

STATE OF NEW MEXICO
CITY OF EUNICE
ANNUAL FINANCIAL REPORT
JUNE 30, 2010

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INTRODUCTORY SECTION

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STATE OF NEW MEXICO

City of Eunice

Official Roster

June 30, 2010

List of Officials

<u>Name</u>	<u>Elected Officials</u>	<u>Title</u>
Johnnie M. White		Mayor
Wardell Allen		City Councilor
Gailand Overton		City Councilor
C.W. Motes		City Councilor
Billy Hobbs		City Councilor
Nina Lynch		City Councilor
Mary Lou Vinson		City Councilor
Terry Bettis		City Councilor
Jerry Corral		City Councilor

Administrative Officials

Joyce Tolsma		City Clerk
Connie Whitmire		Finance Director

STATE OF NEW MEXICO

City of Eunice
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June 30, 2010

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FINANCIAL SECTION

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Accounting & Consulting Group, LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Hector Balderas
New Mexico State Auditor
The Office of Management and Budget
City Manager and City Commissioners
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, 2010, 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 the 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, 2010, as listed in the table of contents. These financial statements are the responsibility of the City's management.

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 also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, 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 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 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, 2010, 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, 2010, 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 June 6, 2011 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 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 a part of, the basic financial statements.

We were engaged to conduct an audit 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 information listed as supporting Schedules I through IV in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements. Because of the significance of the matters discussed in the preceding paragraphs, the scope of our work was not sufficient to enable us to express, and we do not express an opinion regarding whether schedules I through IV are fairly stated, in all material respects, in relation to the basic financial statements and the remaining nonmajor governmental fund financial statements. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we express no opinion on it. 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

Accounting & Consulting Group, LLP
Albuquerque, New Mexico
June 6, 2011

BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO

City of Eunice

Statement of Net Assets

June 30, 2010

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	
Assets				
Current assets				
Cash and cash equivalents	\$ 208,689	\$ 1,256,666	\$ 1,465,355	\$ 79,482
Investments	561,000	1,133,000	1,694,000	-
Accounts receivable				
Taxes	257,585	-	257,585	-
Intergovernmental	130,650	-	130,650	-
Other receivables	74,988	207,453	282,441	-
Inventory	-	142,626	142,626	1,373
Prepaid assets	33,246	-	33,246	3,676
Internal balances	(1,350,453)	1,350,453	-	-
Total current assets	<u>(84,295)</u>	<u>4,090,198</u>	<u>4,005,903</u>	<u>84,531</u>
Noncurrent assets				
Restricted cash and cash equivalents	40,866	-	40,866	2,625
Capital assets	14,371,889	16,603,287	30,975,176	683,190
Less: accumulated depreciation	<u>(5,781,636)</u>	<u>(8,320,868)</u>	<u>(14,102,504)</u>	<u>(571,513)</u>
Total noncurrent assets	<u>8,631,119</u>	<u>8,282,419</u>	<u>16,913,538</u>	<u>114,302</u>
Total assets	<u>\$ 8,546,824</u>	<u>\$ 12,372,617</u>	<u>\$ 20,919,441</u>	<u>\$ 198,833</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	\$ 417,575	\$ 75,755	\$ 493,330	\$ 1,724
Accrued expenses	25,703	5,646	31,349	2,053
Accrued compensated absences	52,257	-	52,257	728
Deferred revenue	-	-	-	-
Customer deposits	550	69,597	70,147	2,625
Interfund payable	-	-	-	-
Current portion of long-term debt	48,792	-	48,792	-
Total current liabilities	<u>544,877</u>	<u>150,998</u>	<u>695,875</u>	<u>7,130</u>
Noncurrent liabilities				
Accrued compensated absences	-	16,872	16,872	2,400
Loans and capital leases payable	50,539	997,852	1,048,391	-
Total noncurrent liabilities	<u>50,539</u>	<u>1,014,724</u>	<u>1,065,263</u>	<u>2,400</u>
Total liabilities	<u>595,416</u>	<u>1,165,722</u>	<u>1,761,138</u>	<u>9,530</u>
Net Assets				
Invested in capital assets, net of related debt	8,490,922	7,284,567	15,775,489	111,677
Restricted for:				
Debt service	218,410	-	218,410	-
Special revenue funds	(5,533,402)	-	(5,533,402)	2,625
Capital projects funds	1,326,256	-	1,326,256	-
Unrestricted	3,449,222	3,922,328	7,371,550	75,001
Total net assets	<u>7,951,408</u>	<u>11,206,895</u>	<u>19,158,303</u>	<u>189,303</u>
Total liabilities and net assets	<u>\$ 8,546,824</u>	<u>\$ 12,372,617</u>	<u>\$ 20,919,441</u>	<u>\$ 198,833</u>

STATE OF NEW MEXICO

City of Eunice
Statement of Activities
June 30, 2010

<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	\$ 1,756,778	\$ 59,099	\$ 306,401	\$ 100,992
Public safety	2,127,507	73,164	215,394	-
Public works	973,821	-	337,500	-
Culture and recreation	981,439	7,629	-	-
Interest on long-term debt	5,246	-	-	-
<i>Total governmental activities</i>	<u>5,844,791</u>	<u>139,892</u>	<u>859,295</u>	<u>100,992</u>
Business-type Activities:				
Water	1,038,106	1,547,715	-	67,228
Sewer	207,324	388,520	-	802,055
Solid waste	332,077	376,552	-	-
Golf	436,522	198,370	-	-
<i>Total business-type activities</i>	<u>2,014,029</u>	<u>2,511,157</u>	<u>-</u>	<u>869,283</u>
<i>Total primary government</i>	<u>\$ 7,858,820</u>	<u>\$ 2,651,049</u>	<u>\$ 859,295</u>	<u>\$ 970,275</u>
Component Unit:				
Housing	<u>\$ 161,478</u>	<u>\$ 43,031</u>	<u>\$ 41,187</u>	<u>\$ 36,400</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 beginning				
Net assets, ending				

The accompanying notes are an integral part of these financial statements

Net (Expense) Revenue and Changes in Net Assets

<u>Primary Government</u>			
<u>Governmental Activities</u>	<u>Business Type Activities</u>	<u>Total</u>	<u>Component Unit</u>
\$ (1,290,286)	\$ -	\$ (1,290,286)	\$ -
(1,838,949)	-	(1,838,949)	-
(636,321)	-	(636,321)	-
(973,810)	-	(973,810)	-
(5,246)	-	(5,246)	-
<u>(4,744,612)</u>	<u>-</u>	<u>(4,744,612)</u>	<u>-</u>
-	576,837	576,837	-
-	983,251	983,251	-
-	44,475	44,475	-
-	(238,152)	(238,152)	-
-	1,366,411	1,366,411	-
<u>(4,744,612)</u>	<u>1,366,411</u>	<u>(3,378,201)</u>	<u>-</u>
-	-	-	<u>(40,860)</u>
155,190	-	155,190	-
3,058,176	-	3,058,176	-
210,002	-	210,002	-
134,116	-	134,116	-
6,084	-	6,084	-
23,699	-	23,699	-
2,111	1,079	3,190	-
480,983	-	480,983	15,590
79,897	(79,897)	-	-
<u>4,150,258</u>	<u>(78,818)</u>	<u>4,071,440</u>	<u>15,590</u>
<u>(594,354)</u>	<u>1,287,593</u>	<u>693,239</u>	<u>(25,270)</u>
8,545,762	9,919,302	18,465,064	214,573
<u>\$ 7,951,408</u>	<u>\$ 11,206,895</u>	<u>\$ 19,158,303</u>	<u>\$ 189,303</u>

STATE OF NEW MEXICO

City of Eunice
Balance Sheet
Governmental Funds
June 30, 2010

	<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
Accounts receivable			
Taxes	242,579	-	231
Intergovernmental	29,658	-	-
Other	8,069	21	12
Prepaid assets	33,246	-	-
Interfund receivable	6,435,731	-	-
	<u>6,435,731</u>	<u>-</u>	<u>-</u>
<i>Total assets</i>	<u>\$ 6,781,283</u>	<u>\$ 100,021</u>	<u>\$ 30,243</u>
<i>Current liabilities</i>			
Accounts payable	\$ 43,226	\$ 7,539	\$ 4,399
Accrued payroll	20,124	-	2,226
Deferred revenue	3,078	-	-
Security deposit	550	-	-
Interfund payable	3,096,823	1,546,367	1,401,013
	<u>3,096,823</u>	<u>1,546,367</u>	<u>1,401,013</u>
<i>Total liabilities</i>	<u>3,163,801</u>	<u>1,553,906</u>	<u>1,407,638</u>
<i>Fund balances</i>			
Unreserved:			
Unreserved, reported in:			
General fund	3,617,482	-	-
Special revenue funds	-	(1,453,885)	(1,377,395)
Capital projects funds	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total fund balances</i>	<u>3,617,482</u>	<u>(1,453,885)</u>	<u>(1,377,395)</u>
 <i>Total liabilities and fund balances</i>	 <u>\$ 6,781,283</u>	 <u>\$ 100,021</u>	 <u>\$ 30,243</u>

The accompanying notes are an integral part of these financial statements

<u>Streets Fund</u>	<u>Municipal Infrastructure Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
\$ 2,793	\$ 221,138	\$ 25,624	\$ 249,555
-	262,000	137,000	561,000
-	9,909	4,866	257,585
-	-	100,992	130,650
-	24	66,862	74,988
-	-	-	33,246
-	937,754	136,644	7,510,129
<u>\$ 2,793</u>	<u>\$ 1,430,825</u>	<u>\$ 471,988</u>	<u>\$ 8,817,153</u>
\$ 268,685	\$ -	\$ 93,726	\$ 417,575
-	-	3,353	25,703
-	-	-	3,078
-	-	-	550
1,018,536	-	1,797,843	8,860,582
<u>1,287,221</u>	<u>-</u>	<u>1,894,922</u>	<u>9,307,488</u>
-	-	-	3,617,482
(1,284,428)	-	(1,318,365)	(5,434,073)
-	1,430,825	(104,569)	1,326,256
<u>(1,284,428)</u>	<u>1,430,825</u>	<u>(1,422,934)</u>	<u>(490,335)</u>
<u>\$ 2,793</u>	<u>\$ 1,430,825</u>	<u>\$ 471,988</u>	<u>\$ 8,817,153</u>

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STATE OF NEW MEXICO

City of Eunice

Exhibit B-1

Page 2 of 2

Reconciliation of the Balance Sheet-Governmental Funds to the Statement of Net Assets

June 30, 2010

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

Fund balances - total governmental funds	\$	(490,335)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		8,590,253
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		3,078
Certain liabilities, including long-term portion of accrued compensated absences and current and long-term portions of long-term debt, are not due and payable in the current period and, therefore, are not reported in the funds		
Accrued compensated absences		(52,257)
Current portion of long-term debt		(48,792)
Long-term portion of long-term debt		<u>(50,539)</u>
Total net assets of governmental activities	\$	<u><u>7,951,408</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, 2010

	<u>General Fund</u>	<u>Fire Fund</u>	<u>Recreation Fund</u>
<i>Revenues</i>			
<i>Taxes</i>			
Property	\$ 155,094	\$ -	\$ -
Gross receipts	2,786,171	-	-
Gasoline and motor vehicle taxes	210,002	-	-
Other	130,732	-	3,384
<i>Intergovernmental income</i>			
Federal operating grants	-	-	-
State operating grants	288,989	22,767	-
State capital grants	-	-	-
Charges for services	58,244	-	7,629
Licenses and fees	6,084	-	-
Fines and forfeitures	23,699	-	-
Interest income	848	249	149
Miscellaneous	242,932	15,278	25,000
<i>Total revenues</i>	<u>3,902,795</u>	<u>38,294</u>	<u>36,162</u>
<i>Expenditures</i>			
<i>Current</i>			
General government	1,119,597	-	-
Public safety	1,406,244	219,565	-
Public works	394,341	-	-
Culture and recreation	390,994	-	404,805
Capital outlay	268,051	72,829	26,287
<i>Debt service</i>			
Principal	-	-	-
Interest	-	-	-
<i>Total expenditures</i>	<u>3,579,227</u>	<u>292,394</u>	<u>431,092</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>323,568</u>	<u>(254,100)</u>	<u>(394,930)</u>
<i>Other financing sources (uses)</i>			
Transfers in	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	323,568	(254,100)	(394,930)
<i>Fund balances - beginning of year</i>	<u>3,293,914</u>	<u>(1,199,785)</u>	<u>(982,465)</u>
<i>Fund balances - end of year</i>	<u>\$ 3,617,482</u>	<u>\$ (1,453,885)</u>	<u>\$ (1,377,395)</u>

The accompanying notes are an integral part of these financial statements

<u>Streets Fund</u>	<u>Municipal Infrastructure Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
\$ -	\$ -	\$ -	\$ 155,094
-	143,352	128,653	3,058,176
-	-	-	210,002
-	-	-	134,116
-	-	24,856	24,856
337,500	-	185,183	834,439
-	-	100,992	100,992
-	-	74,019	139,892
-	-	-	6,084
-	-	-	23,699
-	298	567	2,111
50	-	197,723	480,983
<u>337,550</u>	<u>143,650</u>	<u>711,993</u>	<u>5,170,444</u>
-	-	521,526	1,641,123
-	-	253,645	1,879,454
547,607	-	-	941,948
-	-	-	795,799
323,641	-	279,295	970,103
-	-	47,134	47,134
-	-	5,246	5,246
<u>871,248</u>	<u>-</u>	<u>1,106,846</u>	<u>6,280,807</u>
<u>(533,698)</u>	<u>143,650</u>	<u>(394,853)</u>	<u>(1,110,363)</u>
-	-	7,950	7,950
-	-	7,950	7,950
(533,698)	143,650	(386,903)	(1,102,413)
<u>(750,730)</u>	<u>1,287,175</u>	<u>(1,036,031)</u>	<u>612,078</u>
<u>\$ (1,284,428)</u>	<u>\$ 1,430,825</u>	<u>\$ (1,422,934)</u>	<u>\$ (490,335)</u>

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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, 2010

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

Net change in fund balances - total governmental funds	\$	(1,102,413)
--	----	-------------

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		970,103
Depreciation expense		(574,390)
Transfer of capital assets		71,947

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

Increase in deferred revenue related to property taxes receivable		96
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Expenses in the Statement of Activities that do not require current financial
resources are not reported as expenditures in the funds:

Increase in accrued compensated absences		(6,831)
--	--	---------

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:

Principal payments on loans and capital leases payable		47,134
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Change in net assets of governmental activities	\$	(594,354)
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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, 2010

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property taxes	\$ 190,000	\$ 190,000	\$ 240,102	\$ 50,102
Gross receipts	3,500,000	3,500,000	3,414,565	(85,435)
Gas and motor vehicle	67,000	67,000	74,348	7,348
Other	107,000	107,000	126,964	19,964
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	141,000	141,000	254,331	113,331
State capital grants	-	-	-	-
Charges for services	45,300	45,300	58,670	13,370
Licenses and fees	41,450	41,450	6,084	(35,366)
Fines and forfeitures	35,200	35,200	23,699	(11,501)
Interest income	10,000	10,000	779	(9,221)
Miscellaneous	607,000	607,000	432,213	(174,787)
<i>Total revenues</i>	<u>4,743,950</u>	<u>4,743,950</u>	<u>4,631,755</u>	<u>(112,195)</u>
<i>Expenditures</i>				
Current				
General government	898,941	931,293	1,201,999	(270,706)
Public safety	1,262,605	1,262,605	1,388,031	(125,426)
Public works	442,072	517,287	388,760	128,527
Culture and recreation	472,946	472,946	412,156	60,790
Capital outlay	208,000	428,000	87,190	340,810
Debt service	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>3,284,564</u>	<u>3,612,131</u>	<u>3,478,136</u>	<u>133,995</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>1,459,386</u>	<u>1,131,819</u>	<u>1,153,619</u>	<u>21,800</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	(1,459,386)	(3,266,111)	-	3,266,111
Transfers in	-	2,134,292	-	(2,134,292)
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(1,459,386)</u>	<u>(1,131,819)</u>	<u>-</u>	<u>1,131,819</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>1,153,619</u>	<u>1,153,619</u>
<i>Fund balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>2,521,271</u>	<u>2,521,271</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,674,890</u>	<u>\$ 3,674,890</u>
Net change in fund balances (budget basis)			\$ 1,153,619	
Adjustments to revenues for property taxes and state operating grants			(728,960)	
Adjustments to expenditures for salaries, capital outlay and operating expenses			(101,091)	
Net change in fund balances (GAAP Basis)			<u>\$ 323,568</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, 2010

	Budgeted Amounts		Actual	Variations
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	130,000	130,000	22,767	(107,233)
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Interest income	2,000	2,000	228	(1,772)
Miscellaneous	50,500	50,500	15,278	(35,222)
<i>Total revenues</i>	<u>182,500</u>	<u>182,500</u>	<u>38,273</u>	<u>(144,227)</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	217,000	348,100	177,674	170,426
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	155,000	261,659	118,745	142,914
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>372,000</u>	<u>609,759</u>	<u>296,419</u>	<u>313,340</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(189,500)</u>	<u>(427,259)</u>	<u>(258,146)</u>	<u>169,113</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	189,500	427,259	-	(427,259)
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>189,500</u>	<u>427,259</u>	<u>-</u>	<u>(427,259)</u>
<i>Net change in fund balances</i>	<u>-</u>	<u>-</u>	<u>(258,146)</u>	<u>(258,146)</u>
<i>Fund balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>(1,188,221)</u>	<u>(1,188,221)</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,446,367)</u>	<u>\$ (1,446,367)</u>
Net change in fund balances (budget basis)			\$ (258,146)	
Adjustment to revenues for accrued interest receivable			21	
Adjustments to expenditures for salaries and operating expenses			4,025	
Net change in fund balances (GAAP Basis)			<u>\$ (254,100)</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, 2010

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	5,000	5,000	3,153	(1,847)
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	13,000	13,000	7,629	(5,371)
Licenses and fees	-	-	-	-
Interest income	1,000	1,000	137	(863)
Miscellaneous	15,900	15,900	25,000	9,100
<i>Total revenues</i>	<u>34,900</u>	<u>34,900</u>	<u>35,919</u>	<u>1,019</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	364,643	666,643	402,752	263,891
Capital outlay	10,000	85,000	26,287	58,713
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>374,643</u>	<u>751,643</u>	<u>429,039</u>	<u>322,604</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(339,743)</u>	<u>(716,743)</u>	<u>(393,120)</u>	<u>323,623</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	339,743	716,743	-	(716,743)
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>339,743</u>	<u>716,743</u>	<u>-</u>	<u>(716,743)</u>
<i>Net change in fund balances</i>	<u>-</u>	<u>-</u>	<u>(393,120)</u>	<u>(393,120)</u>
<i>Fund balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>(977,893)</u>	<u>(977,893)</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,371,013)</u>	<u>\$ (1,371,013)</u>
Net change in fund balances (budget basis)			\$ (393,120)	
Adjustment to revenues for accrued interest receivable			243	
Adjustments to expenditures for salaries and operating expenses			(2,053)	
Net change in fund balances (GAAP Basis)			<u>\$ (394,930)</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, 2010

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	743,823	743,823
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Interest income	-	-	-	-
Miscellaneous	-	-	50	50
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>743,873</u>	<u>743,873</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	243,566	954,927	(711,361)
Culture and recreation	-	-	-	-
Capital outlay	-	14,119	54,955	(40,836)
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>257,685</u>	<u>1,009,882</u>	<u>(752,197)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>(257,685)</u>	<u>(266,009)</u>	<u>(8,324)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	257,685	-	(257,685)
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>257,685</u>	<u>-</u>	<u>(257,685)</u>
<i>Net change in fund balances</i>	<u>-</u>	<u>-</u>	<u>(266,009)</u>	<u>(266,009)</u>
<i>Fund balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>(749,736)</u>	<u>(749,736)</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,015,745)</u>	<u>\$ (1,015,745)</u>
Net change in fund balances (budget basis)			\$ (266,009)	
Adjustment to revenue for accounts receivable			(406,323)	
Adjustment to expenditures for accounts payable			138,634	
Net change in fund balances (GAAP Basis)			<u>\$ (533,698)</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, 2010

	Enterprise Funds	
	Water	Sewer
<i>Assets</i>		
<i>Current assets</i>		
Cash and cash equivalents	\$ 892,484	\$ 357,331
Investments	537,000	576,000
Accounts receivable		
Other	134,901	32,915
Inventory	113,311	-
Interfund receivable	3,029,743	778,590
<i>Total current assets</i>	4,707,439	1,744,836
<i>Noncurrent assets</i>		
Capital assets	12,560,287	3,479,576
Less: accumulated depreciation	(6,280,040)	(1,726,746)
<i>Total noncurrent assets</i>	6,280,247	1,752,830
<i>Total assets</i>	\$ 10,987,686	\$ 3,497,666
<i>Liabilities and net assets</i>		
<i>Liabilities</i>		
<i>Current liabilities</i>		
Accounts payable	\$ 54,815	\$ 11,113
Meter deposits payable	69,597	-
Accrued payroll	3,246	479
Interfund payable	22,301	872,775
Current portion of long-term debt	48,792	-
<i>Total current liabilities</i>	198,751	884,367
<i>Noncurrent liabilities</i>		
Accrued compensated absences	11,893	1,019
Loans and capital leases payable	949,060	-
<i>Total noncurrent liabilities</i>	960,953	1,019
<i>Total liabilities</i>	1,159,704	885,386
<i>Net assets</i>		
Invested in capital assets, net of related debt	5,282,395	1,752,830
Unrestricted	4,545,587	859,450
<i>Total net assets</i>	9,827,982	2,612,280
<i>Total liabilities and net assets</i>	\$ 10,987,686	\$ 3,497,666

The accompanying notes are an integral part of these financial statements

Enterprise Funds			
Solid Waste	Golf	Ambulance	Total
\$ 6,851	\$ -	\$ -	\$ 1,256,666
20,000	-	-	1,133,000
39,637	-	-	207,453
-	29,315	-	142,626
6,009	-	-	3,814,342
<u>72,497</u>	<u>29,315</u>	<u>-</u>	<u>6,554,087</u>
-	563,424	-	16,603,287
-	(314,082)	-	(8,320,868)
-	249,342	-	8,282,419
<u>\$ 72,497</u>	<u>\$ 278,657</u>	<u>\$ -</u>	<u>\$ 14,836,506</u>
\$ -	\$ 9,827	\$ -	\$ 75,755
-	-	-	69,597
-	1,921	-	5,646
382,362	1,186,451	-	2,463,889
-	-	-	48,792
<u>382,362</u>	<u>1,198,199</u>	<u>-</u>	<u>2,663,679</u>
-	3,960	-	16,872
-	-	-	949,060
-	3,960	-	965,932
<u>382,362</u>	<u>1,202,159</u>	<u>-</u>	<u>3,629,611</u>
-	249,342	-	7,284,567
(309,865)	(1,172,844)	-	3,922,328
<u>(309,865)</u>	<u>(923,502)</u>	<u>-</u>	<u>11,206,895</u>
<u>\$ 72,497</u>	<u>\$ 278,657</u>	<u>\$ -</u>	<u>\$ 14,836,506</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, 2010

	Enterprise Funds	
	Water	Sewer
<i>Operating revenues:</i>		
Charges for services	\$ 1,547,715	\$ 388,520
<i>Total operating revenues</i>	1,547,715	388,520
<i>Operating expenses:</i>		
Culture and recreation	-	-
Personnel services	411,995	61,193
Supplies	323,379	206,850
Depreciation	302,732	30,330
Capital Outlay	-	(91,049)
<i>Total operating expenses</i>	1,038,106	207,324
<i>Operating income (loss)</i>	509,609	181,196
<i>Non-operating revenues (expenses):</i>		
Interest expense	-	-
Interest income	638	386
State capital grant	67,228	802,055
Federal grant	-	-
Loss on disposal of assets	-	-
Miscellaneous income	-	-
<i>Total non-operating revenues (expenses)</i>	67,866	802,441
<i>Income (loss) before transfers</i>	577,475	983,637
Transfers (out)	(27,262)	-
<i>Change in net assets</i>	550,213	983,637
<i>Net assets, beginning of year</i>	9,277,769	1,628,643
<i>Net assets, end of year</i>	\$ 9,827,982	\$ 2,612,280

The accompanying notes are an integral part of these financial statements

Enterprise Funds			
Solid Waste	Golf	Ambulance	Total
\$ 376,552	\$ 198,370	\$ -	\$ 2,511,157
<u>376,552</u>	<u>198,370</u>	<u>-</u>	<u>2,511,157</u>
-	17,430	-	17,430
-	231,306	-	704,494
332,077	147,952	-	1,010,258
-	28,914	-	361,976
<u>-</u>	<u>-</u>	<u>-</u>	<u>(91,049)</u>
<u>332,077</u>	<u>425,602</u>	<u>-</u>	<u>2,003,109</u>
<u>44,475</u>	<u>(227,232)</u>	<u>-</u>	<u>508,048</u>
-	-	-	-
55	-	-	1,079
-	-	-	869,283
-	-	-	-
-	(10,920)	-	(10,920)
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>55</u>	<u>(10,920)</u>	<u>-</u>	<u>859,442</u>
44,530	(238,152)	-	1,367,490
<u>-</u>	<u>-</u>	<u>(52,635)</u>	<u>(79,897)</u>
44,530	(238,152)	(52,635)	1,287,593
<u>(354,395)</u>	<u>(685,350)</u>	<u>52,635</u>	<u>9,919,302</u>
<u>\$ (309,865)</u>	<u>\$ (923,502)</u>	<u>\$ -</u>	<u>\$ 11,206,895</u>

STATE OF NEW MEXICO
City of Eunice
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2010

	Enterprise Funds	
	Water	Sewer
<i>Cash flows from operating activities:</i>		
Cash received from user charges	\$ 2,324,505	\$ 431,326
Cash payments to employees for services	(418,586)	(61,928)
Cash payments to suppliers for goods and services	(310,850)	(204,486)
Internal activity	(700,541)	(112,979)
<i>Net cash provided (used) by operating activities</i>	<u>894,528</u>	<u>51,933</u>
<i>Cash flows from noncapital financing activities:</i>		
Capital and operating grants	67,228	802,055
Interest paid	-	-
Proceeds from loan	997,852	-
Change in noncurrent accrued compensated absences	9,282	717
Transfers	(27,262)	-
<i>Net cash provided (used) by noncapital financing activities</i>	<u>1,047,100</u>	<u>802,772</u>
<i>Cash flows from capital and related financing activities:</i>		
Acquisition of capital assets	(1,263,514)	(677,564)
Principal payments on capital debt	-	-
<i>Net cash provided (used) by capital and related financing activities</i>	<u>(1,263,514)</u>	<u>(677,564)</u>
<i>Cash flows from investing activities:</i>		
Interest on investments	638	386
<i>Net cash provided (used) by investing activities</i>	<u>638</u>	<u>386</u>
<i>Net increase (decrease) in cash and cash equivalents</i>	678,752	177,527
<i>Cash and cash equivalents - beginning of year</i>	<u>213,732</u>	<u>179,804</u>
<i>Cash and cash equivalents - end of year</i>	<u>\$ 892,484</u>	<u>\$ 357,331</u>
<i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</i>		
Operating income (loss)	\$ 509,609	\$ 181,196
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	302,732	30,330
Changes in assets and liabilities		
Receivables	768,859	42,806
Interfund receivables/payables	(700,541)	(112,979)
Inventory	(2,250)	-
Accounts payable	14,779	(88,685)
Accrued payroll expenses	1,242	171
Current accrued compensated absences	(7,833)	(906)
Meter deposits	7,931	-
<i>Net cash provided (used) by operating activities</i>	<u>\$ 894,528</u>	<u>\$ 51,933</u>

The accompanying notes are an integral part of these financial statements

Enterprise Funds			
Solid Waste	Golf	Ambulance	Total
\$ 370,558	\$ 198,370	\$ -	\$ 3,324,759
-	(234,224)	-	(714,738)
(363,711)	(159,748)	(1,627)	(1,040,422)
(51)	325,463	(54,094)	(542,202)
<u>6,796</u>	<u>129,861</u>	<u>(55,721)</u>	<u>1,027,397</u>
-	-	-	869,283
55	-	-	55
-	-	-	997,852
-	2,987	-	12,986
-	-	(52,635)	(79,897)
<u>55</u>	<u>2,987</u>	<u>(52,635)</u>	<u>1,800,279</u>
-	(132,848)	218,410	(1,855,516)
-	-	(146,465)	(146,465)
-	(132,848)	71,945	(2,001,981)
-	-	-	1,024
-	-	-	1,024
6,851	-	(36,411)	826,719
-	-	36,411	429,947
<u>\$ 6,851</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,256,666</u>
\$ 44,475	\$ (227,232)	\$ -	\$ 508,048
-	28,914	-	361,976
(5,994)	-	-	805,671
(51)	325,463	(54,094)	(542,202)
-	(1,314)	-	(3,564)
(31,634)	6,307	(1,627)	(100,860)
-	641	-	2,054
-	(2,918)	-	(11,657)
-	-	-	7,931
<u>\$ 6,796</u>	<u>\$ 129,861</u>	<u>\$ (55,721)</u>	<u>\$ 1,027,397</u>

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STATE OF NEW MEXICO
City of Eunice
Statement of Fiduciary Assets and Liabilities - Agency Funds
June 30, 2010

Exhibit E-1

Assets

Cash and cash equivalents	<u>\$ 15,924</u>
Total assets	<u><u>\$ 15,924</u></u>

Liabilities

Deposits held and due to others	<u>\$ 15,924</u>
Total liabilities	<u><u>\$ 15,924</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, 2010

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, 2010

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, 2010

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 authority for the creation of this fund was given by 59A-53-1 NMSA 1978

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 *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. This fund was created by, and is utilized at the discretion of, the City Council.

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 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, 2010

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, 2010

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, 2010

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, 2010

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, 2010

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, 2010 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	\$ 1,459,386	\$ 1,131,819
Fire Special Revenue Fund	(189,500)	(427,259)
Recreation Special Revenue Fund	(339,743)	(716,743)
Municipal Infrastructure Capital Projects Fund	144,000	144,000
Streets Special Revenue Fund	-	(257,685)
Other Governmental Funds	(252,612)	(527,094)
Operating income (loss)		
Water	\$ 703,366	\$ (3,514,161)
Sewer	4,123,427	4,123,427
Solid Waste	(65,000)	(65,000)
Golf	(315,973)	(383,976)
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, 2010.

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, 2010.

STATE OF NEW MEXICO
City of Eunice
Notes to Financial Statements
June 30, 2010

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, 2010, the City’s deposits totaled \$1,856,531 of which \$1,606,531 was exposed to custodial credit risk as follows:

	<u>Wells Fargo Bank</u>	<u>NMFA Reserve Account</u>	<u>Total</u>
Demand accounts	\$ 1,856,531	\$ 40,866	\$ 1,897,397
Certificates of deposit	-	-	
Total amounts of deposits	<u>1,856,531</u>	<u>40,866</u>	<u>1,897,397</u>
FDIC Coverage (See A-04)	<u>(250,000)</u>	<u>(40,866)</u>	<u>(290,866)</u>
 Total uninsured public funds	 <u><u>1,606,531</u></u>	 <u><u>-</u></u>	 <u><u>1,606,531</u></u>
 Collateral requirement			
(50% of uninsured funds)	803,266	-	803,266
(102% of repurchase agreements)	-	-	-
Pledged Collateral	<u>1,907,276</u>	<u>-</u>	<u>1,907,276</u>
 Over (Under) collateralized	 <u><u>\$ 1,104,010</u></u>	 <u><u>\$ -</u></u>	 <u><u>\$ 1,104,010</u></u>

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

Custodial Credit Risk – Investments

For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City does not have an investment policy for custodial credit risk. New Mexico State Statutes require collateral pledged to be delivered for securities underlying an overnight repurchase agreement, or a joint safekeeping receipt be issued to the City for at least one hundred two percent of the fair value of the securities underlying overnight repurchase accounts invested with the institution. At June 30, 2010, 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, 2010

NOTE 3. Deposits and Investments (continued)

Custodial Credit Risk – Investments (continued)

	NMFA Reserve Account	New MexiGROW LGIP	Total
Investment in US Government securities	\$ 40,866	\$ -	\$ 40,866
Investment in the State Treasurer's Local Investment Pool	-	1,694,000	1,694,000
Total investments subject to custodial credit risk	\$ 40,866	\$ 1,694,000	\$ 1,734,866

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, 2010, as described below.

The State Treasurer’s Office (STO) communicated to LGIP participants on January 9, 2010, 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, 2010 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 2010, 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, 2010, 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, 2010

NOTE 3. Deposits and Investments (continued)

Interest Rate Risk

The City's investments at June 30, 2010 include the following:

<u>Investments</u>	<u>Weighted Average Maturities</u>	<u>Fair Value</u>	<u>Rating</u>
State Treasurer Local			
New MexiGROWLGIP	34 days	\$ 1,686,699	AAAm
Reserve Contingency Fund	Does not earn interest	7,301	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:

	<u>Primary Government</u>	<u>Component Unit</u>
Carrying amount		
Deposits	\$ 1,522,145	\$ 82,343
Investments	1,694,000	-
	<u>\$ 3,216,145</u>	<u>\$ 82,343</u>
Included in the following captions		
Cash and cash equivalents	\$ 1,506,221	\$ 79,718
Restricted cash	-	2,625
Investments	1,694,000	-
Fiduciary funds cash	15,924	-
	<u>\$ 3,216,145</u>	<u>\$ 82,343</u>

STATE OF NEW MEXICO
City of Eunice
Notes to Financial Statements
June 30, 2010

NOTE 4. Receivables and payables

Receivables as of June 30, 2010 are as follows:

Governmental activities:

	<u>General Fund</u>	<u>Fire Fund</u>	<u>Recreation Fund</u>
Receivables:			
Taxes	\$ 242,579	\$ -	\$ 231
Intergovernmental	29,658	-	-
Other	8,069	21	12
Net receivables	<u>\$ 280,306</u>	<u>\$ 21</u>	<u>\$ 243</u>
		<u>Municipal Infrastructure Fund</u>	<u>Other Governmental Funds</u>
Receivables:			
Taxes	\$ -	\$ 9,909	\$ 4,866
Intergovernmental	-	-	100,992
Other	-	24	66,862
Net receivables	<u>\$ -</u>	<u>\$ 9,933</u>	<u>\$ 172,720</u>
	<u>Streets Fund</u>		
Receivables:			
Taxes	\$ -	\$ 9,909	\$ 4,866
Intergovernmental	-	-	100,992
Other	-	24	66,862
Net receivables	<u>\$ -</u>	<u>\$ 9,933</u>	<u>\$ 172,720</u>
	<u>Total</u>		
Receivables:			
Taxes	\$ 257,585		
Intergovernmental	130,650		
Other	74,988		
Net receivables	<u>\$ 463,223</u>		

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

Business-type activities:

	<u>Water</u>	<u>Sewer</u>	<u>Solid Waste</u>
Receivables:			
Taxes	\$ -	\$ -	\$ -
Accounts	160,976	32,884	39,633
Other	51	31	4
Allowance for bad debts	(26,126)	-	-
Net receivables	<u>\$ 134,901</u>	<u>\$ 32,915</u>	<u>\$ 39,637</u>
	<u>Golf</u>	<u>Ambulance</u>	<u>Total</u>
Taxes	\$ -	\$ -	\$ -
Accounts	-	-	233,493
Other	-	-	86
Allowance for bad debts	-	-	(26,126)
Net receivables	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 207,453</u>

STATE OF NEW MEXICO
City of Eunice
Notes to Financial Statements
June 30, 2010

NOTE 4. Receivables and payables (continued)

The Component unit accounts receivable were:

Component unit:

Receivables:

Taxes	\$	-
Accounts		-
Other		-
Net receivables	\$	-

Accounts payable as of June 30, 2010, are as follows:

	Governmental activities	Business-type activities	Component unit
Payable to suppliers	\$ 417,575	\$ 75,755	\$ 1,724
Payable to and on behalf of employees	25,703	5,646	5,181
	\$ 443,278	\$ 81,401	\$ 6,905

STATE OF NEW MEXICO
City of Eunice
Notes to Financial Statements
June 30, 2010

NOTE 5. Interfund Receivables, Payables, and Transfers

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

<u>Interfund receivable</u>	<u>Interfund payable</u>	<u>Amount</u>
General Fund	Fire Fund Special Revenue Fund	\$ 1,546,367
General Fund	Recreation Special Revenue Fund	1,401,013
General Fund	Nonmajor Governmental Funds	1,584,433
General Fund	Streets Special Revenue Fund	1,018,536
General Fund	Water Proprietary Fund	22,301
General Fund	Sewer Proprietary Fund	537,618
General Fund	Golf Proprietary Fund	325,463
Municipal Infrastructure Special Revenue Fund	Golf Proprietary Fund	724,344
Municipal Infrastructure Special Revenue Fund	Nonmajor Governmental Funds	213,410
Nonmajor Governmental Funds	Golf Proprietary Fund	136,644
Water Proprietary Fund	Sewer Proprietary Fund	330,072
Water Proprietary Fund	General Fund	2,317,309
Water Proprietary Fund	Solid Waste Fund	382,362
Sewer Proprietary Fund	General Fund	778,590
Solid Waste Proprietary Fund	Sewer Proprietary Fund	5,085
Solid Waste Proprietary Fund	General Fund	924
		<u>924</u>
Total		<u>\$ 11,324,471</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:

<u>Transfer From</u>	<u>Amount</u>	<u>Transfer To</u>	<u>Amount</u>
Ambulance Proprietary Fund	\$ 52,635	Nonmajor Governmental Funds	\$ (19,312)
Water Proprietary Fund	<u>27,262</u>	Nonmajor Governmental Funds	<u>27,262</u>
	<u>\$ 79,897</u>		<u>\$ 7,950</u>

In the Combining Statement of Revenues, Expenditures, and Changes in Fund Balances operating transfers do not balance by \$71,947 for the year ended June 30, 2010. The City recorded operating transfers of capital assets and long-term debt from the Ambulance Proprietary Fund to the Emergency Medical Services Special Revenue Fund, as a result of this transfer the Ambulance Proprietary Fund records the transfer of capital assets and debt on the modified accrual basis while the Emergency Medical Services Special Revenue Fund records the transfer of capital assets and debt on the full accrual basis of accounting. Transfers balance on the government-wide Statement of Activities for the year ended June 30, 2010.

STATE OF NEW MEXICO

City of Eunice

Notes to Financial Statements

June 30, 2010

NOTE 6. Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2010, follows. Land and Construction in Progress are not subject to depreciation.

Capital Assets used in Governmental Activities:	Balance 6/30/2009	Transfers / Adjustments	Additions	Deletions	Balance 6/30/2010
Capital assets not depreciated:					
Land	\$ 383,762	\$ -	\$ -	\$ -	\$ 383,762
Construction in progress	358,294	(197,344)	537,478	-	698,428
	<u>742,056</u>	<u>(197,344)</u>	<u>537,478</u>	<u>-</u>	<u>1,082,190</u>
Capital assets being depreciated:					
Buildings & improvements	7,343,630	197,344	119,585	-	7,660,559
Equipment	1,010,268	83,407	103,354	1,550	1,195,479
Vehicles	1,732,263	303,679	197,089	53,753	2,179,278
Roads	1,801,740	-	-	-	1,801,740
Library Collections	440,046	-	12,597	-	452,643
	<u>12,327,947</u>	<u>584,430</u>	<u>432,625</u>	<u>55,303</u>	<u>13,289,699</u>
Total capital assets	<u>13,070,003</u>	<u>387,086</u>	<u>970,103</u>	<u>55,303</u>	<u>14,371,889</u>
Less accumulated depreciation					
Land Improvements	-	-	5,916	-	5,916
Building & improvements	1,613,892	-	243,209	-	1,857,101
Equipment	643,099	17,024	99,927	1,550	758,500
Vehicles	849,797	151,650	201,487	53,753	1,149,181
Roads	1,441,107	-	18,032	-	1,459,139
Library Collections	545,980	-	5,819	-	551,799
Total accumulated depreciation	<u>5,093,875</u>	<u>168,674</u>	<u>574,390</u>	<u>55,303</u>	<u>5,781,636</u>
Net capital assets	<u>\$ 7,976,128</u>	<u>\$ 218,412</u>	<u>\$ 395,713</u>	<u>\$ -</u>	<u>\$ 8,590,253</u>
Capital Assets used in Business-type Activities:	Balance 6/30/2009	Transfers / Adjustments	Additions	Deletions	Balance 6/30/2010
Capital assets not depreciated:					
Land	\$ 45,043	\$ -	\$ 67,483	\$ -	\$ 112,526
Construction in progress	636,578	-	1,935,656	-	2,572,234
Total not depreciated	<u>681,621</u>	<u>-</u>	<u>2,003,139</u>	<u>-</u>	<u>2,684,760</u>
Capital assets being depreciated:					
Buildings & improvements	1,870,924	-	50,000	-	1,920,924
Equipment	748,758	(83,407)	20,789	38,220	647,920
Vehicles	303,679	(303,679)	-	-	-
Utility Systems	11,349,683	-	-	-	11,349,683
	<u>14,273,044</u>	<u>(387,086)</u>	<u>70,789</u>	<u>38,220</u>	<u>13,918,527</u>
Total capital assets	<u>14,954,665</u>	<u>(387,086)</u>	<u>2,073,928</u>	<u>38,220</u>	<u>16,603,287</u>
Less accumulated depreciation					
Land improvements	-	-	1,940	-	1,940
Building & improvements	1,832,763	-	3,591	-	1,836,354
Equipment	400,478	(17,024)	73,103	27,300	429,257
Vehicles	151,650	(151,650)	-	-	-
Utility Systems	5,769,975	-	283,342	-	6,053,317
	<u>8,154,866</u>	<u>(168,674)</u>	<u>361,976</u>	<u>27,300</u>	<u>8,320,868</u>
Net capital assets	<u>\$ 6,799,799</u>	<u>\$ (218,412)</u>	<u>\$ 1,711,952</u>	<u>\$ 10,920</u>	<u>\$ 8,282,419</u>

STATE OF NEW MEXICO
City of Eunice
Notes to Financial Statements
June 30, 2010

NOTE 6. Capital Assets (continued)

Depreciation expense for the year ended June 30, 2010 was charged to the following functions and funds:

Government activities:		
General government	\$	108,824
Public safety		248,053
Public works		31,873
Culture and recreation		185,640
Total governmental activities	\$	<u>574,390</u>
Business-type activities:		
Water fund	\$	302,732
Sewer fund		30,330
Golf fund		28,914
Ambulance fund		-
Total business-type activities	\$	<u>361,976</u>

Capital Assets used in Component Unit:	Balance 6/30/2009	Transfers / Adjustments	Additions	Deletions	Balance 6/30/2010
Capital assets not depreciated:					
Land	\$ 20,392	\$ -	\$ -	\$ -	\$ 20,392
CPF funds	21,670	-	-	-	21,670
	<u>42,062</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>42,062</u>
Capital assets being depreciated:					
Buildings & improvements	567,389	-	-	-	567,389
Equipment	56,349	-	-	-	56,349
Vehicles	17,390	-	-	-	17,390
	<u>641,128</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>641,128</u>
Total capital assets	<u>683,190</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>683,190</u>
Less accumulated depreciation					
Building & improvements	494,876	-	10,854	-	505,730
Equipment	49,448	-	-	-	49,448
Vehicles	10,434	-	3,478	-	13,912
Roads	-	-	-	-	-
CFP Funds	-	-	2,425	-	2,425
Total accumulated depreciation	<u>554,758</u>	<u>-</u>	<u>16,757</u>	<u>-</u>	<u>571,515</u>
Net capital assets	<u>\$ 128,432</u>	<u>\$ -</u>	<u>\$ (16,757)</u>	<u>\$ -</u>	<u>\$ 111,675</u>

STATE OF NEW MEXICO
City of Eunice
Notes to Financial Statements
June 30, 2010

NOTE 7. Long-term Debt

The capital leases as of June 30, 2010 are comprised of the following:

	<u>Governmental Activities</u>
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>\$ 99,331</u> 99,331
Less current portion	<u>(48,792)</u>
	<u>\$ 50,539</u>

The annual requirements to amortize the capital leases outstanding as of June 30, 2010, including interest payments are as follows:

Governmental Activities:

<u>Fiscal Year Ending June 30, 2010</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 48,792	\$ 3,343	\$ 52,135
2012	<u>50,539</u>	<u>1,723</u>	<u>52,262</u>
Total	<u>\$ 99,331</u>	<u>\$ 5,066</u>	<u>\$ 104,397</u>

Business-type Activities:

<u>Fiscal Year Ending June 30, 2010</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ -	\$ -	\$ -
2012	-	-	-
Total	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

STATE OF NEW MEXICO
City of Eunice
Notes to Financial Statements
June 30, 2010

NOTE 7. Long-term Debt (continued)

Change in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2010, was as follows:

Governmental Activities:

	Balance June 30, 2009	Additions	Reductions	Balance June 30, 2010	Due Within One Year
NMFA - Ambulance	\$ 146,465	\$ -	\$ 47,134	\$ 99,331	\$ 48,792
Compensated Absences	45,426	62,334	55,503	52,257	52,257
Long-term liabilities	<u>\$ 191,891</u>	<u>\$ 62,334</u>	<u>\$ 102,637</u>	<u>\$ 151,588</u>	<u>\$ 101,049</u>

Business-Type Activities:

	Balance June 30, 2009	Additions	Reductions	Balance June 30, 2010	Due Within One Year
NMFA – Water Lines	\$ -	\$ 997,852	\$ -	\$ 997,852	\$ -
Compensated Absences	15,543	20,113	18,784	16,872	-
Long-term liabilities	<u>\$ 15,543</u>	<u>\$ 1,017,965</u>	<u>\$ 18,784</u>	<u>\$ 1,014,724</u>	<u>\$ -</u>

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

Component Unit:

	Balance June 30, 2009	Additions	Reductions	Balance June 30, 2010	Due Within One Year
Compensated Absences	\$ 1,912	\$ 2,400	\$ 728	\$ 3,584	\$ 728
Long-term liabilities	<u>\$ 1,912</u>	<u>\$ 2,400</u>	<u>\$ 728</u>	<u>\$ 3,584</u>	<u>\$ 728</u>

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

STATE OF NEW MEXICO
City of Eunice
Notes to Financial Statements
June 30, 2010

NOTE 8. Risk Management

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

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

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

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

NOTE 9. PERA Pension Plan

Plan Description

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

Funding Policy

Plan members (other than police and fire) are required to contribute 9.15% of their gross salary. Law enforcement and fire plan members are required to contribute 18.5% and 21% of their gross salary, respectively. The City of Eunice is required to contribute 7% for law enforcement, 8% for fire, and 9.15% for all other plan members. The contribution requirements of plan members and the City of Eunice are established under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by act of the legislature. The City of Eunice's contributions to PERA for the fiscal years ending June 30, 2010, 2009 and 2008 were \$232,237, \$211,692, and \$168,727, respectively, which equal the amount of the required contributions for each fiscal year.

NOTE 10. Retiree Health Care Act Contributions

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

STATE OF NEW MEXICO
City of Eunice
Notes to Financial Statements
June 30, 2010

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, 2010, 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	\$ (1,453,885)
Recreation Special Revenue Fund	(1,377,395)
Streets Special Revenue Fund	(1,284,428)
EMS Special Revenue Fund	(658,081)
State Fire Allotment Special Revenue Fund	(1,014)
Senior Center Special Revenue Fund	(771,278)
Swimming Pool Special Revenue Fund	(5,683)
Government Gross Receipts Tax Special Revenue Fund	(115,497)
New Cemetery Project Special Revenue Fund	(109,569)
Solid Waste Enterprise Fund	(309,865)
Golf Enterprise Fund	<u>(923,502)</u>
 Total	 <u><u>\$ (7,010,197)</u></u>

B. Excess of expenditures over appropriations.

Streets Special Revenue Fund	\$ (752,197)
Emergency Medical Services Special Revenue Fund	(76,058)
State Fire Allotment Special Revenue Fund	(79,539)
Swimming Pool Special Revenue Fund	(4,292)
Government Gross Receipts Tax Special Revenue Fund	(50,755)
New Cemetery Project Capital Fund	(153,718)
Sewer Proprietary Fund	<u>(813,622)</u>
 Total	 <u><u>\$ (1,930,181)</u></u>

STATE OF NEW MEXICO
City of Eunice
Notes to Financial Statements
June 30, 2010

NOTE 13. Commitments

The City had no material commitments as of June 30, 2010.

NOTE 14. Related Party

The City of Eunice purchased services from JD's Wrecker Service in the amount of \$20,080. City council member JoAnn Davis and her spouse are owners of JD's Wrecker Service. The City purchased services from A & S Express in the amount of \$456. City Council member JoAnn Pender is an immediate family member with the owner. The City purchased services from Cactus Construction in the amount of \$3,030. City Council member Gaylord Overton is an immediate family member with the owner. The City purchased services from CW's Backhoe Services in the amount of \$1,054. City Council member CW Motes is the owner. The City purchased services from Tom Growney Equipment in the amount of \$44,051. The husband of Finance Officer Connie Whitmire is an employee there. The City also purchased services from Danny Lyle in the amount of \$1,000. Danny Lyle is the son-in-law of the Mayor.

SUPPLEMENTARY INFORMATION

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STATE OF NEW MEXICO
City of Eunice
Nonmajor Governmental Fund Descriptions
June 30, 2010

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.

State Fire Allotment – The objective of this fund is to account for the money used for the training of Firefighters, purchase of equipment for the Fire department, and for the maintenance of equipment and Fire Trucks.

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.

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.

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.

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

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.

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.

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, 2010

	Special Revenue			
	Emergency Medical Services	State Fire Allotment	Municipal Court Fees	Law Enforcement Protection
<i>Assets</i>				
Cash and cash equivalents	\$ -	\$ 6,005	\$ 7,323	\$ 9,066
Investments	-	-	82,000	-
Accounts receivable				
Taxes	-	-	-	-
Intergovernmental	-	-	-	-
Other receivables	61,984	-	32	-
Interfund receivable	-	-	105,119	13,011
<i>Total assets</i>	\$ 61,984	\$ 6,005	\$ 194,474	\$ 22,077
<i>Liabilities</i>				
Accounts payable	\$ 3,880	\$ 7,019	\$ 36	\$ -
Accrued payroll	-	-	-	-
Interfund payable	716,185	-	-	-
<i>Total liabilities</i>	720,065	7,019	36	-
<i>Fund balances</i>				
Unreserved				
Special revenue funds	(658,081)	(1,014)	194,438	22,077
Capital projects funds	-	-	-	-
<i>Total fund balances</i>	(658,081)	(1,014)	194,438	22,077
<i>Total liabilities and fund balances</i>	\$ 61,984	\$ 6,005	\$ 194,474	\$ 22,077

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

Special Revenue

Senior Center	Gun Range	Swimming Pool	Triangle Beautification Project	Government Gross Receipts Tax	Meals on Wheels
\$ -	\$ 3,230	\$ -	\$ -	\$ -	\$ -
30,000	-	-	-	25,000	-
-	-	-	-	4,866	-
-	-	-	-	-	-
4,843	-	-	-	3	-
-	2,839	-	7,031	-	3,644
<u>\$ 34,843</u>	<u>\$ 6,069</u>	<u>\$ -</u>	<u>\$ 7,031</u>	<u>\$ 29,869</u>	<u>\$ 3,644</u>
\$ 4,210	\$ 71	\$ -	\$ -	\$ 8,057	\$ -
1,837	-	1,516	-	-	-
800,074	-	4,167	-	137,309	-
<u>806,121</u>	<u>71</u>	<u>5,683</u>	<u>-</u>	<u>145,366</u>	<u>-</u>
(771,278)	5,998	(5,683)	7,031	(115,497)	3,644
-	-	-	-	-	-
<u>(771,278)</u>	<u>5,998</u>	<u>(5,683)</u>	<u>7,031</u>	<u>(115,497)</u>	<u>3,644</u>
<u>\$ 34,843</u>	<u>\$ 6,069</u>	<u>\$ -</u>	<u>\$ 7,031</u>	<u>\$ 29,869</u>	<u>\$ 3,644</u>

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STATE OF NEW MEXICO
City of Eunice
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2010

Statement A-1
(Page 2 of 2)

	Capital Projects		Total Nonmajor Governmental Funds
	Economic Development Grant	New Cemetery Project	
<i>Assets</i>			
Cash and cash equivalents	\$ -	\$ -	\$ 25,624
Investments	-	-	137,000
Accounts receivable			
Taxes	-	-	4,866
Intergovernmental	-	100,992	100,992
Other receivables	-	-	66,862
Interfund receivable	5,000	-	136,644
<i>Total assets</i>	\$ 5,000	\$ 100,992	\$ 471,988
<i>Liabilities</i>			
Accounts payable	\$ -	\$ 70,453	\$ 93,726
Accrued payroll	-	-	3,353
Interfund payable	-	140,108	1,797,843
<i>Total liabilities</i>	-	210,561	1,894,922
<i>Fund balances</i>			
Unreserved			
Special revenue funds	-	-	(1,318,365)
Capital projects funds	5,000	(109,569)	(104,569)
<i>Total fund balances</i>	5,000	(109,569)	(1,422,934)
<i>Total liabilities and fund balances</i>	\$ 5,000	\$ 100,992	\$ 471,988

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, 2010

	Special Revenue			
	Emergency Medical Services	State Fire Allotment	Municipal Court Fees	Law Enforcement Protection
<i>Revenues</i>				
Taxes				
Gross receipts	\$ 56,758	\$ -	\$ -	\$ -
Intergovernmental income				
Federal operating grants	-	-	-	-
State operating grants	49,333	81,526	-	-
State capital grants	-	-	-	-
Charges for services	63,863	-	9,301	-
Interest income	77	-	402	-
Miscellaneous	17,122	-	-	-
<i>Total revenues</i>	<u>187,153</u>	<u>81,526</u>	<u>9,703</u>	<u>-</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	175,498	61,229	2,384	14,534
Capital outlay	68,760	25,329	-	-
Debt service				
Principal	47,134	-	-	-
Interest	5,246	-	-	-
<i>Total expenditures</i>	<u>296,638</u>	<u>86,558</u>	<u>2,384</u>	<u>14,534</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(109,485)</u>	<u>(5,032)</u>	<u>7,319</u>	<u>(14,534)</u>
<i>Other financing sources (uses)</i>				
Transfers in	(23,330)	4,018	-	-
<i>Total other financing sources (uses)</i>	<u>(23,330)</u>	<u>4,018</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	(132,815)	(1,014)	7,319	(14,534)
<i>Fund balances - beginning of year</i>	<u>(525,266)</u>	<u>-</u>	<u>187,119</u>	<u>36,611</u>
<i>Fund balances - end of year</i>	<u>\$ (658,081)</u>	<u>\$ (1,014)</u>	<u>\$ 194,438</u>	<u>\$ 22,077</u>

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

Special Revenue

Senior Center	Gun Range	Swimming Pool	Triangle Beautification Project	Government Gross Receipts Tax	Meals on Wheels
\$ -	\$ -	\$ -	\$ -	\$ 71,895	\$ -
24,856	-	-	-	-	-
54,324	-	-	-	-	-
-	-	-	-	-	-
-	730	125	-	-	-
50	-	-	-	38	-
178,101	2,500	-	-	-	-
257,331	3,230	125	-	71,933	-
385,835	71	5,808	-	129,812	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
385,835	71	5,808	-	129,812	-
(128,504)	3,159	(5,683)	-	(57,879)	-
-	-	-	-	27,262	-
-	-	-	-	27,262	-
(128,504)	3,159	(5,683)	-	(30,617)	-
(642,774)	2,839	-	7,031	(84,880)	3,644
<u>\$ (771,278)</u>	<u>\$ 5,998</u>	<u>\$ (5,683)</u>	<u>\$ 7,031</u>	<u>\$ (115,497)</u>	<u>\$ 3,644</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, 2010

Statement A-2

(Page 2 of 2)

	Capital Projects		Total Nonmajor Governmental Funds
	Economic Development Grant	New Cemetery Project	
<i>Revenues</i>			
Taxes			
Gross receipts	\$ -	\$ -	\$ 128,653
Intergovernmental income			
Federal operating grants	-	-	24,856
State operating grants	-	-	185,183
State capital grants	-	100,992	100,992
Charges for services	-	-	74,019
Interest income	-	-	567
Miscellaneous	-	-	197,723
<i>Total revenues</i>	-	100,992	711,993
<i>Expenditures</i>			
Current			
General government	-	-	521,526
Public safety	-	-	253,645
Capital outlay	-	185,206	279,295
Debt service			
Principal	-	-	47,134
Interest	-	-	5,246
<i>Total expenditures</i>	-	185,206	1,106,846
<i>Excess (deficiency) of revenues over expenditures</i>	-	(84,214)	(394,853)
<i>Other financing sources (uses)</i>			
Transfers in	-	-	7,950
<i>Total other financing sources (uses)</i>	-	-	7,950
<i>Net change in fund balances</i>	-	(84,214)	(386,903)
<i>Fund balances - beginning of year</i>	5,000	(25,355)	(1,036,031)
<i>Fund balances - end of year</i>	\$ 5,000	\$ (109,569)	\$ (1,422,934)

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

STATE OF NEW MEXICO
City of Eunice Housing Authority Housing Authority
A Component Unit of the City of Eunice
Statement of Net Assets
June 30, 2010

ASSETS

Current assets:

Cash and temporary investments	\$	79,482
Inventory		1,373
Prepaid expenses		3,676
		84,531
<i>Total current assets</i>		84,531

Restricted assets:

Cash - tenant deposits		2,625
		2,625
<i>Total restricted assets</i>		2,625

Noncurrent Assets

<i>Capital assets</i>		
Land		20,392
Buildings and improvements		567,388
Machinery & Equipment		56,350
Vehicles		17,390
CFP Assets		21,670
Less: accumulated depreciation		(571,513)
		111,677

Total capital assets (net of accumulated depreciation)		111,677
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<i>Total assets</i>		\$ 198,833
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The accompanying notes are an integral part of these financial statements

LIABILITIES AND NET ASSETS*Current liabilities*

Accounts payable-suppliers	1,724
Accrued expenses	2,053
Compensated absences, current portion	728

<i>Total current liabilities</i>	<u>4,505</u>
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Non-current liabilities

Tenant deposits	2,625
Compensated absences, long-term portion	2,400

<i>Total non-current liabilities</i>	5,025
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<i>Total liabilities</i>	<u>9,530</u>
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Net assets:

Invested in capital assets, net of related debt	111,677
Restricted for tenant deposits	2,625
Unrestricted	75,001

<i>Total net assets</i>	<u>189,303</u>
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<i>Total liabilities and net assets</i>	<u><u>\$ 198,833</u></u>
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STATE OF NEW MEXICO
City of Eunice Housing Authority
A Component Unit of the City of Eunice
Statement of Revenues, Expenses and Changes in Net Assets
For the Year Ended June 30, 2010

Statement A-4

<i>Operating revenues:</i>	
Intergovernmental	\$ 41,187
Charges for services	43,031
Miscellaneous	<u>15,590</u>
<i>Total operating revenues</i>	<u>99,808</u>
 <i>Operating expenses:</i>	
Administration	32,146
Sundry administration	5,077
Utilities	5,922
Ordinary maintenace	40,116
Contract Costs	4,750
Insurance	11,097
Other general expense	9,213
Depreciation	<u>16,757</u>
<i>Total operating expenses</i>	<u>125,078</u>
<i>Operating income (loss)</i>	<u>(25,270)</u>
 <i>Non-operating revenues (expenses):</i>	
Intergovernmental	36,400
CFP costs	<u>(36,400)</u>
<i>Total non-operating revenues (expenses)</i>	<u>-</u>
<i>Change in net assets</i>	<u>(25,270)</u>
<i>Total net assets - beginning of year</i>	<u>214,573</u>
<i>Total net assets - end of year</i>	<u><u>\$ 189,303</u></u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Eunice Housing Authority
A Component Unit of the City of Eunice
Statement of Cash Flows
For the Year Ended June 30, 2010

<i>Cash flows from operating activities:</i>	
Receipts from customers, users and granters	\$ 117,857
Cash payments to suppliers for goods and services	(77,733)
Cash payments to employees for services	<u>(47,209)</u>
<i>Net cash provided (used) by operating activities</i>	<u>(7,085)</u>
 <i>Cash flows from capital and related financing activities:</i>	
Acquisitions and construction of capital assets	
CFP costs	36,400
Proceeds from capital grant program	<u>(36,400)</u>
<i>Net cash provided (used) by capital and related financing activities</i>	<u>-</u>
<i>Net increase (decrease) in cash and temporary investments</i>	(7,085)
<i>Cash and temporary investments - beginning of year</i>	<u>89,192</u>
<i>Cash and temporary investments - end of year</i>	<u><u>\$ 82,107</u></u>

The accompanying notes are an integral part of these financial statements

*Reconciliation of operating income (loss) to
net cash provided (used) by operating activities:*

Operating income (loss)	<u>\$ (25,270)</u>
Adjustments to reconcile operating (loss) to net cash provided (used) by operating activities:	
Depreciation expense	16,757
Increase(decrease) in:	
Accounts receivable - tenants	27
Accounts receivable - CFP	18,637
Accounts receivable - interest	11
Inventory	(51)
Prepaid expenses	541
Decrease(increase) in:	
Accounts payable	(2,048)
Accrued expenses	(16,278)
Prepaid expenses	(701)
Accrued compensated absences	1,215
Refundable tenant deposits	<u>75</u>
<i>Net cash provided (used) by operating activities</i>	<u><u>\$ (7,085)</u></u>

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, 2010

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	30,000	30,000	49,333	19,333
State capital grants	-	-	-	-
Charges for services	60,000	60,000	71,175	11,175
Licenses and fees	-	-	-	-
Interest income	-	-	77	77
Miscellaneous	15,000	15,000	17,122	2,122
<i>Total revenues</i>	<u>105,000</u>	<u>105,000</u>	<u>137,707</u>	<u>32,707</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	182,000	259,278	203,781	55,497
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	79,175	(79,175)
Debt service				
Principal	-	-	47,134	(47,134)
Interest	-	-	5,246	(5,246)
<i>Total expenditures</i>	<u>182,000</u>	<u>259,278</u>	<u>335,336</u>	<u>(76,058)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(77,000)</u>	<u>(154,278)</u>	<u>(197,629)</u>	<u>(43,351)</u>
<i>Other financing sources (uses)</i>				
Designated cash	77,000	77,000	-	(77,000)
Transfers in	-	77,278	-	(77,278)
Transfers out	-	-	(21,703)	(21,703)
<i>Total other financing sources (uses)</i>	<u>77,000</u>	<u>154,278</u>	<u>(21,703)</u>	<u>(175,981)</u>
<i>Net change in fund balances</i>	<u>-</u>	<u>-</u>	<u>(219,332)</u>	<u>(219,332)</u>
<i>Fund balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>(553,611)</u>	<u>(553,611)</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (772,943)</u>	<u>\$ (772,943)</u>
Net change in fund balance (budget basis)			\$ (219,332)	
Adjustments to revenues for ambulance services provided			26,116	
Adjustments to expenditures for capital outlay and operating expenses			60,401	
Net change in fund balance (GAAP Basis)			<u>\$ (132,815)</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-2

City of Eunice

State Fire Allotment 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, 2010

	Budgeted Amounts		Actual	Variations Favorable (Unfavorable)
	Original	Final	(Non-GAAP Budgetary Basis)	Final to Actual
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	81,526	81,526
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Interest income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>81,526</u>	<u>81,526</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	44,596	(44,596)
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	34,943	(34,943)
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>79,539</u>	<u>(79,539)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>1,987</u>	<u>1,987</u>
<i>Other financing sources (uses)</i>				
Designated cash	-	-	-	-
Transfers in	-	-	4,018	4,018
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>4,018</u>	<u>4,018</u>
<i>Net change in fund balances</i>	<u>-</u>	<u>-</u>	<u>6,005</u>	<u>6,005</u>
<i>Fund balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,005</u>	<u>\$ 6,005</u>
Net change in fund balance (budget basis)			\$ 6,005	
No adjustments to revenues			-	
Adjustments to expenditures for capital outlay			(7,019)	
Net change in fund balance (GAAP Basis)			<u>\$ (1,014)</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-3

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, 2010

	Budgeted Amounts		Actual	Variations
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	15,000	15,000	9,301	(5,699)
Licenses and fees	-	-	-	-
Interest income	3,000	3,000	370	(2,630)
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>18,000</u>	<u>18,000</u>	<u>9,671</u>	<u>(8,329)</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	18,000	18,000	2,348	15,652
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>18,000</u>	<u>18,000</u>	<u>2,348</u>	<u>15,652</u>
<i>Excess (deficiency) of revenues over expenditures</i>	-	-	<u>7,323</u>	<u>7,323</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	-	-	-	-
<i>Net change in fund balances</i>	-	-	<u>7,323</u>	<u>7,323</u>
<i>Fund balances - beginning of year</i>	-	-	<u>187,119</u>	<u>187,119</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 194,442</u>	<u>\$ 194,442</u>
Net change in fund balance (budget basis)			\$ 7,323	
Adjustments to revenues for investment income			32	
Adjustments to expenditures for operating expenses			(36)	
Net change in fund balance (GAAP Basis)			<u>\$ 7,319</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-4

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, 2010

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	23,000	23,000	23,600	600
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Interest income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>23,000</u>	<u>23,000</u>	<u>23,600</u>	<u>600</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	23,000	23,000	14,534	8,466
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>23,000</u>	<u>23,000</u>	<u>14,534</u>	<u>8,466</u>
<i>Excess (deficiency) of revenues over expenditures</i>	-	-	9,066	9,066
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	-	-	-	-
<i>Net change in fund balances</i>	-	-	9,066	9,066
<i>Fund balances - beginning of year</i>	-	-	13,011	13,011
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 22,077</u>	<u>\$ 22,077</u>
Net change in fund balance (budget basis)			\$ 9,066	
Adjustments to revenues for prior year state operating grants			(23,600)	
No adjustments to expenditures			-	
Net change in fund balance (GAAP Basis)			<u>\$ (14,534)</u>	

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, 2010

	Budgeted Amounts		Actual	Variations
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	29,424	29,424	23,028	(6,396)
Federal capital grants	-	-	-	-
State operating grants	75,000	75,000	71,082	(3,918)
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Interest income	700	700	46	(654)
Miscellaneous	42,485	42,485	178,101	135,616
<i>Total revenues</i>	<u>147,609</u>	<u>147,609</u>	<u>272,257</u>	<u>124,648</u>
<i>Expenditures</i>				
Current				
General government	323,221	480,187	424,017	56,170
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>323,221</u>	<u>480,187</u>	<u>424,017</u>	<u>56,170</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(175,612)</u>	<u>(332,578)</u>	<u>(151,760)</u>	<u>180,818</u>
<i>Other financing sources (uses)</i>				
Designated cash	175,612	175,612	-	(175,612)
Transfers in	-	156,966	-	(156,966)
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>175,612</u>	<u>332,578</u>	<u>-</u>	<u>(332,578)</u>
<i>Net change in fund balances</i>	<u>-</u>	<u>-</u>	<u>(151,760)</u>	<u>(151,760)</u>
<i>Fund balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>(618,314)</u>	<u>(618,314)</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (770,074)</u>	<u>\$ (770,074)</u>
Net change in fund balance (budget basis)			\$ (151,760)	
Adjustments to revenues for state and federal operating grants			(14,926)	
Adjustments to expenditures for payroll and operating expenses			38,182	
Net change in fund balance (GAAP Basis)			<u>\$ (128,504)</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-6

City of Eunice

Gun Range Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variations
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	1,500	1,500	730	(770)
Licenses and fees	-	-	-	-
Interest income	-	-	-	-
Miscellaneous	-	-	2,500	2,500
<i>Total revenues</i>	<u>1,500</u>	<u>1,500</u>	<u>3,230</u>	<u>1,730</u>
<i>Expenditures</i>				
Current				
General government	1,500	1,500	-	1,500
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>1,500</u>	<u>1,500</u>	<u>-</u>	<u>1,500</u>
<i>Excess (deficiency) of revenues over expenditures</i>	-	-	3,230	3,230
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in 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>	-	-	3,230	3,230
<i>Fund balances - beginning of year</i>	-	-	2,839	2,839
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 6,069</u>	<u>\$ 6,069</u>
Net change in fund balance (budget basis)			\$ 3,230	
No adjustments to revenues			-	
Adjustments to expenditures for supplies			(71)	
Net change in fund balance (GAAP Basis)			<u>\$ 3,159</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-7

City of Eunice

Swimming Pool Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variations
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	125	125
Licenses and fees	-	-	-	-
Interest income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>125</u>	<u>125</u>
<i>Expenditures</i>				
Current				
General government	-	-	4,292	(4,292)
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>4,292</u>	<u>(4,292)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>(4,167)</u>	<u>(4,167)</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>	<u>-</u>	<u>-</u>	<u>(4,167)</u>	<u>(4,167)</u>
<i>Fund balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (4,167)</u>	<u>\$ (4,167)</u>
Net change in fund balance (budget basis)			\$ (4,167)	
No adjustments to revenues			-	
Adjustments to expenditures for payroll			(1,516)	
Net change in fund balance (GAAP Basis)			<u>\$ (5,683)</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, 2010

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Interest income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
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>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>7,031</u>	<u>7,031</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,031</u>	<u>\$ 7,031</u>
Net change in fund balance (budget basis)			\$ -	
No adjustments to revenues			-	
No adjustments to expenditures			-	
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-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, 2010

	Budgeted Amounts		Actual	Variations
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	70,000	70,000	85,546	15,546
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	1,000	1,000	35	(965)
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>71,000</u>	<u>71,000</u>	<u>85,581</u>	<u>14,581</u>
<i>Expenditures</i>				
Current				
General government	71,000	71,000	121,755	(50,755)
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>71,000</u>	<u>71,000</u>	<u>121,755</u>	<u>(50,755)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	-	-	(36,174)	(36,174)
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	-	-	-	-
<i>Net change in fund balances</i>	-	-	(36,174)	(36,174)
<i>Fund balances - beginning of year</i>	-	-	(76,135)	(76,135)
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (112,309)</u>	<u>\$ (112,309)</u>
Net change in fund balance (budget basis)			\$ (36,174)	
Adjustments to revenues for adjustments to gross receipts tax and transfers			13,614	
Adjustments to expenditures for gross receipts taxes payable to the state			(8,057)	
Net change in fund balance (GAAP Basis)			<u>\$ (30,617)</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-10

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, 2010

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Interest income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
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>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>3,644</u>	<u>3,644</u>
<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)			\$ -	
No adjustments to revenues			-	
No adjustments to expenditures			-	
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-11

City of Eunice

Municipal Infrastructure Capital Projects Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2010

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	140,000	140,000	174,186	34,186
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	4,000	4,000	274	(3,726)
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>144,000</u>	<u>144,000</u>	<u>174,460</u>	<u>30,460</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>144,000</u>	<u>144,000</u>	<u>174,460</u>	<u>30,460</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	(144,000)	(144,000)	-	144,000
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(144,000)</u>	<u>(144,000)</u>	<u>-</u>	<u>144,000</u>
<i>Net change in fund balances</i>	<u>-</u>	<u>-</u>	<u>174,460</u>	<u>174,460</u>
<i>Fund balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>1,246,432</u>	<u>1,246,432</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,420,892</u>	<u>\$ 1,420,892</u>
Net change in fund balance (budget basis)			\$ 174,460	
Adjustments to revenues for current and prior year gross receipts tax			(30,810)	
No adjustments to expenditures			-	
Net change in fund balance (GAAP Basis)			<u>\$ 143,650</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-12

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, 2010

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Interest income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
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>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<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)			\$ -	
No adjustments to revenues			-	
No adjustments to expenditures			-	
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-13

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, 2010

	Budgeted Amounts		Actual	Variations
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	76,859	76,859
Licenses and fees	-	-	-	-
Interest income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>76,859</u>	<u>76,859</u>
<i>Expenditures</i>				
Current				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	40,238	193,956	(153,718)
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>40,238</u>	<u>193,956</u>	<u>(153,718)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>(40,238)</u>	<u>(117,097)</u>	<u>(76,859)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	40,238	-	(40,238)
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>40,238</u>	<u>-</u>	<u>(40,238)</u>
<i>Net change in fund balances</i>	<u>-</u>	<u>-</u>	<u>(117,097)</u>	<u>(117,097)</u>
<i>Fund balances - beginning of year</i>	<u>-</u>	<u>-</u>	<u>(23,011)</u>	<u>(23,011)</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (140,108)</u>	<u>\$ (140,108)</u>
Net change in fund balance (budget basis)			\$ (117,097)	
Adjustment to revenues for current and prior year state capital grants			24,133	
Adjustment to expenditures for capital outlay			8,750	
Net change in fund balance (GAAP Basis)			<u>\$ (84,214)</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-14

City of Eunice

Water Proprietary Fund

Statement of Revenues, Expenses and Changes in Net Assets

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ending June 30, 2010

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary)	Favorable (Unfavorable) Final to Actual
<i>Operating revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental income	-	-	-	-
Charges for services	1,632,700	1,632,700	1,898,631	265,931
Licenses and Fees	-	-	-	-
Miscellaneous	1,100	1,100	-	(1,100)
<i>Total operating revenues</i>	<u>1,633,800</u>	<u>1,633,800</u>	<u>1,898,631</u>	<u>264,831</u>
<i>Operating expenses:</i>				
Current:				
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Personnel services	544,934	544,934	409,304	135,630
Supplies and materials	385,500	4,603,027	557,461	4,045,566
Depreciation	-	-	-	-
Capital outlay	-	-	-	-
<i>Total operating expenses</i>	<u>930,434</u>	<u>5,147,961</u>	<u>966,765</u>	<u>4,181,196</u>
<i>Operating income (loss)</i>	<u>703,366</u>	<u>(3,514,161)</u>	<u>931,866</u>	<u>4,446,027</u>
<i>Non-operating revenues (expenses):</i>				
Designated cash (budgeted increase in cash)	(4,706,366)	(923,893)	-	923,893
Interest income	3,000	3,000	-	(3,000)
Interest expense	-	-	-	-
State capital grant	4,000,000	4,000,000	442,228	(3,557,772)
Transfers in	-	435,054	-	(435,054)
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(703,366)</u>	<u>3,514,161</u>	<u>442,228</u>	<u>(3,071,933)</u>
<i>Change in net assets</i>	-	-	1,374,094	1,374,094
<i>Net assets - beginning of year</i>	-	-	3,057,633	3,057,633
<i>Net assets - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,431,727</u>	<u>\$ 4,431,727</u>
Change in net assets (non-GAAP budgetary basis)			\$ 1,374,094	
Adjustments to revenues for services provided and transfers from other funds			489,613	
Adjustments to expenditures for depreciation			(1,313,494)	
Change in net assets (GAAP)			<u>\$ 550,213</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-15

City of Eunice

Sewer Proprietary Fund

Statement of Revenues, Expenses and Changes in Net Assets

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ending June 30, 2010

	Budgeted Amounts		Actual (Non-GAAP Budgetary)	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		
<i>Operating revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental income	-	-	-	-
Charges for services	4,250,000	4,250,000	438,291	(3,811,709)
Licenses and fees	-	-	-	-
Miscellaneous	10,000	10,000	-	(10,000)
<i>Total operating revenues</i>	<u>4,260,000</u>	<u>4,260,000</u>	<u>438,291</u>	<u>(3,821,709)</u>
<i>Operating expenses:</i>				
Current:				
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Personnel services	61,073	61,073	66,024	(4,951)
Supplies and materials	75,500	75,500	884,171	(808,671)
Depreciation	-	-	-	-
Capital outlay	-	-	-	-
<i>Total operating expenses</i>	<u>136,573</u>	<u>136,573</u>	<u>950,195</u>	<u>(813,622)</u>
<i>Operating income (loss)</i>	<u>4,123,427</u>	<u>4,123,427</u>	<u>(511,904)</u>	<u>(4,635,331)</u>
<i>Non-operating revenues (expenses):</i>				
Designated cash (budgeted increase in cash)	(4,124,427)	(4,124,427)	-	4,124,427
Interest income	1,000	1,000	355	(645)
Interest expense	-	-	-	-
State capital grant	-	-	444,724	444,724
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(4,123,427)</u>	<u>(4,123,427)</u>	<u>445,079</u>	<u>4,568,506</u>
<i>Change in net assets</i>	<u>-</u>	<u>-</u>	<u>(66,825)</u>	<u>(66,825)</u>
<i>Net assets - beginning of year</i>	<u>-</u>	<u>-</u>	<u>548,640</u>	<u>548,640</u>
<i>Net assets - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 481,815</u>	<u>\$ 481,815</u>
Change in net assets (non-GAAP budgetary basis)			\$ (66,825)	
Adjustments to revenues for services provided and transfers from other funds			980,731	
Adjustments to expenditures for depreciation			69,731	
Change in net assets (GAAP)			<u>\$ 983,637</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-16

City of Eunice

Solid Waste Proprietary Fund

Statement of Revenues, Expenses and Changes in Net Assets

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ending June 30, 2010

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary)	Favorable (Unfavorable) Final to Actual
<i>Operating revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental income	-	-	-	-
Charges for services	340,000	340,000	376,391	36,391
Licenses and fees	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total operating revenues</i>	<u>340,000</u>	<u>340,000</u>	<u>376,391</u>	<u>36,391</u>
<i>Operating expenses:</i>				
Current:				
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Personnel services	-	-	-	-
Supplies and materials	405,000	405,000	369,540	35,460
Depreciation	-	-	-	-
Capital outlay	-	-	-	-
<i>Total operating expenses</i>	<u>405,000</u>	<u>405,000</u>	<u>369,540</u>	<u>35,460</u>
<i>Operating income (loss)</i>	<u>(65,000)</u>	<u>(65,000)</u>	<u>6,851</u>	<u>71,851</u>
<i>Non-operating revenues (expenses):</i>				
Designated cash (budgeted increase in cash)	64,000	64,000	-	(64,000)
Interest income	1,000	1,000	51	(949)
Interest expense	-	-	-	-
State capital grant	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>65,000</u>	<u>65,000</u>	<u>51</u>	<u>(64,949)</u>
<i>Change in net assets</i>	-	-	6,902	6,902
<i>Net assets - beginning of year</i>	-	-	(356,404)	(356,404)
<i>Net assets - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (349,502)</u>	<u>\$ (349,502)</u>
Change in net assets (non-GAAP budgetary basis)			\$ 6,902	
Adjustments to revenues for services provided and investment income			165	
Adjustments to expenditures for depreciation			37,463	
Change in net assets (GAAP)			<u>\$ 44,530</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-17

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, 2010

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary)	Favorable (Unfavorable) Final to Actual
<i>Operating revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental income	-	-	-	-
Charges for services	152,100	152,100	196,906	44,806
Licenses and Fees	-	-	-	-
Miscellaneous	500	500	-	(500)
<i>Total operating revenues</i>	<u>152,600</u>	<u>152,600</u>	<u>196,906</u>	<u>44,306</u>
<i>Operating expenses:</i>				
Current:				
Public safety	-	-	-	-
Culture and recreation	16,000	22,000	15,973	6,027
Personnel services	239,873	263,873	230,596	33,277
Supplies and materials	212,700	250,703	275,800	(25,097)
Depreciation	-	-	-	-
Capital Outlay	-	-	-	-
<i>Total operating expenses</i>	<u>468,573</u>	<u>536,576</u>	<u>522,369</u>	<u>14,207</u>
<i>Operating income (loss)</i>	<u>(315,973)</u>	<u>(383,976)</u>	<u>(325,463)</u>	<u>58,513</u>
<i>Non-operating revenues (expenses):</i>				
Designated cash (budgeted increase in cash)	315,973	59,288	-	(59,288)
Interest income	-	-	-	-
Interest expense	-	-	-	-
State capital grant	-	-	-	-
Transfers in	-	324,688	-	(324,688)
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>315,973</u>	<u>383,976</u>	<u>-</u>	<u>(383,976)</u>
<i>Change in net assets</i>	<u>-</u>	<u>-</u>	<u>(325,463)</u>	<u>(325,463)</u>
<i>Net assets - beginning of year</i>	<u>-</u>	<u>-</u>	<u>(860,988)</u>	<u>(860,988)</u>
<i>Net assets - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,186,451)</u>	<u>\$ (1,186,451)</u>
Change in net assets (non-GAAP budgetary basis)			\$ (325,463)	
Adjustments to revenues for inventory			1,464	
Adjustments to expenditures for depreciation			85,847	
Change in net assets (GAAP)			<u>\$ (238,152)</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-18

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, 2010

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary)	Favorable (Unfavorable) Final to Actual
<i>Operating revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental income	-	-	-	-
Charges for services	-	-	-	-
Licenses and Fees	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total operating revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Operating expenses:</i>				
Current:				
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Personnel services	-	-	-	-
Supplies and materials	-	-	-	-
Depreciation	-	-	-	-
Capital outlay	-	-	-	-
<i>Total operating expenses</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Operating income (loss)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Non-operating revenues (expenses):</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Interest income	-	-	-	-
Interest expense	-	-	-	-
State capital grant	-	-	-	-
Transfers in	-	-	17,685	17,685
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>17,685</u>	<u>17,685</u>
<i>Change in net assets</i>	<u>-</u>	<u>-</u>	<u>17,685</u>	<u>17,685</u>
<i>Net assets - beginning of year</i>	<u>-</u>	<u>-</u>	<u>(17,685)</u>	<u>(17,685)</u>
<i>Net assets - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Change in net assets (non-GAAP budgetary basis)			\$ 17,685	
Adjustments to revenues for transfers to other funds			(17,685)	
Adjustments to expenditures for transfers to other funds			<u>(52,635)</u>	
Change in net assets (GAAP)			<u>\$ (52,635)</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Eunice Housing Authority
A Component Unit of the City of Eunice
Statement of Revenues, Expenses and Changes in
Net Assets - Budget (GAAP Basis) and Actual
For the Year Ended June 30, 2010

Statement B-19

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		(Negative)
<i>Operating revenues:</i>				
Intergovernmental	\$ 51,121	\$ 51,121	\$ 41,187	\$ (9,934)
Charges for services	45,000	45,000	43,031	(1,969)
Miscellaneous	700	700	15,590	14,890
<i>Total operating revenues</i>	96,821	96,821	99,808	2,987
<i>Operating expenses:</i>				
Personnel services	-	-	-	-
Supplies and materials	-	-	-	-
Purchased services	-	-	-	-
Administration	27,590	27,590	32,146	(4,556)
Sundry administration	7,100	7,100	5,077	2,023
Tenant services	500	500	-	500
Utilities	7,700	7,700	5,922	1,778
Ordinary maintenance	44,670	44,670	40,116	4,554
Contracts costs	7,000	7,000	4,750	2,250
Insurance	12,400	12,400	11,097	1,303
Other general expense	8,110	8,110	9,213	(1,103)
<i>Total operating expenses</i>	115,070	115,070	108,321	6,749
<i>Operating income (loss)</i>	(18,249)	(18,249)	(8,513)	9,736
<i>Non-operating revenues (expenses):</i>				
Intergovernmental	8,000	8,000	36,400	28,400
Proceeds from insurance	-	-	-	-
Indirect costs	-	-	(36,400)	(36,400)
<i>Total non-operating revenues (expenses)</i>	8,000	8,000	-	(8,000)
<i>Change in net assets before GAAP Adjustment</i>	(10,249)	(10,249)	(8,513)	1,736
<i>(Expenses) not budgeted</i>				
Depreciation	-	-	16,757	(16,757)
Designated cash (Budgeted increase in cash)	10,249	10,249	-	10,249
<i>Total net assets, beginning of year</i>	-	-	214,573	214,573
<i>Total net assets, end of year</i>	\$ -	\$ -	\$ 206,060	\$ 189,303
Change in net assets, above			\$ (8,513)	
No adjustments to revenues			-	
Adjustments for depreciation			(16,757)	
Change in net assets (Exhibit A-2)			\$ (25,270)	

The accompanying notes are an integral part of these financial statements

SUPPORTING SCHEDULES

STATE OF NEW MEXICO
City of Eunice Housing Authority
A Component Unit of the City of Eunice
Financial Data Schedule
June 30, 2010

Line Item Number	Description	Low Rent Public Housing Program 14.850	Public Housing Capital Fund Program 14.872	Total
111	Cash - Unrestricted	\$ 79,482	\$ -	\$ 79,482
114.5	Cash - Tenant Security Deposits	<u>2,625</u>	<u>-</u>	<u>2,625</u>
115	Cash - Restricted- Payment of Current liabilities			
100	Total Cash	<u>82,107</u>	<u>-</u>	<u>82,107</u>
120	Total Receivables, Net of Allowance for Doubtful Accounts	-	-	-
130	Total Investments	-	-	-
142	Prepaid Expenses and Other Assets	3,677	-	3,677
143	Inventories	<u>1,374</u>	<u>-</u>	<u>1,374</u>
150	Total Current Assets	<u>87,158</u>	<u>-</u>	<u>87,158</u>
161	Land	20,392.00	-	20,392
162	Buildings	567,387	21,669	589,056
163	Furniture, Equipment & Machinery - Dwellings	73,740	-	73,740
166	Accumulated Depreciation	<u>(571,513)</u>	<u>-</u>	<u>(571,513)</u>
160	Total Capital Assets, Net of Accumulated Depreciation	<u>90,006</u>	<u>21,669</u>	<u>111,675</u>
180	Total Non-Current Assets	<u>90,006</u>	<u>21,669</u>	<u>111,675</u>
190	Total Assets	<u>\$ 177,164</u>	<u>\$ 21,669</u>	<u>\$ 198,833</u>

See independent auditors' report

STATE OF NEW MEXICO
City of Eunice Housing Authority
A Component Unit of the City of Eunice
Financial Data Schedule
June 30, 2010

Line Item Number	Description	Low Rent Public Housing Program 14.850	Public Housing Capital Fund Program 14.872	Total
311	Bank Overdraft			
312	Accounts Payable <= 90 Days	\$ 1,724	\$ -	\$ 1,724
321	Accrued Wage/Payroll Taxes Payable	2,053	-	2,053
322	Accrued Compensated Absences - Current Portion	728	-	728
341	Tenant Security Deposits	2,625	-	2,625
310	Total Current Liabilities	<u>7,130</u>	<u>-</u>	<u>7,130</u>
354	Accrued Compensated Absences - Non-Current	<u>2,400</u>	<u>-</u>	<u>2,400</u>
350	Total Non-Current Liabilities	<u>2,400</u>	<u>-</u>	<u>2,400</u>
300	Total Liabilities	<u>9,530</u>	<u>-</u>	<u>9,530</u>
508.1	Invested in Capital Assets, Net of Related Debt	90,006	21,669	111,675
511	Restricted Net Assets	2,625	-	2,625
512.1	Unrestricted Net Assets	<u>75,003</u>	<u>-</u>	<u>75,003</u>
513	Total Equity/Net Assets	<u>167,634</u>	<u>21,669</u>	<u>189,303</u>
600	Total Liabilities and Equity/Net Assets	<u>\$ 177,164</u>	<u>\$ 21,669</u>	<u>\$ 198,833</u>

See independent auditors' report

STATE OF NEW MEXICO
City of Eunice Housing Authority
A Component Unit of the City of Eunice
Financial Data Schedule
June 30, 2010

Schedule I
Page 3 of 4

Line Item Number	Description	Low Rent Public Housing Program 14.850	Public Housing Capital Fund Program 14.872	Total
70300	Net Tenant Rental Revenue	\$ 43,031	\$ -	\$ 43,031
70500	Total Tenant Revenue	<u>43,031</u>	<u>-</u>	<u>43,031</u>
70600	HUD PHA Operating Grants	41,187	-	41,187
70610	Capital Grants	36,399	10,312	46,711
71500	Other Revenue	5,278	-	5,278
70000	Total Revenue	<u>125,895</u>	<u>10,312</u>	<u>136,207</u>
91100	Administrative Salaries	26,430	-	26,430
91200	Auditing Fees	2,253	-	2,253
91300	Outside Management Fees	-	-	-
91310	Book-keeping Fee	-	-	-
91400	Advertising and Marketing	-	-	-
91500	Employee Benefit Contributions - Administrative	2,904	-	2,904
91600	Office Expenses	3,384	-	3,384
91700	Legal Expense	-	-	-
91800	Travel	648	-	648
91810	Allocated Overhead	-	-	-
91900	Other Operating - Administrative	1,693	-	1,693
91000	Total Operating - Administrative	<u>37,312</u>	<u>-</u>	<u>37,312</u>
93100	Water	2,904	-	2,904
93200	Electricity	1,595	-	1,595
93300	Gas	863	-	863
93400	Fuel	-	-	-
93500	Labor	-	-	-
93600	Sewer	560	-	560
93000	Total Utilities	<u>5,922</u>	<u>-</u>	<u>5,922</u>
94100	Ordinary Maintenance & Operation - Labor	25,576	-	25,576
	Ordinary Maintenance & Operation - Materials &			
94200	Other	14,540	-	14,540
94300	Ordinary Maintenance & Operation Contracts	4,750	-	4,750
	Employee Benefit Contributions - Ordinary			
94500	Maintenance	2,598	-	2,598
94000	Total Maintenance	<u>47,464</u>	<u>-</u>	<u>47,464</u>
96110	Property Insurance	3,999	-	3,999
96120	Liability Insurance	3,174	-	3,174
96130	Workmen's Compensation	1,625	-	1,625
96140	All Other Insurance	2,299	-	2,299
96100	Total Insurance Premiums	<u>11,097</u>	<u>-</u>	<u>11,097</u>
96200	Other General Expenses	36,400	-	36,400
96210	Compensated Absences	2,815	-	2,815
96300	Payment In Lieu of Taxes	3,711	-	3,711
96400	Bad Debt - Tenant Rents	-	-	-
96000	Total Other General	<u>42,926</u>	<u>-</u>	<u>42,926</u>

See independent auditors' report

STATE OF NEW MEXICO
City of Eunice Housing Authority
A Component Unit of the City of Eunice
Financial Data Schedule
June 30, 2010

Line Item Number	Description	Low Rent Public Housing Program 14.850	Public Housing Capital Fund Program 14.872	Total
96900	Total Operating Expenses	144,721	-	144,721
97000	Excess Operating Revenue Over Operating Expenses	(18,826)	10,312	(8,514)
97100	Extraordinary Maintenance	-	-	-
97300	Housing Assistance Payments	-	-	-
97400	Depreciation Expense	16,756	-	16,756
97500	Fraud Losses	-	-	-
90000	Total Expenses	<u>\$ 161,477</u>	<u>\$ -</u>	<u>\$ 161,477</u>
10010	Operating Transfers In	\$ -	\$ -	\$ -
10020	Operating Transfers Out	-	-	-
10100	Total Other Financing Sources (Uses)	-	-	-
10000	Excess (Deficiency) of Operating Revenue Over (Under) Expenses	(35,582)	10,312	(25,270)
11030	Beginning Equity	214,573	-	214,573
11040-010	Prior Period Adjustments and Correction of Errors	-	-	-
11040-070	Equity Transfers	-	-	-
11040	Prior period Adjustments, Equity Transfers and Correction of Errors	-	-	-
	Ending Equity (deficit)	<u>\$ 178,991</u>	<u>\$ 10,312</u>	<u>\$ 189,303</u>
11190	Unit Months Available	240	-	240
11210	Number of Unit Months Leased	215	-	215
11650	Leasehold Improvements	\$ -	\$ -	\$ -

See independent auditors' report

STATE OF NEW MEXICO
City of Eunice
Schedule of Deposit and Investment Accounts
For the Year Ended June 30, 2010

Primary Government:

Bank Account/Account Type	Wells Fargo Bank	NM State Treasurer	Restricted Investments Bank of NY Mellon	Totals
General operations - Checking	\$ 376,028	-	-	\$ 376,028
Utility account - Checking	1,478,953	-	-	1,478,953
BEC trust fund - Checking	1,551	-	-	1,551
LGIP fund (Pool) - Investment	-	895,760	-	895,760
LGIP fund (Pool) - Investment	-	790,939	-	790,939
LGIP Reserve Contingency Fund	-	4,240	-	4,240
LGIP Reserve Contingency Fund	-	3,061	-	3,061
NMFA reserve account	-	-	14,152	14,152
NMFA reserve account	-	-	26,714	26,714
Total on deposit	1,856,531	1,694,000	40,866	3,591,397
Reconciling Items	(375,252)	-	-	(375,252)
Reconciled Balance June 30, 2010	<u>\$ 1,481,279</u>	<u>\$ 1,694,000</u>	<u>\$ 40,866</u>	<u>\$ 3,216,145</u>
Cash per financial statements				
Cash and cash equivalents- Governmental Activities Exhibit A-1			\$ 208,689	
Business-type Activities - Exhibit A-1			1,256,666	
Restricted cash and cash equivalents- Governmental Activities Exhibit A-1			40,866	
Restricted cash and cash equivalents- Business-type Activities Exhibit A-1			-	
Investments - Governmental Activities Exhibit A-1			561,000	
Investments - Business-type Activities Exhibit A-1			1,133,000	
Fiduciary funds - Exhibit E-1			15,924	
Total cash and cash equivalents				<u>\$ 3,216,145</u>

See accompanying independent auditor's report.

Component Unit -Housing Authority:

Bank Name/Account Name	Bank Balance	Deposits in Transit	Outstanding Checks	Book Balance
Wells Fargo				
General - Checking	\$ 57,294	\$ -	\$ 287	\$ 57,007
Certificate of deposit	10,020	-	-	10,020
Certificate of deposit	<u>15,030</u>	<u>-</u>	<u>-</u>	<u>15,030</u>
	<u>\$ 82,344</u>	<u>\$ -</u>	<u>\$ 287</u>	82,057
Add: petty cash				<u>50</u>
Total cash				<u>\$ 82,107</u>
Cash per financial statements				
Cash and cash equivalents- Component Unit - Exhibit A-1			\$ 79,482	
Restricted cash and cash equivalents- Component Unit - Exhibit A-1			<u>2,625</u>	
Total cash and cash equivalents				<u>\$ 82,107</u>

STATE OF NEW MEXICO
City of Eunice
Schedule of Collateral Pledged by Depository
for Public Funds
June 30, 2010

Schedule III

<u>Name of Depository</u>	<u>Description of Pledged Collateral</u>	<u>Maturity</u>	<u>CUSIP Number</u>	<u>Fair Market Value June 30, 2010</u>	<u>Name and Location of Safekeeper</u>
Wells Fargo Bank					
	FNMAP #915969	4/1/2037	31411VT25	686,885	Federal Reserve Bank, Oklahoma
	FNMAP #985111	7/1/2038	31415PKY3	931,144	Federal Reserve Bank, Oklahoma
	FNMAP #98656	7/1/2038	31415RBZ6	289,247	Federal Reserve Bank, Oklahoma
Total Wells Fargo Bank				<u>1,907,276</u>	
Total Pledged Collateral				<u>\$ 1,907,276</u>	

See accompanying independent auditors' 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, 2010

	Balance July 1, 2009	Additions	Deletions	Adjustments	Balance June 30, 2010
<i>Employee Retirement Fund</i>					
Assets					
Cash and cash equivalents	\$ 7,682	\$ 8,242	\$ -	\$ -	\$ 15,924
Accounts receivable	-	-	-	-	-
<i>Total assets</i>	<u>\$ 7,682</u>	<u>\$ 8,242</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,924</u>
Liabilities					
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -
Deposits held and due to others	7,682	8,242	-	-	15,924
Interfund payable	-	-	-	-	-
<i>Total liabilities</i>	<u>\$ 7,682</u>	<u>\$ 8,242</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,924</u>

See accompanying independent auditor's report

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COMPLIANCE SECTION

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Accounting & Consulting Group, LLP
Certified Public Accountants

**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 U.S. Office of Management and Budget and
The City Council
City of Eunice
Eunice, New Mexico

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, the budgetary comparison for the general fund and the aggregate remaining fund information of the City of Eunice, New Mexico (City), as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents, and have issued our report thereon dated June 6, 2011. We have also audited the financial statements of each of the City's nonmajor governmental funds, the component unit fund, and budgetary comparisons for the major capital projects fund, the business-type funds component unit, and the remaining nonmajor governmental funds as supplementary information in the accompanying combining and individual fund statements as of and for the year ended June 30, 2010. 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, 2010. 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 the City'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's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City'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 was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses and other deficiencies we consider to be significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and responses as items FS 2008-1, FS 2008-5, FS 2009-1, FS 2009-10, FS 2009-11, FS 2010-2, FS 2010-3, FS 2010-4, FS 2010-5, FSHA 2009-1 and FSHA 2009-2, to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and responses as items FS 2007-2, FS 2008-3, FS 2009-5, FS 2009-6, FS 2010-1, FSHA 2007-1 and FSHA 2010-3, to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City'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 an instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards* which is described in the accompanying schedule of findings and responses as item FS 2006-1, FS 2009-9, and FS 2010-6.

We also noted certain other matters that are required to be reported pursuant to Government Auditing Standards paragraphs 5.14 and 5.16, and Section 12-6-5, NMSA 1978, which is described in the accompanying schedule of finding and responses as items FS 2006-6, FS 2006-10, FSHA 2009-2, FSHA 2010-1, FSHA 2010-2, FSHA 2010-4, FSHA 2010-5, FSHA 2010-6 and FSHA 2010-7.

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

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

Accounting & Consulting Group, LLP

Accounting & Consulting Group, LLP
Albuquerque, New Mexico
June 6, 2011

STATE OF NEW MEXICO
City of Eunice
Schedule of Findings and Responses
June 30, 2010

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	Revised and repeated
2008-1	Internal Controls/Misclassification of Transactions	Revised and repeated
2008-3	Inadequate Internal Controls over Information Technology	Repeated
2008-5	Capital Assets	Repeated
2008-8	Cash held in Debt Service Fund not recorded on City Accounting Records	Resolved
2009-1	Deficiencies in Internal Control Structure Design, Operation and oversight	Revised and repeated
2009-2	Reconciliation of Interfund Receivables/Payables	Resolved
2009-3	Disposition of Capital Assets	Resolved
2009-4	Misuse of Sick Leave	Resolved
2009-5	Insufficient Documentation on Credit Cards	Revised and repeated
2009-6	Misuse of Payroll Deductions	Revised and repeated
2009-7	Gross Receipts Tax	Resolved
2009-8	Noncompliance with Grant Agreements	Resolved
2009-9	Negative Cash Balances	Repeated
2009-10	Internal Controls over Inventory in the Water Department	Repeated
2009-11	Ambulance Accounts Receivable	Repeated

State Audit Rule Findings

2006-6	Budget	Revised and repeated
2006-10	Stale Dated Checks	Revised and repeated
2006-11	Travel and Per Diem	Resolved

Public Housing Authority

2007-1	Preparation of Financial Statements	Repeated
2008-3	Missing I-9 Forms	Resolved
2009-1	Internal Controls/Segregation of Duties	Revised and repeated
2009-2	Violation of Internal Control Policy	Revised and repeated

STATE OF NEW MEXICO
City of Eunice
Schedule of Findings and Responses
June 30, 2010

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, 2010 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

Procedures have been put in place to reconcile total wages to PERA wages for past and current pay periods.

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. Budgets were not being properly monitored resulting in 10 funds with over expended budgets totally \$1,930,181 as follows:

Streets Special Revenue Fund	\$	(752,197)
Emergency Medical Services Special Revenue Fund		(76,058)
State Fire Allotment Special Revenue Fund		(79,539)
Swimming Pool Special Revenue Fund		(4,292)
Government Gross Receipts Tax Special Revenue Fund		(50,755)
New Cemetery Project Capital Fund		(153,718)
Sewer Proprietary Fund		(813,622)
Total	\$	(1,930,181)

STATE OF NEW MEXICO
City of Eunice
Schedule of Findings and Responses
June 30, 2010

Section II – Financial Statement Findings and Responses (continued)

FS 2006-6 Budget (continued)

Condition (continued)

In the following funds the prior year FY 2009 ending cash and receivables were not adequate to cover the budget deficit in FY 2010.

	Original Budget Deficit	Final Budget Deficit	Available Cash
Emergency Medical Services Special Revenue Fund	\$ 77,000	\$ 77,000	\$ (553,611)
Senior Center Special Revenue Fund	175,612	175,612	(618,314)
Fire Special Revenue Fund	189,500	427,259	(1,188,221)
Recreation Special Revenue Fund	339,743	716,743	(977,893)
Streets Special Revenue Fund	-	257,685	(749,736)
Solid Waste Proprietary Fund	64,000	64,000	(356,404)
Golf Proprietary Fund	315,973	59,288	(860,988)

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. When an agency’s budgeted expenditures exceed its budgeted revenue, the agency budgets “designated cash” left over from the previous year to make up the short fall. However, “designated cash” in the current year budget cannot exceed prior year cash and receivables in the same fund.

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

We have a new budget planning and monitoring process that includes scrutiny of revenues and expenditures to ensure that expenditures do not exceed revenues or fund transfers.

STATE OF NEW MEXICO
City of Eunice
Schedule of Findings and Responses
June 30, 2010

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 \$37,389 issued by the City from its general and payroll clearing account and twenty-four checks in the amount of \$1,409 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 is preparing a new fiscal policy that includes a review of outstanding check listings. If outstanding checks are found they will be addressed pursuant to generally accepted accounting practice and state law.

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. 115, 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.

STATE OF NEW MEXICO
City of Eunice
Schedule of Findings and Responses
June 30, 2010

Section II – Financial Statement Findings and Responses (continued)

FS 2007-2 Preparation of Financial Statements (continued)

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

City finance personnel will continue to receive training on the financial system.

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 the following during our testwork:

- Capital expenditures totaling \$103,826 were incorrectly coded to professional services.
- Oil and gas Production tax distribution revenues totaling \$83,136 were incorrectly recorded as property tax revenue.
- Donated revenues totaling \$150,000 were incorrectly posted to capital outlay expense accounts rather than to revenue accounts.
- Deposits of grant revenue totaling \$750,000 were posted to state funds revenue rather than to federal grant revenue and \$375,000 was incorrectly posted to the wrong fund.

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.

STATE OF NEW MEXICO
City of Eunice
Schedule of Findings and Responses
June 30, 2010

Section II – Financial Statement Findings and Responses (continued)

FS 2008-1 Internal Controls – Misclassifications of Transactions (continued)

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.

- 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 is preparing a new fiscal policy that includes internal controls for the classification of transactions.

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.

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.

STATE OF NEW MEXICO
City of Eunice
Schedule of Findings and Responses
June 30, 2010

Section II – Financial Statement Findings and Responses (continued)

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

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 has replaced the server and added IT security features such as network log in. The City will designate an employee to review network logs for suspicious activity.

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.

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 is preparing a new inventory policy so we can certify capital assets. We did conduct an annual inventory in 2010.

STATE OF NEW MEXICO
City of Eunice
Schedule of Findings and Responses
June 30, 2010

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 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.
- There are no review processes for payment and billing adjustments to customer utility accounts. Utility Billing Clerk has full responsibility to make adjustments as necessary without administrative review or approval.

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. 115 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 115 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 2010 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. 115 to provide effective oversight of internal control and the financial reporting process.

STATE OF NEW MEXICO
City of Eunice
Schedule of Findings and Responses
June 30, 2010

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 is preparing a new fiscal policy that includes a comprehensive internal control structure with governance of the internal control and financial reporting process.

FS 2009-5 Insufficient Documentation on Credit Cards

Condition

During our testwork, we noted the following:

- Of the \$87,811 tested, 1 meal receipts (that totaled \$293) did not have the itemized 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 continues to fully comply with this recommendation.

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 totaling \$17,760.

STATE OF NEW MEXICO
City of Eunice
Schedule of Findings and Responses
June 30, 2010

Section II – Financial Statement Findings and Responses (continued)

FS 2009-6 Misuse of Payroll Deductions (continued)

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.

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 is preparing a new fiscal policy aimed at elimination of payroll deductions that do not conform with state policy.

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, 2010

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

We agree and are correcting 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

We agree and will work to correct this finding.

STATE OF NEW MEXICO
City of Eunice
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June 30, 2010

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

We agree and now have a clerk handling ambulance billing based on our review of the city’s policy.

FS 2010-1 Late Filing of Audit Report

Condition

The City did not issue its 2010 audit report by the December 1, 2010 deadline.

Criteria

The City of Eunice is required to submit their audit reports for the year ended June 30, 2010 on or before December 1, 2010 subsequent to the entities’ fiscal year end in accordance with State Statute (Chapter 12, Section 6: NMSA 1978) and Section 2.2.2.9.A (1) of NMAC.

Effect

The City could be affected by a late submission by not catching problems in a timely fashion to correct findings. The financial statements are not available for use by the City in a timely fashion for purposes such as debt applications.

Cause

The City was unable to submit the June 30, 2010 audit report on a timely basis because certain year end closing items held up the submission of the 2010 audit report.

Recommendation

The City must ensure that all future audit reports are filed in a timely manner. The City should ensure this process is timely in the future through communication with the auditor and timely close out of accounting records at year end.

Agency Response

The City of Eunice is on track to file timely in 2011.

STATE OF NEW MEXICO
City of Eunice
Schedule of Findings and Responses
June 30, 2010

Section II – Financial Statement Findings and Responses (continued)

FS 2010-2 - Internal Controls in Disbursements

Condition

During our testwork of cash disbursements we noted the following:

- During the related party testwork we noted 4 instances totaling \$5,466 out of 24 tested invoices did not have proper approval as required by the internal control policies of the City.
- During Cash testwork, we noted an instance where the accounting software allowed for the entry and recording of a duplicate check number resulting in a voided check clearing the bank.
- During Cash Testwork, we noted that 1 instance totaling \$56,462 out of 22 instances tested where the City could not provide any supporting documentation for a voided check.
- The City’s policy is to have a written Invoice for all purchases prior to payment being made, however, during our disbursements test work we noted 1 instance out of 5 when the City did not have a invoice on file supporting the purchase of goods.

Criteria

Section 6.20.2.17 of NMAC requires the City to establish and implement written policies and procedures for purchasing which shall be in compliance with the procurement Code, Section 13-1-21 et seq., NMSA 1978.

Effect

The City did not comply with NMSA 1978 Section 13-1-21 and NMAC 6.20.2.17. In addition, the proper maintenance of supporting documentation relating to financial transactions is necessary to mitigate possible dual payments of invoices, execution of disputes with vendors, etc.

Cause

The City did not maintain consistency when utilizing purchase orders and did not properly file supporting documentation in the instances noted.

Recommendations

We recommend the City implement a procurement policy in accordance with NMSA 1978 Section 13-1-21 and consistently follow the policy.

Agency Response

The City is preparing a written procurement policy.

STATE OF NEW MEXICO
City of Eunice
Schedule of Findings and Responses
June 30, 2010

Section II – Financial Statement Findings and Responses (continued)

FS 2010-3 – Inadequate Review and Documentation of Manual Journal Entries

Condition

During the 2010 fiscal year, the City did not have procedures in place for authorization and review of manual journal entries. Also there was one instances noted during testwork where no supporting documentation was able to be provided and no bank record could be located for the cancellation of a returned check totaling \$119.

Criteria

Good accounting practice requires that manual adjusting entries be authorized and reviewed by someone other than the person initiating the adjusting entry.

Effect

Without proper review processes, there is a greater risk that improper adjustments could be made. Improper adjustments result in balances being materially misstated. Also, the risk of fraudulent acts increases without proper review.

Cause

The City was unaware of the significance of internal controls needed for manual journal entries.

Recommendation

We recommend that all journal entries require a second person's review prior to posting to the accounting records and that the City maintain adequate documentation to support all accounting entries.

Agency Response

We agree and will work to correct this finding.

STATE OF NEW MEXICO
City of Eunice
Schedule of Findings and Responses
June 30, 2010

Section II – Financial Statement Findings and Responses (continued)

FS 2010-4 — Internal Control Deficiencies – Payroll

Condition

During our walkthrough and review of the payroll transaction cycle, we noted the following deficiencies:

- The finance officer performs all the duties and functions that are required to process payroll with little or no supervision or review.
- Management does not review payroll reports for accuracy or irregularities.
- Tests performed on 5 randomly selected payroll disbursements totaling \$7,583 revealed that 1 payroll disbursements totaling \$757 was a result of the employee being overpaid as the time sheet was incorrectly calculated.
- During testwork it was noted that the overall payroll expense charged to the general ledger could not be reconciled to the wages reported on the Form 941: Employer's Quarterly Federal Tax Return as reported to the IRS
- During the 2010 fiscal year the City had a catastrophic server crash resulting in the loss of payroll data for 6 pay periods. As a result of the loss there were errors noted in 2 of the 6 payroll journals where the original payroll data was not correctly keyed back into the system resulting in discrepancies between reports generated from the General Ledger and the original Payroll Check Registers.

Criteria

Segregation of duties in payroll, a review of employee timesheets, a review of payroll reports, and proper authorization and approval for wages, as indicated in NMSA 1978 Section 6-6-3 are required to be maintained in order to have proper and sufficient internal controls to reduce the risk of fraudulent activities.

Effect

Internal controls over payroll are not monitored and maintained to prevent or detect intentional misappropriation of City assets.

Cause

For the fiscal year 2010 management did not follow its own policies to ensure internal controls were in place and working properly.

Recommendation

The City should follow its internal controls over payroll that are in place and perform periodic reviews of the supporting documentation to ensure that they are operating effectively.

Agency Response

The City does follow internal control each pay period.

STATE OF NEW MEXICO
City of Eunice
Schedule of Findings and Responses
June 30, 2010

Section II – Financial Statement Findings and Responses (continued)

FS 2010-5 — Non Compliance with Procurement Code

Condition

During our test work regarding compliance with the New Mexico Procurement Code, we noted that the City made purchases over \$5,000, but failed to maintain sufficient records to support the assertion that management complied with the requirement level of documentation for procurement. During our testwork we noted 2 out of 3 bids in which we were not able to determine which vendor was awarded the contract, the total actual contract price, and other supporting information.

Criteria

The New Mexico Procurement Code, Section 13-1-125, NMSA 1978, was amended effective July 1, 2005 to increase the maximum value of small purchases from \$10,000 to \$20,000 in Subsection A; increase the maximum value of professional services from \$20,000 to \$30,000 in Subsection B; and increase the maximum value of purchases at best obtainable prices from \$1,500 to \$5,000 in Subsection C. Therefore, purchases over \$1,500 up to \$5,000 should have three oral quotes documented, and purchases over \$5,000 and up to \$20,000 should have three written quotes documented.

Effect

The City did not comply with the Procurement Code requirement to document three quotes for purchases over \$5,000. The City may have paid more than necessary in order to obtain the goods and services that the City needed.

Cause

The City did not have policies and procedures requiring the proper maintenance of procurement documentation.

Recommendation

We recommend that the City of Eunice adopt procurement policies and procedures that are in compliance with the New Mexico Procurement Code and update them as the laws are amended.

Agency Response

The City is preparing a written procurement policy.

STATE OF NEW MEXICO
City of Eunice
Schedule of Findings and Responses
June 30, 2010

Section II – Financial Statement Findings and Responses (continued)

FS 2010-6 — Entity-Wide Control Deficiency

Condition

During our process of understanding the entity and its environment, we noted instances where elements of the framework of Committee of Sponsoring Organizations (COSO) were nonexistent or deficient. The control environment or “tone at the top” did not adequately display accountability and transparency. We noted that the risk assessment element and monitoring element were not documented or sufficiently designed. We also noted the following deficiencies:

- The City does not have a good process for recording cash receipts. Sequential receipt books are not used.
- Material journal entries were required for cash, accounts receivable, accrued payroll, accounts payable, and long term debt.
- Prior year audit findings were not corrected on a timely basis.
- In the payroll, disbursements, and receipting processes, there is no internal control to prevent any type of management override.

Criteria

The (COSO) internal control integrated framework consists of five critical elements that must be present in carrying out the achievement objectives of an organization. These elements are known as the control environment, risk assessment, control activities, information and communication and monitoring.

Effect

Without all of the five elements of the COSO framework present, the City is exposing itself to the risk of misappropriation of assets and does not have set processes in place to maximize the resources of the City.

Cause

Management was not aware the COSO internal control framework plays a key role in providing reasonable assurance regarding the achievement of effective and efficient operations, reliable financial reporting and compliance with applicable laws and regulations.

Recommendations

We recommend that the City incorporate the five elements of the COSO internal control integrated framework in their organization. In particular, there must be a documented risk assessment process in place, there should be a mechanism in place to document the monitoring of the internal controls in place and the control environment must promote the highest ethical standards and efficient and effective path towards achieving the City’s goals. We recommend that internal controls be addressed at both the entity level and activity level. We also recommend that key management personnel attend a training class on internal control.

Agency Response

The City is now under new management and will attempt to incorporate the five elements of the COSO internal control integrated frame work.

STATE OF NEW MEXICO
City of Eunice
Schedule of Findings and Responses
June 30, 2010

Section III – Component Unit Financial Statement Findings and Responses

Component Unit Findings

FSHA 2007-1: Preparation of Financial Statements

Condition

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

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

Recommendation

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

The training should include, but not be limited to:

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

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

Agency Response

The Eunice Housing Authority will be working closer with the housing's fee accountant in order to reach a better understanding of the requirements of external financial reporting. The EHA will be implementing policies and procedures designed to prevent or detect possible misstatements in its financial statements and related footnote disclosures.

STATE OF NEW MEXICO
City of Eunice
Schedule of Findings and Responses
June 30, 2010

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

FSHA 2009-1: Internal Controls/Segregation of Duties

Condition

The Agency is lacking adequate internal controls over its accounting processes. During review of internal control procedures, we noted that the secretary has the ability to receive rent payments, record payments, prepare deposits, make deposits, and process tenant calls and complaints. The secretary also has the ability to prepare checks, sign checks as a second signature and mail checks.

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 receipts creates an opportunity/incentive for misappropriation of funds.

Cause

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

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 Eunice Housing Authority Board approves the bills at each board meeting and the chairman initials each invoice. Copies of all checks and invoices are made and shown to the board. The secretary signs a check only when the ED or Chairman are not available. The board will be shown all rent receipts issued and deposits made to the bank. Copies will be made of both receipts and deposits. Chairman will initial both.

FSHA 2009-2: Violation of Internal Control Policy

Condition

During our testwork, we noted that the housing authority is not following their internal control policy in the following ways:

- The bookkeeper has the ability to sign checks for the Agency.
- The Housing Authority accepts cash from certain tenants.

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.

Per the Eunice Public Housing Authority Internal Control Policy, "No Cash will be accepted for the payment of rent. All tenants shall be required to pay by check or money order."

STATE OF NEW MEXICO
City of Eunice
Schedule of Findings and Responses
June 30, 2010

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

FSHA 2009-2: Violation of Internal Control Policy (continued)

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 control and check writing policies.

Agency Response

The EHA will no longer make any exceptions to receiving cash from certain tenants.

FSHA 2010-1: Insufficient Documentation on Credit Cards

Condition

During our testwork we noted the following:

- Of the \$859.60 tested, 1 payment was missing a receipt or other supporting documentation totaling \$244.19

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 Authority 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 Authority is paying credit card charges without obtaining the corresponding receipts for charges.

Recommendation

We recommend that the Authority 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 EHA will have the appropriate documentation needed to be compliance with the NM Procurement Code 13-1-1 to 13-1-99 NMSA 1978.

STATE OF NEW MEXICO
City of Eunice
Schedule of Findings and Responses
June 30, 2010

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

FSHA 2010-2: Submission of Proposed Budget

Condition

The Housing Authority failed to submit its proposed budget for the 2010 fiscal year to DFA by June 1, 2009.

Criteria

Section 6-6-2A, NMSA 1978, requires each local public body to furnish and file with the local government division, on or before June 1 of each year, a proposed budget for the next fiscal year.

Effect

The Housing Authority is in violation of Section 6-6-2A, NMSA 1978.

Cause

The Housing Authority was not aware of the requirement to submit the proposed budget to DFA as well as to HUD.

Auditors' Recommendation

We recommend that the Authority file their proposed budgets as required by state statutes.

Agency's Response

The EHA is now aware of the requirement to submit the proposed budget to DFA and will be filing our budgets as required by state statutes.

FSHA 2010-3: Deficiencies in Internal Control Structure Design, Operation, and Oversight

Condition

The Housing Authority does not have a comprehensive documented internal control structure. The internal control structure should include controls that allow the governing body to exercise effective oversight of internal controls and the financial reporting process. Also, controls in certain specific areas are not operating as designed. These include:

- There is not a fraud risk assessment done at the Housing Authority
- There is inadequate segregation of duties.

Criteria

As required by NMSA 1978 Section 6-6-3, the Housing Authority should design and maintain an internal control structure that enables it to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Under SAS 112, the internal control and financial reporting process should have adequate oversight provided by the body charged with governance.

Effect

Because there is not an adequate internal control structure or oversight by the governing body, complete and accurate financial data cannot be verified, assets are not properly safeguarded, reconciliations are not performed, or at a minimum not performed on a timely basis, and adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

Cause

For the fiscal year 2010 management, the body charged with governance, and staff did not have expertise and/or training to implement an adequate internal control structure.

Auditors' Recommendation

The Housing Authority 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. Additionally, the Housing Authority management should give annual consideration to how fraud might occur in their organization, develop procedures to address fraud risk and document those risks and procedures.

STATE OF NEW MEXICO
City of Eunice
Schedule of Findings and Responses
June 30, 2010

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

FSHA 2010-3: Deficiencies in Internal Control Structure Design, Operation, and Oversight (continued)

Agency's Response

The housing authority is small. There is only 1 office personnel to perform duties. Fee accountant oversees all work performed in the office on a monthly basis. Copies of all paperwork such as rent receipts, rent registers, deposits, draw downs of grant funding, copies of checks, bank statements, etc. are sent to the fee accountant on a monthly basis. This helps to alleviate any risks that could occur.

FSHA 2010-4: Stale Dated Checks

Condition

The Authority is in violation of state statute regarding stale dated checks. In the Public Housing operating account, the Authority has 2 checks at June 30, 2010 that are over one year old. They are written in the amounts \$128.31 and \$33.11.

Criteria

New Mexico Statutes, Section 6-10-57, NMSA, 1978 compilation requires local public bodies to cancel or void any check that is unpaid for one year after it is written.

Effect

The Authority is in violation of New Mexico Statute, Section 6-10-57, NMSA, 1978. Also, the Authority's cash balances are not accurately reflected as a result of stale-dated checks appearing on the outstanding check listings.

Cause

The Authority was unaware of the requirement to escheat these checks to the State.

Auditors' Recommendation

We recommend that the Authority 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 these checks be voided and escheated to the State.

Agency's Response

The EHA will review the outstanding check listings for all bank accounts closer. Any checks greater than one year old will be voided and escheated to the state.

FSHA 2010-5— Capital Assets Threshold for Capitalization

Condition

During our audit we noted the Housing Authority has implemented a \$5,000 limit for capitalization of capital assets, however has not been following this policy.

Criteria

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

Effect

There are more assets included on the capital assets listing than are allowed by the State's capitalization policy. While not material to the financial statements, in continuing with this capitalization policy the Authority is overstating its capital assets and depreciation expense while understating actual expenses because the expenses are being capitalized rather than expensed.

STATE OF NEW MEXICO
City of Eunice
Schedule of Findings and Responses
June 30, 2010

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

FSHA 2010-5— Capital Assets Threshold for Capitalization (continued)

Cause

The Authority has not updated its capitalization policy to reflect the State Auditor requirement that does not allow for capitalization thresholds which are more restrictive than the applicable law.

Auditors' Recommendation

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

Agency Response

Will be working with fee accountants to update the capital assets records and record depreciation.

FSHA 2010-6: Voided Checks

Criteria

When it is necessary to void a check, the check should be voided both physically and in the accounting system.

Condition

During testwork over voided checks, the auditor noted fourteen checks that had been physically voided, listed on the reconciliation and retained by the Authority. However, five of these checks were not included in the accounting system.

Effect

Expenses were overstated, by the amount of the improperly voided checks.

Cause

The checks were not voided by the fee accountant or by management.

Auditors' Recommendation

We recommend that the Authority develop procedures for the handling of voided checks in the accounting system, in addition to the existing controls over the physical process of voiding checks.

Agency Response

All voided checks will be listed in the general ledger. This will be addressed to our fee accountants.

STATE OF NEW MEXICO
City of Eunice
Schedule of Findings and Responses
June 30, 2010

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

FSHA 2010-07 Late Audit Report

Condition:

The Housing Authority's June 30, 2010 audit report was submitted to the Office of the State Auditor by the due date of December 1, 2010. However, it was not accepted by the Office of the State Auditor as originally submitted.

Criteria:

New Mexico State Auditor Rule 2.2.2 NMAC Section 2.2.2.9 (A) (g) requires that the audit report be filed no later than 5 months after fiscal year-end.

Effect:

Additional state and federal reporting requirements could be delayed until the report is approved by the Office of the State Auditor.

Cause:

Due to differences in interpreting reporting requirements between the auditor and the Office of the State Auditor, the report was considered not timely filed.

Recommendation:

The auditors will submit the report sooner so that disagreements can be resolved prior to the deadline.

Agency Response:

The Eunice Housing Authority will work on a timely basis in order to submit the audit report by the due date of December 1st.

STATE OF NEW MEXICO
City of Eunice
Other Disclosures
For the Year Ended June 30, 2010

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 April 27, 2011. The following individuals were in attendance.

Representing City of Eunice

Matt White	Mayor
Martin Moore	City Manager
Joyce Tolsma	City Clerk
Connie Whitmire	Finance Officer

Representing Accounting & Consulting Group, LLP

Jeff McWhorter	Partner
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The contents of the component unit report were discussed with the City of Eunice Housing Authority on March 23, 2011. The following individuals were in attendance.

Representing City of Eunice Housing Authority

David Reed	Executive Director
Allen Pickerel	Chairman

Representing Accounting & Consulting Group, LLP

James Hartogenesis	Manager
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