

**STATE OF NEW MEXICO**  
**City of Eunice**  
**ANNUAL FINANCIAL REPORT**  
**June 30, 2011**

**Harshwal & Company LLP**  
**Certified Public Accountants**  
**500 Marquette Ave NW, Suite 710**  
**Albuquerque, NM 87102**  
**(505) 814-1201**

# **INTRODUCTORY SECTION**

**STATE OF NEW MEXICO**

City of Eunice

Official Roster

June 30, 2011

**List of Officials**

<b><u>Name</u></b>	<b><u>Elected Officials</u></b>	<b><u>Title</u></b>
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, 2011

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**STATE OF NEW MEXICO**

City of Eunice

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# **FINANCIAL SECTION**

## INDEPENDENT AUDITORS' REPORT

Hector Balderas  
New Mexico State Auditor  
The Office of Management and Budget  
City Manager and City Commissioners  
City of Eunice of Eunice  
Eunice, NM

We were engaged to audit 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 of the City of Eunice, NM (City) as of and for the year ended June 30, 2011, which collectively comprise basic financial statements of the City's primary government 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 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, 2011, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financials based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit 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.

The financial statements referred to previously include only the primary government of the City of Eunice, NM, which consists of all funds, organizations, institutions, agencies, departments, and offices that comprise the City's legal entity. The financial statements do not include financial data for the City's legally separate component unit, which accounting principles generally accepted in the United States of America require to be reported with the financial data of the City's primary government. As a result, the primary government financial statements do not purport to, and do not, present fairly the financial position of the reporting entity of the City of Eunice, NM, as of June 30, 2011, the changes in its financial position, or, where applicable, its cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. In accordance with accounting principles generally accepted in the United States of America, the City of Eunice, NM, has issued separate reporting entity financial statements, for which we have issued our report dated May 22, 2012.

In our opinion, except for the effects of omitting component units as discussed above, the financial statements referred to above present fairly, in all material respects, the financial position of the aggregate remaining fund information of the City of Eunice, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Further, in our opinion, the financial statements referred to above present fairly, in all material respects the respective financial position of the governmental activities, the business activities, and each major fund of the City of Eunice, as of June 30, 2011 and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the general fund and major special revenue funds for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of each nonmajor governmental, nonmajor enterprise fund of the City as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparison for the nonmajor funds 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 May 22, 2012, 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 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.

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City of Eunice's basic financial statements and each of the nonmajor governmental fund financial statements, and budgetary comparison schedules. The accompanying information listed as supporting Schedules I through III 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 III are fairly stated, in all material respects, in relation to the basic financial statements and the remaining nonmajor governmental fund financial statements.

**Harshwal & Company LLP**  
**Certified Public Accountants**



**Albuquerque, New Mexico**  
**May 22, 2012**



# **BASIC FINANCIAL STATEMENTS**

**GOVERNMENT-WIDE FINANCIAL  
STATEMENTS**

## STATE OF NEW MEXICO

Exhibit A-1

City of Eunice  
Statement of Net Assets  
June 30, 2011

	<u>Primary Government</u>		<u>Total</u>
	<u>Governmental Activities</u>	<u>Business-type Activities</u>	
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$ 945,454	\$ 1,529,681	\$ 2,475,135
Investments	561,000	1,133,000	1,694,000
Accounts receivable			
Taxes	305,060		305,060
Other receivables	100,402	269,284	369,686
Inventory		142,626	142,626
Prepaid assets	33,246		33,246
Internal balances	<u>(1,491,405)</u>	<u>1,491,405</u>	<u>0</u>
Total current assets	<u>453,757</u>	<u>4,565,996</u>	<u>5,019,753</u>
Noncurrent assets			
Restricted cash and cash equivalents	40,866		40,866
Capital assets	15,768,524	18,204,827	33,973,351
Less: accumulated depreciation	<u>(6,361,977)</u>	<u>(8,686,361)</u>	<u>(15,048,338)</u>
Total noncurrent assets	<u>9,447,413</u>	<u>9,518,466</u>	<u>18,965,879</u>
<i>Total assets</i>	<u>\$ 9,901,170</u>	<u>\$ 14,084,462</u>	<u>\$ 23,985,632</u>
<b>Liabilities and Net Assets</b>			
Current liabilities			
Accounts payable	\$ 424,999	\$ 78,144	\$ 503,143
Accrued expenses	23,468	5,646	29,114
Customer deposits		66,881	66,881
Current portion of long-term debt	<u>50,539</u>		<u>50,539</u>
Total current liabilities	<u>499,006</u>	<u>150,671</u>	<u>649,677</u>
Noncurrent liabilities			
Accrued compensated absences	77,765	16,870	94,635
Loans and capital leases payable		<u>1,236,062</u>	<u>1,236,062</u>
Total noncurrent liabilities	<u>77,765</u>	<u>1,252,932</u>	<u>1,330,697</u>
<i>Total liabilities</i>	<u>576,771</u>	<u>1,403,603</u>	<u>1,980,374</u>
<b>Net Assets</b>			
Invested in capital assets, net of related debt	9,356,008	8,282,404	17,638,412
Restricted for:			
Special revenue funds	(1,717,700)		(1,717,700)
Capital projects funds	(246,443)		(246,443)
Unrestricted	<u>1,932,534</u>	<u>4,398,455</u>	<u>6,330,989</u>
<i>Total net assets</i>	<u>9,324,399</u>	<u>12,680,859</u>	<u>22,005,258</u>
<i>Total liabilities and net assets</i>	<u>\$ 9,901,170</u>	<u>\$ 14,084,462</u>	<u>\$ 23,985,632</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Exhibit A-2

City of Eunice  
Statement of Activities  
June 30, 2011

Functions/Programs	Program Revenues			
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
<b>Primary Government</b>				
<b>Governmental Activities:</b>				
General government	\$ 1,855,486	\$ 108,523	\$ 24,137	
Public safety	2,072,346		94,468	\$ 42,115
Public works	260,745	45,037	650,816	265,601
Culture and recreation	1,136,124	625		3,500
Interest on long-term debt	<u>3,343</u>			
<i>Total governmental activities</i>	<u>5,328,044</u>	<u>154,185</u>	<u>769,421</u>	<u>311,216</u>
<b>Business-type Activities:</b>				
Water	929,942	1,780,737		323,244
Sewer	228,744	321,874		564,397
Solid waste	339,857	368,429		
Golf	<u>408,479</u>	<u>172,086</u>		
<i>Total business-type activities</i>	<u>1,907,022</u>	<u>2,643,126</u>	<u>0</u>	<u>887,641</u>
<i>Total primary government</i>	<u>\$ 7,235,066</u>	<u>\$ 2,797,311</u>	<u>\$ 769,421</u>	<u>\$ 1,198,857</u>
<b>General Revenues:</b>				
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 Net				
<i>Total general revenues and transfers</i>				
<i>Change in net assets</i>				
<i>Net assets beginning</i>				
<i>Net assets, ending</i>				

The accompanying notes are an integral part of these financial statements

<b>Net (Expense) Revenue and Changes in Net Assets</b>		
<b>Primary Government</b>		
<b>Governmental Activities</b>	<b>Business Type Activities</b>	<b>Total</b>
\$ (1,722,826)		\$ (1,722,826)
(1,935,763)		(1,935,763)
700,709		700,709
(1,131,999)		(1,131,999)
<u>(3,343)</u>		<u>(3,343)</u>
<u>(4,093,222)</u>		<u>(4,093,222)</u>
	\$ 1,174,039	1,174,039
	657,527	657,527
	28,572	28,572
	<u>(236,393)</u>	<u>(236,393)</u>
	<u>1,623,745</u>	<u>1,623,745</u>
<u>(4,093,222)</u>	<u>1,623,745</u>	<u>(2,469,477)</u>
120,221		120,221
4,339,452		4,339,452
243,279		243,279
7,082		7,082
29,300		29,300
21,956		21,956
1,927	1,659	3,586
551,556		551,556
<u>151,440</u>	<u>(151,440)</u>	<u>0</u>
<u>5,466,213</u>	<u>(149,781)</u>	<u>5,316,432</u>
1,372,991	1,473,964	2,846,955
<u>7,951,408</u>	<u>11,206,895</u>	<u>19,158,303</u>
<u>\$ 9,324,399</u>	<u>\$ 12,680,859</u>	<u>\$ 22,005,258</u>

The accompanying notes are an integral part of these financial statements

**GOVERNMENTAL  
FUND FINANCIAL STATEMENT**

STATE OF NEW MEXICO

Exhibit B-1

City of Eunice  
Balance sheet  
Governmental Funds  
June 30, 2011

	<u>General Fund</u>	<u>Fire Fund</u>	<u>Recreation Fund</u>
<b>Current assets</b>			
Cash and cash equivalents	\$ 469,504		
Investments	32,000	\$ 100,000	\$ 30,000
Accounts receivable			
Taxes	283,496		
Other	6,764	6,255	
Prepaid assets	33,246		
Interfund receivable	<u>7,818,573</u>		
<i>Total assets</i>	<u>\$ 8,643,583</u>	<u>\$ 106,255</u>	<u>\$ 30,000</u>
<b>Current liabilities</b>			
Accounts payable	\$ 43,036	\$ 7,539	\$ 2,049
Accrued payroll	17,889		2,226
Interfund payable	<u>3,243,763</u>	<u>1,627,481</u>	<u>2,012,509</u>
<i>Total liabilities</i>	<u>3,304,688</u>	<u>1,635,020</u>	<u>2,016,784</u>
<b>Fund balance</b>			
Assigned to:			
Subsequent year's budget in:			
General fund	5,338,895		
Special revenue funds		(1,528,765)	(1,986,784)
Capital projects funds			
<i>Total fund balances</i>	<u>5,338,895</u>	<u>(1,528,765)</u>	<u>(1,986,784)</u>
<i>Total liabilities and fund balances</i>	<u>\$ 8,643,583</u>	<u>\$ 106,255</u>	<u>\$ 30,000</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>
	\$ 412,881	\$ 103,935	\$ 986,320
	262,000	137,000	561,000
	14,462	7,102	305,060
		87,383	100,402
			33,246
	<u>937,754</u>	<u>136,644</u>	<u>8,892,971</u>
<u>\$ 0</u>	<u>\$ 1,627,097</u>	<u>\$ 472,064</u>	<u>\$ 10,878,999</u>
<u>\$ 268,684</u>		<u>\$ 103,691</u>	<u>\$ 424,999</u>
		3,353	23,468
<u>1,171,460</u>		<u>2,329,163</u>	<u>10,384,376</u>
<u>1,440,144</u>	<u>\$ 0</u>	<u>2,436,207</u>	<u>10,832,843</u>
			5,338,895
(1,440,144)		(1,717,700)	(6,673,393)
	<u>1,627,097</u>	<u>(246,443)</u>	<u>1,380,654</u>
<u>(1,440,144)</u>	<u>1,627,097</u>	<u>(1,964,143)</u>	<u>46,156</u>
<u>\$ 0</u>	<u>\$ 1,627,097</u>	<u>\$ 472,064</u>	<u>\$ 10,878,999</u>

The accompanying notes are an integral part of these financial statements



**STATE OF NEW MEXICO**

City of Eunice

Reconciliation of the Balance Sheet-Governmental Funds to the Statement of Net Assets  
June 30, 2011

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

Fund balances - total governmental funds	\$ 46,156
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	9,406,547
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	(77,765)
Current portion of long-term debt	<u>(50,539)</u>
Total net assets of governmental activities	<u>\$ 9,324,399</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Exhibit B-2

City of Eunice

## Statement of Revenues, Expenditures and Changes in Fund Balances

Governmental Funds

June 30, 2011

	<u>General Fund</u>	<u>Fire Fund</u>	<u>Recreation Fund</u>
<b>Revenues</b>			
Taxes			
Property	\$ 120,221		
Gross receipts	4,017,715	\$ 15,000	
Gasoline and motor vehicle taxes	243,279		
Other	1,492		\$ 5,590
Intergovernmental income			
Federal operating grants	21,360		
State operating grants	2,776		
State capital grants		42,114	3,500
Charges for services	108,523		625
Licenses and fees	4,294		100
Fines and forfeitures	21,956		
Interest income	392	299	119
Miscellaneous	<u>252,123</u>	<u>45,089</u>	<u>140,000</u>
<i>Total revenues</i>	<u>4,794,131</u>	<u>102,502</u>	<u>149,934</u>
<b>Expenditures</b>			
Current			
General government	1,250,241	8,422	2,664
Public safety	1,602,650	168,960	
Public works	100,607		
Culture and recreation	223,698		383,116
Capital outlay	46,962		373,543
Debt service			
Principal			
Interest			
<i>Total expenditures</i>	<u>3,224,158</u>	<u>177,382</u>	<u>759,323</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>1,569,973</u>	<u>(74,880)</u>	<u>(609,389)</u>
<b>Other financing sources (uses)</b>			
Transfers In	<u>151,440</u>		
<i>Total other financing sources (uses)</i>	<u>151,440</u>	<u>0</u>	<u>0</u>
<i>Net change in fund balances</i>	1,721,413	(74,880)	(609,389)
<i>Fund balances - beginning of year</i>	<u>3,617,482</u>	<u>(1,453,885)</u>	<u>(1,377,395)</u>
<i>Fund balances - end of year</i>	<u>\$ 5,338,895</u>	<u>\$ (1,528,765)</u>	<u>\$ (1,986,784)</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>
			\$ 120,221
	\$ 195,650	\$ 111,086	4,339,452
			243,279
			7,082
		27,012	48,372
\$ 522,889		195,386	721,049
260,000		5,602	311,216
		45,037	154,185
		24,906	29,300
			21,956
	622	496	1,927
		<u>114,344</u>	<u>551,556</u>
<u>782,889</u>	<u>196,272</u>	<u>523,869</u>	<u>6,549,595</u>
		453,640	1,714,967
		58,839	1,830,449
126,248			226,855
		336,691	943,502
812,357		163,773	1,396,635
		48,792	48,792
		<u>3,343</u>	<u>3,343</u>
<u>938,605</u>	<u>0</u>	<u>1,065,078</u>	<u>6,164,543</u>
<u>(155,716)</u>	<u>196,272</u>	<u>(541,209)</u>	<u>385,051</u>
			<u>151,440</u>
<u>0</u>	<u>0</u>	<u>0</u>	<u>151,440</u>
(155,716)	196,272	(541,209)	536,491
<u>(1,284,428)</u>	<u>1,430,825</u>	<u>(1,422,934)</u>	<u>(490,335)</u>
<u>\$ (1,440,144)</u>	<u>\$ 1,627,097</u>	<u>\$ (1,964,143)</u>	<u>\$ 46,156</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**

City of Eunice

Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ending June 30, 2011

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

Net change in fund balances - total governmental funds \$ 536,491

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 1,396,635  
Depreciation expense (580,341)

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 absence (28,588)

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 48,792

Change in net assets of governmental activities \$ 1,372,991

## 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, 2011

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<b>Revenues</b>				
Taxes				
Property Tax	\$ 190,000	\$ 190,000	\$ 120,221	\$ (69,779)
Gross receipts	3,435,000	2,924,255	4,017,715	1,093,460
Gasoline and motor vehicle	85,000	82,726	243,279	160,553
Other	6,350	6,350	1,492	(4,858)
Intergovernmental income				
Federal operating grants			21,360	21,360
State operating grants	51,000	51,000	2,776	(48,224)
State capital grants	10,000	10,000		(10,000)
Charges for services	39,050	39,050	108,523	69,473
Licenses and fees	12,550	12,550	4,294	(8,256)
Fines and forfeitures	35,200	35,200	21,956	(13,244)
Interest income	10,000	10,000	392	(9,608)
Miscellaneous	510,000	510,000	252,123	(257,877)
<i>Total revenues</i>	<u>4,384,150</u>	<u>3,871,131</u>	<u>4,794,131</u>	<u>923,000</u>
<b>Expenditures</b>				
Current				
General government	3,510,975	2,993,341	1,250,241	1,743,100
Public safety			1,602,650	(1,602,650)
Public works	98,818	85,840	100,607	(14,767)
Culture and recreation	17,799	14,274	223,698	(209,424)
Capital outlay	13,000	13,000	46,962	(33,962)
<i>Total expenditures</i>	<u>3,640,592</u>	<u>3,106,455</u>	<u>3,224,158</u>	<u>(117,703)</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>743,558</u>	<u>764,676</u>	<u>1,569,973</u>	<u>805,297</u>
<b>Other financing sources (uses)</b>				
Designated cash (budgeted increase in cash)		465,262		(465,262)
Transfers in		(203,942)	151,440	355,382
Transfers out		1,882,094		1,882,094
<i>Total other financing sources (uses)</i>	<u>0</u>	<u>2,143,414</u>	<u>151,440</u>	<u>1,772,214</u>
<i>Net change in fund balances</i>	<u>743,558</u>	<u>2,908,090</u>	<u>1,721,413</u>	<u>805,297</u>
<i>Fund balances - beginning of year</i>			<u>3,617,482</u>	<u>3,617,482</u>
<i>Fund balances - end of year</i>	<u>\$ 743,558</u>	<u>\$ 2,908,090</u>	<u>\$ 5,338,895</u>	<u>\$ 4,422,779</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 Ending June 30, 2011

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<b>Revenues</b>				
Taxes				
Gross receipts	\$ 55,000	\$ 55,000	\$ 15,000	\$ (40,000)
Intergovernmental income				
State operating grants	8,500	8,500		(8,500)
State capital grants	10,000	10,000	42,114	32,114
Interest income	500	500	299	(201)
Miscellaneous		(18,018)	45,089	63,107
<i>Total revenues</i>	<u>74,000</u>	<u>55,982</u>	<u>102,502</u>	<u>46,520</u>
<b>Expenditures</b>				
Current				
General government	4,000	4,000	8,422	(4,422)
Public safety	<u>167,000</u>	<u>162,176</u>	<u>168,960</u>	<u>(6,784)</u>
<i>Total expenditures</i>	<u>171,000</u>	<u>166,176</u>	<u>177,382</u>	<u>(11,206)</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(97,000)</u>	<u>(110,194)</u>	<u>(74,880)</u>	<u>35,314</u>
<b>Other financing sources (uses)</b>				
Transfers in		139,425		(139,425)
<i>Total other financing sources (uses)</i>	<u>0</u>	<u>139,425</u>	<u>0</u>	<u>(139,425)</u>
<i>Net change in fund balances</i>	<u>(97,000)</u>	<u>29,231</u>	<u>(74,880)</u>	<u>35,314</u>
<i>Fund balances - beginning of year</i>			<u>(1,453,885)</u>	<u>(1,453,885)</u>
<i>Fund balances - end of year</i>	<u>\$ (97,000)</u>	<u>\$ 29,231</u>	<u>\$ (1,528,765)</u>	<u>\$ (1,418,571)</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 Ending June 30, 2011

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP	Favorable
			Budgetary Basis)	(Unfavorable)
			Final to Actual	
<b>Revenues</b>				
Taxes				
Other	\$ 15,100	\$ 24,610	\$ 5,590	\$ (19,020)
Intergovernmental income				
State capital grants	20,000	36,500	3,500	(33,000)
Charges for services	1,000	1,149	625	(524)
Licenses and fees	2,000	3,900	100	(3,800)
Interest income	500	881	119	(762)
Miscellaneous			140,000	140,000
<i>Total revenues</i>	<u>38,600</u>	<u>67,040</u>	<u>149,934</u>	<u>82,894</u>
<b>Expenditures</b>				
Current				
General government	2,000	2,664	2,664	0
Culture and recreation	334,362	391,275	383,116	8,159
Capital outlay		452,632	373,543	79,089
<i>Total expenditures</i>	<u>336,362</u>	<u>846,571</u>	<u>759,323</u>	<u>87,248</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(297,762)</u>	<u>(779,531)</u>	<u>(609,389)</u>	<u>170,142</u>
<b>Other financing sources (uses)</b>				
Transfers in		740,546		(740,546)
<i>Total other financing sources (uses)</i>	<u>0</u>	<u>740,546</u>	<u>0</u>	<u>(740,546)</u>
<i>Net change in fund balances</i>	<u>(297,762)</u>	<u>(38,985)</u>	<u>(609,389)</u>	<u>170,142</u>
<i>Fund balances - beginning of year</i>			<u>(1,377,395)</u>	<u>(1,377,395)</u>
<i>Fund balances - end of year</i>	<u>\$ (297,762)</u>	<u>\$ (38,985)</u>	<u>\$ (1,986,784)</u>	<u>\$ (1,207,253)</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Exhibit C-4

City of Eunice

Streets Special Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ending June 30, 2011

	Budgeted Amounts	Actual	Variances Favorable (Unfavorable)
	Original / Final	(Non-GAAP Budgetary Basis)	Final to Actual
<b>Revenues</b>			
Intergovernmental income			
State operating grants	\$ 522,889	\$ 522,889	
State capital grants	<u>26,000</u>	<u>260,000</u>	\$ <u>234,000</u>
<i>Total revenues</i>	<u>548,889</u>	<u>782,889</u>	<u>234,000</u>
<b>Expenditures</b>			
Current			
Public works	126,248	126,248	0
Capital outlay	<u>812,357</u>	<u>812,357</u>	<u>0</u>
<i>Total expenditures</i>	<u>938,605</u>	<u>938,605</u>	<u>0</u>
<b>Excess (deficiency) of revenues over expenditures</b>	<u>(389,716)</u>	<u>(155,716)</u>	<u>234,000</u>
<b>Other financing sources (uses)</b>			
Transfers in	<u>155,718</u>	<u>                    </u>	<u>(155,718)</u>
<i>Total other financing sources (uses)</i>	<u>155,718</u>	<u>0</u>	<u>(155,718)</u>
<i>Net change in fund balances</i>	<u>(233,998)</u>	<u>(155,716)</u>	<u>234,000</u>
<i>Fund balances - beginning of year</i>	<u>0</u>	<u>(1,284,428)</u>	<u>(1,284,428)</u>
<i>Fund balances - end of year</i>	<u>\$ (233,998)</u>	<u>\$ (1,440,144)</u>	<u>\$ (1,050,428)</u>

The accompanying notes are an integral part of these financial statements



## STATE OF NEW MEXICO

Exhibit D-1

City of Eunice  
Statement of Net Assets  
Proprietary Funds  
June 30, 2011

	Enterprise Funds				Total
	Water	Sewer	Solid Waste	Golf	
<b>Assets</b>					
<i>Current assets</i>					
Cash and cash equivalents	\$ 1,234,774	\$ 260,735	\$ 34,172		\$ 1,529,681
Investments	537,000	576,000	20,000		1,133,000
Accounts receivable					
Other	196,997	31,381	40,906		269,284
Inventory	113,311			\$ 29,315	142,626
Interfund receivable	<u>3,465,793</u>	<u>1,645,453</u>	<u>6,037</u>		<u>5,117,283</u>
<i>Total current assets</i>	<u>5,547,875</u>	<u>2,513,569</u>	<u>101,115</u>	<u>29,315</u>	<u>8,191,874</u>
<i>Noncurrent assets</i>					
Capital assets	13,259,211	4,364,814		580,802	18,204,827
Less: accumulated depreciation	<u>(6,582,770)</u>	<u>(1,757,077)</u>		<u>(346,514)</u>	<u>(8,686,361)</u>
<i>Total noncurrent assets</i>	<u>6,676,441</u>	<u>2,607,737</u>	<u>0</u>	<u>234,288</u>	<u>9,518,466</u>
<i>Total assets</i>	<u>\$ 12,224,316</u>	<u>\$ 5,121,306</u>	<u>\$ 101,115</u>	<u>\$ 263,603</u>	<u>\$ 17,710,340</u>
<b>Liabilities and net assets</b>					
<b>Liabilities</b>					
<i>Current liabilities</i>					
Accounts payable	\$ 54,815	\$ 11,112		\$ 12,217	\$ 78,144
Meter deposits payable	66,881				66,881
Accrued payroll	3,246	479		1,921	5,646
Interfund payable		<u>1,838,114</u>	<u>\$ 382,363</u>	<u>1,405,401</u>	<u>3,625,878</u>
<i>Total current liabilities</i>	<u>124,942</u>	<u>1,849,705</u>	<u>382,363</u>	<u>1,419,539</u>	<u>3,776,549</u>
<i>Noncurrent liabilities</i>					
Accrued compensated absences	11,892	1,019		3,959	16,870
Loans and capital leases payable	<u>1,236,062</u>				<u>1,236,062</u>
<i>Total noncurrent liabilities</i>	<u>1,247,954</u>	<u>1,019</u>	<u>0</u>	<u>3,959</u>	<u>1,252,932</u>
<i>Total liabilities</i>	<u>1,372,896</u>	<u>1,850,724</u>	<u>382,363</u>	<u>1,423,498</u>	<u>5,029,481</u>
<b>Net Assets</b>					
Invested in capital assets, net of related debt	5,440,379	2,607,737		234,288	8,282,404
Unrestricted	<u>5,411,041</u>	<u>662,845</u>	<u>(281,248)</u>	<u>(1,394,183)</u>	<u>4,398,455</u>
<i>Total net assets</i>	<u>10,851,420</u>	<u>3,270,582</u>	<u>(281,248)</u>	<u>(1,159,895)</u>	<u>12,680,859</u>
<i>Total liabilities and net assets</i>	<u>\$ 12,224,316</u>	<u>\$ 5,121,306</u>	<u>\$ 101,115</u>	<u>\$ 263,603</u>	<u>\$ 17,710,340</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Exhibit D-2

City of Eunice

Statement of Revenues, Expenses and Changes in Fund Net Assets

Proprietary Funds

For the Year Ended June 30, 2011

	Enterprise Funds				Total
	Water	Sewer	Solid Waste	Golf	
<b>Operating revenues:</b>					
Charges for services	\$ <u>1,780,737</u>	\$ <u>321,874</u>	\$ <u>368,429</u>	\$ <u>172,086</u>	\$ <u>2,643,126</u>
<i>Total operating revenues</i>	<u>1,780,737</u>	<u>321,874</u>	<u>368,429</u>	<u>172,086</u>	<u>2,643,126</u>
<b>Operating expenses:</b>					
Culture and recreation				31,198	31,198
Personnel services	407,660	63,946		182,427	654,033
Supplies	219,550	134,468	339,857	162,423	856,298
Depreciation	<u>302,732</u>	<u>30,330</u>		<u>32,431</u>	<u>365,493</u>
<i>Total operating expenses</i>	<u>929,942</u>	<u>228,744</u>	<u>339,857</u>	<u>408,479</u>	<u>1,907,022</u>
<i>Operating income (loss)</i>	<u>850,795</u>	<u>93,130</u>	<u>28,572</u>	<u>(236,393)</u>	<u>736,104</u>
<b>Non-Operating revenues (expenses):</b>					
Interest income	839	775	45		1,659
State capital grant	<u>323,244</u>	<u>564,397</u>			<u>887,641</u>
<i>Total non-operating revenues (expenses)</i>	<u>324,083</u>	<u>565,172</u>	<u>45</u>	<u>0</u>	<u>889,300</u>
<b>Income (loss) before transfers</b>	1,174,878	658,302	28,617	(236,393)	1,625,404
Other financing source (uses)					
Transfers (out)	<u>(151,440)</u>				<u>(151,440)</u>
<i>Total other financing sources (uses)</i>	<u>(151,440)</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>(151,440)</u>
<i>Change in net assets</i>	1,023,438	658,302	28,617	(236,393)	1,473,964
<i>Net assets, beginning of year</i>	<u>9,827,982</u>	<u>2,612,280</u>	<u>(309,865)</u>	<u>(923,502)</u>	<u>11,206,895</u>
<i>Net assets, end of year</i>	<u>\$10,851,420</u>	<u>\$3,270,582</u>	<u>\$ (281,248)</u>	<u>\$ (1,159,895)</u>	<u>\$12,680,859</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
City of Eunice  
Statement of Cash Flows  
Proprietary Funds  
For the Year Ended June 30, 2011

Exhibit D-3

	Enterprise Funds	
	Water	Sewer
<i>Cash flows from operating activities:</i>		
Cash received from user charges	\$ 1,718,641	\$ 323,408
Cash payments to employees for services	(407,662)	(63,946)
Cash payments to suppliers for goods and services	(222,267)	(134,469)
Internal activity	(458,351)	98,476
<i>Net cash provided (used) by operating activities</i>	630,361	223,470
<i>Cash flows from noncapital financing activities:</i>		
Capital and operating grants	323,244	564,397
Change in noncurrent accrued compensated absences		
Transfers	(151,440)	
<i>Net cash provided (used) by noncapital financing activities</i>	171,804	564,397
<i>Cash flows from capital and related financing activities:</i>		
Acquisition of capital assets		
Proceeds from loan	(460,714)	(885,238)
<i>Net cash provided (used) by capital and related financing activities</i>	(460,714)	(885,238)
<i>Cash flows from investing activities:</i>		
Interest on investments	839	775
<i>Net cash provided (used) by investing activities</i>	839	775
<i>Net increase (decrease) in cash and cash equivalents</i>	342,290	(96,596)
<i>Cash and cash equivalents - beginning of year</i>	892,484	357,331
<i>Cash and cash equivalents - end of year</i>	\$ 1,234,774	\$ 260,735
<i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</i>		
Operating income (loss)	\$ 850,795	\$ 93,130
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	302,731	30,330
Changes in assets and liabilities		
Receivables	(62,096)	1,534
Interfund receivables/payables	(458,351)	98,476
Accounts payable		
Accrued payroll expenses	(2)	
Meter deposits	(2,716)	
<i>Net cash provided (used) by operating activities</i>	\$ 630,361	\$ 223,470

The accompanying notes are an integral part of these financial statements

Enterprise Funds		
Solid Waste	Golf	Total
\$ 367,160	\$ 172,086	\$ 2,581,295
	(182,426)	(654,034)
(339,857)	(191,232)	(887,825)
<u>(27)</u>	<u>218,950</u>	<u>(140,952)</u>
<u>27,276</u>	<u>17,378</u>	<u>898,484</u>
		887,641
		0
		(151,440)
		<u>736,201</u>
		<u>0</u>
	<u>(17,378)</u>	<u>(1,363,330)</u>
<u>0</u>	<u>(17,378)</u>	<u>(1,363,330)</u>
<u>45</u>		<u>1,659</u>
<u>45</u>	<u>0</u>	<u>1,659</u>
27,321		273,015
<u>6,851</u>		<u>1,256,666</u>
<u>\$ 34,172</u>	<u>\$ 0</u>	<u>\$ 1,529,681</u>

\$ 28,572	\$ (236,393)	\$ 736,104
	32,430	365,491
(1,269)		(61,831)
(27)	218,950	(140,952)
	2,391	2,391
		(2)
		<u>(2,716)</u>
<u>\$ 27,276</u>	<u>\$ 17,378</u>	<u>\$ 898,485</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**

Exhibit E-1

City of Eunice

Statement of Fiduciary Assets and Liabilities - Agency Funds

June 30, 2011

**Assets**

Cash and cash equivalents \$ 24,194

*Total assets* \$ 24,194

**Liabilities**

Deposits held and due to others \$ 24,194

*Total liabilities* \$ 24,194

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
City of Eunice  
Notes to Financial Statements  
June 30, 2011

**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.

A. *Financial Reporting Entity*

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.

B. *Government-wide and fund financial statements*

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) 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.

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.

**STATE OF NEW MEXICO**  
City of Eunice  
Notes to Financial Statements  
June 30, 2011

**NOTE 1. Summary of Significant Accounting Policies (continued)**

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.

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. The accompanying financial statements do not include financial data for the City's legally separate component unit.

C. *Government-wide and fund financial statements (continued)*

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.

D. *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.

**STATE OF NEW MEXICO**  
City of Eunice  
Notes to Financial Statements  
June 30, 2011

**NOTE 1. Summary of Significant Accounting Policies (continued)**

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

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.

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.



**STATE OF NEW MEXICO**  
City of Eunice  
Notes to Financial Statements  
June 30, 2011

**NOTE 1. Summary of Significant Accounting Policies (continued)**

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

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.

Private-sector standards of accounting and financial reporting issued prior to December 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 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 OF NEW MEXICO**  
City of Eunice  
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June 30, 2011

**NOTE 1. Summary of Significant Accounting Policies (continued)**

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

**Deposits and Investments (Continued):** 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."

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).

**STATE OF NEW MEXICO**  
City of Eunice  
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June 30, 2011

**NOTE 1. Summary of Significant Accounting Policies (continued)**

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

**Capital Assets (Continued):** 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.

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.

**STATE OF NEW MEXICO**  
City of Eunice  
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**NOTE 1. Summary of Significant Accounting Policies (continued)**

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

**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.

In addition to the nonspendable fund balance, GASB 54 has provided a hierarchy of spendable fund balances, based on a hierarchy of spending constraints.

- Nonspendable: includes amounts that are (a) not in spendable form, or (b) legally or contractually required to be maintained intact. The "not in spendable form" criterion includes items that are not expected to be converted to cash, for example: inventories, prepaid amounts, and long-term notes receivable.
- Restricted: fund balances that are constrained by external parties, constitutional provisions, or enabling legislation.
- Committed: fund balances that contain self-imposed constraints of the government from its highest level of decision making authority. Commitments will only be used for specific purposes pursuant to a formal action of the decision makers.
- Assigned: fund balances that contain self-imposed constraints of the government to be used for a particular purpose.
- Unassigned: fund balances of the general fund that is not constrained for any particular purpose.

When both restricted and unrestricted resources are available for use, it is the City's policy to use externally restricted resources first, then unrestricted resources - committed, assigned, and unassigned - in order as needed.

**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  
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**NOTE 1. Summary of Significant Accounting Policies (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.”

**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.

**STATE OF NEW MEXICO**  
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**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.

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, 2011 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	\$ 743,558	\$ 764,676
Fire Special Revenue Fund	(97,000)	(110,194)
Recreation Special Revenue Fund	(297,762)	(779,531)
Municipal Infrastructure Capital Projects Fund	141,000	90,398
Streets Special Revenue Fund	(389,716)	(155,716)
Other Governmental Funds	(379,158)	(381,650)
		Operating income (loss)
Water	\$ 290,536	\$ 74,756
Sewer	158,469	101,583
Solid Waste	0	0
Golf	(172,418)	(203,560)

**STATE OF NEW MEXICO**  
City of Eunice  
Notes to Financial Statements  
June 30, 2011

**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, 2011.

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

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. NM 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, 2011, the City's deposits totaled \$2,754,728, of which \$2,504,728 was exposed to custodial credit risk as follows:

	<u>Wells Fargo Bank</u>	<u>NMFA Reserve Account</u>	<u>Total</u>
Demand accounts	\$ 2,754,728	\$ 40,866	\$ 2,795,594
FDIC Coverage (See A-04)	<u>(250,000)</u>	<u>(40,866)</u>	<u>(290,866)</u>
Total uninsured public funds	<u>2,504,728</u>	<u>0</u>	<u>2,504,728</u>
Collateral requirement (50% of uninsured funds)	1,252,364		1,252,364
Pledged Collateral	<u>1,488,822</u>		<u>1,488,822</u>
Over (Under) collateralized	<u>\$ 236,458</u>	<u>\$ 0</u>	<u>\$ 236,458</u>

**STATE OF NEW MEXICO**  
City of Eunice  
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June 30, 2011

**NOTE 3. Deposits and Investments (continued)**

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 NM.

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. NM 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, 2011, the City's investment balances were exposed to custodial credit risk as follows:

	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, 2011, as described below.

The State Treasurer's Office (STO) communicated to LGIP participants on January 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.



**STATE OF NEW MEXICO**  
City of Eunice  
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June 30, 2011

**NOTE 3. Deposits and Investments (continued)**

Custodial Credit Risk – Investments (continued)

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.

Interest Rate Risk

The City’s investments at June 30, 2011 include the following:

Investments	Weighted Average Maturities	Fair Value	Rating
State Treasurer Local			
New MexiGROW LGIP	34 days	\$ 1,688,469	AAAm
Reserve Contingency Fund	Does not earn interest	5,531	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>
Carrying amount	
Deposits	\$ 2,540,195
Investments	<u>1,694,000</u>
	<u>\$ 4,234,195</u>
Included in the following captions	
Cash and cash equivalents	\$ 2,475,135
Restricted cash	40,866
Investments	1,694,000
Fiduciary funds cash	<u>24,194</u>
	<u>\$ 4,234,195</u>

**STATE OF NEW MEXICO**  
City of Eunice  
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**NOTE 4. Receivables and payables**

Receivables as of June 30, 2011 are as follows:

**Governmental activities:**

	General Fund	Fire Fund	
Receivables:			
Taxes	\$ 283,496		
Other	<u>6,764</u>	\$ <u>6,255</u>	
Net receivables	<u>\$ 290,260</u>	<u>\$ 6,255</u>	
	Municipal Infrastructure Fund	Other Governmental Funds	
Receivables:			
Taxes	\$ 14,462	\$ 7,102	
Other		<u>87,383</u>	
Net receivables	<u>\$ 14,462</u>	<u>\$ 94,485</u>	
	Total		
Receivables:			
Taxes	\$ 305,060		
Other	<u>100,402</u>		
Net receivables	<u>\$ 405,462</u>		

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

**Business-type activities:**

	Water	Sewer	Solid Waste
Receivables:			
Accounts	\$ 223,123	\$ 31,381	\$ 40,906
Allowance for bad debts	<u>(26,126)</u>		
Net receivables	<u>\$ 196,997</u>	<u>\$ 31,381</u>	<u>\$ 40,906</u>
	Total		
Accounts	295,410		
Allowance for bad debts	<u>(26,126)</u>		
Net receivables	<u>\$ 269,284</u>		

Accounts payable as of June 30, 2011, are as follows:

	Governmental activities	Business-type activities
Payable to suppliers	\$ 424,999	\$ 78,144
Payable to and on behalf of employees	<u>23,468</u>	<u>5,646</u>
	<u>\$ 448,467</u>	<u>\$ 83,790</u>

**STATE OF NEW MEXICO**  
City of Eunice  
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June 30, 2011

**NOTE 5. Interfund Receivables, Payables, and Transfers**

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

Interfund receivable	Interfund payable	Amount
General Fund	Fire Fund Special Revenue Fund	\$ 1,627,480
General Fund	Recreation Special Revenue Funds	2,012,509
General Fund	Nonmajor Governmental Funds	2,115,753
General Fund	Streets Special Revenue Fund	1,171,460
General Fund	Golf Proprietary Fund	544,413
General Fund	Sewer Proprietary Fund	346,957
General Fund	Water Fund	(22,200)
Nonmajor Governmental Funds	Golf Proprietary Fund	136,644
Municipal Infrastructure Special Revenue Fund	Nonmajor Governmental Funds	724,344
Municipal Infrastructure Special Revenue Fund	Solid Waste Proprietary Fund	213,410
Water Proprietary Fund	Solid Waste Proprietary Fund	382,362
Water Proprietary Fund	General Fund	1,575,055
Water Proprietary Fund	Sewer Proprietary Fund	2,034,036
Water Proprietary Fund	Nonmajor Fund	104
Sewer Fund	General Fund	1,645,453
Solid Waste Fund	General Fund	952
Solid Waste Fund	Sewer Proprietary Fund	5,085
Street Fund	General Fund	399,185
<b>Total</b>		<b><u>\$ 14,913,002</u></b>

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

The City recorded operating transfers out/in to/from other funds to reflect permanent transfers between funds as follows:

Transfer From	Amount	Transfer To	Amount
Water Fund	\$ <u>151,440</u>	General Fund	\$ <u>151,440</u>
	\$ <u>151,440</u>		\$ <u>151,440</u>

**STATE OF NEW MEXICO**

City of Eunice

Notes to Financial Statements

June 30, 2011

**NOTE 6. Capital Assets**

A summary of capital assets and changes occurring during the year ended June 30, 2011, follows. Land and Construction in Progress are not subject to depreciation.

Capital Assets used in Governmental Activities:	Balance 6/30/2010	Additions	Deletions	Balance 6/30/2011
Capital assets not depreciated:				
Land	\$ 383,762			\$ 383,762
Construction in progress	698,428	\$ 1,004,549		1,702,977
	<u>1,082,190</u>	<u>1,004,549</u>	<u>\$ 0</u>	<u>2,086,739</u>
Capital assets being depreciated:				
Buildings & improvements	7,660,559	337,816		7,998,375
Equipment	1,195,479	20,949		1,216,428
Vehicles	2,179,278	20,807		2,200,085
Roads	1,801,740			1,801,740
Library Collections	452,643	12,514		465,157
	<u>13,289,699</u>	<u>392,086</u>	<u>0</u>	<u>13,681,785</u>
Total capital assets	<u>14,371,889</u>	<u>1,396,635</u>	<u>0</u>	<u>15,768,524</u>
Less accumulated depreciation				
Land Improvements	(5,916)	(5,916)		(11,832)
Building & improvements	(1,857,101)	(251,177)		(2,108,278)
Equipment	(758,500)	(109,231)		(867,731)
Vehicles	(1,149,181)	(188,895)		(1,338,076)
Roads	(1,459,139)	(18,032)		(1,477,171)
Library Collections	(551,799)	(7,090)		(558,889)
Total accumulated depreciation	<u>(5,781,636)</u>	<u>(580,341)</u>	<u>0</u>	<u>(6,361,977)</u>
Net capital assets	<u>\$ 8,590,253</u>	<u>\$ 816,294</u>	<u>\$ 0</u>	<u>\$ 9,406,547</u>
Capital Assets used in Business-type Activities:	Balance 6/30/2010	Additions	Deletions	Balance 6/30/2011
Capital assets not depreciated:				
Land	\$ 112,526			\$ 112,526
Construction in progress	2,572,234	\$ 1,570,443		4,142,677
Total not depreciated	<u>2,684,760</u>	<u>1,570,443</u>	<u>\$ 0</u>	<u>4,255,203</u>
Capital assets being depreciated:				
Land & improvements		5,577		5,577
Buildings & improvements	1,920,924			1,920,924
Equipment	647,920	25,520		673,440
Utility Systems	11,349,683			11,349,683
	<u>13,918,527</u>	<u>31,097</u>	<u>0</u>	<u>13,949,624</u>
Total capital assets	<u>16,603,287</u>	<u>1,601,540</u>	<u>0</u>	<u>18,204,827</u>
Less accumulated depreciation				
Land improvements	(1,940)	(3,826)		(5,766)
Building & improvements	(1,836,354)	(5,386)		(1,841,740)
Equipment	(429,257)	(72,939)		(502,196)
Utility Systems	(6,053,317)	(283,342)		(6,336,659)
	<u>(8,320,868)</u>	<u>(365,493)</u>	<u>0</u>	<u>(8,686,361)</u>
Net capital assets	<u>\$ 8,282,419</u>	<u>\$ 1,236,047</u>	<u>\$ 0</u>	<u>\$ 9,518,466</u>

**STATE OF NEW MEXICO**  
City of Eunice  
Notes to Financial Statements  
June 30, 2011

**NOTE 6. Capital Assets (continued)**

Depreciation expense for the year ended June 30, 2011 was charged to the following functions and funds:

Government activities:	
General government	\$ 111,932
Public safety	241,897
Public works	33,890
Culture and recreation	<u>192,622</u>
Total governmental activities	<u>\$ 580,341</u>
Business-type activities:	
Water fund	302,732
Sewer fund	30,330
Golf fund	<u>32,431</u>
Total business-type activities	<u>\$ 365,493</u>

**NOTE 7. Long-term Debt**

The capital leases as of June 30, 2011 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>50,539</u> 50,539
Less current portion	<u>(50,539)</u>
	<u>\$ 0</u>

The annual requirements to amortize the capital leases outstanding as of June 30, 2011, including interest payments are as follows:

**Governmental Activities:**

<u>Fiscal Year Ending 6/30/2011</u>	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2012	\$ <u>50,539</u>	\$ <u>1,723</u>	\$ <u>52,262</u>
Total	<u>\$ 50,539</u>	<u>\$ 1,723</u>	<u>\$ 52,262</u>

The business-type activities long-term debt is still in construction phase and the information is not available to prepare the subsequent payment schedule.

**STATE OF NEW MEXICO**  
City of Eunice  
Notes to Financial Statements  
June 30, 2011

**NOTE 7. Long-term Debt (continued)**

*Change in Long-term Liabilities*

Long-term liability activity for the year ended June 30, 2011, was as follows:

**Governmental Activities:**

	Balance June 30, 2010	Additions	Reductions	Balance June 30, 2011	Due Within One Year
NMFA - Ambulance	\$ 99,331		\$ 48,792	\$ 50,539	\$ 50,539
Compensated Absences	<u>52,257</u>	<u>\$ 28,588</u>	<u>3,080</u>	<u>77,765</u>	<u>          </u>
Long-term liabilities	<u>\$ 151,588</u>	<u>\$ 28,588</u>	<u>\$ 51,872</u>	<u>\$ 128,304</u>	<u>\$ 50,539</u>

**Business-Type Activities:**

	Balance June 30, 2010	Additions	Reductions	Balance June 30, 2011	Due Within One Year
NMFA - Water Lines	\$ 997,852	\$ 238,210		\$ 1,236,062	\$ 0
Compensated Absences	<u>16,870</u>	<u>          </u>	<u>          </u>	<u>16,870</u>	<u>          </u>
Long-term liabilities	<u>\$ 1,014,722</u>	<u>\$ 238,210</u>	<u>\$ 0</u>	<u>\$ 1,252,932</u>	<u>\$ 0</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.

**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 NM 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.

**STATE OF NEW MEXICO**  
City of Eunice  
Notes to Financial Statements  
June 30, 2011

**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, NM 87504-2123. The report is also available on PERA's website at [www.pera.state.nm.us](http://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, 2011, 2010 and 2009 were \$231,333, \$232,237 and \$211,692 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.

**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, 2011, 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.

**STATE OF NEW MEXICO**  
City of Eunice  
Notes to Financial Statements  
June 30, 2011

**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	\$ (1,528,765)
Recreation Special Revenue Fund	(1,986,784)
Streets Special Revenue Fund	(1,440,144)
EMS Special Revenue Fund	(801,049)
Senior Center Special Revenue Fund	(967,876)
Swimming Pool Special Revenue Fund	(96,703)
Government Gross Receipts Tax Special Revenue Fund	(137,058)
New Cemetery Project Special Revenue Fund	(251,443)
Solid Waste Enterprise Fund	(281,248)
Golf Enterprise Fund	<u>(1,159,895)</u>
Total	<u>\$ (8,650,965)</u>

B. Excess of expenditures over appropriations:

General Fund	\$ (117,703)
Fire Special Revenue Fund	(11,206)
Emergency Medical Services Special Revenue Fund	(56,163)
Law Enforcement Protection Special Revenue Fund	(302)
Senior Center Special Revenue Fund	(1,070)
Swimming Pool Special Revenue Fund	(5,039)
New Cemetery Project Capital Fund	(21,833)
Golf Proprietary Fund	<u>(16,823)</u>
Total	<u>\$ (230,139)</u>

**NOTE 13. Commitments**

The City had no material commitments as of June 30, 2011.



**STATE OF NEW MEXICO**  
City of Eunice  
Notes to Financial Statements  
June 30, 2011

**NOTE 14. Related Party**

The following details related party transactions for the City:

- The City of Eunice purchased services from **JD's Wrecker Service** in the amount of \$27,204. 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 \$900. City Council member JoAnn Pender is an immediate family member with the owner.
- The City purchased services from **Cactus Construction** in the amount of \$923. City Council member Gaylord Overton is an immediate family member with the owner.
- The City purchased services from **Comfort Conditioning** in the amount of \$17,977.
- 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 purchased services from **Mercedes Anaya** in the amount of \$456. Angelica Glarcia is an employee of dispatch police department.
- The City purchased services from **Tom Growney Equipment** in the amount of \$8,077.
- The City purchased services from **United Rental Tool** in the amount of \$1,968. Todd Whitmire is an immediate family member with the Finance officer Connie Whitmire.
- The City purchased services from **Danny Lyle** in the amount of \$500. Danny Lyle is the son-in-law of the Mayor.

# **SUPPLEMENTARY INFORMATION**

**STATE OF NEW MEXICO**  
City of Eunice  
Nonmajor Governmental Fund Descriptions  
June 30, 2011

**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 NM. 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, 2011

Statement A-1

	Special Revenue				
	Emergency Medical Services	State Fire Allotment	Municipal Court Fees	Law Enforcement Protection	Senior Center
<b>Assets</b>					
Cash and cash equivalents	\$ 40,866	\$ 37,626	\$ 10,615	\$ 8,765	
Investments			82,000		\$ 30,000
Accounts receivable					
Taxes					
Intergovernmental					
Other receivables	61,983			25,400	
Interfund receivable			<u>105,119</u>	<u>13,011</u>	
<i>Total assets</i>	<u>\$ 102,849</u>	<u>\$ 37,626</u>	<u>\$ 197,734</u>	<u>\$ 47,176</u>	<u>\$ 30,000</u>
<b>Liabilities</b>					
Accounts payable	\$ 3,880	\$ 17,019	\$ 36		\$ 4,175
Accrued payroll					1,837
Interfund payable	<u>900,019</u>				<u>991,864</u>
<i>Total liabilities</i>	<u>903,899</u>	<u>17,019</u>	<u>36</u>	<u>\$ 0</u>	<u>997,876</u>
<b>Fund balances</b>					
Assigned to:					
Subsequent year's budget in:					
Special revenue funds	(801,050)	20,607	197,698	47,176	(967,876)
Capital projects funds					
<i>Total fund balances</i>	<u>(801,050)</u>	<u>20,607</u>	<u>197,698</u>	<u>47,176</u>	<u>(967,876)</u>
<i>Total liabilities and fund balances</i>	<u>\$ 102,849</u>	<u>\$ 37,626</u>	<u>\$ 197,734</u>	<u>\$ 47,176</u>	<u>\$ 30,000</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
City of Eunice  
Nonmajor Governmental Funds  
Combining Balance Sheet  
June 30, 2011

Statement A-1  
Page 2 of 3

	Special Revenue				
	Gun Range	Swimming Pool	Triangle Beautification Project	Government Gross Receipts Tax	Meals on Wheels
<b>Assets</b>					
Cash and cash equivalents	\$ 6,063				
Investments				\$ 25,000	
Accounts receivable					
Taxes				7,102	
Intergovernmental					
Other receivables					
Interfund receivable	<u>2,839</u>		<u>\$ 7,031</u>		<u>\$ 3,644</u>
<i>Total assets</i>	<u>\$ 8,902</u>	<u>\$ 0</u>	<u>\$ 7,031</u>	<u>\$ 32,102</u>	<u>\$ 3,644</u>
<b>Liabilities</b>					
Accounts payable	\$ 71			\$ 8,057	
Accrued payroll		\$ 1,516			
Interfund payable		<u>95,187</u>		<u>161,103</u>	
<i>Total liabilities</i>	<u>71</u>	<u>96,703</u>	<u>\$ 0</u>	<u>169,160</u>	<u>\$ 0</u>
<b>Fund balances</b>					
Assigned to:					
Subsequent year's budget in:					
Special revenue funds	8,831	(96,703)	7,031	(137,058)	3,644
Capital projects funds					
<i>Total fund balances</i>	<u>8,831</u>	<u>(96,703)</u>	<u>7,031</u>	<u>(137,058)</u>	<u>3,644</u>
<i>Total liabilities and fund balances</i>	<u>\$ 8,902</u>	<u>\$ 0</u>	<u>\$ 7,031</u>	<u>\$ 32,102</u>	<u>\$ 3,644</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
City of Eunice  
Nonmajor Governmental Funds  
Combining Balance Sheet  
June 30, 2011

	Capital Project		Total
	Economic Development Grant	New Cemetery Project	Nonmajor Governmental Funds
<b>Assets</b>			
Cash and cash equivalents			\$ 103,935
Investments			137,000
Accounts receivable			
Taxes			7,102
Intergovernmental			0
Other receivables			87,383
Interfund receivable	\$ <u>5,000</u>	<u>          </u>	<u>136,644</u>
<i>Total assets</i>	\$ <u><u>5,000</u></u>	\$ <u><u>0</u></u>	\$ <u><u>472,064</u></u>
<b>Liabilities</b>			
Accounts payable		\$ 70,453	\$ 103,691
Accrued payroll			3,353
Interfund payable	<u>          </u>	<u>180,990</u>	<u>2,329,163</u>
<i>Total liabilities</i>	\$ <u><u>0</u></u>	<u><u>251,443</u></u>	<u><u>2,436,207</u></u>
<b>Fund balances</b>			
Assigned to:			
Subsequent year's budget in:			
Special revenue funds	0	0	(1,717,700)
Capital projects funds	<u>5,000</u>	<u>(251,443)</u>	<u>(246,443)</u>
<i>Total fund balances</i>	<u><u>5,000</u></u>	<u><u>(251,443)</u></u>	<u><u>(1,964,143)</u></u>
<i>Total liabilities and fund balances</i>	\$ <u><u>5,000</u></u>	\$ <u><u>0</u></u>	\$ <u><u>472,064</u></u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement A-2

City of Eunice

Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

For the Year Ended June 30, 2011

## Special Revenue

	Emergency Medical Services	State Fire Allotment	Municipal Court Fees	Law Enforcement Protection	Senior Center
<b>Revenues</b>					
Taxes					
Gross receipts					\$ 15,000
Intergovernmental income					
Federal operating grants					27,012
State operating grants	\$ 15,000	\$ 79,468		\$ 49,000	51,918
State capital grants	3,102				
Charges for services	32,094		\$ 6,768		
Interest income			325		108
Miscellaneous	<u>61,039</u>				<u>41,550</u>
<i>Total revenues</i>	<u>111,235</u>	<u>79,468</u>	<u>7,093</u>	<u>49,000</u>	<u>135,588</u>
<b>Expenditures</b>					
Current					
General government	192,209		3,833	23,902	332,186
Public safety		57,847			
Capital outlay	9,859				
Debt service					
Principal	48,792				
Interest	<u>3,343</u>				
<i>Total expenditures</i>	<u>254,203</u>	<u>57,847</u>	<u>3,833</u>	<u>23,902</u>	<u>332,186</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(142,968)</u>	<u>21,621</u>	<u>3,260</u>	<u>25,098</u>	<u>(196,598)</u>
<i>Net change in fund balances</i>	(142,968)	21,621	3,260	25,098	(196,598)
<i>Fund balances - beginning of year</i>	<u>(658,081)</u>	<u>(1,014)</u>	<u>194,438</u>	<u>22,077</u>	<u>(771,278)</u>
<i>Fund balances - end of year</i>	<u>\$ (801,049)</u>	<u>\$ 20,607</u>	<u>\$ 197,698</u>	<u>\$ 47,175</u>	<u>\$ (967,876)</u>

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, 2011

Special Revenue

	Gun Range	Swimming Pool	Triangle Beautification Project	Government Gross Receipts Tax	Meals on Wheels
<b>Revenues</b>					
Taxes					
Gross receipts				\$ 96,086	
Intergovernmental income					
Federal operating grants					
State operating grants					
State capital grants	\$ 2,500				
Charges for services	1,114	\$ 29,967			
Interest income				63	
Miscellaneous		11,755			
<i>Total revenues</i>	<u>3,614</u>	<u>41,722</u>	<u>\$ 0</u>	<u>96,149</u>	<u>\$ 0</u>
<b>Expenditures</b>					
Current					
General government	781	119,710		117,710	
Public safety		992			
Capital outlay		12,040			
Debt service					
Principal					
Interest					
<i>Total expenditures</i>	<u>781</u>	<u>132,742</u>	<u>0</u>	<u>117,710</u>	<u>0</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>2,833</u>	<u>(91,020)</u>	<u>0</u>	<u>(21,561)</u>	<u>0</u>
<i>Net change in fund balances</i>	2,833	(91,020)	0	(21,561)	0
<i>Fund balances - beginning of year</i>	<u>5,998</u>	<u>(5,683)</u>	<u>7,031</u>	<u>(115,497)</u>	<u>3,644</u>
<i>Fund balances - end of year</i>	<u>\$ 8,831</u>	<u>\$ (96,703)</u>	<u>\$ 7,031</u>	<u>\$ (137,058)</u>	<u>\$ 3,644</u>

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, 2011

Statement A-2

Page 3 of 3

Capital Projects

	<u>Economic Development Grant</u>	<u>New Cemetery Project</u>	<u>Total Nonmajor Governmental Funds</u>
<b>Revenues</b>			
Taxes			
Gross receipts			\$ 111,086
Intergovernmental income			
Federal operating grants			27,012
State operating grants			195,386
State capital grants			5,602
Charges for services			69,943
Interest income			496
Miscellaneous			114,344
	<u>          </u>	<u>          </u>	<u>114,344</u>
<i>Total revenues</i>	\$ <u>0</u>	\$ <u>0</u>	<u>523,869</u>
<b>Expenditures</b>			
Current			
General government			790,331
Public safety			58,839
Capital outlay		141,874	163,773
Debt service			
Principal			48,792
Interest			3,343
	<u>          </u>	<u>          </u>	<u>3,343</u>
<i>Total expenditures</i>	<u>0</u>	<u>141,874</u>	<u>1,065,078</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>0</u>	<u>(141,874)</u>	<u>(541,209)</u>
<i>Net change in fund balances</i>	0	(141,874)	(541,209)
<i>Fund balances - beginning of year</i>	<u>5,000</u>	<u>(109,569)</u>	<u>(1,422,934)</u>
<i>Fund balances - end of year</i>	<u>\$ 5,000</u>	<u>\$ (251,443)</u>	<u>\$ (1,964,143)</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement B-1

City of Eunice

Emergency Medical Services Special Revenue Fund  
Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget (Non-GAAP Budgetary Basis) and Actual  
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP	Favorable
			Budgetary Basis)	(Unfavorable)
				Final to Actual
Revenues				
Taxes				
Gross receipts	\$ 20,000	\$ 25,000		\$ (25,000)
State operating grants	10,000	11,580	\$ 15,000	3,420
State capital grants	15,000	26,899	3,102	(23,797)
Charges for services	60,000	87,906	32,094	(55,812)
Miscellaneous			61,039	61,039
<i>Total revenues</i>	<u>105,000</u>	<u>151,385</u>	<u>111,235</u>	<u>(40,150)</u>
Expenditures				
Current				
General government	196,500	198,040	192,209	5,831
Capital outlay			9,859	(9,859)
Debt service				
Principal			48,792	(48,792)
Interest			3,343	(3,343)
Total expenditures	<u>196,500</u>	<u>198,040</u>	<u>254,203</u>	<u>(56,163)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(91,500)</u>	<u>(46,655)</u>	<u>(142,968)</u>	<u>(96,313)</u>
Other financing sources (uses)				
Transfers in		70,158		(70,158)
<i>Total other financing sources (uses)</i>	<u>0</u>	<u>70,158</u>	<u>0</u>	<u>(70,158)</u>
<i>Net change in fund balances</i>	<u>(91,500)</u>	<u>23,503</u>	<u>(142,968)</u>	<u>(166,471)</u>
<i>Fund balances - beginning of year</i>	<u>0</u>	<u>0</u>	<u>(658,081)</u>	<u>(658,081)</u>
<i>Fund balances - end of year</i>	<u>\$ (91,500)</u>	<u>\$ 23,503</u>	<u>\$ (801,049)</u>	<u>\$ (824,552)</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, 2011

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP	Favorable
			Budgetary Basis)	(Unfavorable)
				Final to Actual
<i>Revenues</i>				
Taxes				
State operating grants	\$ 85,000	\$ 90,532	\$ 79,468	\$ (11,064)
<i>Total revenues</i>	<u>85,000</u>	<u>90,532</u>	<u>79,468</u>	<u>(11,064)</u>
<i>Expenditures</i>				
Current				
Public safety	85,000	57,847	57,847	0
<i>Total expenditures</i>	<u>85,000</u>	<u>57,847</u>	<u>57,847</u>	<u>0</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>0</u>	<u>32,685</u>	<u>21,621</u>	<u>(11,064)</u>
<i>Net change in fund balances</i>	<u>0</u>	<u>32,685</u>	<u>21,621</u>	<u>(11,064)</u>
<i>Fund balances - beginning of year</i>	<u>0</u>	<u>0</u>	<u>(1,014)</u>	<u>(1,014)</u>
<i>Fund balances - end of year</i>	<u>\$ 0</u>	<u>\$ 32,685</u>	<u>\$ 20,607</u>	<u>\$ (12,078)</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, 2011

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP	Favorable
			Budgetary Basis)	(Unfavorable)
				Final to Actual
<i>Revenues</i>				
Licenses and fees	\$ 10,000	\$ 14,243	\$ 6,768	\$ (7,475)
Interest income	<u>1,000</u>	<u>1,675</u>	<u>325</u>	<u>(1,350)</u>
<i>Total revenues</i>	<u>11,000</u>	<u>15,918</u>	<u>7,093</u>	<u>(8,825)</u>
<i>Expenditures</i>				
Current				
General government	1,000	868	868	0
Culture and recreation	<u>10,000</u>	<u>2,965</u>	<u>2,965</u>	<u>0</u>
<i>Total expenditures</i>	<u>11,000</u>	<u>3,833</u>	<u>3,833</u>	<u>0</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>0</u>	<u>12,085</u>	<u>3,260</u>	<u>(8,825)</u>
<i>Net change in fund balances</i>	<u>0</u>	<u>12,085</u>	<u>3,260</u>	<u>(8,825)</u>
<i>Fund balances - beginning of year</i>	<u>0</u>	<u>0</u>	<u>194,438</u>	<u>194,438</u>
<i>Fund balances - end of year</i>	<u>\$ 0</u>	<u>\$ 12,085</u>	<u>\$ 197,698</u>	<u>\$ 185,613</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, 2011

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
State operating grants	\$ 23,600	\$ 23,600	\$ 49,000	\$ 25,400
<i>Total revenues</i>	<u>23,600</u>	<u>23,600</u>	<u>49,000</u>	<u>25,400</u>
<i>Expenditures</i>				
Current				
General government	23,600	23,600	23,902	(302)
<i>Total expenditures</i>	<u>23,600</u>	<u>23,600</u>	<u>23,902</u>	<u>(302)</u>
<i>Excess (deficiency) of revenues over expenditures</i>			<u>25,098</u>	<u>25,098</u>
<i>Other financing sources (uses)</i>				
Transfers in		302		(302)
<i>Total other financing sources (uses)</i>	<u>0</u>	<u>302</u>	<u>0</u>	<u>(302)</u>
Net change in fund balances	<u>0</u>	<u>302</u>	<u>25,098</u>	<u>24,796</u>
Fund balances - beginning of year	<u>0</u>	<u>0</u>	<u>22,077</u>	<u>22,077</u>
Fund balances - end of year	<u>\$ 0</u>	<u>\$ 302</u>	<u>\$ 47,175</u>	<u>\$ 46,873</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, 2011

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP	Favorable
			Budgetary Basis)	(Unfavorable)
				Final to Actual
<i>Revenues</i>				
Taxes				
Gross receipts			\$ 15,000	\$ 15,000
Intergovernmental income				
Federal operating grants	\$ 17,000	\$ 6,900	27,012	20,112
State operating grants	75,000	75,000	51,918	(23,082)
Interest income	100	100	108	8
Miscellaneous	35,200	32,200	41,550	9,350
<i>Total revenues</i>	<u>127,300</u>	<u>114,200</u>	<u>135,588</u>	<u>21,388</u>
<i>Expenditures</i>				
Current				
General government	28,861	27,539	207	27,332
Culture and recreation	312,434	303,577	331,979	(28,402)
<i>Total expenditures</i>	<u>341,295</u>	<u>331,116</u>	<u>332,186</u>	<u>(1,070)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(213,995)</u>	<u>(216,916)</u>	<u>(196,598)</u>	<u>20,318</u>
<i>Other financing sources (uses)</i>				
Transfers in		190,731		(190,731)
<i>Total other financing sources (uses)</i>	<u>0</u>	<u>190,731</u>	<u>0</u>	<u>(190,731)</u>
<i>Net change in fund balances</i>	<u>(213,995)</u>	<u>(26,185)</u>	<u>(196,598)</u>	<u>(170,413)</u>
<i>Fund balances - beginning of year</i>	<u>0</u>	<u>0</u>	<u>(771,278)</u>	<u>(771,278)</u>
<i>Fund balances - end of year</i>	<u>\$ (213,995)</u>	<u>\$ (26,185)</u>	<u>\$ (967,876)</u>	<u>\$ (941,691)</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, 2011

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP	Favorable
			Budgetary Basis)	(Unfavorable)
				Final to Actual
<i>Revenues</i>				
State capital grants		\$ 2,114	\$ 2,500	\$ 386
Licenses and fees	\$ 1,500	1,500	1,114	(386)
<i>Total revenues</i>	<u>1,500</u>	<u>3,614</u>	<u>3,614</u>	<u>0</u>
<i>Expenditures</i>				
Current				
General government	1,500	781	781	0
<i>Total expenditures</i>	<u>1,500</u>	<u>781</u>	<u>781</u>	<u>0</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>0</u>	<u>2,833</u>	<u>2,833</u>	<u>0</u>
<i>Net change in fund balances</i>	<u>0</u>	<u>2,833</u>	<u>2,833</u>	<u>0</u>
<i>Fund balances - beginning of year</i>	<u>0</u>	<u>0</u>	<u>5,998</u>	<u>5,998</u>
<i>Fund balances - end of year</i>	<u>\$ 0</u>	<u>\$ 2,833</u>	<u>\$ 8,831</u>	<u>\$ 5,998</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, 2011

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP	Favorable
			Budgetary Basis)	(Unfavorable)
				Final to Actual
<i>Revenues</i>				
Charges for services	\$ 9,500	\$ 9,500	\$ 12,943	\$ 3,443
Licenses and fees	9,500	2,528	17,024	14,496
Miscellaneous	<u>5,000</u>	<u>5,000</u>	<u>11,755</u>	<u>6,755</u>
<i>Total revenues</i>	<u>24,000</u>	<u>17,028</u>	<u>41,722</u>	<u>24,694</u>
<i>Expenditures</i>				
<i>Current</i>				
General government	152,663	126,703	117,965	8,738
Public safety			992	(992)
Culture and recreation			1,745	(1,745)
Capital outlay	<u>1,000</u>	<u>1,000</u>	<u>12,040</u>	<u>(11,040)</u>
<i>Total expenditures</i>	<u>153,663</u>	<u>127,703</u>	<u>132,742</u>	<u>(5,039)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(129,663)</u>	<u>(110,675)</u>	<u>(91,020)</u>	<u>19,655</u>
<i>Other financing sources (uses)</i>				
Transfers in		<u>96,732</u>		<u>(96,732)</u>
<i>Total other financing sources (uses)</i>	<u>0</u>	<u>96,732</u>	<u>0</u>	<u>(96,732)</u>
<i>Net change in fund balances</i>	<u>(129,663)</u>	<u>(13,943)</u>	<u>(91,020)</u>	<u>(77,077)</u>
<i>Fund balances - beginning of year</i>	<u>0</u>	<u>0</u>	<u>(5,683)</u>	<u>(5,683)</u>
<i>Fund balances - end of year</i>	<u>\$ (129,663)</u>	<u>\$ (13,943)</u>	<u>\$ (96,703)</u>	<u>\$ (82,760)</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, 2011

	Budgeted Amounts	Actual	Variances Favorable (Unfavorable)
	Original / Final	(Non-GAAP Budgetary Basis)	Final to Actual
<i>Revenues</i>			
<i>Total revenues</i>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Expenditures</i>			
<i>Total expenditures</i>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net change in fund balances</i>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Fund balances - beginning of year</i>	<u>0</u>	<u>7,031</u>	<u>7,031</u>
<i>Fund balances - end of year</i>	<u>\$ 0</u>	<u>\$ 7,031</u>	<u>\$ 7,031</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, 2011

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP	Favorable
			Budgetary Basis)	(Unfavorable)
			Final to Actual	
<i>Revenues</i>				
Taxes				
Gross receipts	\$ 90,000	\$ 87,097	\$ 96,086	\$ 8,989
Interest income	<u>1,000</u>	<u>1,000</u>	<u>63</u>	<u>(937)</u>
<i>Total revenues</i>	<u>91,000</u>	<u>88,097</u>	<u>96,149</u>	<u>8,052</u>
<i>Expenditures</i>				
Current				
General government	<u>91,000</u>	<u>117,710</u>	<u>117,710</u>	<u>0</u>
<i>Total expenditures</i>	<u>91,000</u>	<u>117,710</u>	<u>117,710</u>	<u>0</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>0</u>	<u>(29,613)</u>	<u>(21,561)</u>	<u>8,052</u>
<i>Other financing sources (uses)</i>				
Transfers in		<u>23,806</u>		<u>(23,806)</u>
<i>Total other financing sources (uses)</i>		<u>23,806</u>		<u>(23,806)</u>
<i>Net change in fund balances</i>	<u>0</u>	<u>(5,807)</u>	<u>(21,561)</u>	<u>(15,754)</u>
<i>Fund balances - beginning of year</i>	<u>0</u>	<u>0</u>	<u>(115,497)</u>	<u>(115,497)</u>
<i>Fund balances - end of year</i>	<u>\$ 0</u>	<u>\$ (5,807)</u>	<u>\$ (137,058)</u>	<u>\$ (131,251)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

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, 2011

	Budgeted Amounts	Actual	Variances Favorable (Unfavorable)
	Original / Final	(Non-GAAP Budgetary Basis)	Final to Actual
<i>Revenues</i>			
<i>Total revenues</i>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Expenditures</i>			
Current			
<i>Total expenditures</i>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net change in fund balances</i>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Fund balances - beginning of year</i>	<u>0</u>	<u>3,644</u>	<u>3,644</u>
<i>Fund balances - end of year</i>	<u>\$ 0</u>	<u>\$ 3,644</u>	<u>\$ 3,644</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, 2011

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP	Favorable
			Budgetary Basis)	(Unfavorable)
				Final to Actual
<i>Revenues</i>				
Taxes				
Gross receipts	\$ 140,000	\$ 89,398	\$ 195,650	\$ 106,252
Interest income	<u>1,000</u>	<u>1,000</u>	<u>622</u>	<u>(378)</u>
<i>Total revenues</i>	<u>141,000</u>	<u>90,398</u>	<u>196,272</u>	<u>105,874</u>
<i>Expenditures</i>				
<i>Total expenditures</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>141,000</u>	<u>90,398</u>	<u>196,272</u>	<u>105,874</u>
<i>Net change in fund balances</i>	<u>141,000</u>	<u>90,398</u>	<u>196,272</u>	<u>105,874</u>
<i>Fund balances - beginning of year</i>	<u>0</u>	<u>0</u>	<u>1,430,825</u>	<u>1,430,825</u>
<i>Fund balances - end of year</i>	<u>\$ 141,000</u>	<u>\$ 90,398</u>	<u>\$ 1,627,097</u>	<u>\$ 1,536,699</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, 2011

	Budgeted Amounts	Actual	Variances Favorable (Unfavorable)
	Original / Final	(Non-GAAP Budgetary Basis)	Final to Actual
<i>Revenues</i>			
<i>Total revenues</i>	_____	_____	_____
<i>Expenditures</i>			
<i>Total expenditures</i>	_____	_____	_____
<i>Excess (deficiency) of revenues over expenditures</i>	_____	_____	_____
<i>Net change in fund balances</i>	_____	_____	_____
<i>Fund balances - beginning of year</i>	_____	5,000	5,000
<i>Fund balances - end of year</i>	<u>\$ _____</u>	<u>\$ 5,000</u>	<u>\$ 5,000</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, 2011

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP	Favorable
			Budgetary Basis)	(Unfavorable)
				Final to Actual
<i>Revenues</i>				
State operating grants		\$ 992		\$ (992)
Miscellaneous	\$ 100,000	100,000		(100,000)
<i>Total revenues</i>	<u>100,000</u>	<u>100,992</u>	\$	<u>(100,992)</u>
<i>Expenditures</i>				
Capital outlay	<u>100,000</u>	<u>120,041</u>	<u>141,874</u>	<u>(21,833)</u>
<i>Total expenditures</i>	<u>100,000</u>	<u>120,041</u>	<u>141,874</u>	<u>(21,833)</u>
<i>Excess (deficiency) of revenues over expenditures</i>		<u>(19,049)</u>	<u>(141,874)</u>	<u>(122,825)</u>
<i>Other financing sources (uses)</i>				
Transfers in		<u>40,882</u>		<u>(40,882)</u>
<i>Total other financing sources (uses)</i>		<u>40,882</u>		<u>(40,882)</u>
<i>Net change in fund balances</i>		<u>21,833</u>	<u>(141,874)</u>	<u>(163,707)</u>
<i>Fund balances - beginning of year</i>			<u>(109,569)</u>	<u>(109,569)</u>
<i>Fund balances - end of year</i>	\$	\$ 21,833	\$ (251,443)	\$ (273,276)

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, Expenditures and Changes in Net Assets

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP	Favorable
			Budgetary Basis)	(Unfavorable)
				Final to Actual
<i>Operating revenues:</i>				
Charges for services	\$ 1,618,100	\$ 1,618,100	\$ 1,780,737	\$ 162,637
<i>Total operating revenues</i>	<u>1,618,100</u>	<u>1,618,100</u>	<u>1,780,737</u>	<u>162,637</u>
<i>Operating expenses:</i>				
Current				
Personnel services	845,064	833,664	407,660	426,004
Supplies and materials	477,500	477,500	219,550	257,950
Depreciation		227,180	302,732	(75,552)
Capital outlay	<u>5,000</u>	<u>5,000</u>		<u>5,000</u>
<i>Total operating expenses</i>	<u>1,327,564</u>	<u>1,543,344</u>	<u>929,942</u>	<u>613,402</u>
<i>Operating income (loss)</i>	<u>290,536</u>	<u>74,756</u>	<u>850,795</u>	<u>776,039</u>
<i>Non-operating revenues (expenses):</i>				
Interest income	3,500	3,500	839	(2,661)
State capital grant	500,000	676,528	323,244	(353,284)
Transfers in		(164,628)	445,172	609,800
Transfers out		<u>685,777</u>	<u>(596,612)</u>	<u>1,282,389</u>
<i>Total other financing sources (uses)</i>	<u>503,500</u>	<u>1,201,177</u>	<u>172,643</u>	<u>(1,028,534)</u>
<i>Change in net assets</i>	<u>794,036</u>	<u>1,275,933</u>	<u>1,023,438</u>	<u>(252,495)</u>
<i>Net assets - beginning of year</i>			<u>9,827,982</u>	<u>9,827,982</u>
<i>Net assets - end of year</i>	<u>\$ 794,036</u>	<u>\$ 1,275,933</u>	<u>\$ 10,851,420</u>	<u>\$ 9,575,487</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, Expenditures and Changes in Net Assets

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Operating revenues:</i>				
Charges for services	\$ 401,000	\$ 349,055	\$ 321,874	\$ (27,181)
<i>Total operating revenues</i>	<u>401,000</u>	<u>349,055</u>	<u>321,874</u>	<u>(27,181)</u>
<i>Operating expenses:</i>				
Personnel services	56,028	56,028	63,946	(7,918)
Supplies and materials	183,503	188,444	134,468	53,976
Depreciation			30,330	(30,330)
Capital outlay	<u>3,000</u>	<u>3,000</u>		<u>3,000</u>
<i>Total operating expenses</i>	<u>242,531</u>	<u>247,472</u>	<u>228,744</u>	<u>18,728</u>
<i>Operating income (loss)</i>	<u>158,469</u>	<u>101,583</u>	<u>93,130</u>	<u>(8,453)</u>
<i>Non-operating revenues (expenses):</i>				
Interest income	1,500	2,312	775	(1,537)
State capital grant		319,500	564,397	244,897
Transfers in		519,189	885,237	366,048
Transfers out			<u>(885,237)</u>	<u>(885,237)</u>
<i>Total other financing sources (uses)</i>	<u>1,500</u>	<u>841,001</u>	<u>565,172</u>	<u>(275,829)</u>
<i>Change in net assets</i>	<u>159,969</u>	<u>942,584</u>	<u>658,302</u>	<u>(284,282)</u>
<i>Net assets - beginning of year</i>			<u>2,612,280</u>	<u>2,612,280</u>
<i>Net assets - end of year</i>	<u>\$ 159,969</u>	<u>\$ 942,584</u>	<u>\$ 3,270,582</u>	<u>\$ 2,327,998</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, Expenditures and Changes in Net Assets

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Operating revenues:</i>				
Charges for services	\$ 360,000	\$ 360,000	\$ 368,429	\$ 8,429
<i>Total operating revenues</i>	<u>360,000</u>	<u>360,000</u>	<u>368,429</u>	<u>8,429</u>
<i>Operating expenses:</i>				
Current				
Supplies and materials			339,857	(339,857)
Capital outlay	360,000	360,000		360,000
<i>Total operating expenses</i>	<u>360,000</u>	<u>360,000</u>	<u>339,857</u>	<u>20,143</u>
<i>Operating income (loss)</i>			<u>28,572</u>	<u>28,572</u>
<i>Non-operating revenues (expenses):</i>				
Interest income	100	100	45	(55)
Transfers in		1,960		(1,960)
<i>Total other financing sources (uses)</i>	<u>100</u>	<u>2,060</u>	<u>45</u>	<u>(2,015)</u>
<i>Change in net assets</i>	<u>100</u>	<u>2,060</u>	<u>28,617</u>	<u>26,557</u>
<i>Net assets - beginning of year</i>			<u>(309,865)</u>	<u>(309,865)</u>
<i>Net assets - end of year</i>	<u>\$ 100</u>	<u>\$ 2,060</u>	<u>\$ (281,248)</u>	<u>\$ (283,308)</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, Expenditures and Changes in Net Assets

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variations
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Operating revenues:</i>				
Charges for services	\$ 180,000	\$ 188,096	\$ 172,086	\$ (16,010)
<i>Total operating revenues</i>	<u>180,000</u>	<u>188,096</u>	<u>172,086</u>	<u>(16,010)</u>
<i>Operating expenses:</i>				
Current				
Culture and recreation	38,424	38,424	31,198	7,226
Personnel services	186,594	186,594	182,427	4,167
Supplies and materials	124,900	130,438	162,423	(31,985)
Depreciation		32,431	32,431	
Capital outlay	<u>2,500</u>	<u>3,769</u>		<u>3,769</u>
<i>Total operating expenses</i>	<u>352,418</u>	<u>391,656</u>	<u>408,479</u>	<u>(16,823)</u>
<i>Operating income (loss)</i>	<u>(172,418)</u>	<u>(203,560)</u>	<u>(236,393)</u>	<u>(32,833)</u>
<i>Non-operating revenues (expenses):</i>				
Transfers in		<u>219,852</u>		<u>(219,852)</u>
<i>Total other financing sources (uses)</i>		<u>219,852</u>		<u>(219,852)</u>
<i>Change in net assets</i>	<u>(172,418)</u>	<u>16,292</u>	<u>(236,393)</u>	<u>(252,685)</u>
<i>Net assets - beginning of year</i>			<u>(923,502)</u>	<u>(923,502)</u>
<i>Net assets - end of year</i>	<u>\$ (172,418)</u>	<u>\$ 16,292</u>	<u>\$ (1,159,895)</u>	<u>\$ (1,176,187)</u>

The accompanying notes are an integral part of these financial statements

# **SUPPORTING SCHEDULES**

**STATE OF NEW MEXICO**  
City of Eunice  
Schedule of Deposit and Investment Accounts  
For the Year Ended June 30, 2011

Schedule I

**Primary Government:**

Bank Account/Account Type	Wells Fargo Bank	NM State Treasurer	Restricted Investments Bank of NY Mellon	Totals
General operations - Checking	\$ 1,192,370			\$ 1,192,370
Utility account - Checking	1,562,358			1,562,358
BEC trust fund - Checking				
LGIP fund (Pool) - Investment		\$ 791,681		791,681
LGIP fund (Pool) - Investment		896,788		896,788
LGIP Reserve Contingency Fund		2,319		2,319
LGIP Reserve Contingency Fund		3,212		3,212
NMFA reserve account			\$ 14,152	14,152
NMFA reserve account			26,714	26,714
Total on deposit	2,754,728	1,694,000	40,866	4,489,594
Reconciling Items	(255,399)			(255,399)
Reconciled Balance June 30, 2011	\$ 2,499,329	\$ 1,694,000	\$ 40,866	\$ 4,234,195
<b>Cash per financial statements</b>				
Cash and cash equivalents- Governmental Activities Exhibit A-1			\$ 945,454	
Business-type Activities - Exhibit A-1			1,529,681	
Restricted cash and cash equivalents- Governmental Activities Exhibit A-1			40,866	
Investments - Governmental Activities Exhibit A-1			561,000	
Investments - Business-type Activities Exhibit A-1			1,133,000	
Fiduciary funds - Exhibit E-1			24,194	
Total cash and cash equivalents				\$ 4,234,195

See independent auditors' report

**STATE OF NEW MEXICO**  
 City of Eunice  
 Schedule of Collateral Pledged by Depository  
 for Public Funds  
 June 30, 2011

Schedule II

<u>Name of Depository</u>	<u>Description of Pledged Collateral</u>	<u>Maturity</u>	<u>CUSIP Number</u>	<u>Fair Market Value June 30, 2011</u>	<u>Name and Location of Safekeeper</u>
<b>Wells Fargo Bank</b>					
	FNMAP #915969	4/1/2037	31411VT25	\$ 768,679	Federal Reserve Bank, Oklahoma
	FNMAP #985111	7/1/2038	31415PKY3	206,142	Federal Reserve Bank, Oklahoma
	FNMAP #98656	7/1/2038	31415RBZ6	<u>514,001</u>	Federal Reserve Bank, Oklahoma
	<b>Total Wells Fargo Bank</b>			<u><b>1,488,822</b></u>	
	<b>Total Pledged Collateral</b>			<u><b>\$ 1,488,822</b></u>	

See independent auditors' report

## STATE OF NEW MEXICO

Schedule III

City of Eunice

Schedule of Changes in Assets and Liabilities - Agency Funds  
For the Year Ended June 30, 2011

	<u>Balance</u> <u>July 1, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2011</u>
<i>Employee Retirement Fund</i>				
Assets				
Cash and cash equivalents	\$ <u>15,924</u>	\$ <u>8,270</u>	<u>          </u>	\$ <u>24,194</u>
<i>Total assets</i>	\$ <u>15,924</u>	\$ <u>8,270</u>	\$ <u>0</u>	\$ <u>24,194</u>
Liabilities				
Deposits held and due to others	\$ <u>15,924</u>	<u>8,270</u>	<u>          </u>	\$ <u>24,194</u>
<i>Total liabilities</i>	\$ <u>15,924</u>	\$ <u>8,270</u>	\$ <u>0</u>	\$ <u>24,194</u>

See independent auditors' report

# **COMPLIANCE SECTION**

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING  
AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT  
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE  
WITH *GOVERNMENT AUDITING STANDARDS***

Hector Balderas  
New Mexico State Auditor  
The U.S. Office of Management and Budget and  
The City Council  
City of Eunice of Eunice  
Eunice, NM

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, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents, and have issued our report thereon dated May 22, 2012. We have also audited the financial statements of each of the City's nonmajor governmental funds and budgetary comparisons for the major capital projects fund, 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, 2011. 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 2008-5, FS 2009-1, FS 2009-10 and FS 2010-3, 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 2009-6 and FS 2010-1 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 no instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 and FS 2006-10.

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 NM 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.

Harshwal & Company LLP  
Certified Public Accountants

*Harshwal & Company LLP*

Albuquerque, New Mexico  
May 22, 2012

**STATE OF NEW MEXICO**  
City of Eunice  
Schedule of Findings and Responses  
June 30, 2011

**Section I – Prior Year Audit Findings**

**Prior Year Audit Findings**

<b>Financial Statement Findings:</b>		<b>Disposition</b>
2006-1	PERA Reconciliations	Resolved
2007-2	Preparation of Financial Statements	Revised and repeated
2008-1	Internal Controls/Misclassification of Transactions	Resolved
2008-3	Inadequate Internal Controls over Information Technology	Resolved
2008-5	Deficiencies in Accounting for Capital Assets	Revised and repeated
2009-1	Deficiencies in Internal Control Structure Design, Operation and oversight	Revised and repeated
2009-5	Insufficient Documentation on Credit Cards	Resolved
2009-6	Misuse of Payroll Deductions	Revised and repeated
2009-9	Negative Cash Balances	Resolved
2009-10	Internal Controls over Inventory in the Water Department	Revised and repeated
2009-11	Ambulance Accounts Receivable	Resolved
2010-1	Late Filing of Audit Report	Revised and repeated
2010-2	Internal Controls in Disbursements	Resolved
2010-3	Inadequate Review and Documentation of Manual Journal Entries	Revised and repeated
2010-4	Internal Control Deficiencies - Payroll	Resolved
2010-5	Non Compliance with Procurement Code	Resolved
2010-6	Entity Wide Control Deficiency	Resolved
 <b>State Audit Rule Findings</b>		
2006-6	Budget	Revised and repeated
2006-10	Stale Dated Checks	Revised and repeated

**STATE OF NEW MEXICO**  
City of Eunice  
Schedule of Findings and Responses  
June 30, 2011

**Section II – Financial Statement Findings and Responses**

FS 2006-6 Budget

***Condition***

Budgets were not being properly monitored resulting in eight funds with over expended budgets totalling \$230,139 as follows:

General Fund	\$ (117,703)
Fire Special Revenue Fund	(11,206)
Emergency Medical Services Special Revenue Fund	(56,163)
Law Enforcement Protection Special Revenue Fund	(302)
Senior Center Special Revenue Fund	(1,070)
Swimming Pool Special Revenue Fund	(5,039)
New Cemetery Project Capital Fund	(21,833)
Golf Proprietary Fund	<u>(16,823)</u>
Total	\$ <u>(230,139)</u>

***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***

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

***Cause***

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

***Recommendation***

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

***Agency Response***

The City of Eunice has requested and received approval for all budget transfers from the DFA office to cover all over expenditures.

**STATE OF NEW MEXICO**  
City of Eunice  
Schedule of Findings and Responses  
June 30, 2011

**Section II – Financial Statement Findings and Responses (continued)**

FS 2006-10 Stale Dated Checks

***Condition***

During the course of the audit, we noted seventy-seven checks in the amount \$37,865 issued by the City from its general and payroll clearing account that were greater than one year old, but had not been submitted to the Unclaimed Property Division of the New Mexico Taxation and Revenue Department.

***Criteria***

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

***Effect***

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

***Cause***

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

***Recommendation***

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

***Agency Response***

We agree, this finding was never resolved. We now have the information and the stale dated checks forms are completed.

**STATE OF NEW MEXICO**  
City of Eunice  
Schedule of Findings and Responses  
June 30, 2011

**Section II – Financial Statement Findings and Responses (continued)**

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 have not been adequately trained in understanding the elements of external financial reporting, including the preparation of financial statements and related footnote disclosures.

***Recommendation***

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

The training should include, but not be limited to:

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

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

***Agency Response***

We agree, policies and procedures have been implemented. We will be sending an example of our financial statements that we have in casselle which will satisfy this requirement.

**STATE OF NEW MEXICO**  
City of Eunice  
Schedule of Findings and Responses  
June 30, 2011

**Section II – Financial Statement Findings and Responses (continued)**

FS 2008-5 Deficiencies in Accounting for Capital Assets

***Condition***

The capital asset inventory system was not being reconciled. 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 assets accounting.

***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 ensure 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***

We agree, the City of Eunice will be using an outside source for getting the inventory done.

**STATE OF NEW MEXICO**  
City of Eunice  
Schedule of Findings and Responses  
June 30, 2011

**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.
- There appears to be no established practices for the identification of risks affecting the entity.
- Inventory counts were not accurate and had to be repeated.
- The City does not have a process in place to track employee receivables.
- There are no review processes for payment and billing adjustments to customer utility accounts. The 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 2011 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.

***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.

**STATE OF NEW MEXICO**  
City of Eunice  
Schedule of Findings and Responses  
June 30, 2011

**Section II – Financial Statement Findings and Responses (continued)**

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

***Agency Response***

1. City of Eunice has employed a new Finance Director who will be correcting this issue.
2. Currently there is not a written policy, but the City of Eunice will be working on correcting this finding in the fiscal year.
3. Starting 2011 the City Manager is holding regular staff meetings to communicate with employees on issues of importance including internal controls.
4. At least 5 repeat findings were acknowledged by auditors as corrected. In addition it is our contention that several additional “repeat findings have been addressed” these include: FS2008-3, FS2009-11, and FS2010-3.
5. Risks affecting the entity are regularly discussed by Sr. Management, “Mayor, City Manager, City Clerk, and Finance Director”.
6. Although improvements have been made the City of Eunice acknowledges weakness in its inventory and is hiring an outside company to correct deficiencies.
7. City of Eunice will put in place a policy to track employee receivables.
8. City of Eunice will put in place a written review process for payment and adjustments to utility bills, currently approval of adjustments are done verbally with the City Manager.



**STATE OF NEW MEXICO**  
City of Eunice  
Schedule of Findings and Responses  
June 30, 2011

**Section II – Financial Statement Findings and Responses (continued)**

FS 2009-6 Misuse of Payroll Deductions

***Condition***

During our testing of payroll, we noted that 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.

***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***

We agree, The City of Eunice will get deductions set up as a transmittal paid to the City of Eunice, put CR and produce a receipt to show in transmittal records.

**STATE OF NEW MEXICO**  
City of Eunice  
Schedule of Findings and Responses  
June 30, 2011

**Section II – Financial Statement Findings and Responses (continued)**

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

***Condition***

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 to finding and hiring an outside agency to correct finding.

**STATE OF NEW MEXICO**  
City of Eunice  
Schedule of Findings and Responses  
June 30, 2011

**Section II – Financial Statement Findings and Responses (continued)**

FS 2010-1 Late Filing of Audit Report

***Condition***

The City did not issue its 2011 audit report by the December 1, 2011 deadline.

***Criteria***

The City of Eunice is required to submit their audit reports for the year ended June 30, 2011 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, 2011 audit report on a timely basis because certain year end closing items held up the submission of the 2011 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***

We agree, the auditing firms suffered setbacks which resulted in the delay.

**STATE OF NEW MEXICO**  
City of Eunice  
Schedule of Findings and Responses  
June 30, 2011

**Section II – Financial Statement Findings and Responses (continued)**

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

***Condition***

During the 2011 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 disagree with this finding, we have documentation and review for all entries either per bank or NM Warrant.

**STATE OF NEW MEXICO**

City of Eunice  
Exit Conference  
June 30, 2011

**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. Harshwal & Company LLP, Certified Public Accountants 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 10, 2012. 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
Keena Frank	Finance Director

**Representing Harshwal & Company, LLP**

Kristofer Nixon	Partner
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