

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
BASIC FINANCIAL STATEMENTS AND SUPPLEMENTARY INFORMATION
FOR THE YEAR ENDED JUNE 30, 2019
INDEPENDENT AUDITORS' REPORT

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
FOR THE YEAR ENDED JUNE 30, 2019
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CITY OF ELEPHANT BUTTE
FOR THE YEAR ENDED JUNE 30, 2019
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STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
DIRECTORY OF OFFICIALS
JUNE 30, 2019

City Council

NAME	TITLE
Edna Trager	Mayor
Kim Skinner	Mayor Pro Tem
Travis Atwell	Councilor
Gerald LaFont	Councilor
Michael Williams	Councilor

City Officials

Vicki Ballinger	City Manager
Rani Bush	Clerk Treasurer
Jessica Newberry	Deputy Clerk



INDEPENDENT AUDITORS' REPORT

Brian Colón, 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, 2019, 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, 2019. 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, 2019 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, 2019, 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, 2019, 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 50-52 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 December 15, 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
December 15, 2019

GOVERNMENT - WIDE FINANCIAL STATEMENTS

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
STATEMENT OF NET POSITION
JUNE 30, 2019

	Governmental Activities	Business-type Activities	Total
ASSETS AND DEFERRED OUTFLOWS			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 1,264,293	\$ 877,166	\$ 2,141,459
Taxes receivable	103,280	11,503	114,783
Accounts receivable, net	-	137,715	137,715
Inventory	-	20,335	20,335
Total current assets	<u>1,367,573</u>	<u>1,046,719</u>	<u>2,414,292</u>
NON-CURRENT ASSETS:			
Restricted cash	325,471	50,809	376,280
Capital assets, net of accumulated depreciation	<u>5,706,711</u>	<u>13,735,647</u>	<u>19,442,358</u>
Total non-current assets	<u>6,032,182</u>	<u>13,786,456</u>	<u>19,818,638</u>
Total assets	7,399,755	14,833,175	22,232,930
DEFERRED OUTFLOWS:			
Deferred outflows	<u>149,744</u>	<u>186,287</u>	<u>336,031</u>
Total deferred outflows	<u>149,744</u>	<u>186,287</u>	<u>336,031</u>
Total assets and deferred outflows	<u>\$ 7,549,499</u>	<u>\$ 15,019,462</u>	<u>\$ 22,568,961</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, 2019

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
LIABILITIES, DEFERRED INFLOWS, AND NET POSITION			
CURRENT LIABILITIES:			
Accounts payable	\$ 45,325	\$ 56,662	\$ 101,987
Compensated absences	29,427	14,645	44,072
Customer deposits	-	52,180	52,180
Accrued expenses	13,048	15,263	28,311
Accrued interest	2,097	16,916	19,013
Current portion of long-term debt	<u>45,111</u>	<u>100,435</u>	<u>145,546</u>
Total current liabilities	135,008	256,101	391,109
NON-CURRENT LIABILITIES:			
Compensated absences, net of current	9,809	4,882	14,691
Net pension liability	316,092	463,555	779,647
Loans and notes payable, net of current	<u>628,950</u>	<u>1,142,347</u>	<u>1,771,297</u>
Total non-current liabilities	<u>954,851</u>	<u>1,610,784</u>	<u>2,565,635</u>
Total liabilities	1,089,859	1,866,885	2,956,744
DEFERRED INFLOWS:			
Deferred inflows	<u>6,113</u>	<u>19,310</u>	<u>25,423</u>
Total deferred inflows	<u>6,113</u>	<u>19,310</u>	<u>25,423</u>
Total liabilities and deferred inflows	1,095,972	1,886,195	2,982,167
NET POSITION:			
Net investment in capital assets	5,032,650	12,492,865	17,525,515
Restricted for:			
General fund	25,074	-	25,074
Special revenue funds	597,486	-	597,486
Capital project fund	316,791	-	316,791
Unrestricted	<u>481,526</u>	<u>640,402</u>	<u>1,121,928</u>
Total net position	<u>6,453,527</u>	<u>13,133,267</u>	<u>19,586,794</u>
Total liabilities, deferred inflows, and net position	<u>\$ 7,549,499</u>	<u>\$ 15,019,462</u>	<u>\$ 22,568,961</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, 2019

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	\$ 683,893	\$ -	\$ -	\$ -	\$ (683,893)	\$ -	\$ (683,893)
Public safety	272,742	-	306,746	-	34,004	-	34,004
Public works	142,820	-	-	516,302	373,482	-	373,482
Culture and recreation	56,918	5,829	-	-	(51,089)	-	(51,089)
Health and welfare	32,995	-	-	-	(32,995)	-	(32,995)
Total governmental activities	1,189,368	5,829	306,746	516,302	(360,491)	-	(360,491)
Business-type activities:							
Water	148,016	302,727	-	-	-	154,711	154,711
Waste water	483,464	496,535	-	-	-	13,071	13,071
Sierra Del Rio Golf Course	1,296,943	922,693	-	-	-	(374,250)	(374,250)
Total business-type activities	1,928,423	1,721,955	-	-	-	(206,468)	(206,468)
Total primary government	\$ 3,117,791	\$ 1,727,784	\$ 306,746	\$ 516,302	(360,491)	(206,468)	(566,959)
General Revenues:							
Taxes:							
Property taxes					249,024	-	249,024
Gross receipts taxes					287,992	79,504	367,496
Motor vehicle and fuel taxes					19,195	-	19,195
Gasoline taxes					20,821	-	20,821
Lodgers taxes					37,684	-	37,684
Franchise taxes					54,594	-	54,594
License, fees, and fines					12,340	-	12,340
Small cities assistance					248,741	-	248,741
Miscellaneous					23,600	(2,557)	21,043
Gain/(loss) on disposal of asset					-	(47,575)	(47,575)
Transfers between governmental and business-type					(332,961)	332,961	-
Total general revenues and transfers					621,030	362,333	983,363
Change in net position					260,539	155,865	416,404
Net position, beginning of year					5,879,488	12,977,402	18,856,890
Restatement					313,500	-	313,500
Net position, beginning of year as restated					6,192,988	12,977,402	19,170,390
Net position, end of year					\$ 6,453,527	\$ 13,133,267	\$ 19,586,794

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, 2019

	<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	\$ 641,794	\$ 156,685	\$ 336,847	\$ 128,967	\$ 1,264,293
Restricted cash	25,074	398	-	299,999	325,471
Taxes receivable	91,266	-	-	12,014	103,280
Total assets	<u>\$ 758,134</u>	<u>\$ 157,083</u>	<u>\$ 336,847</u>	<u>\$ 440,980</u>	<u>\$ 1,693,044</u>
LIABILITIES, DEFERRED INFLOWS AND FUND BALANCE					
Current liabilities					
Accounts payable	\$ 23,882	\$ 205	\$ 20,056	\$ 1,182	\$ 45,325
Accrued expenses	13,048	-	-	-	13,048
Total liabilities	36,930	205	20,056	1,182	58,373
Deferred inflows:					
Property tax	20,890	-	-	-	20,890
Total deferred inflows	20,890	-	-	-	20,890
Total liabilities and deferred inflows	<u>57,820</u>	<u>205</u>	<u>20,056</u>	<u>1,182</u>	<u>79,263</u>
FUND BALANCES:					
Restricted, reported in:					
General fund	25,074	-	-	-	25,074
Capital projects fund	-	-	316,791	-	316,791
Special revenue funds	-	156,878	-	440,608	597,486
Unrestricted, reported in:					
General fund	675,240	-	-	-	675,240
Debit services	-	-	-	(810)	(810)
Total fund balances	<u>700,314</u>	<u>156,878</u>	<u>316,791</u>	<u>439,798</u>	<u>1,613,781</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 758,134</u>	<u>\$ 157,083</u>	<u>\$ 336,847</u>	<u>\$ 440,980</u>	<u>\$ 1,693,044</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, 2019

Total fund balances - governmental funds		\$ 1,613,781
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	7,704,243	
Accumulated depreciation	<u>(1,997,532)</u>	5,706,711
Deferred outflows - Contributions made after the measurement date, will be recognized as a reduction of net pension liability	9,182	
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>140,562</u>	149,744
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.		(6,113)
Long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds: - property tax		20,890
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	(2,097)	
Note payable	(674,061)	
Net pension liability	(316,092)	
Compensated absences	<u>(39,236)</u>	<u>(1,031,486)</u>
Total net position - governmental activities		<u>\$ 6,453,527</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, 2019

	<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	\$ 287,991	\$ -	\$ -	\$ -	\$ 287,991
Franchise tax	54,594	-	-	-	54,594
Property tax	250,244	-	-	-	250,244
Motor vehicle tax	-	-	-	19,196	19,196
Lodgers tax	-	-	-	37,684	37,684
Gas tax	-	-	-	20,821	20,821
Small cities assistance	248,741	-	-	-	248,741
Charges for service	-	-	-	5,829	5,829
Intergovernmental-state	-	286,746	516,302	20,000	823,048
Licenses, permits and fees	11,753	-	-	260	12,013
Interest income	2,236	397	-	-	2,633
Miscellaneous	<u>7,128</u>	<u>5,842</u>	<u>-</u>	<u>8,162</u>	<u>21,132</u>
Total revenues	862,687	292,985	516,302	111,952	1,783,926
EXPENDITURES					
General government	583,302	-	-	59,758	643,060
Public safety	28,853	114,245	-	26,954	170,052
Public works	-	-	-	4,098	4,098
Culture and recreation	-	-	-	54,576	54,576
Health and welfare	32,995	-	-	-	32,995
Capital outlay	7,690	11,843	117,586	-	137,119
Debt service:					
Principal	-	18,569	-	25,349	43,918
Interest	<u>-</u>	<u>7,022</u>	<u>-</u>	<u>23,488</u>	<u>30,510</u>
Total expenditures	<u>652,840</u>	<u>151,679</u>	<u>117,586</u>	<u>194,223</u>	<u>1,116,328</u>
Excess (deficiency) of revenues over expenditures	<u>209,847</u>	<u>141,306</u>	<u>398,716</u>	<u>(82,271)</u>	<u>667,598</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, 2019

	<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	4,092	-	-	176,698	180,790
Transfer out	<u>(280,199)</u>	<u>(12,334)</u>	<u>(217,126)</u>	<u>(4,092)</u>	<u>(513,751)</u>
Total other sources (uses)	<u>(276,107)</u>	<u>(12,334)</u>	<u>(217,126)</u>	<u>172,606</u>	<u>(332,961)</u>
Net change in fund balance	(66,260)	128,972	181,590	90,335	334,637
Fund balance at beginning of year	<u>766,574</u>	<u>27,906</u>	<u>135,201</u>	<u>349,463</u>	<u>1,279,144</u>
Fund balance at end of year	<u>\$ 700,314</u>	<u>\$ 156,878</u>	<u>\$ 316,791</u>	<u>\$ 439,798</u>	<u>\$ 1,613,781</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, 2019

Net change in fund balances - total governmental funds \$ 334,637

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	137,119	
Depreciation expense	<u>(260,736)</u>	(123,617)
Change in deferred outflows		65,797
Change in deferred inflows		11,370
Change in net pension liability		(54,445)
Property taxes do not provide current financial resources, made available to pay for current period's expenditures, reported as deferred inflows in funds		(1,220)
Change in accrued interest		162
Repayment of debt principal is an expenditure in the governmental funds, but the repayment reduces long-term liabilities in the Statement of Net Position.		43,918
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).		<u>(16,063)</u>
Change in net position of governmental activities		<u>\$ 260,539</u>

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, 2019

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Gross receipts tax	\$ 710,056	\$ 710,056	\$ 275,483	\$ (434,573)
Franchise tax	-	-	54,594	54,594
Property tax	-	-	250,244	250,244
Small cities assistance	100,000	100,000	248,741	148,741
Charges for service	42,910	42,910	-	(42,910)
Licenses, permits and fees	10,345	10,345	11,753	1,408
Interest income	-	-	2,236	2,236
Miscellaneous revenue	<u>3,000</u>	<u>3,000</u>	<u>7,128</u>	<u>4,128</u>
Total revenues	866,311	866,311	850,179	(16,132)
EXPENDITURES:				
General government	926,207	926,207	590,362	335,845
Public safety	40,700	40,700	28,853	11,847
Health and welfare	36,700	36,700	32,995	3,705
Capital outlay	<u>8,000</u>	<u>8,000</u>	<u>7,690</u>	<u>310</u>
Total expenditures	<u>1,011,607</u>	<u>1,011,607</u>	<u>659,900</u>	<u>351,707</u>
Excess (deficiency) of revenues over expenditures	(145,296)	(145,296)	190,279	335,575
OTHER FINANCING SOURCES (USES)				
Transfers in	<u>(30,000)</u>	<u>(30,000)</u>	<u>(276,107)</u>	<u>(246,107)</u>
Total other financing uses	(30,000)	(30,000)	(276,107)	(246,107)
Net changes in fund balance	(175,296)	(175,296)	(85,828)	89,468
Fund balance - beginning of the year	<u>766,574</u>	<u>766,574</u>	<u>766,574</u>	<u>-</u>
Fund balance - end of the year	<u>\$ 591,278</u>	<u>\$ 591,278</u>	<u>\$ 680,746</u>	<u>\$ 89,468</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ (85,828)	
Net revenue accruals			12,508	
Net expenditure accruals			<u>(7,060)</u>	
Net change in fund balance GAAP basis			<u>\$ (66,260)</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, 2019

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
State-Fire Marshall Allotment	\$ 240,000	\$ 240,000	\$ 286,746	\$ 46,746
Interest income	-	-	397	397
Miscellaneous revenue	<u>4,500</u>	<u>4,500</u>	<u>5,842</u>	<u>1,342</u>
Total revenues	244,500	244,500	292,985	48,485
EXPENDITURES:				
Public safety	196,213	196,213	110,621	85,592
Capital outlay	15,000	15,000	11,843	3,157
Principal	25,287	25,287	18,569	6,718
Interest	<u>8,000</u>	<u>8,000</u>	<u>7,022</u>	<u>978</u>
Total expenditures	<u>244,500</u>	<u>244,500</u>	<u>148,055</u>	<u>96,445</u>
Excess (deficiency) of revenues over expenditures	-	-	144,930	144,930
OTHER FINANCING SOURCES				
Transfers out	<u>-</u>	<u>-</u>	<u>(12,334)</u>	<u>(12,334)</u>
Total other financing sources	<u>-</u>	<u>-</u>	<u>(12,334)</u>	<u>(12,334)</u>
Net changes in fund balance	-	-	132,596	132,596
Fund balance - beginning of the year	<u>27,906</u>	<u>27,906</u>	<u>27,906</u>	<u>-</u>
Fund balance - end of the year	<u>\$ 27,906</u>	<u>\$ 27,906</u>	<u>\$ 160,502</u>	<u>\$ 132,596</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ 132,596	
Net expenditure accruals			<u>(3,624)</u>	
Net change in fund balance GAAP basis			<u>\$ 128,972</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, 2019

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	\$ 467,219	\$ 405,444	\$ 4,503	\$ 877,166
Accounts receivable	104,588	33,127	-	137,715
Taxes receivable	1,582	3,473	6,448	11,503
Inventory	<u>-</u>	<u>-</u>	<u>20,335</u>	<u>20,335</u>
Total current assets	573,389	442,044	31,286	1,046,719
NON-CURRENT ASSETS:				
Restricted cash and cash equivalent	50,809	-	-	50,809
Capital assets, net of accumulated depreciation	<u>1,205,998</u>	<u>10,290,710</u>	<u>2,238,939</u>	<u>13,735,647</u>
Total non-current assets	<u>1,256,807</u>	<u>10,290,710</u>	<u>2,238,939</u>	<u>13,786,456</u>
Total assets	1,830,196	10,732,754	2,270,225	14,833,175
DEFERRED OUTFLOWS:				
Deferred outflows	<u>25,321</u>	<u>40,932</u>	<u>120,034</u>	<u>186,287</u>
Total assets and deferred outflows	<u>\$ 1,855,517</u>	<u>\$ 10,773,686</u>	<u>\$ 2,390,259</u>	<u>\$ 15,019,462</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, 2019

	<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	\$ 5,885	\$ 16,329	\$ 34,448	\$ 56,662
Payroll liabilities	1,443	3,081	10,739	15,263
Accrued interest	353	16,563	-	16,916
Customer meter deposits	52,180	-	-	52,180
Current portion of compensated absences	5,097	-	9,548	14,645
Current portion of long-term debt	<u>15,913</u>	<u>84,522</u>	<u>-</u>	<u>100,435</u>
Total current liabilities	80,871	120,495	54,735	256,101
NON-CURRENT LIABILITIES:				
Compensated absences	1,699	-	3,183	4,882
Net pension liability	66,360	101,443	295,752	463,555
Notes payable, net of current	<u>218,553</u>	<u>923,794</u>	<u>-</u>	<u>1,142,347</u>
Total non-current liabilities	<u>286,612</u>	<u>1,025,237</u>	<u>298,935</u>	<u>1,610,784</u>
Total liabilities	367,483	1,145,732	353,670	1,866,885
DEFERRED INFLOWS:				
Deferred inflows	<u>3,181</u>	<u>4,177</u>	<u>11,952</u>	<u>19,310</u>
Total liabilities and deferred inflows	370,664	1,149,909	365,622	1,886,195
NET POSITION				
Net investment in capital assets	971,532	9,282,394	2,238,939	12,492,865
Unrestricted	<u>513,321</u>	<u>341,383</u>	<u>(214,302)</u>	<u>640,402</u>
Total net position	<u>1,484,853</u>	<u>9,623,777</u>	<u>2,024,637</u>	<u>13,133,267</u>
Total liabilities, deferred inflows and net position	<u>\$ 1,855,517</u>	<u>\$ 10,773,686</u>	<u>\$ 2,390,259</u>	<u>\$ 15,019,462</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, 2019

	<u>Water</u>	<u>Waste Water</u>	<u>Sierra Del Rio Golf Course</u>	<u>Total Proprietary</u>
OPERATING REVENUES				
Charges for services	\$ 302,727	\$ 496,535	\$ 922,693	\$ 1,721,955
Total operating revenue	302,727	496,535	922,693	1,721,955
OPERATING EXPENSES				
General operating	42,036	121,525	675,006	838,567
Personnel services	36,507	83,207	536,810	656,524
Depreciation	69,213	280,098	87,913	437,224
Total operating expenses	147,756	484,830	1,299,729	1,932,315
Operating loss	154,971	11,705	(377,036)	(210,360)
NON-OPERATING:				
Taxes	12,250	24,156	43,098	79,504
Interest income	95	375	-	470
Debt service expense:				
Interest & fees	(3,027)	-	-	(3,027)
Miscellaneous revenue/(expense)	(260)	1,366	2,786	3,892
Gain/(loss) on disposal of asset	-	(47,575)	-	(47,575)
Total non-operating	9,058	(21,678)	45,884	33,264
Income (loss) before transfers	164,029	(9,973)	(331,152)	(177,096)
OTHER FINANCING SOURCES				
Transfers in	-	217,126	200,000	417,126
Transfers out	(1,530)	(82,635)	-	(84,165)
Total transfers	(1,530)	134,491	200,000	332,961
Change in net position	162,499	124,518	(131,152)	155,865
Net position, beginning of year	1,322,354	9,499,259	2,155,789	12,977,402
Net position, end of year	\$ 1,484,853	\$ 9,623,777	\$ 2,024,637	\$ 13,133,267

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, 2019

	<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	\$ 211,271	\$ 460,677	\$ 839,845	\$ 1,511,793
Cash paid to suppliers and employees	(13,790)	(25,603)	(363,635)	(403,028)
Cash paid to suppliers and employees	<u>(55,277)</u>	<u>(130,139)</u>	<u>(712,839)</u>	<u>(898,255)</u>
Net cash provided by operating activities	142,204	304,935	(236,629)	210,510
Cash flows from non-capital financing activities:				
Taxes	12,246	23,413	41,132	76,791
Transfers from other funds	<u>(1,530)</u>	<u>134,491</u>	<u>200,000</u>	<u>332,961</u>
Net cash provided by non-capital financing activities	10,716	157,904	241,132	409,752
Cash flows from capital and related financing activities:				
Interest expense	(2,932)	1,741	-	(1,191)
Change in capital assets	(15,878)	(228,922)	-	(244,800)
Principal payments on debt	<u>(15,886)</u>	<u>(82,600)</u>	<u>-</u>	<u>(98,486)</u>
Net cash used in capital and related financing activities	<u>(34,696)</u>	<u>(309,781)</u>	<u>-</u>	<u>(344,477)</u>
Net decrease in cash and cash equivalents	118,224	153,058	4,503	275,785
Cash and cash equivalents - beginning	<u>399,804</u>	<u>252,386</u>	<u>-</u>	<u>652,190</u>
Cash and cash equivalents - ending	<u>\$ 518,028</u>	<u>\$ 405,444</u>	<u>\$ 4,503</u>	<u>\$ 927,975</u>
Reconciliation of operating loss to net cash used in operating activities:				
Operating loss	\$ 154,971	\$ 11,705	\$ (377,036)	\$ (210,360)
Adjustments to operating loss to net cash used in operating activities:				
Depreciation	69,213	280,098	87,913	437,224
Changes in net position and liabilities:				
Accounts receivable	(81,714)	(9,883)	267	(91,330)
Inventory	-	-	19,506	19,506
Other assets	(12,491)	(25,975)	(77,909)	(116,375)
Accounts payable	(13,241)	(8,614)	(57,339)	(79,194)
Compensated absences	(2,490)	-	2,872	382
Customer deposits	2,749	-	-	2,749
Other liabilities	<u>25,207</u>	<u>57,604</u>	<u>170,303</u>	<u>253,114</u>
Net cash provided by operating activities	<u>\$ 142,204</u>	<u>\$ 304,935</u>	<u>\$ (231,423)</u>	<u>\$ 215,716</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, 2019

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, 2019

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, 2019

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, 2019

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, 2019

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, 2019

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, 2019

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, 2019

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:

<u>Assets</u>	<u>Years</u>
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, 2019

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, 2019

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, 2019

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.

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NOTES TO BASIC FINANCIAL STATEMENTS
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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.

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.

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (CONTINUED)

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.

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.

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

3. CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS AND INVESTMENTS

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	\$ 2,304,676
FDIC Insured	<u>250,000</u>
Uninsured and uncollateralized	<u>2,054,676</u>
50% Collateralization Requirement	1,027,338
Pledged Securities	<u>3,424,058</u>
Over (Under) Collateralized	<u>\$ 2,396,720</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, 2019, \$2,054,676 of the City's bank balance of \$2,605,121 was exposed to custodial credit risk as follows:

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CITY OF ELEPHANT BUTTE
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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, 2019 , were as follows:

	<u>Governmental Activities</u>	<u>Business- Type Activities</u>	<u>Total</u>
Accounts receivable	\$ -	\$ 137,715	\$ 137,715
Taxes receivable	<u>103,280</u>	<u>11,503</u>	<u>114,783</u>
Net receivables	<u>\$ 103,280</u>	<u>\$ 149,218</u>	<u>\$ 252,498</u>

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

The City has booked allowance for uncollectible accounts totaling \$41,668 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, 2019, 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, 2019

5. CAPITAL ASSETS (CONTINUED)

Capital asset activity for the City's primary government for the year ended June 30, 2019, 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>108,202</u>	<u>-</u>	<u>117,586</u>	<u>-</u>	<u>225,788</u>
Total capital assets not being depreciated	<u>1,285,829</u>	<u>-</u>	<u>117,586</u>	<u>-</u>	<u>1,403,415</u>
Capital Assets, being depreciated					
Buildings and improvements	876,858	-	13,195	-	890,053
Infrastructure	3,837,189	-	-	-	3,837,189
Vehicles	664,787	313,500	-	-	978,287
Equipment	<u>588,961</u>	<u>-</u>	<u>6,338</u>	<u>-</u>	<u>595,299</u>
Total capital assets, being depreciated	<u>5,967,795</u>	<u>313,500</u>	<u>19,533</u>	<u>-</u>	<u>6,300,828</u>
Total capital assets	<u>7,253,624</u>	<u>313,500</u>	<u>137,119</u>	<u>-</u>	<u>7,704,243</u>
Less accumulated depreciation for:					
Buildings and improvements	(365,365)	-	(20,432)	-	(385,797)
Infrastructure	(753,938)	-	(132,265)	-	(886,203)
Vehicles	(389,820)	-	(76,782)	-	(466,602)
Equipment	<u>(227,673)</u>	<u>-</u>	<u>(31,257)</u>	<u>-</u>	<u>(258,930)</u>
Total accumulated depreciation	<u>(1,736,796)</u>	<u>-</u>	<u>(260,736)</u>	<u>-</u>	<u>(1,997,532)</u>
Total other capital assets, net	<u>\$ 5,516,828</u>	<u>\$ 313,500</u>	<u>\$ (123,617)</u>	<u>\$ -</u>	<u>\$ 5,706,711</u>

Depreciation expense was charged to governmental activities as follows:

General government	\$ 16,982
Public safety	102,690
Public works	138,722
Culture and recreation	<u>2,342</u>
Total depreciation expense	<u>\$ 260,736</u>

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total capital assets not depreciated	<u>1,613,964</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,613,964</u>
Other Capital Assets					
Buildings	710,986	-	23,870	-	734,856
Waste Water System Infrastructure	14,714,090	-	228,922	-	14,943,012
Vehicles	710,986	-	-	-	710,986
Equipment	160,451	-	-	(81,207)	79,244
	<u>502,000</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>502,000</u>
Total capital assets at historical cost	<u>16,798,513</u>	<u>-</u>	<u>252,792</u>	<u>(81,207)</u>	<u>16,970,098</u>
Total capital assets	<u>18,412,477</u>	<u>-</u>	<u>252,792</u>	<u>(81,207)</u>	<u>18,584,062</u>
Less accumulated depreciation					
Buildings	(223,452)	-	(21,906)	-	(245,358)
Waste Water System Infrastructure	(3,205,516)	-	(342,687)	-	(3,548,203)
Vehicles	(521,390)	-	(47,399)	-	(568,789)
Equipment	(71,133)	-	(5,565)	33,632	(43,066)
	<u>(423,333)</u>	<u>-</u>	<u>(19,667)</u>	<u>-</u>	<u>(443,000)</u>
Total capital assets depreciated	<u>(4,444,824)</u>	<u>-</u>	<u>(437,224)</u>	<u>33,632</u>	<u>(4,848,416)</u>
Business-type capital assets, net	<u>\$ 13,967,653</u>	<u>\$ -</u>	<u>\$ (184,432)</u>	<u>\$ (47,575)</u>	<u>\$ 13,735,647</u>

Depreciation expense was charged to governmental activities as follows:

Water fund	\$ 69,213
Wastewater fund	280,098
SDR golf course fund	<u>87,913</u>
Total depreciation expense	<u>\$ 437,224</u>

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

6. NOTES PAYABLE AND COMPENSATED ABSENCES

GOVERNMENTAL

During the year-end June 30, 2019, the following changes occurred in the liabilities reported in the government-wide statement of net position:

Governmental Funds	Balance June 30, 2018	Additions	Reductions	Balance June 30, 2019	Due Within One Year
Fire- 2591-PP	\$ 192,933	\$ -	\$ 18,569	\$ 174,364	\$ 19,256
Streets- 3317-PP	<u>525,046</u>	<u>-</u>	<u>25,349</u>	<u>499,697</u>	<u>25,855</u>
Total	<u>\$ 717,979</u>	<u>\$ -</u>	<u>\$ 43,918</u>	<u>\$ 674,061</u>	<u>\$ 45,111</u>

The annual requirements to amortize the above loans as of June 30, 2019, including interest payments are as follows:

Years Ending June 30,	Principal	Interest	Total
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	52,803	9,401	62,204
2025-2029	212,158	29,256	241,414
2030-2034	155,863	12,598	168,461
2035-2038	<u>66,243</u>	<u>1,563</u>	<u>67,806</u>
Total	<u>\$ 674,061</u>	<u>\$ 101,741</u>	<u>\$ 775,802</u>

Compensated absences	Balance June 30, 2018	Additions	Reductions	Balance June 30, 2019	Due Within One Year
Compensated absences	<u>\$ 23,173</u>	<u>\$ 48,364</u>	<u>\$ 32,301</u>	<u>\$ 39,236</u>	<u>\$ 29,427</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, 2019

6. NOTES PAYABLE AND COMPENSATED ABSENCES (continued)

PROPRIETARY

During the year-end June 30, 2019, the following changes occurred in the liabilities reported in the of business type statement of net position:

Proprietary Funds	Balance June 30, 2018	Additions	Reductions	Balance June 30, 2019	Due Within One Year
Wastewater- RIP 2006-02	\$ 310,961	\$ -	\$ 24,279	\$ 286,682	\$ 25,007
Wastewater- RIP 2007-02	334,532	-	23,572	310,959	24,279
Wastewater- CWSRF-06	323,844	-	22,060	301,784	22,501
Wastewater- WTB-59	54,529	-	6,059	48,470	6,089
Wastewater- WTB-87	67,050	-	6,630	60,420	6,646
Water- DW-2495	226,118	-	14,155	211,963	14,439
Water- WTB-0280	<u>23,974</u>	<u>-</u>	<u>1,470</u>	<u>22,504</u>	<u>1,474</u>
Total	<u>\$ 1,341,008</u>	<u>\$ -</u>	<u>\$ 98,225</u>	<u>\$ 1,242,782</u>	<u>\$ 100,435</u>

The annual requirements to amortize the above loans as of June 30, 2019, including interest payments are as follows:

Years Ending June 30,	Principal	Interest	Total
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	231,094	45,214	276,308
2025-2029	596,192	34,104	630,296
2030-2034	-	1,668	1,668
2035-2038	<u>-</u>	<u>-</u>	<u>-</u>
	<u>\$ 1,242,782</u>	<u>\$ 181,362</u>	<u>\$ 1,424,144</u>

Compensated absences	Balance June 30, 2018	Additions	Reductions	Balance June 30, 2019	Due Within One Year
Compensated absences	<u>\$ 19,145</u>	<u>\$ 16,845</u>	<u>\$ 16,463</u>	<u>\$ 19,527</u>	<u>\$ 14,645</u>

STATE OF NEW MEXICO
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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 2018-2019 was \$43,513.

The City has a financing lease with Ed's Refrigeration for 4 ice machines that began May 1, 2017, for 36 months at a \$370 monthly rate tax. The amount expensed in 2018-2019 was \$4,765.

The City has a financing lease with John Deere for a tractor that began January 1, 2017, for 36 months at a \$644.56 plus tax. The amount expensed in 2018-2019 was \$17,942.

The City has a financing lease with Wells Fargo for 4 utility vehicles and 1 riding mower that began December 1, 2018, for 61 months at a \$1,382 plus tax. The amount expensed in 2018-2019 was \$17,942.

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.

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CITY OF ELEPHANT BUTTE
NOTES TO BASIC FINANCIAL STATEMENTS
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8. PENSION PLAN PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)
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, 2018 available at:

<http://www.nmpera.org/assets/uploads/downloads/Schedule-of-Employer-Allocation-for-report-FY18-Edited.pdf>

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 FY18 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 FY18 annual audit report at https://reports.saonm.org/media/audits/366_Public_Employees_Retirement_Association_FY_2018.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 \$37,306 and employer paid member benefits that were “picked up” by the employer were \$0 for the year ended June 30, 2019.

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, 2018. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2018, using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date June 30, 2018.

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, 2018.

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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)

Only employer contributions for the pay period end dates that fell within the period of July 1, 2017 to June 30, 2018 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2018 are included in the total contribution amounts.

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

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

For PERA Fund Division Municipal General, at June 30, 2018, the City reported a liability of \$779,647 for its proportionate share of the net pension liability. At June 30, 2019, the City's proportion was \$779,647, which was unchanged from its proportion measured as of June 30, 2018, due to the insignificance of the difference.

For the year ended June 30, 2018, the City recognized PERA Fund Division Municipal General pension expense of \$341,595. At June 30, 2018, 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	\$ 22,533	\$ 20,469
Changes of assumptions	70,686	4,483
Net difference between projected and actual earnings on pension plan investments	57,823	-
Changes in proportion and differences between City of Elephant Butte contributions and proportionate share of contributions	149,878	471
City of Elephant Butte contributions subsequent to the measurement date	35,111	-
Total	\$ 336,031	\$ 25,423

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

8. PENSION PLAN PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (CONTINUED)

In June 30, 2018 \$35,111, 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:		
2020	\$	136,695
2021	\$	84,974
2022	\$	50,500
2023	\$	3,328

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, 2018 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, 2018 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, 2018. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2017 actuarial valuation.

Actuarial valuation date	June 30, 2017
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	7.25% annual rate, net of investment expense
-Projected benefit payment	100 years
-Payroll growth	3.00% annual rate
-Projected salary increases	3.00% to 13.50% annual rate
-Includes inflation at	2.25% annual rate
Mortality assumption	Assumptions are based on the RPH-2014 Blue Collar mortality table with female ages set forward one year. Future improvement in mortality rates is assumed using 60% of the MP-2017 projection scale generationally. For non-public safety groups, 25% of in-service deaths are assumed to be duty related and 35% are assumed to be duty-related for public safety groups.
Experience study dates	experience study for the five-year period ending June 30, 2017

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

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	<u>20.00</u>	7.35 %
Total	100.0	

Discount rate: The discount rate used to measure the total pension liability was 7.25 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 7.25 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 (6.25%) or one percentage point higher (8.25%) than the single discount rate.

	1% Decrease 6.25	Current 7.25%	1% Increase 8.25
Net Pension Liability	\$ 1,201,384	\$ 779,647	\$ 431,015

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued FY18 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, 2019

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. The City had no payables at June 30, 2019.

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 June 30, 2019 consisted the following:

	<u>Transfers In</u>	<u>Transfers Out</u>
General Fund	\$ 4,092	\$ 280,199
Corrections Fund	-	4,092
EMS Fund	12,334	-
Fire Fund	-	12,334
Law Enforcement Fund	30,000	-
Streets Fund	33,699	-
Recreation Fund	16,500	-
Capital Projects Fund	-	217,126
Debt Service Fund	84,165	-
Water Fund	-	1,530
Waste Water Fund	217,126	82,635
SDR Golf Course Fund	<u>200,000</u>	<u>-</u>
	<u>\$ 597,916</u>	<u>\$ 597,916</u>

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2019

11. DEFICIT FUND BALANCE

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

Fund	Deficit
Recreation Fund	\$ 810
Totals	\$ 810

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

12. EXCESS EXPENDITURES AND TRANSFERS OVER APPROPRIATIONS

New Mexico State Statutes restricts all officials and governing authorities from approving claims in excess of the approved budget. The City exceeded it's authorized budget by \$660,311 as follows:

FUND	BUDGETED EXPENSES	ACTUAL EXPENSES	DIFFERENCE
Streets	\$ 34,000	\$ 37,790	\$ (3,790)
Sierra Del Rio	1,132,894	1,307,721	(174,827)

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

FUND	BUDGETED TRANSFERS	ACTUAL TRANSFERS	DIFFERENCE
General	\$ 30,000	\$ 276,107	\$ (246,107)
Fire	-	12,334	(12,334)
Capital Project	-	217,126	(217,126)
Corrections	-	4,092	(4,092)
Waste Water	80,600	82,635	(2,035)

13. SUBSEQUENT EVENTS

Management has evaluated subsequent events through December 15, 2019 the date the financial statements were available to be issued.

14. RESTATEMENT

A prior year adjustment of \$313,500 was recorded for the fiscal year ended June 30, 2019. The adjustment was due to fixed assets not inventoried and included in prior year's fixed asset schedule.

15. 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, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
The City of Elephant Butte's proportion of the net pension liability	\$ 779,647	\$ 479,555	\$ 500,069	\$ 316,072	\$ 248,074
The City of Elephant Butte's proportionate share of the net pension liability	0.0489%	0.0349%	0.0313%	0.0310%	0.0318%
The City of Elephant Butte's covered-employee payroll	\$ 511,028	\$ 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	152.56 %	85.01 %	117.59 %	79.41 %	60.83 %
Plan fiduciary net position as a percentage of the total pension liability	71.13 %	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, 2019

	<u>2019</u>	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution	\$ 37,506	\$ 41,171	\$ 28,085	\$ 27,786	\$ 24,669
Contributions in relation to the contractually required contribution	<u>(37,506)</u>	<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>\$ 511,028</u>	<u>\$ 564,128</u>	<u>\$ 425,248</u>	<u>\$ 398,047</u>	<u>\$ 407,836</u>
Contributions as a percentage of covered-employee payroll	7.34 %	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, 2019

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 FY18 audit available at:
https://reports.saonm.org/media/audits/366-B_NM_PERA_Schedule_of_Employer_Allocation_FY2018.pdf

Changes of assumptions- The Public Employees Retirement Association (PERA) of the NEW Mexico Annual Actuarial Valuation as of June 30, 2018 is available at:
<http://www.nmpera.org/assets/uploads/downloads/retirement-fund-valuation-reports/6-30-2018-PERA-Valuation-Report-FINAL.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, 2018. 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://reports.saonm.org/media/audits/366-B_NM_PERA_Schedule_of_Employer_Allocation_FY2018.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, 2019

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, 2019

	<u>Special Revenue</u>					<u>Debt Service</u>	<u>Total Nonmajor Fund</u>	
	<u>Correction Fund</u>	<u>EMS Fund</u>	<u>Municipal 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	\$ -	\$ -	\$ 80,156	\$ 661	\$ 47,778	\$ 372	\$ -	\$ 128,967
Restricted cash and cash equivalents	-	-	299,999	-	-	-	-	299,999
Taxes receivable	-	-	8,478	-	3,536	-	-	12,014
Total assets	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 388,633</u>	<u>\$ 661</u>	<u>\$ 51,314</u>	<u>\$ 372</u>	<u>\$ -</u>	<u>\$ 440,980</u>
LIABILITIES AND FUND BALANCE								
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,182	\$ -	\$ 1,182
Total liabilities	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,182</u>	<u>-</u>	<u>1,182</u>
Fund balance:								
Restricted, reported in:								
Special revenue funds	-	-	388,633	661	51,314	-	-	440,608
Unassigned, reported in:								
Special revenue funds	-	-	-	-	-	(810)	-	(810)
Total fund balance	<u>-</u>	<u>-</u>	<u>388,633</u>	<u>661</u>	<u>51,314</u>	<u>(810)</u>	<u>-</u>	<u>439,798</u>
Total liabilities and fund balance	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 388,633</u>	<u>\$ 661</u>	<u>\$ 51,314</u>	<u>\$ 372</u>	<u>\$ -</u>	<u>\$ 440,980</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, 2019

	<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>	
REVENUES							
Motor vehicle tax	-	-	19,196	-	-	-	19,196
Lodgers tax	-	-	-	-	37,684	-	37,684
Gas tax	-	-	20,821	-	-	-	20,821
Charges for service	-	-	-	-	-	5,829	5,829
Intergovernmental-State	-	-	-	20,000	-	-	20,000
Licenses, permits and fees	260	-	-	-	-	-	260
Miscellaneous	-	148	6,413	-	-	1,601	8,162
Total revenues	260	148	46,430	20,000	37,684	7,430	111,952
EXPENDITURES							
General government	190	-	-	-	-	59,568	59,758
Public safety	-	-	-	26,954	-	-	26,954
Public works	-	-	4,098	-	-	-	4,098
Culture and recreation	-	-	-	-	21,445	33,131	54,576
Debt Service:							
Principal	-	-	25,349	-	-	-	25,349
Interest	-	-	8,343	-	-	15,145	23,488
Total expenditures	190	-	37,790	26,954	21,445	33,131	194,223
Excess (deficiency) of revenues over expenditures	70	148	8,640	(6,954)	16,239	(25,701)	(82,271)

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, 2019

	<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(out)	(4,092)	12,334	33,699	30,000	-	16,500	84,165	(172,606)
Total other financing uses	(4,092)	12,334	33,699	30,000	-	16,500	84,165	172,606
Net change in fund balance	(4,022)	12,482	42,339	23,046	16,239	(9,201)	9,452	90,335
Fund balance, beginning of year	4,022	(12,482)	346,294	(22,385)	35,075	8,391	(9,452)	349,463
Fund balance, end of year	\$ -	\$ -	\$ 388,633	\$ 661	\$ 51,314	\$ (810)	\$ -	\$ 439,798

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, 2019

	<u>Type</u>	<u>Amount Per Bank</u>	<u>Deposits in Transit</u>	<u>Outstanding Checks</u>	<u>Balance Per Books</u>
First Savings Bank					
Operating Account	CK	\$ 939,623	\$ 21,093	\$ (109,625)	\$ 851,091
Commander Savings	SV	1,339,979	-	-	1,339,979
Mescal Savings	SV	<u>25,074</u>	<u>-</u>	<u>-</u>	<u>25,074</u>
Total Bank Held Cash		\$ 2,304,676	\$ 21,093	\$ (109,625)	\$ 2,216,144
NMFA Held Cash		300,445	-	-	300,445
Cash on hand		<u>-</u>	<u>-</u>	<u>-</u>	<u>1,150</u>
Total Cash		<u>\$ 2,605,121</u>	<u>\$ 21,093</u>	<u>\$ (109,625)</u>	<u>\$ 2,517,739</u>

Type: CK= Checking SV= Savings

First Savings Bank

Total Cash	\$ 2,605,121
Less NMFA Elephant Butte	300,445
Less FDIC Insurance	<u>250,000</u>
Uninsured Public Funds	<u>2,054,676</u>
50% Collateral Requirements (Section 6-10-17 NMSA-1978)	1,027,338
Pledged Securities	<u>3,424,058</u>
Over (Under) Collateralized	<u>\$ 2,396,720</u>

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY FOR PUBLIC FUNDS
AS OF JUNE 30, 2019

First Savings Bank

<u>Description of Pledged Collateral</u>	<u>Amount at Fair Market Value</u>	<u>Maturity Date</u>	<u>CUSIP</u>
FNMA Agency	\$ 200,542	04/05/2022	3135G0T45
FNMA 15YR	150,280	02/01/2026	3138A7GY8
FNMA 15YR	102,273	02/02/2027	3138E4X71
GNMA 15YR	41,588	03/15/2027	36176XE21
FHLMC 15YR	177,527	05/01/2027	3128MDEC3
GNR 2012-96 AD	94,416	08/20/2027	38378HAU0
FHR 4136 NG	47,777	11/15/2027	3137AWKN4
FHLMC 15YR	424,712	01/01/2028	3128MDNR0
FNMA 15YA	53,845	01/01/2028	3138EKJA4
FNMA 10YR	189,772	10/01/2028	31418CTF1
FHLMC 15YR	124,782	01/01/2030	3128ME4V0
FHLMC 15YR	203,884	08/01/2031	3132KFNN8
FHLMC 15YR	271,846	08/01/2031	3132KFNN8
FNMA 20YR	307,961	03/01/2039	3140JAM62
FNMA 20YR	615,922	03/01/2039	3140JAM62
GNR 2010-150 GJ	20,196	09/20/2039	38377NLJ1
FHR 3925 DE	102,083	07/15/2040	3137AFGA4
FNR 2013-73 TC	117,430	09/25/2042	3136AFTR5
FNR 2017-18 CA	<u>177,222</u>	01/25/2043	3136AVQK8
Total pledged securities	<u>\$ 3,424,058</u>		

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
SCHEDULE JOINT POWERS AGREEMENTS
FOR THE YEAR ENDED JUNE 30, 2019

<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 Colón, 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, 2019, 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 December 15, 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. (2018-005, 2018-006, 2018-007, 2018-008, 2018-011, 2018-013, 2018-015, 2019-001)

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 2018-012.

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
December 15, 2019

CITY OF ELEPHANT BUTTE
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2019

SUMMARY OF AUDITORS' RESULTS

Financial Statements:

- | | |
|--|-----------|
| 1. Type of auditors' report issued | Qualified |
| 2. Internal control over financial reporting: | |
| a. Materials weaknesses identified? | Yes |
| b. Significant deficiencies identified not considered to be material weaknesses? | Yes |
| c. Noncompliance material to the financial statements noted? | Yes |

CITY OF ELEPHANT BUTTE
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2019

PRIOR YEAR FINDINGS:

2017-002	Golf course internal controls- Significant Deficiency	Resolved
2019-002 (2018-001)	Fixed assets - Material Weakness	Repeated and modified in the current year
2018-002	Cash deposit internal control- Significant Deficiency	Resolved
2018-003	Minutes- Significant Deficiency	Resolved
2018-004	Late audit- Other Non-Compliance	Resolved
2019-003 (2018-005)	Expenses- Lack of proper authorization- Significant Deficiency	Repeated and modified in the current year
2019-004 (2018-006)	Journal Entry - Lack of approval- Significant Deficiency	Repeated and modified in the current year
2019-005 (2018-007)	Cash count- Significant Deficiency	Repeated and modified in the current year
2019-006 (2018-008)	Per Diem- compliance and internal control- Significant Deficiency	Repeated and modified in the current year
2018-009	Segregation of duties- Significant Deficiency	Resolved
2018-010	GL and financial statements are inconsistent- Other Non-Compliance	Resolved
2019-007 (2018-011)	Cash management- Significant Deficiency	Repeated and modified in the current year
2019-008 (2018-012)	Expenses in excess of budget- Other Non-Compliance	Repeated and modified in the current year
2019-009 (2018-013)	Bank reconciliations- Significant Deficiency	Repeated and modified in the current year
2019-010 (2018-014)	Inventory of retail items- Material Weakness	Repeated and modified in the current year
2019-011 (2018-015)	Payroll and related liabilities- Significant Deficiency	Repeated and modified in the current year

CITY OF ELEPHANT BUTTE
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2019

CURRENT YEAR FINDINGS:

2019-001	Certified Procurement Officer- Significant Deficiency	Current
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CITY OF ELEPHANT BUTTE
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2019

2019-002 (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. As a result a restatement was booked to include several assets that were omitted from prior years fixed assets listing. A yearly inventory was performed however was not certified by the City council. The City is working on a policy and procedures manual to track capital purchases and assets.
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. The agency governing authority shall certify the correctness of the inventory after the physical inventory. This certification shall be provided to the agency's auditors.
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: June 30, 2020 **Employee Responsible:** City Clerk

CITY OF ELEPHANT BUTTE
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2019

2019-003 (2018-005)

Expenses- Lack of proper authorization- Significant Deficiency

Condition	During testwork, 18 of 25 checks sampled, totaling \$9,582.47, were either missing a purchase order or the purchase order was dated after the expense was incurred and the required authorization signatures were omitted. The City is in the process of implement a policy that requires purchase orders over a specified threshold only.
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: June 30, 2020 **Employee Responsible:** City Clerk

CITY OF ELEPHANT BUTTE
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2019

2019-004 (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. 3 out of 7 journal entries lacked proper approval. The City has implemented a review process in FY 2020 that requires all adjusting entries to be approved by the next body in the chain of command.
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: June 30, 2020 **Employee Responsible:** City Clerk

CITY OF ELEPHANT BUTTE
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2019

2019-005 (2018-007)

Cash count- Significant Deficiency

Condition	When conducting a surprise cash count, BMC observed that 1 of 5 the cash drawers was under by \$4. The City has implemented in FY 2020 a periodic cash count and reconciliation that is to be performed by management during high traffic days to help ensure proper cash handling.
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 to 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 30, 2020 **Employee Responsible:** City Clerk

CITY OF ELEPHANT BUTTE
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2019

2019-006 (2018-008)	Per Diem- compliance and internal control- Significant Deficiency
Condition	Of the 10 per diem samples selected for testwork, 1 sample totaling \$5 could not be located and 1 sample totaling \$44.38 was missing the authorization signatures on the reimbursement request. The City is in the process of implementing a policy for travel authorizations and per diem payments.
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: June 30, 2020 **Employee Responsible:** City Clerk

CITY OF ELEPHANT BUTTE
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2019

2019-007 (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 \$ 2,517,739 , while the DFA reports \$ 1,868,215 ending available cash. The City has received assistance from an external accountant and DFA to provide guidance with regard to reporting.
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 transactions that affect the City's financials.

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

CITY OF ELEPHANT BUTTE
 SCHEDULE OF FINDINGS AND RESPONSES
 FOR THE YEAR ENDED JUNE 30, 2019

2019-008 (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, 2019 the City remitted payments for goods and services in excess of the adopted budget as follows:

FUND	BUDGETED EXPENSES	ACTUAL EXPENSES	DIFFERENCE
Streets	\$ 34,000	\$ 37,790	\$ (3,790)
Sierra Del Rio	1,132,894	1,307,721	(174,827)

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

FUND	BUDGETED TRANSFERS	ACTUAL TRANSFERS	DIFFERENCE
General	\$ 30,000	\$ 276,107	\$ (246,107)
Fire	-	12,334	(12,334)
Capital Projects	-	217,126	(217,126)
Corrections	-	4,092	(4,092)
Waste Water	80,600	82,635	(2,035)

Excess expenditures/transfers for the fiscal year ended June 30,2019 were noted in 7 funds and totaled \$660,311. The City is now reviewing budget adjustments prior to authorizing expenditures.

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, 2019

2019-009 (2018-013)

Bank reconciliations- Significant Deficiency

Condition	Monthly bank reconciliations were not performed in a timely. Year end June 2019 reconciliation was not performed in a timely manner. The City is working on developing a policy for 2020 where reconciliations will be completed with 30 days of monthly close.
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: June 30, 2020 **Employee Responsible:** City Clerk

CITY OF ELEPHANT BUTTE
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2019

2019-010 (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. The current balance for food and liquor could not be readily determined. The City has developed a process for inventorying and valuing retail items and liquor as of August 2019. The process for food items has not yet been completed.
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: June 30, 2020 **Employee Responsible:** City Clerk

CITY OF ELEPHANT BUTTE
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2019

2019-011 (2018-015)

Payroll and related liabilities- Significant Deficiency

Condition	During payroll testwork, 1 out of 6 employee files selected did not contain a pay rate change report in the employee file. Additionally, all 6 samples did not contain employee job descriptions or annual evaluations. There has been no progress toward resolving this finding.
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: June 30, 2020 **Employee Responsible:** City Clerk

CITY OF ELEPHANT BUTTE
SCHEDULE OF FINDINGS AND RESPONSES
FOR THE YEAR ENDED JUNE 30, 2019

2019-001	Certified Procurement Officer- Significant Deficiency
Condition	During our NM Compliance testwork, it was noted that the City did not have a Chief Procurement Officer for 10 of 12 months during the fiscal year.
Criteria	Section 13-1-97 of NMSA 1978 requires that purchases be made through a central purchasing office which properly authorizes and approves the purchase prior to payment. An authorized official should indicate that the goods or services have been received prior to payment for the goods or services.
Cause	The City failed to designate and register a purchasing agent during employee turnover.
Effect	The City does not implement a proper purchasing process which exposes the City to the risk of following an improper purchasing process and increases the risk of errors in payments issued by City due to the lack of proper supervision and monitoring by the Certified Procurement Officer.
Recommendation	The City should designate an agent to become certified and registered as a Chief Procurement Officer for the City.
Management Response	The City has certified the City Clerk as of April 2019.

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

STATE OF NEW MEXICO
CITY OF ELEPHANT BUTTE
ENTRANCE AND EXIT CONFERENCE
FOR THE YEAR ENDED JUNE 30, 2019

The financial statements of the City of Elephant Butte as of, and for the year ended, June 30, 2019 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 November 19, 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
Edna Trager

Clerk Treasurer
Mayor

Beasley, Mitchell & Co., LLP

Dahlia Garcia, CPA
Ashley Tierney, CFE

Audit Manager
Audit Staff II

An exit conference was conducted December 13, 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

Edna Trager
Rani Bush
Vicki Ballinger

Mayor
Clerk Treasurer
City Manager

Beasley, Mitchell & Co., LLP

Ashley Tierney, CFE

Audit Staff II