

STATE OF NEW MEXICO
CITY OF EUNICE
ANNUAL FINANCIAL REPORT
JUNE 30, 2008

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INTRODUCTORY SECTION

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STATE OF NEW MEXICO

City of Eunice

Official Roster

June 30, 2008

List of Officials

| <u>Name</u> | <u>Title</u> |
|----------------------------------|-----------------|
| <u>Elected Officials:</u> | |
| Johnnie M. White | Mayor |
| Bill Robinson | Mayor Pro Tem |
| Joann Davis | City Councilor |
| Terry Bettis | City Councilor |
| Wardell Allen | City Councilor |
| Gailand Overton | City Councilor |
| Billy Hobbs | City Councilor |
| Joann Pender | City Councilor |
| Terah Bettis | City Councilor |
| <u>Administrative Officials:</u> | |
| Curtis Schrader | City Manager |
| Joyce Tolsma | City Clerk |
| Connie Whitmire | Finance Officer |
| Glen Jenkins | Municipal Judge |

STATE OF NEW MEXICO

City of Eunice
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June 30, 2008

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FINANCIAL SECTION

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INDEPENDENT AUDITOR'S REPORT

Hector H. Balderas
New Mexico State Auditor
To the Honorable Mayor and City Councilors
City of Eunice
Eunice, New Mexico

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, the budgetary comparisons for the general fund and the major special revenue funds, and the aggregate remaining fund information of the City of Eunice, New Mexico, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the City's nonmajor governmental funds and budgetary comparisons of each of the City's nonmajor governmental funds, major capital projects funds, proprietary funds and the component unit fund presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2008 as listed in the table of contents. These financial statements are the responsibility of the City of Eunice's management. 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 of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

We are unable to form an opinion on the amounts disclosed as the original and final budget in the statements of revenues, expenditures and changes in fund balances – budget (non-GAAP budgetary basis) and actual presented in the basic financial statements and the combining and individual fund statements presented as supplementary information. This qualification applies to the budgetary comparison of the City, excluding the budgetary comparison of the component unit.

As discussed in Note 1 to the financial statements, management has not recorded certain general infrastructure assets in governmental activities and, accordingly, has not recorded depreciation expense on those assets. Accounting principles generally accepted in the United States of America require that those general infrastructure assets be capitalized and depreciated, which would increase the assets, net assets, and expenses of the governmental activities. The amount by which this departure would affect the assets, net assets and expenses of the governmental activities is not reasonably determinable.

In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of the governmental activities of the City Eunice, New Mexico as of June 30, 2008, or the changes in the financial position thereof for the year then ended.

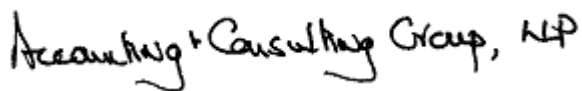
In addition, in our opinion, except for the effects of such adjustments, if any, as might have been determined to be necessary had there been adequate records concerning the classification of the amounts presented in the budgetary comparisons, described in the paragraph above, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, the aggregate discretely presented component units, each major fund, the discretely presented component unit, and the aggregate remaining fund information of the City of Eunice, New Mexico as of June 30, 2008 and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the General Fund, Fire Special Revenue Fund, EMS Special Revenue Fund and Streets Special Revenue Fund for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor

governmental and component unit fund and the nonmajor governmental funds and the enterprise funds of the City of Eunice, New Mexico as of June 30, 2008, and the respective changes in financial position for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2008, on our consideration of the City of Eunice'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* and should be considered in assessing the results of our audit.

The City of Eunice, New Mexico, has not presented the *Management's Discussion and Analysis* that accounting principles generally accepted in the United States of America has determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Eunice's basic financial statements and each of the nonmajor governmental and component unit fund financial statements, and budgetary comparison schedules. The accompanying financial information listed as supporting Schedules I,II, and III in the table of contents is presented for purposes of additional analysis, and is not a required part of the basic financial statements. The accompanying Financial Data Schedule is presented for purposes of additional analysis as required by the Department of Housing and Urban Development and is not a required part of the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and each of the nonmajor governmental and proprietary fund financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic and each of the nonmajor governmental and component unit fund financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.



Accounting & Consulting Group, LLP
Albuquerque, NM
December 1, 2008

BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO

City of Eunice

Statement of Net Assets

June 30, 2008

| | Primary Government | | | Component Unit |
|--------------------------------------|----------------------------|-----------------------------|----------------------|-------------------|
| | Governmental Activities | Business-type Activities | Total | |
| Assets | | | | |
| Current assets | | | | |
| Cash and cash equivalents | 1,011,867 | \$ 113,812 | \$ 1,125,679 | \$ 72,408 |
| Investments | 664,174 | 1,231,000 | 1,895,174 | - |
| Accounts Receivable | | | | |
| Taxes | - | 21,265 | 21,265 | - |
| Other receivables | 70,395 | 1,090,161 | 1,160,556 | - |
| Inventory | 35,261 | 153,583 | 188,844 | 445 |
| Prepaid Assets | 35,408 | - | 35,408 | 3,755 |
| Internal Balances | <u>(1,325,483)</u> | <u>1,327,708</u> | <u>2,225</u> | <u>-</u> |
| Total current assets | <u>491,622</u> | <u>3,937,529</u> | <u>4,429,151</u> | <u>76,608</u> |
| Noncurrent assets | | | | |
| Restricted cash and cash equivalents | - | 40,099 | 40,099 | - |
| Capital assets | 8,909,908 | 11,502,303 | 20,412,211 | 685,166 |
| Less: accumulated depreciation | <u>(4,065,986)</u> | <u>(6,235,590)</u> | <u>(10,301,576)</u> | <u>(564,035)</u> |
| Total noncurrent assets | <u>4,843,922</u> | <u>5,306,812</u> | <u>10,150,734</u> | <u>121,131</u> |
| Total assets | <u>\$ 5,335,544</u> | <u>\$ 9,244,341</u> | <u>\$ 14,579,885</u> | <u>\$ 197,739</u> |

The accompanying notes are an integral part of these financial statements

| | Primary Government | | | Component Unit |
|---|----------------------------|-----------------------------|----------------------|-------------------|
| | Governmental Activities | Business-type Activities | Total | |
| Liabilities | | | | |
| Current liabilities | | | | |
| Accounts payable | \$ 799,336 | \$ 330,395 | \$ 1,129,731 | \$ 2,591 |
| Accrued expenses | 11,943 | 2,516 | 14,459 | 6,005 |
| Accrued compensated absences | 1,325 | 8,792 | 10,117 | - |
| Customer deposits | - | 42,541 | 42,541 | 2,700 |
| Current portion of long-term debt | - | 45,540 | 45,540 | - |
| Total current liabilities | <u>812,604</u> | <u>429,784</u> | <u>1,242,388</u> | <u>11,296</u> |
| Noncurrent liabilities | | | | |
| Accrued compensated absences | 47,056 | 2,930 | 49,986 | - |
| Loans and capital leases payable | - | 146,465 | 146,465 | - |
| Total noncurrent liabilities | <u>47,056</u> | <u>149,395</u> | <u>196,451</u> | <u>-</u> |
| Total liabilities | <u>859,660</u> | <u>579,179</u> | <u>1,438,839</u> | <u>11,296</u> |
| Net Assets | | | | |
| Invested in capital assets, net of related debt | 4,843,922 | 5,074,708 | 9,918,630 | 121,131 |
| Restricted for: | | | | |
| Special revenue funds | 256,625 | - | 256,625 | - |
| Capital projects funds | 604,461 | - | 604,461 | - |
| Unrestricted | <u>(1,229,124)</u> | <u>3,590,454</u> | <u>2,361,330</u> | <u>65,312</u> |
| Total net assets | <u>4,475,884</u> | <u>8,665,162</u> | <u>13,141,046</u> | <u>186,443</u> |
| Total liabilities and net assets | <u>\$ 5,335,544</u> | <u>\$ 9,244,341</u> | <u>\$ 14,579,885</u> | <u>\$ 197,739</u> |

STATE OF NEW MEXICO

City of Eunice
Statement of Activities
June 30, 2008

| <u>Functions/Programs</u> | <u>Program Revenues</u> | | | |
|---|-------------------------|---------------------------------|---|---|
| | <u>Expenses</u> | <u>Charges for Services</u> | <u>Operating Grants and Contributions</u> | <u>Capital Grants and Contributions</u> |
| Primary Government | | | | |
| Governmental Activities: | | | | |
| General government | \$ 1,198,821 | \$ 136,469 | \$ 76,043 | \$ - |
| Public safety | 1,886,078 | 46,841 | 84,937 | - |
| Public works | 1,084,059 | - | 136,416 | - |
| Culture and recreation | 847,813 | - | - | 830,000 |
| Interest on long-term debt | 773 | - | - | - |
| <i>Total governmental activities</i> | <u>\$ 5,017,544</u> | <u>\$ 183,310</u> | <u>\$ 297,396</u> | <u>\$ 830,000</u> |
| Business-type Activities: | | | | |
| Water | \$ 1,050,808 | \$ 1,133,135 | \$ - | \$ 1,498,137 |
| Sewer | 224,329 | 216,224 | - | - |
| Solid waste | 339,714 | 303,372 | - | - |
| Golf | 342,190 | 192,031 | - | - |
| Ambulance | 52,168 | 52,392 | - | - |
| <i>Total business-type activities</i> | <u>2,009,209</u> | <u>1,897,154</u> | <u>-</u> | <u>1,498,137</u> |
| <i>Total primary government</i> | <u>\$ 7,026,753</u> | <u>\$ 2,080,464</u> | <u>\$ 297,396</u> | <u>\$ 2,328,137</u> |
| Component Unit: | | | | |
| Housing | <u>\$ 118,535</u> | <u>\$ 41,495</u> | <u>\$ 37,890</u> | <u>\$ 22,239</u> |
| General Revenues: | | | | |
| Taxes | | | | |
| Property taxes, levied for general purposes | | | | |
| Gross receipts taxes | | | | |
| Gasoline and motor vehicle tax | | | | |
| Other taxes | | | | |
| Licenses and fees | | | | |
| Fines and forfeitures | | | | |
| Interest income | | | | |
| Loss on disposal of assets | | | | |
| Miscellaneous income | | | | |
| Transfers | | | | |
| Total general revenues and transfers | | | | |
| Change in net assets | | | | |
| Net assets ending per prior year report | | | | |
| Restatement, Note 14 | | | | |
| Net assets, beginning, as restated | | | | |
| Net assets, ending | | | | |

The accompanying notes are an integral part of these financial statements

Net (Expense) Revenue and Changes in Net Assets

| Primary Government | | | |
|-----------------------|--------------------------|----------------------|-------------------|
| Government Activities | Business Type Activities | Total | Component Unit |
| \$ (986,309) | \$ - | \$ (986,309) | \$ - |
| (1,754,300) | - | (1,754,300) | - |
| (947,643) | - | (947,643) | - |
| (17,813) | - | (17,813) | - |
| (773) | - | (773) | - |
| <u>(3,706,838)</u> | <u>-</u> | <u>(3,706,838)</u> | <u>-</u> |
| - | 1,580,464 | 1,580,464 | - |
| - | (8,105) | (8,105) | - |
| - | (36,342) | (36,342) | - |
| - | (150,159) | (150,159) | - |
| - | 224 | 224 | - |
| <u>-</u> | <u>1,386,082</u> | <u>1,386,082</u> | <u>-</u> |
| <u>(3,706,838)</u> | <u>1,386,082</u> | <u>(2,320,756)</u> | <u>-</u> |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>(16,911)</u> |
| 105,116 | - | 105,116 | - |
| 3,508,714 | 105,174 | 3,613,888 | - |
| 187,850 | - | 187,850 | - |
| 129,905 | - | 129,905 | - |
| 3,869 | - | 3,869 | - |
| 38,180 | - | 38,180 | - |
| 108,781 | 51,408 | 160,189 | - |
| - | (8,099) | (8,099) | - |
| 331,108 | 1 | 331,109 | 8,691 |
| (72,687) | 72,687 | - | - |
| <u>4,340,836</u> | <u>221,171</u> | <u>4,562,007</u> | <u>8,691</u> |
| 633,998 | 1,607,253 | 2,241,251 | (8,220) |
| 3,913,363 | 7,001,203 | 10,914,566 | 194,663 |
| (71,477) | 56,706 | (14,771) | - |
| <u>3,841,886</u> | <u>7,057,909</u> | <u>10,899,795</u> | <u>194,663</u> |
| <u>\$ 4,475,884</u> | <u>\$ 8,665,162</u> | <u>\$ 13,141,046</u> | <u>\$ 186,443</u> |

STATE OF NEW MEXICO

City of Eunice
Balance Sheet
Governmental Funds
June 30, 2008

| | <u>General Fund</u> | <u>Fire Fund</u> | <u>EMS Fund</u> |
|--|----------------------------|--------------------------|-------------------------|
| <i>Current assets</i> | | | |
| Cash and cash equivalents | \$ 376,177 | \$ 622 | \$ - |
| Investments | 129,000 | 100,000 | - |
| Account receivable | | | |
| Taxes | 70,395 | - | - |
| Inventory | 35,261 | - | - |
| Prepaid assets | 35,408 | - | - |
| Interfund receivable | 3,489,862 | - | - |
| | <hr/> | <hr/> | <hr/> |
| <i>Total assets</i> | <u><u>\$ 4,136,103</u></u> | <u><u>\$ 100,622</u></u> | <u><u>\$ -</u></u> |
| | | | |
| <i>Current liabilities</i> | | | |
| Accounts payable | \$ 182,222 | \$ 70,577 | \$ 8,689 |
| Accrued payroll | 8,689 | - | - |
| Accrued compensated absences | 1,325 | - | - |
| Deferred revenue | 6,713 | - | - |
| Interfund payable | 2,996,405 | 708,280 | 362,782 |
| | <hr/> | <hr/> | <hr/> |
| <i>Total liabilities</i> | <u><u>3,195,354</u></u> | <u><u>778,857</u></u> | <u><u>371,471</u></u> |
| | | | |
| <i>Fund balances</i> | | | |
| Reserved for Inventory | 35,261 | - | - |
| Unreserved: | | | |
| Unreserved, reported in: | | | |
| General fund | 905,488 | - | - |
| Special revenue funds | - | (678,235) | (371,471) |
| Capital projects funds | - | - | - |
| | <hr/> | <hr/> | <hr/> |
| <i>Total fund balances</i> | <u><u>940,749</u></u> | <u><u>(678,235)</u></u> | <u><u>(371,471)</u></u> |
| | | | |
| <i>Total liabilities and fund balances</i> | <u><u>\$ 4,136,103</u></u> | <u><u>\$ 100,622</u></u> | <u><u>\$ -</u></u> |

The accompanying notes are an integral part of these financial statements

| Municipal Infrastructure Fund | Streets Fund | Swimming Pool | Other Governmental Funds | Total |
|-------------------------------------|--------------|-------------------|--------------------------------|---------------------|
| \$ 194,727 | \$ - | \$ 318,179 | \$ 122,162 | \$ 1,011,867 |
| 262,000 | - | - | 173,174 | 664,174 |
| - | - | - | - | 70,395 |
| - | - | - | - | 35,261 |
| - | - | - | - | 35,408 |
| 602,890 | - | - | - | 4,092,752 |
| <u>\$ 1,059,617</u> | <u>\$ -</u> | <u>\$ 318,179</u> | <u>\$ 295,336</u> | <u>\$ 5,909,857</u> |
| | | | | |
| \$ - | \$ 250,760 | \$ 254,038 | \$ 33,050 | \$ 799,336 |
| - | - | - | 3,254 | 11,943 |
| - | - | - | - | 1,325 |
| - | - | - | - | 6,713 |
| - | 213,405 | 6,675 | 1,130,688 | 5,418,235 |
| - | 464,165 | 260,713 | 1,166,992 | 6,237,552 |
| - | - | - | - | 35,261 |
| - | - | - | - | 905,488 |
| - | (464,165) | 57,466 | (862,647) | (2,319,052) |
| 1,059,617 | - | - | (9,009) | 1,050,608 |
| 1,059,617 | (464,165) | 57,466 | (871,656) | (327,695) |
| <u>\$ 1,059,617</u> | <u>\$ -</u> | <u>\$ 318,179</u> | <u>\$ 295,336</u> | <u>\$ 5,909,857</u> |

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STATE OF NEW MEXICO

City of Eunice

Reconciliation of the Balance Sheet-Government Funds to the Statement of Net Assets
June 30, 2008

Exhibit B-1

Page 2 of 2

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

| | | |
|--|----|------------------|
| Fund balances - total governmental funds | \$ | (327,695) |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds | | 4,843,922 |
| Delinquent property taxes not collected within sixty days after year end are not considered "available" revenues and are considered to be deferred revenue in the fund financial statements, but are considered revenue in the Statement of Activities | | 6,713 |
| Long term accrued compensated absences | | (47,056) |
| Current portion of long term debt, which is not included in the funds, but is due within the year | | <u>-</u> |
| Total net assets of governmental activities | \$ | <u>4,475,884</u> |

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Eunice
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ending June 30, 2008

| | <u>General Fund</u> | <u>Fire Fund</u> | <u>EMS Fund</u> |
|--|---------------------|---------------------|---------------------|
| <i>Revenues</i> | | | |
| Taxes | | | |
| Property | \$ 107,334 | \$ - | \$ - |
| Gross receipts | 3,259,675 | - | - |
| Gasoline and motor vehicle taxes | 187,850 | - | - |
| Other | 125,926 | - | - |
| Intergovernmental income | | | |
| Federal operating grants | - | - | - |
| State operating grants | 41,382 | 68,882 | 16,055 |
| State capital grants | - | - | - |
| Charges for services | 114,452 | - | 46,841 |
| Licenses and fees | 3,869 | - | - |
| Fines and forfeitures | 38,180 | - | - |
| Interest income | 79,200 | 5,068 | - |
| Miscellaneous | 242,438 | 20,630 | 14,148 |
| <i>Total revenues</i> | <u>4,200,306</u> | <u>94,580</u> | <u>77,044</u> |
| <i>Expenditures</i> | | | |
| Current | | | |
| General government | 774,155 | - | - |
| Public safety | 1,095,083 | 281,769 | 310,323 |
| Public works | 457,461 | - | - |
| Culture and recreation | 271,624 | - | - |
| Capital outlay | 377,894 | 311,297 | 109,197 |
| Debt service | | | |
| Principal | - | 15,363 | - |
| Interest | - | 773 | - |
| <i>Total expenditures</i> | <u>2,976,217</u> | <u>609,202</u> | <u>419,520</u> |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>1,224,089</u> | <u>(514,622)</u> | <u>(342,476)</u> |
| <i>Other financing sources (uses)</i> | | | |
| Transfers in | - | 171,452 | 253,401 |
| Transfers (out) | (3,401,436) | - | - |
| <i>Total other financing sources (uses)</i> | <u>(3,401,436)</u> | <u>171,452</u> | <u>253,401</u> |
| <i>Net change in fund balances</i> | <u>(2,177,347)</u> | <u>(343,170)</u> | <u>(89,075)</u> |
| <i>Fund balances - beginning of year</i> | 3,171,556 | (367,447) | (299,245) |
| <i>Restatement, Note 14</i> | (53,460) | 32,382 | 16,849 |
| <i>Fund balances, beginning of year, as restated</i> | <u>3,118,096</u> | <u>(335,065)</u> | <u>(282,396)</u> |
| <i>Fund balance - end of year</i> | <u>\$ 940,749</u> | <u>\$ (678,235)</u> | <u>\$ (371,471)</u> |

The accompanying notes are an integral part of these financial statements

| Municipal Infrastructure Fund | Streets Fund | Swimming Pool | Other Governmental Funds | Total |
|-------------------------------------|---------------------|--------------------|--------------------------------|---------------------|
| \$ - | \$ - | \$ - | \$ - | \$ 107,334 |
| 161,820 | - | - | 87,219 | 3,508,714 |
| - | - | - | - | 187,850 |
| - | - | - | 3,979 | 129,905 |
| - | - | - | 24,287 | 24,287 |
| - | 136,416 | - | 11,574 | 274,309 |
| - | - | 830,000 | - | 830,000 |
| - | - | - | 21,702 | 182,995 |
| - | - | - | - | 3,869 |
| - | - | 316 | - | 38,496 |
| 11,683 | - | - | 12,830 | 108,781 |
| - | 1,200 | 23,103 | 29,589 | 331,108 |
| <u>173,503</u> | <u>137,616</u> | <u>853,419</u> | <u>191,180</u> | <u>5,727,648</u> |
| - | - | 304,968 | 348,750 | 1,427,873 |
| - | - | - | 41,796 | 1,728,971 |
| - | 308,933 | - | - | 766,394 |
| - | - | - | 505,549 | 777,173 |
| - | 591,347 | 2,246,384 | 31,253 | 3,667,372 |
| - | - | - | - | 15,363 |
| - | - | - | - | 773 |
| <u>-</u> | <u>900,280</u> | <u>2,551,352</u> | <u>927,348</u> | <u>8,383,919</u> |
| <u>173,503</u> | <u>(762,664)</u> | <u>(1,697,933)</u> | <u>(736,168)</u> | <u>(2,656,271)</u> |
| - | 779,402 | 1,770,000 | 427,181 | 3,401,436 |
| - | - | (9,036) | (8,576) | (3,419,048) |
| <u>-</u> | <u>779,402</u> | <u>1,760,964</u> | <u>418,605</u> | <u>(17,612)</u> |
| <u>173,503</u> | <u>16,738</u> | <u>63,031</u> | <u>(317,563)</u> | <u>(2,673,883)</u> |
| 960,008 | (480,903) | (5,565) | (560,739) | 2,417,665 |
| (73,894) | - | - | 6,646 | (71,477) |
| <u>886,114</u> | <u>(480,903)</u> | <u>(5,565)</u> | <u>(554,093)</u> | <u>2,346,188</u> |
| <u>\$ 1,059,617</u> | <u>\$ (464,165)</u> | <u>\$ 57,466</u> | <u>\$ (871,656)</u> | <u>\$ (327,695)</u> |

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STATE OF NEW MEXICO

City of Eunice

Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ending June 30, 2008

Exhibit B-2

Page 2 of 2

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

| | | |
|--|----|-------------|
| Net change in fund balances - total governmental funds | \$ | (2,673,883) |
|--|----|-------------|

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 expenditures recorded in capital outlay | | 3,767,818 |
| Depreciation expense | | (419,424) |
| Transfers of capital assets to proprietary funds | | (55,075) |

Revenue in the statement of activities that do not provide current financial
resources are not reported as revenue in the funds:

| | | |
|---|--|---------|
| Change in deferred revenue related to property taxes receivable | | (2,218) |
|---|--|---------|

The issuance of long-term debt (e.g. bonds, loans, leases) provides current financial
resources to governmental funds, while the repayment of the principal of long-term
debt consumes the current financial resources of governmental funds. Neither
transaction, however, has any effect on net assets. Also, governmental funds
report the effect of premiums and similar items when debt is first issued, whereas
these amounts are deferred and amortized in the statement of activities:

| | | |
|--|--|----------|
| Increase in long-term accrued compensated absences | | (25,753) |
| Principal payments on loans and capital leases payable | | 42,533 |

| | | |
|---|----|----------------|
| Change in net assets of governmental activities | \$ | <u>633,998</u> |
|---|----|----------------|

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Exhibit C-1

City of Eunice

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance
 Budget (Non-GAAP Budgetary Basis) and Actual
 For the Year Ending June 30, 2008

| | Budgeted Amounts | | Actual | Variances Favorable (Unfavorable) |
|--|------------------|--------------------|-------------------------------|---|
| | Original | Final | (Non-GAAP Budgetary Basis) | Final to Actual |
| <i>Revenues</i> | | | | |
| Taxes | | | | |
| Property taxes | \$ 162,509 | \$ 201,610 | \$ 94,584 | \$ (107,026) |
| Gross receipts | 2,552,306 | 3,259,675 | 3,259,675 | - |
| Gas and motor vehicle | 46,556 | 56,468 | 163,494 | 107,026 |
| Other | 83,306 | 113,365 | 113,365 | - |
| Intergovernmental Income | | | | |
| State operating grants | 58,400 | 62,923 | 62,923 | - |
| Charges For Services | 44,625 | 113,411 | 114,451 | 1,040 |
| Licenses and Fees | 25,531 | 42,019 | 42,049 | 30 |
| Interest Income | 189,533 | 79,203 | 79,200 | (3) |
| Miscellaneous | 176,878 | 241,504 | 242,438 | 934 |
| <i>Total revenues</i> | <u>3,339,644</u> | <u>4,170,178</u> | <u>4,172,179</u> | <u>2,001</u> |
| <i>Expenditures</i> | | | | |
| Current | | | | |
| General government | 969,386 | 873,605 | 868,084 | 5,521 |
| Public safety | 1,075,070 | 1,158,801 | 1,084,236 | 74,565 |
| Public works | 312,869 | 321,071 | 316,257 | 4,814 |
| Culture and recreation | 248,361 | 280,372 | 275,498 | 4,874 |
| Capital outlay | 177,771 | 212,256 | 460,535 | (248,279) |
| <i>Total expenditures</i> | <u>2,783,457</u> | <u>2,846,105</u> | <u>3,004,610</u> | <u>(158,505)</u> |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>556,187</u> | <u>1,324,073</u> | <u>1,167,569</u> | <u>(156,504)</u> |
| <i>Other financing sources (uses)</i> | | | | |
| Designated cash | (1,256,187) | (3,094,073) | - | 3,094,073 |
| Transfers in | 700,000 | 1,770,000 | - | (1,770,000) |
| Transfers out | - | - | (3,401,436) | (3,401,436) |
| <i>Total other financing sources (uses)</i> | <u>(556,187)</u> | <u>(1,324,073)</u> | <u>(3,401,436)</u> | <u>(2,077,363)</u> |
| <i>Net change in fund balance</i> | <u>-</u> | <u>-</u> | <u>(2,233,867)</u> | <u>(2,233,867)</u> |
| <i>Fund balances - beginning of year</i> | - | - | 3,260,811 | 3,260,811 |
| <i>Restatement - Note 14</i> | - | - | (28,664) | (28,664) |
| <i>Fund balance - beginning of year, as restated</i> | - | - | 3,232,147 | 3,232,147 |
| <i>Fund balances - end of year</i> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 998,280</u> | <u>\$ 998,280</u> |
| Net change in fund balances (budget basis) | | | | \$ (2,233,867) |
| Adjustment to revenue for accounts receivable | | | | 25,909 |
| Adjustment to expenditures for prepaids | | | | (2,923) |
| Adjustment to expenditures for accounts payable | | | | (41,142) |
| Adjustment to expenditures for payroll accrual | | | | 72,458 |
| Adjustment to revenue for deferred revenue | | | | 2,218 |
| <i>Net change in fund balances (GAAP Basis)</i> | | | | <u>\$ (2,177,347)</u> |

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Exhibit C-2

City of Eunice

Fire Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2008

| | Budgeted Amounts | | Actual | Variances Favorable (Unfavorable) |
|--|------------------|------------------|-------------------------------|---|
| | Original | Final | (Non-GAAP Budgetary Basis) | Final to Actual |
| <i>Revenues</i> | | | | |
| Taxes | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ - |
| Gross receipts | - | - | - | - |
| Intergovernmental income | | | | |
| State operating grants | 140,267 | 85,116 | 85,116 | - |
| State capital grants | - | - | - | - |
| Charges for services | - | - | - | - |
| Licenses and fees | - | - | - | - |
| Interest income | 4,000 | 4,459 | 4,458 | (1) |
| Miscellaneous | 14,925 | 36,143 | 36,143 | - |
| <i>Total revenues</i> | <u>159,192</u> | <u>125,718</u> | <u>125,717</u> | <u>(1)</u> |
| <i>Expenditures</i> | | | | |
| Current | | | | |
| General government | - | - | - | - |
| Public safety | 112,930 | 280,030 | 243,066 | 36,964 |
| Public works | - | - | - | - |
| Culture and recreation | - | - | - | - |
| Health and welfare | - | - | - | - |
| Capital outlay | 71,316 | 111,629 | 319,694 | (208,065) |
| Debt service | | | | |
| Principal | - | - | - | - |
| Interest | - | - | - | - |
| <i>Total expenditures</i> | <u>184,246</u> | <u>391,659</u> | <u>562,760</u> | <u>(171,101)</u> |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>(25,054)</u> | <u>(265,941)</u> | <u>(437,043)</u> | <u>(171,102)</u> |
| <i>Other financing sources (uses)</i> | | | | |
| Designated cash | 25,054 | 94,489 | - | (94,489) |
| Transfers in | - | 171,452 | 171,452 | - |
| Transfers out | - | - | - | - |
| <i>Total other financing sources (uses)</i> | <u>25,054</u> | <u>265,941</u> | <u>171,452</u> | <u>(94,489)</u> |
| <i>Net change in fund balances</i> | - | - | (265,591) | (265,591) |
| <i>Fund balances - beginning of year</i> | - | - | 342,689 | 342,689 |
| <i>Fund balances - end of year</i> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 77,098</u> | <u>\$ 77,098</u> |
| Net change in fund balances (budget basis) | | | | \$ (265,591) |
| Adjustment to revenues for state operating grant accrual | | | | (29,965) |
| Adjustment to expenditures for accounts payable | | | | (45,819) |
| Adjustment to revenues for state operating grant accrual | | | | (1,795) |
| Net change in fund balances (GAAP Basis) | | | | <u>\$ (343,170)</u> |

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Eunice
Emergency Medical Services Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2008

| | Budgeted Amounts | | Actual | Variances Favorable (Unfavorable) |
|--|------------------|------------------|-------------------------------|---|
| | Original | Final | (Non-GAAP Budgetary Basis) | Final to Actual |
| <i>Revenues</i> | | | | |
| Taxes | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ - |
| Gross receipts | - | - | - | - |
| Intergovernmental income | | | | |
| Federal operating grants | - | - | - | - |
| Federal capital grants | - | - | - | - |
| State operating grants | 32,849 | 32,904 | 32,904 | - |
| State capital grants | - | - | - | - |
| Charges for services | 50,500 | 59,488 | 59,488 | - |
| Licenses and fees | - | - | - | - |
| Interest income | - | - | - | - |
| Miscellaneous | 13,810 | 14,148 | 14,148 | - |
| <i>Total revenues</i> | <u>97,159</u> | <u>106,540</u> | <u>106,540</u> | <u>-</u> |
| <i>Expenditures</i> | | | | |
| Current | | | | |
| General government | - | - | - | - |
| Public safety | 150,573 | 359,941 | 316,298 | 43,643 |
| Public works | - | - | - | - |
| Culture and recreation | - | - | - | - |
| Health and welfare | - | - | - | - |
| Capital outlay | 190,000 | - | 109,197 | (109,197) |
| Debt service | | | | |
| Principal | - | - | - | - |
| Interest | - | - | - | - |
| <i>Total expenditures</i> | <u>340,573</u> | <u>359,941</u> | <u>425,495</u> | <u>(65,554)</u> |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>(243,414)</u> | <u>(253,401)</u> | <u>(318,955)</u> | <u>(65,554)</u> |
| <i>Other financing sources (uses)</i> | | | | |
| Designated cash | 243,414 | - | - | - |
| Transfers in | - | 253,401 | 253,401 | - |
| Transfers out | - | - | - | - |
| <i>Total other financing sources (uses)</i> | <u>243,414</u> | <u>253,401</u> | <u>253,401</u> | <u>-</u> |
| <i>Net change in fund balances</i> | - | - | (65,554) | (65,554) |
| <i>Fund balances - beginning of year</i> | <u>-</u> | <u>-</u> | <u>320,516</u> | <u>320,516</u> |
| <i>Fund balances - end of year</i> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 254,962</u> | <u>\$ 254,962</u> |
| Net change in fund balances (budget basis) | | | | \$ (65,554) |
| Adjustment to revenue for accounts receivable | | | | (29,496) |
| Adjustment to expenditures for accounts payable | | | | 5,975 |
| Net change in fund balances (GAAP Basis) | | | | <u>\$ (89,075)</u> |

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Exhibit C-4

City of Eunice

Streets Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2008

| | Budgeted Amounts | | Actual | Variances Favorable (Unfavorable) |
|--|------------------|------------------|-------------------------------|---|
| | Original | Final | (Non-GAAP Budgetary Basis) | Final to Actual |
| <i>Revenues</i> | | | | |
| Taxes | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ - |
| Gross receipts | - | - | - | - |
| Intergovernmental income | | | | |
| State operating grants | 1,072,000 | 136,417 | 136,416 | (1) |
| State capital grants | - | - | - | - |
| Charges for services | - | - | - | - |
| Licenses and fees | - | - | - | - |
| Interest income | - | - | - | - |
| Miscellaneous | 1,200 | 1,200 | 1,200 | - |
| <i>Total revenues</i> | <u>1,073,200</u> | <u>137,617</u> | <u>137,616</u> | <u>(1)</u> |
| <i>Expenditures</i> | | | | |
| Current | | | | |
| General government | - | - | - | - |
| Public safety | - | - | - | - |
| Public works | 389,493 | 862,582 | 474,492 | 388,090 |
| Culture and recreation | - | - | - | - |
| Health and welfare | - | - | - | - |
| Capital outlay | - | 53,219 | 441,345 | (388,126) |
| Debt service | - | - | - | - |
| Principal | - | - | - | - |
| Interest | - | - | - | - |
| <i>Total expenditures</i> | <u>389,493</u> | <u>915,801</u> | <u>915,837</u> | <u>(36)</u> |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>683,707</u> | <u>(778,184)</u> | <u>(778,221)</u> | <u>(37)</u> |
| <i>Other financing sources (uses)</i> | | | | |
| Designated cash | (683,707) | (1,218) | - | 1,218 |
| Transfers in | - | 779,402 | 779,402 | - |
| Transfers out | - | - | - | - |
| <i>Total other financing sources (uses)</i> | <u>(683,707)</u> | <u>778,184</u> | <u>779,402</u> | <u>1,218</u> |
| <i>Net change in fund balances</i> | <u>-</u> | <u>-</u> | <u>1,181</u> | <u>1,181</u> |
| <i>Fund balances - beginning of year</i> | - | - | (229,628) | (229,628) |
| <i>Restatement - Note 14</i> | - | - | 15,042 | 15,042 |
| <i>Fund balances - beginning of year, as restated</i> | <u>-</u> | <u>-</u> | <u>(214,586)</u> | <u>(214,586)</u> |
| <i>Fund balances - end of year</i> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (213,405)</u> | <u>\$ (213,405)</u> |
| Net change in fund balances (budget basis) | | | | \$ 1,181 |
| Adjustment to expenditures for accounts payable | | | | 15,557 |
| Net change in fund balances (GAAP Basis) | | | | <u>\$ 16,738</u> |

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Exhibit C-5

City of Eunice
Swimming Pool Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2008

| | Budgeted Amounts | | Actual | Variances Favorable (Unfavorable) |
|--|------------------|--------------------|-------------------------------|---|
| | Original | Final | (Non-GAAP Budgetary Basis) | Final to Actual |
| <i>Revenues</i> | | | | |
| Taxes | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ - |
| Other | - | - | - | - |
| Intergovernmental income | | | | |
| Federal operating grants | - | - | - | - |
| Federal capital grants | - | - | - | - |
| State operating grants | - | - | - | - |
| State capital grants | - | 830,000 | 830,000 | - |
| Charges for services | - | 318 | 316 | (2) |
| Interest income | - | - | - | - |
| Miscellaneous | 20,353 | 23,103 | 23,103 | - |
| <i>Total revenues</i> | <u>20,353</u> | <u>853,421</u> | <u>853,419</u> | <u>(2)</u> |
| <i>Expenditures</i> | | | | |
| Current | | | | |
| General government | 284,059 | 2,321,106 | 68,386 | 2,252,720 |
| Public safety | - | - | - | - |
| Capital outlay | - | - | 2,255,420 | (2,255,420) |
| Debt service | - | - | - | - |
| Principal | - | - | - | - |
| Interest | - | - | - | - |
| <i>Total expenditures</i> | <u>284,059</u> | <u>2,321,106</u> | <u>2,323,806</u> | <u>(2,700)</u> |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>(263,706)</u> | <u>(1,467,685)</u> | <u>(1,470,387)</u> | <u>(2,702)</u> |
| <i>Other financing sources (uses)</i> | | | | |
| Designated cash | (436,294) | (302,315) | - | 302,315 |
| Transfers in | 700,000 | 1,770,000 | 1,770,000 | - |
| Transfers out | - | - | - | - |
| <i>Total other financing sources (uses)</i> | <u>263,706</u> | <u>1,467,685</u> | <u>1,770,000</u> | <u>302,315</u> |
| <i>Net change in fund balances</i> | <u>-</u> | <u>-</u> | <u>299,613</u> | <u>299,613</u> |
| <i>Fund balances - beginning of year</i> | - | - | 11,891 | 11,891 |
| <i>Fund balances - end of year</i> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 311,504</u> | <u>\$ 311,504</u> |
| Net change in fund balances (budget basis) | | | | \$ 299,613 |
| Adjustment to expenditures for accounts payable | | | | <u>(236,582)</u> |
| Net change in fund balances (GAAP Basis) | | | | <u>\$ 63,031</u> |

The accompanying notes are an integral part of these financial statements

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STATE OF NEW MEXICO

City of Eunice
Statement of Net Assets
Proprietary Funds
June 30, 2008

| | Enterprise Funds | |
|---|------------------|--------------|
| | Water | Sewer |
| <i>Assets</i> | | |
| <i>Current assets</i> | | |
| Cash and cash equivalents | \$ 105,896 | \$ 7,916 |
| Investments | 537,000 | 674,000 |
| Accounts receivable | | |
| Property taxes | 21,265 | - |
| Other | 1,022,810 | 27,147 |
| Inventory | 137,031 | - |
| Interfund receivable | 1,964,000 | 791,257 |
| <i>Total current assets</i> | 3,788,002 | 1,500,320 |
| <i>Noncurrent assets</i> | | |
| Restricted cash | - | - |
| Capital assets | 9,555,539 | 1,087,922 |
| Less: accumulated depreciation | (5,016,976) | (748,272) |
| <i>Total noncurrent assets</i> | 4,538,563 | 339,650 |
| <i>Total assets</i> | \$ 8,326,565 | \$ 1,839,970 |
| <i>Liabilities and net assets</i> | | |
| <i>Liabilities</i> | | |
| <i>Current liabilities</i> | | |
| Accounts payable | \$ 294,935 | \$ 5,781 |
| Meter deposits payable | 42,541 | - |
| Accrued payroll | 1,390 | 341 |
| Accrued compensated absences | 6,706 | 772 |
| Interfund payable | 267,683 | 65,406 |
| Current portion of long-term debt | - | - |
| <i>Total current liabilities</i> | 613,255 | 72,300 |
| <i>Noncurrent liabilities</i> | | |
| Accrued compensated absences | 2,235 | 257 |
| Loans and capital leases payable | - | - |
| <i>Total noncurrent liabilities</i> | 2,235 | 257 |
| <i>Total liabilities</i> | 615,490 | 72,557 |
| <i>Net assets</i> | | |
| Invested in capital assets, net of related debt | 4,538,563 | 339,650 |
| Unrestricted | 3,172,512 | 1,427,763 |
| <i>Total net assets</i> | 7,711,075 | 1,767,413 |
| <i>Total liabilities and net assets</i> | \$ 8,326,565 | \$ 1,839,970 |

The accompanying notes are an integral part of these financial statements

Enterprise Funds

| Solid Waste | Golf | Ambulance | Total |
|------------------|-------------------|-------------------|----------------------|
| \$ - | \$ - | \$ - | \$ 113,812 |
| 20,000 | - | - | 1,231,000 |
| - | - | - | 21,265 |
| 33,004 | 7,200 | - | 1,090,161 |
| - | 16,552 | - | 153,583 |
| 5,728 | - | - | 2,760,985 |
| <u>58,732</u> | <u>23,752</u> | <u>-</u> | <u>5,370,806</u> |
| - | - | 40,099 | 40,099 |
| - | 479,789 | 379,053 | 11,502,303 |
| - | (281,685) | (188,657) | (6,235,590) |
| - | <u>198,104</u> | <u>230,495</u> | <u>5,306,812</u> |
| <u>\$ 58,732</u> | <u>\$ 221,856</u> | <u>\$ 230,495</u> | <u>\$ 10,677,618</u> |
| \$ 25,323 | \$ 2,078 | \$ 2,278 | \$ 330,395 |
| - | - | - | 42,541 |
| - | 785 | - | 2,516 |
| - | 1,314 | - | 8,792 |
| 303,616 | 742,478 | 54,094 | 1,433,277 |
| - | - | 45,540 | 45,540 |
| <u>328,939</u> | <u>746,655</u> | <u>101,912</u> | <u>1,863,061</u> |
| - | 438 | - | 2,930 |
| - | - | 146,465 | 146,465 |
| - | <u>438</u> | <u>146,465</u> | <u>149,395</u> |
| <u>328,939</u> | <u>747,093</u> | <u>248,377</u> | <u>2,012,456</u> |
| - | 198,104 | (1,609) | 5,074,708 |
| <u>(270,207)</u> | <u>(723,341)</u> | <u>(16,273)</u> | <u>3,590,454</u> |
| <u>(270,207)</u> | <u>(525,237)</u> | <u>(17,882)</u> | <u>8,665,162</u> |
| <u>\$ 58,732</u> | <u>\$ 221,856</u> | <u>\$ 230,495</u> | <u>\$ 10,677,618</u> |

STATE OF NEW MEXICO
City of Eunice
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2008

| | Enterprise Funds | |
|---|---------------------|---------------------|
| | Water | Sewer |
| <i>Operating revenues:</i> | | |
| Charges for services | \$ 1,133,135 | \$ 216,224 |
| <i>Total operating revenues</i> | <u>1,133,135</u> | <u>216,224</u> |
| <i>Operating expenses:</i> | | |
| Culture and recreation | - | - |
| Personnel services | 353,162 | 113,907 |
| Supplies | 423,563 | 83,621 |
| Depreciation | 199,975 | 26,801 |
| Capital Outlay | 74,108 | - |
| <i>Total operating expenses</i> | <u>1,050,808</u> | <u>224,329</u> |
| <i>Operating income (loss)</i> | <u>82,327</u> | <u>(8,105)</u> |
| <i>Non-operating revenues (expenses):</i> | | |
| Taxes | 105,174 | - |
| Contributions from other funds | 31,901 | - |
| Interest expense | - | - |
| Interest income | 31,482 | 17,006 |
| State capital grant | 298,137 | - |
| Federal grant | 750,000 | - |
| Loss on disposal of assets | (8,099) | - |
| Miscellaneous income | 450,000 | - |
| <i>Total non-operating revenues (expenses)</i> | <u>1,658,595</u> | <u>17,006</u> |
| Transfers in | - | 8,576 |
| <i>Change in net assets</i> | <u>1,740,922</u> | <u>17,477</u> |
| <i>Net assets, beginning of year</i> | 5,956,895 | 1,723,369 |
| <i>Restatement, Note 14</i> | 13,258 | 26,567 |
| <i>Net assets, beginning of year, as restated</i> | <u>5,970,153</u> | <u>1,749,936</u> |
| <i>Net assets, end of year</i> | <u>\$ 7,711,075</u> | <u>\$ 1,767,413</u> |

The accompanying notes are an integral part of these financial statements

| Enterprise Funds | | | |
|---------------------|---------------------|--------------------|---------------------|
| Solid Waste | Golf | Ambulance | Total |
| \$ 303,372 | \$ 192,031 | \$ 52,392 | \$ 1,897,154 |
| <u>303,372</u> | <u>192,031</u> | <u>52,392</u> | <u>1,897,154</u> |
| - | 13,853 | - | 13,853 |
| - | 175,689 | - | 642,758 |
| 339,714 | 117,530 | - | 964,428 |
| - | 35,118 | 41,531 | 303,425 |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>74,108</u> |
| <u>339,714</u> | <u>342,190</u> | <u>41,531</u> | <u>1,998,572</u> |
| <u>(36,342)</u> | <u>(150,159)</u> | <u>10,861</u> | <u>(101,418)</u> |
| - | - | - | 105,174 |
| 23,174 | - | - | 55,075 |
| - | - | (10,637) | (10,637) |
| 891 | - | 2,030 | 51,409 |
| - | - | - | 298,137 |
| - | - | - | 750,000 |
| - | - | - | (8,099) |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>450,000</u> |
| <u>24,065</u> | <u>-</u> | <u>(8,607)</u> | <u>1,691,059</u> |
| <u>-</u> | <u>9,036</u> | <u>-</u> | <u>17,612</u> |
| <u>(12,277)</u> | <u>(141,123)</u> | <u>2,254</u> | <u>1,607,253</u> |
| <u>(257,930)</u> | <u>(389,837)</u> | <u>(31,294)</u> | <u>7,001,203</u> |
| <u>-</u> | <u>5,723</u> | <u>11,158</u> | <u>56,706</u> |
| <u>(257,930)</u> | <u>(384,114)</u> | <u>(20,136)</u> | <u>7,057,909</u> |
| <u>\$ (270,207)</u> | <u>\$ (525,237)</u> | <u>\$ (17,882)</u> | <u>\$ 8,665,162</u> |

STATE OF NEW MEXICO
City of Eunice
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2008

| | Enterprise Funds | |
|---|---------------------|---------------------|
| | Water | Sewer |
| <i>Cash flows from operating activities:</i> | | |
| Cash received from user charges | \$ 322,554 | \$ 226,722 |
| Cash payments to employees for services | (349,220) | (113,797) |
| Cash payments to suppliers for goods and services | (159,043) | (79,768) |
| Internal activity | (466,107) | (243,421) |
| <i>Net cash provided by (used) for operating activities</i> | <u>(651,816)</u> | <u>(210,264)</u> |
| <i>Cash flows from noncapital financing activities:</i> | | |
| Miscellaneous income | 450,000 | - |
| Taxes received | 105,174 | - |
| Contributions from other funds | 31,901 | - |
| Transfers | - | 8,576 |
| <i>Net cash provided by (used) for noncapital financing activities:</i> | <u>587,075</u> | <u>8,576</u> |
| <i>Cash flows from capital and related financing activities:</i> | | |
| Acquisition of capital assets | (1,356,768) | (8,576) |
| Principal payments on capital debt | - | - |
| Federal capital grant income | 750,000 | - |
| State capital grant income | 298,137 | - |
| Interest expense | - | - |
| <i>Net cash provided by (used) for capital and related financing activities:</i> | <u>(308,631)</u> | <u>(8,576)</u> |
| <i>Cash flows from investing activities:</i> | | |
| Interest on investments | 31,482 | 17,006 |
| <i>Net cash provided by (used) for investing activities</i> | <u>31,482</u> | <u>17,006</u> |
| <i>Net increase (decrease) in cash and cash equivalents</i> | (341,890) | (193,258) |
| <i>Cash and cash equivalents - beginning of year</i> | <u>984,786</u> | <u>875,174</u> |
| <i>Cash and cash equivalents - end of year</i> | <u>\$ 642,896</u> | <u>\$ 681,916</u> |
| <i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</i> | | |
| Operating income (loss) | \$ 82,327 | \$ (8,105) |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | |
| Depreciation | 199,975 | 26,801 |
| Changes in assets and liabilities | | |
| Receivables | (788,661) | 10,498 |
| Interfund receivables/payables | (466,107) | (243,421) |
| Inventory | 75,114 | - |
| Accounts payable | 263,514 | 3,853 |
| Accrued payroll expenses | 3,942 | 110 |
| Meter deposits | (21,920) | - |
| <i>Net cash provided (used) by operating activities</i> | <u>\$ (651,816)</u> | <u>\$ (210,264)</u> |

The accompanying notes are an integral part of these financial statements

Enterprise Funds

| Solid Waste | Golf | Ambulance | Total |
|--------------------|----------------|------------------|---------------------|
| \$ 316,183 | \$ 187,222 | \$ 52,392 | \$ 1,105,073 |
| - | (177,233) | - | (640,250) |
| (339,103) | (136,151) | - | (714,065) |
| (1,145) | 126,162 | - | (584,511) |
| <u>(24,065)</u> | <u>-</u> | <u>52,392</u> | <u>(833,753)</u> |
| - | - | - | 450,000 |
| - | - | - | 105,174 |
| 23,174 | - | - | 55,075 |
| <u>-</u> | <u>9,036</u> | <u>-</u> | <u>17,612</u> |
| <u>23,174</u> | <u>9,036</u> | <u>-</u> | <u>627,861</u> |
| - | (9,036) | - | (1,374,380) |
| - | - | (44,014) | (44,014) |
| - | - | - | 750,000 |
| - | - | - | 298,137 |
| <u>-</u> | <u>-</u> | <u>(8,358)</u> | <u>(8,358)</u> |
| <u>-</u> | <u>(9,036)</u> | <u>(52,372)</u> | <u>(378,615)</u> |
| 891 | - | 2,029 | 51,408 |
| <u>891</u> | <u>-</u> | <u>2,029</u> | <u>51,408</u> |
| - | - | 2,049 | (533,099) |
| 20,000 | - | 38,050 | 1,918,010 |
| <u>\$ 20,000</u> | <u>\$ -</u> | <u>\$ 40,099</u> | <u>\$ 1,384,911</u> |
| \$ (36,342) | \$ (150,159) | \$ 10,861 | \$ (101,418) |
| - | 35,118 | 41,531 | 303,425 |
| 12,811 | (4,809) | - | (770,161) |
| (1,145) | 126,162 | - | (584,511) |
| - | - | - | 75,114 |
| 611 | (4,768) | - | 263,210 |
| - | (1,544) | - | 2,508 |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>(21,920)</u> |
| <u>\$ (24,065)</u> | <u>\$ -</u> | <u>\$ 52,392</u> | <u>\$ (833,753)</u> |

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STATE OF NEW MEXICO
City of Eunice
Statement of Fiduciary Assets and Liabilities - Agency Funds
June 30, 2008

Exhibit E-1

Assets

| | |
|---------------------------|----------------------|
| Cash and cash equivalents | \$ 1,055 |
| Accounts receivable | 12,115 |
| Interfund receivable | <u>557</u> |
| Total assets | <u>\$ 13,727</u> |

Liabilities

| | |
|---------------------------------|----------------------|
| Interfund payable | \$ 2,782 |
| Deposits held and due to others | <u>10,945</u> |
| Total liabilities | <u>\$ 13,727</u> |

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Eunice
Notes to Financial Statements
June 30, 2008

NOTE 1. Summary of Significant Accounting Policies

The City of Eunice (City) operates under an elected Mayor-Council form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, sanitation, health and welfare, culture-recreation, public improvements, utilities, planning and zoning, and general government administrative services.

The City of Eunice is a body politic and corporate under the name and form of government selected by its qualified electors. The City may:

1. Sue or be sued;
2. Enter into contracts and leases;
3. Acquire and hold property, both real and personal;
4. Have common seal, which may be altered at pleasure;
5. Exercise such other privileges that are incident to corporations of like character or degree that are not inconsistent with the laws of New Mexico;
6. Protect generally the property of its municipality and its inhabitants;
7. Preserve peace and order within the municipality; and
8. Establish rates for services provided by municipal utilities and revenue-producing projects, including amounts which the governing body determines to be reasonable in the operation of similar facilities.

This summary of significant accounting policies of the City of Eunice is presented to assist in the understanding of City of Eunice's financial statements. The financial statements and notes are the representation of City of Eunice's management who is responsible for their integrity and objectivity. 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 government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements have incorporated all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on accounting procedures issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements. The more significant of the government's accounting policies are described below.

A. *Financial Reporting Entity*

In evaluating how to define the City, for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB-14. Blended component units, although legally separate entities, are in substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Based upon the application of these criteria, the following is a brief review of each potential component unit addressed in defining the government's reporting entity. The City has one discretely presented component unit.

STATE OF NEW MEXICO
City of Eunice
Notes to Financial Statements
June 30, 2008

NOTE 1. Summary of Significant Accounting Policies (continued)

A. *Financial Reporting Entity* (continued)

Eunice Housing Authority (Authority): This component unit has separate elected and/or appointed boards and provides services to residents, generally within the geographic boundaries of the government. GASB 14 requires the Authority to be reported as a component unit of the City of Eunice.

B. *Government-wide and fund financial statements*

The government-wide financial statements (i.e., the statement of net assets and the statement of activities and changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity 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 function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, if applicable, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

C. *Measurement focus, basis of accounting, and financial statement presentation*

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund, if applicable, financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are billed. Grants and similar items are recognized as revenue as soon as all eligibility requirements of time, reimbursement and contingencies imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

STATE OF NEW MEXICO
City of Eunice
Notes to Financial Statements
June 30, 2008

NOTE 1. Summary of Significant Accounting Policies (continued)

C. *Measurement focus, basis of accounting, and financial statement presentation (continued)*

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Sales and use taxes are classified as derived tax revenues and are recognized as revenue when the underlying exchange takes place and the revenues are measurable and available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. Property taxes are included in revenue when levied, net of estimated refunds and uncollectible amounts. All other revenue items are considered to be measurable and available only when cash is received by the government.

The government reports the following major governmental funds:

The *General Fund* 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.

The *Fire Special Revenue Fund* accounts for the operations of the library. The fund is financed by grants and general fund transfers.

The *EMS Special Revenue Fund* - The objective of this fund is to account for the acquisition of emergency medical equipment. The fund is financed through a grant from the State of New Mexico. The authority for the creation of this fund is the Emergency Medical Fund Act, 24-10A-6, N.M.S.A. 1978.

The *Municipal Infra-Structure Capital Projects Fund* accounts for the one-cent gasoline tax being allocated to the City for the explicit purpose of street repairs.

The *Streets Special Revenue Fund* is used to account for the maintenance of the streets in the City. The fund is financed primarily by general fund transfers and interfund loans.

The *Swimming Pool Special Revenue Fund* is used for the construction, operation and payroll purposes for the new Aquatic Facility.

The government reports the following major proprietary funds:

The *Water Fund* accounts for the provision of water services to the residents of the City of Eunice. Overall administration and construction as well as all other activities necessary to provide such service are accounted for in this fund.

The *Sewer Fund* accounts for the provision of sewer services to the residents of the City of Eunice. Overall administration and construction as well as all other activities necessary to provide such service are accounted for in this fund.

The *Solid Waste Fund* accounts for the provision of garbage and refuse services to the residents of the City of Eunice. Overall administration and construction as well as all other activities necessary to provide such service are accounted for in this fund.

The *Golf Fund* accounts for the revenues and expenses associated with the operation of the City of Eunice golf course.

The *Ambulance Fund* accounts for the revenues and expenses associated with the operation of ambulance service for the City of Eunice.

STATE OF NEW MEXICO
City of Eunice
Notes to Financial Statements
June 30, 2008

NOTE 1. Summary of Significant Accounting Policies (continued)

C. *Measurement focus, basis of accounting, and financial statement presentation* (continued)

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The government has elected not to follow subsequent private-sector guidance.

As a general rule the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's enterprise funds and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported for the various functions concerned.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided such as motor vehicle administration fees and corrections fee; and 2) operating grants and contributions such as small cities assistance and state fire allotment. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the solid waste, water, sewer, ambulance, and golf funds are charges to customers for sales and services. Operating expenses for enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

When both restricted and unrestricted resources are available for use, it is the government's policy to use restricted resources first, then unrestricted resources as they are needed.

D. *Assets, Liabilities and Net Assets or Equity*

Deposits and Investments: 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.

State statutes authorize the City to invest in Certificates of Deposit, obligations of the U.S. Government, and the State Treasurer's Investment Pool.

Investments for the City are reported at fair value. The State Treasurer's Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

Receivables and Payables: Activity between funds that are representative of lending/borrowing arrangements outstanding at the end of the fiscal year are referred to as either "due to/from other funds" (i.e., the current portion of interfund loans) or "advances to/from other funds" (i.e., the non-current portion of interfund loans). All other outstanding balances between funds are reported as "due to/from other funds." Any residual balances outstanding between the governmental activities and business-type activities are reported in the government-wide financial statements as "internal balances."

STATE OF NEW MEXICO
City of Eunice
Notes to Financial Statements
June 30, 2008

NOTE 1. Summary of Significant Accounting Policies (continued)

D. *Assets, Liabilities and Net Assets or Equity (continued)*

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

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. In the government-wide and governmental fund financial statements, delinquent property taxes are not recorded as revenue until received.

Property taxes are levied on November 1 based on the assessed value of property as listed on the previous January 1 and are due in two payments by November 10th and April 10th. Property taxes uncollected after May 10th are considered delinquent. The taxes attach as an enforceable lien on property as of January 1st.

Inventories and Prepaid Items: Inventories in governmental funds consist of expendable supplies held for consumption, and are valued at cost using a first-in, first-out (FIFO) method. Expendable supplies are reported at cost, and expenditures are recorded at the time individual inventory items are purchased. Proprietary fund inventories are recorded at the lower of cost or market on a first-in, first-out basis, and consist of operating supplies held for use in operations and are recorded as expenditures when consumed rather than when purchased.

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

Restricted Assets: Restricted assets consist of those funds expendable for operating purposes but restricted by donors or other outside agencies as to the specific purpose for which they may be expended.

Capital Assets: Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. State law sets a capitalization threshold of \$5,000 for acquisitions of property and equipment (12-10-10 NMSA 1978). Capital assets are defined by the government as assets with an initial, individual cost of more than \$1,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Information Technology Equipment including software is being capitalized and included in furniture, fixtures and equipment in accordance with NMAC 2.20.1.9 C (5). Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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

STATE OF NEW MEXICO
City of Eunice
Notes to Financial Statements
June 30, 2008

NOTE 1. Summary of Significant Accounting Policies (continued)

D. *Assets, Liabilities and Net Assets or Equity* (continued)

Capital Assets (continued): Property, plant, and equipment of the primary government is depreciated using the straight line method over the following estimated useful lives:

| <u>Assets</u> | <u>Years</u> |
|-----------------------------------|--------------|
| Buildings | 30-50 |
| Improvements other than buildings | 20-30 |
| Public domain infrastructure | 40 |
| System infrastructure | 25 |
| Machinery and equipment | 5-10 |
| Library books | 5 |

Deferred Revenues: Accounting principles generally accepted in the United States of America require that grant revenue be recognized at the time the related expense is made if the expenditure of funds is the prime factor for determining eligibility for reimbursement; therefore, amounts received and not expended in the Special Revenue Funds are shown as deferred revenues. Utility service prepayments in the Enterprise Funds are reported as deferred revenue until the earnings process is complete.

Compensated Absences: 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 to a maximum of 526 hours. 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. Accumulated unused vacation is payable upon retirement or termination from employment. All vacation pay and applicable accumulated sick leave 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.

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 assets. 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.

Fund Equity: In the fund financial statements, governmental funds report reservations of fund balance that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

STATE OF NEW MEXICO
City of Eunice
Notes to Financial Statements
June 30, 2008

NOTE 1. Summary of Significant Accounting Policies (continued)

D. *Assets, Liabilities and Net Assets or Equity* (continued)

Equity Classifications

Government-wide Statements

Equity is classified as net assets and displayed in three components:

- a. Net assets invested in capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. **Restricted Net Assets:**
Consist of net assets with constraints placed on the use either (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) laws through constitutional provisions or enabling legislation. Descriptions for the related restrictions for net assets restricted for “other purposes” are described in the Notes to Financial Statements.
- c. **Unrestricted Net Assets:**
All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Reclassifications: Certain amounts presented in prior year data have been reclassified in order to be consistent with the current year’s presentation.

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

NOTE 2. Stewardship, Compliance and Accountability

Budgetary Information

The City Charter establishes the City’s fiscal year as the twelve-month period beginning July 1 and ending June 30. Prior to June 1 the Budget Director submits to management a proposed operating budget of estimated revenues, expenditures, and transfers for the ensuing fiscal year for the General Fund, Special Revenue Funds, Debt Service Fund, Capital Projects Funds and Enterprise Funds. Management subsequently submits the budget (1) to the New Mexico Department of Finance and Administration for review and approval; and (2) to the City Council for review and enactment of a resolution legally adopting the budget. Once approved, the City Council may amend the legally adopted budget when unexpected modifications are required in estimated revenues and appropriations. Additionally, the New Mexico Department of Finance and Administration must approve any amendments to the budget.

Each fund’s appropriated budget is prepared on a detailed line item basis. Revenues are budgeted by department and general ledger account. Expenditures are budgeted by department and general ledger account. This constitutes the legal level of control. Expenditures may not exceed appropriations at this level. All budget revisions at this level are subject to final review and approval by the City Council. Revisions to the budget were made throughout the year.

STATE OF NEW MEXICO
City of Eunice
Notes to Financial Statements
June 30, 2008

NOTE 2. Stewardship, Compliance and Accountability (continued)

Encumbrance accounting, under which purchase orders, contracts and other commitments for the expenditure of monies are recorded in order to reserve that portion of the applicable appropriation, is not employed as an extension of formal budgetary integration in the General Fund, Special Revenue Funds, Capital Projects Funds and Debt Service Funds.

The appropriated budget for the year ended June 30, 2008 was not properly amended by the City Commission through the year.

| | Excess (deficiency) of revenues over expenditures | |
|---|--|-----------------|
| | Original Budget | Final Budget |
| Budgeted Funds: | | |
| General Fund | \$ 556,187 | \$ 1,324,073 |
| Fire Fund | (25,054) | (265,941) |
| Emergency Medical Services | (243,414) | (253,401) |
| Municipal Infrastructure Capital Projects Fund | 129,761 | 173,503 |
| Streets Special Revenue Fund | 683,707 | (778,184) |
| Swimming Pool Special Revenue Fund | (263,706) | (1,468,003) |
| Other Governmental Funds | (562,165) | (630,854) |
| Water | 555,759 | 905,573 |
| Sewer | (94,477) | 33,684 |
| Solid Waste | (26,213) | (23,920) |
| Golf | (213,923) | (180,201) |
| Ambulance | - | - |

NOTE 3. Deposits and Investments

State statutes authorize the investment of City funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. All invested funds of the City properly followed State investment requirements as of June 30, 2008.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks 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 or by collateral deposited as security or by bond given by the financial institution.

The rate of interest in non-demand interest-bearing accounts shall be set by the State Board of Finance, but 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.

Excess of funds may be temporarily invested 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.

According to the Federal Deposit Insurance Corporation, public unit deposits are funds owned by the public unit. Time deposits, savings deposits and interest bearing NOW accounts of an institution in the same state will be insured up to \$100,000 in aggregate and separate from the \$100,000 coverage for public unit demand deposits at the same institution.

STATE OF NEW MEXICO
City of Eunice
Notes to Financial Statements
June 30, 2008

NOTE 3. Deposits and Investments (continued)

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a 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, 2008, the City's deposits totaled \$747,269 of which \$606,547 was exposed to custodial credit risk because the related collateral was held by the pledging financial institution, but not in the agency name.

| | <u>Wells Fargo Bank</u> | <u>NMFA Reserve Account</u> | <u>Total</u> |
|--|-----------------------------|---------------------------------|-------------------|
| Demand accounts | \$ 706,547 | \$ 40,722 | \$ 747,269 |
| FDIC Coverage | <u>(100,000)</u> | <u>(40,722)</u> | <u>(140,722)</u> |
| Total uninsured public funds | 606,547 | - | 606,547 |
| Collateralized by securities held by the pledging institution or by its trust department or agent in other than the City's name | <u>(606,547)</u> | <u>-</u> | <u>(606,547)</u> |
| Uninsured and uncollateralized | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| Collateral requirement (50% of uninsured funds) | \$ 303,274 | \$ - | \$ 303,274 |
| Pledged Collateral | <u>757,944</u> | <u>-</u> | <u>757,944</u> |
| Over (Under) collateralized | <u>\$ 454,670</u> | <u>\$ -</u> | <u>\$ 454,670</u> |

The collateral pledged is listed on Schedule III of this report. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, district or political subdivision of the State of New Mexico.

Custodial Credit Risk – Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have an investment policy for custodial credit risk. New Mexico State Statutes require collateral pledged to be delivered for securities underlying an overnight repurchase agreement, or a joint safekeeping receipt be issued to the City for at least one hundred two percent of the fair value of the securities underlying overnight repurchase accounts invested with the institution. At June 30, 2008, the City's investment balances were exposed to custodial credit risk as follows:

STATE OF NEW MEXICO
City of Eunice
Notes to Financial Statements
June 30, 2008

NOTE 3. Deposits and Investments (continued)

| | Bank | LGIP | Total |
|--|--------------|--------------|--------------|
| Securities underlying an overnight repurchase agreement held by investment's counterparty not in the City's name | \$ 1,003,600 | \$ - | \$ 1,003,600 |
| Investment in the State Treasurer's Local Investment Pool | - | 1,894,000 | 1,894,000 |
| Total investments subject to custodial credit risk | \$ 1,003,600 | \$ 1,894,000 | \$ 2,897,600 |
| Collateral requirement for repurchase agreements (102% of value of underlying securities) | \$ 1,023,672 | \$ - | \$ 1,023,672 |
| Pledged securities | 1,023,701 | - | 1,023,701 |
| Over (under) collateralization | \$ 29 | \$ - | \$ 29 |

The New MexiGROW Local Government Investment Pool's (LGIP) investments are valued at fair value based on quoted market prices as of the valuation date. The LGIP is not SEC registered. The New Mexico State Treasurer is authorized to invest the short-term investment funds, with the advice and consent of the State Board of Finance, in accordance with Sections 6-10-10 I through 6-10-10 P and Sections 6-10-10.1 A and E, NMSA 1978. The pool does not have unit shares. Per Section 6-10-10.1F, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the fund amounts were invested. Participation in the LGIP is voluntary.

Interest Rate Risk

The City's investments at June 30, 2008 include the following:

| Investments | Weighted Average Maturities | Fair Value | Rating |
|--|-----------------------------|---------------------|--------|
| State Treasurer Local New MexiGROW LGIP | 27.5 days | \$ <u>1,894,000</u> | AAAm |

STATE OF NEW MEXICO
City of Eunice
Notes to Financial Statements
June 30, 2008

NOTE 3. Deposits and Investments (continued)

Reconciliation to the Statement of Net Assets:

The carrying amount of deposits and investments shown above are included in the City's statement of net assets as follows:

| | Primary Government | Component Unit |
|------------------------------------|-----------------------|-------------------|
| Carrying amount | | |
| Deposits | \$ 1,168,007 | \$ 72,408 |
| Investments | 1,894,000 | - |
| | \$ 3,062,007 | \$ 72,408 |
| Included in the following captions | | |
| Cash and cash equivalents | \$ 1,125,679 | \$ 72,408 |
| Restricted cash | 40,099 | - |
| Investments | 1,895,174 | - |
| Agency funds cash | 1,055 | - |
| | \$ 3,062,007 | \$ 72,408 |

NOTE 4. Receivables and payables

Receivables as of June 30, 2008 are as follows:

Governmental activities:

| | General Fund | Fire Fund | EMS Fund | Municipal Infrastructure Fund |
|-------------------|--------------|---------------|--------------------------------|-------------------------------------|
| Receivables: | | | | |
| Taxes | \$ 70,395 | \$ - | \$ - | \$ - |
| Intergovernmental | - | - | - | - |
| Other | - | - | - | - |
| Net receivables | \$ 70,395 | \$ - | \$ - | \$ - |
| | | | Other Governmental Funds | |
| | Streets Fund | Swimming Pool | | Total |
| Receivables: | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ 70,395 |
| Intergovernmental | - | - | - | - |
| Other | - | - | - | - |
| Net receivables | \$ - | \$ - | \$ - | \$ 70,395 |

STATE OF NEW MEXICO
City of Eunice
Notes to Financial Statements
June 30, 2008

NOTE 4. Receivables and payables (continued)

The Business-type Activities / Proprietary Funds accounts receivables were:

Business-type activities:

| | <u>Water</u> | <u>Sewer</u> | <u>Solid Waste</u> | <u>Golf</u> |
|----------------------|---------------------|------------------|---------------------|------------------|
| Receivables: | | | | |
| Taxes | \$ 21,265 | \$ - | \$ - | \$ - |
| Accounts | 151,709 | 27,147 | 33,004 | - |
| Other | 878,163 | - | - | 7,200 |
| Allow. for bad debts | (7,062) | - | - | - |
| Net receivables | <u>\$ 1,044,075</u> | <u>\$ 27,147</u> | <u>\$ 33,004</u> | <u>\$ 7,200</u> |
| | | <u>Ambulance</u> | <u>Total</u> | <u>Agency</u> |
| Receivables: | | | | |
| Taxes | | \$ - | \$ 21,265 | \$ - |
| Accounts | | - | 211,860 | 12,115 |
| Other | | - | 885,363 | - |
| Allow. for bad debts | | - | (7,062) | - |
| Net receivables | | <u>\$ -</u> | <u>\$ 1,111,426</u> | <u>\$ 12,115</u> |

The Component unit accounts receivables were:

Component unit:

| | <u>Housing</u> |
|-----------------|----------------|
| Receivables: | |
| Taxes | \$ - |
| Accounts | - |
| Other | - |
| Net receivables | <u>\$ -</u> |

Accounts payable as of June 30, 2008, are as follows:

| | <u>Governmental activities</u> | <u>Business-type activities</u> | <u>Component unit</u> |
|---------------------------------------|--------------------------------|---------------------------------|-----------------------|
| Payable to suppliers | \$ 799,336 | \$ 328,117 | \$ 2,591 |
| Payable to and on behalf of employees | 60,324 | 14,238 | 6,005 |
| Payable for interest | - | 2,278 | - |
| | <u>\$ 859,660</u> | <u>\$ 344,633</u> | <u>\$ 8,596</u> |

STATE OF NEW MEXICO
City of Eunice
Notes to Financial Statements
June 30, 2008

NOTE 5. Interfund Receivables, Payables, and Transfers

The City recorded interfund receivables/payables to reflect temporary loans between funds. The purpose of the loans was to cover cash shortages until grant reimbursements or other sources of funds could be obtained.

| <u>Interfund receivable</u> | <u>Interfund payable</u> | <u>Amount</u> |
|---|--|---------------------|
| General Fund | Fire Fund Special Revenue Fund | \$ 708,280 |
| General Fund | EMS Special Revenue Fund | 362,782 |
| General Fund | Recreation Special Revenue Fund | 478,791 |
| General Fund | Library Fund Special Revenue Fund | 190,579 |
| General Fund | Senior Citizens Special Revenue Fund | 357,302 |
| General Fund | Gun Range Special Revenue Fund | 238 |
| General Fund | Swimming Pool Special Revenue Fund | 6,675 |
| General Fund | Gross Receipts Tax Special Revenue Fund | 89,769 |
| General Fund | New Cemetery Project Capital Projects Fund | 14,009 |
| General Fund | Streets Special Revenue Fund | 213,405 |
| General Fund | Employment Retirement Agency Fund | 2,782 |
| General Fund | Golf Enterprise Fund | 742,478 |
| General Fund | Ambulance Enterprise Fund | 54,094 |
| General Fund | Sewer Enterprise Fund | 995 |
| Solid Waste Enterprise Fund | Sewer Enterprise Fund | 5,085 |
| Water Enterprise Fund | Sewer Enterprise Fund | 59,326 |
| Sewer Enterprise Fund | Solid Waste Enterprise Fund | 303,616 |
| Municipal Infrastructure Capital Project Fund | General Fund | 602,890 |
| Water Enterprise Fund | General Fund | 156,019 |
| General Fund | Water Enterprise Fund | 267,683 |
| Water Enterprise Fund | General Fund | 1,748,655 |
| Solid Waste | General Fund | 643 |
| Motor Vehicle Fund | General Fund | 557 |
| Sewer Enterprise Fund | General Fund | 487,641 |
| | | <u>487,641</u> |
| Total | | <u>\$ 6,854,294</u> |

All interfund balances are expected to be repaid within one year.

The City recorded operating transfers out/in to/from other funds to reflect permanent transfers between funds.

| <u>Transfer From</u> | <u>Transfer To</u> | <u>Amount</u> |
|------------------------------------|------------------------------------|---------------------|
| General Fund | Fire Fund Special Revenue Fund | \$ 171,452 |
| General Fund | Recreation Special Revenue Fund | 427,181 |
| General Fund | EMS Special Revenue Fund | 253,401 |
| General Fund | Swimming Pool Special Revenue Fund | 1,770,000 |
| General Fund | Streets Special Revenue Fund | 779,402 |
| Recreation Special Revenue Fund | Sewer Enterprise Fund | 8,576 |
| Swimming Pool Special Revenue Fund | Golf Enterprise Fund | 9,036 |
| | | <u>9,036</u> |
| | | <u>\$ 3,419,048</u> |

STATE OF NEW MEXICO
City of Eunice
Notes to Financial Statements
June 30, 2008

NOTE 6. Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2008, follows. Land and Construction in Progress are not subject to depreciation.

| Capital Assets used in Governmental Activities: | Balance 6/30/2007 | Transfers / Adjustments | Additions | Deletions | Balance 6/30/2008 |
|---|----------------------|----------------------------|---------------------|-------------------|----------------------|
| Capital assets not depreciated: | | | | | |
| Land | \$ 194,510 | \$ - | \$ 165,326 | \$ - | \$ 359,836 |
| Construction in progress | 258,189 | - | 2,246,383 | 173,401 | 2,331,171 |
| | <u>452,699</u> | <u>-</u> | <u>2,411,709</u> | <u>173,401</u> | <u>2,691,007</u> |
| Capital assets being depreciated: | | | | | |
| Buildings & improvements | 1,979,113 | - | 876,935 | 16,505 | 2,839,543 |
| Equipment | 848,085 | - | 329,387 | - | 1,177,472 |
| Vehicles | 1,509,693 | - | 268,113 | 2,909 | 1,774,897 |
| Library Collections | 426,989 | - | - | - | 426,989 |
| | <u>4,763,880</u> | <u>-</u> | <u>1,474,435</u> | <u>19,414</u> | <u>6,218,901</u> |
| Total capital assets | <u>5,216,579</u> | <u>-</u> | <u>3,886,144</u> | <u>192,815</u> | <u>8,909,908</u> |
| Less accumulated depreciation | | | | | |
| Building & improvements | 1,421,549 | - | 207,142 | 16,505 | 1,612,186 |
| Equipment | 695,182 | - | 75,736 | - | 770,918 |
| Vehicles | 1,136,755 | - | 6,670 | - | 1,143,425 |
| Library Collections | 412,490 | - | 129,876 | 2,909 | 539,457 |
| Total accumulated depreciation | <u>3,665,976</u> | <u>-</u> | <u>419,424</u> | <u>19,414</u> | <u>4,065,986</u> |
| Net capital assets | <u>\$ 1,550,603</u> | <u>\$ -</u> | <u>\$ 3,466,720</u> | <u>\$ 173,401</u> | <u>\$ 4,843,922</u> |

STATE OF NEW MEXICO
City of Eunice
Notes to Financial Statements
June 30, 2008

NOTE 6. Capital Assets (continued)

| Capital Assets used in Business-type Activities: | Balance 6/30/2007 | Transfers / Adjustments | Additions | Deletions | Balance 6/30/2008 |
|--|----------------------|----------------------------|---------------------|-----------------|----------------------|
| Capital assets not depreciated: | | | | | |
| Land | \$ 31,007 | \$ - | \$ 9,036 | \$ - | \$ 40,043 |
| Construction in progress | <u>371,500</u> | <u>-</u> | <u>1,356,768</u> | <u>-</u> | <u>1,728,268</u> |
| Total not depreciated | <u>402,507</u> | <u>-</u> | <u>1,365,804</u> | <u>-</u> | <u>1,768,311</u> |
| Capital assets being depreciated: | | | | | |
| Buildings & improvements | 353,988 | - | - | - | 353,988 |
| Equipment | 738,990 | - | 8,576 | - | 747,566 |
| Vehicles | 303,679 | - | - | - | 303,679 |
| Utility Systems | <u>8,364,758</u> | <u>-</u> | <u>-</u> | <u>35,999</u> | <u>8,328,759</u> |
| | <u>9,761,415</u> | <u>-</u> | <u>8,576</u> | <u>35,999</u> | <u>9,733,992</u> |
| Total capital assets | <u>10,163,922</u> | <u>-</u> | <u>1,374,380</u> | <u>35,999</u> | <u>11,502,303</u> |
| Less accumulated depreciation | | | | | |
| Building & improvements | 307,629 | - | 5,312 | - | 312,941 |
| Equipment | 302,769 | - | 79,027 | - | 381,796 |
| Vehicles | 119,668 | - | 31,983 | - | 151,651 |
| Utility Systems | <u>5,229,999</u> | <u>-</u> | <u>187,103</u> | <u>27,900</u> | <u>5,389,202</u> |
| | <u>5,960,065</u> | <u>-</u> | <u>303,425</u> | <u>27,900</u> | <u>6,235,590</u> |
| Net capital assets | <u>\$ 4,203,857</u> | <u>\$ -</u> | <u>\$ 1,070,955</u> | <u>\$ 8,099</u> | <u>\$ 5,266,713</u> |

Depreciation expense for the year ended June 30, 2008 was charged to the following functions and funds:

| | |
|--------------------------------|-------------------|
| Governmental activities: | |
| General government | \$ 189,264 |
| Public safety | 154,537 |
| Public works | 11,413 |
| Culture and recreation | <u>64,210</u> |
| Total governmental activities | <u>\$ 419,424</u> |
| Business-type activities: | |
| Water fund | \$ 199,975 |
| Sewer fund | 26,801 |
| Golf fund | 35,118 |
| Ambulance fund | <u>41,531</u> |
| Total business-type activities | <u>\$ 303,425</u> |

STATE OF NEW MEXICO
City of Eunice
Notes to Financial Statements
June 30, 2008

NOTE 6. Capital Assets (continued)

| Capital Assets used for Component Unit: | Balance 6/30/2007 | Transfers / Adjustments | Additions | Deletions | Balance 6/30/2008 |
|---|----------------------|----------------------------|-------------------|---------------|----------------------|
| Capital assets not depreciated: | | | | | |
| Land | \$ 20,392 | \$ - | \$ - | \$ - | \$ 20,392 |
| Total not depreciated | <u>20,392</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>20,392</u> |
| Capital assets being depreciated: | | | | | |
| Buildings & improvements | 556,114 | - | - | - | 556,114 |
| Equipment | 42,311 | 5,950 | - | - | 48,261 |
| Vehicle | 17,390 | - | - | - | 17,390 |
| CFP funds | 58,754 | (29,985) | 14,459 | 219 | 43,009 |
| Total being depreciated | <u>674,569</u> | <u>(24,035)</u> | <u>14,459</u> | <u>219</u> | <u>664,774</u> |
| Total capital assets | <u>694,961</u> | <u>(24,035)</u> | <u>14,459</u> | <u>219</u> | <u>685,166</u> |
| Less accumulated depreciation | | | | | |
| Buildings & improvements | 479,282 | - | 8,923 | - | 488,205 |
| Equipment | 39,617 | 1,822 | 2,334 | - | 43,773 |
| Vehicle | 7,543 | (4,065) | 3,478 | - | 6,956 |
| CFP funds | 25,708 | (1,822) | 1,215 | - | 25,101 |
| Total accumulated depreciation | <u>552,150</u> | <u>(4,065)</u> | <u>15,950</u> | <u>-</u> | <u>564,035</u> |
| Net capital assets | <u>\$ 142,811</u> | <u>\$ (19,970)</u> | <u>\$ (1,491)</u> | <u>\$ 219</u> | <u>\$ 121,131</u> |

NOTE 7. Long-term Debt (continued)

The capital leases as of June 30, 2008 are comprised of the following:

| | Governmental Activities | Business-Type Activities |
|--|----------------------------|-----------------------------|
| 4.837% lease payable for purchase of fire truck, due in annual payments of \$16,134 including interest, through May 2008 payable to New Mexico Finance Authority. | \$ - | - |
| 5.3% lease payable for purchase of 5 police vehicles, due in annual payments of \$28,681 including interest, through April 2008 payable to Leasing 2, Inc. | - | - |
| 3.559% blended interest lease payable for purchase of 2 ambulances, due in monthly payments of \$3,835 including interest, through December 2012 payable to New Mexico Finance Authority | - | 192,005 |
| | <u>-</u> | <u>192,005</u> |
| Less current portion | <u>-</u> | <u>(45,540)</u> |
| | <u>\$ -</u> | <u>\$ 146,465</u> |

STATE OF NEW MEXICO
City of Eunice
Notes to Financial Statements
June 30, 2008

NOTE 7. Long-term Debt (continued)

The annual requirements to amortize the capital leases outstanding as of June 30, 2008, including interest payments are as follows:

Business-type Activities:

| Fiscal Year Ending June 30. | Principal | Interest | Total |
|--------------------------------|-------------------|------------------|-------------------|
| 2009 | \$ 45,540 | \$ 6,355 | \$ 51,895 |
| 2010 | 47,134 | 4,880 | 52,014 |
| 2011 | 48,792 | 3,343 | 52,135 |
| 2012 | 50,539 | 1,723 | 52,262 |
| Total | <u>\$ 192,005</u> | <u>\$ 16,301</u> | <u>\$ 208,306</u> |

Change in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2008, was as follows:

Governmental Activities:

| | Balance June 30, 2007 | Additions | Reductions | Adjustments | Balance June 30, 2008 | Due Within One Year |
|-----------------------------------|--------------------------|------------------|------------------|-------------|--------------------------|------------------------|
| NMFA – Fire Truck | \$ 15,363 | \$ - | \$ 15,363 | \$ - | \$ - | \$ - |
| Leasing 2, Inc. – Police Vehicles | 27,170 | - | 27,170 | - | - | - |
| Compensated Absences | 37,723 | 64,039 | 53,381 | - | 48,381 | 36,286 |
| Long-term liabilities | <u>\$ 80,256</u> | <u>\$ 64,039</u> | <u>\$ 95,914</u> | <u>\$ -</u> | <u>\$ 48,381</u> | <u>\$ 36,286</u> |

Business-Type Activities:

| | Balance June 30, 2007 | Additions | Reductions | Adjustments | Balance June 30, 2008 | Due Within One Year |
|-----------------------|--------------------------|------------------|------------------|--------------------|--------------------------|------------------------|
| NMFA – Ambulance | \$ 236,019 | \$ - | \$ 44,014 | \$ - | \$ 192,005 | \$ 45,540 |
| Compensated Absences | 30,712 | 16,713 | 16,371 | (19,332) | 11,722 | 8,792 |
| Long-term liabilities | <u>\$ 266,731</u> | <u>\$ 16,713</u> | <u>\$ 60,385</u> | <u>\$ (19,332)</u> | <u>\$ 203,727</u> | <u>\$ 54,332</u> |

In prior years, the general fund has typically been used to liquidate Governmental Activities long-term liabilities other than debt, including capital leases and compensated absences. The Business-Type Activities lease was liquidated by the Golf Fund and the compensated absences are primarily liquidated by the Combined Utilities Fund.

Component Unit:

| | Balance June 30, 2007 | Additions | Reductions | Adjustments | Balance June 30, 2008 | Due Within One Year |
|-----------------------|--------------------------|-----------------|-----------------|-------------|--------------------------|------------------------|
| Compensated Absences | \$ 1,447 | \$ 1,531 | \$ 1,487 | \$ - | \$ 1,491 | \$ 1,491 |
| Long-term liabilities | <u>\$ 1,447</u> | <u>\$ 1,531</u> | <u>\$ 1,487</u> | <u>\$ -</u> | <u>\$ 1,491</u> | <u>\$ 1,491</u> |

Current maturities of compensated absences are reported as accrued expenses in the basic financial statements of the City of Eunice Housing Authority.

STATE OF NEW MEXICO
City of Eunice
Notes to Financial Statements
June 30, 2008

NOTE 8. Risk Management

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. For the past several years the City has obtained coverage from commercial insurance companies for the risks of loss mentioned above, except for injuries to employees. For risks of loss related to injuries to employees the City has not obtained coverage from a commercial insurance company but has effectively managed risk through various employee education and prevention programs. All risk management activities are accounted for in the General Fund. Expenditures and claims are recognized when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated. In determining claims, events that might create claims, but for which none have been reported, are considered.

The City participates in the New Mexico Self-Insurers' Fund (the Fund), which services the City's worker's compensation claims. Through this arrangement, the City retains some risk associated with worker's compensation claims.

The City currently reports all of its risk management activities in its General Fund. The General Fund pays the worker's compensation claims and premiums, which are then reimbursed by the City's other Funds.

The New Mexico Self-Insurers' Fund charges a "premium" to the City to cover expenses of the Fund (including, but not limited to, reinsurance expenses, claims adjusting, rating, and underwriting, safety and loss control, reporting, and administration). This "premium" is based on a percentage of the City's current payroll. Additionally, the "premium" charge includes a factor for recent actual claims experience.

NOTE 9. PERA Pension Plan

Plan Description

Substantially all of the City of Eunice's full time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11 NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing multiple-employer defined benefit retirement plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to PERA, P. O. Box 2123, Santa Fe, New Mexico 87504-2123. The report is also available on PERA's website at www.pera.state.nm.us.

Funding Policy

Plan members (other than police and fire) are required to contribute 9.15% of their gross salary. Law enforcement and fire plan members are required to contribute 18.5% and 21% of their gross salary, respectively. The City of Eunice is required to contribute 7% for law enforcement, 8% for fire, and 9.15% for all other plan members. The contribution requirements of plan members and the City of Eunice are established under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by act of the legislature. The City of Eunice's contributions to PERA for the years ending June 30, 2008, 2007 and 2006 were approximately \$168,727, \$127,114, and \$99,644, respectively, which equal the amount of the required contributions for each fiscal year.

NOTE 10. Retiree Health Care Act Contributions

The City elected not to participate in the State Retiree Health Care Act. The City currently does not provide any type of health benefits after an employee retires.

STATE OF NEW MEXICO
City of Eunice
Notes to Financial Statements
June 30, 2008

NOTE 11. Contingencies

The City of Eunice participates in a number of federal, state, and county programs that are fully or partially funded by grants received from other governmental units. Expenditures financed by grants are subject to audit by the appropriate grantor government. If expenditures are disallowed due to noncompliance with grant program regulations, the City of Eunice may be required to reimburse the grantor government. As of June 30, 2008, significant amounts of grant expenditures have not been audited by the grantor agencies. Management believes that any disallowed expenditures discovered in subsequent audits, if any, will not have a material effect on any of the individual funds or the overall financial position of the City of Eunice.

The City of Eunice is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City's legal counsel that resolution of these matters will not have a material adverse effect on the financial condition of the City.

NOTE 12. Deficit Fund Balances or Net Assets and Excess of Expenditures Over Appropriations

Generally accepted accounting principles require disclosures of certain information concerning individual funds including:

A. Deficit fund balance or Net Assets of individual funds

| | |
|---|----------------------------|
| Fire Special Revenue Fund | \$ 678,235 |
| EMS Special Revenue Fund | 371,471 |
| Streets Special Revenue Fund | 464,165 |
| Recreation Special Revenue Fund | 462,936 |
| Library Special Revenue Fund | 190,579 |
| Senior Citizens Special Revenue Fund | 332,452 |
| Gun Range Special Revenue Fund | 238 |
| Gross Receipts Tax Special Revenue Fund | 75,604 |
| New Cemetery Project Special Revenue Fund | 14,009 |
| Solid Waste Enterprise Fund | 270,207 |
| Golf Enterprise Fund | 525,237 |
| Ambulance Enterprise Fund | <u>17,882</u> |
| Total | <u><u>\$ 3,403,015</u></u> |

STATE OF NEW MEXICO
City of Eunice
Notes to Financial Statements
June 30, 2008

NOTE 12. Deficit Fund Balances or Net Assets and Excess of Expenditures Over Appropriations (continued)

B. Excess of expenditures over appropriations.

| | | |
|--|------------------------|---------------------|
| General Fund | General government | \$ 41,479 |
| General Fund | Capital outlay | 303,469 |
| Fire Special Revenue Fund | Capital outlay | 208,065 |
| EMS Special Revenue Fund | Capital outlay | 109,197 |
| Streets Special Revenue Fund | Capital outlay | 441,345 |
| Recreation Special Revenue Fund | Capital outlay | 19,137 |
| Law Enforcement Protection Special Revenue Fund | Public safety | 35,911 |
| Senior Citizens Special Revenue Fund | General government | 3,266 |
| Senior Citizens Special Revenue Fund | Capital outlay | 8,765 |
| Swimming Pool Special Revenue Fund | Capital outlay | 2,255,420 |
| Government Gross Receipts Tax Special Revenue Fund | General government | 4,374 |
| Golf Proprietary Fund | Culture and recreation | 36 |
| Golf Proprietary Fund | Supplies and materials | 1,229 |
| Water Proprietary Fund | Personnel services | 206 |
| Water Proprietary Fund | Capital outlay | 1,185,513 |
| Solid Waste Proprietary Fund | Supplies and materials | 24 |
| | | <hr/> |
| Total | | <u>\$ 4,617,436</u> |

Management plans on improving planning and monitoring of budget procedures.

NOTE 13. Commitments

The City had commitments of \$121,852 for ongoing construction of the swimming pool as of June 30, 2008.

NOTE 14. Fund Balance and Net Assets Restatement

The City has restated budgetary fund balances errors in compilation of the financial statements as follows:

| | |
|--|-------------|
| General Fund | \$ (28,664) |
| Streets Special Revenue Fund | 15,042 |
| Government Gross Receipts Tax Special Revenue Fund | (21,213) |

The City has restated the modified accrual basis financial statements to correct errors in cash, to correct errors in recording of compensated absences in prior year, and to correct error in posting of receivable to incorrect fund in prior year as follows:

| | |
|-------------------------------|-------------|
| General Fund | \$ (53,460) |
| Fire Fund | 32,382 |
| EMS Fund | 16,849 |
| Senior Citizen Fund | 6,646 |
| Municipal Infrastructure Fund | (73,894) |
| Water Proprietary Fund | 13,258 |
| Sewer Proprietary Fund | 26,567 |
| Golf Proprietary Fund | 5,723 |
| Ambulance Proprietary Fund | 11,158 |

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SUPPLEMENTARY INFORMATION

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STATE OF NEW MEXICO
City of Eunice
Nonmajor Governmental Fund Descriptions
June 30, 2008

Recreation Fund – The objective of this fund is to account for the operations and maintenance of City owned recreation facilities. Financing is provided by a cigarette tax levy to the extent that other revenues are not sufficient to provide such services. The authority for the creation of this fund is 7-12-15 & 16, NMSA 1978.

Municipal Court Fees Fund – The objective of this fund is to account for the collection and expenditures of fees charged on citations for court appearances. The authority for the creation of this fund is the Municipal Court Act, 35-14-11, N.M.S.A. 1978.

Law Enforcement Protection Fund – The objective of this fund is to account for receipts and disbursements of State Funds Chapter 289, Law of 1983. These funds are to enhance the efficiency and effectiveness of the police force. The authority for the creation of this fund is Chapter 289, Laws of 1983, Section 29-13-3, N.M.S.A. 1978.

Library Fund – The objective of this fund is to account for the operations of the library. The fund is financed by grants and general fund transfers.

Senior Citizens Fund – The objective of this fund is to account for the operations of the Meals on Wheels at the Senior Citizens Center. The fund is financed by a reimbursement grant to be used for Meals on Wheels. Authority for the creation of this fund is the City Council.

Gun Range Fund – The objective of this fund is to account for the operations of the gun range. The fund is financed by donations given to help with small expenses, and memberships are sold a year at a time. Authority for the creation of this fund is the City Council.

Triangle Beautification Project Fund – The objective of this fund is to account for the money used for the improvement of the Triangle in the road as you enter the City of Eunice. Authority for the creation of this fund is the City Council.

Government Gross Receipts Tax Fund – The objective of this fund is to account for the gross receipts tax received by the City of Eunice.

Economic Development Grant Fund – The objective of this fund is to account for the money necessary to develop the Comprehensive Plan for the City of Eunice. Authority for the creation of this fund is the City Council.

New Cemetery Project Fund – The objective of this fund is to assist in paying for a new cemetery for the City of Eunice. Authority for the creation of this fund is the City Council.

STATE OF NEW MEXICO
City of Eunice
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2008

| | Special Revenue | | | | |
|--|------------------|-------------------------|----------------------------------|------------------|------------------|
| | Recreation | Municipal Court Fees | Law Enforcement Protection | Library Fund | Senior Citizens |
| <i>Assets</i> | | | | | |
| Cash and cash equivalents | \$ - | \$ 98,594 | \$ 11,537 | \$ - | \$ - |
| Investments | 32,530 | 82,000 | - | - | 33,644 |
| Accounts receivable | | | | | |
| Taxes | - | - | - | - | - |
| Intergovernmental | - | - | - | - | - |
| Other receivables | - | - | - | - | - |
| <i>Total assets</i> | <u>\$ 32,530</u> | <u>\$ 180,594</u> | <u>\$ 11,537</u> | <u>\$ -</u> | <u>\$ 33,644</u> |
| <i>Liabilities</i> | | | | | |
| Accounts payable | \$ 14,223 | \$ - | \$ - | \$ - | \$ 7,992 |
| Accrued payroll | 2,452 | - | - | - | 802 |
| Accrued compensated absences | - | - | - | - | - |
| Interfund payable | 478,791 | - | - | 190,579 | 357,302 |
| <i>Total liabilities</i> | <u>495,466</u> | <u>-</u> | <u>-</u> | <u>190,579</u> | <u>366,096</u> |
| <i>Fund balances</i> | | | | | |
| Unreserved | | | | | |
| Special revenue funds | (462,936) | 180,594 | 11,537 | (190,579) | (332,452) |
| Capital projects funds | - | - | - | - | - |
| <i>Total fund balances</i> | <u>(462,936)</u> | <u>180,594</u> | <u>11,537</u> | <u>(190,579)</u> | <u>(332,452)</u> |
| <i>Total liabilities and fund balances</i> | <u>\$ 32,530</u> | <u>\$ 180,594</u> | <u>\$ 11,537</u> | <u>\$ -</u> | <u>\$ 33,644</u> |

The accompanying notes are an integral part of these financial statements

| Special Revenue | | | Capital Projects | | Total Nonmajor Governmental Funds |
|-----------------|----------------------------|-----------------------|-------------------------|-------------------------|--|
| Gun Range | Triangle Beautification | Gross Receipts Tax | Economic Development | New Cemetery Project | |
| \$ - | \$ 7,031 | \$ - | \$ 5,000 | \$ - | \$ 122,162 |
| - | - | 25,000 | - | - | 173,174 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| <u>\$ -</u> | <u>\$ 7,031</u> | <u>\$ 25,000</u> | <u>\$ 5,000</u> | <u>\$ -</u> | <u>\$ 295,336</u> |
| \$ - | \$ - | \$ 10,835 | \$ - | \$ - | \$ 33,050 |
| - | - | - | - | - | 3,254 |
| - | - | - | - | - | - |
| 238 | - | 89,769 | - | 14,009 | 1,130,688 |
| <u>238</u> | <u>-</u> | <u>100,604</u> | <u>-</u> | <u>14,009</u> | <u>1,166,992</u> |
| (238) | 7,031 | (75,604) | - | - | (862,647) |
| - | - | - | 5,000 | (14,009) | (9,009) |
| <u>(238)</u> | <u>7,031</u> | <u>(75,604)</u> | <u>5,000</u> | <u>(14,009)</u> | <u>(871,656)</u> |
| <u>\$ -</u> | <u>\$ 7,031</u> | <u>\$ 25,000</u> | <u>\$ 5,000</u> | <u>\$ -</u> | <u>\$ 295,336</u> |

STATE OF NEW MEXICO
City of Eunice
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2008

Special Revenue

| | Recreation | Municipal Court Fees | Law Enforcement Protection | Library Fund | Senior Citizens |
|--|---------------------|-------------------------|----------------------------------|---------------------|---------------------|
| <i>Revenues</i> | | | | | |
| Taxes | | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ - | \$ - |
| Gross receipts | - | - | - | - | - |
| Other | 3,979 | - | - | - | - |
| Intergovernmental income | | | | | |
| Federal operating grants | - | - | - | - | 24,287 |
| State operating grants | - | - | - | - | 11,574 |
| Charges for services | 1,182 | 17,020 | - | - | - |
| Interest income | 1,449 | 3,656 | - | - | 1,101 |
| Miscellaneous | 9,215 | - | - | - | 20,374 |
| <i>Total revenues</i> | <u>15,825</u> | <u>20,676</u> | <u>-</u> | <u>-</u> | <u>57,336</u> |
| <i>Expenditures</i> | | | | | |
| Current | | | | | |
| General government | - | - | - | - | 259,721 |
| Public safety | - | 3,990 | 37,806 | - | - |
| Public works | - | - | - | - | - |
| Culture and recreation | 503,693 | - | - | - | - |
| Capital outlay | 10,561 | - | 8,827 | - | 11,865 |
| Debt service | | | | | |
| Principal | - | - | - | - | - |
| Interest | - | - | - | - | - |
| <i>Total expenditures</i> | <u>514,254</u> | <u>3,990</u> | <u>46,633</u> | <u>-</u> | <u>271,586</u> |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>(498,429)</u> | <u>16,686</u> | <u>(46,633)</u> | <u>-</u> | <u>(214,250)</u> |
| <i>Other financing sources (uses)</i> | | | | | |
| Transfers in | 427,181 | - | - | - | - |
| Transfers out | (8,576) | - | - | - | - |
| <i>Total other financing sources (uses)</i> | <u>418,605</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Net change in fund balances</i> | (79,824) | 16,686 | (46,633) | - | (214,250) |
| <i>Fund balances - beginning of year</i> | (383,112) | 163,908 | 58,170 | (190,579) | (124,848) |
| <i>Restatement, Note 14</i> | - | - | - | - | 6,646 |
| <i>Fund balances - end of year</i> | <u>\$ (462,936)</u> | <u>\$ 180,594</u> | <u>\$ 11,537</u> | <u>\$ (190,579)</u> | <u>\$ (332,452)</u> |

The accompanying notes are an integral part of these financial statements

| Special Revenue | | | Capital Projects | | Total Nonmajor Governmental Funds |
|-----------------|----------------------------|-----------------------|-------------------------|-------------------------|--|
| Gun Range | Triangle Beautification | Gross Receipts Tax | Economic Development | New Cemetery Project | |
| \$ - | \$ - | \$ - | \$ - | \$ - | \$ - |
| - | - | 87,219 | - | - | 87,219 |
| - | - | - | - | - | 3,979 |
| - | - | - | - | - | 24,287 |
| - | - | - | - | - | 11,574 |
| 3,500 | - | - | - | - | 21,702 |
| - | - | 6,624 | - | - | 12,830 |
| - | - | - | - | - | 29,589 |
| <u>3,500</u> | <u>-</u> | <u>93,843</u> | <u>-</u> | <u>-</u> | <u>191,180</u> |
| - | - | 89,029 | - | - | 348,750 |
| - | - | - | - | - | 41,796 |
| - | - | - | - | - | - |
| 1,856 | - | - | - | - | 505,549 |
| - | - | - | - | - | 31,253 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| <u>1,856</u> | <u>-</u> | <u>89,029</u> | <u>-</u> | <u>-</u> | <u>927,348</u> |
| <u>1,644</u> | <u>-</u> | <u>4,814</u> | <u>-</u> | <u>-</u> | <u>(736,168)</u> |
| - | - | - | - | - | 427,181 |
| - | - | - | - | - | (8,576) |
| <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> | <u>418,605</u> |
| 1,644 | - | 4,814 | - | - | (317,563) |
| (1,882) | 7,031 | (80,418) | 5,000 | (14,009) | (560,739) |
| - | - | - | - | - | 6,646 |
| <u>\$ (238)</u> | <u>\$ 7,031</u> | <u>\$ (75,604)</u> | <u>\$ 5,000</u> | <u>\$ (14,009)</u> | <u>\$ (871,656)</u> |

STATE OF NEW MEXICO
CITY OF EUNICE
COMPONENT UNIT - HOUSING AUTHORITY
STATEMENT OF NET ASSETS
June 30, 2008

Statement A-3

| | |
|---|--------------------------|
| Assets | |
| Current assets: | |
| Cash and temporary investments | \$ 72,408 |
| Accounts receivable (net of allowance for uncollectibles) | - |
| Inventory | 445 |
| Prepaid expenses | <u>3,755</u> |
| Total current assets | <u>76,608</u> |
| Noncurrent assets: | |
| Capital assets | |
| Land | 20,392 |
| Buildings and improvements | 556,114 |
| Machinery and equipment | 48,261 |
| Vehicles | 17,390 |
| CFP assets | 43,009 |
| Less: accumulated depreciation | <u>(564,035)</u> |
| Total capital assets (net of accumulated depreciation) | <u>121,131</u> |
| Total assets | <u><u>\$ 197,739</u></u> |
| Liabilities and Net Assets | |
| Current liabilities | |
| Accounts payable | \$ 2,591 |
| Accrued expenses | <u>6,005</u> |
| Total current liabilities | <u>8,596</u> |
| Noncurrent liabilities | |
| Customer deposits | <u>2,700</u> |
| Total noncurrent liabilities | <u>2,700</u> |
| Net Assets | |
| Invested in capital assets | 121,131 |
| Unrestricted | <u>65,312</u> |
| Total net assets | <u>186,443</u> |
| Total liabilities and net assets | <u><u>\$ 197,739</u></u> |

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

STATE OF NEW MEXICO
CITY OF EUNICE
COMPONENT UNIT - HOUSING AUTHORITY
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET ASSETS
For the Year Ended June 30, 2008

Statement A-4

| | |
|---|--------------------------|
| Operating revenues: | |
| Intergovernmental | \$ 37,890 |
| Charges for services | 41,495 |
| Miscellaneous | <u>8,002</u> |
| Total operating revenues | <u>87,387</u> |
| Operating expenses: | |
| Current: | |
| Administration | 26,142 |
| Sundry administration | 5,515 |
| Utilities | 7,541 |
| Ordinary maintenance | 17,884 |
| Contract costs | 8,663 |
| Insurance | 9,409 |
| Other general expense | 3,396 |
| Depreciation | <u>15,950</u> |
| Total operating expenses | <u>94,500</u> |
| Operating income (loss) | <u>(7,113)</u> |
| Nonoperating revenues (expenses): | |
| Intergovernmental | 22,239 |
| Proceeds from insurance | 689 |
| CFP costs | <u>(24,035)</u> |
| Total nonoperating revenues (expenses) | <u>(1,107)</u> |
| Change in net assets | <u>(8,220)</u> |
| Net assets - beginning of year | <u>194,663</u> |
| Net assets - end of year | <u><u>\$ 186,443</u></u> |

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

STATE OF NEW MEXICO
CITY OF EUNICE
COMPONENT UNIT - HOUSING AUTHORITY
STATEMENT OF CASH FLOWS
Year Ended June 30, 2008

Statement A-5

| | |
|---|-------------------------|
| Cash flows from operating activities | |
| Receipts from customers, users and grantors | \$ 87,728 |
| Payments to suppliers | (34,301) |
| Payments to employees | (44,969) |
| | <u>8,458</u> |
| Net cash provided (used) by operating activities | <u>8,458</u> |
| Cash flows from noncapital financing activities | |
| Insurance proceeds | 689 |
| | <u>689</u> |
| Net cash provided (used) by noncapital financing activities | <u>689</u> |
| Cash flows from capital and related financing activities | |
| Acquisitions and construction of capital assets | (18,304) |
| Proceeds from capital grant program | 22,239 |
| | <u>3,935</u> |
| Net cash provided (used) by capital and related financing activities | <u>3,935</u> |
| Net increase in cash and temporary investments | 13,082 |
| Cash and temporary investments-beginning of year | <u>59,326</u> |
| Cash and temporary investments-end of year | \$ <u><u>72,408</u></u> |
| Reconciliation of operating income (loss) to net cash provided by operating activities: | |
| Operating income (loss) | \$ (7,113) |
| Adjustments to reconcile operating income to net cash provided by operating activities: | |
| Depreciation expense | 15,950 |
| (Increase) decrease in: | |
| Accounts receivable | 241 |
| Inventories | 414 |
| Prepaid expenses | 184 |
| (Decrease) increase in: | |
| Accounts payable | (57) |
| Accrued expenses | (1,261) |
| Refundable customer deposits | 100 |
| | <u>8,458</u> |
| Net cash provided (used) by operating activities | \$ <u><u>8,458</u></u> |

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

STATE OF NEW MEXICO

Statement B-1

City of Eunice

Recreation Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2008

| | Budgeted Amounts | | Actual | Variances |
|--|------------------|------------------|-------------------------------|---|
| | Original | Final | (Non-GAAP Budgetary Basis) | Favorable (Unfavorable) Final to Actual |
| <i>Revenues</i> | | | | |
| Taxes | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ - |
| Gross receipts | - | - | - | - |
| Gasoline and motor vehicle | - | - | - | - |
| Other | 3,306 | 3,979 | 3,979 | - |
| Intergovernmental income | | | | |
| Federal operating grants | - | - | - | - |
| Federal capital grants | - | - | - | - |
| State operating grants | - | - | - | - |
| State capital grants | - | - | - | - |
| Charges for services | 1,182 | 1,182 | 1,182 | - |
| Licenses and fees | - | - | - | - |
| Interest income | 5,181 | 5,181 | 1,449 | (3,732) |
| Miscellaneous | 9,415 | 9,415 | 12,965 | 3,550 |
| <i>Total revenues</i> | <u>19,084</u> | <u>19,757</u> | <u>19,575</u> | <u>(182)</u> |
| <i>Expenditures</i> | | | | |
| Current | | | | |
| General government | - | - | - | - |
| Public safety | - | - | - | - |
| Public works | - | - | - | - |
| Culture and recreation | 499,979 | 499,979 | 491,650 | 8,329 |
| Health and welfare | - | - | - | - |
| Capital outlay | - | - | 19,137 | (19,137) |
| Debt service | | | | |
| Principal | - | - | - | - |
| Interest | - | - | - | - |
| <i>Total expenditures</i> | <u>499,979</u> | <u>499,979</u> | <u>510,787</u> | <u>(10,808)</u> |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>(480,895)</u> | <u>(480,222)</u> | <u>(491,212)</u> | <u>(10,990)</u> |
| <i>Other financing sources (uses)</i> | | | | |
| Designated cash | 480,895 | 480,222 | - | (480,222) |
| Transfers in | - | - | 427,181 | 427,181 |
| <i>Total other financing sources (uses)</i> | <u>480,895</u> | <u>480,222</u> | <u>427,181</u> | <u>(53,041)</u> |
| <i>Net change in fund balances</i> | - | - | (64,031) | (64,031) |
| <i>Fund balances - beginning of year</i> | - | - | (382,230) | (382,230) |
| <i>Fund balances - end of year</i> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (446,261)</u> | <u>\$ (446,261)</u> |
| Net change in fund balances (budget basis) | | | | \$ (64,031) |
| Adjustment to revenue for accounts receivable | | | | (3,750) |
| Adjustment to expenditure for accounts payable | | | | (12,295) |
| Adjustment to expenditures for payroll accrual | | | | 252 |
| Net change in fund balances (GAAP Basis) | | | | <u>\$ (79,824)</u> |

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-2

City of Eunice

Municipal Court Fees Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2008

| | Budgeted Amounts | | Actual | Variances |
|--|------------------|-----------------|-------------------------------|---|
| | Original | Final | (Non-GAAP Budgetary Basis) | Favorable (Unfavorable) Final to Actual |
| <i>Revenues</i> | | | | |
| Taxes | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ - |
| Gross receipts | - | - | - | - |
| Gasoline and motor vehicle | - | - | - | - |
| Other | - | - | - | - |
| Intergovernmental income | | | | |
| Federal operating grants | - | - | - | - |
| Federal capital grants | - | - | - | - |
| State operating grants | - | - | - | - |
| State capital grants | - | - | - | - |
| Charges for services | 6,762 | 17,020 | 17,020 | - |
| Licenses and fees | - | - | - | - |
| Interest income | 3,508 | 3,656 | 3,656 | - |
| Miscellaneous | - | - | - | - |
| <i>Total revenues</i> | <u>10,270</u> | <u>20,676</u> | <u>20,676</u> | <u>-</u> |
| <i>Expenditures</i> | | | | |
| Current | | | | |
| General government | - | - | - | - |
| Public safety | 25,000 | 3,990 | 3,990 | - |
| Public works | - | - | - | - |
| Culture and recreation | - | - | - | - |
| Health and welfare | - | - | - | - |
| Capital outlay | - | - | - | - |
| Debt service | | | | |
| Principal | - | - | - | - |
| Interest | - | - | - | - |
| <i>Total expenditures</i> | <u>25,000</u> | <u>3,990</u> | <u>3,990</u> | <u>-</u> |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>(14,730)</u> | <u>16,686</u> | <u>16,686</u> | <u>-</u> |
| <i>Other financing sources (uses)</i> | | | | |
| Designated cash | 14,730 | (16,686) | - | 16,686 |
| Transfers in | - | - | - | - |
| Transfers out | - | - | - | - |
| <i>Total other financing sources (uses)</i> | <u>14,730</u> | <u>(16,686)</u> | <u>-</u> | <u>16,686</u> |
| <i>Net change in fund balances</i> | - | - | 16,686 | 16,686 |
| <i>Fund balances - beginning of year</i> | - | - | 163,908 | 163,908 |
| <i>Fund balances - end of year</i> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 180,594</u> | <u>\$ 180,594</u> |
| Net change in fund balances (budget basis) | | | | <u>\$ 16,686</u> |
| Net change in fund balances (GAAP Basis) | | | | <u>\$ 16,686</u> |

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-3

City of Eunice

Law Enforcement Protection Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2008

| | Budgeted Amounts | | Actual | Variances |
|--|------------------|-----------------|-------------------------------|---|
| | Original | Final | (Non-GAAP Budgetary Basis) | Favorable (Unfavorable) Final to Actual |
| <i>Revenues</i> | | | | |
| Taxes | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ - |
| Gross receipts | - | - | - | - |
| Gasoline and motor vehicle | - | - | - | - |
| Other | - | - | - | - |
| Intergovernmental income | | | | |
| Federal operating grants | - | - | - | - |
| Federal capital grants | - | - | - | - |
| State operating grants | 81,342 | 22,400 | 22,400 | - |
| State capital grants | - | - | - | - |
| Charges for services | - | - | - | - |
| Licenses and fees | - | - | - | - |
| Interest income | - | - | - | - |
| Miscellaneous | - | - | - | - |
| <i>Total revenues</i> | <u>81,342</u> | <u>22,400</u> | <u>22,400</u> | <u>-</u> |
| <i>Expenditures</i> | | | | |
| Current | | | | |
| General government | - | - | - | - |
| Public safety | 695 | 695 | 36,606 | (35,911) |
| Public works | - | - | - | - |
| Culture and recreation | - | - | - | - |
| Health and welfare | - | - | - | - |
| Capital outlay | 15,558 | 45,761 | 9,849 | 35,912 |
| Debt service | | | | |
| Principal | - | - | - | - |
| Interest | - | - | - | - |
| <i>Total expenditures</i> | <u>16,253</u> | <u>46,456</u> | <u>46,455</u> | <u>1</u> |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>65,089</u> | <u>(24,056)</u> | <u>(24,055)</u> | <u>1</u> |
| <i>Other financing sources (uses)</i> | | | | |
| Designated cash | (65,089) | 24,056 | - | (24,056) |
| Transfers in | - | - | - | - |
| Transfers out | - | - | - | - |
| <i>Total other financing sources (uses)</i> | <u>(65,089)</u> | <u>24,056</u> | <u>-</u> | <u>(24,056)</u> |
| <i>Net change in fund balances</i> | - | - | (24,055) | (24,055) |
| <i>Fund balances - beginning of year</i> | - | - | 35,592 | 35,592 |
| <i>Fund balances - end of year</i> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 11,537</u> | <u>\$ 11,537</u> |
| Net change in fund balances (budget basis) | | | | \$ (24,055) |
| Adjustment to revenue for accounts receivable | | | | (23,600) |
| Adjustment to expenditure for accounts payable | | | | 1,022 |
| Net change in fund balances (GAAP Basis) | | | | <u>\$ (46,633)</u> |

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-4

City of Eunice

Library Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2008

| | Budgeted Amounts | | Actual | Variances |
|--|------------------|-------|-------------------------------|---|
| | Original | Final | (Non-GAAP Budgetary Basis) | Favorable (Unfavorable) Final to Actual |
| <i>Revenues</i> | | | | |
| Taxes | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ - |
| Gross receipts | - | - | - | - |
| Gasoline and motor vehicle | - | - | - | - |
| Other | - | - | - | - |
| Intergovernmental income | | | | |
| Federal operating grants | - | - | - | - |
| Federal capital grants | - | - | - | - |
| State operating grants | - | - | - | - |
| State capital grants | - | - | - | - |
| Charges for services | - | - | - | - |
| Licenses and fees | - | - | - | - |
| Interest income | - | - | - | - |
| Miscellaneous | - | - | - | - |
| <i>Total revenues</i> | - | - | - | - |
| <i>Expenditures</i> | | | | |
| Current | | | | |
| General government | - | - | - | - |
| Public safety | - | - | - | - |
| Public works | - | - | - | - |
| Culture and recreation | - | - | - | - |
| Health and welfare | - | - | - | - |
| Capital outlay | - | - | - | - |
| Debt service | | | | |
| Principal | - | - | - | - |
| Interest | - | - | - | - |
| <i>Total expenditures</i> | - | - | - | - |
| <i>Excess (deficiency) of revenues over expenditures</i> | | | | |
| | - | - | - | - |
| <i>Other financing sources (uses)</i> | | | | |
| Designated cash | - | - | - | - |
| Transfers in | - | - | - | - |
| Transfers out | - | - | - | - |
| <i>Total other financing sources (uses)</i> | - | - | - | - |
| <i>Net change in fund balances</i> | | | | |
| | - | - | - | - |
| <i>Fund balances - beginning of year</i> | - | - | (190,579) | (190,579) |
| <i>Fund balances - end of year</i> | \$ - | \$ - | \$ (190,579) | \$ (190,579) |
| Net change in fund balances (budget basis) | | | | \$ - |
| Net change in fund balances (GAAP Basis) | | | | \$ - |

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-5

City of Eunice

Senior Citizens Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2008

| | Budgeted Amounts | | Actual | Variances |
|--|------------------|------------------|-------------------------------|---|
| | Original | Final | (Non-GAAP Budgetary Basis) | Favorable (Unfavorable) Final to Actual |
| <i>Revenues</i> | | | | |
| Taxes | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ - |
| Gross receipts | - | - | - | - |
| Gasoline and motor vehicle | - | - | - | - |
| Other | - | - | - | - |
| Intergovernmental income | | | | |
| Federal operating grants | 19,776 | 24,287 | 24,287 | - |
| Federal capital grants | - | - | - | - |
| State operating grants | 38,857 | 56,931 | 56,929 | (2) |
| State capital grants | - | - | - | - |
| Charges for services | - | - | - | - |
| Licenses and fees | - | - | - | - |
| Interest income | 741 | 1,101 | 1,101 | - |
| Miscellaneous | 7,424 | 20,374 | 20,374 | - |
| <i>Total revenues</i> | <u>66,798</u> | <u>102,693</u> | <u>102,691</u> | <u>(2)</u> |
| <i>Expenditures</i> | | | | |
| Current | | | | |
| General government | 229,858 | 251,725 | 254,991 | (3,266) |
| Public safety | - | - | - | - |
| Public works | - | - | - | - |
| Culture and recreation | - | - | - | - |
| Health and welfare | - | - | - | - |
| Capital outlay | 8,500 | - | 8,765 | (8,765) |
| Debt service | - | - | - | - |
| Principal | - | - | - | - |
| Interest | - | - | - | - |
| <i>Total expenditures</i> | <u>238,358</u> | <u>251,725</u> | <u>263,756</u> | <u>(12,031)</u> |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>(171,560)</u> | <u>(149,032)</u> | <u>(161,065)</u> | <u>(12,033)</u> |
| <i>Other financing sources (uses)</i> | | | | |
| Designated cash | 171,560 | 149,032 | - | (149,032) |
| <i>Total other financing sources (uses)</i> | <u>171,560</u> | <u>149,032</u> | <u>-</u> | <u>(149,032)</u> |
| <i>Net change in fund balances</i> | - | - | (161,065) | (161,065) |
| <i>Fund balances - beginning of year</i> | - | - | (162,593) | (162,593) |
| <i>Fund balances - end of year</i> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (323,658)</u> | <u>\$ (323,658)</u> |
| Net change in fund balances (budget basis) | | | | \$ (161,065) |
| Adjustment to revenue for accounts receivable | | | | (45,355) |
| Adjustment to expenditure for accounts payable | | | | (7,992) |
| Adjustment to expenditures for payroll accrual | | | | 162 |
| Net change in fund balances (GAAP Basis) | | | | <u>\$ (214,250)</u> |

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-6

City of Eunice

Gun Range Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2008

| | Budgeted Amounts | | Actual | Variances |
|--|------------------|----------------|-------------------------------|---|
| | Original | Final | (Non-GAAP Budgetary Basis) | Favorable (Unfavorable) Final to Actual |
| <i>Revenues</i> | | | | |
| Taxes | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ - |
| Gross receipts | - | - | - | - |
| Gasoline and motor vehicle | - | - | - | - |
| Other | - | - | - | - |
| Intergovernmental income | | | | |
| Federal operating grants | - | - | - | - |
| Federal capital grants | - | - | - | - |
| State operating grants | - | - | - | - |
| State capital grants | - | - | - | - |
| Charges for services | 320 | 3,500 | 3,500 | - |
| Licenses and fees | - | - | - | - |
| Interest income | - | - | - | - |
| Miscellaneous | - | - | - | - |
| <i>Total revenues</i> | <u>320</u> | <u>3,500</u> | <u>3,500</u> | <u>-</u> |
| <i>Expenditures</i> | | | | |
| Current | | | | |
| General government | 5,000 | 1,856 | 1,856 | - |
| Public safety | - | - | - | - |
| Public works | - | - | - | - |
| Culture and recreation | - | - | - | - |
| Health and welfare | - | - | - | - |
| Capital outlay | - | - | - | - |
| Debt service | | | | |
| Principal | - | - | - | - |
| Interest | - | - | - | - |
| <i>Total expenditures</i> | <u>5,000</u> | <u>1,856</u> | <u>1,856</u> | <u>-</u> |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>(4,680)</u> | <u>1,644</u> | <u>1,644</u> | <u>-</u> |
| <i>Other financing sources (uses)</i> | | | | |
| Designated cash | 4,680 | (1,644) | - | 1,644 |
| Transfers in | - | - | - | - |
| Transfers out | - | - | - | - |
| <i>Total other financing sources (uses)</i> | <u>4,680</u> | <u>(1,644)</u> | <u>-</u> | <u>1,644</u> |
| <i>Net change in fund balances</i> | - | - | 1,644 | 1,644 |
| <i>Fund balances - beginning of year</i> | - | - | (1,882) | (1,882) |
| <i>Fund balances - end of year</i> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (238)</u> | <u>\$ (238)</u> |
| Net change in fund balances (budget basis) | | | | <u>\$ 1,644</u> |
| Net change in fund balances (GAAP Basis) | | | | <u>\$ 1,644</u> |

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-7

City of Eunice

Triangle Beautification Project Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2008

| | Budgeted Amounts | | Actual | Variances |
|--|------------------|-------------|-------------------------------|---|
| | Original | Final | (Non-GAAP Budgetary Basis) | Favorable (Unfavorable) Final to Actual |
| <i>Revenues</i> | | | | |
| Taxes | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ - |
| Gross receipts | - | - | - | - |
| Gasoline and motor vehicle | - | - | - | - |
| Other | - | - | - | - |
| Intergovernmental income | | | | |
| Federal operating grants | - | - | - | - |
| Federal capital grants | - | - | - | - |
| State operating grants | - | - | - | - |
| State capital grants | - | - | - | - |
| Charges for services | - | - | - | - |
| Licenses and fees | - | - | - | - |
| Interest income | - | - | - | - |
| Miscellaneous | - | - | - | - |
| <i>Total revenues</i> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Expenditures</i> | | | | |
| Current | | | | |
| General government | - | - | - | - |
| Public safety | - | - | - | - |
| Public works | - | - | - | - |
| Culture and recreation | - | - | - | - |
| Health and welfare | - | - | - | - |
| Capital outlay | - | - | - | - |
| Debt service | - | - | - | - |
| Principal | - | - | - | - |
| Interest | - | - | - | - |
| <i>Total expenditures</i> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Other financing sources (uses)</i> | | | | |
| Designated cash | - | - | - | - |
| Transfers in | - | - | - | - |
| Transfers out | - | - | - | - |
| <i>Total other financing sources (uses)</i> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Net change in fund balances</i> | - | - | - | - |
| <i>Fund balances - beginning of year</i> | <u>-</u> | <u>-</u> | <u>7,031</u> | <u>7,031</u> |
| <i>Fund balances - end of year</i> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 7,031</u> | <u>\$ 7,031</u> |
| Net change in fund balances (budget basis) | | | | <u>\$ -</u> |
| Net change in fund balances (GAAP Basis) | | | | <u>\$ -</u> |

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-8

City of Eunice

Government Gross Receipts Tax Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2008

| | Budgeted Amounts | | Actual | Variances |
|--|------------------|----------------|-------------------------------|---|
| | Original | Final | (Non-GAAP Budgetary Basis) | Favorable (Unfavorable) Final to Actual |
| <i>Revenues</i> | | | | |
| Taxes | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ - |
| Gross receipts | 63,601 | 87,219 | 87,219 | - |
| Gasoline and motor vehicle | - | - | - | - |
| Other | - | - | - | - |
| Intergovernmental income | | | | |
| Federal operating grants | - | - | - | - |
| Federal capital grants | - | - | - | - |
| State operating grants | - | - | - | - |
| State capital grants | - | - | - | - |
| Charges for services | - | - | - | - |
| Licenses and fees | - | - | - | - |
| Interest income | 5,510 | 6,625 | 6,624 | (1) |
| Miscellaneous | - | - | - | - |
| <i>Total revenues</i> | <u>69,111</u> | <u>93,844</u> | <u>93,843</u> | <u>(1)</u> |
| <i>Expenditures</i> | | | | |
| Current | | | | |
| General government | 24,500 | 89,718 | 94,092 | (4,374) |
| Public safety | - | - | - | - |
| Public works | - | - | - | - |
| Culture and recreation | - | - | - | - |
| Health and welfare | - | - | - | - |
| Capital outlay | - | - | - | - |
| Debt service | - | - | - | - |
| Principal | - | - | - | - |
| Interest | - | - | - | - |
| <i>Total expenditures</i> | <u>24,500</u> | <u>89,718</u> | <u>94,092</u> | <u>(4,374)</u> |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>44,611</u> | <u>4,126</u> | <u>(249)</u> | <u>(4,375)</u> |
| <i>Other financing sources (uses)</i> | | | | |
| Designated cash | <u>(44,611)</u> | <u>(4,126)</u> | - | 4,126 |
| <i>Total other financing sources (uses)</i> | <u>(44,611)</u> | <u>(4,126)</u> | - | 4,126 |
| <i>Net change in fund balances</i> | - | - | (249) | (249) |
| <i>Fund balances - beginning of year</i> | - | - | (43,307) | (43,307) |
| <i>Restatement, Note 14</i> | - | - | (21,213) | (21,213) |
| <i>Fund balance - beg. of year, as restated</i> | - | - | (64,520) | (64,520) |
| <i>Fund balances - end of year</i> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (64,769)</u> | <u>\$ (64,769)</u> |
| Net change in fund balances (budget basis) | | | | \$ (249) |
| Adjustment to expenditure for accounts payable | | | | 5,063 |
| Net change in fund balances (GAAP Basis) | | | | <u>\$ 4,814</u> |

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-9

City of Eunice
 Economic Development Grant Special Revenue Fund
 Statement of Revenues, Expenditures and Changes in Fund Balance
 Budget (Non-GAAP Budgetary Basis) and Actual
 For the Year Ended June 30, 2008

| | Budgeted Amounts | | Actual | Variances |
|--|------------------|-------------|-------------------------------|---|
| | Original | Final | (Non-GAAP Budgetary Basis) | Favorable (Unfavorable) Final to Actual |
| <i>Revenues</i> | | | | |
| Taxes | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ - |
| Gross receipts | - | - | - | - |
| Gasoline and motor vehicle | - | - | - | - |
| Other | - | - | - | - |
| Intergovernmental income | | | | |
| Federal operating grants | - | - | - | - |
| Federal capital grants | - | - | - | - |
| State operating grants | - | - | - | - |
| State capital grants | - | - | - | - |
| Charges for services | - | - | - | - |
| Licenses and fees | - | - | - | - |
| Interest income | - | - | - | - |
| Miscellaneous | - | - | - | - |
| <i>Total revenues</i> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Expenditures</i> | | | | |
| Current | | | | |
| General government | - | - | - | - |
| Public safety | - | - | - | - |
| Public works | - | - | - | - |
| Culture and recreation | - | - | - | - |
| Health and welfare | - | - | - | - |
| Capital outlay | - | - | - | - |
| Debt service | - | - | - | - |
| Principal | - | - | - | - |
| Interest | - | - | - | - |
| <i>Total expenditures</i> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Other financing sources (uses)</i> | | | | |
| Designated cash | - | - | - | - |
| Transfers in | - | - | - | - |
| Transfers out | - | - | - | - |
| <i>Total other financing sources (uses)</i> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Net change in fund balances</i> | - | - | - | - |
| <i>Fund balances - beginning of year</i> | - | - | 5,000 | 5,000 |
| <i>Fund balances - end of year</i> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 5,000</u> | <u>\$ 5,000</u> |
| Net change in fund balances (budget basis) | | | | <u>\$ -</u> |
| Net change in fund balances (GAAP Basis) | | | | <u>\$ -</u> |

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-10

City of Eunice

New Cemetery Project Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2008

| | Budgeted Amounts | | Actual | Variances |
|--|------------------|-------------|-------------------------------|---|
| | Original | Final | (Non-GAAP Budgetary Basis) | Favorable (Unfavorable) Final to Actual |
| <i>Revenues</i> | | | | |
| Taxes | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ - |
| Gross receipts | - | - | - | - |
| Gasoline and motor vehicle | - | - | - | - |
| Other | - | - | - | - |
| Intergovernmental income | | | | |
| Federal operating grants | - | - | - | - |
| Federal capital grants | - | - | - | - |
| State operating grants | - | - | - | - |
| State capital grants | - | - | - | - |
| Charges for services | - | - | - | - |
| Licenses and fees | - | - | - | - |
| Interest income | - | - | - | - |
| Miscellaneous | - | - | - | - |
| <i>Total revenues</i> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Expenditures</i> | | | | |
| Current | | | | |
| General government | - | - | - | - |
| Public safety | - | - | - | - |
| Public works | - | - | - | - |
| Culture and recreation | - | - | - | - |
| Health and welfare | - | - | - | - |
| Capital outlay | - | - | - | - |
| Debt service | - | - | - | - |
| Principal | - | - | - | - |
| Interest | - | - | - | - |
| <i>Total expenditures</i> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Other financing sources (uses)</i> | | | | |
| Designated cash | - | - | - | - |
| Transfers in | - | - | - | - |
| Transfers out | - | - | - | - |
| <i>Total other financing sources (uses)</i> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Net change in fund balances</i> | - | - | - | - |
| <i>Fund balances - beginning of year</i> | - | - | (14,009) | (14,009) |
| <i>Fund balances - end of year</i> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (14,009)</u> | <u>\$ (14,009)</u> |
| Net change in fund balances (budget basis) | | | | <u>\$ -</u> |
| Net change in fund balances (GAAP Basis) | | | | <u>\$ -</u> |

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-11

City of Eunice

Municipal Infrastructure Capital Projects Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2008

| | Budgeted Amounts | | Actual | Variances |
|--|------------------|------------------|-------------------------------|---|
| | Original | Final | (Non-GAAP Budgetary Basis) | Favorable (Unfavorable) Final to Actual |
| <i>Revenues</i> | | | | |
| Taxes | | | | |
| Property taxes | \$ - | \$ - | \$ - | \$ - |
| Gross receipts | 126,356 | 161,820 | 161,820 | - |
| Gasoline and motor vehicle | - | - | - | - |
| Other | - | - | - | - |
| Intergovernmental income | | | | |
| Federal operating grants | - | - | - | - |
| Federal capital grants | - | - | - | - |
| State operating grants | - | - | - | - |
| State capital grants | - | - | - | - |
| Charges for services | - | - | - | - |
| Licenses and fees | - | - | - | - |
| Interest income | 3,405 | 11,683 | 11,683 | - |
| Miscellaneous | - | - | - | - |
| <i>Total revenues</i> | <u>129,761</u> | <u>173,503</u> | <u>173,503</u> | <u>-</u> |
| <i>Expenditures</i> | | | | |
| Current | | | | |
| General government | - | - | - | - |
| Public safety | - | - | - | - |
| Public works | - | - | - | - |
| Culture and recreation | - | - | - | - |
| Health and welfare | - | - | - | - |
| Capital outlay | - | - | - | - |
| Debt service | - | - | - | - |
| Principal | - | - | - | - |
| Interest | - | - | - | - |
| <i>Total expenditures</i> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>129,761</u> | <u>173,503</u> | <u>173,503</u> | <u>-</u> |
| <i>Other financing sources (uses)</i> | | | | |
| Designated cash | (129,761) | (173,503) | - | 173,503 |
| Transfers in | - | - | - | - |
| Transfers out | - | - | - | - |
| <i>Total other financing sources (uses)</i> | <u>(129,761)</u> | <u>(173,503)</u> | <u>-</u> | <u>173,503</u> |
| <i>Net change in fund balances</i> | - | - | 173,503 | 173,503 |
| <i>Fund balances - beginning of year</i> | - | - | 960,008 | 960,008 |
| <i>Fund balances - end of year</i> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,133,511</u> | <u>\$ 1,133,511</u> |
| Net change in fund balances (budget basis) | | | | <u>\$ 173,503</u> |
| Net change in fund balances (GAAP Basis) | | | | <u>\$ 173,503</u> |

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-12

City of Eunice

Golf Proprietary Fund

Statement of Revenues, Expenses and Changes in Net Assets
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ending June 30, 2008

| | Budgeted Amounts | | Actual | Variances |
|---|------------------|------------------|-------------------------------|---|
| | Original | Final | (Non-GAAP Budgetary Basis) | Favorable (Unfavorable) Final to Actual |
| <i>Operating revenues:</i> | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - |
| Intergovernmental Income | - | - | - | - |
| Charges for services | - | - | - | - |
| Licenses and Fees | - | - | - | - |
| Miscellaneous | 81,092 | 131,919 | 187,222 | 55,303 |
| <i>Total operating revenues</i> | <u>81,092</u> | <u>131,919</u> | <u>187,222</u> | <u>55,303</u> |
| <i>Operating expenses:</i> | | | | |
| Current: | | | | |
| Culture and recreation | 14,200 | 13,817 | 13,853 | (36) |
| Personnel services | 176,515 | 177,234 | 177,234 | - |
| Supplies and materials | 104,300 | 121,069 | 122,298 | (1,229) |
| Depreciation | - | - | - | - |
| <i>Total operating expenditures</i> | <u>295,015</u> | <u>312,120</u> | <u>313,385</u> | <u>(1,265)</u> |
| <i>Operating income (loss)</i> | <u>(213,923)</u> | <u>(180,201)</u> | <u>(126,163)</u> | <u>54,038</u> |
| <i>Non-operating revenues (expenses):</i> | | | | |
| Designated cash | 213,923 | 180,201 | - | (180,201) |
| Interest income | - | - | - | - |
| Interest expense | - | - | - | - |
| Transfers in | - | - | - | - |
| Transfers out | - | - | - | - |
| <i>Total other financing sources (uses)</i> | <u>213,923</u> | <u>180,201</u> | <u>-</u> | <u>(180,201)</u> |
| <i>Change in net assets</i> | - | - | (126,163) | (126,163) |
| <i>Net assets - beginning of year</i> | <u>-</u> | <u>-</u> | <u>(616,315)</u> | <u>(616,315)</u> |
| <i>Net assets - end of year</i> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (742,478)</u> | <u>\$ (742,478)</u> |
| Net change in net assets (non-GAAP budgetary basis) | | | | \$ (126,163) |
| Adjustment to revenue for accounts receivable | | | | 4,809 |
| Adjustment to transfers for capital assets | | | | 9,036 |
| Adjustment to expenditures for depreciation | | | | (35,118) |
| Adjustment to expenditures for accounts payable | | | | 4,768 |
| Adjustment to expenditures for payroll accrual | | | | 1,545 |
| Net change in net assets (GAAP) | | | | <u>\$ (141,123)</u> |

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-13

City of Eunice

Ambulance Proprietary Fund

Statement of Revenues, Expenses and Changes in Net Assets

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ending June 30, 2008

| | Budgeted Amounts | | Actual | Variances |
|---|------------------|-------------|-------------------------------|---|
| | Original | Final | (Non-GAAP Budgetary Basis) | Favorable (Unfavorable) Final to Actual |
| <i>Operating revenues:</i> | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - |
| Intergovernmental Income | - | - | - | - |
| Charges for services | - | - | - | - |
| Licenses and Fees | - | - | - | - |
| Miscellaneous | - | - | - | - |
| <i>Total operating revenues</i> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Operating expenses:</i> | | | | |
| Current: | | | | |
| Public safety | - | - | - | - |
| Personnel services | - | - | - | - |
| Supplies and materials | - | - | - | - |
| Depreciation | - | - | - | - |
| <i>Total operating expenditures</i> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Operating income (loss)</i> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Non-operating revenues (expenses):</i> | | | | |
| Designated cash | - | - | - | - |
| Interest income | - | - | - | - |
| Interest expense | - | - | - | - |
| Transfers in | - | - | - | - |
| Transfers out | - | - | - | - |
| <i>Total other financing sources (uses)</i> | <u>-</u> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Change in net assets</i> | - | - | - | - |
| <i>Net assets - beginning of year</i> | <u>-</u> | <u>-</u> | <u>(90,806)</u> | <u>(90,806)</u> |
| <i>Net assets - end of year</i> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (90,806)</u> | <u>\$ (90,806)</u> |
| Net change in net assets (non-GAAP budgetary basis) | | | | \$ - |
| Adjustment to revenue for non-cash debt transactions | | | | 54,421 |
| Adjustment to expenditures for non-cash debt transactions | | | | (10,636) |
| Adjustment to expenditures for depreciation | | | | (41,531) |
| Net change in net assets (GAAP) | | | | <u>\$ 2,254</u> |

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-14

City of Eunice

Water Proprietary Fund

Statement of Revenues, Expenses and Changes in Net Assets
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ending June 30, 2008

| | Budgeted Amounts | | Actual | Variances |
|---|------------------|------------------|-------------------------------|---|
| | Original | Final | (Non-GAAP Budgetary Basis) | Favorable (Unfavorable) Final to Actual |
| <i>Operating revenues:</i> | | | | |
| Taxes | \$ 46,137 | \$ 105,174 | \$ 105,174 | \$ - |
| Intergovernmental Income | - | - | - | - |
| Charges for services | 1,423,872 | 1,200,887 | 1,156,746 | (44,141) |
| Licenses and Fees | - | - | - | - |
| Miscellaneous | - | 450,000 | 450,000 | - |
| <i>Total operating revenues</i> | <u>1,470,009</u> | <u>1,756,061</u> | <u>1,711,920</u> | <u>(44,141)</u> |
| <i>Operating expenses:</i> | | | | |
| Current: | | | | |
| Personnel services | 461,875 | 349,014 | 349,220 | (206) |
| Supplies and materials | 384,100 | 453,186 | 438,286 | 14,900 |
| Depreciation | - | - | - | - |
| Capital outlay | 68,275 | 48,288 | 1,233,801 | (1,185,513) |
| <i>Total operating expenditures</i> | <u>914,250</u> | <u>850,488</u> | <u>2,021,307</u> | <u>(1,170,819)</u> |
| <i>Operating income (loss)</i> | <u>555,759</u> | <u>905,573</u> | <u>(309,387)</u> | <u>(1,214,960)</u> |
| <i>Non-operating revenues (expenses):</i> | | | | |
| Designated cash | (563,515) | (1,847,684) | - | 1,847,684 |
| Interest income | 7,756 | 31,486 | 31,482 | (4) |
| Interest expense | - | - | - | - |
| State capital grant | - | 169,974 | 169,974 | - |
| Transfers in | - | 740,651 | - | (740,651) |
| Transfers out | - | - | (23,174) | (23,174) |
| <i>Total other financing sources (uses)</i> | <u>(555,759)</u> | <u>(905,573)</u> | <u>178,282</u> | <u>1,083,855</u> |
| <i>Change in net assets</i> | - | - | (131,105) | (131,105) |
| <i>Net assets - beginning of year</i> | - | - | 2,216,426 | 2,216,426 |
| <i>Net assets - end of year</i> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 2,085,321</u> | <u>\$ 2,085,321</u> |
| Net change in net assets (non-GAAP budgetary basis) | | | | \$ (131,105) |
| Adjustment to revenue for accounts receivable | | | | 854,552 |
| Adjustment to transfers for capital assets | | | | 1,348,669 |
| Adjustment to expenditures for depreciation | | | | (199,975) |
| Adjustment to expenditures for accounts payable | | | | (52,163) |
| Adjustment to expenditures for payroll accrual | | | | (3,942) |
| Adjustment to expenditures for inventory | | | | (75,114) |
| Net change in net assets (GAAP) | | | | <u>\$ 1,740,922</u> |

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-15

City of Eunice

Sewer Proprietary Fund

Statement of Revenues, Expenses and Changes in Net Assets
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ending June 30, 2008

| | Budgeted Amounts | | Actual | Variations |
|---|------------------|-----------------|-------------------------------|---|
| | Original | Final | (Non-GAAP Budgetary Basis) | Favorable (Unfavorable) Final to Actual |
| <i>Operating revenues:</i> | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - |
| Intergovernmental Income | - | - | - | - |
| Gross receipts | - | - | - | - |
| Charges for services | 90,184 | 226,544 | 218,348 | (8,196) |
| Licenses and Fees | - | - | - | - |
| Miscellaneous | - | - | - | - |
| <i>Total operating revenues</i> | <u>90,184</u> | <u>226,544</u> | <u>218,348</u> | <u>(8,196)</u> |
| <i>Operating expenses:</i> | | | | |
| Current: | | | | |
| Personnel services | 98,561 | 113,092 | 113,092 | - |
| Supplies and materials | 84,100 | 79,768 | 79,768 | - |
| Depreciation | - | - | - | - |
| Capital outlay | 2,000 | - | - | - |
| <i>Total operating expenditures</i> | <u>184,661</u> | <u>192,860</u> | <u>192,860</u> | <u>-</u> |
| <i>Operating income (loss)</i> | <u>(94,477)</u> | <u>33,684</u> | <u>25,488</u> | <u>(8,196)</u> |
| <i>Non-operating revenues (expenses):</i> | | | | |
| Designated cash | 82,719 | (50,687) | - | 50,687 |
| Interest income | 11,758 | 17,003 | 17,006 | 3 |
| Interest expense | - | - | - | - |
| Transfers in | - | - | - | - |
| Transfers out | - | - | - | - |
| <i>Total other financing sources (uses)</i> | <u>94,477</u> | <u>(33,684)</u> | <u>17,006</u> | <u>50,690</u> |
| <i>Change in net assets</i> | - | - | 42,494 | 42,494 |
| <i>Net assets - beginning of year</i> | <u>-</u> | <u>-</u> | <u>1,344,496</u> | <u>1,344,496</u> |
| <i>Net assets - end of year</i> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 1,386,990</u> | <u>\$ 1,386,990</u> |
| Net change in net assets (non-GAAP budgetary basis) | | | | \$ 42,494 |
| Adjustment to revenue for accounts receivable | | | | (2,124) |
| Adjustment to transfers for capital assets | | | | 8,576 |
| Adjustment to expenditures for depreciation | | | | (26,801) |
| Adjustment to expenditures for accounts payable | | | | (3,853) |
| Adjustment to expenditures for payroll accrual | | | | (815) |
| Net change in net assets (GAAP) | | | | <u>\$ 17,477</u> |

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-16

City of Eunice

Solid Waste Proprietary Fund

Statement of Revenues, Expenses and Changes in Net Assets

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ending June 30, 2008

| | Budgeted Amounts | | Actual | Variations |
|---|------------------|-----------------|-------------------------------|---|
| | Original | Final | (Non-GAAP Budgetary Basis) | Favorable (Unfavorable) Final to Actual |
| <i>Operating revenues:</i> | | | | |
| Taxes | \$ - | \$ - | \$ - | \$ - |
| Intergovernmental Income | - | - | - | - |
| Charges for services | 125,787 | 315,160 | 307,768 | (7,392) |
| Licenses and Fees | - | - | - | - |
| Miscellaneous | - | - | - | - |
| <i>Total operating revenues</i> | <u>125,787</u> | <u>315,160</u> | <u>307,768</u> | <u>(7,392)</u> |
| <i>Operating expenses:</i> | | | | |
| Current: | | | | |
| Personnel services | - | - | - | - |
| Supplies and materials | 152,000 | 339,080 | 339,104 | (24) |
| Depreciation | - | - | - | - |
| <i>Total operating expenditures</i> | <u>152,000</u> | <u>339,080</u> | <u>339,104</u> | <u>(24)</u> |
| <i>Operating income (loss)</i> | <u>(26,213)</u> | <u>(23,920)</u> | <u>(31,336)</u> | <u>(7,416)</u> |
| <i>Non-operating revenues (expenses):</i> | | | | |
| Designated cash | 26,013 | (146) | - | 146 |
| Interest income | 200 | 892 | 891 | (1) |
| Transfers in | - | 23,174 | 23,174 | - |
| Transfers out | - | - | - | - |
| <i>Total other financing sources (uses)</i> | <u>26,213</u> | <u>23,920</u> | <u>24,065</u> | <u>145</u> |
| <i>Change in net assets</i> | - | - | (7,271) | (7,271) |
| <i>Net assets - beginning of year</i> | - | - | (275,703) | (275,703) |
| <i>Net assets - end of year</i> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ (282,974)</u> | <u>\$ (282,974)</u> |
| Net change in net assets (non-GAAP budgetary basis) | | | | \$ (7,271) |
| Adjustment to revenue for accounts receivable | | | | (4,396) |
| Adjustment to expenditures for accounts payable | | | | (610) |
| Net change in net assets (GAAP) | | | | <u>\$ (12,277)</u> |

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-17

CITY OF EUNICE

COMPONENT UNIT - HOUSING AUTHORITY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
NET ASSETS - BUDGET (GAAP BUDGETARY BASIS) AND ACTUAL

For the Year Ended June 30, 2008

| | Original Budget | Final Budget | Actual | Variance Favorable (Unfavorable) |
|---|-----------------|-----------------|-------------------|--|
| Operating revenues: | | | | |
| Intergovernmental | \$ 43,406 | \$ 37,890 | \$ 37,890 | \$ - |
| Charges for services | 34,700 | 34,700 | 41,495 | 6,795 |
| Miscellaneous | 11,840 | 11,840 | 8,002 | (3,838) |
| Total operating revenues | <u>89,946</u> | <u>84,430</u> | <u>87,387</u> | <u>2,957</u> |
| Operating expenses: | | | | |
| Current: | | | | |
| Administration | 27,690 | 27,690 | 26,142 | 1,548 |
| Sundry administration | 6,700 | 6,700 | 5,515 | 1,185 |
| Tenant service | 500 | 500 | - | 500 |
| Utilities | 7,170 | 7,170 | 7,541 | (371) |
| Ordinary maintenance | 23,700 | 23,700 | 17,884 | 5,816 |
| Contract costs | 9,950 | 4,950 | 8,663 | (3,713) |
| Insurance | 24,550 | 24,550 | 9,409 | 15,141 |
| Other general expense | 6,063 | 6,063 | 3,396 | 2,667 |
| Depreciation | 17,700 | 17,700 | 15,950 | 1,750 |
| Total operating expenses | <u>124,023</u> | <u>119,023</u> | <u>94,500</u> | <u>24,523</u> |
| Operating income (loss) | <u>(34,077)</u> | <u>(34,593)</u> | <u>(7,113)</u> | <u>27,480</u> |
| Nonoperating revenues (expenses): | | | | |
| Designated cash | 3,584 | 4,100 | - | (4,100) |
| Intergovernmental | 30,493 | 30,493 | 22,239 | (8,254) |
| Proceeds from insurance | - | - | 689 | 689 |
| CFP costs | - | - | (24,035) | (24,035) |
| Total nonoperating revenues (expenses) | <u>34,077</u> | <u>34,593</u> | <u>(1,107)</u> | <u>(35,700)</u> |
| Change in net assets | <u>-</u> | <u>-</u> | <u>(8,220)</u> | <u>(8,220)</u> |
| Net assets - beginning of year | - | - | 59,326 | 59,326 |
| Prior period restatement | - | - | 135,337 | 135,337 |
| Net assets - beginning of year as restated | <u>-</u> | <u>-</u> | <u>194,663</u> | <u>194,663</u> |
| Net assets - end of year | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 186,443</u> | <u>\$ 186,443</u> |

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

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SUPPORTING SCHEDULES

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STATE OF NEW MEXICO
CITY OF EUNICE
COMPONENT UNIT - HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
June 30, 2008

Schedule I
(Page 1 of 3)

PHA: NM027

| Line Item No. | Low Rent Public Housing | Public Housing Capital Fund | Total June 30, 2008 |
|------------------------------|--|--|--------------------------------|
| 111 | \$ 69,708 | \$ - | \$ 69,708 |
| 114 | 2,700 | - | 2,700 |
| 115 | - | - | - |
| 100 | <u>72,408</u> | <u>-</u> | <u>72,408</u> |
| 122 | - | - | - |
| 125 | - | - | - |
| 120 | <u>-</u> | <u>-</u> | <u>-</u> |
| 142 | 3,755 | - | 3,755 |
| 143 | 445 | - | 445 |
| 144 | - | - | - |
| 150 | <u>76,608</u> | <u>-</u> | <u>76,608</u> |
| 161 | 20,392 | - | 20,392 |
| 162 | 489,806 | - | 489,806 |
| 163 | 36,155 | 14,986 | 51,141 |
| 164 | 29,496 | 28,023 | 57,519 |
| 165 | 66,308 | - | 66,308 |
| 166 | (561,660) | (2,375) | (564,035) |
| 167 | - | - | - |
| 160 | <u>80,497</u> | <u>40,634</u> | <u>121,131</u> |
| 190 | <u>\$ 157,105</u> | <u>\$ 40,634</u> | <u>\$ 197,739</u> |
| 312 | \$ 2,591 | \$ - | \$ 2,591 |
| 321 | 1,733 | - | 1,733 |
| 322 | 1,491 | - | 1,491 |
| 333 | 2,781 | - | 2,781 |
| 341 | 2,700 | - | 2,700 |
| 347 | - | - | - |
| 350 | <u>11,296</u> | <u>-</u> | <u>11,296</u> |
| 354 | - | - | - |
| 350 | <u>-</u> | <u>-</u> | <u>-</u> |
| 300 | <u>11,296</u> | <u>-</u> | <u>11,296</u> |
| 508.1 | 80,497 | 40,634 | 121,131 |
| 512.1 | 65,312 | - | 65,312 |
| 513 | <u>145,809</u> | <u>40,634</u> | <u>186,443</u> |
| 600 | <u>\$ 157,105</u> | <u>\$ 40,634</u> | <u>\$ 197,739</u> |

See accompanying independent auditor's report

STATE OF NEW MEXICO
CITY OF EUNICE
COMPONENT UNIT - HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
Year Ended June 30, 2008

Schedule I
(Page 2 of 3)

| Line Item No. | Low Rent Public Housing | Public Housing Capital Fund | Total June 30, 2008 | |
|------------------------------|--|--|--------------------------------|-------------------|
| 703 | Net tenant rental revenue | \$ 41,495 | \$ - | \$ 41,495 |
| 705 | <i>Total tenant revenue</i> | <u>41,495</u> | <u>-</u> | <u>41,495</u> |
| 706 | HUD PHA operating grants | 37,890 | - | 37,890 |
| 706.1 | Capital grants | - | 22,239 | 22,239 |
| 715 | Other revenue | 8,691 | - | 8,691 |
| 716 | Loss on sale of assets | - | - | - |
| 700 | <i>Total revenue</i> | <u>88,076</u> | <u>22,239</u> | <u>110,315</u> |
| 911 | Administrative salaries | 21,747 | - | 21,747 |
| 914 | Compensated absences | 44 | - | 44 |
| 915 | Employee benefit contributions - administrative | 2,041 | - | 2,041 |
| 916 | Other operating - administrative | - | 2,998 | 2,998 |
| 931 | Water | 3,255 | - | 3,255 |
| 932 | Electricity | 2,120 | - | 2,120 |
| 933 | Gas | 795 | - | 795 |
| 938 | Other utilities expense | 1,371 | - | 1,371 |
| 941 | Ordinary maintenance and operations - labor | 8,414 | - | 8,414 |
| 942 | Ordinary maintenance and operations - materials and other | 8,632 | 8,025 | 16,657 |
| 943 | Ordinary maintenance and operations - contract costs | 8,663 | 13,012 | 21,675 |
| 945 | Employee benefit contributions - ordinary maintenance | 838 | - | 838 |
| 961 | Insurance premiums | 9,409 | - | 9,409 |
| 962 | Other general expenses | 7,825 | - | 7,825 |
| 963 | Payment in lieu of taxes | 3,396 | - | 3,396 |
| 964 | Bad debt - tenant rents | - | - | - |
| 969 | <i>Total operating expenses</i> | <u>78,550</u> | <u>24,035</u> | <u>102,585</u> |
| 970 | <i>Excess operating revenue over operating expenses</i> | <u>9,526</u> | <u>(1,796)</u> | <u>7,730</u> |
| 973 | Housing assistance payments | - | - | - |
| 974 | Depreciation expense | 14,735 | 1,215 | 15,950 |
| 900 | <i>Total expenses</i> | <u>93,285</u> | <u>25,250</u> | <u>118,535</u> |
| 1001 | Transfers In | (29,458) | - | (29,458) |
| 1002 | Transfers Out | - | 29,458 | 29,458 |
| 1010 | <i>Total other financing sources</i> | <u>(29,458)</u> | <u>29,458</u> | <u>-</u> |
| 1000 | <i>Excess (deficiency) of operating revenues over (under) expenses</i> | <u>\$ (34,667)</u> | <u>\$ 26,447</u> | <u>\$ (8,220)</u> |

See accompanying independent auditor's report

STATE OF NEW MEXICO
CITY OF EUNICE
COMPONENT UNIT - HOUSING AUTHORITY
FINANCIAL DATA SCHEDULE
Year Ended June 30, 2008

Schedule I
(Page 3 of 3)

| <u>Line Item No.</u> | <u>Low Rent Public Housing</u> | <u>Public Housing Capital Fund</u> | <u>Total June 30, 2008</u> |
|---|--|--|--------------------------------|
| 1103 Beginning equity | \$ 161,618 | \$ 33,045 | \$ 194,663 |
| 1104 Prior period adjustments, equity transfers and correction of errors | 29,458 | (29,458) | - |
| 1120 Unit months available | 240 | - | 240 |
| 1121 Number of unit months leased | 239 | - | 239 |

See accompanying independent auditor's report

STATE OF NEW MEXICO
City of Eunice
Schedule of Deposit and Investment Accounts
For the Year Ended June 30, 2008

Schedule II

Primary Government:

| Bank Account/Account Type | Wells Fargo Bank | NM State Treasurer | Bank of Albuquerque | Totals |
|---|---------------------|-----------------------|------------------------|---------------------|
| General operations - Repurchase | \$ 1,003,600 | \$ - | \$ - | \$ 1,003,600 |
| General operations - Checking | - | - | - | - |
| Utility account - Checking | 109,913 | - | - | 109,913 |
| Motor vehicle trust - Checking | 955 | - | - | 955 |
| Swimming pool fund - Checking | 594,128 | - | - | 594,128 |
| BEC trust fund - Checking | 1,551 | - | - | 1,551 |
| LGIP fund (Pool) - Investment | - | 1,100,000 | - | 1,100,000 |
| LGIP fund (Pool) - Investment | - | 794,000 | - | 794,000 |
| NMFA reserve account | - | - | 40,722 | 40,722 |
| Total on deposit | 1,710,147 | 1,894,000 | 40,722 | 3,644,869 |
| Reconciling Items | (582,862) | - | - | (582,862) |
| Reconciled Balance June 30, 2008 | \$ 1,127,285 | \$ 1,894,000 | \$ 40,722 | \$ 3,062,007 |

Cash per financial statements

| | | | | |
|--|--------------|--|--|---------------------|
| Cash and cash equivalents- Governmental Activities Exhibit A-1 | \$ 1,011,867 | | | |
| Business-type Activities - Exhibit A-1 | 113,812 | | | |
| Restricted cash and cash equivalents- Business-type Activities Exhibit A-1 | 40,099 | | | |
| Investments - Governmental Activities Exhibit A-1 | 664,174 | | | |
| Investments - Business-type Activities Exhibit A-1 | 1,231,000 | | | |
| Fiduciary funds - Exhibit E-1 | 1,055 | | | |
| Total cash and cash equivalents | | | | \$ 3,062,007 |

Component Unit -Housing Authority:

| Bank Name/Account Name | Bank Balance | Deposits in Transit | Outstanding Checks | Book Balance |
|---|------------------|------------------------|-----------------------|------------------|
| Wells Fargo | | | | |
| General - Checking | \$ 72,576 | \$ - | \$ 218 | \$ 72,358 |
| | <u>\$ 72,576</u> | <u>\$ -</u> | <u>\$ 218</u> | 72,358 |
| Add: petty cash | | | | 50 |
| Total cash | | | | \$ 72,408 |
| Cash per financial statements | | | | |
| Cash and cash equivalents- Component Unit - Exhibit A-1 | | | | <u>\$ 72,408</u> |

See accompanying independent auditor's report.

STATE OF NEW MEXICO

Schedule III

City of Eunice

Schedule of Collateral Pledged By Depository for Public Funds

June 30, 2008

| <u>Name of Depository</u> | <u>Description of Pledged Collateral</u> | <u>Maturity</u> | <u>CUSIP Number</u> | <u>Fair Market Value at June 30, 2008</u> | <u>Location of Safekeeper</u> |
|---------------------------|--|-----------------|---------------------|---|-------------------------------|
| Wells Fargo Bank | | | | | |
| | FNCL 607068 | 11/1/2031 | 31388KMR0 | \$ 23,480 | San Francisco, California |
| | FNCL 831480 | 4/1/2036 | 31407HXX4 | 584,154 | San Francisco, California |
| | FNCL 903817 | 12/1/2036 | 31411CDW8 | 150,310 | San Francisco, California |
| | FNCL 00887249 | 2/1/2037 | 31410EWJ3 | <u>1,023,701</u> | San Francisco, California |
| | Total Wells Fargo Bank | | | <u>\$ 1,781,645</u> | |

See accompanying independent auditor's report.

STATE OF NEW MEXICO

Schedule IV

City of Eunice

Schedule of Changes in Assets and Liabilities - Agency Funds
For the Year Ended June 30, 2008

| | Balance July 1, 2007 | Additions | Deletions | Adjustments | Balance June 30, 2008 |
|---------------------------------|-------------------------|------------------|------------------|-------------|--------------------------|
| <i>Employee Retirement Fund</i> | | | | | |
| Assets | | | | | |
| Accounts receivable | \$ 13,870 | \$ - | \$ 11,088 | \$ - | \$ 2,782 |
| <i>Total assets</i> | <u>\$ 13,870</u> | <u>\$ -</u> | <u>\$ 11,088</u> | <u>\$ -</u> | <u>\$ 2,782</u> |
| Liabilities | | | | | |
| Cash overdraft | \$ 13,870 | \$ - | \$ - | \$ (13,870) | \$ - |
| Interfund payable | - | - | 11,088 | 13,870 | 2,782 |
| <i>Total liabilities</i> | <u>\$ 13,870</u> | <u>\$ -</u> | <u>\$ 11,088</u> | <u>\$ -</u> | <u>\$ 2,782</u> |
| <i>Motor Vehicle Fund</i> | | | | | |
| Assets | | | | | |
| Cash and cash equivalents | \$ 2,461 | \$ 3,703 | \$ 5,109 | \$ - | \$ 1,055 |
| Accounts receivable | 3,630 | 9,333 | 3,630 | - | 9,333 |
| Interfund receivable | - | 557 | - | - | 557 |
| <i>Total assets</i> | <u>\$ 6,091</u> | <u>\$ 13,593</u> | <u>\$ 8,739</u> | <u>\$ -</u> | <u>\$ 10,945</u> |
| Liabilities | | | | | |
| Deposits held and due to others | \$ 6,091 | \$ 13,593 | \$ 8,739 | \$ - | \$ 10,945 |
| <i>Total liabilities</i> | <u>\$ 6,091</u> | <u>\$ 13,593</u> | <u>\$ 8,739</u> | <u>\$ -</u> | <u>\$ 10,945</u> |

See accompanying independent auditor's report

COMPLIANCE SECTION

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**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**

Hector Balderas
New Mexico State Auditor
The City Council
City of Eunice
Eunice, New Mexico

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, the budgetary comparisons for the general fund and the major special revenue funds, and the aggregate remaining fund information of City of Eunice, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents and have issued our report thereon dated December 1, 2008. We also have audited the financial statements of each of the City's nonmajor governmental funds, the component unit fund, and the budgetary comparisons for the proprietary funds, component unit, and the remaining nonmajor governmental funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2008 as listed in the table of contents. We issued an adverse opinion on the governmental activities with the exception of the component unit's for management not recording general infrastructure assets and we qualified our opinion on all the budgetary comparisons except the component unit's. 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.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered City of Eunice's internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City of Eunice's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City of Eunice's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses. However, as discussed below, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies.

A control deficiency 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 misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of City of Eunice's financial statements that is more than inconsequential will not be prevented or detected by City of Eunice's internal control. We consider the deficiencies described in the accompanying schedule of findings and responses to be significant deficiencies in internal control over financial reporting as items FS 2006-01, FS 2006-06, FS 2006-10, FS 2007-02, FS 2008-1, FS 2008-2, FS 2008-3, FS 2008-4, FS 2008-5, FS 2008-6, FS 2008-7, FS 2008-8, FS 2008-9, FSHA 2007-01, FSHA 2007-02, FSHA 2008-1 and FSHA 2008-2.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by City of Eunice's internal control.

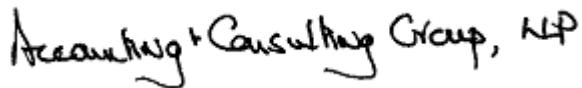
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to material weaknesses. However of the significant deficiencies described above, we consider items FS 2006-1, FS 2006-06, FS 2006-10, FS 2008-1, FS 2008-2, FS 2008-7, FS 2008-8, FS 2008-9 and FSHA 22007-2 to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether City of Eunice's financial statements are free of 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 FS 2006-01, FS 2006-06, FS 2006-10, FS 2006-11, FS 2006-12, FS 2008-05, FSHA 2007-02, FSHA 2008-02 and FSHA 2008-09.

City of Eunice's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit City of Eunice's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of management, others within City of Eunice, the audit committee, the State Auditor, the New Mexico Legislature, the New Mexico Department of Finance and Administration, and applicable federal grantors, and is not intended to be and should not be used by anyone other than these specified parties.



Accounting & Consulting Group, LLP
Albuquerque, NM
December 1, 2008

STATE OF NEW MEXICO
City of Eunice
Schedule of Findings and Responses
June 30, 2008

Section I – Prior Year Audit Findings

Prior Year Audit Findings

Financial Statement Findings:

| | | Disposition |
|---------|---|----------------------|
| 2006-1 | Personnel and Payroll Issues | Revised and repeated |
| 2006-4 | Receipts and Bank Reconciliation | Resolved |
| 2006-8 | General Ledger Posting and Review | Resolved |
| 2006-10 | Stale Checks | Revised and repeated |
| 2007-1 | Unauthorized Bank Account Opening/Closure | Resolved |
| 2007-2 | Preparation of Financial Statements | Repeated |
| 2007-3 | Lack of Approval for Due to/From | Resolved |

State Audit Rule Findings

| | | |
|---------|-------------------|----------------------|
| 2006-5 | Late Audit Report | Resolved |
| 2006-6 | Budget | Revised and repeated |
| 2006-11 | Travel & Per Diem | Revised and repeated |
| 2006-12 | Credit Cards | Repeated |

Public Housing Authority

| | | |
|--------|---|----------------------|
| 2006-5 | Late Audit Report | Resolved |
| 2006-7 | Internal Controls/Segregation of Duties | Resolved |
| 2006-9 | Capital Assets | Resolved |
| 2007-1 | Preparation of Financial Statements | Repeated |
| 2007-2 | Credit and Gas Cards | Revised and repeated |
| 2007-3 | Payroll | Resolved |

STATE OF NEW MEXICO
City of Eunice
Schedule of Findings and Responses
June 30, 2008

Section II – Financial Statement Findings and Responses

FS 2006-1: PERA reconciliation

Criteria

Section 2.2.2.10G(7) NMAC (Audit Rule) requires that total wages paid by a public entity must be reported for the Public Employees Retirement Act.

Condition

The City was unable to provide an adequate reconciliation of total wages paid in fiscal year ended June 30, 2008 to reported PERA wages for the same period. The reported PERA wages is approximately \$74,231 less than the reconciled wages subject to PERA withholding for the period.

Cause

The City is not accurately reconciling total wages to total wages subject to PERA withholding.

Effect

Total contributions due to the Public Employees Retirement Fund may not have been accurately reported or remitted.

Recommendation

We recommend the City perform a reconciliation of total wages paid per pay period to the total wages subject to PERA withholding per pay period.

Agency Response

The City will reconcile total wages paid, to wages per PERA, per pay period.

STATE OF NEW MEXICO
City of Eunice
Schedule of Findings and Responses
June 30, 2008

Section II – Financial Statement Findings and Responses (continued)

FS 2006-6 Budget

Criteria

Section 6-6-6 NMSA 1978 requires when any budget for a local public body has been approved and received by a local public body, it is binding upon all officials and governing authorities and no governing authority or official shall allow or approve claims in excess thereof.

Condition

Budgets were not being adequately monitored. Expenditures exceeded budgeted amounts for 16 budget areas. The total over expenditures in all areas was \$4,617,436. Budget adjustment requests (BARs) were not prepared when spending exceeded budgeted amounts.

Cause

The City did not use the budget and BAR process stipulated by the Local Government Division and statute to regulate its spending.

Effect

Per Section 6-6-6, NMSA 1978, no official shall pay any check or warrant in excess of the approved budget and the allowances or claims or checks or warrants so allowed or paid shall be a liability against the officials so allowing or paying those claims or checks or warrants, and recovery for the excess amounts so allowed or paid may be had against the bondsmen of those officials.

Recommendation

We recommend improved planning and monitoring of the budget and following procedures to adjust the budget as needed.

Agency Response

As a part of the City's new Caselle fund accounting program, we will have an improved budget monitoring and tracking system.

STATE OF NEW MEXICO
City of Eunice
Schedule of Findings and Responses
June 30, 2008

Section II – Financial Statement Findings and Responses (continued)

FS 2006-10 Stale Dated Checks

Criteria

Section 7-8A, NMSA 1978, and related regulations require that the City provide information about the payees and the related funds to Unclaimed Property Division of the New Mexico Taxation and Revenue Department for outstanding checks that were distributed but not cashed within one year.

Condition

During the course of the audit, we noted four checks in the amounts of \$8,30.70, \$8,372.22, \$9,039.99 and \$10,000 issued by the City from its payroll clearing account that were greater than one year old, but had not been submitted to the Unclaimed Property Division of the New Mexico Taxation and Revenue Department.

Cause

City personnel were unaware that compliance with this statute was required of the City.

Effect

The City is in violation of New Mexico Statute, Section 7-8A, NMSA 1978. Also, the City's cash balances are not accurately reflected as a result of stale dated checks appearing on the outstanding check listings.

Recommendation

We recommend that the City implement a procedure to review the outstanding check listings for all bank accounts and track stale-dated checks. If checks on the outstanding check listings are greater than one year old we recommend the related funds be remitted to the Unclaimed Property Bureau per Section 7-8A, NMSA 1978.

Agency Response

The City will implement a procedure to review outstanding checks and track stale dated checks; in addition, since the checks in question were all written in the 2003-2004 fiscal year they will be submitted to the State, or voided if appropriate.

STATE OF NEW MEXICO
City of Eunice
Schedule of Findings and Responses
June 30, 2008

Section II – Financial Statement Findings and Responses (continued)

FS 2006-11 Travel & Per Diem

Criteria

Section 10-8-1 to 10-8-8 NMSA 1978 and the related regulation, authorize travel and per diem reimbursements.

Condition

During our testwork, we noted the following:

- In one of ten items tested, reimbursement for mileage was calculated at a higher rate than allowable. Employees were reimbursed at a rate of .325 rather than the allowable .32 per mile. This led to a total over payment of \$6.43.
- In five of ten items tested, no approval for meal expenditure was documented.
- In one of ten items tested, employees were being paid a flat fee per month labeled “vehicle reimbursement”, without submitting the required support.

Cause

The City is aware of the statute and related regulations regarding travel and per diem reimbursements but continues to fail to comply, even though policies are in place.

Effect

Per Section 10-8-7, NMSA 1978, Any public officer or employee covered by the Per Diem and Mileage Act [10-8-1 NMSA 1978] who knowingly authorized or who knowingly accepts payment in excess of the amount allowed by the Per Diem and Mileage Act or in excess of the amount authorized by the secretary or the governing board pursuant to Section 10-8-5 NMSA 1978 is liable to the state in an amount that is twice the excess payment.

Recommendation

The City needs appropriate management personnel to enforce travel and per diem compliance with greater detail.

Agency Response

City management and finance personnel are enforcing travel and per diem compliance with greater detail.

STATE OF NEW MEXICO
City of Eunice
Schedule of Findings and Responses
June 30, 2008

Section II – Financial Statement Findings and Responses (continued)

FS 2006-12 Credit Card Finance Charges

Criteria

Section 13-1-158 NMSA 1978 requires that purchases be paid for within 30 days of certification of receipt of the goods and services.

Condition

We noted that three of five credit card payments tested included payment of finance charges. Credit card purchases are not being paid timely.

Cause

The City has not exercised appropriate cash management practices to avoid unnecessary incurrence of interest and finance charges.

Effect

Resources are used in a manner that does not best benefit the City and its citizens.

Recommendation

We recommend the City implement policies and procedures aimed at the elimination of unnecessary interest and finance charges.

Agency Response

The City has implemented procedures to eliminate unnecessary finance charges.

STATE OF NEW MEXICO
City of Eunice
Schedule of Findings and Responses
June 30, 2008

Section II – Financial Statement Findings and Responses (continued)

FS 2007-2 Preparation of Financial Statements-significant

Criteria

According to the American Institute of Certified Public Accountants' Statement on Auditing Standards No. 112, a system of internal control over financial reporting does not stop at the general ledger. Well designed systems include controls over financial statement preparation, including footnote disclosures.

Condition

The financial statements and related disclosures are not being prepared by the Agency.

Cause

The Agency's personnel do not have the time and have not been adequately trained in understanding the elements of external financial reporting, including the preparation of financial statements and related footnote disclosures.

Effect

When sufficient controls over the preparation of financial statements and related disclosures are not designed, implemented and operating effectively, an entity's ability to prevent or detect a misstatement in its financial statements is limited.

Recommendation

We recommend the Agency's management and personnel receive training on understanding the requirements of external financial reporting.

The training should include, but not be limited to:

- Selection of appropriate accounting policies:
 - Governmental Accounting Standards Board (GASB)
 - Generally Accepted Accounting Principles (specifically as applied to governmental units)
 - Financial Accounting Standards Board (FASB)
- Understanding the financial reporting entity
- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements
- Required supplementary information
 - Management's discussion and analysis
- Supplementary information required by the Office of the State Auditor

In addition, we recommend that the City develop and implement policies and procedures designed to prevent or detect possible misstatements in its financial statements and related footnote disclosures.

Agency Response

To the extent possible, the City will ensure that appropriate management and finance personnel receive training in the above recommended topics, with training documentation provided to audit staff.

STATE OF NEW MEXICO
City of Eunice
Schedule of Findings and Responses
June 30, 2008

Section II – Financial Statement Findings and Responses (continued)

FS 2008-1 Internal Controls – Misclassifications of Transactions

Criteria

Systems of internal control with the most favorable designs include procedures designed to prevent or detect errors due to misclassification of transactions in the accounting records. (AU 325.21 appdx.) Section 12-6-5, NMSA 1978 requires the audit report to set out in detail any violation of good accounting practices found by the audit.

Condition

The City does not have appropriate reviews and approvals of transactions, accounting entries or systems output. This has resulted in evidence the system has not provided accurate output consistent with objectives. We noted during the course of our test work the following:

- An entry that recorded cash and revenue in the amount of \$55,151 twice when the transaction only occurred once
- Entries that misclassified grant revenues as donation revenues in total amount of \$950,000.
- An entry that misclassified a payroll tax deduction of \$6,865 as a claims expense.
- Entries that misclassified capital outlay items in the amount of \$36,166 as supplies

Cause

There does not appear to be a system in place to prevent or detect errors due to misclassifications.

Effect

The City's books and records are at risk of containing material misstatements as errors may not be detected in a timely manner.

Recommendation

We recommend that the City design procedures to prevent potential errors and implement procedures to monitor system output. This could include review of manual journal entries by knowledgeable and responsible parties and timely follow up on discrepancies noted.

Agency Response

The City will implement procedures to prevent potential errors and to monitor system input.

STATE OF NEW MEXICO
City of Eunice
Schedule of Findings and Responses
June 30, 2008

Section II – Financial Statement Findings and Responses (continued)

FS 2008-2 Internal Controls – Management Override of Controls

Criteria

A sound control environment of an organization is built upon the tone established by the management and governance in its commitment to the control policies and procedures put in place. (AU 319.34-35) Section 12-6-5, NMSA 1978 requires the audit report to set out in detail any violation of good accounting practices found by the audit.

Condition

Established control procedures of the City were overridden by management personnel. During the course of our fieldwork, we noted the following instances.

- An invoice in the amount of \$7,050 not properly supported by a purchase order and whose invoice had no date of service, was caused by management to be paid, despite lack of support, to the individual owner of the company rather than the company providing the service.
- An invoice in the amount of \$16,500 was caused by management to be paid despite lack of support as to purchase order, evidence of delivery of goods or invoice number.
- Disbursement for purchase of land in the amount of \$47,000 was caused by management to be made prior to formal closing of transaction. Disbursement was caused by management to be made to individual rather than to LLC who was actual record holder. The individual was the primary member of the LLC.

Cause

Management chose to disregard established control procedures

Effect

The control environment of the City is at risk to be compromised with potential result of control activities becoming ineffective.

Recommendation

We recommend that both management and governance work within established control policies and procedures and that the governing body undertake a more active role in monitoring internal control policies and procedures.

Agency Response

Management personnel involved in these instances have been counseled and all management personnel will stay within and monitor established control procedures.

STATE OF NEW MEXICO
City of Eunice
Schedule of Findings and Responses
June 30, 2008

Section II – Financial Statement Findings and Responses (continued)

FS 2008-3: Inadequate Internal Controls over Information Technology

Criteria

State of New Mexico Statewide Guideline S-GUIDE-002.003 (per NMSA 1978 Section 15-1C-1 et. Seq. and NMAC 1.12.6 and NMAC 1.12.2) establishes an Enterprise Security Policy for the protection of IT assets and resources including data and information. The policy establishes that protection must be provided for IT assets, resources, and data/information from unauthorized access, use, disclosure, disruption, modification, or destruction in order to provide integrity, confidentiality, availability, accountability, and assurance, and establishes that controls must be maintained over information systems, resources, and data/information sufficient to contain risk of loss or misuse of information.

Condition

During our audit, we noted that:

- Adequate controls for access to programs and data have not been established by management to restrict access to properly authorized individuals. Lack of such controls exist in the following areas:
 1. Information Security Policy/User Awareness
 2. Configuration of Access Rules/Access Administration
 3. Identification and Authentication
 4. Monitoring
 5. Physical Access
- Adequate controls are not in place to ensure recoverability from interruptions in service in a timely manner and to restore critical information services in the event of a disaster.

Cause

The City of Eunice is not properly safeguarding IT assets and resources. The following deficiencies were noted:

- Lack of IT policies
- Lack of controls over access levels – all employees have system wide access to Caselle Accounting Software
- Lack of controls over passwords – no password is required to access Caselle Accounting Software
- Lack of monitoring of system administrator activities and lack of monitoring of network activity
- Lack of controls over physical access to IT resources – servers are not kept in a locked area and physical access to servers is not restricted
- Lack of contingency planning

Effect

Lack of IT policies, lack of controls over access levels, lack of controls over passwords, lack of monitoring, lack of controls over physical access, and lack of contingency planning leave the City of Eunice at risk for loss or misuse of data and information. Adequate protection has not been established to safeguard IT assets and resources.

STATE OF NEW MEXICO
City of Eunice
Schedule of Findings and Responses
June 30, 2008

Section II – Financial Statement Findings and Responses (continued)

Recommendations

The City should consider implementing the following recommendations:

- Establish policies to govern IT use and security
- Establish controls over access levels by restricting employee access to files and modules to only those necessary for performing their duties
- Establish a password policy, and require each employee to have a unique and confidential password for access to Caselle.
- Have SWAT IT Solutions keep logs of system administrator activities, or submit reports detailing work performed, and designate an employee to review and approve such activities. Enable networking logging on the firewall and designate an employee to review network logs for suspicious activity.
- Relocate servers to a secure area and restrict physical access to authorized personnel (those with a need to access) only.
- Develop a contingency plan detailing how to recover IT systems and become operational in the event of a disaster or interruption of the IT function.

Agency Response

The City, in conjunction with SWAT-IT and Caselle, has implemented the above recommendations included in bullets 1 through 5, and in bullet 5 we will ensure that the door is locked to limit access; the City will work with our IT provider and Caselle to implement the recommendations in bullet 6.

STATE OF NEW MEXICO
City of Eunice
Schedule of Findings and Responses
June 30, 2008

Section II – Financial Statement Findings and Responses (continued)

FS 2008-4: Failure to obtain proper authorization for expenditures

Criteria

It is the City's stated internal control policy to obtain purchase orders for non-routine expenditures greater than \$500 and to obtain written approvals from appropriate department heads for expenditures effecting the budgets for which they bear responsibility.

Condition

We noted that in 1 instance out of 10 a purchase order for an expenditure greater than \$500 was not obtained. The expenditure was for \$665.09. We also noted in 3 instances out of 10 tested that proper approvals for expenditures by the appropriate department head was not obtained. The expenditures were in the amounts of \$665.09, \$852.47 and \$1,198.54.

Cause

The City has not placed appropriate emphasis on adherence to stated control policies.

Effect

Internal control over expenditures and the ability of responsible parties to appropriately monitor budgets for which they bear responsibility may be compromised.

Recommendation

We recommend that the City management stop disbursements for improperly authorized expenditures until appropriate authorization is gained.

Agency Response

The City Manager is now reviewing and/or signing any purchase orders lacking appropriate authorization.

STATE OF NEW MEXICO
City of Eunice
Schedule of Findings and Responses
June 30, 2008

Section II – Financial Statement Findings and Responses (continued)

FS 2008-5: Capital Assets

Criteria

According to the State Audit Rule Section 2.2.2.10 Y, “The Audit Act (12-6-10, NMSA 1978) requires agencies to capitalize only chattels and equipment that cost over \$5,000. All agencies should update their capitalization policies in accordance with the law. The State Auditor still encourages agencies to maintain a separate accountability report of those items that cost \$5,000 or less, for asset safeguarding and management purposes.”

Condition

During our audit we noted the City has not implemented the \$5,000 limit for capitalization of fixed assets. As a result, items less than \$5,000 were included in capital outlay line items and items greater than \$5,000 were included in non-capital outlay line items. Furthermore, the City’s capital asset detail is incomplete as to capital items greater than \$5,000 that should appropriately be included thereon.

Cause

There does not appear to be adequate internal controls related to proper classification of capital outlay expenditures nor to effectively denote all items for inclusion on the City’s capital asset detail.

Effect

The City’s capital asset detail is incomplete and expenditures related to capital outlay may be misstated.

Recommendation

We recommend that the Agency maintain capital assets records and record depreciation only for those assets with a cost in excess of \$5,000. For accountability purposes, the City should continue to track assets in accordance with the existing policy, although these assets should not be included in the capital assets reported on the financial statements.

We further recommend that management implement policies to help assure that all items properly capitalized are included on the City’s asset detail.

Agency Response

The City will continue to refine and develop our new inventory and capital assets modules to ensure that all items are properly included in their respective listing.

STATE OF NEW MEXICO
City of Eunice
Schedule of Findings and Responses
June 30, 2008

Section II – Financial Statement Findings and Responses (continued)

FS 2008-6 Payroll Overpayment

Criteria

Systems of internal control with the most favorable designs include procedures designed to prevent or detect errors due to misclassification of transactions in the accounting records. (AU 325.21 appdx.) The City's stated policy is that a supervisor reviews payroll data both before and after payroll processing.

Condition

We noted that in 1 instance out of 10 an employee was overpaid due to a clerical error in the payroll process that the review process in place failed to detect. The employee was overpaid by 4 hours in the amount of \$64.

Cause

The control process in place failed to detect the overpayment described.

Effect

The payroll expense is overstated. If the employee overpayment is not recovered there will also be an issue of violating the anti-donation clause of the New Mexico Constitution.

Recommendation

We recommend that the review process in place be studied for effectiveness and that greater care be employed in the review process.

Agency Response

The City's stated policy will be enforced by appropriate management personnel reviewing payroll data before and after payroll processing.

STATE OF NEW MEXICO
City of Eunice
Schedule of Findings and Responses
June 30, 2008

Section II – Financial Statement Findings and Responses (continued)

FS 2008-7 Duplicate Check Numbers

Criteria

Systems of internal control with the most favorable designs include procedures designed to prevent or detect errors due to misclassification of transactions in the accounting records. (AU 325.21 appdx.) Disbursements should have unique identifying numbers to allow for proper tracking, recording and reconciling.

Condition

We noted two instance in which two separate disbursements to separate vendors were recorded with the same check number. The City uses check stock without pre-printed numbers and the software system does not prevent the use of duplicate check numbers.

Cause

The City uses check stock without pre-printed numbers and the software system does not prevent use of duplicate check numbers. There are multiple person's with check writing authorization and from time to time they do not adequately track check numbers used for separate check runs.

Effect

Disbursements with duplicate check numbers are difficult to track and account for in the City's records. The City's cash is at risk for misappropriation.

Recommendation

We recommend that the City use check stock with pre-printed check numbers or implement procedures to prevent the duplication of check numbers on disbursements. We note that the client personnel responsible for writing checks have begun to record check numbers used per check run and make the listing available to all parties with check writing responsibility.

Agency Response

City finance personnel responsible for writing checks will continue to record check numbers used per check run to prevent duplication of check numbers on disbursements.

STATE OF NEW MEXICO
City of Eunice
Schedule of Findings and Responses
June 30, 2008

Section II – Financial Statement Findings and Responses (continued)

FS 2008-8 Cash held in Debt Service Fund not recorded on City’s Accounting Records

Criteria

Section 12-6-5 NMSA 1978 (Reports of Audits), states each report shall set out in detail, in a separate section, any violation of law or good accounting practices found by the audit or examination. Good accounting practices require an entity to record and account for all of its assets.

Condition

We noted that a cash balance of \$40,721.95 deposited with Bank of Albuquerque was not recorded on the City’s accounting records. This balance is a debt service sinking fund held for the purpose of servicing a debt to the New Mexico Finance Authority for which the City is liable.

Cause

The City’s management and accounting staff were unaware of the need to record cash held in this sinking fund.

Effect

The result of this omission is that cash is understated on the City’s general ledger.

Recommendation

We recommend that the City implement policies and procedures to properly account for all assets including those held by third parties.

Agency Response

The City will implement procedures to properly account for any funds or other assets held by third parties.

STATE OF NEW MEXICO
City of Eunice
Schedule of Findings and Responses
June 30, 2008

Section II – Financial Statement Findings and Responses (continued)

FS 2008-9 Water Billings Understated

Criteria

The Codification of Statements on Auditing Standards (SAS AU) paragraph 110.03 states that the financial statements are the responsibility of management. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process and report transactions (as well as events and conditions) consistent with assertions embodied in the financial statements. One such assertion is that the financial statements are complete (including all material transactions).

Condition

We noted that in one out of fourteen water utility billings tested that the billings appeared to be significantly under billed for expected usage. The customer tested purchased water from the City for resale. We noted that recorded customer usage for the final 9 months of fiscal year ended June 30, 2008 dropped to less than 1% of the average billings prior to that time with no known associated drop in customer activities. This was not noted by parties responsible for water utility billings. The amount under-billed cannot be accurately determined after the fact, but could conservatively be estimated at \$75,000.

Cause

The City indicates that the water meter assigned to the customer was not functioning properly. Subsequent to the year end, but prior to the issuance of the report, the City has replaced the water meter.

Effect

City services used by customers may not be recorded and revenues associated with those services may be understated.

Recommendation

We recommend that the City establish procedures to monitor and detect in a timely manner, billing amounts that appear significantly misstated. Additionally, we recommend that procedures be implemented to follow up on such unusual items in a timely manner.

Agency Response

The water billing account in question has been resolved; the City will implement a procedure to timely monitor water billing amounts that appear significantly misstated, with timely follow-up to resolve any issues.

STATE OF NEW MEXICO
City of Eunice
Schedule of Findings and Responses
June 30, 2008

Section III – Component Unit Financial Statement Findings and Responses

Component Unit Findings

FSHA 2007-1 Preparation of Financial Statements-significant

Criteria

According to the American Institute of Certified Public Accountants' Statement on Auditing Standards No. 112, a system of internal control over financial reporting does not stop at the general ledger. Well designed systems include controls over financial statement preparation, including footnote disclosures.

Condition

The financial statements and related disclosures are not being prepared by the Authority.

Cause

The Authority's personnel do not have the time and have not been adequately trained in understanding the elements of external financial reporting, including the preparation of financial statements and related footnote disclosures.

Effect

When sufficient controls over the preparation of financial statements and related disclosures are not designed, implemented and operating effectively, an entity's ability to prevent or detect a misstatement in its financial statements is limited.

Recommendation

We recommend the Authority's management and personnel receive training on understanding the requirements of external financial reporting.

The training should include, but not be limited to:

- Selection of appropriate accounting policies:
 - Governmental Accounting Standards Board (GASB)
 - Generally Accepted Accounting Principles (specifically as applied to governmental units)
 - Financial Accounting Standards Board (FASB)
- Understanding the financial reporting entity
- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements
- Required supplementary information
 - Management's discussion and analysis
- Supplementary information required by the Office of the State Auditor

In addition, we recommend that the Authority develop and implement policies and procedures designed to prevent or detect possible misstatements in its financial statements and related footnote disclosures.

Agency Response

The agency will receive additional training for the financial reporting requirements and the preparation of financial statements.

STATE OF NEW MEXICO
City of Eunice
Schedule of Findings and Responses
June 30, 2008

Section III – Component Unit Financial Statement Findings and Responses (continued)

FSHA 2007-2 Credit Card Finance Charges

Criteria

The New Mexico Procurement Code Section 13-1-158, NMSA 1978 requires that purchases be paid for within 30 days of certification of receipt of the goods and services.

Condition

We noted that two of five credit card payments tested included payment of finance charges and/or late fees. Credit card purchases are not being paid timely.

Cause

The Authority has not exercised appropriate cash management practices to avoid unnecessary incurrence of interest and finance charges.

Effect

Authority is in violation of state statutes and resources were used in a manner that did not best benefit the Authority.

Recommendation

We recommend the Authority implement policies and procedures aimed at the elimination of unnecessary interest and finance charges.

Agency Response

The Eunice Housing Authority will pay any credit card bills in a timely manner to avoid any other charges.

STATE OF NEW MEXICO
City of Eunice
Schedule of Findings and Responses
June 30, 2008

Section III – Component Unit Financial Statement Findings and Responses (continued)

FSHA 2008-1 Payroll Overpayment

Criteria

Systems of internal control with the most favorable designs include procedures designed to prevent or detect errors due to misclassification of transactions in the accounting records. (AU 325.21 appdx.) The Authority's stated policy requires payroll data to be reviewed both before and after payroll processing.

Condition

We noted that in 1 instance out of 10 an employee was overpaid due to a clerical error in the payroll process that the review process in place failed to detect. The employee was overpaid by 3 hours in the amount of \$24.

Cause

The control process in place failed to detect the overpayment described.

Effect

The payroll expense is overstated. If the employee overpayment is not recovered then there is noncompliance with the anti-donation clause of the New Mexico Constitution.

Recommendation

We recommend that the review process in place be studied for effectiveness and that greater care be employed in the review process.

Agency Response

The Eunice Housing Authority informed the employee of the error. We discussed with the employee how and when the overpayment occurred. The hours worked were not added correctly. The employee has already worked 3 extra hours to compensate for the pay.

STATE OF NEW MEXICO
City of Eunice
Schedule of Findings and Responses
June 30, 2008

Section III – Component Unit Financial Statement Findings and Responses (continued)

FS 2008-2 Travel & Per Diem

Criteria

Section 2.4.2.10 of NMAC authorizes up to 80% of travel expenses to be paid in advance and that reimbursed expenses be properly supported.

Condition

During our testwork, we noted the following:

- In one of one item tested, travel advances exceed the allowed 80% of anticipated expenses.
- In one of one item tested, there was insufficient support for expense.

Cause

The Authority was unaware of this statute and related regulations regarding travel and per diem reimbursements.

Effect

Per Section 10-8-7 NMSA 1978, any public officer or employee covered by the Per Diem and Mileage Act [10-8-1 NMSA 1978] who knowingly authorizes or who knowingly accepts payment in excess of the amount allowed by the Per Diem and Mileage Act or in the excess of the amount authorized by the secretary of the governing board pursuant to Section 10-8-5 NMSA 1978 is liable to the state in an amount that is twice the excess payment.

Recommendation

We recommend that the Authority receive adequate training and acquire sufficient working knowledge of the applicable statutes and regulations related to travel and per diem.

Agency Response

The Housing Authority is now aware of the correct procedures and per diem and will follow the correct guidelines.

STATE OF NEW MEXICO
City of Eunice
Schedule of Findings and Responses
June 30, 2008

Section III – Component Unit Financial Statement Findings and Responses (continued)

FS 2008-3 Missing I-9 Forms

Criteria

The Immigration Reform and Control Act of 1986 requires all employees hired after November 6, 1986 to complete a Form I-9 within 3 days of hire. This form is to be retained for three years after the date of hire or one year after employment ends, whichever is later.

Condition

During our testwork, we noted that four of four employee files examined were missing I-9 forms required to be maintained.

Cause

The Authority was unaware of this regulation and requirement to obtain and maintain forms.

Effect

Employers who fail to properly complete, retain, and/or make available for inspection Form I-9 as required by law may face civil money penalties in an amount of not less than \$110 and not more than \$1,100 for each individual with respect to whom such violation occurred.

Recommendation

We recommend that the Authority receive adequate training and acquire sufficient working knowledge of the applicable statutes.

Agency Response

The Housing Authority was not aware of the I-9 Forms. We now have them on file for each employee.

STATE OF NEW MEXICO
City of Eunice
Other Disclosures
For the Year Ended June 30, 2008

Other Disclosures

Exit Conference

The contents of this report were discussed on November 26, 2008. The following individuals were in attendance.

Representing City of Eunice

| | |
|-----------------|-------------------|
| Matt White | Mayor |
| Curtis Schrader | City Manager |
| Joyce Tolsma | City Clerk |
| Connie Whitmire | Finance Officer |
| Sonya Gallegos | Housing Secretary |

Representing Accounting & Consulting Group, LLP

Cindy Bryan, Partner

Auditor Prepared Financials

Although it would be preferred and desirable for the City to prepare its own financial statements, the City's personnel did not have the time to prepare them. Accounting & Consulting Group, LLP prepared the financial statements of City of Eunice from the original books and records provided to them by the management of the City.