subject to depreciation.

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

5. CAPITAL ASSETS (CONTINUED)

Capital asset activity for the City's primary government for the year ended June 30, 2018, was as follows:

	<u>Beginning Balance</u>	<u>Adjustments</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Government activities:					
Capital assets not being depreciated:					
Land	\$ 1,177,627	\$ -	\$ -	\$ -	\$ 1,177,627
Construction in progress	<u>14,574</u>	<u>-</u>	<u>108,202</u>	<u>(14,574)</u>	<u>108,202</u>
Total capital assets not being depreciated	<u>1,192,201</u>	<u>-</u>	<u>108,202</u>	<u>(14,574)</u>	<u>1,285,829</u>
Capital Assets, being depreciated					
Buildings and improvements	862,284	-	-	14,574	876,858
Infrastructure	3,837,189	-	-	-	3,837,189
Vehicles	771,686	(106,899)	-	-	664,787
Equipment	<u>524,191</u>	<u>-</u>	<u>64,770</u>	<u>-</u>	<u>588,961</u>
Total capital assets, being depreciated	<u>5,995,350</u>	<u>(106,899)</u>	<u>64,770</u>	<u>14,574</u>	<u>5,967,795</u>
Total capital assets	<u>7,187,551</u>	<u>(106,899)</u>	<u>172,972</u>	<u>-</u>	<u>7,253,624</u>
Less accumulated depreciation for:					
Buildings and improvements	(345,119)	-	(20,246)	-	(365,365)
Infrastructure	(621,673)	-	(132,265)	-	(753,938)
Vehicles	(441,371)	106,899	(55,348)	-	(389,820)
Equipment	<u>(197,049)</u>	<u>-</u>	<u>(30,624)</u>	<u>-</u>	<u>(227,673)</u>
Total accumulated depreciation	<u>(1,605,212)</u>	<u>106,899</u>	<u>(238,483)</u>	<u>-</u>	<u>(1,736,796)</u>
Total other capital assets, net	<u>\$ 5,582,339</u>	<u>\$ -</u>	<u>\$ (65,511)</u>	<u>\$ -</u>	<u>\$ 5,516,828</u>

Depreciation expense was charged to governmental activities as follows:

General government	\$ 16,102
Public safety	81,318
Public works	138,722
Culture and recreation	<u>2,341</u>
Total depreciation expense	<u>\$ 238,483</u>

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

5. CAPITAL ASSETS (CONTINUED)

	<u>Beginning Balance</u>	<u>Adjustments</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Business-type activities:					
Capital assets not being depreciated:					
Land	\$ 1,613,964	\$ -	\$ -	\$ -	\$ 1,613,964
Construction in progress	<u>31,543</u>	<u>-</u>	<u>239,481</u>	<u>(271,024)</u>	<u>-</u>
Total capital assets not depreciated	<u>1,645,507</u>	<u>-</u>	<u>239,481</u>	<u>(271,024)</u>	<u>1,613,964</u>
Other Capital Assets					
Buildings	710,986	-	-	-	710,986
Waste Water System Infrastructure	14,443,066	-	271,024	-	14,714,090
Infrastructure	710,986	-	-	-	710,986
Vehicles	160,451	-	-	-	160,451
Equipment	<u>502,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>502,000</u>
Total capital assets at historical cost	<u>16,527,489</u>	<u>-</u>	<u>271,024</u>	<u>-</u>	<u>16,798,513</u>
Total capital assets	<u>18,172,996</u>	<u>-</u>	<u>510,505</u>	<u>(271,024)</u>	<u>18,412,477</u>
Less accumulated depreciation					
Buildings	(203,138)	-	(20,314)	-	(223,452)
Waste Water System Infrastructure	(2,870,460)	-	(335,056)	-	(3,205,516)
Infrastructure	(473,991)	-	(47,399)	-	(521,390)
Vehicles	(60,692)	-	(10,441)	-	(71,133)
Equipment	<u>(403,666)</u>	<u>-</u>	<u>(19,667)</u>	<u>-</u>	<u>(423,333)</u>
Total capital assets depreciated	<u>(4,011,947)</u>	<u>-</u>	<u>(432,877)</u>	<u>-</u>	<u>(4,444,824)</u>
Business-type capital assets, net	<u>\$ 14,161,049</u>	<u>\$ -</u>	<u>\$ 77,628</u>	<u>\$ (271,024)</u>	<u>\$ 13,967,654</u>

Depreciation expense was charged to governmental activities as follows:

Water fund	\$ 68,154
Wastewater fund	277,343
SDR golf course fund	<u>87,380</u>
Total depreciation expense	<u>\$ 432,877</u>

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

6. NOTES PAYABLE AND COMPENSATED ABSENCES

GOVERNMENTAL

During the year-end June 30, 2018, the following changes occurred in the liabilities reported in the government-wide statement of net position:

Governmental Funds	Balance June 30, 2017	Additions	Reductions	Balance June 30, 2018	Due Within One Year
Fire- 2591-PP	\$ 210,897	\$ -	\$ 17,964	\$ 192,933	\$ 18,612
Streets- 3317-PP	<u>550,109</u>	<u>-</u>	<u>25,063</u>	<u>525,046</u>	<u>25,456</u>
Total	<u>\$ 761,006</u>	<u>\$ -</u>	<u>\$ 43,027</u>	<u>\$ 717,979</u>	<u>\$ 44,068</u>

The annual requirements to amortize the above loans as of June 30, 2018, including interest payments are as follows:

Years Ending June 30,	Principal	Interest	Total
2019	\$ 44,068	\$ 14,911	\$ 58,979
2020	45,111	13,868	58,979
2021	46,183	12,796	58,979
2022	47,284	11,695	58,979
2023	48,416	10,564	58,980
2024-2028	235,175	34,708	269,883
2029-2033	153,456	15,005	168,461
2034-2038	<u>98,286</u>	<u>3,104</u>	<u>101,390</u>
Total	<u>\$ 717,979</u>	<u>\$ 116,651</u>	<u>\$ 834,630</u>

Compensated absences	Balance June 30, 2017	Additions	Reductions	Balance June 30, 2018	Due Within One Year
Compensated absences	<u>\$ 9,686</u>	<u>\$ 68,219</u>	<u>\$ 54,732</u>	<u>\$ 23,173</u>	<u>\$ 17,380</u>

Compensated absences typically have been liquidated in the General Fund.

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

6. NOTES PAYABLE AND COMPENSATED ABSENCES (continued)

PROPRIETARY

During the year-end June 30, 2018, the following changes occurred in the liabilities reported in the of business type statement of net position:

Proprietary Funds	Balance			Balance	Due Within
	June 30, 2017	Additions	Reductions	June 30, 2018	One Year
Wastewater- RIP 2006-02	\$ 334,533	\$ -	\$ 23,572	\$ 310,961	\$ 24,278
Wastewater- RIP 2007-02	357,418	-	22,885	334,532	23,572
Wastewater- CWSRF-06	345,471	-	21,627	323,844	22,060
Wastewater- WTB-59	60,588	-	6,059	54,529	6,074
Wastewater- WTB-87	73,663	-	6,613	67,050	6,630
Water- DW-2495	239,996	-	13,878	226,118	14,155
Water- WTB-0280	<u>25,441</u>	<u>-</u>	<u>1,467</u>	<u>23,974</u>	<u>1,471</u>
Total	<u>\$ 1,437,110</u>	<u>\$ -</u>	<u>\$ 96,101</u>	<u>\$ 1,341,008</u>	<u>\$ 98,240</u>

The annual requirements to amortize the above loans as of June 30, 2018, including interest payments are as follows:

Years Ending June 30,	Principal	Interest	Total
2019	\$ 98,240	\$ 30,728	\$ 128,968
2020	100,435	28,533	128,968
2021	102,688	26,280	128,968
2022	105,000	23,968	128,968
2023	107,373	21,595	128,968
2024-2028	567,817	70,114	637,931
2029-2033	257,931	10,872	268,803
2034-2038	<u>1,524</u>	<u>-</u>	<u>1,524</u>
	<u>\$ 1,341,008</u>	<u>\$ 212,090</u>	<u>\$ 1,553,098</u>

Compensated absences	Balance			Balance	Due Within
	June 30, 2017	Additions	Reductions	June 30, 2018	One Year
Compensated absences	<u>\$ 3,821</u>	<u>\$ 48,393</u>	<u>\$ 33,069</u>	<u>\$ 19,145</u>	<u>\$ 14,359</u>

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

7. LEASE AGREEMENTS

The City has a financing lease with Yamaha Motor Finance Corporation for 51 golf carts that began June 15, 2017, for 60 months at a \$2,913.47 monthly rate with a 3.8 % interest rate. The amount expensed in 2017-2018 was \$43,513.

8. PENSION PLAN PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

General Information about the Pension Plan

Plan description

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

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

Benefits provided

For a description of the benefits provided and recent changes to the benefits see Note 1 in the PERA audited financial statements for the fiscal year ended June 30, 2017 available at:

<http://www.nmpera.org/assets/uploads/downloads/Schedule-of-Employer-Allocation-for-report-FY17-Edited.pdf>

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

8. PENSION PLAN PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)
Contributions

The contribution requirements of defined benefit plan members and the (name of employer) are established in state statute under Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature. For the employer and employee contribution rates in effect for FY17 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on pages 29 through 31 of the PERA FY17 annual audit report at https://reports.saonm.org/media/audits/366_Public_Employees_Retirement_Association_FY_2017.pdf. The PERA coverage options that apply to the City is Municipal General Division. Statutorily required contributions to the pension plan from the City were \$41,171 and employer paid member benefits that were "picked up" by the employer were \$0 for the year ended June 30, 2017.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions:

The PERA pension liability amounts, net pension liability amounts, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2017. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2017, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2017.

The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members) for whom separate contribution rates are determined each year pursuant to chapter 10, Article 11 NMSA 1978. Therefore, the calculations of the net pension liability, pension expense and deferred Inflows and Outflows were preformed separately for each of the membership groups: municipal general members; municipal police members; municipal fire members; state general members; state police members and legislative members. The City's proportion of the net pension liability for each membership group that the employer participates in is based on the employer contributing entity's percentage of that membership group's total employer contributions for the fiscal year ended June 30, 2016. Only employer contributions for the pay period end dates that fell within the period of July 1, 2016 to June 30, 2017 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2017 are included in the total contribution amounts.

In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population.

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

8. PENSION PLAN PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions (continued):

This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

For PERA Fund Division Municipal General, at June 30, 2017, the City reported a liability of \$479,555 for its proportionate share of the net pension liability. At June 30, 2018, the City's proportion was \$479,555, which was unchanged from its proportion measured as of June 30, 2017, due to the insignificance of the difference.

For the year ended June 30, 2017, the City recognized PERA Fund Division Municipal General pension expense of \$399,011. At June 30, 2017, the City reported PERA Fund Division Municipal General deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred outflows of Resources	Deferred inflows of Resources
Differences between expected and actual experience	\$ 22,115	\$ 4,956
Changes of assumptions	39,345	-
Net difference between projected and actual earnings on pension plan investments	18,843	24,561
Changes in proportion and differences between City of Elephant Butte contributions and proportionate share of contributions	32,200	2,525
City of Elephant Butte contributions subsequent to the measurement date	41,356	-
Total	\$ 153,859	\$ 32,042

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

8. PENSION PLAN PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)

In June 30, 2017 \$41,356, deferred outflows - contributions made after measurement date, will be recognized as a reduction of net pension liability. Other deferred amounts to be recognized in fiscal years following the reporting date are below:

Year Ended June 30:

2019	\$	479,555
2020	\$	53,157
2021	\$	15,781
2022	\$	(11,498)

Actuarial assumptions. As described above, the PERA Fund member group pension liabilities and net pension liabilities are based on actuarial valuations performed as of June 30, 2017 for each of the membership groups. Then each PERA Fund member group pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2017 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2017. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2017 actuarial valuation.

Actuarial valuation date	June 30, 2016
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay
Amortization period	Solved for based on statutory rates
Asset valuation method	4 year smoothed market value
Actuarial assumptions:	
- Investment rate of return	7.71% annual rate, net of investment expense
- Projected benefit payment	100 years
-Payroll growth	3.25% annual rate
-Projected salary increases	2.75% to 14.00% annual rate
-Includes inflation at	2.75% annual rate
Mortality assumption	RP-2000 Mortality Tables (Combined table for healthy post-retirements, employee table for active members, and Disabled table for disabled retirees before retirement age) with projection to 2018 using Scale AA.
Experience study dates	July 1, 2008 to June 30, 2013(demographic) and July 1, 2010 through June 20, 2015 (economic)

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

8. PENSION PLAN PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)

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

ALL FUNDS - Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
Global Equity	43.50	7.39 %
Risk Reduction & Mitigation	21.50	1.79 %
Credit Oriented Fixed Income	15.00	5.77 %
Real Assets	20.00	7.35 %
Total	100.0	

Discount rate: The discount rate used to measure the total pension liability was 7.51 percent. The projection of cash flows used to determine the discount rate assumed that future contributions will be made in accordance with statutory rates. On this basis, the pension plan's fiduciary net position together with the expected future contributions are sufficient to provide all projected future benefit payments of current plan members as determined in accordance with GASB 67. Therefore, the 7.51 percent assumed long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the net pension liability to changes in the discount rate:

The following table shows the sensitivity of the net pension liability to changes in the discount rate. In particular, the tables present City of Elephant Butte's net pension liability in each PERA Fund Division that City of Elephant Butte participates in, under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.51%) or one percentage point higher (8.51%) than the single discount rate.

	1% Decrease 6.51%	Current 7.51%	1% Increase 8.51%
Net Pension Liability	\$ 751,622	\$ 479,555	\$ 253,294

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued FY17 Restated PERA financial report. The report is available at <http://www.pera.state.nm.us/publications.html>.

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

8. PENSION PLAN PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)

Payables to the pension plan. Employers should disclose the amount of payables to the Plan with a description of what gave rise to the payable per GASB 68, paragraphs 122 and 124.

9. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts, theft of or damage to and destruction of assets, errors and omissions, injuries to employees, and natural disasters. To manage these risks the City participates as a member of the New Mexico Self Insurer's Fund, a pooled joint powers Insurance Authority. The Authority is administered by the New Mexico Municipal League, a nonprofit, comprised of 103 public entities. The Authority is organized under joint powers agreements as provided by Section 11-1-1 et. Seq, NMSA, 1978. The purpose of the Authority is to arrange and administer programs for pooling of self-insured losses, to purchase excess insurance or reinsurance, and to arrange for group-purchased insurance for property and other coverage. Each member government participates in the election of Board of Directors, who appoints the Insurance Board of Trustees.

Tort claims are generally limited by the Tort Claims Act, Section 41-4-1 et. Seq, NMSA, 1978. The City retains some risk for coverage which may be less than the tort claims limitation. Certain claims relating to certain public construction, operation of motor vehicles, building maintenance and certain health care activities are exempt from the Act.

The New Mexico Self Insurer's Fund assesses a premium to the City to cover expenses of the fund which includes claims, reinsurance expenses, administration and other costs.

10. INTERFUND TRANSFERS

Net operating transfers and internal amounts owed are made to close out funds and to supplement other funding sources in the normal course of operations. Amounts are expected to be repaid within 1 year.

Interfund transfers during the year ended December 31, 2018 consisted the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ -	\$ (323,248)
Law Enforcement Fund	20,000	-
Lodgers Fund	6,991	-
Streets Fund	7,262	(1,473)
Recreation Fund	26,450	-
Capital Projects Fund	72,573	(239,481)
Debt Service Fund	119,501	(128,953)
Water Fund	20,203	(52,286)
Waste Water Fund	348,231	(67,215)
SDR Golf Course Fund	<u>191,445</u>	<u>-</u>
	<u>\$ 812,656</u>	<u>\$ (812,656)</u>

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2018

11. DEFICIT FUND BALANCE

The City had a deficit fund balance in the following funds:

Fund	Deficit
Debt service	\$ (9,452)
EMS Fund	(12,482)
Law enforcement	(22,385)
Totals	\$ (31,837)

Money will be transferred to the funds to increase the fund balance and eliminate the deficit.

12. SUBSEQUENT EVENTS

Management has evaluated subsequent events through July 17, 2019 the date the financial statements were available to be issued.

13. RESTATEMENT

A prior year adjustment of \$303,089 was recorded for the fiscal year ended June 30, 2018. Of the total adjustment, \$249,658 was to record available cash held by NMFA that was not previously recorded. The remaining \$53,431 was related to transfers to clear an inactive agency fund that was still present in the general ledger.

An additional \$295,617 was recorded in the government wide adjustments to book long term debt related to an existing NMFA note not previously recorded.

Restatements

Cash	
Cash restatement	\$ 249,658
Inactive agency funds	53,431
Cash restatement	303,089
Long term debt	295,617
	\$ 7,472

14. TAX ABATEMENT

There are no tax abatements to report under GASB 77.

REQUIRED SUPPLEMENTARY INFORMATION

CITY OF ELEPHANT BUTTE
SCHEDULE OF PROPORTIONATE SHARE OF THE NET PENSION LIABILITY
PERA MUNICIPAL GENERAL DIVISION
LAST 10 FISCAL YEARS*
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN
FOR THE YEAR ENDED JUNE 30, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
The City of Elephant Butte's proportion of the net pension liability	\$ 479,555	\$ 500,069	\$ 316,072	\$ 248,074
The City of Elephant Butte's proportionate share of the net pension liability	0.0349%	0.0313%	0.0310%	0.0318%
The City of Elephant Butte's covered-employee payroll	\$ 564,128	\$ 425,248	\$ 398,047	\$ 407,836
The City of Elephant Butte's proportionate share of the net pension liability as a percentage of its covered-employee payroll	85.01 %	117.59 %	79.41 %	60.83 %
Plan fiduciary net position as a percentage of the total pension liability	73.74 %	69.18 %	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 of Elephant Butte will present information for those years for which information is available.

CITY OF ELEPHANT BUTTE
SCHEDULE OF CONTRIBUTIONS
PERA MUNICIPAL GENERAL DIVISION
LAST 10 FISCAL YEARS*
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN
FOR THE YEAR ENDED JUNE 30, 2018

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 41,171	\$ 28,085	\$ 27,786	\$ 24,669
Contributions in relation to the contractually required contribution	<u>(41,171)</u>	<u>(28,085)</u>	<u>(27,786)</u>	<u>(24,669)</u>
Contribution deficiency (excess)	-	-	-	-
The City of Elephant Butte' covered-employee payroll	<u>\$ 564,128</u>	<u>\$ 425,248</u>	<u>\$ 398,047</u>	<u>\$ 407,836</u>
Contributions as a percentage of covered-employee payroll	5.18 %	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 of Elephant Butte will present information for those years for which information is available.

CITY OF ELEPHANT BUTTE
NOTES TO THE REQUIRED SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2018

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION

Changes of benefit terms- The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 on page 21 of the PERA FY17 audit available at:

https://www.saonm.org/media/audits/366B_NM_PERA_Schedule_of_Employer_Allocation_FY2017.pdf

Changes of assumptions- The Public Employees Retirement Association (PERA) of the NEW Mexico Annual Actuarial Valuation as of June 30, 2017 is available at:

<http://www.nmpera.org/assets/uploads/downloads/Schedule-of-Employer-Allocation-for-report-FY17-Edited.pdf>

Changes in assumptions resulted in a decrease in the total pension liability for the PERA Fund and an decrease of the funded ratio for the year ended June 30, 2017. See more details of actuarial methods and assumptions on Note 2 on page 22 of PERA's Schedule of Employer Allocations and Pension amounts at:

https://www.saonm.org/media/audits/366B_NM_PERA_Schedule_of_Employer_Allocation_FY2017.pdf

SUPPLEMENTAL INFORMATION

NON-MAJOR GOVERNMENTAL FUNDS

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

SPECIAL REVENUE FUNDS

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

EMS Fund- 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 the state provision (NMSA 59A-53-1)

Municipal Streets Fund - To account for the receipts and expenditures of special gas line tax which is restricted for use in repairing and maintaining roads and streets within the municipality. The fund was created by the authority of state grant provisions. (NMSA 29-13-3)

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

Lodgers Fund- To account for the operations of promotional activities of the City. Financing is provided primarily by specific tax levied on area motels (NMSA 3-38-14)

Recreation Fund- To account for the operations and maintenance of recreation facilities. Financing is provided by a tax imposed on cigarette purchases to the extent that other revenues are not sufficient to provide such services (NMSA7-12-15 and 16)

DEBT SERVICE FUNDS

Debt Service Fund- A cash reserve that is used to pay for the interest and principal payments on municipal debt

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2018

	<u>Special Revenue</u>						<u>Debt Service</u>	<u>Total Nonmajor Fund</u>
	<u>Correction Fund</u>	<u>EMS Fund</u>	<u>Streets Fund</u>	<u>Law Enforcement Fund</u>	<u>Lodgers Fund</u>	<u>Recreation Fund</u>	<u>Debt Service Fund</u>	
ASSETS								
Cash and cash equivalents	\$ 4,022	\$ -	\$ 45,624	\$ 2,615	\$ 35,075	\$ 10,133	\$ -	\$ 97,469
Restricted cash and cash equivalents	-	-	293,579	-	-	-	-	293,579
Taxes receivable	-	-	7,091	-	-	-	-	7,091
Total assets	<u>\$ 4,022</u>	<u>\$ -</u>	<u>\$ 346,294</u>	<u>\$ 2,615</u>	<u>\$ 35,075</u>	<u>\$ 10,133</u>	<u>\$ -</u>	<u>\$ 398,139</u>
LIABILITIES AND FUND BALANCE								
Accounts payable	\$ -	\$ 9,846	\$ -	\$ 25,000	\$ -	\$ 1,742	\$ -	\$ 36,588
Due to other funds	-	2,636	-	-	-	-	9,452	12,088
Total liabilities	<u>-</u>	<u>12,482</u>	<u>-</u>	<u>25,000</u>	<u>-</u>	<u>1,742</u>	<u>9,452</u>	<u>48,676</u>
Fund balance:								
Restricted, reported in:								
Special revenue funds	4,022	(12,482)	346,294	(22,385)	35,075	8,391	-	358,915
Unassigned, reported in:								
Debt service funds	-	-	-	-	-	-	(9,452)	(9,452)
Total fund balance	<u>4,022</u>	<u>(12,482)</u>	<u>346,294</u>	<u>(22,385)</u>	<u>35,075</u>	<u>8,391</u>	<u>(9,452)</u>	<u>349,463</u>
Total liabilities and fund balance	<u>\$ 4,022</u>	<u>\$ -</u>	<u>\$ 346,294</u>	<u>\$ 2,615</u>	<u>\$ 35,075</u>	<u>\$ 10,133</u>	<u>\$ -</u>	<u>\$ 398,139</u>

See independent auditors' report and accompanying notes to financial statements

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Special Revenue</u>					<u>Debt Service</u>	<u>Total Nonmajor Funds</u>	
	<u>Correction Fund</u>	<u>EMS Fund</u>	<u>Streets Fund</u>	<u>Law Enforcement Fund</u>	<u>Lodgers Fund</u>	<u>Recreation Fund</u>		<u>Debt Service Funds</u>
REVENUES								
Gross receipts tax	\$ -	\$ -	\$ 55,470	\$ -	\$ -	\$ -	\$ -	\$ 55,470
Motor vehicle tax	-	-	14,315	-	-	-	-	14,315
Lodgers tax	-	-	-	-	37,618	-	-	37,618
Gas tax	-	-	25,199	-	-	-	-	25,199
Charges for service	-	7,284	-	-	-	9,939	-	17,223
Intergovernmental-State	-	-	-	20,600	-	-	-	20,600
Licenses, permits and fees	480	-	-	-	-	-	-	480
Miscellaneous	-	500	1,205	-	-	4,963	-	6,668
Total revenues	480	7,784	96,189	20,600	37,618	14,902	-	177,573
EXPENDITURES								
Public safety	-	9,593	-	72,985	-	-	-	82,578
Public works	-	-	33,938	-	-	-	-	33,938
Culture and recreation	-	-	-	-	34,697	33,611	-	68,308
Capital outlay	-	9,846	-	-	-	-	-	9,846
Debt Service:								
Principal	-	-	25,063	-	-	-	-	25,063
Interest	-	-	8,629	-	-	-	-	8,629
Total expenditures	-	19,439	67,630	72,985	34,697	33,611	-	228,362
Excess (deficiency) of revenues over expenditures	480	(11,655)	28,559	(52,385)	2,921	(18,709)	-	(50,789)

See independent auditors' report and accompanying notes to financial statements

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCE - NON-MAJOR GOVERNMENTAL FUNDS (CONT)
FOR THE YEAR ENDED JUNE 30, 2018

	<u>Special Revenue</u>					<u>Debt Service</u>	<u>Total Nonmajor Funds</u>	
	<u>Correction Fund</u>	<u>EMS Fund</u>	<u>Streets Fund</u>	<u>Law Enforcement Fund</u>	<u>Lodgers Fund</u>	<u>Recreation Fund</u>		<u>Debt Service Funds</u>
OTHER FINANCING USES:								
Transfers in	-	-	7,262	20,000	6,991	26,450	119,501	(180,204)
Transfers out	-	-	(1,473)	-	-	-	(128,953)	(130,426)
Total other financing uses	-	-	5,789	20,000	6,991	26,450	(9,452)	49,778
Net change in fund balance	480	(11,655)	34,348	(32,385)	9,912	7,741	(9,452)	(1,011)
Fund balance, beginning of year as previously stated	3,542	(827)	62,288	10,000	25,163	650	-	100,816
Restatement	-	-	249,658	-	-	-	-	249,658
Fund balance at beginning of year, as restated	3,542	(827)	311,946	10,000	25,163	650	-	350,474
Fund balance, end of year	<u>\$ 4,022</u>	<u>\$ (12,482)</u>	<u>\$ 346,294</u>	<u>\$ (22,385)</u>	<u>\$ 35,075</u>	<u>\$ 8,391</u>	<u>\$ (9,452)</u>	<u>\$ 349,463</u>

See independent auditors' report and accompanying notes to financial statements

OTHER SUPPLEMENTAL INFORMATION

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
SCHEDULE OF DEPOSITORIES
AS OF JUNE 30, 2018

	Type	Amount Per Bank	Deposits in Transit	Outstanding Checks	Balance Per Books
First Savings Bank					
Operating Account	CK	\$ 393,990	\$ 1,226,399	\$ (1,412,570)	\$ 207,819
Commander Savings	SV	1,337,976	-	-	1,337,976
Mescal Savings	SV	25,049	-	-	25,049
Total Bank Held Cash		\$ 1,757,015	\$ 1,226,399	\$ (1,412,570)	\$ 1,570,844
NMFA Held Cash		293,795	-	-	293,795
Cash on hand		-	-	-	1,150
Total Cash		\$ 2,050,810	\$ 1,226,399	\$ (1,412,570)	\$ 1,865,789

Type: CK= Checking SV= Savings

First Savings Bank

Total Cash	\$ 2,050,810
Less NMFA Elephant Butte	293,795
Less FDIC Insurance	<u>250,000</u>
Uninsured Public Funds	<u>1,507,015</u>
50% Collateral Requirements (Section 6-10-17 NMSA-1978)	753,508
Pledged Securities	<u>2,304,933</u>
Over (Under) Collateralized	<u>\$ 1,551,425</u>

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY FOR PUBLIC FUNDS
AS OF JUNE 30, 2018

First Savings Bank

<u>Description of Pledged Collateral</u>	<u>Amount</u>	<u>Maturity Date</u>	<u>CUISP</u>
FNMA Agency	\$ 193,388	04/05/2022	3135G0T45
FNMA 15YR	193,806	02/01/2026	3138A7GY8
GNMA 15YR	54,587	03/15/2027	36176XE21
FHLMC 15YR	211,849	05/01/2027	3128MDEC3
GNR 2012-96 AD	117,290	08/20/2027	38378HAU0
FHR 4136 NG	57,232	11/15/2027	3137AWKN4
FHLMC 15YR	567,632	01/01/2028	3128MDNRO
FNMA 15YA	65,178	01/01/2028	3138EKJA4
FNMA 10YR	227,170	10/01/2028	31418CTF1
FHLMC 15YR	148,413	01/01/2030	3128ME4V0
FHLMC 15YR	308,008	08/01/2031	3132KFNN8
GNR 2010-150 GJ	27,217	09/20/2039	38377NLJ1
FNR 2013-73 TC	<u>133,163</u>	09/25/2042	3136AFTR5
Total pledged securities	<u>\$ 2,304,933</u>		

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
SCHEDULE JOINT POWERS AGREEMENTS
FOR THE YEAR ENDED JUNE 30, 2018

<u>Other Participants</u>	<u>Agreement Description</u>	<u>Period</u>	<u>Project Cost</u>	<u>Fiscal Year Contribution</u>	<u>Party Responsible for Operations Reporting/ Audit Responsibility (if Any)</u>
LAW ENFORCEMENT SERVICES: Sierra County Sheriffs Office	The County of Sierra Sheriffs Office provides trained and certified personnel, equipment, training, and other law enforcement activities.	11/19/2014- Perpetual	\$30,000	\$30,000	County of Sierra
SIERRA COUNTY DISPATCH AUTHORITY: Sierra County, City of Truth or Consequences, Village of Williamsburg	The agreement creates a separate legal entity that provides a communications center to serve the County Sheriff's department and volunteer emergency services	Perpetual	Undeterminable	Undeterminable	County of Sierra
ANIMAL CONTROL: Truth or Consequences	The agreement stipulates that both the City of Elephant Butte and the City of Truth or Consequences shall share resources for local animal control activities.	Perpetual	Undeterminable	Undeterminable	City of Truth or Consequences
ELEPHANT BUTTE RESERVOIR: Sierra County, City of Truth or Consequences, Village of Williamsburg	The agreement creates a collective party effort to tame and regulate use of flood waters from the Rio Grande to maintain a minimum pool at the Reservoir.	09/13/2017- Perpetual	Undeterminable	Undeterminable	Joint powers agreement group

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
GOVERNMENT AUDITING STANDARDS**

INDEPENDENT AUDITORS' REPORT

Brian Colon, State Auditor
and the Mayor and City Council of the
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, and the aggregate remaining fund information, the budgetary comparisons of the general fund and major special revenue funds of City of Elephant Butte, as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise City of Elephant Butte's basic financial statements, and the combining and individual funds of the City, presented as supplemental information, and have issued our report thereon dated July 17, 2019. The independent auditors report that contains the qualified opinion on the financial statements is located on pages 4-6.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered City of Elephant Butte's internal control over financial reporting 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 City of Elephant Butte's internal control. Accordingly, we do not express an opinion on the effectiveness of City of Elephant Butte'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. We consider the deficiencies described in the accompanying schedule of findings and responses to be material weaknesses. (2018-001, 2018-014)

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. We consider the deficiencies described in the accompany schedule of findings and responses to be significant deficiencies. (2017-002, 2018-002, 2018-003, 2018-005, 2018-006, 2018-007, 2018-008, 2018-009, 2018-011, 2018-013, 2018-015)

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Elephant Butte's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2018-004, 2018-012 and 2018-010.

City of Elephant Butte Response to Findings

City of Elephant Butte's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. City of Elephant Butte's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

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 City of Elephant Butte internal control and compliance. Accordingly, this communication is not suitable for any other purpose.


Beasley, Mitchell & Co.
Las Cruces, New Mexico
July 17, 2019

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2018

PRIOR YEAR FINDINGS:

2017-001	Donated capital assets- Significant Deficiency	Resolved
2017-002	Golf course internal controls- Significant Deficiency	Revised and Repeated
2017-003	Improper signatures on grant draw- Significant Deficiency	Resolved

CURRENT YEAR FINDINGS:

2018-001	Fixed assets - Material Weakness	Current
2018-002	Cash deposit internal control- Significant Deficiency	Current
2018-003	Minutes- Significant Deficiency	Current
2018-004	Late audit- Other Non-Compliance	Current
2018-005	Expenses- Lack of proper authorization- Significant Deficiency	Current
2018-006	Journal Entry - Lack of approval- Significant Deficiency	Current
2018-007	Cash count- Significant Deficiency	Current
2018-008	Per Diem- compliance and internal control- Significant Deficiency	Current
2018-009	Segregation of duties- Significant Deficiency	Current
2018-010	GL and financial statements are inconsistent- Other Non-Compliance	Current
2018-011	Cash management- Significant Deficiency	Current
2018-012	Expenses in excess of budget- Other Non-Compliance	Current
2018-013	Bank Reconciliations- Significant Deficiency	Current
2018-014	Inventory of retail items- Material Weakness	Current
2018-015	Payroll and related liabilities- Significant Deficiency	Current

CITY OF ELEPHANT BUTTE
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2018

2017-002

Golf course internal controls- Significant Deficiency

Condition

While performing test work related to the City's golf course, there did not appear to be an effective process in place for the nightly closeout of the ProShop 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 an effective way to determine that the revenue collected was being appropriately reported to the City for recording in the general ledger.

There has been progress toward securing bar liquor inventory. The liquor being actively used is kept behind the bar area where only authorized personnel are permitted to enter. Additionally, the nightly closing process includes securing liquor.

Golf course bar has also seen improvement in bar cash register close out processes. The register is now closed out by a manager who does not participate in daily transactions. Reports generated by the POS system are ran and are reconciled to cash. Clerks office personnel also counts cash receipted and verifies against reports from the POS system.

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.

Cause

The City does not currently have an accounting policy and procedures manual to address nightly cash drawer close out procedures.

Effect

The City's golf course is susceptible to loss due to improperly reported revenue.

Recommendation

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

Management Response

The City has started a review of golf course operations specific to the Proshop and will implement sufficient controls to ensure cash collections are property verified and accounted for.

Expected Completion: September 30, 2019

Employee Responsible: City Clerk

CITY OF ELEPHANT BUTTE
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2018

2018-001

Fixed assets - Material Weakness

Condition	The City does not currently have procedures in place to properly maintain a capital asset listing internally and therefore could not produce a current list of assets. Additionally, a yearly inventory of capital assets was not performed before year end.
Criteria	GASB 34 requires movements to report general infrastructure assets in the Statement of Net Position. State law requires an annual inventory of capital assets be performed. Section 12-6-10, NMSA 1978 requires each agency to conduct an annual physical inventory of movable chattels and equipment on the inventory list at the end of each fiscal year.
Cause	The City does not have accounting policy and procedures in place.
Effect	Improper maintenance of capital assets listing may create errors in their accounting an reporting and may cause the financial statements to be improperly stated.
Recommendation	It is recommended that the City draft an accounting policies and procedures manual that includes the maintenance and treatment of capital assets.
Management Response	The City is working toward developing accounting policies and procedures that include the maintenance and treatment of capital assets. In addition, the staff is looking into getting assistance from an outside agency to update the fixed assets and inventory lists.

Expected Completion: September 30, 2019 **Employee Responsible:** City Clerk

CITY OF ELEPHANT BUTTE
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2018

2018-002

Cash deposit internal control- Significant Deficiency

Condition	During utility cash receipts walkthroughs, BMC observed that cash drawers were not being closed, reconciled and deposited with in 24 hours.
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.
Cause	The City does not currently have an accounting policy for cash handling.
Effect	Keeping cash on hand may expose the City to the risk of error, fraud, waste or abuse.
Recommendation	The City should develop and implement a policy for cash management to include procedures on daily cash deposits.
Management Response	The City has implemented a system to close and reconcile cash drawers daily.

Expected Completion: September 30, 2019

Employee Responsible: City Clerk

CITY OF ELEPHANT BUTTE
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2018

2018-003

Minutes- Significant Deficiency

Condition	City records pertaining to council meeting minutes were incomplete or missing. 2 out of 12 months (May 2018 & June 2018) in the fiscal year were missing official minutes and only had preliminary agendas available.
Criteria	NMSA chapter 10, article 15 sections D-G, states that any meetings at which the discussion or adoption of any proposed resolution, rule, regulation, or formal action occurs at which a quorum is in attendance, the meeting shall be made available to the public. The governing body shall keep written official minutes of all of its meetings to be available for public inspection.
Cause	The City clerks office experienced turnover and could not produce copies of official meeting minutes.
Effect	Violation of the open meetings act as the information in the official minutes should be available for public inspection.
Recommendation	The City should implement a process to ensure that all minutes are recorded and authorized in a timely manner.
Management Response	The new City Clerk-Treasurer is currently researching the missing documents to try and compile a complete archive. Beginning October 2018, the Clerk-Treasurer has ensured each meeting has been approved and has posted the minutes on the City website.

Expected Completion: September 30, 2019 **Employee Responsible:** City Clerk

CITY OF ELEPHANT BUTTE
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2018

2018-004

Late audit- Other Non-Compliance

Condition	City did not have an audit report submitted by the December 15, 2018 deadline.
Criteria	Per section 2.2.2.9 NMAC, the annual financial audit report shall be delivered to the state auditor by December 15.
Cause	The City experienced high turnover during the fiscal year as well as after fiscal year end.
Effect	The City is in violation of the audit rule and will be added to the State Auditors "At Risk" listing. Late audits result in untimely reporting.
Recommendation	It is recommended that the City close out the year in a timely manner in order to schedule fieldwork earlier and to promote timely reporting.
Management Response	The City is currently on track for the FY19 audit and has filed the appropriate paperwork with the State Auditor's office to clear this finding in the next fiscal year.

Expected Completion: December 15, 2019 **Employee Responsible:** City Clerk

CITY OF ELEPHANT BUTTE
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2018

2018-005

Expenses- Lack of proper authorization- Significant Deficiency

Condition

During testwork, 5 of 25 checks sampled, totaling \$10,587.45, were either missing a purchase order, the purchase order was dated after the expense was incurred and the required authorization signatures were omitted. Additionally, 2 checks totaling \$804.01 did not have any supporting documentation.

Criteria

The Auditing Standards (AU) Section 325 Exhibit B lists the following circumstance as a possible control deficiency, significant deficiency, or material weakness: "inadequate documentation of the components of internal control.

Cause

The City does not have an accounting policy and procedures in place relating to cash disbursements.

Effect

The City's internal control over authorizations and payments can have an adverse effect on proper accounting and can leave room for acquisition of unallowed or unauthorized disbursements.

Recommendation

It is recommended that the City draft an accounting policy and procedures that incorporates controls for prior authorization of cash disbursements.

Management Response

The City Clerk-Treasurer and the accounts payable clerk were both certified as CPO's in April and are working toward developing accounting policies and procedures with regard to purchase orders and the appropriate authorization signatures.

Expected Completion: September 30, 2019 **Employee Responsible:** City Clerk

CITY OF ELEPHANT BUTTE
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2018

2018-006

Journal Entry - Lack of approval- Significant Deficiency

Condition

During journal entry testwork, it was noted that the City does not have a review and approval process in place for the recording of manual journal entries.

Criteria

NMAC 2.20.5.8 states that each local body shall establish and maintain an internal control structure to provide management with reasonable assurance that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP. The internal control structure shall include written administrative controls. The entity should establish sufficient internal controls over journal entries and other adjustments.

Cause

The City does not have an accounting policy and procedures in place.

Effect

Lack of approval process can lead to management override and fraud.

Recommendation

It is recommended that the City draft an accounting policies and procedures manual that includes a journal entry approval process.

Management Response

The City is currently developing accounting policies and procedures which will include procedures for manual journal entries.

Expected Completion: September 30, 2019 **Employee Responsible:** City Clerk

CITY OF ELEPHANT BUTTE
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2018

2018-007

Cash count- Significant Deficiency

Condition	When conducting a surprise cash count, BMC observed that 1 of 5 the cash drawers was over by \$4.
Criteria	Per section 6-10-2 NMSA Public money: it is the duty of every public official or agency of this state that receives or disburses public money to maintain a cash record in which is entered daily, in detail, all items of receipts and disbursements of public money.
Cause	The City does not have an accounting policy and procedures in place.
Effect	The City's cash handling procedures do not allow for proper accounting and recording related to cash and could lead error, fraud, waste, or abuse.
Recommendation	It is recommended that the City develop a cash handling policy and procedures as a part of the accounting process.
Management Response	The City has implemented closing procedures to include reconciling cash drawers daily.

Expected Completion: June 1, 2019 **Employee Responsible:** City Clerk

CITY OF ELEPHANT BUTTE
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2018

2018-008	<u>Per Diem- compliance and internal control- Significant Deficiency</u>
Condition	Of the 8 per diem samples selected for testwork, 1 sample totaling \$144.55 had no backup documentation, 5 samples totaling \$490.85 were missing purchase orders or were missing the authorization signatures on the purchase order, 5 samples totaling \$547.92 were missing the reimbursement request or were missing the authorization signatures on the reimbursement request.
Criteria	2.42.1.10(A) NMAC - Authorizations: Upon written request accompanied by a travel voucher, agency heads and governing boards of local public bodies or their authorized designees may approve a public officer's or employee's request to be advanced up to 80 percent of per diem rates and mileage cost or for the actual cost of lodging and meals pursuant to 2.42.2.8 NMAC and 2.42.2.9 NMAC and for other travel expenses that may be reimbursed under NMAC 2.42.2.12. Requests for travel advances shall not be submitted to the financial control division of the department of finance and administration more than two weeks prior to travel unless, by processing the request earlier, significant savings can be realized for travel by common carrier or for registrations fees for seminars and conferences.
Cause	The City does not have an accounting policy and procedures in place.
Effect	There is a violation of State law.
Recommendation	It is recommended that the City draft an accounting policy to include procedures on per diem that are compliant with state and federal laws.
Management Response	The City is currently developing accounting policy to include procedures on per diem.

Expected Completion: September 30, 2019 **Employee Responsible:** City Clerk

CITY OF ELEPHANT BUTTE
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2018

2018-009

Segregation of duties- Significant Deficiency

Condition	During fiscal year 2018, the Clerk-Treasurer had the ability to sign City checks and reconciled the monthly bank statements.
Criteria	Systems of internal control with the most favorable designs allow for an adequate segregation of duties to reduce the risk of error or fraud because they are structure using a combination of controls designed to either detect instances of error or fraud before they occur. AU 325.
Cause	The City did not have segregation of duties and adequate internal controls.
Effect	A proper system of checks and balances are jeopardized when the person in charge of reconciling the bank accounts also possesses the ability to sign checks. The lack of segregation of duties may result in error, fraud, waste or abuse.
Recommendation	It is recommended that the person who reconciles the bank does not have check signing authority.
Management Response	The City has amended the signature authorization cards so that only the City Manager and 2 members of the City Council are signers.

Expected Completion: June 1, 2019 **Employee Responsible:** City Clerk

CITY OF ELEPHANT BUTTE
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2018

2018-010	<u>GL and financial statements are inconsistent- Other Non-Compliance</u>
Condition	The City general ledger reflects two old funds that were not properly inactivated and cleared. These funds have carried inactive cash/fund balances totaling \$80,019, in their general ledger for several years. The City's general ledger should be representative of actual activity. The funds were closed out to the general fund after discussion with DFA.
Criteria	The Codification of Statements on Auditing Standards (AU-C) Section 200 paragraph .05 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.
Cause	The City does not have accounting policy and procedures in place.
Effect	In active and uncleared funds could overstate/understate the cash available for City use.
Recommendation	It is recommended that the City draft an accounting policies and procedures manual.
Management Response	The City is currently developing accounting policy for the closing and inactivating of accounts and funds.

Expected Completion: September 30, 2019 **Employee Responsible:** City Clerk

CITY OF ELEPHANT BUTTE
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2018

2018-011

Cash management- Significant Deficiency

Condition

Total cash per the general ledger does not agree to the DFA report. The general ledger cash totals \$ 1,865,789 , while the DFA reports \$ 1,364,555 ending available cash. Additionally, the City did not book or report cash that is currently held by NMFA; in prior years the amount was \$249,658.

Criteria

Per Section 6-6-3 NMSA 1978, every local public body shall: 1) Keep all the books, records, and accounts in their respective offices in the form prescribed by the local government division; 3) Conform to the rules and regulations adopted by the local government division. Within Title 2, Chapter 20, Part 5, Public Finance Accounting by Governmental Entities of the New Mexico Administrative Code, The Department of Finance and Administration requires all accounting systems, including subsidiary systems, record transactions timely, completely, and accurately.

Cause

The City has experienced substantial turnover in the clerks office.

Effect

Cash balances per City books and prior years financial statements were understated.

Recommendation

The City should ensure all transactions inside and outside (third party transactions) are booked into the City's general ledger.

Management Response

The City is currently developing accounting policy for the accurate accounting of all transactions that affect the City's financials.

Expected Completion: September 30, 2019 **Employee Responsible:** City Clerk

CITY OF ELEPHANT BUTTE
 SCHEDULE OF FINDINGS AND RESPONSES
 FOR THE YEAR ENDED JUNE 30, 2018

2018-012

Expenses in excess of budget- Other Non-Compliance

Condition

Section 6-6-6 of the New Mexico State statutes restricts all officials and governing authorities from approving claims in excess of the approved budget. Additionally, section 6-6-6 prohibits any payments in excess of the approved budget. During the fiscal year ended June 30,2018 the City remitted payments for goods and services in excess of the adopted budget as follows:

FUND	BUDGETED EXPENSES	ACTUAL EXPENSES	DIFFERENCE
Streets Fund	\$ 32,000	\$ 67,630	\$ (35,630)
EMS Fund	8,000	10,568	(2,568)
Water Fund	236,955	323,498	(86,543)
SDR Golf Course	923,425	1,052,337	(128,912)

The City had transfers in excess of the adopted budget as follows:

FUND	BUDGETED TRANSFERS	ACTUAL TRANSFERS	DIFFERENCE
Capital Fund	\$ -	\$ 239,481	\$ (239,481)
Debt Fund	-	128,953	(128,953)

Excess expenditures/transfers for the fiscal year ended June 30,2018 were noted in 6 funds and totaled \$622,087.

Criteria

New Mexico State Statutes Section 6-6-6 states that all approved budgets shall bind all officials and governing authorities and no official can pay a claim in excess of the approved budget.

Cause

The City did not have accounting controls in place to ensure that it is not expending funds in excess of approved budgeted amounts.

Effect

Non-compliance with New Mexico state statutes subjects City officials and personnel to punishment as defined by state statutes.

Recommendation

It is recommended that the City draft an accounting policy to include procedures and controls on budget.

Management Response

The City will review the approved budget prior to authorizing expenditures.

Expected Completion: June 30, 2020 **Employee Responsible:** City Clerk

CITY OF ELEPHANT BUTTE
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2018

2018-013

Bank Reconciliations- Significant Deficiency

Condition	Monthly bank reconciliations were not performed in a timely manner. For 2 out of 12 months (May 2018 and June 2018) in the fiscal year.
Criteria	Section 6-6-3 NMSA, 1978 discusses good accounting practices and require that bank reconciliations be performed monthly to ensure that cash receipts and cash disbursements are recorded in a correct and timely manner and that differences or errors be followed up and corrected in a timely manner.
Cause	The City has experienced substantial employee turnover in the Clerks office.
Effect	Untimely reconciliations could leave room for cash balance errors or fraud.
Recommendation	It is recommended that the City draft an accounting policy to include procedures and controls bank reconciliations
Management Response	The City is currently developing accounting policy for bank reconciliations.

Expected Completion: September 30, 2019 **Employee Responsible:** City Clerk

CITY OF ELEPHANT BUTTE
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2018

2018-014

Inventory of retail items- Material Weakness

Condition

During testwork of consumable inventory, BMC noted that the City had a lack of controls over tracking inventory. There was no policy in effect for the current year that documented procedures for controlling, counting, or valuing inventory, and an inventory count was not performed at year end. The current balance of \$39,841 was not verified.

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.

Cause

The City does not have internal controls related to accounting for inventory.

Effect

The City is unable to affirm the accurate value of inventory assets in the City books.

Recommendation

It is recommended that the City draft an accounting policy to include procedures and controls inventory of consumables and retail items. The City should conduct a periodic count of inventory.

Management Response

The City is currently developing accounting policy for inventory.

Expected Completion: September 30, 2019 **Employee Responsible:** City Clerk

CITY OF ELEPHANT BUTTE
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2018

2018-015

Payroll and related liabilities- Significant Deficiency

Condition

During payroll testwork, 2 out of 3 employee files selected did not have proper pay rate change reports and resumes documented in the employee file. Additionally, a selected time sheet and associated payroll report from 1 of the 3 employees was missing management authorization signatures.

Criteria

NMAC 2.20.5.8 states that each local body shall establish and maintain an internal control structure to provide management with reasonable assurance that transactions are executed in accordance with management's authorization and recorded properly to permit the preparation of general purpose financial statements in accordance with GAAP. The internal control structure shall include written administrative controls. The entity should establish sufficient internal controls over employee files and payroll processing.

Cause

The City does not have accounting policy and procedures in place.

Effect

Lack of documentation related to employee files and payroll approval processes can lead to error, management override and fraud.

Recommendation

It is recommended that the City draft an accounting policy to include procedures and controls on employee documentation and payroll.

Management Response

The City is currently developing accounting policy to include procedures on payroll.

Expected Completion: September 30, 2019 **Employee Responsible:** City Clerk

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
ENTRANCE AND EXIT CONFERENCE
FOR THE YEAR ENDED JUNE 30, 2018

The financial statements of the City of Elephant Butte as of, and for the year ended, June 30, 2018 were prepared by Beasley, Mitchell & Co., LLP, with the aid of responsible City personnel. Official responsible personnel agree that the presentations are made with their knowledge and agreement.

An entrance conference was conducted March 2019 in a closed meeting of the City of Elephant Butte pursuant to Section 12-6-5 NMSA, 1978 with the following individuals in attendance:

City of Elephant Butte

Rani Bush	Clerk Treasurer
Edna Trager	Mayor Pro Tem
Jessica Newberry	Deputy Clerk

Beasley, Mitchell & Co., LLP

Dahlia Garcia, CPA	Audit Manager
Ashley Tierney, CFE	Audit Staff II
Itza Sosa	Audit Staff I

An exit conference was conducted June 11, 2019 in a closed meeting of the City of Elephant Butte pursuant to Section 12-6-5 NMSA, 1978 with the following individuals in attendance:

City of Elephant Butte

David Duvall	City Manager
Edna Trager	Mayor Pro Tem
Rani Bush	Clerk Treasurer

Beasley, Mitchell & Co., LLP

Ashley Tierney, CFE	Audit Staff II
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A followup exit was held on July 17, 2019 in a closed meeting pursuant to Section 12-6-5 NMSA, 1978 with the following individuals in attendance:

City of Elephant Butte

Edna Trager	Mayor Pro Tem
Rani Bush	Clerk Treasurer

Beasley, Mitchell & Co., LLP

Ashley Tierney, CFE	Audit Staff II
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