

STATE OF NEW MEXICO
CITY OF EUNICE
ANNUAL FINANCIAL REPORT
JUNE 30, 2009

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INTRODUCTORY SECTION

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STATE OF NEW MEXICO

City of Eunice

Official Roster

June 30, 2009

List of Officials

<u>Name</u>	<u>Title</u>
<u>Elected Officials:</u>	
Johnnie M. White	Mayor
Bill Robinson	Mayor Pro Tem
Nina Lynch	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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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 were engaged to audit 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 (City), as of and for the year ended June 30, 2009, which collectively comprise the City's basic financial statements as listed in the table of contents. We were also engaged to audit 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 fund, 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, 2009, as listed in the table of contents. These financial statements are the responsibility of the City'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.

Management has not designed, implemented or monitored the policies and procedures needed to capture, record and present revenues, expenditures, contracts, grants, other agreements, and budgetary information completely and accurately in their financial statements. The severity and pervasiveness of the material weaknesses in the City's system of control over financial reporting has caused significant doubt that all possible material misstatements could be detected by our audit procedures. Because of the magnitude of the possible misstatement of the financial statements that could remain undetected, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the budgetary comparisons for the general fund and the major special revenue fund, and the aggregate remaining fund information, the financial statements of each of the City's nonmajor governmental and budgetary comparisons for each of the City's nonmajor governmental funds, major capital projects funds, and proprietary funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2009, as listed in the table of contents.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the discretely presented component unit as of June 30, 2009, and the respective changes in financial position and cash flows, where applicable, thereof 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 budgetary comparison for the discretely presented component unit 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, 2009 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on 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 basic 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, III, and IV in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Because of the magnitude of the possible misstatement of the financial statements that could remain undetected, the scope of our work was not sufficient to enable us to express, and we do not express, an opinion on the basic and each of the nonmajor governmental funds, accordingly, we express no opinion on the accompanying financial information listed as supporting Schedules II, III, and IV in the table of contents. The accompanying Financial Data Schedule listed as Schedule I 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 of the discretely presented component unit, and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements of the discretely presented component unit taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it.

Accounting & Consulting Group, LLP
Carlsbad, NM
December 1, 2009

BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO

City of Eunice

Statement of Net Assets

June 30, 2009

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Assets				
Current assets				
Cash and cash equivalents	46,678	\$ 393,536	\$ 440,214	\$ 86,642
Investments	561,000	1,133,000	1,694,000	-
Accounts receivable				
Taxes	877,575	61,560	939,135	-
Intergovernmental	526,551	-	526,551	18,637
Other receivables	104,723	951,564	1,056,287	38
Inventory	-	139,062	139,062	1,323
Prepaid assets	35,176	-	35,176	4,218
Internal balances	-	808,251	808,251	-
Total current assets	<u>2,151,703</u>	<u>3,486,973</u>	<u>5,638,676</u>	<u>110,858</u>
Noncurrent assets				
Restricted cash and cash equivalents	-	36,411	36,411	2,550
Capital assets	13,070,003	14,954,665	28,024,668	683,190
Less: accumulated depreciation	<u>(5,093,875)</u>	<u>(8,154,866)</u>	<u>(13,248,741)</u>	<u>(554,758)</u>
Total noncurrent assets	<u>7,976,128</u>	<u>6,836,210</u>	<u>14,812,338</u>	<u>130,982</u>
Total assets	<u>\$ 10,127,831</u>	<u>\$ 10,323,183</u>	<u>\$ 20,451,014</u>	<u>\$ 241,840</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	\$ 687,486	\$ 176,615	\$ 864,101	\$ 20,050
Accrued expenses	35,353	3,592	38,945	2,755
Accrued compensated absences	39,073	11,657	50,730	-
Customer deposits	550	61,666	62,216	2,550
Interfund payable	808,251	-	808,251	-
Current portion of long-term debt	-	47,134	47,134	-
Total current liabilities	<u>1,570,713</u>	<u>300,664</u>	<u>1,871,377</u>	<u>25,355</u>
Noncurrent liabilities				
Accrued compensated absences	11,356	3,886	15,242	1,912
Loans and capital leases payable	-	99,331	99,331	-
Total noncurrent liabilities	<u>11,356</u>	<u>103,217</u>	<u>114,573</u>	<u>1,912</u>
Total liabilities	<u>1,582,069</u>	<u>403,881</u>	<u>1,985,950</u>	<u>27,267</u>
Net Assets				
Invested in capital assets, net of related debt	7,976,128	6,653,334	14,629,462	128,432
Restricted for:				
Special revenue funds	237,244	-	237,244	-
Capital projects funds	332,390	-	332,390	-
Unrestricted	-	3,265,968	3,265,968	86,141
Total net assets	<u>8,545,762</u>	<u>9,919,302</u>	<u>18,465,064</u>	<u>214,573</u>
Total liabilities and net assets	<u>\$ 10,127,831</u>	<u>\$ 10,323,183</u>	<u>\$ 20,451,014</u>	<u>\$ 241,840</u>

STATE OF NEW MEXICO

City of Eunice

Statement of Activities

June 30, 2009

<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	\$ 1,295,148	\$ 124,368	\$ 134,031	\$ 13,141
Public safety	1,962,637	111,613	287,607	-
Public works	269,467	-	1,322,955	721,141
Culture and recreation	1,048,252	8,479	121,300	-
<i>Total governmental activities</i>	<u>4,575,504</u>	<u>244,460</u>	<u>1,865,893</u>	<u>734,282</u>
Business-type Activities:				
Water	963,598	1,428,093	-	261,800
Sewer	176,339	277,526	-	81,121
Solid waste	431,604	347,086	-	-
Golf	379,361	235,444	-	-
Ambulance	51,289	48,026	-	-
<i>Total business-type activities</i>	<u>2,002,191</u>	<u>2,336,175</u>	<u>-</u>	<u>342,921</u>
<i>Total primary government</i>	<u>\$ 6,577,695</u>	<u>\$ 2,580,635</u>	<u>\$ 1,865,893</u>	<u>\$ 1,077,203</u>
Component Unit:				
Housing	<u>\$ 116,625</u>	<u>\$ 46,063</u>	<u>\$ 40,337</u>	<u>\$ 67,059</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				
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			
Governmental Activities	Business Type Activities	Total	Component Unit
\$ (1,023,608)	\$ -	\$ (1,023,608)	\$ -
(1,563,417)	-	(1,563,417)	-
1,774,629	-	1,774,629	-
(918,473)	-	(918,473)	-
<u>(1,730,869)</u>	<u>-</u>	<u>(1,730,869)</u>	<u>-</u>
-	726,295	726,295	-
-	182,308	182,308	-
-	(84,518)	(84,518)	-
-	(143,917)	(143,917)	-
-	(3,263)	(3,263)	-
<u>-</u>	<u>676,905</u>	<u>676,905</u>	<u>-</u>
<u>(1,730,869)</u>	<u>676,905</u>	<u>(1,053,964)</u>	<u>-</u>
-	-	-	36,834
123,941	-	123,941	-
4,848,829	84,307	4,933,136	-
168,787	-	168,787	-
140,728	-	140,728	-
8,502	-	8,502	-
49,797	-	49,797	-
16,049	12,898	28,947	-
150,163	-	150,163	-
(105,936)	121,638	15,702	4,447
<u>5,400,860</u>	<u>218,843</u>	<u>5,619,703</u>	<u>4,447</u>
<u>3,669,991</u>	<u>895,748</u>	<u>4,565,739</u>	<u>41,281</u>
4,475,884	8,665,162	13,141,046	186,443
399,887	358,392	758,279	(13,151)
<u>4,875,771</u>	<u>9,023,554</u>	<u>13,899,325</u>	<u>173,292</u>
<u>\$ 8,545,762</u>	<u>\$ 9,919,302</u>	<u>\$ 18,465,064</u>	<u>\$ 214,573</u>

STATE OF NEW MEXICO

City of Eunice
Balance Sheet
Governmental Funds
June 30, 2009

	<u>General Fund</u>	<u>Fire Fund</u>	<u>Recreation Fund</u>
<i>Current assets</i>			
Cash and cash equivalents	\$ -	\$ -	\$ -
Investments	32,000	100,000	30,000
Account receivable			
Taxes	818,315	-	-
Intergovernmental	-	-	-
Other	67,225	-	-
Prepaid assets	35,176	-	-
Interfund receivable	4,706,789	-	-
	<hr/>	<hr/>	<hr/>
<i>Total assets</i>	<u>\$ 5,659,505</u>	<u>\$ 100,000</u>	<u>\$ 30,000</u>
 <i>Current liabilities</i>			
Accounts payable	107,274	\$ 11,564	\$ 2,920
Accrued payroll	32,264	-	1,652
Accrued compensated absences	5,003	-	-
Deferred revenue	2,982	-	-
Security deposit	550		
Interfund payable	2,217,518	1,288,221	1,007,893
	<hr/>	<hr/>	<hr/>
<i>Total liabilities</i>	<u>2,365,591</u>	<u>1,299,785</u>	<u>1,012,465</u>
 <i>Fund balances</i>			
Unreserved:			
Unreserved, reported in:			
General fund	3,293,914	-	-
Special revenue funds	-	(1,199,785)	(982,465)
Capital projects funds	-	-	-
	<hr/>	<hr/>	<hr/>
<i>Total fund balances</i>	<u>3,293,914</u>	<u>(1,199,785)</u>	<u>(982,465)</u>
	<hr/>	<hr/>	<hr/>
<i>Total liabilities and fund balances</i>	<u>\$ 5,659,505</u>	<u>\$ 100,000</u>	<u>\$ 30,000</u>

The accompanying notes are an integral part of these financial statements

Municipal Infrastructure Fund	Streets Fund	Other Governmental Funds	Total
\$ 46,678	-	\$ -	\$ 46,678
262,000	-	137,000	561,000
40,743	-	18,517	877,575
-	406,323	120,228	526,551
-	-	37,498	104,723
-	-	-	35,176
937,754	-	159,932	5,804,475
\$ 1,287,175	\$ 406,323	\$ 473,175	\$ 7,956,178
\$ -	\$ 407,318	\$ 371,820	\$ 900,896
-	-	1,437	35,353
-	-	-	5,003
-	-	-	2,982
-	-	-	550
-	749,735	1,135,949	6,399,316
-	1,157,053	1,509,206	7,344,100
-	-	-	3,293,914
-	(750,730)	(1,015,676)	(3,948,656)
1,287,175	-	(20,355)	1,266,820
1,287,175	(750,730)	(1,036,031)	612,078
\$ 1,287,175	\$ 406,323	\$ 473,175	\$ 7,956,178

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STATE OF NEW MEXICO

City of Eunice

Reconciliation of the Balance Sheet-Governmental Funds to the Statement of Net Assets
June 30, 2009

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	\$	612,078
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		7,976,128
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		2,982
Long term accrued compensated absences		<u>(45,426)</u>
Total net assets of governmental activities	\$	<u><u>8,545,762</u></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
June 30, 2009

	General Fund	Fire Fund	Recreation Fund
<i>Revenues</i>			
<i>Taxes</i>			
Property	\$ 127,672	\$ -	\$ -
Gross receipts	4,522,151	-	-
Gasoline and motor vehicle taxes	168,787	-	-
Other	140,728	-	-
<i>Intergovernmental income</i>			
Federal operating grants	-	-	-
State operating grants	-	179,275	-
State capital grants	721,141	-	-
Charges for services	47,509	-	350
Licenses and fees	8,502	-	-
Fines and forfeitures	49,797	-	-
Interest income	7,560	1,683	763
Miscellaneous	21,215	5,024	48,663
	<u>5,815,062</u>	<u>185,982</u>	<u>49,776</u>
<i>Total revenues</i>			
<i>Expenditures</i>			
<i>Current</i>			
General government	897,961	-	-
Public safety	1,326,078	368,567	-
Public works	279,536	-	-
Culture and recreation	334,441	-	561,111
Capital outlay	374,505	338,965	4,407
	<u>3,212,521</u>	<u>707,532</u>	<u>565,518</u>
<i>Total expenditures</i>			
<i>Excess (deficiency) of revenues over expenditures</i>			
	<u>2,602,541</u>	<u>(521,550)</u>	<u>(515,742)</u>
<i>Other financing sources (uses)</i>			
Transfers in	10,556	-	-
Transfers (out)	(224,671)	-	(3,787)
	<u>(214,115)</u>	<u>-</u>	<u>(3,787)</u>
<i>Total other financing sources (uses)</i>			
<i>Net change in fund balances</i>			
	<u>2,388,426</u>	<u>(521,550)</u>	<u>(519,529)</u>
<i>Fund balances - beginning of year</i>			
Restatement, Note 14	940,749	(678,235)	(462,936)
	<u>(35,261)</u>	<u>-</u>	<u>-</u>
<i>Fund balances, beginning of year, as restated</i>			
	<u>905,488</u>	<u>(678,235)</u>	<u>(462,936)</u>
<i>Fund balance - end of year</i>			
	<u>\$ 3,293,914</u>	<u>\$ (1,199,785)</u>	<u>\$ (982,465)</u>

The accompanying notes are an integral part of these financial statements

Municipal Infrastructure Fund	Streets Fund	Other Governmental Funds	Total
\$ -	\$ -	\$ -	\$ 127,672
224,600	-	102,078	4,848,829
-	-	-	168,787
-	-	-	140,728
-	-	23,271	23,271
-	1,322,955	340,392	1,842,622
-	-	13,141	734,282
-	-	196,601	244,460
-	-	-	8,502
-	-	-	49,797
2,958	-	3,085	16,049
-	-	75,261	150,163
227,558	1,322,955	753,829	8,355,162
-	-	432,476	1,330,437
-	-	287,970	1,982,615
-	-	-	279,536
-	-	57,423	952,975
-	1,604,879	405,873	2,728,629
-	1,604,879	1,183,742	7,274,192
227,558	(281,924)	(429,913)	1,080,970
-	-	222,104	232,660
-	(4,641)	(105,497)	(338,596)
-	(4,641)	116,607	(105,936)
227,558	(286,565)	(313,306)	975,034
1,059,617	(464,165)	(722,725)	(327,695)
-	-	-	(35,261)
1,059,617	(464,165)	(722,725)	(362,956)
\$ 1,287,175	\$ (750,730)	\$ (1,036,031)	\$ 612,078

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STATE OF NEW MEXICO

City of Eunice

Exhibit B-2

Page 2 of 2

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, 2009

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

Net change in fund balances - total governmental funds	\$	975,034
--	----	---------

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		3,151,095
Depreciation expense		(454,037)

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		(3,731)
---	--	---------

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:

Decrease in long-term accrued compensated absences		1,630
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Change in net assets of governmental activities	\$	3,669,991
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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, 2009

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final	(Non-GAAP Budgetary Basis)	Final to Actual
<i>Revenues</i>				
Taxes				
Property taxes	\$ 165,000	\$ 247,299	\$ 125,415	\$ (121,884)
Gross receipts	3,032,000	3,703,836	3,703,836	-
Gas and motor vehicle	77,000	63,827	185,712	121,885
Other	107,000	153,835	153,835	-
Intergovernmental income				
State operating grants	67,000	141,163	-	(141,163)
State capital grants	-	-	721,141	721,141
Charges for services	44,300	65,521	47,509	(18,012)
Licenses and fees	35,850	58,174	58,299	125
Interest income	150,000	207,559	7,560	(199,999)
Miscellaneous	71,000	764,428	172,322	(592,106)
<i>Total revenues</i>	<u>3,749,150</u>	<u>5,405,642</u>	<u>5,175,629</u>	<u>(230,013)</u>
<i>Expenditures</i>				
Current				
General government	1,014,850	789,924	912,268	(122,344)
Public safety	998,000	1,357,255	1,345,099	12,156
Public works	346,500	446,007	419,738	26,269
Culture and recreation	261,650	329,616	329,804	(188)
Capital outlay	246,000	127,699	314,703	(187,004)
<i>Total expenditures</i>	<u>2,867,000</u>	<u>3,050,501</u>	<u>3,321,612</u>	<u>(271,111)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>882,150</u>	<u>2,355,141</u>	<u>1,854,017</u>	<u>(501,124)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	(882,150)	(2,355,141)	-	2,355,141
Transfers in	-	-	(199,579)	(199,579)
Transfers out	-	-	10,064	10,064
<i>Total other financing sources (uses)</i>	<u>(882,150)</u>	<u>(2,355,141)</u>	<u>(189,515)</u>	<u>2,165,626</u>
<i>Net change in fund balance</i>	-	-	1,664,502	1,664,502
<i>Fund balances - beginning of year</i>	-	-	998,280	998,280
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,662,782</u>	<u>\$ 2,662,782</u>
Net change in fund balances (budget basis)			\$ 1,664,502	
Adjustment to revenue for accounts receivable			944,631	
Adjustment to expenditures for prepaids			(232)	
Adjustment to expenditures for accounts payable			(62,608)	
Adjustment to expenditures for payroll accrual			(10,491)	
Adjustment to expenditures for interfund payable			(151,107)	
Adjustment to revenue for deferred revenue			3,731	
Net change in fund balances (GAAP Basis)			<u>\$ 2,388,426</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, 2009

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final	(Non-GAAP Budgetary Basis)	Final to Actual
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental income				
State operating grants	140,000	132,310	179,897	47,587
Licenses and fees	-	-	-	-
Interest income	3,000	1,683	1,683	-
Miscellaneous	18,000	75,476	8,700	(66,776)
<i>Total revenues</i>	<u>161,000</u>	<u>209,469</u>	<u>190,280</u>	<u>(19,189)</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	109,300	580,597	436,816	143,781
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	170,000	9,700	333,405	(323,705)
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>279,300</u>	<u>590,297</u>	<u>770,221</u>	<u>(179,924)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(118,300)</u>	<u>(380,828)</u>	<u>(579,941)</u>	<u>(199,113)</u>
<i>Other financing sources (uses)</i>				
Designated cash	118,300	380,828	-	(380,828)
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>118,300</u>	<u>380,828</u>	<u>-</u>	<u>(380,828)</u>
<i>Net change in fund balances</i>	<u>-</u>	<u>-</u>	<u>(579,941)</u>	<u>(579,941)</u>
<i>Fund balances - beginning of year</i>	-	-	(608,279)	(608,279)
<i>Restatement, Note 14</i>	-	-	(685,378)	(685,378)
<i>Fund balance - beg. of year, as restated</i>	-	-	<u>(1,293,657)</u>	<u>(1,293,657)</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,873,598)</u>	<u>\$ (1,873,598)</u>
Net change in fund balances (budget basis)			\$ (579,941)	
Adjustment to expenditures for accounts payable			58,391	
Net change in fund balances (GAAP Basis)			<u>\$ (521,550)</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Exhibit C-3

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, 2009

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final	(Non-GAAP Budgetary Basis)	Final to Actual
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Other	4,000	4,331	4,331	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	1,500	350	350	-
Licenses and fees	-	-	-	-
Interest income	5,000	763	763	-
Miscellaneous	7,900	44,332	44,332	-
<i>Total revenues</i>	<u>18,400</u>	<u>49,776</u>	<u>49,776</u>	<u>-</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	334,400	571,127	575,742	(4,615)
Capital outlay	-	-	4,407	(4,407)
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>334,400</u>	<u>571,127</u>	<u>580,149</u>	<u>(9,022)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(316,000)</u>	<u>(521,351)</u>	<u>(530,373)</u>	<u>(9,022)</u>
<i>Other financing sources (uses)</i>				
Designated cash	316,000	521,351	-	(521,351)
Transfers in	-	-	(1,258)	(1,258)
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>316,000</u>	<u>521,351</u>	<u>(1,258)</u>	<u>(522,609)</u>
<i>Net change in fund balances</i>	-	-	(531,631)	(531,631)
<i>Fund balances - beginning of year</i>	-	-	(446,261)	(446,261)
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (977,892)</u>	<u>\$ (977,892)</u>
Net change in fund balances (budget basis)			\$ (531,631)	
Adjustment to expenditures for accounts payable			11,302	
Adjustment to expenditures for payroll accrual			800	
Net change in fund balances (GAAP Basis)			<u>\$ (519,529)</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, 2009

	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	-	836,639	916,632	79,993
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Interest income	-	-	-	-
Miscellaneous	-	79,993	-	(79,993)
<i>Total revenues</i>	<u>-</u>	<u>916,632</u>	<u>916,632</u>	<u>-</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	1,259,954	96,725	1,163,229
Culture and recreation	-	-	-	-
Capital outlay	-	193,010	1,356,239	(1,163,229)
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>1,452,964</u>	<u>1,452,964</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>(536,332)</u>	<u>(536,332)</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash	-	536,332	-	(536,332)
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>536,332</u>	<u>-</u>	<u>(536,332)</u>
<i>Net change in fund balances</i>	<u>-</u>	<u>-</u>	<u>(536,332)</u>	<u>(536,332)</u>
<i>Fund balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>(213,404)</u>	<u>(213,404)</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (749,736)</u>	<u>\$ (749,736)</u>
Net change in fund balances (budget basis)			\$ (536,332)	
Adjustment to revenue for accounts receivable			406,323	
Adjustment to expenditures for accounts payable			(156,556)	
Net change in fund balances (GAAP Basis)			<u>\$ (286,565)</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

City of Eunice
Statement of Net Assets
Proprietary Funds
June 30, 2009

	Enterprise Funds	
	Water	Sewer
<i>Assets</i>		
<i>Current assets</i>		
Cash and cash equivalents	\$ 213,732	\$ 179,804
Investments	537,000	576,000
Accounts receivable		
Property taxes	10,405	51,155
Other	893,355	24,566
Inventory	111,061	-
Interfund receivable	2,454,129	474,950
<i>Total current assets</i>	4,219,682	1,306,475
<i>Noncurrent assets</i>		
Restricted cash	-	-
Capital assets	11,296,771	2,802,013
Less: accumulated depreciation	(5,977,306)	(1,696,417)
<i>Total noncurrent assets</i>	5,319,465	1,105,596
<i>Total assets</i>	\$ 9,539,147	\$ 2,412,071
<i>Liabilities and net assets</i>		
<i>Liabilities</i>		
<i>Current liabilities</i>		
Accounts payable	\$ 40,036	99,798
Meter deposits payable	61,666	-
Accrued payroll	2,004	308
Accrued compensated absences	7,833	906
Interfund payable	147,228	682,114
Current portion of long-term debt	-	-
<i>Total current liabilities</i>	258,767	783,126
<i>Noncurrent liabilities</i>		
Accrued compensated absences	2,611	302
Loans and capital leases payable	-	-
<i>Total noncurrent liabilities</i>	2,611	302
<i>Total liabilities</i>	261,378	783,428
<i>Net assets</i>		
Invested in capital assets, net of related debt	5,319,465	1,105,596
Unrestricted	3,958,304	523,047
<i>Total net assets</i>	9,277,769	1,628,643
<i>Total liabilities and net assets</i>	\$ 9,539,147	\$ 2,412,071

The accompanying notes are an integral part of these financial statements

Enterprise Funds

Solid Waste	Golf	Ambulance	Total
\$ -	\$ -	-	\$ 393,536
20,000	-	-	1,133,000
-	-	-	61,560
33,643	-	-	951,564
-	28,001	-	139,062
5,958	-	-	2,935,037
<u>59,601</u>	<u>28,001</u>	<u>-</u>	<u>5,613,759</u>
-	-	36,411	36,411
-	468,795	387,086	14,954,665
-	(312,467)	(168,676)	(8,154,866)
-	<u>156,328</u>	<u>254,821</u>	<u>6,836,210</u>
<u>\$ 59,601</u>	<u>\$ 184,329</u>	<u>\$ 254,821</u>	<u>\$ 12,449,969</u>
\$ 31,634	\$ 3,520	\$ 1,627	\$ 176,615
-	-	-	61,666
-	1,280	-	3,592
-	2,918	-	11,657
382,362	860,988	54,094	2,126,786
-	-	47,134	47,134
<u>413,996</u>	<u>868,706</u>	<u>102,855</u>	<u>2,427,450</u>
-	973	-	3,886
-	-	99,331	99,331
-	<u>973</u>	<u>99,331</u>	<u>103,217</u>
<u>413,996</u>	<u>869,679</u>	<u>202,186</u>	<u>2,530,667</u>
-	156,328	71,945	6,653,334
<u>(354,395)</u>	<u>(841,678)</u>	<u>(19,310)</u>	<u>3,265,968</u>
<u>(354,395)</u>	<u>(685,350)</u>	<u>52,635</u>	<u>9,919,302</u>
<u>\$ 59,601</u>	<u>\$ 184,329</u>	<u>\$ 254,821</u>	<u>\$ 12,449,969</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, 2009

	Enterprise Funds	
	Water	Sewer
<i>Operating revenues:</i>		
Charges for services	\$ 1,428,093	\$ 277,526
<i>Total operating revenues</i>	1,428,093	277,526
<i>Operating expenses:</i>		
Culture and recreation	-	-
Personnel services	419,759	60,703
Supplies	245,499	63,468
Depreciation	266,664	43,472
Capital Outlay	31,676	8,696
<i>Total operating expenses</i>	963,598	176,339
<i>Operating income (loss)</i>	464,495	101,187
<i>Non-operating revenues (expenses):</i>		
Taxes	84,307	-
Interest expense	-	-
Interest income	7,730	4,177
State capital grant	194,366	81,121
Miscellaneous income	67,434	-
<i>Total non-operating revenues (expenses)</i>	353,837	85,298
<i>Income (loss) before transfers</i>	818,332	186,485
Transfers in	405,738	20,490
Transfers (out)	-	(356,631)
<i>Change in net assets</i>	1,224,070	(149,656)
<i>Net assets, beginning of year</i>	7,711,075	1,767,413
<i>Restatement, Note 14</i>	342,624	10,886
<i>Net assets, beginning of year, as restated</i>	8,053,699	1,778,299
<i>Net assets, end of year</i>	\$ 9,277,769	\$ 1,628,643

The accompanying notes are an integral part of these financial statements

Enterprise Funds

Solid Waste	Golf	Ambulance	Total
\$ 347,086	\$ 235,444	\$ 48,026	\$ 2,336,175
347,086	235,444	48,026	2,336,175
-	17,874	-	17,874
-	206,569	-	687,031
431,604	123,953	-	864,524
-	30,965	45,106	386,207
-	-	-	40,372
431,604	379,361	45,106	1,996,008
(84,518)	(143,917)	2,920	340,167
-	-	-	84,307
-	-	(6,183)	(6,183)
330	-	661	12,898
-	-	-	275,487
-	-	-	67,434
330	-	(5,522)	433,943
(84,188)	(143,917)	(2,602)	774,110
-	-	57,426	483,654
-	(5,385)	-	(362,016)
(84,188)	(149,302)	54,824	895,748
(270,207)	(525,237)	(17,882)	8,665,162
-	(10,811)	15,693	358,392
(270,207)	(536,048)	(2,189)	9,023,554
\$ (354,395)	\$ (685,350)	\$ 52,635	\$ 9,919,302

STATE OF NEW MEXICO
City of Eunice
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2009

	Enterprise Funds	
	Water	Sewer
<i>Cash flows from operating activities:</i>		
Cash received from user charges	\$ 1,587,533	\$ 228,952
Cash payments to employees for services	(417,645)	(60,557)
Cash payments to suppliers for goods and services	(506,099)	21,852
Internal activity	(610,584)	933,015
<i>Net cash provided by (used) for operating activities</i>	<u>53,205</u>	<u>1,123,262</u>
<i>Cash flows from noncapital financing activities:</i>		
Miscellaneous income	67,434	-
Taxes received	84,307	-
Transfers	405,738	(336,141)
<i>Net cash provided by (used) for noncapital financing activities</i>	<u>557,479</u>	<u>(336,141)</u>
<i>Cash flows from capital and related financing activities:</i>		
Acquisition of capital assets	(704,944)	(798,531)
Principal payments on capital debt	-	-
State capital grant income	194,366	81,121
Interest expense	-	-
<i>Net cash provided by (used) for capital and related financing activities</i>	<u>(510,578)</u>	<u>(717,410)</u>
<i>Cash flows from investing activities:</i>		
Interest on investments	7,730	4,177
<i>Net cash provided by (used) for investing activities</i>	<u>7,730</u>	<u>4,177</u>
<i>Net increase (decrease) in cash and cash equivalents</i>	107,836	73,888
<i>Cash and cash equivalents - beginning of year</i>	642,896	681,916
<i>Cash and cash equivalents - end of year</i>	<u>\$ 750,732</u>	<u>\$ 755,804</u>
<i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</i>		
Operating income (loss)	\$ 464,495	\$ 101,187
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	266,664	43,472
Changes in assets and liabilities		
Receivables	140,315	(48,574)
Interfund receivables/payables	(610,584)	933,015
Inventory	25,970	-
Accounts payable	(254,899)	94,017
Accrued payroll expenses	2,117	146
Meter deposits	19,125	-
Other	2	(1)
<i>Net cash provided (used) by operating activities</i>	<u>\$ 53,205</u>	<u>\$ 1,123,262</u>

The accompanying notes are an integral part of these financial statements

Enterprise Funds

Solid Waste	Golf	Ambulance	Total
\$ 346,447	\$ 242,644	\$ 47,374	\$ 2,452,950
-	(203,935)	-	(682,137)
(425,293)	(151,834)	-	(1,061,374)
78,516	118,510	-	519,457
<u>(330)</u>	<u>5,385</u>	<u>47,374</u>	<u>1,228,896</u>
-	-	-	67,434
-	-	-	84,307
-	(5,385)	57,426	121,638
-	(5,385)	57,426	273,379
-	-	(57,426)	(1,560,901)
-	-	(45,540)	(45,540)
-	-	-	275,487
-	-	(6,183)	(6,183)
-	-	(109,149)	(1,337,137)
330	-	661	12,898
<u>330</u>	<u>-</u>	<u>661</u>	<u>12,898</u>
-	-	(3,688)	178,036
20,000	-	40,099	1,384,911
<u>\$ 20,000</u>	<u>\$ -</u>	<u>\$ 36,411</u>	<u>\$ 1,562,947</u>
\$ (84,518)	\$ (143,917)	\$ 2,920	\$ 340,167
-	30,965	45,106	386,207
(639)	7,200	(651)	97,651
78,516	118,510	-	519,457
-	(11,449)	-	14,521
6,311	1,442	-	(153,129)
-	2,634	-	4,897
-	-	-	19,125
-	-	(1)	-
<u>\$ (330)</u>	<u>\$ 5,385</u>	<u>\$ 47,374</u>	<u>\$ 1,228,896</u>

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STATE OF NEW MEXICO
City of Eunice
Statement of Fiduciary Assets and Liabilities - Agency Funds
June 30, 2009

Exhibit E-1

Assets

Cash and cash equivalents	<u>\$ 7,682</u>
Total assets	<u><u>\$ 7,682</u></u>

Liabilities

Deposits held and due to others	<u>\$ 7,682</u>
Total liabilities	<u><u>\$ 7,682</u></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, 2009

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 Governmental Accounting Standards Board (GASB) Statements No. 14 and No. 39. 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, 2009

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 Statement No. 14 requires the Authority to be reported as a component unit of the City of Eunice.

Separately issued financial statements for the Authority may be obtained directly from the administrative office at: Executive Director, Eunice Housing Authority, P.O. Box 47, Eunice, NM 88231.

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, 2009

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 fire department. The fund is financed by grants and general fund transfers.

The *Recreation Special Revenue Fund* accounts 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.

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 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, 2009

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, 2009

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 \$5,000 (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, 2009

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. The City has a policy that if an employees has in excess of 100 hours of sick leave they may donate excess hours to a designated sick employee. The sick employee must have exhausted all of his/her paid leave prior to receiving the donated sick leave. 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.

Statement of Cash Flows: 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 OF NEW MEXICO
City of Eunice
Notes to Financial Statements
June 30, 2009

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. Invested in capital assets, net of related debt:
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. Significant estimates included in the City’s financial statements are the estimated useful lives of capital assets.

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, 2009

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, 2009 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	\$ 882,150	\$ 2,355,141
Fire Special Revenue Fund	(118,300)	(380,828)
Recreation Special Revenue Fund	(316,000)	(521,351)
Municipal Infrastructure Capital Projects Fund	133,000	186,815
Streets Special Revenue Fund	-	(536,332)
Other Governmental Funds	(330,017)	(720,443)
	Operating income (loss)	
Water	682,500	641,248
Sewer	88,500	(836,624)
Solid Waste	-	(74,714)
Golf	(269,000)	(117,604)
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, 2009.

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 \$250,000 in aggregate and separate from the coverage for public unit's demand deposits at that same institution. On October 14, 2008, the FDIC announced a temporary Transaction Account Guarantee Program that provides depositors with unlimited coverage for noninterest-bearing transaction accounts if the bank elects to participate in the Temporary Liquidity Guarantee Program. Wells Fargo is participating in the program, so all noninterest bearing checking accounts at Wells Fargo Bank are insured by FDIC at 100% through December 31, 2009.

STATE OF NEW MEXICO
City of Eunice
Notes to Financial Statements
June 30, 2009

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. New Mexico State Statutes require collateral pledged for deposits in excess of the federal deposit insurance to be delivered or a joint safekeeping receipt be issued to the City for at least one half of the amount on deposit with the institution.

As of June 30, 2009, the City's deposits totaled \$648,934 of which \$398,934 was exposed to custodial credit risk as follows:

	Wells Fargo Bank	Component Unit
Demand accounts	\$ 648,934	\$ 90,778
FDIC Coverage	(250,000)	(90,778)
Total uninsured public funds	398,934	-
Collateralized by securities held by the pledging institution or by its trust department or agent in other than the City's name	(398,934)	-
Uninsured and uncollateralized	\$ -	\$ -
Collateral requirement (50% of uninsured funds)	\$ 199,467	\$ -
Pledged Collateral	696,819	-
Over (Under) collateralized	\$ 497,352	\$ -

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, 2009, 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, 2009

NOTE 3. Deposits and Investments (continued)

Custodial Credit Risk – Investments (continued)

	NMFA Reserve Account	New MexiGROW LGIP	Total
Investment in US Government securities	\$ 36,411	\$ -	\$ 36,411
Investment in the State Treasurer's Local Investment Pool	-	1,694,000	1,694,000
Total investments subject to custodial credit risk	<u>\$ 36,411</u>	<u>\$ 1,694,000</u>	<u>\$ 1,730,411</u>

The State Treasurer’s New Mexico Grow Local Government Investment Pool (LGIP) is rated “AAA” by Standard and Poor’s. However, the LGIP experienced some problems during the fiscal year ended June 30, 2009, as described below.

The State Treasurer’s Office (STO) communicated to LGIP participants on January 9, 2009, that on September 15, 2008, \$381,700,000 or 23.1% of the LGIP assets, were invested with the Reserve Primary Fund (the Reserve), and that on September 16, 2008, the Reserve was downgraded from “AAA” to “D”. The Reserve was the nation’s oldest SEC-registered money market fund and widely considered one of the most conservative “AAA” rated funds, per the STO correspondence. To avoid negative impact on the participant’s LGIP principal balances and to maintain its “AAA” rating, the STO sold the investment in the Reserve to the State’s General Fund investment pool. The put agreement allowed the State’s general fund investment pool, the purchaser of the security, to reverse the purchase transaction at any time and sell the security back to the LGIP at par, by requesting repayment from the LGIP in exchange for security. The put agreement is scheduled to expire on October 31, 2009 but is subject to extension. The STO’s original plan was to amortize the related loss by decreasing the interest earnings of LGIP participants over the first ten months or so of calendar year 2009, with the goal of avoiding any negative impact on the principal balances of LGIP participants. Therefore, interest payments were decreased accordingly. However, on February 27, 2009, the State Treasurer’s Office notified LGIP participants that the Reserve unexpectedly announced that it was setting aside an initial \$3.5 billion for the purpose of anticipated and pending litigation against it. STO revised its original plan and announced its intent to isolate the LGIP’s Reserve position into a segregated fund named “The Reserve Contingency Fund” that will not earn interest. Any future distributions made by the Reserve will be placed into that fund and then be distributed to the LGIP participants based on each participant’s pro rata share of the LGIP balance as of September 15, 2008. The STO is evaluating the new information received from the Reserve to determine whether STO has any recourse in light of the Reserve’s actions.

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.

STATE OF NEW MEXICO
City of Eunice
Notes to Financial Statements
June 30, 2009

NOTE 3. Deposits and Investments (continued)

Interest Rate Risk

The City's investments at June 30, 2009 include the following:

Investments	Weighted Average Maturities	Fair Value	Rating
State Treasurer Local New MexiGROWLGIP Reserve Contingency Fund	34 days Does not earn interest	\$ 1,648,777 45,223	AAAm Unrated

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	\$ 447,896	\$ 89,192
Investments	1,730,411	-
	<u>\$ 2,178,307</u>	<u>\$ 89,192</u>
Included in the following captions		
Cash and cash equivalents	\$ 440,214	\$ 86,642
Restricted cash	36,411	2,550
Investments	1,694,000	-
Fiduciary funds cash	7,682	-
	<u>\$ 2,178,307</u>	<u>\$ 89,192</u>

NOTE 4. Receivables and payables

Receivables as of June 30, 2009 are as follows:

Governmental activities:

	General Fund	Fire Fund	Recreation	Municipal Infrastructure Fund
Receivables:				
Taxes	\$ 818,315	\$ -	\$ -	\$ 40,743
Intergovernmental	-	-	-	-
Other	67,225	-	-	-
Net receivables	<u>\$ 885,540</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 40,743</u>

	Streets Fund	Other Governmental Funds	Total
Receivables:			
Taxes	-	\$ 18,517	\$ 877,575
Intergovernmental	406,323	120,228	526,551
Other	-	37,498	104,723
Net receivables	<u>\$ 406,323</u>	<u>\$ 176,243</u>	<u>\$ 1,508,849</u>

STATE OF NEW MEXICO
City of Eunice
Notes to Financial Statements
June 30, 2009

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>
Receivables:			
Taxes	\$ 10,405	\$ 51,155	\$ -
Accounts	150,416	24,566	33,643
Other	750,000	-	-
Allowance for bad debts	(7,061)	-	-
Net receivables	<u>\$ 903,760</u>	<u>\$ 75,721</u>	<u>\$ 33,643</u>

	<u>Golf</u>	<u>Ambulance</u>	<u>Total</u>
Receivables:			
Taxes	\$ -	\$ -	\$ 61,560
Accounts	-	-	208,625
Other	-	-	750,000
Allowance for bad debts	-	-	(7,061)
Net receivables	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,013,124</u>

The Component unit accounts receivables were:

Component unit:

Receivables:	
Accounts	\$ 18,664
Other	11
Net receivables	<u>\$ 18,675</u>

Accounts payable as of June 30, 2009, are as follows:

	<u>Governmental activities</u>	<u>Business-type activities</u>	<u>Component unit</u>
Payable to suppliers	\$ 687,486	\$ 176,615	\$ 20,050
Payable to and on behalf of employees	<u>85,782</u>	<u>19,135</u>	<u>5,004</u>
	<u>\$ 773,268</u>	<u>\$ 195,750</u>	<u>\$ 25,054</u>

STATE OF NEW MEXICO

City of Eunice

Notes to Financial Statements

June 30, 2009

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.

Interfund receivable	Interfund payable	Amount
General Fund	Fire Fund Special Revenue Fund	\$ 1,288,221
General Fund	Recreation Special Revenue Fund	1,007,893
General Fund	Nonmajor Governmental Funds	1,135,949
General Fund	Streets Special Revenue Fund	749,735
General Fund	Ambulance Proprietary Fund	30,806
General Fund	Sewer Proprietary Fund	346,957
Municipal Infrastructure Special Revenue Fund	Golf Proprietary Fund	724,344
Municipal Infrastructure Special Revenue Fund	Nonmajor Governmental Funds	213,410
Nonmajor Governmental Funds	Ambulance Proprietary Fund	23,288
Nonmajor Governmental Funds	Golf Proprietary Fund	136,644
Water Proprietary Fund	Sewer Proprietary Fund	330,072
Water Proprietary Fund	General Fund	1,594,467
Water Proprietary Fund	Solid Waste Fund	382,362
Sewer Proprietary Fund	General Fund	474,950
Solid Waste Fund	Sewer Proprietary Fund	5,085
Solid Waste Fund	General Fund	873
		<u>\$ 8,445,056</u>
Total		<u>\$ 8,445,056</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 as follows:

Transfer From	Transfer To	Amount
General Fund	Recreation Special Revenue Fund	\$ 1,258
General Fund	Golf Proprietary Fund	5,385
General Fund	Nonmajor Governmental Funds	1,378
General Fund	Motor Vehicle Fund	2,535
Nonmajor Governmental Funds	General Fund	167,219
Nonmajor Governmental Funds	Recreation Special Revenue Fund	2,529
Nonmajor Governmental Funds	Motor Vehicle Fund	13,167
Nonmajor Governmental Funds	General Fund	20,600
Ambulance Proprietary Fund	Nonmajor Governmental Funds	57,426
Sewer Proprietary Fund	Streets Special Revenue Fund	4,641
Gross Receipts Tax Fund	General Fund	10,925
Water Proprietary Fund	Nonmajor Governmental Funds	28,541
Water Proprietary Fund	Nonmajor Governmental Funds	10,488
Water Proprietary Fund	General Fund	10,078
Water Proprietary Fund	Sewer Proprietary Fund	356,631
Sewer Proprietary Fund	General Fund	15,849
		<u>\$ 708,650</u>

STATE OF NEW MEXICO
City of Eunice
Notes to Financial Statements
June 30, 2009

NOTE 6. Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2009, follows. Land and Construction in Progress are not subject to depreciation.

Capital Assets used in Governmental Activities:	Balance 6/30/2008	Transfers / Adjustments	Additions	Deletions	Balance 6/30/2009
Capital assets not depreciated:					
Land	\$ 359,836	\$ -	\$ 23,926	\$ -	\$ 383,762
Construction in progress	2,331,171	-	358,294	2,331,171	358,294
	<u>2,691,007</u>	<u>-</u>	<u>382,220</u>	<u>2,331,171</u>	<u>742,056</u>
Capital assets being depreciated:					
Buildings & improvements	2,839,543	(136,088)	4,640,175	-	7,343,630
Equipment	1,177,472	(236,819)	69,615	-	1,010,268
Vehicles	1,774,897	(378,902)	377,199	40,931	1,732,263
Roads	-	1,801,740	-	-	1,801,740
Library Collections	426,989	-	13,057	-	440,046
	<u>6,218,901</u>	<u>1,049,931</u>	<u>5,100,046</u>	<u>40,931</u>	<u>12,327,947</u>
Total capital assets	<u>8,909,908</u>	<u>1,049,931</u>	<u>5,482,266</u>	<u>2,372,102</u>	<u>13,070,003</u>
Less accumulated depreciation					
Building & improvements	1,612,186	(215,865)	217,571	-	1,613,892
Equipment	770,918	(205,022)	77,203	-	643,099
Vehicles	1,143,425	(387,405)	134,708	40,931	849,797
Roads	-	1,423,075	18,032	-	1,441,107
Library Collections	539,457	-	6,523	-	545,980
Total accumulated depreciation	<u>4,065,986</u>	<u>614,783</u>	<u>454,037</u>	<u>40,931</u>	<u>5,093,875</u>
Net capital assets	<u>\$ 4,843,922</u>	<u>\$ 435,148</u>	<u>\$ 5,028,229</u>	<u>\$ 2,331,171</u>	<u>\$ 7,976,128</u>
Capital Assets used in Business-type Activities:	Balance 6/30/2008	Transfers / Adjustments	Additions	Deletions	Balance 6/30/2009
Capital assets not depreciated:					
Land	\$ 40,043	\$ -	\$ 5,000	\$ -	\$ 45,043
Construction in progress	1,728,268	(513,500)	-	578,190	636,578
Total not depreciated	<u>1,768,311</u>	<u>(513,500)</u>	<u>5,000</u>	<u>578,190</u>	<u>681,621</u>
Capital assets being depreciated:					
Buildings & improvements	353,988	1,516,936	-	-	1,870,924
Equipment	747,566	(111,974)	113,166	-	748,758
Vehicles	303,679	-	-	-	303,679
Utility Systems	8,328,759	1,000,000	2,020,924	-	11,349,683
	<u>9,733,992</u>	<u>2,404,962</u>	<u>2,134,090</u>	<u>-</u>	<u>14,273,044</u>
Total capital assets	<u>11,502,303</u>	<u>1,891,462</u>	<u>2,139,090</u>	<u>578,190</u>	<u>14,954,665</u>
Less accumulated depreciation					
Building & improvements	312,941	1,506,050	13,772	-	1,832,763
Equipment	381,796	(68,247)	86,929	-	400,478
Vehicles	151,651	(30,669)	30,668	-	151,650
Utility Systems	5,389,202	125,936	254,837	-	5,769,975
	<u>6,235,590</u>	<u>1,533,070</u>	<u>386,206</u>	<u>-</u>	<u>8,154,866</u>
Net capital assets	<u>\$ 5,266,713</u>	<u>\$ 358,392</u>	<u>\$ 1,752,884</u>	<u>\$ 578,190</u>	<u>\$ 6,799,799</u>

STATE OF NEW MEXICO
City of Eunice
Notes to Financial Statements
June 30, 2009

NOTE 6. Capital Assets (continued)

Depreciation expense for the year ended June 30, 2009 was charged to the following functions and funds:

Government activities:	
General government	\$ 89,992
Public safety	164,286
Public works	15,911
Culture and recreation	<u>183,848</u>
Total governmental activities	<u><u>\$ 454,037</u></u>
Business-type activities:	
Water fund	\$ 266,664
Sewer fund	43,472
Golf fund	30,965
Ambulance fund	<u>45,106</u>
Total business-type activities	<u><u>\$ 386,207</u></u>

Capital Assets used in Component Unit:	Balance 6/30/2008	Transfers / Adjustments	Additions	Deletions	Balance 6/30/2009
Capital assets not depreciated:					
Land	\$ 20,392	\$ -	\$ -	\$ -	\$ 20,392
CPF funds	<u>43,009</u>	<u>(36,266)</u>	<u>33,902</u>	<u>18,975</u>	<u>21,670</u>
	<u>63,401</u>	<u>(36,266)</u>	<u>33,902</u>	<u>18,975</u>	<u>42,062</u>
Capital assets being depreciated:					
Buildings & improvements	556,114	-	11,275	-	567,389
Equipment	48,261	388	7,700	-	56,349
Vehicles	<u>17,390</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>17,390</u>
	<u>621,765</u>	<u>388</u>	<u>18,975</u>	<u>-</u>	<u>641,128</u>
Total capital assets	<u>685,166</u>	<u>(35,878)</u>	<u>52,877</u>	<u>18,975</u>	<u>683,190</u>
Less accumulated depreciation					
Building & improvements	488,205	(443)	7,114	-	494,876
Equipment	43,773	2,817	2,858	-	49,448
Vehicles	6,956	-	3,478	-	10,434
Roads	<u>25,101</u>	<u>(25,101)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total accumulated depreciation	<u>564,035</u>	<u>(22,727)</u>	<u>13,450</u>	<u>-</u>	<u>554,758</u>
Net capital assets	<u><u>\$ 121,131</u></u>	<u><u>\$ (13,151)</u></u>	<u><u>\$ 39,427</u></u>	<u><u>\$ 18,975</u></u>	<u><u>\$ 128,432</u></u>

STATE OF NEW MEXICO
City of Eunice
Notes to Financial Statements
June 30, 2009

NOTE 7. Long-term Debt

The capital leases as of June 30, 2009 are comprised of the following:

	Business-Type Activities
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	<u>\$ 146,465</u>
	146,465
Less current portion	<u>(47,134)</u>
	<u><u>\$ 99,331</u></u>

The annual requirements to amortize the capital leases outstanding as of June 30, 2009, including interest payments are as follows:

Business-type Activities:

Fiscal Year Ending June 30,	Principal	Interest	Total
2010	\$ 47,134	\$ 4,880	\$ 52,014
2011	48,792	3,343	52,135
2012	50,539	1,723	52,262
Total	<u>\$ 146,465</u>	<u>\$ 9,946</u>	<u>\$ 156,411</u>

Change in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2009, was as follows:

Governmental Activities:

	Balance June 30, 2008	Additions	Reductions	Balance June 30, 2009	Due Within One Year
Compensated Absences	\$ 48,381	\$ 43,840	\$ 46,795	\$ 45,426	\$ 34,040
Long-term liabilities	<u>\$ 48,381</u>	<u>\$ 43,840</u>	<u>\$ 46,795</u>	<u>\$ 45,426</u>	<u>\$ 34,040</u>

Business-Type Activities:

	Balance June 30, 2008	Additions	Reductions	Balance June 30, 2009	Due Within One Year
NMFA – Ambulance	\$ 192,005	\$ -	\$ 45,540	\$ 146,465	\$ 47,134
Compensated Absences	11,722	24,702	20,881	15,543	11,657
Long-term liabilities	<u>\$ 203,727</u>	<u>\$ 24,702</u>	<u>\$ 66,421</u>	<u>\$ 162,008</u>	<u>\$ 58,791</u>

STATE OF NEW MEXICO
City of Eunice
Notes to Financial Statements
June 30, 2009

NOTE 7. Long-term Debt (continued)

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, 2008	Additions	Reductions	Balance June 30, 2009	Due Within One Year
Compensated Absences	\$ 1,491	\$ 1,375	\$ 954	\$ 1,912	\$ -
Long-term liabilities	<u>\$ 1,491</u>	<u>\$ 1,375</u>	<u>\$ 954</u>	<u>\$ 1,912</u>	<u>\$ -</u>

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

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.

STATE OF NEW MEXICO
City of Eunice
Notes to Financial Statements
June 30, 2009

NOTE 9. PERA Pension Plan (continued)

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, 2009, 2008 and 2007 were approximately \$211,692, \$168,727, and \$127,114, respectively.

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.

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, 2009, 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	\$ (1,199,785)
Recreation Special Revenue Fund	(982,465)
Streets Special Revenue Fund	(750,730)
EMS Special Revenue Fund	(525,266)
Senior Center Special Revenue Fund	(642,774)
Gross Receipts Tax Special Revenue Fund	(84,880)
New Cemetery Project Special Revenue Fund	(25,355)
Solid Waste Enterprise Fund	(354,395)
Golf Enterprise Fund	<u>(685,350)</u>
Total	<u>\$ (5,251,000)</u>

STATE OF NEW MEXICO
City of Eunice
Notes to Financial Statements
June 30, 2009

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

B. Excess of expenditures over appropriations.

General Fund	\$ (271,111)
Fire Special Revenue Fund	(179,924)
Recreation Special Revenue Fund	(9,022)
Senior Center Special Revenue Fund	(2,779)
Gun Range Special Revenue Fund	(1)
Government Gross Receipts Tax Special Revenue Fund	(10,924)
Swimming Pool Special Revenue Fund	(1,950)
New Cemetery Project Capital Fund	(76,859)
Water Proprietary Fund	(239,491)
Sewer Proprietary Fund	<u>(55,819)</u>
 Total	 <u><u>\$ (847,880)</u></u>

NOTE 13. Commitments

The City had commitments as of June 30, 2009 for the following projects in the approximate amounts as follows:

Water System Improvement Project	\$110,000
Phase 1 of Downtown Beautification Project	\$ 10,000
Phase 2 of Downtown Beautification Project	\$ 60,000
Eunice Senior Citizens Center Improvements	\$110,000
Main Street Phase 1 and Civic Park	\$ 30,000

NOTE 14. Fund Balance and Net Assets Restatement

The City has restated budgetary fund balances due to errors noted in the presentation of the prior year financial statements as follows:

Fire Special Revenue Fund	\$ (685,378)
EMS Special Revenue Fund	(641,032)
Ambulance Proprietary Fund	60,000
Municipal Infrastructure Capital Projects Fund	(73,894)
Sewer Proprietary Fund	26,215

The City has restated the modified accrual basis financial statements to correct for inventory misstated in prior year and for corrections to capital assets in the Proprietary Funds as follows:

General Fund	\$ (35,261)
Golf Proprietary Fund	(10,811)
Ambulance Proprietary Fund	15,693
Water Proprietary Fund	342,624
Sewer Proprietary Fund	10,886

The City has restated the accrual basis financial statements by \$399,887 for corrections to capital assets in Governmental Funds of \$435,148 and inventory of \$(35,261). The Proprietary Funds were also restated on the accrual basis financial statements by \$358,392 for corrections to capital assets.

STATE OF NEW MEXICO
City of Eunice
Notes to Financial Statements
June 30, 2009

NOTE 15. Related Party

The City of Eunice purchased services from JD's Wrecker Service in the amount of \$27,181. City council member JoAnn Davis and her spouse are owners of JD's Wrecker Service. The City purchased services from B&H Maintenance in the amount of \$1,673. City council member Terry Bettis is employed by B&H and the company is owned by her spouse. The City purchased services from Willis Luster, contract plumber for \$126. Water superintendent Willis Luster contracts with the City on a need basis. The City also purchased services from Danny Lyle in the amount of \$1,250. Danny Lyle is the son-in-law of the Mayor.

NOTE 16. Subsequent Pronouncements

In July 2007, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 51, Accounting and Financial Reporting for Intangible Assets, which is effective for periods beginning after June 15, 2009. For governments that were classified as phase 1 or phase 2 governments, retroactive reporting is required for intangible assets acquired in fiscal years ending after June 30, 1980, except for those considered to have indefinite useful lives as of the effective date of this Statement and those that would be considered internally generated. Retroactive reporting of these intangible assets by phase 3 governments is encouraged but not required. Retroactive reporting is not required but is permitted for intangible assets considered to have indefinite useful lives as of the effective date of this Statement and those considered to be internally generated. The objective of this Statement is to establish accounting and financial reporting requirements for intangible assets to reduce these inconsistencies, thereby enhancing the comparability of the accounting and financial reporting of such assets among state and local governments. The City is analyzing the effect that this standard will have on the financial statements, and currently believes it will have no significant effect on the financial statements for the upcoming year.

In March 2009, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions, which is effective for financial statements for periods beginning after June 15, 2010 with earlier implementation encouraged. GASB Statement No. 54 distinguishes fund balance between amounts that are considered nonspendable, such as fund balance associated with inventories, and other amounts that are classified based on the relative strength of the constraints that control the purpose for which specific amounts can be spent. This statement is intended to improve the usefulness of information provided to financial report users about fund balance by providing clearer, more structured fund balance classifications, and by clarifying the definitions of existing governmental fund types. The City is analyzing the effect that this standard will have on the financial statements.

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SUPPLEMENTARY INFORMATION

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STATE OF NEW MEXICO
City of Eunice
Nonmajor Governmental Fund Descriptions
June 30, 2009

Emergency Medical Services – 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.

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 Center Fund – The objective of this fund is to account for the operations of the Senior Citizens Center. The fund is financed by a reimbursement. Authority for the creation of this fund is the City Council.

Meals on Wheels 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.

Swimming Pool Fund – The objective of the fund is to account for the construction, operation and payroll purposes for the new Aquatic Facility.

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, 2009

	Special Revenue			
	Emergency Medical Services	Municipal Court Fees	Law Enforcement Protection	Library
<i>Assets</i>				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Investments	-	82,000	-	-
Accounts receivable				
Taxes	-	-	-	-
Intergovernmental	-	-	23,600	-
Other receivables	37,498	-	-	-
Interfund receivable	23,288	105,119	13,011	-
	<u>\$ 60,786</u>	<u>\$ 187,119</u>	<u>\$ 36,611</u>	<u>\$ -</u>
<i>Total assets</i>				
	<u>\$ 60,786</u>	<u>\$ 187,119</u>	<u>\$ 36,611</u>	<u>\$ -</u>
<i>Liabilities</i>				
Accounts payable	\$ 9,153	\$ -	\$ -	\$ -
Accrued payroll	-	-	-	-
Accrued compensated absences	-	-	-	-
Interfund payable	576,899	-	-	-
	<u>586,052</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total liabilities</i>				
	<u>586,052</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances</i>				
Unreserved				
Special revenue funds	(525,266)	187,119	36,611	-
Capital projects funds	-	-	-	-
	<u>(525,266)</u>	<u>187,119</u>	<u>36,611</u>	<u>-</u>
<i>Total fund balances</i>				
	<u>(525,266)</u>	<u>187,119</u>	<u>36,611</u>	<u>-</u>
<i>Total liabilities and fund balances</i>				
	<u>\$ 60,786</u>	<u>\$ 187,119</u>	<u>\$ 36,611</u>	<u>\$ -</u>

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

Special Revenue

Senior Center	Meals on Wheels	Gun Range	Triangle Beautification	Government Gross Receipts Tax
\$ -	\$ -	\$ -	\$ -	\$ -
30,000	-	-	-	25,000
-	-	-	-	18,517
19,769	-	-	-	-
-	-	-	-	-
-	3,644	2,839	7,031	-
<u>\$ 49,769</u>	<u>\$ 3,644</u>	<u>\$ 2,839</u>	<u>\$ 7,031</u>	<u>\$ 43,517</u>
\$ 42,792	\$ -	\$ -	\$ -	27,262
1,437	-	-	-	-
-	-	-	-	-
648,314	-	-	-	101,135
<u>692,543</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>128,397</u>
(642,774)	3,644	2,839	7,031	(84,880)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(642,774)</u>	<u>3,644</u>	<u>2,839</u>	<u>7,031</u>	<u>(84,880)</u>
<u>\$ 49,769</u>	<u>\$ 3,644</u>	<u>\$ 2,839</u>	<u>\$ 7,031</u>	<u>\$ 43,517</u>

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STATE OF NEW MEXICO
City of Eunice
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2009

Statement A-1
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	Special Revenue	Capital Projects		Total Nonmajor Governmental Funds
	Swimming Pool	Economic Development	New Cemetery Project	
<i>Assets</i>				
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ -
Investments	-	-	-	137,000
Accounts receivable				
Taxes	-	-	-	18,517
Intergovernmental	-	-	76,859	120,228
Other receivables	-	-	-	37,498
Interfund receivable	-	5,000	-	159,932
<i>Total assets</i>	\$ -	\$ 5,000	\$ 76,859	\$ 473,175
<i>Liabilities</i>				
Accounts payable	\$ -	\$ -	\$ 79,203	\$ 158,410
Accrued payroll	-	-	-	1,437
Accrued compensated absences	-	-	-	-
Interfund payable	-	-	23,011	1,349,359
<i>Total liabilities</i>	-	-	102,214	1,509,206
<i>Fund balances</i>				
Unreserved				
Special revenue funds	-	-	-	(1,015,676)
Capital projects funds	-	5,000	(25,355)	(20,355)
<i>Total fund balances</i>	-	5,000	(25,355)	(1,036,031)
<i>Total liabilities and fund balances</i>	\$ -	\$ 5,000	\$ 76,859	\$ 473,175

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

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, 2009

	Special Revenue			
	Emergency Medical Services	Municipal Court Fees	Law Enforcement Protection	Library
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
State operating grants	62,932	-	45,400	-
State capital grants	-	-	-	-
Charges for services	90,579	21,034	-	-
Interest income	-	2,386	-	-
Miscellaneous	24,845	-	-	-
<i>Total revenues</i>	<u>178,356</u>	<u>23,420</u>	<u>45,400</u>	<u>-</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	271,075	16,895	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	3,650	-	20,326	-
<i>Total expenditures</i>	<u>274,725</u>	<u>16,895</u>	<u>20,326</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(96,369)</u>	<u>6,525</u>	<u>25,074</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Transfers in	-	-	-	190,579
Transfers out	(57,426)	-	-	-
<i>Total other financing sources (uses)</i>	<u>(57,426)</u>	<u>-</u>	<u>-</u>	<u>190,579</u>
<i>Net change in fund balances</i>	(153,795)	6,525	25,074	190,579
<i>Fund balances - beginning of year</i>	<u>(371,471)</u>	<u>180,594</u>	<u>11,537</u>	<u>(190,579)</u>
<i>Fund balances - end of year</i>	<u>\$ (525,266)</u>	<u>\$ 187,119</u>	<u>\$ 36,611</u>	<u>\$ -</u>

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

Special Revenue

Senior Center	Meals on Wheels	Gun Range	Triangle Beautification	Government Gross Receipts Tax
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	102,078
23,271	-	-	-	-
110,760	-	-	-	-
-	-	-	-	-
-	-	3,980	-	-
356	-	-	-	343
50,416	-	-	-	-
<u>184,803</u>	<u>-</u>	<u>3,980</u>	<u>-</u>	<u>102,421</u>
324,396	-	-	-	94,081
-	-	-	-	-
-	-	-	-	-
-	-	903	-	-
165,707	-	-	-	-
<u>490,103</u>	<u>-</u>	<u>903</u>	<u>-</u>	<u>94,081</u>
<u>(305,300)</u>	<u>-</u>	<u>3,077</u>	<u>-</u>	<u>8,340</u>
-	-	-	-	10,925
(1,378)	-	-	-	(28,541)
<u>(1,378)</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(17,616)</u>
(306,678)	-	3,077	-	(9,276)
<u>(336,096)</u>	<u>3,644</u>	<u>(238)</u>	<u>7,031</u>	<u>(75,604)</u>
<u>\$ (642,774)</u>	<u>\$ 3,644</u>	<u>\$ 2,839</u>	<u>\$ 7,031</u>	<u>\$ (84,880)</u>

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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, 2009

Statement A-2
(Page 2 of 2)

	Special Revenue	Capital Projects		Total Nonmajor Governmental Funds
	Swimming Pool	Economic Development	New Cemetery Project	
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	102,078
Intergovernmental income				
Federal operating grants	-	-	-	23,271
State operating grants	121,300	-	-	340,392
State capital grants	-	-	13,141	13,141
Charges for services	4,149	-	76,859	196,601
Interest income	-	-	-	3,085
Miscellaneous	-	-	-	75,261
<i>Total revenues</i>	<u>125,449</u>	<u>-</u>	<u>90,000</u>	<u>753,829</u>
<i>Expenditures</i>				
Current				
General government	-	-	13,999	432,476
Public safety	-	-	-	287,970
Public works	-	-	-	-
Culture and recreation	56,520	-	-	57,423
Capital outlay	139,331	-	76,859	405,873
<i>Total expenditures</i>	<u>195,851</u>	<u>-</u>	<u>90,858</u>	<u>1,183,742</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(70,402)</u>	<u>-</u>	<u>(858)</u>	<u>(429,913)</u>
<i>Other financing sources (uses)</i>				
Transfers in	20,600	-	-	222,104
Transfers out	(7,664)	-	(10,488)	(105,497)
<i>Total other financing sources (uses)</i>	<u>12,936</u>	<u>-</u>	<u>(10,488)</u>	<u>116,607</u>
<i>Net change in fund balances</i>	(57,466)	-	(11,346)	(313,306)
<i>Fund balances - beginning of year</i>	<u>57,466</u>	<u>5,000</u>	<u>(14,009)</u>	<u>(722,725)</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ 5,000</u>	<u>\$ (25,355)</u>	<u>\$ (1,036,031)</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 Net Assets
June 30, 2009

Statement A-3

Assets

Current assets:

Cash and temporary investments	\$	86,642
Accounts receivable - tenants		27
Accounts receivable - CFP		18,637
Accounts receivable - interest		11
Inventory		1,323
Prepaid expenses		<u>4,218</u>

Total current assets 110,858

Restricted assets:

Cash - tenant deposits		<u>2,550</u>
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Total restricted assets 2,550

Noncurrent assets:

Capital assets

Land		20,392
Buildings and improvements		567,389
Machinery and equipment		56,349
Vehicles		17,390
CFP assets		21,670
Less: accumulated depreciation		<u>(554,758)</u>

Total capital assets (net of accumulated depreciation) 128,432

Total assets \$ 241,840

Liabilities and Net Assets

Current liabilities

Accounts payable - suppliers	\$	3,772
Accounts payable - CFP		16,278
Accrued expenses		<u>2,755</u>

Total current liabilities 22,805

Noncurrent liabilities

Tenant deposits		2,550
Compensated absences		<u>1,912</u>

Total noncurrent liabilities 4,462

Net Assets

Invested in capital assets		128,432
Unrestricted		<u>86,141</u>

Total net assets 214,573

Total liabilities and net assets \$ 241,840

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, 2009

Statement A-4

Operating revenues:	
Intergovernmental	\$ 40,337
Charges for services	46,063
Miscellaneous	4,447
Total operating revenues	<u>90,847</u>
Operating expenses:	
Current:	
Administration	25,105
Sundry administration	5,011
Utilities	7,031
Ordinary maintenance	29,193
Contract costs	5,210
Insurance	9,173
Other general expense	3,903
Depreciation	13,450
Total operating expenses	<u>98,076</u>
Operating income (loss)	<u>(7,229)</u>
Nonoperating revenues (expenses):	
Intergovernmental	67,059
CFP costs	(18,549)
Total nonoperating revenues (expenses)	<u>48,510</u>
Change in net assets	<u>41,281</u>
Net assets - beginning of year	186,443
Prior period adjustment	<u>(13,151)</u>
Net assets - beginning of year as restated	<u>173,292</u>
Net assets - end of year	<u>\$ 214,573</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, 2009

Statement A-5

Cash flows from operating activities	
Receipts from customers, users and grantors	\$ 72,022
Payments to suppliers	(43,162)
Payments to employees	<u>(26,684)</u>
Net cash provided (used) by operating activities	<u>2,176</u>
Cash flows from capital and related financing activities	
Acquisitions and construction of capital assets	(33,902)
CFP costs	(18,549)
Proceeds from capital grant program	<u>67,059</u>
Net cash provided (used) by capital and related financing activities	<u>14,608</u>
Net increase in cash and temporary investments	16,784
Cash and temporary investments-beginning of year	<u>72,408</u>
Cash and temporary investments-end of year	<u><u>\$ 89,192</u></u>
Reconciliation of operating income (loss) to net cash provided by operating activities:	
Operating income (loss)	\$ (7,229)
Adjustments to reconcile operating income to net cash provided by operating activities:	
Depreciation expense	13,450
(Increase) decrease in:	
Accounts receivable	(18,675)
Inventories	(878)
Prepaid expenses	(463)
(Decrease) increase in:	
Accounts payable	17,459
Accrued expenses	(1,338)
Refundable customer deposits	<u>(150)</u>
Net cash provided (used) by operating activities	<u><u>\$ 2,176</u></u>

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

STATE OF NEW MEXICO

Statement B-1

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, 2009

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Intergovernmental income				
State operating grants	33,000	62,932	62,932	-
State capital grants	-	-	-	-
Charges for services	21,283	21,283	21,283	-
Licenses and fees	-	-	-	-
Interest income	-	-	-	-
Miscellaneous	15,000	-	24,845	24,845
<i>Total revenues</i>	<u>69,283</u>	<u>84,215</u>	<u>109,060</u>	<u>24,845</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	146,500	252,116	238,813	13,303
Public works	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	150,000	123,012	61,077	61,935
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>296,500</u>	<u>375,128</u>	<u>299,890</u>	<u>75,238</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(227,217)</u>	<u>(290,913)</u>	<u>(190,830)</u>	<u>100,083</u>
<i>Other financing sources (uses)</i>				
Designated cash	227,217	290,913	-	(290,913)
Transfers in	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>227,217</u>	<u>290,913</u>	<u>-</u>	<u>(290,913)</u>
<i>Net change in fund balances</i>	<u>-</u>	<u>-</u>	<u>(190,830)</u>	<u>(190,830)</u>
<i>Fund balances - beginning of year</i>	-	-	254,962	254,962
<i>Restatement, Note 14</i>	-	-	(641,032)	(641,032)
<i>Fund balance - beg. of year, as restated</i>	-	-	(386,070)	(386,070)
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (576,900)</u>	<u>\$ (576,900)</u>
Net change in fund balance (budget basis)			\$ (190,830)	
Adjustment to revenue for accounts receivable			69,296	
Adjustment to expenditure for accounts payable			(32,261)	
Net change in fund balance (GAAP Basis)			<u>\$ (153,795)</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, 2009

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	15,000	21,034	21,034	-
Licenses and fees	-	-	-	-
Interest income	3,000	2,386	2,386	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>18,000</u>	<u>23,420</u>	<u>23,420</u>	<u>-</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	18,000	16,895	16,895	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>18,000</u>	<u>16,895</u>	<u>16,895</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>6,525</u>	<u>6,525</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	(6,525)	-	6,525
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>(6,525)</u>	<u>-</u>	<u>6,525</u>
<i>Net change in fund balances</i>	<u>-</u>	<u>-</u>	<u>6,525</u>	<u>6,525</u>
<i>Fund balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>180,594</u>	<u>180,594</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 187,119</u>	<u>\$ 187,119</u>
Net change in fund balance (budget basis)			<u>\$ 6,525</u>	
Net change in fund balance (GAAP Basis)			<u>\$ 6,525</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, 2009

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	22,400	21,800	21,800	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Interest income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>22,400</u>	<u>21,800</u>	<u>21,800</u>	<u>-</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	1,000	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	21,400	20,326	20,326	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>22,400</u>	<u>20,326</u>	<u>20,326</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>1,474</u>	<u>1,474</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	(1,474)	-	1,474
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>(1,474)</u>	<u>-</u>	<u>1,474</u>
<i>Net change in fund balances</i>	<u>-</u>	<u>-</u>	<u>1,474</u>	<u>1,474</u>
<i>Fund balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>11,537</u>	<u>11,537</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 13,011</u>	<u>\$ 13,011</u>
Net change in fund balance (budget basis)			\$ 1,474	
Adjustment to revenue for accounts receivable			23,600	
Net change in fund balance (GAAP Basis)			<u>\$ 25,074</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, 2009

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
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 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	-	-	190,579	190,579
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>190,579</u>	<u>190,579</u>
<i>Net change in fund balances</i>	-	-	190,579	190,579
<i>Fund balances - beginning of year</i>	-	-	(190,579)	(190,579)
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (budget basis)			\$ 190,579	
Net change in fund balance (GAAP Basis)			\$ 190,579	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-5

City of Eunice

Senior Center 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, 2009

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Intergovernmental income				
Federal operating grants	22,200	23,271	23,271	-
Federal capital grants	-	-	-	-
State operating grants	46,700	87,991	87,991	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Interest income	700	356	356	-
Miscellaneous	12,000	53,416	50,416	(3,000)
<i>Total revenues</i>	<u>81,600</u>	<u>165,034</u>	<u>162,034</u>	<u>(3,000)</u>
<i>Expenditures</i>				
Current				
General government	246,000	451,513	325,351	126,162
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	35,000	-	128,941	(128,941)
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>281,000</u>	<u>451,513</u>	<u>454,292</u>	<u>(2,779)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(199,400)</u>	<u>(286,479)</u>	<u>(292,258)</u>	<u>(5,779)</u>
<i>Other financing sources (uses)</i>				
Designated cash	199,400	286,479	-	(286,479)
Transfers in	-	-	-	-
Transfers out	-	-	(1,378)	(1,378)
<i>Total other financing sources (uses)</i>	<u>199,400</u>	<u>286,479</u>	<u>(1,378)</u>	<u>(287,857)</u>
<i>Net change in fund balances</i>	-	-	(293,636)	(293,636)
<i>Fund balances - beginning of year</i>	-	-	(327,302)	(327,302)
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (620,938)</u>	<u>\$ (620,938)</u>
Net change in fund balance (budget basis)			\$ (293,636)	
Adjustment to revenue for accounts receivable			19,769	
Adjustment to expenditure for accounts payable			(34,799)	
Adjustment to expenditures for payroll accrual			(1,012)	
Net change in fund balance (GAAP Basis)			<u>\$ (309,678)</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-6

City of Eunice

Meals on Wheels 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, 2009

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
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>Net change in fund balances</i>	-	-	-	-
<i>Fund balances - beginning of year</i>	-	-	3,644	3,644
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,644</u>	<u>\$ 3,644</u>
Net change in fund balance (budget basis)			\$ -	
Net change in fund balance (GAAP Basis)			<u>\$ -</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-7

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, 2009

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	600	3,980	3,980	-
Licenses and fees	-	-	-	-
Interest income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>600</u>	<u>3,980</u>	<u>3,980</u>	<u>-</u>
<i>Expenditures</i>				
Current				
General government	2,000	902	903	(1)
Public safety	-	-	-	-
Public works	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>2,000</u>	<u>902</u>	<u>903</u>	<u>(1)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(1,400)</u>	<u>3,078</u>	<u>3,077</u>	<u>(1)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	1,400	(3,078)	-	3,078
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>1,400</u>	<u>(3,078)</u>	<u>-</u>	<u>3,078</u>
<i>Net change in fund balances</i>	-	-	3,077	3,077
<i>Fund balances - beginning of year</i>	-	-	(238)	(238)
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,839</u>	<u>\$ 2,839</u>
Net change in fund balance (budget basis)			<u>\$ 3,077</u>	
Net change in fund balance (GAAP Basis)			<u>\$ 3,077</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-8

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, 2009

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
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	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
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>	-	-	7,031	7,031
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,031</u>	<u>\$ 7,031</u>
Net change in fund balance (budget basis)			\$ -	
Net change in fund balance (GAAP Basis)			\$ -	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-9

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, 2009

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	65,000	83,561	83,561	-
Gasoline and motor vehicle	-	-	-	-
Intergovernmental income				
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Interest income	7,000	343	343	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>72,000</u>	<u>83,904</u>	<u>83,904</u>	<u>-</u>
<i>Expenditures</i>				
Current				
General government	62,000	93,497	104,421	(10,924)
Public safety	-	-	-	-
Public works	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>62,000</u>	<u>93,497</u>	<u>104,421</u>	<u>(10,924)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>10,000</u>	<u>(9,593)</u>	<u>(20,517)</u>	<u>(10,924)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	(10,000)	9,593	-	(9,593)
Transfers in	-	-	10,925	10,925
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(10,000)</u>	<u>9,593</u>	<u>10,925</u>	<u>1,332</u>
<i>Net change in fund balances</i>	-	-	(9,592)	(9,592)
<i>Fund balances - beginning of year</i>	-	-	(64,769)	(64,769)
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (74,361)</u>	<u>\$ (74,361)</u>
Net change in fund balance (budget basis)			\$ (9,592)	
Adjustment to revenue for accounts receivable			18,517	
Adjustment to expenditures for payroll accrual			(28,540)	
Adjustment to expenditures for accounts payable			10,339	
Net change in fund balance (GAAP Basis)			<u>\$ (9,276)</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
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, 2009

Statement B-10

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	21,300	121,300	100,000
State capital grants	-	-	-	-
Charges for services	5,000	4,292	4,149	(143)
Licenses and fees	-	-	-	-
Interest income	-	-	-	-
Miscellaneous	10,000	100,000	-	(100,000)
<i>Total revenues</i>	<u>15,000</u>	<u>125,592</u>	<u>125,449</u>	<u>(143)</u>
<i>Expenditures</i>				
Current				
General government	60,000	447,940	57,246	390,694
Public safety	-	-	-	-
Public works	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	392,644	(392,644)
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>60,000</u>	<u>447,940</u>	<u>449,890</u>	<u>(1,950)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(45,000)</u>	<u>(322,348)</u>	<u>(324,441)</u>	<u>(2,093)</u>
<i>Other financing sources (uses)</i>				
Designated cash	45,000	322,348	-	(322,348)
Transfers in	-	-	12,936	12,936
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>45,000</u>	<u>322,348</u>	<u>12,936</u>	<u>(309,412)</u>
<i>Net change in fund balances</i>	-	-	(311,505)	(311,505)
<i>Fund balances - beginning of year</i>	-	-	311,505	311,505
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (budget basis)			\$ (311,505)	
Adjustment to expenditures for accounts payable			253,314	
Adjustment to expenditures for payroll accrual			725	
Net change in fund balance (GAAP Basis)			<u>\$ (57,466)</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-11

City of Eunice
 Economic Development Grant 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, 2009

	Budgeted Amounts		Actual	Variations
	Original	Final	(Non-GAAP Budgetary)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
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	-	-	-	-
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>5,000</u>	<u>5,000</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,000</u>	<u>\$ 5,000</u>
Net change in fund balance (budget basis)			<u>\$ -</u>	
Net change in fund balance (GAAP Basis)			<u>\$ -</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-12

City of Eunice

New Cemetery Project 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, 2009

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	13,141	13,141
Charges for services	-	13,141	-	(13,141)
Licenses and fees	-	-	-	-
Interest income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>13,141</u>	<u>13,141</u>	<u>-</u>
<i>Expenditures</i>				
Current				
General government	-	22,143	22,143	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	76,859	(76,859)
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>22,143</u>	<u>99,002</u>	<u>(76,859)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>(9,002)</u>	<u>(85,861)</u>	<u>(76,859)</u>
<i>Other financing sources (uses)</i>				
Designated cash	-	9,002	-	(9,002)
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>9,002</u>	<u>-</u>	<u>(9,002)</u>
<i>Net change in fund balances</i>	-	-	(85,861)	(85,861)
<i>Fund balances - beginning of year</i>	-	-	(14,009)	(14,009)
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (99,870)</u>	<u>\$ (99,870)</u>
Net change in fund balance (budget basis)			\$ (85,861)	
Adjustment to revenue for accounts receivable			76,859	
Adjustment to expenditures for accounts payable			(2,344)	
Net change in fund balance (GAAP Basis)			<u>\$ (11,346)</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-13

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)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	125,000	183,856	183,856	-
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	8,000	2,959	2,959	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>133,000</u>	<u>186,815</u>	<u>186,815</u>	<u>-</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
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>133,000</u>	<u>186,815</u>	<u>186,815</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	(133,000)	(186,815)	-	186,815
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(133,000)</u>	<u>(186,815)</u>	<u>-</u>	<u>186,815</u>
<i>Net change in fund balances</i>	<u>-</u>	<u>-</u>	<u>186,815</u>	<u>186,815</u>
<i>Fund balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>1,133,511</u>	<u>1,133,511</u>
<i>Restatement, Note 14</i>			<u>(73,894)</u>	<u>(73,894)</u>
<i>Fund balance - beg. of year, as restated</i>			<u>1,059,617</u>	<u>1,059,617</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,246,432</u>	<u>\$ 1,246,432</u>
Net change in fund balance (budget basis)			\$ 186,815	
Adjustment to revenue for accounts receivable			40,743	
Net change in fund balance (GAAP Basis)			<u>\$ 227,558</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-14

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, 2009

	Budgeted Amounts		Actual	Variations
	Original	Final	(Non-GAAP Budgetary)	Favorable (Unfavorable) Final to Actual
<i>Operating revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental income	-	-	-	-
Charges for services	146,100	240,730	240,731	1
Licenses and Fees	-	-	-	-
Miscellaneous	-	393	(393)	(786)
<i>Total operating revenues</i>	<u>146,100</u>	<u>241,123</u>	<u>240,338</u>	<u>(785)</u>
<i>Operating expenses:</i>				
Current:				
Culture and recreation	15,200	17,872	17,872	-
Personnel services	189,600	205,798	203,936	1,862
Supplies and materials	210,300	135,057	135,104	(47)
<i>Total operating expenses</i>	<u>415,100</u>	<u>358,727</u>	<u>356,912</u>	<u>1,815</u>
<i>Operating income (loss)</i>	<u>(269,000)</u>	<u>(117,604)</u>	<u>(116,574)</u>	<u>1,030</u>
<i>Non-operating revenues (expenses):</i>				
Designated cash	269,000	117,604	-	(117,604)
Interest income	-	-	-	-
Interest expense	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	(2,007)	(2,007)
<i>Total other financing sources (uses)</i>	<u>269,000</u>	<u>117,604</u>	<u>(2,007)</u>	<u>(119,611)</u>
<i>Change in net assets</i>	-	-	(118,581)	(118,581)
<i>Net assets - beginning of year</i>	-	-	(742,478)	(742,478)
<i>Net assets - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (861,059)</u>	<u>\$ (861,059)</u>
Change in net assets (non-GAAP budgetary basis)			\$ (118,581)	
Adjustment to revenue for accounts receivable			(7,200)	
Adjustment to expenditures for inventory			11,449	
Adjustment to expenditures for depreciation			(30,965)	
Adjustment to expenditures for accounts payable			(1,369)	
Adjustment to expenditures for payroll accrual			(2,636)	
Change in net assets (GAAP)			<u>\$ (149,302)</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-15

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, 2009

	Budgeted Amounts		Actual	Variations
	Original	Final	(Non-GAAP Budgetary)	Favorable (Unfavorable) Final to Actual
<i>Operating revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental income	-	-	-	-
Charges for services	-	-	48,026	48,026
Licenses and Fees	-	-	-	-
Miscellaneous	-	-	661	661
<i>Total operating revenues</i>	<u>-</u>	<u>-</u>	<u>48,687</u>	<u>48,687</u>
<i>Operating expenses:</i>				
Current:				
Supplies and materials	-	-	-	-
<i>Total operating expenses</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Operating income (loss)</i>	<u>-</u>	<u>-</u>	<u>48,687</u>	<u>48,687</u>
<i>Non-operating revenues (expenses):</i>				
Designated cash	-	-	-	-
Interest income	-	-	-	-
Interest expense	-	-	(6,835)	(6,835)
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>(6,835)</u>	<u>(6,835)</u>
<i>Change in net assets</i>	<u>-</u>	<u>-</u>	<u>41,852</u>	<u>41,852</u>
<i>Net assets - beginning of year</i>	-	-	(90,806)	(90,806)
<i>Restatement, Note 14</i>	-	-	60,000	60,000
<i>Net assets - beg. of year as restated</i>	<u>-</u>	<u>-</u>	<u>(30,806)</u>	<u>(30,806)</u>
<i>Net assets - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,046</u>	<u>\$ 11,046</u>
Change in net assets (non-GAAP budgetary basis)			\$ 41,852	
Adjustment to transfers for capital assets			57,426	
Adjustment to expenditures for depreciation			(45,105)	
Adjustment to expenditures for accounts payable			651	
Change in net assets (GAAP)			<u>\$ 54,824</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-16

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, 2009

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary)	Favorable (Unfavorable) Final to Actual
<i>Operating revenues:</i>				
Taxes	\$ 100,000	\$ 103,569	\$ 103,569	\$ -
Intergovernmental income	-	-	-	-
Charges for services	1,427,500	1,479,900	1,445,798	(34,102)
Licenses and Fees	-	-	-	-
Miscellaneous	-	997	623	(374)
<i>Total operating revenues</i>	<u>1,527,500</u>	<u>1,584,466</u>	<u>1,549,990</u>	<u>(34,476)</u>
<i>Operating expenses:</i>				
Current:				
Personnel services	452,000	439,695	417,646	22,049
Supplies and materials	353,000	486,829	299,881	186,948
Capital outlay	40,000	16,694	465,182	(448,488)
<i>Total operating expenses</i>	<u>845,000</u>	<u>943,218</u>	<u>1,182,709</u>	<u>(239,491)</u>
<i>Operating income (loss)</i>	<u>682,500</u>	<u>641,248</u>	<u>367,281</u>	<u>(273,967)</u>
<i>Non-operating revenues (expenses):</i>				
Designated cash (budgeted increase in cash)	(687,500)	(1,339,774)	-	1,339,774
Interest income	5,000	7,730	7,730	-
Interest expense	-	-	-	-
State capital grant	-	171,421	171,421	-
Transfers in	-	519,375	29,533	(489,842)
Transfers out	-	-	(31,584)	(31,584)
<i>Total other financing sources (uses)</i>	<u>(682,500)</u>	<u>(641,248)</u>	<u>177,100</u>	<u>818,348</u>
<i>Change in net assets</i>	-	-	544,381	544,381
<i>Net assets - beginning of year</i>	-	-	2,085,321	2,085,321
<i>Net assets - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,629,702</u>	<u>\$ 2,629,702</u>
Change in net assets (non-GAAP budgetary basis)			\$ 544,381	
Adjustment to revenue for accounts receivable			(136,588)	
Adjustment to transfers for capital assets			704,943	
Adjustment to expenditures for depreciation			(266,664)	
Adjustment to expenditures for accounts payable			254,978	
Adjustment to expenditures for payroll accrual			(2,117)	
Adjustment to revenues for interfund receivable			151,107	
Adjustment to expenditures for inventory			(25,970)	
Change in net assets (GAAP)			<u>\$ 1,224,070</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-17

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, 2009

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary)	Favorable (Unfavorable) Final to Actual
<i>Operating revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental income	-	-	-	-
Gross receipts	-	-	-	-
Charges for services	200,000	280,935	280,935	-
Licenses and fees	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total operating revenues</i>	<u>200,000</u>	<u>280,935</u>	<u>280,935</u>	<u>-</u>
<i>Operating expenses:</i>				
Current:				
Personnel services	50,000	60,559	60,559	-
Supplies and materials	59,500	1,052,583	66,036	986,547
Capital outlay	2,000	4,417	1,046,783	(1,042,366)
<i>Total operating expenses</i>	<u>111,500</u>	<u>1,117,559</u>	<u>1,173,378</u>	<u>(55,819)</u>
<i>Operating income (loss)</i>	<u>88,500</u>	<u>(836,624)</u>	<u>(892,443)</u>	<u>(55,819)</u>
<i>Non-operating revenues (expenses):</i>				
Designated cash (budgeted increase in cash)	(93,500)	832,447	-	(832,447)
Interest income	5,000	4,177	4,177	-
Interest expense	-	-	-	-
State capital grant	-	-	29,966	29,966
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(88,500)</u>	<u>836,624</u>	<u>34,143</u>	<u>(802,481)</u>
<i>Change in net assets</i>	<u>-</u>	<u>-</u>	<u>(858,300)</u>	<u>(858,300)</u>
<i>Net assets - beginning of year</i>	-	-	1,386,990	1,386,990
<i>Restatement, Note 14</i>	-	-	26,215	26,215
<i>Net assets - beg. of year as restated</i>	<u>-</u>	<u>-</u>	<u>1,413,205</u>	<u>1,413,205</u>
<i>Net assets - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 554,905</u>	<u>\$ 554,905</u>
Change in net assets (non-GAAP budgetary basis)			\$ (858,300)	
Adjustment to revenue for accounts receivable			47,747	
Adjustment to transfers for capital assets			798,534	
Adjustment to expenditures for depreciation			(43,472)	
Adjustment to expenditures for accounts payable			(94,018)	
Adjustment to expenditures for payroll accrual			(147)	
<i>Change in net assets (GAAP)</i>			<u>\$ (149,656)</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-18

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, 2009

	Budgeted Amounts		Actual	Variations
	Original	Final	(Non-GAAP Budgetary)	Favorable (Unfavorable) Final to Actual
<i>Operating revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental income	-	-	-	-
Charges for services	250,000	350,249	350,249	-
Licenses and fees	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total operating revenues</i>	<u>250,000</u>	<u>350,249</u>	<u>350,249</u>	<u>-</u>
<i>Operating expenses:</i>				
Current:				
Personnel services	-	-	-	-
Supplies and materials	250,000	425,293	425,293	-
<i>Total operating expenses</i>	<u>250,000</u>	<u>425,293</u>	<u>425,293</u>	<u>-</u>
<i>Operating income (loss)</i>	<u>-</u>	<u>(75,044)</u>	<u>(75,044)</u>	<u>-</u>
<i>Non-operating revenues (expenses):</i>				
Designated cash (budgeted increase in cash)	(1,000)	74,714	-	(74,714)
Interest income	1,000	330	330	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>75,044</u>	<u>330</u>	<u>(74,714)</u>
<i>Change in net assets</i>	-	-	(74,714)	(74,714)
<i>Net assets - beginning of year</i>	-	-	(282,974)	(282,974)
<i>Net assets - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (357,688)</u>	<u>\$ (357,688)</u>
Change in net assets (non-GAAP budgetary basis)			\$ (74,714)	
Adjustment to revenue for accounts receivable			(3,163)	
Adjustment to expenditures for accounts payable			(6,311)	
Change in net assets (GAAP)			<u>\$ (84,188)</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 - Budget (GAAP Basis) and Actual
For the Year Ended June 30, 2009

Statement B-19

	Original Budget	Final Budget	Actual	Favorable (Unfavorable)
Operating revenues:				
Intergovernmental	\$ 37,890	\$ 40,337	\$ 40,337	\$ -
Charges for services	34,700	40,900	46,063	5,163
Miscellaneous	11,840	8,500	4,447	(4,053)
Total operating revenues	84,430	89,737	90,847	1,110
Operating expenses:				
Current:				
Administration	27,690	26,040	25,105	935
Sundry administration	6,700	6,700	5,011	1,689
Tenant service	500	-	-	-
Utilities	7,170	8,200	7,031	1,169
Ordinary maintenance	23,700	25,130	29,193	(4,063)
Contract costs	4,950	7,000	5,210	1,790
Insurance	24,550	12,220	9,173	3,047
Other general expense	6,063	8,840	3,903	4,937
Total operating expenses	101,323	94,130	84,626	9,504
Operating income (loss)	(16,893)	(4,393)	6,221	10,614
Nonoperating revenues (expenses):				
Designated cash (budgeted increase in cash)	(13,600)	4,393	-	(4,393)
Intergovernmental	30,493	-	67,059	67,059
CFP costs	-	-	(18,549)	(18,549)
Total nonoperating revenues (expenses)	16,893	4,393	48,510	44,117
Change in net assets	-	-	54,731	54,731
Net assets - beginning of year	-	-	186,443	186,443
Prior period adjustment	-	-	(13,151)	(13,151)
Net assets - beginning of year as restated	-	-	173,292	173,292
Net assets - end of year	\$ -	\$ -	\$ 228,023	\$ 228,023
Change in net assets per statement of revenues, expenses and changes in net assets			\$ 41,281	
Depreciation expense			13,450	
Financial statements change in net assets reconciled to to budgetary basis			\$ 54,731	

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, 2009

Schedule I
(Page 1 of 3)

PHA: NM027

<u>Line Item No.</u>	<u>Low Rent Public Housing</u>	<u>Public Housing Capital Fund</u>	<u>Total June 30, 2009</u>
111	\$ 86,642	\$ -	\$ 86,642
114.5	2,550	-	2,550
100	<u>89,192</u>	<u>-</u>	<u>89,192</u>
122	-	18,637	18,637
125	38	-	38
120	<u>38</u>	<u>18,637</u>	<u>18,675</u>
142	4,218	-	4,218
143	1,323	-	1,323
150	<u>94,771</u>	<u>18,637</u>	<u>113,408</u>
161	20,392	-	20,392
162	496,601	-	496,601
163	20,110	1,500	21,610
164	53,629	20,170	73,799
165	70,788	-	70,788
166	(554,758)	-	(554,758)
160	<u>106,762</u>	<u>21,670</u>	<u>128,432</u>
190	<u>\$ 201,533</u>	<u>\$ 40,307</u>	<u>\$ 241,840</u>
312	\$ 3,772	\$ 16,278	\$ 20,050
321	2,755	-	2,755
322	-	-	-
341	2,550	-	2,550
350	<u>9,077</u>	<u>16,278</u>	<u>25,355</u>
354	1,912	-	1,912
350	<u>1,912</u>	<u>-</u>	<u>1,912</u>
300	<u>10,989</u>	<u>16,278</u>	<u>27,267</u>
508.1	106,762	21,670	128,432
512.1	83,782	2,359	86,141
513	<u>190,544</u>	<u>24,029</u>	<u>214,573</u>
600	<u>\$ 201,533</u>	<u>\$ 40,307</u>	<u>\$ 241,840</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, 2009

Schedule I
(Page 2 of 3)

<u>Line Item No.</u>	<u>Low Rent Public Housing</u>	<u>Public Housing Capital Fund</u>	<u>Total June 30, 2009</u>	
703	Net tenant rental revenue	\$ 46,063	\$ -	\$ 46,063
705	<i>Total tenant revenue</i>	<u>46,063</u>	<u>-</u>	<u>46,063</u>
706	HUD PHA operating grants	16,197	24,140	40,337
706.1	Capital grants	39,964	27,095	67,059
715	Other revenue	4,447	-	4,447
700	<i>Total revenue</i>	<u>106,671</u>	<u>51,235</u>	<u>157,906</u>
911	Administrative salaries	19,984	-	19,984
914	Compensated absences	421	-	421
915	Employee benefit contributions - administrative	2,259	-	2,259
916	Other operating - administrative	20,494	5,506	26,000
931	Water	3,553	-	3,553
932	Electricity	1,873	-	1,873
933	Gas	643	-	643
938	Other utilities expense	963	-	963
941	Ordinary maintenance and operations - labor	4,794	13,043	17,837
942	Ordinary maintenance and operations - materials and other	9,612	-	9,612
943	Ordinary maintenance and operations - contract costs	5,210	-	5,210
945	Employee benefit contributions - ordinary maintenance	1,744	-	1,744
961	Insurance premiums	9,173	-	9,173
962	Other general expenses	3,903	-	3,903
969	<i>Total operating expenses</i>	<u>84,626</u>	<u>18,549</u>	<u>103,175</u>
970	<i>Excess operating revenue over operating expenses</i>	<u>22,045</u>	<u>32,686</u>	<u>54,731</u>
973	Housing assistance payments	-	-	-
974	Depreciation expense	13,450	-	13,450
900	<i>Total expenses</i>	<u>98,076</u>	<u>18,549</u>	<u>116,625</u>
1001	Transfers In	(36,140)	-	(36,140)
1002	Transfers Out	-	36,140	36,140
1010	<i>Total other financing sources</i>	<u>(36,140)</u>	<u>36,140</u>	<u>-</u>
1000	<i>Excess (deficiency) of operating revenues over (under) expenses</i>	<u>\$ 44,735</u>	<u>\$ (3,454)</u>	<u>\$ 41,281</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, 2009

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, 2009</u>	
1103	Beginning equity	\$ 145,809	\$ 40,634	\$ 186,443
1104	Prior period adjustments, equity transfers and correction of errors	-	(13,151)	(13,151)
11190	Unit months available	240	-	240
11210	Number of unit months leased	239	-	239
11650	Leasehold improvement purchases	-	\$ 33,902	\$ 33,902

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, 2009

Schedule II

Primary Government:

Bank Account/Account Type	Wells Fargo Bank	NM State Treasurer	Bank of Albuquerque	Totals
General operations - Checking	\$ 248,196	\$ -	\$ -	\$ 248,196
Utility account - Checking	399,187	-	-	399,187
BEC trust fund - Checking	1,551	-	-	1,551
LGIP fund (Pool) - Investment	-	873,735	-	873,735
LGIP fund (Pool) - Investment	-	775,042	-	775,042
LGIP Reserve Contingency Fund	-	26,265	-	26,265
LGIP Reserve Contingency Fund	-	18,958	-	18,958
NMFA reserve account	-	-	26,681	26,681
NMFA reserve account	-	-	9,730	9,730
Total on deposit	648,934	1,694,000	36,411	2,379,345
Reconciling Items	(201,038)	-	-	(201,038)
Reconciled Balance June 30, 2009	<u>\$ 447,896</u>	<u>\$ 1,694,000</u>	<u>\$ 36,411</u>	<u>\$ 2,178,307</u>

Cash per financial statements

Cash and cash equivalents- Governmental Activities Exhibit A-1	\$ 46,678			
Business-type Activities - Exhibit A-1	393,536			
Restricted cash and cash equivalents- Business-type Activities Exhibit A-1	36,411			
Investments - Governmental Activities Exhibit A-1	561,000			
Investments - Business-type Activities Exhibit A-1	1,133,000			
Fiduciary funds - Exhibit E-1	7,682			
Total cash and cash equivalents				<u>\$ 2,178,307</u>

Component Unit -Housing Authority:

Bank Name/Account Name	Bank Balance	Deposits in Transit	Outstanding Checks	Book Balance
Wells Fargo				
General - Checking	\$ 90,778	\$ -	\$ 1,636	\$ 89,142
	<u>\$ 90,778</u>	<u>\$ -</u>	<u>\$ 1,636</u>	89,142
Add: petty cash				50
Total cash				<u>\$ 89,192</u>
Cash per financial statements				
Cash and cash equivalents- Component Unit - Exhibit A-1				<u>\$ 89,192</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, 2009

<u>Depository</u>	<u>Type</u>	<u>CUISP #</u>		<u>Fair Market Value at June 30, 2009</u>	<u>Location of Safekeeper</u>
Wells Fargo Bank	Bond	31388KMR0	FNCL 607068 Due 11/1/2031	\$ 20,472	San Francisco, California
Wells Fargo Bank	Bond	31407HXXH4	FNCL 831480 Due 4/1/2036	544,100	San Francisco, California
Wells Fargo Bank	Bond	31411CDW8	FNCL 903817 Due 12/1/2036	<u>132,247</u>	San Francisco, California
Total Collateral Pledged				<u><u>\$ 696,819</u></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, 2009

	Balance July 1, 2008	Additions	Deletions	Adjustments	Balance June 30, 2009
<i>Employee Retirement Fund</i>					
Assets					
Cash and cash equivalents	\$ -	\$ 7,682	\$ -	\$ -	\$ 7,682
Accounts receivable	2,782	-	2,782	-	-
<i>Total assets</i>	<u>\$ 2,782</u>	<u>\$ 7,682</u>	<u>\$ 2,782</u>	<u>\$ -</u>	<u>\$ 7,682</u>
Liabilities					
Accounts payable	\$ -	\$ 13,870	\$ 13,870	\$ -	\$ -
Deposits held and due to others	-	7,682	-	-	7,682
Interfund payable	2,782	-	2,782	-	-
<i>Total liabilities</i>	<u>\$ 2,782</u>	<u>\$ 21,552</u>	<u>\$ 16,652</u>	<u>\$ -</u>	<u>\$ 7,682</u>
 <i>Motor Vehicle Fund</i>					
Assets					
Cash and cash equivalents	\$ 1,055	\$ 4,757	\$ 5,812	\$ -	\$ -
Accounts receivable	9,333	-	9,333	-	-
Interfund receivable	557	-	557	-	-
<i>Total assets</i>	<u>\$ 10,945</u>	<u>\$ 4,757</u>	<u>\$ 15,702</u>	<u>\$ -</u>	<u>\$ -</u>
Liabilities					
Deposits held and due to others	\$ 10,945	\$ 4,757	\$ 15,702	\$ -	\$ -
<i>Total liabilities</i>	<u>\$ 10,945</u>	<u>\$ 4,757</u>	<u>\$ 15,702</u>	<u>\$ -</u>	<u>\$ -</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 were engaged to audit 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, 2009, 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, 2009. We were also engaged to audit the financial statements of each of the City's nonmajor governmental funds, the component unit fund, and the budgetary comparisons for the major capital projects fund, 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, 2009 as listed in the table of contents. We did not issue an opinion on the financial statements of the governmental activities, the business-type activities, each major fund, the budgetary comparisons for the general fund and the major special revenue funds, and the aggregate remaining fund information, the financial statements of each of the City's nonmajor governmental and budgetary comparisons for each of the City's nonmajor governmental funds, major capital projects fund, and proprietary funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2009. Our opinion on the financial statements of the discretely presented component unit was unqualified. 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 2006-1, FS 2006-6, FS 2006-10, FS 2006-11, FS 2007-2, FS 2008-1, FS 2008-3, FS 2008-5, FS 2008-8, FS 2009-1, FS 2009-2, FS 2009-3, FS 2009-4, FS 2009-5, FS 2009-6, FS 2009-7, FS 2009-8, FS 2009-10, FS 2009-11, FSHA 2007-1, FSHA 2009-1, and FSHA 2009-2.

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.

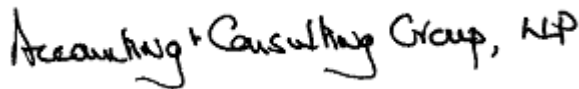
Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are also considered to material weaknesses. However of the significant deficiencies described above, we consider items FS 2006-1, FS 2006-6, FS 2006-10, FS 2006-11, FS 2007-2, FS 2008-1, FS 2008-3, FS 2008-5, FS 2008-8. FS 2009-1, FS 2009-2, FS 2009-3, FS 2009-4, FS 2009-5, FS 2009-6, FS 2009-7, FS 2009-8, FS 2009-10, FS 2009-11, FSHA 2007-1, FSHA 2009-1, and FSHA 2009-2 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 2006-1, FS 2006-6. FS 2006-10, FS 2006-11, FS 2008-1, FS 2008-5, FS 2009-3, FS 2009-4, FS 2009-5, FS 2009-6, FS 2009-7, FS 2009-8, FS 2009-9, FS 2009-10 , and FSHA 2008-03

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 responses and, accordingly, we express no opinion on them.

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
Carlsbad, NM
December 1, 2009

STATE OF NEW MEXICO
City of Eunice
Schedule of Findings and Responses
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Section I – Prior Year Audit Findings

Prior Year Audit Findings

Financial Statement Findings:

		Disposition
2006-1	PERA Reconciliations	Revised and repeated
2007-2	Preparation of Financial Statements	Repeated
2008-1	Internal Controls/Misclassification of Transactions	Revised and repeated
2008-2	Internal Controls/Management Override of Controls	Resolved
2008-3	Inadequate Internal Controls over Information Technology	Revised and repeated
2008-4	Failure to Obtain Authorization for Expenditures	Revised and repeated
2008-5	Capital Assets	Resolved
2008-6	Payroll Overpayment	Resolved
2008-7	Duplicate Check Numbers	Resolved
2008-8	Cash held in Debt Service Fund	
	not recorded on City Accounting Records	Revised and repeated
2008-9	Water Billings Understated	Resolved

State Audit Rule Findings

2006-6	Budget	Revised and repeated
2006-10	Stale Dated Checks	Revised and repeated
2006-11	Travel and Per Diem	Revised and repeated
2006-12	Credit Cards Finance Charges	Resolved

Public Housing Authority

2007-1	Preparation of Financial Statements	Repeated
2007-2	Credit Card Finance Charges	Resolved
2008-1	Payroll Overpayment	Resolved
2008-2	Travel and Per Diem	Resolved
2008-3	Missing I-9 Forms	Revised and repeated

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Section II – Financial Statement Findings and Responses

FS 2006-1: PERA reconciliation

Condition

The City was unable to provide an adequate reconciliation of total wages paid in fiscal year ended June 30, 2009 to reported PERA wages for the same period. The City was unable to determine the extent of the problem.

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.

Effect

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

Cause

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

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 concurs with the recommendation of the auditors in this finding and will implement the recommendation of the auditor in this finding.

FS 2006-6 Budget

Condition

During our testwork we noted that budgets were not submitted timely to the Department of Finance and Administration (DFA). We also noted that the budget was incorrectly entered into the accounting software and final budget numbers were incorrect. The City was unable to provide final budget numbers for the audit. Budgets were not being properly monitored resulting in 10 funds with over expended budgets totally \$847,880 as follows:

General Fund	\$ (271,111)
Fire Special Revenue Fund	(179,924)
Recreation Special Revenue Fund	(9,022)
Senior Center Special Revenue Fund	(2,779)
Gun Range Special Revenue Fund	(1)
Government Gross Receipts Tax Special Revenue Fund	(10,924)
Swimming Pool Special Revenue Fund	(1,950)
New Cemetery Project Capital Fund	(76,859)
Water Proprietary Fund	(239,491)
Sewer Proprietary Fund	<u>(55,819)</u>
Total	<u>\$ (847,880)</u>

STATE OF NEW MEXICO
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Section II – Financial Statement Findings and Responses (continued)

FS 2006-6 Budget (continued)

Condition (continued)

In the following funds the prior year FY08 ending assets were not adequate to cover the budget deficit in FY09.

	Original Budget Deficit	Final Budget Deficit	Available Cash
Emergency Medical Services Special Revenue Fund	\$ 227,217	\$ 290,913	\$ (386,070)
Senior Center Special Revenue Fund	199,400	286,479	(327,302)
Gun Range Special Revenue Fund	1,400	(3,078)	(238)
Swimming Pool Special Revenue Fund	45,000	322,348	311,505
Fire Special Revenue Fund	118,300	380,828	(1,293,657)
Recreation Special Revenue Fund	316,000	521,351	(446,261)
Streets Special Revenue Fund	-	536,322	(213,404)
Governmental Gross Receipts Tax Special Revenue Fund	(10,000)	9,593	(64,769)
New Cemetery Project Capital Projects Fund	-	9,002	(14,009)
Golf Proprietary Fund	269,000	117,604	(742,478)

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. Deficit budgeting is not allowed according to 6.20.2.9 NMAC. The “designated cash” must be available at the end of the prior fiscal year to cover the deficit created when budgeted expenditures exceed budgeted revenues.

Effect

Late budgets submitted to DFA does not allow DFA to monitor accurately how the City is complying with its budget. Without the final budget entered correctly the City is unable to determine how well they are staying within their budget. The City has not complied with the requirement to ensure adequate cash is available for budgeted expenditures. Therefore, they could be budgeting cash that is not available and be in violation of 6.20.2.9 NMAC.

Cause

The City does not have a working knowledge of the procedure to enter the final budget numbers into their accounting software. The City did not place emphasis on compliance with budget reporting requirements.

Recommendation

We recommend improved planning and monitoring of the budget and submitting the budget on time to DFA. We also recommend that City personal obtain the necessary training on the process required to enter budgets into their accounting software.

Agency Response

The City concurs with the recommendation of the auditors in this finding and will implement the recommendation of the auditor in this finding.

STATE OF NEW MEXICO
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Section II – Financial Statement Findings and Responses (continued)

FS 2006-10 Stale Dated Checks

Condition

During the course of the audit, we noted seventy-four checks in the amount \$36,120 issued by the City from its general and 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.

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.

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.

Cause

City personnel were aware of this statute and have not taken the time or effort to resolve this issue.

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 concurs with the recommendation of the auditors in this finding and will implement the recommendation of the auditor in this finding.

FS 2006-11 Travel & Per Diem

Condition

During our testwork of travel and per diem, we noted the following:

- 2 reimbursements (\$83) out of the 5 reimbursements (\$1,566) tested had receipts that were not itemized.
- 1 reimbursement (\$39) out of the 5 reimbursements (\$1,566) tested were over maximum allowable rate for meals.
- 1 reimbursement (\$150) out of the 5 reimbursements (\$1,566) tested included a charge for an employee who smoked in a non smoking room, resulting in a charge to the City credit card.

Criteria

Section 10-8-1 NMSA 1978, requires the City to comply with the Per Diem and Mileage Act, (Section 10-8-1 through 10-8-4 NMSA), for all per diem and reimbursement rates.

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.

Cause

The City is aware of the statute and related regulations regarding travel and per diem reimbursements, have policies in place, but fail to properly monitor reimbursement payments.

STATE OF NEW MEXICO
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Section II – Financial Statement Findings and Responses (continued)

FS 2006-11 Travel & Per Diem (continued)

Recommendation

The City needs appropriate management personnel to properly monitor travel and per diem compliance.

Agency Response

The City concurs with the recommendation of the auditors in this finding and will implement the recommendation of the auditor in this finding.

FS 2007-2 Preparation of Financial Statements

Condition

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

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.

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.

Cause

The City'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.

Recommendation

We recommend the City'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

The City concurs with the recommendation of the auditors in this finding and will implement the recommendation of the auditor in this finding.

STATE OF NEW MEXICO
City of Eunice
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Section II – Financial Statement Findings and Responses (continued)

FS 2008-1 Internal Controls – Misclassifications of Transactions

Condition

The City does not have appropriate reviews and approvals of transactions, accounting entries or systems output. We noted during the course of our test work the following:

- Debt payments for the swimming pool totaling \$105,257 were paid out of the Recreation Fund rather than the Swimming Pool Fund.
- Capital expenditures totaling \$105,257 were incorrectly coded to professional services.
- Seventeen deposits of grant revenue totaling \$828,665 were posted to refunds/reimbursement revenue rather than to grant revenue

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.

Effect

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

Cause

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

Recommendation

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

Agency Response

The City concurs with the recommendation of the auditors in this finding and will implement the recommendation of the auditor in this finding.

FS 2008-3: Inadequate Internal Controls over Information Technology

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. Monitoring
 3. Disaster Recovery/Contingency Planning
 4. Server is inadequate to run accounting software efficiently and effectively

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.

STATE OF NEW MEXICO
City of Eunice
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Section II – Financial Statement Findings and Responses (continued)

FS 2008-3: Inadequate Internal Controls over Information Technology (continued)

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.

Cause

The City of Eunice has not put enough emphasis on Internal Controls over Information Technology. It appears that it has not been a priority for them.

Recommendations

The City should consider implementing the following recommendations:

- Establish policies to govern IT use and security
- 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.
- 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.
- Upgrade to a better server.

Agency Response

The City concurs with the recommendation of the auditors in this finding and will implement the recommendation of the auditor in this finding.

FS 2008-5 Deficiencies in Accounting for Capital Assets

Condition

The capital asset inventory system was not being reconciled. Ending capital asset balances at prior year end did not agree with current year beginning balance. Also, the inventory system is not being reconciled with the capital outlay expenditures as recorded in the budget reports as additions/deletions were occurring. No formal policy exists for capital asset disposal. Not all additions for past years have been added to the capital asset listing.

Criteria

Section 2.20.1.15 of NMAC requires agencies to properly safeguard assets. All assets within an established materiality limit should be tagged with unique numbers and accounted for on the capital asset listing. Current year expenditures in capital projects accounts should be accounted for on the inventory listing. Assets that have been sold or are no longer serviceable should be deleted from inventory in accordance with Section 2.20.1.18 of NMAC.

Effect

The lack of an annual inventory of capital assets results in improper safeguarding of capital assets to prevent theft or other losses. Without proper accounting for additions and deletions, and an annual inventory of capital assets, the financial statements of the City may be misstated.

Cause

The City did not establish procedures to require the reconciliation of capital outlay expenditures with the capital assets inventory because of a lack of adequate training to the City's personnel. City management has not documented a formal capital asset disposal policy due to a lack of awareness that one was needed. There does not appear to be adequate internal controls related to proper classification of capital outlay expenditures. Capital assets are included in repairs and maintenance, contract labor, professional services, and supplies as well as capital outlay accounts.

STATE OF NEW MEXICO
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Section II – Financial Statement Findings and Responses (continued)

FS 2008-5 Deficiencies in Accounting for Capital Assets (continued)

Recommendation

Procedures should be implemented to insure that capital outlay expenditures are followed up on to ensure that assets meeting the threshold are properly added to the inventory. We recommend that the City implement an annual inventory and certification of its capital assets as required by Section 12-6-10, NMSA 1978.

Agency Response

The City concurs with the recommendation of the auditors in this finding and will implement the recommendation of the auditor in this finding.

FS 2008-8 Cash Held in Debt Service Fund Not Recorded on City's Accounting Records

Condition

We noted that a cash balance of \$36,411 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. There were also two general ledger accounts for cash that had erroneous balances.

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.

Effect

The result of these omissions is that cash is understated on the City's general ledger. Also, cash does not agree with bank reconciliations.

Cause

The City's management and accounting staff were aware of the need to record cash held in this sinking fund but have not complied with the statute. Also, bank reconciliations are not being properly balanced to general ledger.

Recommendation

We recommend that the City implement policies and procedures to properly account for all assets including those held by third parties. We also recommend that bank reconciliations be balanced to general ledger and reviewed by a knowledgeable person.

Agency Response

The City concurs with the recommendation of the auditors in this finding and will implement the recommendation of the auditor in this finding.

STATE OF NEW MEXICO
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Section II – Financial Statement Findings and Responses (continued)

FS 2009-1 Deficiencies in Internal Control Structure Design, Operation and Oversight

Condition

The City does not have a comprehensive documented internal control structure. We noted the following areas in which the City does not have sufficient key internal controls in place.

- Management could not, without considerable effort, provide the auditors with the dollar amount of the expenditures by federal program necessary to determine if a single audit was required.
- The A/P clerk was unable to produce a written policy concerning signature(s) required on Purchase Orders.
- There is a lack of proper documentation for expenditures, receipts for reimbursement were not available, and a non-allowable expense of \$150 was paid by the City.
- There are no procedures or activities in place to regularly educate and communicate to management and employees the importance of internal controls and to raise their level of understanding of controls.
- The City has several repeat findings. It appears there is not appropriate attention given to internal controls and correction of known weaknesses in internal controls in a timely manner.
- Attitudes, actions, values to support an effective control environment appear to be inconsistent. There appears to be a reluctance to take ownership of data including who is authorized or responsible to make and/or modify transactions.
- It appears employees tend to not have the competence and training necessary for their assigned level of responsibility or for the nature and complexity of the City's activities.
- There appears to be no established practices for the identification of risks affecting the entity.
- Payment drop box is located in an unsecure place.
- Inventory counts were not accurate and had to be repeated.
- There are no segregation of duties for ambulance bookkeeping. The Ambulance clerk does everything from billing, to collecting, to write-offs.
- Material adjustments were needed to adjust grant revenues.
- No process in place to track employee receivables.
- Found one check that was on the outstanding check list misfiled with invoices.

Criteria

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

The SAS No. 112 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 112 paragraph 19 states that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a material weakness in internal control.

Effect

Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

Cause

For the fiscal year 2009 management did not have a documented policy to ensure internal controls were in place and working properly. Also, the governing body was unaware of requirements under SAS No. 112 to provide effective oversight of internal control and the financial reporting process.

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Section II – Financial Statement Findings and Responses (continued)

FS 2009-1 Deficiencies in Internal Control Structure Design, Operation and Oversight (continued)

Recommendation

The City should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

Agency Response

The City concurs with the recommendation of the auditors in this finding and will implement the recommendation of the auditor in this finding.

FS 2009-2 Reconciliation of Interfund Receivable/Payables

Condition

During our testwork we noted there was a lack of detail of interfund receivables and interfund payables. The detail of those accounts was not readily available.

Criteria

GASB 34 paragraph 12 requires that interfund loans should be recorded as interfund receivables in the lender fund and interfund payables in the borrower fund. When reimbursements are received the interfund receivable and payable should be reversed to reflect payment of the loan.

Effect

The City does not know which fund owes which fund. When money becomes available to pay the interfund payable, they do not know which fund to pay.

Cause

All interfund receivables and payables are posted to one account without a subsidiary ledger being maintained for the debt.

Recommendation

We recommend that they keep the subsidiary detail as to the other fund involved in the transaction. This could be done through a designation at the end of the general ledger account number.

Agency Response

The City concurs with the recommendation of the auditors in this finding and will implement the recommendation of the auditor in this finding.

FS 2009-3 Disposition of Capital Assets

Condition

During our testwork of capital assets, we noted that the City disposed of property and equipment during the year ended June 30, 2009. The total book value amount of assets disposed of was \$40,391.

Criteria

State Audit Rule, NMAC 2.2.210 G and Section 13-6-1, NMSA 1978, states that disposal of capital assets requires written notification to the State Auditor's Office, 30 days prior to disposal.

Effect

Capital assets could be disposed of without proper authorization or by disallowed methods.

STATE OF NEW MEXICO
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Section II – Financial Statement Findings and Responses (continued)

FS 2009-3 Disposition of Capital Assets (continued)

Cause

The City was unaware of the requirements set forth in State Audit Rule, NMAC 2.2.2.10 G and Section 13-6-1, NMSA 1978.

Recommendation

We recommend that the City notify the State Auditor’s Office at least 30 days prior to planned disposition of property and equipment.

Agency Response

The City concurs with the recommendation of the auditors in this finding and will implement the recommendation of the auditor in this finding.

FS 2009-4 Misuse of Sick Leave

Condition

Employees with less than 100 hours have been donating their sick leave hours to others who have not exhausted their own sick leave. One employee terminated his employment without donating his remaining sick leave, but his hours are being used at the discretion of the payroll department to supplement sick leave for those in need.

Criteria

City of Eunice Personnel Ordinance Policy #6.03.04 states “the employee must have an excess of 100 hours of sick leave”... and “may donate only sick leave in excess to 100 hours to the designated sick employee.” The employee receiving donated sick leave “must have exhausted all of his/her paid leave prior to receiving the donated sick leave.”

Effect

The lack of consistency in the implementation of the City’s policy leaves the City open to legal action from other employees.

Cause

City personnel are not adhering to the City Personnel Ordinance in regards to the donation of sick leave.

Recommendation

We recommend that the City adhere to their own Policies and Procedures manual.

Agency Response

The City concurs with the recommendation of the auditors in this finding and will implement the recommendation of the auditor in this finding.

STATE OF NEW MEXICO
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Section II – Financial Statement Findings and Responses (continued)

FS 2009-5 Insufficient Documentation on Credit Cards

Condition

During our testwork, we noted the following:

- Of the \$33,205 tested, 14 meal receipts (that totaled \$343) did not have the itemized documentation.
- Of the \$33,205 tested, 1 meal receipt had no documentation.

Criteria

New Mexico Procurement Code 13-1-1 to 13-1-99, NMSA 1978, states that payments must be supported by valid receipts and that payment may only be made for valid charges.

Effect

The City may be paying for unallowable expenses. Inconsistent monitoring of compliance with requirements could result in abuse or fraud.

Cause

Employees are turning in meal receipts that do not have adequate detail and the City is paying credit card charges without obtaining the corresponding receipts for charges.

Recommendation

We recommend that the City require credit card holders to turn in receipts as charges are incurred. In the case of an occasional lost receipt, have the credit card holder sign and date an explanation as to the amount of the charge as well as the purpose of the charge.

Agency Response

The City concurs with the recommendation of the auditors in this finding and will implement the recommendation of the auditor in this finding.

FS 2009-6 Misuse of Payroll Deductions

Condition

During our testing of accrued liabilities, we noted the following:

- The City has deducted from payroll checks rent payments from employees who rent house's from the City that have not been allocated to appropriate revenue accounts. Total deductions from employees for rent totaled \$9,150.
- The City has also been deducting money from employee's payroll checks for loans made to employee's for purchase of goods under the City's name.

Criteria

Per Section 10-7-2, NMSA 1978, persons employed by and on behalf of the state, except those employed by institutions of higher education, including officers, shall receive their salaries and wages for service rendered in accordance with rules issued by the department of finance and administration. Per 2.20.4.8 of NMAC, the following payroll deductions are allowed by the Department of Finance and Administration: 1) those required by law (state and federal taxes, FICA), 2) state-sponsored and required insurance programs where the state shares the cost of the program, 3) PERA, ERA or other state sponsored retirement programs mandated by the statute, 4) deferred compensation plans under Chapter 10, Article 7A, NMSA 1978, 5) union dues as permitted by the department of finance and administration, 6) charities approved by the department of finance, 7) vanpool associations approved by the department of finance and administration, 8) savings bond programs, 9) exceptional or emergency circumstances which require special consideration and are approved by the department of finance on a case by case basis.

STATE OF NEW MEXICO
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Section II – Financial Statement Findings and Responses (continued)

FS 2009-6 Misuse of Payroll Deductions (continued)

Effect

City resources were used in a manner that did not benefit the City. Should one of these employees terminate, the City would be paying for goods that did not benefit the City.

Cause

The City believed it had the ability to deduct money from their employees payroll checks for rent payments and repayment of loans from their employees.

Recommendation

We recommend that the City require all employees to pay rent and loans back to the City where a receipt is issued and allows for those activities to be tracked efficiently. We also recommend that the City implement policies and procedures aimed at the elimination of unapproved payroll deductions so the City complies with all state and federal regulations regarding payroll deductions.

Agency Response

The City concurs with the recommendation of the auditors in this finding and will implement the recommendation of the auditor in this finding.

FS 2009-7 Gross Receipts Tax

Condition

During our testwork we noted that employees of the City are allowed to purchase items for personal use under the City's name. This allows the employees to avoid paying gross receipts on items purchased.

Criteria

Per Section 7-9-2, NMSA 1978, the purpose of Gross Receipts and Compensating Tax Act is to provide revenue for public purpose by levying a tax on the privilege of engaging in certain activities with New Mexico and to protect New Mexico businessmen from the unfair competition that would otherwise result from the importation into the state of property without payment of similar tax.

Effect

The employees of the City are receiving a discount on goods purchased under the City name and are depriving State of New Mexico of revenue. When the City purchases goods using their non taxable transaction certificates, and then converts the purchase to something other than a non taxable purpose, they are liable for the 5% compensating tax due to the state.

Cause

The City believes that this is a benefit for those employed with the City.

Recommendation

We recommend that all purchases made by employees for personal use under the City's name be discontinued. We also recommend that the City update their purchasing policy to disallow personal purchase by employees.

Agency Response

The City concurs with the recommendation of the auditors in this finding and will implement the recommendation of the auditor in this finding.

STATE OF NEW MEXICO
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Section II – Financial Statement Findings and Responses (continued)

FS 2009-8 Noncompliance with Grant Agreements

Condition

During our testwork, we were unable to determine the revenue for federal and state grants because all the grants were grouped together. Proper annual filing with the grantor reflecting revenue and expenses broken out by fund source was not completed by the City on the Non-Metro AAA grant.

Criteria

Per Articles of Eunice Waste Water, Eunice Water System Wells/Storage/Booster, Eunice Water Line Improvements and the Eunice Wastewater Treatment Plant Grant Agreements with the New Mexico Environment Department Construction Programs Bureau (NMED), “Funds received by the grantee from NMED and all other funds for the project will be established as separate identifiable ledger accounts or be deposited in a separate bank account. The grantee will comply with generally accepted accounting principles, to account for all funds.”

Effect

The City’s noncompliance with grant agreements could result in the funding being pulled for those specific projects along with the ability to obtain funding in the future.

Cause

The City does not have internal controls in place to ensure compliance with grant agreements.

Recommendation

Management should either maintain a separate fund for the state and federal grant money or track the expenses as different line items. Management should: (1) maintain the listing of federal awards throughout the year; (2) keep State grants separate from federal grants; and (3) anytime the City receives a new grant, check with the grant contact person to determine whether the grant is federal or State funds.

Agency Response

The City concurs with the recommendation of the auditors in this finding and will implement the recommendation of the auditor in this finding.

FS 2009-9 Negative Cash Balances

Condition

The City has pooled bank accounts where some of the funds have negative cash. The general fund has been deemed to have loaned money to the other funds however, there was not enough cash in the general fund to cover all of the negative cash balances. The effect was that other special revenue funds then loaned money to these funds to cover shortages.

Criteria

A governmental accounting system must make it possible to present fairly and with full disclosure the funds of the government unit in conformity with generally accepted accounting principles per NCGAS 1 paragraph 1. Government accounting systems should be organized and operated on a fund basis. A fund is defined as a fiscal and accounting entity with a self balancing set of accounts recording cash and other financial resources, together with all related liabilities and residual equities or balances, and changes therein, which are segregated for the purpose of carrying on specific activities and objectives in accordance with special regulations, restrictions or limitations.

Effect

Due to the negative cash balances in the special revenue funds, other funds are in effect making loans to other funds which may be unallowable under their grant agreements.

STATE OF NEW MEXICO
City of Eunice
Schedule of Findings and Responses
June 30, 2009

Section II – Financial Statement Findings and Responses (continued)

FS 2009-9 Negative Cash Balances (continued)

Cause

City personnel do not have adequate training in the financial field or experience in regards to maintaining cash balances for the special revenue funds.

Recommendation

We recommend that the City acquire financial training for those charged with the duty of reconciling and monitoring of cash. Any variances or negative cash balances need to be investigated and resolved immediately.

Agency Response

The City concurs with the recommendation of the auditors in this finding and will implement the recommendation of the auditor in this finding.

FS 2009-10 Internal Control over Inventory in the Water Department

Condition

During our testwork of inventory we noted that the City's controls over the accuracy of the inventory count in the water department was unreliable.

Criteria

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

Effect

Inventory could be misstated due to the City not being able to track the inventory accurately. Inventory could be missing but still recorded on the City's records due to lack of proper monitoring of inventory. Inventory could be overstated if defective or obsolete items are not properly deleted from the list and disposed of.

Cause

The internal controls over inventory are insufficient to accurately track, value and safeguard the inventory of the City.

Recommendation

We recommend that the City perform an accurate inventory count at year end and update their prices on the count sheets. We also recommend that the City limit access to the inventory in order to safeguard it from loss.

Agency Response

The City concurs with the recommendation of the auditors in this finding and will implement the recommendation of the auditor in this finding.

STATE OF NEW MEXICO
City of Eunice
Schedule of Findings and Responses
June 30, 2009

Section II – Financial Statement Findings and Responses (continued)

FS 2009-11 Ambulance Accounts Receivable

Condition

During our testwork of ambulance accounts receivable we noted that the City is not pursuing collection of receivables for services provided to the City residents. Any unpaid amounts are subsequently written off.

Criteria

Per Section IX Section 14 of the New Mexico Constitution, “Neither the state nor any county, school district or municipality, except as otherwise provided in this constitution, shall directly or indirectly lend or pledge its credit or make any donation to or in aid of any person, association or public or private corporation or in aid of any private enterprise.”

Effect

The City is depriving its ambulance fund of service revenue, which puts a strain on the existing budget.

Cause

The City does not have a formal policy related to billings and collections for ambulance services.

Recommendation

We recommend that the City review their policy related to ambulance accounts receivables and adhere to their policy.

Agency Response

The City concurs with the recommendation of the auditors in this finding and will implement the recommendation of the auditor in this finding.

STATE OF NEW MEXICO
City of Eunice
Schedule of Findings and Responses
June 30, 2009

Section III – Component Unit Financial Statement Findings and Responses

Component Unit Findings

FSHA 2007-1 Preparation of Financial Statements-significant

Condition

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

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.

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.

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.

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, 2009

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

FSHA 2008-3 Missing I-9 Forms

Condition

During out test work, we noted that one of the three employee files examined were missing I-9 and W-4 forms.

Criteria

The Immigration Reform and Control Act of 1986 requires all employees hired after November 6, 1986 to complete a Form 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. The Internal Revenue Code requires W-4 information under sections 3402(f)(2)(A) and 6109 of their regulations. Failure to provide a properly completed form will result in being treated as a single person claiming no withholding allowances.

Effect

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

Cause

During out test work, we noted that one of the three employee files examined were missing I-9 and W-4 forms.

Recommendation

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

Agency Response

All employees will complete the forms within the 3 day requirement. The City of Eunice Housing Authority will make a diligent effort to ensure all required paperwork is in place for each employee.

FSHA 2009-1: Internal Controls/Segregation of Duties

Condition

The Agency is lacking adequate internal controls over its accounting processes.

Criteria

Systems of internal control with the most favorable designs allow for an adequate segregation of duties to reduce the risk of error or fraud because they are structured using a combination of controls designed to either detect instances of error or fraud that occur, or optimally, to prevent instances of error or fraud before they occur. (AU 325) Section 6-5-2, NMSA 1978, requires that state agencies shall implement internal control accounting controls designed to prevent accounting errors and violations of state and federal law and rules related to financial matters.

Effect

The Agency's books or records may be at risk of containing misstatements, as errors may occur and may not be detected within a timely manner. Insufficient controls over check writing creates an opportunity/incentive for misappropriation of funds.

Cause

The Agency has only two employees, accordingly, a proper segregation of duties is not possible.

STATE OF NEW MEXICO
City of Eunice
Schedule of Findings and Responses
June 30, 2009

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

FSHA 2009-1: Internal Controls/Segregation of Duties (continued)

Recommendation

Proper segregation is not always possible in a small organization. We recommend that the “Board” provide extensive oversight, and implement limited segregation to the extent possible to reduce the risk of errors or fraud.

Agency Response

The Agency’s board will continue to review and approve all expenses incurred. All checks with invoices attached are reviewed and approved by the board members. The Chairman or Vice-Chairman will initial each invoice that has been approved. Two signatures are required on all checks. Bank statements, tenant registers, bank deposits, rent receipts, copies of all checks and invoices are sent to the Agency’s fee accountant. The board members have access to the entire Agency’s financial paperwork.

FSHA 2009-2 Violation of Internal Control Policy

Condition

During our testwork, we noted that the bookkeeper has the ability to sign checks for the Agency.

Criteria

Per Check Signing Authorization Policy of the Agency, “The City of Eunice Housing Authority hereby establishes a policy that identifies those people who are authorized to sign and issue checks on its behalf. The purpose of the policy is to update instructions to depositories so that there is a clear understanding regarding this important matter. It’s also necessary to implement appropriate internal controls over our financial matters.” Following is the policy for issuing and signing checks:

1. All checks shall bear two signatures, one of which must be a Commissioner of the City of Eunice Housing Authority.
2. The second signature must be that of either the Executive Director or the Director of Finance.

Effect

The Agency is circumventing their own internal controls and the potential for fraud or material misstatement is present.

Cause

The Agency has not placed the appropriate emphasis on adherence to their own control policies.

Recommendation

We recommend that the Agency follow their own internal check signing policy.

Agency Response

The Agency’s board has agreed to assign the bookkeeper the ability to sign checks for the Agency whenever the Executive Director, Chairman or Vice-Chairman is not available. The check signing policy will be amended to this effect.

Auditor Response

Changing the internal control policy would not be in the best interest of the Agency. The current internal control policy gives the Agency as much protection as possible with the limited number of staff. Proper internal controls are put in place to ensure that no one individual has access to the entire financial process.

STATE OF NEW MEXICO
City of Eunice
Other Disclosures
For the Year Ended June 30, 2009

Exit Conference

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.

The contents of this report were discussed with the City of Eunice on December 1, 2009. The following individuals were in attendance.

Representing City of Eunice

Bill Robinson	Mayor Protem
Curtis Schrader	City Manager
Joyce Tolsma	City Clerk
Connie Whitmire	Finance Officer

Representing Accounting & Consulting Group, LLP

Cindy Bryan, Partner

The contents of the component unit report were discussed with the City of Eunice Housing Authority on December 1, 2009. The following individuals were in attendance.

Representing City of Eunice Housing Authority

Alan Pickerel	Board Chairman
David Reed	Executive Director
Sonya Gallegos	Bookkeeper

Representing City of Eunice

Joyce Tolsma	City Clerk
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Representing Accounting & Consulting Group, LLP

Cindy Bryan, Partner