

**STATE OF NEW MEXICO
CITY OF EUNICE
ANNUAL FINANCIAL REPORT
JUNE 30, 2012**

**Harshwal & Company LLP
Certified Public Accountants
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INTRODUCTORY SECTION

STATE OF NEW MEXICO
City of Eunice
Official Roster
June 30, 2012

List of Officials

<u>Name</u>	<u>Elected Officials</u>	<u>Title</u>
Johnnie M. White		Mayor
Wardell Allen		City Councilor
Bill Robinson		City Councilor
Manual Soriano		City Councilor
Billy Hobbs		City Councilor
Nina Lynch		City Councilor
Mary Lou Vinson		City Councilor
Terry Bettis		City Councilor
Jerry Corral		City Councilor
	<u>Administrative Officials</u>	
Joyce Tolsma		City Clerk
Connie Whitmire		Finance Officer
Keena Frank		Finance Director

STATE OF NEW MEXICO
City of Eunice
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June 30, 2012

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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
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, 2012, 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, 2012, 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, 2012, 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 November 29, 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, 2012, 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, each major fund and the aggregate remaining fund information of the City of Eunice, as of June 30, 2012 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 fund of the City as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the major capital project funds and all 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 November 29, 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 not presented the Management's Discussion and Analysis that governmental 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

A handwritten signature in black ink that reads "Harshwal & Company LLP". The signature is written in a cursive, flowing style.

Albuquerque, New Mexico
November 29, 2012

BASIC FINANCIAL STATEMENTS

GOVERNMENT-WIDE FINANCIAL STATEMENTS

STATE OF NEW MEXICO
City of Eunice
Statement of Net Assets
June 30, 2012

Exhibit A-1

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 3,767,510	\$ 1,777,493	\$ 5,545,003
Investments	561,000	1,133,000	1,694,000
Accounts receivable			
Taxes	370,171		370,171
Other receivables	100,403	262,126	362,529
Inventory		142,626	142,626
Prepaid assets	33,610		33,610
Internal balances	<u>(1,492,539)</u>	<u>1,492,539</u>	<u> </u>
Total current assets	<u>3,340,155</u>	<u>4,807,784</u>	<u>8,147,939</u>
Noncurrent assets			
Restricted cash and cash equivalents	40,866		40,866
Capital assets	11,881,243	17,257,992	29,139,235
Less: accumulated depreciation	<u>(7,290,065)</u>	<u>(5,173,428)</u>	<u>(12,463,493)</u>
Total noncurrent assets	<u>4,632,044</u>	<u>12,084,564</u>	<u>16,716,608</u>
<i>Total assets</i>	<u><u>\$ 7,972,199</u></u>	<u><u>\$ 16,892,348</u></u>	<u><u>\$ 24,864,547</u></u>
Liabilities and Net Assets			
Current liabilities			
Cash deficit	\$ 2,642,540	\$ 119,723	\$ 2,762,263
Accounts payable	1,212,978	182,934	1,395,912
Accrued expenses	60,603	14,150	74,753
Customer deposits		68,474	68,474
Current portion of long-term debt			
Total current liabilities	<u>3,916,121</u>	<u>385,281</u>	<u>4,301,402</u>
Noncurrent liabilities			
Accrued compensated absences	74,677	16,125	90,802
Loans and capital leases payable		<u>4,540,045</u>	<u>4,540,045</u>
Total noncurrent liabilities	<u>74,677</u>	<u>4,556,170</u>	<u>4,630,847</u>
<i>Total liabilities</i>	<u>3,990,798</u>	<u>4,941,451</u>	<u>8,932,249</u>
Net Assets			
Invested in capital assets, net of related debt	4,591,178	7,544,519	12,135,697
Restricted for:			
Special revenue funds	272,928		272,928
Capital projects funds	1,745,749		1,745,749
Unrestricted	<u>(2,628,454)</u>	<u>4,406,378</u>	<u>1,777,924</u>
<i>Total net assets</i>	<u>3,981,401</u>	<u>11,950,897</u>	<u>15,932,298</u>
<i>Total liabilities and net assets</i>	<u><u>\$ 7,972,199</u></u>	<u><u>\$ 16,892,348</u></u>	<u><u>\$ 24,864,547</u></u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Eunice
Statement of Activities
June 30, 2012

Exhibit A-2

Functions/Programs	Program Revenues			
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government				
Governmental Activities:				
General government	\$ 2,507,645	\$ 45,697	\$ 149,195	\$ 300
Public safety	2,156,556		194,898	15,706
Public works	1,052,188	21,332	121,982	290,483
Culture and recreation	<u>1,343,441</u>	<u>2,800</u>	<u> </u>	<u>35,050</u>
<i>Total governmental activities</i>	<u>7,059,830</u>	<u>69,829</u>	<u>466,075</u>	<u>341,539</u>
Business-type Activities:				
Water	1,656,378	1,693,730		81,654
Sewer	208,476	270,733		
Solid waste	467,744	374,090		
Golf	<u>410,886</u>	<u>169,877</u>	<u> </u>	<u> </u>
<i>Total business-type activities</i>	<u>2,743,484</u>	<u>2,508,430</u>	<u>0</u>	<u>81,654</u>
<i>Total primary government</i>	<u>\$ 9,803,314</u>	<u>\$ 2,578,259</u>	<u>\$ 466,075</u>	<u>\$ 423,193</u>
General Revenues:				
Taxes				
Property taxes, levied for general purposes				
Gross receipts taxes				
Gasoline and motor vehicle tax				
Other taxes				
Licenses and fees				
Fines and forfeitures				
Interest income				
Miscellaneous income				
Transfers net				
<i>Total general revenues and transfers</i>				
<i>Change in net assets</i>				
<i>Net assets beginning</i>				
<i>Prior period adjustment</i>				
<i>Net assets beginning, restated</i>				
<i>Net assets, ending</i>				

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Eunice
Statement of Activities
June 30, 2012

Exhibit A-2
Page 2 of 2

Functions/Programs	Net (Expense) Revenue and Changes in Net Assets		
	Primary Government		
	Governmental Activities	Business Type Activities	Total
Primary Government			
Governmental Activities:			
General government	\$ (2,312,453)		\$ (2,312,453)
Public safety	(1,945,952)		(1,945,952)
Public works	(618,391)		(618,391)
Culture and recreation	<u>(1,305,591)</u>		<u>(1,305,591)</u>
<i>Total governmental activities</i>	<u>(6,182,387)</u>	<u>\$ 0</u>	<u>(6,182,387)</u>
Business-type Activities:			
Water		119,006	119,006
Sewer		62,257	62,257
Solid waste		(93,654)	(93,654)
Golf		<u>(241,009)</u>	<u>(241,009)</u>
<i>Total business-type activities</i>	<u>0</u>	<u>(153,400)</u>	<u>(153,400)</u>
<i>Total primary government</i>	<u>(6,182,387)</u>	<u>(153,400)</u>	<u>(6,335,787)</u>
General Revenues:			
Taxes			
Property taxes, levied for general purposes	159,152		159,152
Gross receipts taxes	5,237,046		5,237,046
Gasoline and motor vehicle tax	327,572		327,572
Other taxes	11,254		11,254
Licenses and fees	31,839		31,839
Fines and forfeitures	19,003		19,003
Interest income	1,825	2,068	3,893
Miscellaneous income	57,158		57,158
Transfers net	<u>(83,000)</u>	<u>83,000</u>	
<i>Total general revenues and transfers</i>	<u>5,761,849</u>	<u>85,068</u>	<u>5,846,917</u>
<i>Change in net assets</i>	(420,538)	(68,333)	(488,870)
<i>Net assets beginning</i>	<u>9,324,399</u>	<u>12,680,859</u>	<u>22,005,258</u>
<i>Prior period adjustment</i>	<u>(4,922,460)</u>	<u>(661,629)</u>	<u>(5,584,089)</u>
<i>Net assets beginning, restated</i>	<u>4,401,939</u>	<u>12,019,230</u>	<u>16,421,168</u>
<i>Net assets, ending</i>	<u>\$ 3,981,401</u>	<u>\$ 11,950,897</u>	<u>\$ 15,932,298</u>

The accompanying notes are an integral part of these financial statements

**GOVERNMENTAL
FUND FINANCIAL STATEMENT**

STATE OF NEW MEXICO
City of Eunice
Balance sheet
Governmental Funds
June 30, 2012

Exhibit B-1

	General Fund	Fire Fund	Recreation Fund	Paving and Street Grant
Current assets				
Cash and cash equivalents	\$ 3,196,594	\$	\$	\$ 50
Investments	319,000	100,000	30,000	
Accounts receivable				
Taxes	344,585			
Other	6,764	6,255		
Restricted cash				
Prepaid assets	33,610			
Interfund receivable	7,803,161			
<i>Total assets</i>	\$ 11,703,714	\$ 106,255	\$ 30,000	\$ 50
Current liabilities				
Cash deficit	\$ 1,915,643	\$ 83,260	\$ 154,682	\$ 300,057
Accounts payable	171,387	16,891	37,477	858,923
Accrued payroll	40,906		10,420	
Interfund payable	3,516,485	1,627,481	2,012,509	1,171,460
<i>Total liabilities</i>	5,644,421	1,727,632	2,215,088	2,330,440
Fund balance				
Assigned to:				
Subsequent year's budget in:				
General fund	6,059,293			
Special revenue funds				
Capital projects funds				
Unassigned:				
Special revenue funds		(1,621,377)	(2,185,088)	(2,330,390)
Capital projects funds				
<i>Total fund balances</i>	6,059,293	(1,621,377)	(2,185,088)	(2,330,390)
<i>Total liabilities and fund balances</i>	\$ 11,703,714	\$ 106,255	\$ 30,000	\$ 50

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Eunice
Balance sheet
Governmental Funds
June 30, 2012

Exhibit B-1
Page 2 of 2

	<u>Municipal Infrastructure Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Current assets			
Cash and cash equivalents	\$ 524,042	\$ 46,824	\$ 3,767,510
Investments		112,000	561,000
Accounts receivable			
Taxes	16,953	8,633	370,171
Other		87,384	100,403
Restricted cash		40,866	40,866
Prepaid assets			33,610
Interfund receivable	<u>1,199,754</u>	<u>161,644</u>	<u>9,164,559</u>
<i>Total assets</i>	<u><u>\$ 1,740,749</u></u>	<u><u>\$ 457,351</u></u>	<u><u>\$ 14,038,119</u></u>
Current liabilities			
Cash deficit	\$	\$ 188,898	\$ 2,642,540
Accounts payable		128,301	1,212,979
Accrued payroll		9,277	60,603
Interfund payable		<u>2,329,163</u>	<u>10,657,098</u>
<i>Total liabilities</i>	<u>0</u>	<u><u>2,655,639</u></u>	<u><u>14,573,220</u></u>
Fund balance			
Assigned to:			
Subsequent year's budget in:			
General fund			6,059,293
Special revenue funds		272,928	272,928
Capital projects funds	1,740,749	5,000	1,745,749
Unassigned:			
Special revenue funds		(2,222,385)	(8,359,240)
Capital projects funds		<u>(253,831)</u>	<u>(253,831)</u>
<i>Total fund balances</i>	<u>1,740,749</u>	<u>(2,198,288)</u>	<u>(535,101)</u>
<i>Total liabilities and fund balances</i>	<u><u>\$ 1,740,749</u></u>	<u><u>\$ 457,351</u></u>	<u><u>\$ 14,038,119</u></u>

STATE OF NEW MEXICO

City of Eunice

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

June 30, 2012

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

Fund balances - total governmental funds	\$ (535,101)
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	4,591,179
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	<u>(74,677)</u>
Total net assets of governmental activities	<u>\$ 3,981,401</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, 2012

	<u>General Fund</u>	<u>Fire Fund</u>	<u>Recreation Fund</u>	<u>Streets Fund</u>
Revenues				
Taxes				
Property	\$ 159,152			
Gross receipts	4,951,784	\$ 20,000		
Gasoline and motor vehicle taxes	327,572			
Other	2,328		\$ 8,926	
Intergovernmental income				
Federal operating grants	9,291			
State operating grants	9,849			
State capital grants	300	15,706	35,050	\$ 290,223
Charges for services	66,214		1,250	
Licenses and fees	1,933		120	
Fines and forfeitures	19,003			
Interest income	15	294	88	
Miscellaneous	<u>62,144</u>	<u>16,149</u>		
<i>Total revenues</i>	<u>5,609,585</u>	<u>52,149</u>	<u>45,434</u>	<u>290,223</u>
Expenditures				
Current				
General government	1,901,625	6,648	4,121	534
Public safety	1,614,344	245,463		
Public works	184,689			838,307
Culture and recreation	222,346		615,795	
Capital outlay	96,112		41,082	341,628
Debt service				
Principal				
Interest				
<i>Total expenditures</i>	<u>4,019,116</u>	<u>252,111</u>	<u>660,998</u>	<u>1,180,469</u>
Excess (deficiency) of revenues over expenditures	<u>1,590,469</u>	<u>(199,962)</u>	<u>(615,564)</u>	<u>(890,246)</u>
Other financing sources (uses)				
Transfers in	350,536	107,350	417,260	
Transfers out	1,220,607			
<i>Total other financing sources (uses)</i>	<u>(870,071)</u>	<u>107,350</u>	<u>417,260</u>	<u>0</u>
<i>Net change in fund balances</i>	720,398	(92,612)	(198,304)	(890,246)
<i>Fund balances - beginning of year</i>	<u>5,338,895</u>	<u>(1,528,765)</u>	<u>(1,986,784)</u>	<u>(1,440,144)</u>
<i>Fund balances - end of year</i>	<u>\$ 6,059,293</u>	<u>\$ (1,621,377)</u>	<u>\$ (2,185,088)</u>	<u>\$ (2,330,390)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Eunice
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
June 30, 2012

Exhibit B-2
Page 2 of 2

	Municipal Infrastructure Fund	Other Governmental Funds	Total
Revenues			
Taxes			
Property			\$ 159,152
Gross receipts	\$ 241,408	\$ 158,853	5,372,045
Gasoline and motor vehicle taxes			327,572
Other			11,254
Intergovernmental income			
Federal operating grants		24,049	33,340
State operating grants		158,914	168,763
State capital grants		335	341,614
Charges for services		26,887	94,351
Licenses and fees		24,686	26,739
Fines and forfeitures			19,003
Interest income	769	660	1,826
Miscellaneous		88,338	166,631
<i>Total revenues</i>	<u>242,177</u>	<u>482,722</u>	<u>6,722,290</u>
Expenditures			
Current			
General government		501,385	2,414,313
Public safety		88,379	1,948,186
Public works			1,022,996
Culture and recreation		339,375	1,177,516
Capital outlay		128,175	606,997
Debt service			
Principal		50,539	50,539
Interest			
<i>Total expenditures</i>	<u>0</u>	<u>1,107,853</u>	<u>7,220,547</u>
Excess (deficiency) of revenues over expenditures	<u>242,177</u>	<u>(625,131)</u>	<u>(498,257)</u>
Other financing sources (uses)			
Transfers in		390,986	1,266,132
Transfers out	128,525		1,349,132
<i>Total other financing sources (uses)</i>	<u>(128,525)</u>	<u>390,986</u>	<u>(83,000)</u>
<i>Net change in fund balances</i>	113,652	(234,145)	(581,257)
<i>Fund balances - beginning of year</i>	<u>1,627,097</u>	<u>(1,964,143)</u>	<u>46,156</u>
<i>Fund balances - end of year</i>	<u>\$ 1,740,749</u>	<u>\$ (2,198,288)</u>	<u>\$ (535,101)</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, 2012

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

Net change in fund balances - total governmental funds	\$ (581,257)
--	--------------

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	606,997
Depreciation expense	(499,905)

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	3,088
---	-------

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	<u>50,539</u>
Change in net assets of governmental activities	<u>\$ (420,538)</u>

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, 2012

	Budgeted Amounts		Actual	Variations
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
Revenues				
Taxes				
Property tax	\$ 115,000	\$ 115,000	\$ 159,152	\$ 44,152
Gross receipts	4,355,000	5,155,000	4,890,695	(264,305)
Gasoline and motor vehicle	255,000	255,000	327,572	72,572
Other	1,850	1,850	2,328	478
Intergovernmental income				
Federal operating grants	50,000	50,000	9,291	(40,709)
State operating grants	3,000	3,000	9,849	6,849
State capital grants	5,000	5,000	300	(4,700)
Charges for services	40,500	40,500	66,214	25,714
Licenses and fees	7,200	7,200	1,933	(5,267)
Fines and forfeitures	25,200	25,200	19,003	(6,197)
Interest income	1,000	1,000	15	(985)
Miscellaneous	11,000	11,000	62,144	51,144
<i>Total revenues</i>	<u>4,869,750</u>	<u>5,669,750</u>	<u>5,548,496</u>	<u>(121,254)</u>
Expenditures				
Current				
General government	1,278,638	1,479,244	1,674,541	(195,297)
Public safety	1,580,328	1,676,328	1,616,779	59,549
Public works	100,818	166,701	185,166	(18,465)
Culture and recreation	246,932	249,935	221,474	28,461
Capital outlay	87,000	59,234	96,586	(37,352)
<i>Total expenditures</i>	<u>3,293,716</u>	<u>3,631,442</u>	<u>3,794,546</u>	<u>(163,104)</u>
Excess (deficiency) of revenues over expenditures	<u>1,576,034</u>	<u>2,038,308</u>	<u>1,753,950</u>	<u>(284,358)</u>
Other financing sources (uses)				
Transfers in	453,011	680,922	350,536	(330,386)
Transfers out	(1,376,981)	(2,942,862)	(1,220,607)	(1,722,255)
<i>Total other financing sources (uses)</i>	<u>(923,970)</u>	<u>(2,261,940)</u>	<u>(870,071)</u>	<u>(2,052,641)</u>
<i>Net change in fund balances</i>	<u>652,064</u>	<u>(223,632)</u>	<u>883,879</u>	<u>(284,358)</u>
<i>Fund balances - beginning of year</i>	<u>743,558</u>	<u>2,908,090</u>	<u>5,338,895</u>	<u>2,430,805</u>
<i>Fund balances - end of year</i>	<u>\$ 1,395,622</u>	<u>\$ 2,684,458</u>	<u>6,222,774</u>	<u>\$ 2,146,447</u>
Net change in fund balances (budget basis)			883,879	
Adjustments to revenues for gross receipts taxes			61,089	
Adjustments to expenditures for salaries, capital outlay and operating expenses			(224,570)	
Net change in fund balances (GAAP Basis)			<u>\$ 720,398</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, 2012

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
Revenues				
Taxes				
Gross receipts	\$ 20,000	\$ 40,000	\$ 20,000	\$ (20,000)
Intergovernmental income				
State operating grants	500	500		(500)
State capital grants	10,000	10,000	15,706	5,706
Interest income	250	250	294	44
Miscellaneous	<u>11,000</u>	<u>11,000</u>	<u>16,149</u>	<u>5,149</u>
<i>Total revenues</i>	<u>41,750</u>	<u>61,750</u>	<u>52,149</u>	<u>(9,601)</u>
Expenditures				
Current				
General government	4,000	5,633	5,646	(13)
Public safety	<u>145,100</u>	<u>252,629</u>	<u>237,087</u>	<u>15,542</u>
<i>Total expenditures</i>	<u>149,100</u>	<u>258,262</u>	<u>242,733</u>	<u>15,529</u>
Excess (deficiency) of revenues over expenditures	<u>(107,350)</u>	<u>(196,512)</u>	<u>(190,584)</u>	<u>5,928</u>
Other financing sources (uses)				
Transfers in	<u>107,350</u>	<u>196,512</u>	<u>107,350</u>	<u>(89,162)</u>
<i>Total other financing sources (uses)</i>	<u>107,350</u>	<u>196,512</u>	<u>107,350</u>	<u>(89,162)</u>
<i>Net change in fund balances</i>	<u>0</u>	<u>0</u>	<u>(83,234)</u>	<u>(83,234)</u>
<i>Fund balances - beginning of year</i>	<u>(97,000)</u>	<u>29,231</u>	<u>(1,528,765)</u>	<u>(1,557,996)</u>
<i>Fund balances - end of year</i>	<u><u>\$ (97,000)</u></u>	<u><u>\$ 29,231</u></u>	<u><u>(1,611,999)</u></u>	<u><u>\$ (1,641,230)</u></u>
Net change in fund balances (budget basis)			(83,234)	
Adjustments to expenditures for salaries, and operating expenses			<u>(9,378)</u>	
Net change in fund balances (GAAP Basis)			<u><u>\$ (92,612)</u></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, 2012

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
Revenues				
Taxes				
Other	\$ 10,000	\$ 10,000	\$ 8,926	\$ (1,074)
Intergovernmental income				
State capital grants	2,000	2,000	35,050	33,050
Charges for services	2,000	2,000	1,250	(750)
Licenses and fees	500	500	120	(380)
Interest income	100	100	88	(12)
<i>Total revenues</i>	<u>14,600</u>	<u>14,600</u>	<u>45,434</u>	<u>30,834</u>
Expenditures				
Current				
General government	2,300	2,300	3,748	(1,448)
Culture and recreation	368,560	409,560	533,060	(123,500)
Capital outlay	10,000	48,000	80,341	(32,341)
<i>Total expenditures</i>	<u>380,860</u>	<u>459,860</u>	<u>617,149</u>	<u>(157,289)</u>
Excess (deficiency) of revenues over expenditures	<u>(366,260)</u>	<u>(445,260)</u>	<u>(571,715)</u>	<u>(126,455)</u>
Other financing sources (uses)				
Transfers in	367,260	521,710	417,260	(104,450)
<i>Total other financing sources (uses)</i>	<u>367,260</u>	<u>521,710</u>	<u>417,260</u>	<u>(104,450)</u>
<i>Net change in fund balances</i>	<u>1,000</u>	<u>76,450</u>	<u>(154,455)</u>	<u>(230,905)</u>
<i>Fund balances - beginning of year</i>	<u>(297,762)</u>	<u>(38,985)</u>	<u>(1,986,784)</u>	<u>(1,947,799)</u>
<i>Fund balances - end of year</i>	<u><u>\$ (296,762)</u></u>	<u><u>\$ 37,465</u></u>	<u><u>(2,141,239)</u></u>	<u><u>\$ (2,178,704)</u></u>
Net change in fund balances (budget basis)			(154,455)	
Adjustments to expenditures for salaries, and operating expenses			(43,849)	
Net change in fund balances (GAAP Basis)			<u><u>\$ (198,304)</u></u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Exhibit C-4

City of Eunice

Streets Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ending June 30, 2012

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
Revenues				
Intergovernmental income				
State operating grants	\$ 450,000	\$ 450,000	\$	\$ (450,000)
State capital grants	<u>600,000</u>	<u>600,000</u>	<u>290,223</u>	<u>(309,777)</u>
<i>Total revenues</i>	<u>1,050,000</u>	<u>1,050,000</u>	<u>290,223</u>	<u>(759,777)</u>
Expenditures				
Current				
General government			534	(534)
Public works		10,502	232,062	(221,560)
Capital outlay	<u>1,250,000</u>	<u>1,239,498</u>	<u>357,634</u>	<u>881,864</u>
<i>Total expenditures</i>	<u>1,250,000</u>	<u>1,250,000</u>	<u>590,230</u>	<u>659,770</u>
Excess (deficiency) of revenues over expenditures	<u>(200,000)</u>	<u>(200,000)</u>	<u>(300,007)</u>	<u>(100,007)</u>
Other financing sources (uses)				
Transfers in	<u>200,000</u>	<u>500,006</u>		<u>(500,006)</u>
<i>Total other financing sources (uses)</i>	<u>200,000</u>	<u>500,006</u>	<u>0</u>	<u>(500,006)</u>
<i>Net change in fund balances</i>	<u>0</u>	<u>300,006</u>	<u>(300,007)</u>	<u>(600,013)</u>
<i>Fund balances - beginning of year</i>	<u>(233,998)</u>	<u>(233,998)</u>	<u>(1,440,144)</u>	<u>(1,206,146)</u>
<i>Fund balances - end of year</i>	<u>\$ (233,998)</u>	<u>\$ 66,008</u>	<u>(1,740,151)</u>	<u>\$ (1,806,159)</u>
Net change in fund balances (budget basis)			(300,007)	
Adjustments to expenditures for accounts payable			<u>(590,239)</u>	
Net change in fund balances (GAAP Basis)			<u>\$ (890,246)</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Eunice
Statement of Net Assets
Proprietary Funds
June 30, 2012

Exhibit D-1

	Enterprise Funds				Total
	Water	Sewer	Solid Waste	Golf	
Assets					
<i>Current assets</i>					
Cash and cash equivalents	\$ 1,397,764	\$ 354,869	\$ 24,860	\$	\$ 1,777,493
Investments	727,000	386,000	20,000		1,133,000
Accounts receivable					
Other	182,115	32,927	47,084		262,126
Inventory	113,311			29,315	142,626
Interfund receivable	<u>3,451,513</u>	<u>1,835,453</u>	<u>6,037</u>		<u>5,293,003</u>
<i>Total current assets</i>	<u>5,871,703</u>	<u>2,609,249</u>	<u>97,981</u>	<u>29,315</u>	<u>8,608,248</u>
<i>Noncurrent assets</i>					
Capital assets	15,499,988	1,189,738		568,266	17,257,992
Less: accumulated depreciation	<u>(3,949,682)</u>	<u>(997,187)</u>		<u>(226,559)</u>	<u>(5,173,428)</u>
<i>Total noncurrent assets</i>	<u>11,550,306</u>	<u>192,551</u>	<u>0</u>	<u>341,707</u>	<u>12,084,564</u>
<i>Total assets</i>	<u>\$ 17,422,009</u>	<u>\$ 2,801,800</u>	<u>\$ 97,981</u>	<u>\$ 371,022</u>	<u>\$ 20,692,812</u>
Liabilities and net assets					
Liabilities					
<i>Current liabilities</i>					
Cash deficit	\$	\$	\$	\$ 119,723	\$ 119,723
Accounts payable	106,047	17,682	40,762	18,443	182,934
Meter deposits payable	68,474				68,474
Accrued payroll	9,011	1,322		3,817	14,150
Interfund payable	<u>174,587</u>	<u>1,838,114</u>	<u>382,362</u>	<u>1,405,401</u>	<u>3,800,464</u>
<i>Total current liabilities</i>	<u>358,119</u>	<u>1,857,118</u>	<u>423,124</u>	<u>1,547,384</u>	<u>4,185,745</u>
<i>Noncurrent liabilities</i>					
Accrued compensated absences	11,147	1,019		3,959	16,125
Loans and capital leases payable	<u>4,540,045</u>				<u>4,540,045</u>
<i>Total noncurrent liabilities</i>	<u>4,551,192</u>	<u>1,019</u>	<u>0</u>	<u>3,959</u>	<u>4,556,170</u>
<i>Total liabilities</i>	<u>4,909,311</u>	<u>1,858,137</u>	<u>423,124</u>	<u>1,551,343</u>	<u>8,741,915</u>
Net Assets					
Invested in capital assets, net of related debt	7,010,261	192,551		341,707	7,544,519
Unrestricted	<u>5,502,437</u>	<u>751,112</u>	<u>(325,143)</u>	<u>(1,522,028)</u>	<u>4,406,378</u>
<i>Total net assets</i>	<u>12,512,698</u>	<u>943,663</u>	<u>(325,143)</u>	<u>(1,180,321)</u>	<u>11,950,897</u>
<i>Total liabilities and net assets</i>	<u>\$ 17,422,009</u>	<u>\$ 2,801,800</u>	<u>\$ 97,981</u>	<u>\$ 371,022</u>	<u>\$ 20,692,812</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, 2012

	Enterprise Funds				Total
	Water Fund	Sewer Fund	Solid Waste Fund	Golf Fund	
Operating revenues:					
Charges for services	\$ 1,693,730	\$ 270,733	\$ 374,090	\$ 169,877	\$ 2,508,430
<i>Total operating revenues</i>	<u>1,693,730</u>	<u>270,733</u>	<u>374,090</u>	<u>169,877</u>	<u>2,508,430</u>
Operating expenses:					
Culture and recreation			31,277	19,774	51,051
Personnel services	485,922	66,612		134,911	687,445
Supplies	828,205	107,575	436,467	219,536	1,591,783
Depreciation	<u>342,251</u>	<u>34,289</u>		<u>36,665</u>	<u>413,205</u>
<i>Total operating expenses</i>	<u>1,656,378</u>	<u>208,476</u>	<u>467,744</u>	<u>410,886</u>	<u>2,743,484</u>
<i>Operating income (loss)</i>	<u>37,352</u>	<u>62,257</u>	<u>(93,654)</u>	<u>(241,009)</u>	<u>(235,054)</u>
Non-Operating revenues (expenses):					
Interest income	1,211	817	40		2,068
State capital grant	<u>81,654</u>				<u>81,654</u>
<i>Total non-operating revenues (expenses)</i>	<u>82,865</u>	<u>817</u>	<u>40</u>	<u>0</u>	<u>83,722</u>
Income (loss) before transfers	120,217	63,074	(93,614)	(241,009)	(151,332)
Other financing source (uses)					
Transfers (In)	323,571	4,365	49,719	83,000	460,655
Transfers (out)	<u>(377,655)</u>				<u>(377,655)</u>
<i>Total other financing sources (uses)</i>	<u>(54,084)</u>	<u>4,365</u>	<u>49,719</u>	<u>83,000</u>	<u>83,000</u>
<i>Change in net assets</i>	66,133	67,439	(43,895)	(158,009)	(68,333)
<i>Net assets, beginning 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>
<i>Prior period adjustments</i>	<u>1,595,145</u>	<u>(2,394,358)</u>		<u>137,583</u>	<u>(661,629)</u>
<i>Net assets, end of year</i>	<u>\$ 12,512,698</u>	<u>\$ 943,663</u>	<u>\$ (325,143)</u>	<u>\$ (1,180,321)</u>	<u>\$ 11,950,897</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, 2012

Exhibit D-3

	<u>Enterprise Funds</u>	
	<u>Water</u>	<u>Sewer</u>
<i>Cash flows from operating activities:</i>		
Cash received from user charges	\$ 1,708,612	\$ 269,187
Cash payments to employees for services	(480,157)	(65,769)
Cash payments to suppliers for goods and services	(775,381)	(101,005)
Internal activity	<u>188,867</u>	<u>(190,000)</u>
<i>Net cash provided (used) by operating activities</i>	<u>641,941</u>	<u>(87,587)</u>
<i>Cash flows from noncapital financing activities:</i>		
Capital and operating grants	81,654	
Change in noncurrent accrued compensated absences	(745)	
Transfers	<u>(54,084)</u>	<u>4,365</u>
<i>Net cash provided (used) by noncapital financing activities</i>	<u>26,825</u>	<u>4,365</u>
<i>Cash flows from capital and related financing activities:</i>		
Acquisition of capital assets	(3,620,970)	(13,461)
Proceeds from loan	<u>3,303,983</u>	<u></u>
<i>Net cash provided (used) by capital and related financing activities</i>	<u>(316,987)</u>	<u>(13,461)</u>
<i>Cash flows from investing activities:</i>		
Interest on investments	<u>1,211</u>	<u>817</u>
<i>Net cash provided (used) by investing activities</i>	<u>1,211</u>	<u>817</u>
<i>Net increase (decrease) in cash and cash equivalents</i>	<u>352,990</u>	<u>(95,866)</u>
<i>Cash and cash equivalents - beginning of year</i>	<u>1,771,774</u>	<u>836,735</u>
<i>Cash and cash equivalents - end of year</i>	<u>\$ 2,124,764</u>	<u>\$ 740,869</u>
<i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</i>		
Operating income (loss)	\$ 37,352	\$ 62,257
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:		
Depreciation	342,251	34,289
Changes in assets and liabilities		
Receivables	14,882	(1,546)
Interfund receivables/payables	188,866	(190,000)
Accounts payable	51,232	6,570
Accrued payroll expenses	5,765	843
Meter deposits	<u>1,593</u>	<u></u>
<i>Net cash provided (used) by operating activities</i>	<u>\$ 641,941</u>	<u>\$ (87,587)</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, 2012

Exhibit D-3

	Enterprise Funds		
	Solid Waste	Golf	Total
<i>Cash flows from operating activities:</i>			
Cash received from user charges	\$ 367,912	\$ 169,877	\$ 2,515,588
Cash payments to employees for services		(133,015)	(678,941)
Cash payments to suppliers for goods and services	(426,982)	(233,085)	(1,536,453)
Internal activity	(1)		(1,134)
	<u>(59,071)</u>	<u>(196,223)</u>	<u>299,060</u>
<i>Net cash provided (used) by operating activities</i>			
<i>Cash flows from noncapital financing activities:</i>			
Capital and operating grants			81,654
Change in noncurrent accrued compensated absences			(745)
Transfers	49,719	83,000	83,000
	<u>49,719</u>	<u>83,000</u>	<u>163,909</u>
<i>Net cash provided (used) by noncapital financing activities</i>			
<i>Cash flows from capital and related financing activities:</i>			
Acquisition of capital assets		(6,500)	(3,640,931)
Proceeds from loan			3,303,983
	<u>0</u>	<u>(6,500)</u>	<u>(336,948)</u>
<i>Net cash provided (used) by capital and related financing activities</i>			
<i>Cash flows from investing activities:</i>			
Interest on investments	40		2,068
	<u>40</u>	<u>0</u>	<u>2,068</u>
<i>Net cash provided (used) by investing activities</i>			
	<u>(9,312)</u>	<u>(119,723)</u>	<u>128,089</u>
<i>Net increase (decrease) in cash and cash equivalents</i>			
<i>Cash and cash equivalents - beginning of year</i>	<u>54,172</u>		<u>2,662,681</u>
<i>Cash and cash equivalents - end of year</i>	<u>\$ 44,860</u>	<u>\$ (119,723)</u>	<u>\$ 2,790,770</u>
<i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities</i>			
Operating income (loss)	\$ (93,654)	\$ (241,009)	\$ (235,054)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation		36,665	413,205
Changes in assets and liabilities			
Receivables	(6,178)		7,158
Interfund receivables/payables	(1)		(1,135)
Accounts payable	40,762	6,225	104,789
Accrued payroll expenses		1,896	8,504
Meter deposits			1,593
	<u>(59,071)</u>	<u>(196,223)</u>	<u>299,060</u>
<i>Net cash provided (used) by operating activities</i>			

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Eunice
Statement of Fiduciary Assets and Liabilities - Agency Funds
June 30, 2012

Exhibit E-1

Assets

Cash and cash equivalents \$ 32,835

Total assets \$ 32,835

Liabilities

Deposits held and due to others \$ 32,835

Total liabilities \$ 32,835

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Eunice
Notes to Financial Statements
June 30, 2012

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, 2012

NOTE 1. Summary of Significant Accounting Policies (continued)

B. *Government-wide and fund financial statements (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: 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.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

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

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

STATE OF NEW MEXICO
City of Eunice
Notes to Financial Statements
June 30, 2012

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, 2012

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.

STATE OF NEW MEXICO
City of Eunice
Notes to Financial Statements
June 30, 2012

NOTE 1. Summary of Significant Accounting Policies (continued)

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.

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 1st based on the assessed value of property as listed on the previous January 1st 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.

STATE OF NEW MEXICO
City of Eunice
Notes to Financial Statements
June 30, 2012

NOTE 1. Summary of Significant Accounting Policies (continued)

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

Capital Assets: Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. State law sets a capitalization threshold of \$5,000 for acquisitions of property and equipment (12-10-10 NMSA 1978).

Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Information Technology Equipment including software is being capitalized and included in furniture, fixtures and equipment in accordance with NMAC 2.20.1.9 C (5). Donated capital assets are recorded at estimated fair market value at the date of donation.

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

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.

STATE OF NEW MEXICO
City of Eunice
Notes to Financial Statements
June 30, 2012

NOTE 1. Summary of Significant Accounting Policies (continued)

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

Full-time, permanent employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the City. Accumulated unused vacation is payable upon retirement or termination from employment. All vacation pay and applicable accumulated sick leave is accrued when incurred in the government-wide and proprietary fund financial statements. A liability for these amounts is reported in the governmental funds only if they have matured, for example, as a result of employee resignations and retirements.

Long-term Obligations: In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount.

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

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
Notes to Financial Statements
June 30, 2012

NOTE 1. Summary of Significant Accounting Policies (continued)

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

Equity Classifications

Government-wide Statements

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

a. Invested in capital assets, net of related debt:

Net assets invested in capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.

b. Restricted Net Assets:

Consist of net assets with constraints placed on the use either (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) laws through constitutional provisions or enabling legislation. Descriptions for the related restrictions for net assets restricted for “other purposes” are described in the Notes to Financial Statements.

c. Unrestricted Net Assets:

All other net assets that do not meet the definition of “restricted” or “invested in capital assets, net of related debt.”

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates included in the City’s financial statements are the estimated useful lives of capital assets.

NOTE 2. Stewardship, Compliance and Accountability

Budgetary Information

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

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

STATE OF NEW MEXICO
City of Eunice
Notes to Financial Statements
June 30, 2012

NOTE 2. Stewardship, Compliance and Accountability (continued)

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

The appropriated budget for the year ended June 30, 2012 was not properly amended by the City Commission through the year.

	Excess (deficiency) of revenues over expenditures	
	Original Budget	Final Budget
Budgeted Funds:		
General Fund	\$ 1,576,034	\$ 2,038,308
Fire Special Revenue Fund	(107,350)	(196,512)
Recreation Special Revenue Fund	(366,260)	(445,260)
Municipal Infrastructure Capital Projects Fund	241,000	241,000
Streets Special Revenue Fund	(200,000)	(200,000)
Other Governmental Funds	\$ (385,986)	\$ (637,446)
	Operating income (loss)	
Water	\$ 334,034	\$ 410,034
Sewer	0	0
Solid Waste	(360,000)	(360,000)
Golf	\$ (165,374)	\$ (284,839)

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, 2012.

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.

STATE OF NEW MEXICO
City of Eunice
Notes to Financial Statements
June 30, 2012

NOTE 3. Deposits and Investments (continued)

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, 2012

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, 2012, the City's deposits totaled \$3,236,269, of which \$0 was exposed to custodial credit risk as follows:

	Wells Fargo Bank	NMFA Reserve Account	Total
Demand accounts	\$ 3,236,269	\$ 36,708	\$ 3,272,977
FDIC Coverage (See A-04)	(3,236,269)	(36,708)	(3,272,977)
Total uninsured public funds	\$ 0	\$ 0	\$ 0
 Custodial Credit Risk-Deposits			
Account Balance	\$ 3,272,977		
FDIC Insured	3,272,977		
Collateral :			
Collateral held by the pledging bank, not in the City's name			
Uninsured and uncollateralized	_____		
Total Deposit	3,272,977		
Uninsured and uncollateralized			
Uninsured and collateral held by pledging bank's trust department not in the City's name	_____		
Total	\$ 0		

STATE OF NEW MEXICO
City of Eunice
Notes to Financial Statements
June 30, 2012

NOTE 3. Deposits and Investments (continued)

The collateral pledged is listed on Schedule II 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, 2012, 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	\$ 36,708		\$ 36,708
Investment in the State Treasurer's Local Investment Pool	_____	\$ <u>1,689,395</u>	<u>1,689,395</u>
Total investments subject to custodial credit risk	\$ <u>36,708</u>	\$ <u>1,689,395</u>	\$ <u>1,726,103</u>

The State Treasurer's New Mexico Grow Local Government Investment Pool (LGIP) is rated "AAA" by Standard and Poor's. However, the LGIP experienced some problems during the fiscal year ended June 30, 2012, 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
Notes to Financial Statements
June 30, 2012

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, 2012 include the following:

<u>Investments</u>	<u>Weighted Average Maturities</u>	<u>Fair Value</u>	<u>Rating</u>
State Treasurer Local			
New MexiGROW LGIP	60 days	\$ 1,688,469	AAAm
Reserve Contingency Fund	Does not earn interest	926	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:

Carrying amount	Primary Government
Deposits	\$ 5,618,704
Investments	<u>1,694,000</u>
	<u>7,312,704</u>
Included in the following captions	
Cash and cash equivalents	5,545,003
Restricted cash	40,866
Investments	1,694,000
Fiduciary funds cash	<u>32,835</u>
	<u>\$ 7,312,704</u>

STATE OF NEW MEXICO
City of Eunice
Notes to Financial Statements
June 30, 2012

NOTE 4. Receivables and payables

Receivables as of June 30, 2012 are as follows:

Governmental activities:

	<u>General Fund</u>	<u>Fire Fund</u>	<u>Municipal Infrastructure Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Receivables:					
Taxes	\$ 344,585		\$ 16,953	\$ 8,633	\$ 370,171
Other	<u>6,764</u>	<u>\$ 6,255</u>	<u> </u>	<u>87,384</u>	<u>100,403</u>
Net receivables	<u>\$ 351,349</u>	<u>\$ 6,255</u>	<u>\$ 16,953</u>	<u>\$ 96,017</u>	<u>\$ 470,574</u>

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

Business-type activities:

	<u>Water</u>	<u>Sewer</u>	<u>Solid Waste</u>	<u>Total</u>
Receivables:				
Accounts	\$ 208,241	\$ 32,927	\$ 47,084	\$ 288,252
Allowance for bad debts	<u>(26,126)</u>	<u> </u>	<u> </u>	<u>(26,126)</u>
Net receivables	<u>\$ 182,115</u>	<u>\$ 32,927</u>	<u>\$ 47,084</u>	<u>\$ 262,126</u>

Accounts payable as of June 30, 2012, are as follows:

	<u>Governmental activities</u>	<u>Business-type activities</u>
Payable to suppliers	\$ 2,642,540	\$ 182,934
Payable to and on behalf of employees	<u>60,603</u>	<u>14,150</u>
	<u>\$ 2,703,143</u>	<u>\$ 197,084</u>

STATE OF NEW MEXICO
City of Eunice
Notes to Financial Statements
June 30, 2012

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	\$ 1,627,481
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	(15,413)
Nonmajor Governmental Funds	General Fund	25,000
Nonmajor Governmental Funds	Golf Proprietary Fund	136,644
Municipal Infrastructure Capital Project Fund	Golf Proprietary Fund	724,344
Municipal Infrastructure Capital Project Fund	Nonmajor Governmental Funds	213,410
Municipal Infrastructure Capital Project Fund	General Fund	262,000
Water Proprietary Fund	General Fund	104
Water Proprietary Fund	Solid Waste Proprietary Fund	382,362
Water Proprietary Fund	General Fund	1,582,975
Water Proprietary Fund	Sewer Proprietary Fund	1,486,071
Sewer Fund	Water Proprietary Fund	190,000
Sewer Fund	General Fund	1,645,453
Solid Waste Fund	General Fund	952
Solid Waste Fund	Sewer Proprietary Fund	5,085
Total		<u>\$ 14,457,560</u>

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

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

Transfer From	Amount	Transfer To	Amount
Water Fund	\$ 377,655	Solid Waste Fund	\$ 49,719
		Water Line Fund	323,571
		Sewer Fund	4,365
General Fund	1,220,607	Golf Fund	83,000
		Fire Fund	107,350
		Recreation Fund	417,260
		Nonmajor Funds	390,986
Municipal Fund	128,525	General Fund	350,536
Total	<u>\$ 1,726,787</u>		<u>\$ 1,726,787</u>

STATE OF NEW MEXICO
City of Eunice
Notes to Financial Statements
June 30, 2012

NOTE 6. Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2012, follows. Land and Construction in Progress are not subject to depreciation.

Capital Assets used in Governmental Activities:	<u>Balance 6/30/2011</u>	<u>Transfers / Adjustments</u>	<u>Additions</u>	<u>Balance 6/30/2012</u>
Capital assets not being depreciated:				
Land	\$ 383,762	(131,094)		\$ 252,668
Construction in progress	<u>1,702,977</u>	<u>(1,702,977)</u>	<u>\$ 404,304</u>	<u>404,304</u>
Total capital assets not being depreciated:	<u>2,086,739</u>	<u>(1,834,071)</u>	<u>404,304</u>	<u>656,972</u>
Capital assets being depreciated:				
Land improvements		47,665		47,665
Buildings & improvements	7,998,375	(3,071,310)	166,067	5,093,132
Equipment	1,216,428	(662,734)		553,694
Vehicles	2,200,085	(113,605)	27,999	2,114,479
Roads	1,801,740	1,302,025	8,626	3,112,391
Library Collections	<u>465,157</u>	<u>(162,247)</u>		<u>302,910</u>
Total Capital assets being depreciated:	<u>13,681,785</u>	<u>(2,660,206)</u>	<u>202,692</u>	<u>11,224,271</u>
Total capital assets	<u>15,768,524</u>	<u>(4,494,277)</u>	<u>606,996</u>	<u>11,881,243</u>
Less accumulated depreciation				
Land Improvements	(11,832)	(7,349)	(1,837)	(21,018)
Building & improvements	(2,108,278)	(1,870,717)	(64,893)	(4,043,888)
Equipment	(867,731)	636,733	(52,508)	(283,506)
Vehicles	(1,338,076)	350,174	(214,286)	(1,202,188)
Roads	(1,477,171)	(95,913)	(105,799)	(1,678,883)
Library Collections	<u>(558,889)</u>	<u>558,889</u>	<u>(60,582)</u>	<u>(60,582)</u>
Total accumulated depreciation	<u>(6,361,977)</u>	<u>(428,183)</u>	<u>(499,905)</u>	<u>(7,290,065)</u>
Net capital assets	<u>\$ 9,406,547</u>	<u>\$ (4,922,460)</u>	<u>\$ 107,091</u>	<u>\$ 4,591,178</u>

STATE OF NEW MEXICO
City of Eunice
Notes to Financial Statements
June 30, 2012

NOTE 6. Capital Assets (continued)

Capital Assets used in Business-type Activities:	<u>Balance 6/30/2011</u>	<u>Transfers / Adjustments</u>	<u>Additions</u>	<u>Balance 6/30/2012</u>
Capital assets not depreciated:				
Land	\$ 112,526	\$ (8,817)		\$ 103,709
Construction in progress	<u>4,142,677</u>	<u>(2,906,614)</u>	<u>\$ 3,634,431</u>	<u>4,870,494</u>
Total not depreciated	<u>4,255,203</u>	<u>(2,915,431)</u>	<u>3,634,431</u>	<u>4,974,203</u>
Capital assets being depreciated:				
Land & improvements	5,577	78,092		83,669
Buildings & improvements	1,920,924	18,139		1,939,063
Equipment	673,440	(59,161)	6,500	620,779
Utility Systems	<u>11,349,683</u>	<u>(1,709,405)</u>		<u>9,640,278</u>
Total capital assets being depreciated:	<u>13,949,624</u>	<u>(1,672,335)</u>	<u>6,500</u>	<u>12,283,789</u>
Total capital assets	<u>18,204,827</u>	<u>(4,587,766)</u>	<u>3,640,931</u>	<u>17,257,992</u>
Less accumulated depreciation				
Land improvements	(5,766)	(2,081)	(4,005)	(11,852)
Building & improvements	(1,841,740)	947,387	(32,938)	(927,291)
Equipment	(502,196)	231,058	(42,657)	(313,795)
Utility Systems	<u>(6,336,659)</u>	<u>2,749,773</u>	<u>(333,605)</u>	<u>(3,920,491)</u>
Total accumulated depreciation	<u>(8,686,361)</u>	<u>3,926,137</u>	<u>(413,205)</u>	<u>(5,173,429)</u>
Net capital assets	<u>\$ 9,518,466</u>	<u>\$ (661,629)</u>	<u>\$ 3,227,726</u>	<u>\$ 12,084,563</u>

Depreciation expense for the year ended June 30, 2012 was charged to the following functions and funds:

Government activities:	
General government	\$ 96,418
Public safety	208,370
Public works	29,192
Culture and recreation	<u>165,925</u>
Total governmental activities	<u>\$ 499,905</u>
Business-type activities:	
Water fund	342,251
Sewer fund	34,289
Golf fund	<u>36,665</u>
Total business-type activities	<u>\$ 413,205</u>

STATE OF NEW MEXICO
City of Eunice
Notes to Financial Statements
June 30, 2012

NOTE 7. Long-term Debt

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

Change in Long-term Liabilities

Long-term liability activity for the year ended June 30, 2012, was as follows:

Governmental Activities:

	Balance			Balance	Due Within
	<u>June 30, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2012</u>	<u>One Year</u>
Compensated Absences	\$ 77,765	\$ 94,149	\$ 97,237	\$ 74,677	\$ _____
Long-term liabilities	<u>\$ 77,765</u>	<u>\$ 94,149</u>	<u>\$ 97,237</u>	<u>\$ 74,677</u>	<u>\$ 0</u>

Business-Type Activities:

	Balance			Balance	Due Within
	<u>June 30, 2011</u>	<u>Additions</u>	<u>Reductions</u>	<u>June 30, 2012</u>	<u>One Year</u>
NMFA - Water Lines	\$ 1,236,062	\$ 3,303,983	\$ _____	\$ 4,540,045	\$ 0
Compensated Absences	<u>16,871</u>	<u>19,689</u>	<u>20,435</u>	<u>16,125</u>	<u>_____</u>
Long-term liabilities	<u>\$ 1,252,933</u>	<u>\$ 3,323,672</u>	<u>\$ 20,435</u>	<u>\$ 4,556,170</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, 2012

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.

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 8.00% (fire) and 7.00% (police) of their gross salary, respectively. The City of Eunice is required to contribute 18.50% for law enforcement, 21.25% 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, 2012, 2011 and 2010 were \$259,350, \$231,333 and \$232,237 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, 2012, 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, 2012

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	\$ (1,621,377)
Recreation Special Revenue Fund	(2,185,088)
Streets Special Revenue Fund	(2,330,390)
EMS Special Revenue Fund	(860,278)
Senior Center Special Revenue Fund	(996,343)
Swimming Pool Special Revenue Fund	(226,791)
Government Gross Receipts Tax Special Revenue Fund	(138,973)
New Cemetery Project Special Revenue Fund	(253,831)
Solid Waste Enterprise Fund	(325,143)
Golf Enterprise Fund	<u>(1,180,321)</u>
Total	<u>\$ (10,118,535)</u>

B. Excess of expenditures over appropriations:

General Fund	\$ (163,104)
Recreation Fund	(157,289)
State Fire Allotment Fund	(3,807)
Swimming Pool Special Revenue Fund	(5,045)
Government Gross receipts Tax Fund	(30,002)
New Water Proprietary Fund	(234,527)
Sewer Proprietary Fund	(180,163)
Solid Waste Proprietary Fund	<u>(66,984)</u>
Total	<u>\$ (840,921)</u>

NOTE 13. Commitments

The City had no material commitments as of June 30, 2012.

STATE OF NEW MEXICO
City of Eunice
Notes to Financial Statements
June 30, 2012

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 \$23,819. City council member JoAnn Davis and her spouse are owners of JD's Wrecker Service.
- The City purchased services from **Mercedes Anaya** in the amount of \$812. Angelica Garcia is an employee of dispatch police department.
- The City purchased services from **United Rental Tool** in the amount of \$4,203. 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.
- The City purchased services from **Stop & Go Lube N Tire** in the amount of \$17,328 John Terry is the son of the Joyce Tolsma, City Clerk.
- The City purchased services from **Rogers All Electric Lectric Service** in the amount of \$91.

NOTE 15. Restatement of Net Assets

Governmental Wide

During the year ended June 30, 2012, the City reconciled the capital asset inventory listing as a result of which a prior period adjustment was made in the amount of \$(4,922,460) to the Government-wide financial statements of the primary government. Capital assets and accumulated depreciation were adjusted in the amount of \$4,494,277 and \$428,183 respectively to restate the net assets correctly.

Business Wide

During the year ended June 30, 2012, the City reconciled the capital asset inventory listing as a result of which a prior period adjustment was made in the amount of \$(661,629) to the Business-wide financial statements of the primary government. Capital assets and accumulated depreciation were adjusted in the amount of \$4,587,766\$ and \$3,926,137 respectively to restate the net assets correctly.

SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
City of Eunice
Nonmajor Governmental Fund Descriptions
June 30, 2012

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.

Law Enforcement Protection - 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.

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.

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, 2012

Statement A-1

	EMS Fund	State Fire Allotment	Municipal Court Fees Fund	LEPF Fund
Current assets				
Cash and cash equivalents	\$	\$ 21,553	\$ 11,489	\$ 10,438
Investments			82,000	
Accounts receivable				
Taxes				
Intergovernmental				
Other	61,984			25,400
Restricted Cash	40,866			
Prepaid assets				
Interfund receivable			105,119	13,011
<i>Total assets</i>	\$ 102,850	\$ 21,553	\$ 198,608	\$ 48,849
Current liabilities				
Cash Deficit	\$ 39,084	\$	\$	\$
Accounts payable	24,025	11,137	1,747	(15)
Accrued payroll				
Deferred revenue				
Security deposit				
Interfund payable	900,019			
<i>Total liabilities</i>	963,128	11,137	1,747	(15)
Fund balance				
Assigned to:				
Subsequent year's budget in:				
General fund				
Special revenue funds		10,416	196,861	48,864
Capital projects funds				
Unassigned:				
Special revenue funds	(860,278)			
Capital projects funds				
<i>Total fund balances</i>	(860,278)	10,416	196,861	48,864
<i>Total liabilities and fund balances</i>	\$ 102,850	\$ 21,553	\$ 198,608	\$ 48,849

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, 2012

Statement A-1

	Senior Center Fund	Gun Range Fund	Swimming Pool Fund
Current assets			
Cash and cash equivalents	\$	\$	\$
Investments	30,000	3,344	
Accounts receivable			
Taxes			
Intergovernmental			
Other			
Restricted Cash			
Prepaid assets			
Interfund receivable		2,839	
<i>Total assets</i>	\$ 30,000	\$ 6,183	\$ 0
Current liabilities			
Cash Deficit	\$ 24,883	\$	\$ 119,097
Accounts payable	6,707	71	6,119
Accrued payroll	2,889		6,388
Deferred revenue			
Security deposit			
Interfund payable	991,864		95,187
<i>Total liabilities</i>	1,026,343	71	226,791
Fund balance			
Assigned to:			
Subsequent year's budget in:			
General fund			
Special revenue funds		6,112	
Capital projects funds			
Unassigned:			
Special revenue funds	(996,343)		(226,791)
Capital projects funds	(996,343)	6,112	(226,791)
<i>Total fund balances</i>	(996,343)	6,112	(226,791)
<i>Total liabilities and fund balances</i>	\$ 30,000	\$ 6,183	\$ 0

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, 2012

Statement A-1

	Triangle Beautification	Governmental Gross Receipts	Meals on Wheels	Economic Development Grant
Current assets				
Cash and cash equivalents	\$	\$	\$	\$
Investments				
Accounts receivable				
Taxes		8,633		
Intergovernmental				
Other				
Restricted Cash				
Prepaid assets				
Interfund receivable	<u>7,031</u>	<u>25,000</u>	<u>3,644</u>	<u>5,000</u>
<i>Total assets</i>	<u>\$ 7,031</u>	<u>\$ 33,633</u>	<u>\$ 3,644</u>	<u>\$ 5,000</u>
Current liabilities				
Cash Deficit	\$	\$ 3,446	\$	\$
Accounts payable		8,057		
Accrued payroll				
Deferred revenue				
Security deposit				
Interfund payable		<u>161,103</u>		
<i>Total liabilities</i>	<u>0</u>	<u>172,606</u>	<u>0</u>	<u>0</u>
Fund balance				
Assigned to:				
Subsequent year's budget in:				
General fund				
Special revenue funds	7,031		3,644	
Capital projects funds				5,000
Unassigned:				
Special revenue funds		(138,973)		
Capital projects funds				
<i>Total fund balances</i>	<u>7,031</u>	<u>(138,973)</u>	<u>3,644</u>	<u>5,000</u>
<i>Total liabilities and fund balances</i>	<u>\$ 7,031</u>	<u>\$ 33,633</u>	<u>\$ 3,644</u>	<u>\$ 5,000</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, 2012

Statement A-1

	New Cemetery Projects	Total
Current assets		
Cash and cash equivalents	\$	\$ 46,824
Investments		112,000
Accounts receivable		
Taxes		8,633
Intergovernmental		
Other		87,384
Restricted Cash		40,866
Prepaid assets		
Interfund receivable		161,644
<i>Total assets</i>	\$ 0	\$ 457,351
Current liabilities		
Cash Deficit	\$ 2,388	\$ 188,898
Accounts payable	70,453	128,301
Accrued payroll		9,277
Deferred revenue		
Security deposit		
Interfund payable	180,990	2,329,163
<i>Total liabilities</i>	253,831	2,655,639
Fund balance		
Assigned to:		
Subsequent year's budget in:		
General fund		
Special revenue funds		272,928
Capital projects funds		5,000
Unassigned:		
Special revenue funds		(2,222,385)
Capital projects funds	(253,831)	(253,831)
<i>Total fund balances</i>	(253,831)	(2,198,288)
<i>Total liabilities and fund balances</i>	\$ 0	\$ 457,351

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, 2012

	<u>EMS Fund</u>	<u>State Fire Allotment</u>	<u>Municipal Court Fees Fund</u>	<u>LEPF Fund</u>
Revenues				
Taxes				
Gross receipts	\$ 20,000	\$	\$	\$
Intergovernmental income				
Federal operating grants				25,400
State operating grants	9,086	77,879		
State capital grants				
Charges for services	7,859			
Licenses and fees			5,269	
Interest income			241	
Miscellaneous	<u>51,784</u>			
<i>Total revenues</i>	<u>88,729</u>	<u>77,879</u>	<u>5,510</u>	<u>25,400</u>
Expenditures				
Current				
General government	191,597			23,711
Public safety		88,070		
Culture and recreation			6,347	
Capital outlay				
Debt service				
Principal	<u>50,539</u>			
<i>Total expenditures</i>	<u>242,136</u>	<u>88,070</u>	<u>6,347</u>	<u>23,711</u>
Excess (deficiency) of revenues over expenditures	<u>(153,407)</u>	<u>(10,191)</u>	<u>(837)</u>	<u>1,689</u>
Other financing sources (uses)				
Transfers in	<u>94,178</u>			
<i>Total other financing sources (uses)</i>	<u>94,178</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net change in fund balances</i>	<u>(59,229)</u>	<u>(10,191)</u>	<u>(837)</u>	<u>1,689</u>
<i>Fund balances - beginning of year</i>	<u>(801,049)</u>	<u>20,607</u>	<u>197,698</u>	<u>47,175</u>
<i>Fund balances - end of year</i>	<u><u>\$ (860,278)</u></u>	<u><u>\$ 10,416</u></u>	<u><u>\$ 196,861</u></u>	<u><u>\$ 48,864</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, 2012

	<u>Senior Center Fund</u>	<u>Gun Range Fund</u>	<u>Swimming Pool Fund</u>
Revenues			
Taxes			
Gross receipts	\$ 20,000	\$	\$
Intergovernmental income			
Federal operating grants	24,049		
State operating grants	46,549		
State capital grants	75	260	
Charges for services	4,005		15,023
Licenses and fees		1,160	18,257
Interest income	185		
Miscellaneous	<u>36,554</u>		
<i>Total revenues</i>	<u>131,417</u>	<u>1,420</u>	<u>33,280</u>
Expenditures			
Current			
General government	3,900	4,139	154,648
Public safety			309
Culture and recreation	332,655		373
Capital outlay			128,175
Debt service			
Principal			
<i>Total expenditures</i>	<u>336,555</u>	<u>4,139</u>	<u>283,505</u>
Excess (deficiency) of revenues over expenditures	<u>(205,138)</u>	<u>(2,719)</u>	<u>(250,225)</u>
Other financing sources (uses)			
Transfers in	<u>176,671</u>		<u>120,137</u>
<i>Total other financing sources (uses)</i>	<u>176,671</u>	<u>0</u>	<u>120,137</u>
<i>Net change in fund balances</i>	<u>(28,467)</u>	<u>(2,719)</u>	<u>(130,088)</u>
<i>Fund balances - beginning of year</i>	<u>(967,876)</u>	<u>8,831</u>	<u>(96,703)</u>
<i>Fund balances - end of year</i>	<u>\$ (996,343)</u>	<u>\$ 6,112</u>	<u>\$ (226,791)</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, 2012

	<u>Triangle Beautification</u>	<u>Governmental Gross Receipts</u>	<u>Meals on Wheels</u>	<u>Economic Development Grant</u>
Revenues				
Taxes				
Gross receipts	\$	\$ 118,853	\$	\$
Intergovernmental income				
Federal operating grants				
State operating grants				
State capital grants				
Charges for services				
Licenses and fees				
Interest income		234		
Miscellaneous				
<i>Total revenues</i>		<u>119,087</u>		
Expenditures				
Current				
General government		121,002		
Public safety				
Culture and recreation				
Capital outlay				
Debt service				
Principal				
<i>Total expenditures</i>	<u>0</u>	<u>121,002</u>	<u>0</u>	<u>0</u>
Excess (deficiency) of revenues over expenditures	<u>0</u>	<u>(1,915)</u>	<u>0</u>	<u>0</u>
Other financing sources (uses)				
Transfers in				
<i>Total other financing sources (uses)</i>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
<i>Net change in fund balances</i>	<u>0</u>	<u>(1,915)</u>	<u>0</u>	<u>0</u>
<i>Fund balances - beginning of year</i>	<u>7,031</u>	<u>(137,058)</u>	<u>3,644</u>	<u>5,000</u>
<i>Fund balances - end of year</i>	<u>\$ 7,031</u>	<u>\$ (138,973)</u>	<u>\$ 3,644</u>	<u>\$ 5,000</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, 2012

	New Cemetery Projects	Total
	<u> </u>	<u> </u>
Revenues		
Taxes		
Gross receipts	\$	\$ 158,853
Intergovernmental income		
Federal operating grants		24,049
State operating grants		158,914
State capital grants		335
Charges for services		26,887
Licenses and fees		24,686
Interest income		660
Miscellaneous		88,338
	<u> </u>	<u> </u>
<i>Total revenues</i>		482,722
	<u> </u>	<u> </u>
Expenditures		
Current		
General government	2,388	501,385
Public safety		88,379
Culture and recreation		339,375
Capital outlay		128,175
Debt service		
Principal		50,539
	<u> </u>	<u> </u>
<i>Total expenditures</i>	2,388	1,107,853
	<u> </u>	<u> </u>
Excess (deficiency) of revenues over expenditures	(2,388)	(625,131)
	<u> </u>	<u> </u>
Other financing sources (uses)		
Transfers in		390,986
	<u> </u>	<u> </u>
<i>Total other financing sources (uses)</i>	0	390,986
	<u> </u>	<u> </u>
<i>Net change in fund balances</i>	(2,388)	(234,145)
	<u> </u>	<u> </u>
<i>Fund balances - beginning of year</i>	(251,443)	(1,964,143)
	<u> </u>	<u> </u>
<i>Fund balances - end of year</i>	\$ (253,831)	\$ (2,198,288)
	<u> </u>	<u> </u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-1

City of Eunice

Emergency Medical Services Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
Revenues				
Taxes				
Gross receipts	\$ 20,000	\$ 20,000	\$ 20,000	\$ 0
Intergovernmental income				
State operating grants	8,500	8,500	9,086	586
State capital grants	4,000	4,000		(4,000)
Charges for services	40,000	40,000	7,859	(32,141)
Miscellaneous			1,245	1,245
<i>Total revenues</i>	<u>72,500</u>	<u>72,500</u>	<u>38,190</u>	<u>(34,310)</u>
Expenditures				
Current				
General government	133,400	172,225	171,392	833
Capital outlay	33,278	33,478		33,478
Debt service				
Principal				0
Interest				0
Total expenditures	<u>166,678</u>	<u>205,703</u>	<u>171,392</u>	<u>34,311</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(94,178)</u>	<u>(133,203)</u>	<u>(133,202)</u>	<u>1</u>
<i>Other financing sources (uses)</i>				
Transfers in	94,178	133,203	94,178	(39,025)
<i>Total other financing sources (uses)</i>	<u>94,178</u>	<u>133,203</u>	<u>94,178</u>	<u>(39,025)</u>
<i>Net change in fund balances</i>	<u>0</u>	<u>0</u>	<u>(39,024)</u>	<u>(39,024)</u>
<i>Fund balances - beginning of year</i>	<u>(91,500)</u>	<u>23,503</u>	<u>(801,049)</u>	<u>(824,552)</u>
<i>Fund balances - end of year</i>	<u>\$ (91,500)</u>	<u>\$ 23,503</u>	<u>(840,073)</u>	<u>\$ (863,576)</u>
Net change in fund balance (budget basis)			(39,024)	
Adjustments to revenues for ambulance services provided			50,539	
Adjustments to expenditures for capital outlay and operating expenses			(70,744)	
Net change in fund balance (GAAP Basis)			<u>\$ (59,229)</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, 2012

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Intergovernmental income				
State operating grants	\$ 80,000	\$ 80,000	\$ 77,879	\$ (2,121)
<i>Total revenues</i>	<u>80,000</u>	<u>80,000</u>	<u>77,879</u>	<u>(2,121)</u>
<i>Expenditures</i>				
Current				
Public safety	80,000	80,000	83,807	(3,807)
<i>Total expenditures</i>	<u>80,000</u>	<u>80,000</u>	<u>83,807</u>	<u>(3,807)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>0</u>	<u>0</u>	<u>(5,928)</u>	<u>(5,928)</u>
<i>Net change in fund balances</i>	<u>0</u>	<u>0</u>	<u>(5,928)</u>	<u>(5,928)</u>
<i>Fund balances - beginning of year</i>	<u>0</u>	<u>32,685</u>	<u>20,607</u>	<u>(12,078)</u>
<i>Fund balances - end of year</i>	<u>\$ 0</u>	<u>\$ 32,685</u>	<u>14,679</u>	<u>\$ (18,006)</u>
Net change in fund balance (budget basis)			<u>(5,928)</u>	
Adjustments to expenditures for capital outlay			<u>(4,263)</u>	
Net change in fund balance (GAAP Basis)			<u>\$ (10,191)</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 Fund 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, 2012

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Licenses and fees	\$ 7,700	\$ 7,700	\$ 5,269	\$ (2,431)
Interest income	<u>300</u>	<u>300</u>	<u>241</u>	<u>(59)</u>
<i>Total revenues</i>	<u>8,000</u>	<u>8,000</u>	<u>5,510</u>	<u>(2,490)</u>
<i>Expenditures</i>				
Current				
General government	4,000	4,000		4,000
Culture and recreation	<u>4,000</u>	<u>4,000</u>	<u>4,636</u>	<u>(636)</u>
<i>Total expenditures</i>	<u>8,000</u>	<u>8,000</u>	<u>4,636</u>	<u>3,364</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>0</u>	<u></u>	<u>874</u>	<u>(5,854)</u>
<i>Net change in fund balances</i>	<u>0</u>	<u>0</u>	<u>874</u>	<u>874</u>
<i>Fund balances - beginning of year</i>	<u>0</u>	<u>12,085</u>	<u>197,698</u>	<u>185,613</u>
<i>Fund balances - end of year</i>	<u>\$ 0</u>	<u>\$ 12,085</u>	<u>198,572</u>	<u>\$ 186,487</u>
Net change in fund balance (budget basis)			<u>874</u>	
Adjustments to expenditures for operating expenses			<u>(1,711)</u>	
Net change in fund balance (GAAP Basis)			<u>\$ (837)</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, 2012

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Intergovernmental income				
State operating grants	\$ 25,400	\$ 25,400	\$ 25,400	\$ 0
<i>Total revenues</i>	<u>25,400</u>	<u>25,400</u>	<u>25,400</u>	
<i>Expenditures</i>				
Current				
General government	25,400	25,400	23,711	1,689
<i>Total expenditures</i>	<u>25,400</u>	<u>25,400</u>	<u>23,711</u>	<u>1,689</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>0</u>	<u>0</u>	<u>1,689</u>	<u>1,689</u>
Fund balances - beginning of year	<u>0</u>	<u>302</u>	<u>47,175</u>	<u>46,873</u>
Fund balances - end of year	\$ <u><u>0</u></u>	\$ <u><u>302</u></u>	<u>48,864</u>	\$ <u><u>48,562</u></u>
Net change in fund balance (budget basis)			<u>1,689</u>	
Net change in fund balance (GAAP Basis)			\$ <u><u>1,689</u></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, 2012

	Budgeted Amounts		Actual	Variations
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Gross receipts	\$ 20,000	\$ 20,000	\$ 20,000	\$ 0
Intergovernmental income				
Federal operating grants	27,532	27,532	24,049	(3,483)
State operating grants	53,468	53,468	46,549	(6,919)
State capital grants			75	75
Charges for services			4,005	4,005
Interest income	100	100	185	85
Miscellaneous	<u>36,600</u>	<u>36,600</u>	<u>36,554</u>	<u>(46)</u>
<i>Total revenues</i>	<u>137,700</u>	<u>137,700</u>	<u>131,417</u>	<u>(6,283)</u>
<i>Expenditures</i>				
Current				
General government		1,950	3,900	(1,950)
Culture and recreation	<u>314,371</u>	<u>337,304</u>	<u>329,072</u>	<u>8,232</u>
<i>Total expenditures</i>	<u>314,371</u>	<u>339,254</u>	<u>332,972</u>	<u>6,282</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(176,671)</u>	<u>(201,554)</u>	<u>(201,555)</u>	<u>(1)</u>
<i>Other financing sources (uses)</i>				
Transfers in	<u>176,671</u>	<u>201,554</u>	<u>176,671</u>	<u>(24,883)</u>
<i>Total other financing sources (uses)</i>	<u>176,671</u>	<u>201,554</u>	<u>176,671</u>	<u>(24,883)</u>
<i>Net change in fund balances</i>	<u>0</u>	<u>0</u>	<u>(24,884)</u>	<u>(24,884)</u>
<i>Fund balances - beginning of year</i>	<u>(213,995)</u>	<u>(26,185)</u>	<u>(967,876)</u>	<u>(941,691)</u>
<i>Fund balances - end of year</i>	<u><u>\$ (213,995)</u></u>	<u><u>\$ (26,185)</u></u>	<u><u>(992,760)</u></u>	<u><u>\$ (966,575)</u></u>
Net change in fund balance (budget basis)			<u>(24,884)</u>	
Adjustments to expenditures for payroll and operating expenses			<u>(3,583)</u>	
Net change in fund balance (GAAP Basis)			<u><u>\$ (28,467)</u></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, 2012

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Intergovernmental income				
State capital grants	\$ 2,500	\$ 2,500	\$ 260	\$ (2,240)
Licenses and fees	<u>1,500</u>	<u>1,500</u>	<u>1,160</u>	<u>(340)</u>
<i>Total revenues</i>	<u>4,000</u>	<u>4,000</u>	<u>1,420</u>	<u>(2,580)</u>
<i>Expenditures</i>				
Current				
General government	1,500	1,719	4,139	(2,420)
Capital outlay	<u>2,500</u>	<u>5,000</u>		<u>5,000</u>
<i>Total expenditures</i>	<u>4,000</u>	<u>6,719</u>	<u>4,139</u>	<u>2,580</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>0</u>	<u>(2,719)</u>	<u>(2,719)</u>	<u>0</u>
<i>Net change in fund balances</i>	<u>0</u>	<u>0</u>	<u>(2,719)</u>	<u>0</u>
<i>Fund balances - beginning of year</i>	<u>0</u>	<u>2,833</u>	<u>8,831</u>	<u>5,998</u>
<i>Fund balances - end of year</i>	<u><u>\$ 0</u></u>	<u><u>\$ 2,833</u></u>	<u>6,112</u>	<u><u>\$ 3,279</u></u>
Net change in fund balance (budget basis)			<u>(2,719)</u>	
Net change in fund balance (GAAP Basis)			<u><u>\$ (2,719)</u></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, 2012

	Budgeted Amounts		Actual	Variences
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Charges for services	\$ 7,000	\$ 7,000	\$ 15,023	\$ 8,023
Licenses and fees	20,500	20,500	18,257	(2,243)
<i>Total revenues</i>	<u>27,500</u>	<u>27,500</u>	<u>33,280</u>	<u>5,780</u>
<i>Expenditures</i>				
Current				
General government	127,637	128,267	132,873	(4,606)
Public safety			220	(220)
Culture and recreation			219	(219)
Capital outlay	<u>20,000</u>	<u>139,203</u>	<u>139,203</u>	<u>0</u>
<i>Total expenditures</i>	<u>147,637</u>	<u>267,470</u>	<u>272,515</u>	<u>(5,045)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(120,137)</u>	<u>(239,970)</u>	<u>(239,235)</u>	<u>735</u>
<i>Other financing sources (uses)</i>				
Transfers in	<u>120,137</u>	<u>239,234</u>	<u>120,137</u>	<u>(119,097)</u>
<i>Total other financing sources (uses)</i>	<u>120,137</u>	<u>239,234</u>	<u>120,137</u>	<u>(119,097)</u>
<i>Net change in fund balances</i>		<u>(736)</u>	<u>(119,098)</u>	<u>(118,362)</u>
<i>Fund balances - beginning of year</i>	<u>0</u>	<u>0</u>	<u>(96,703)</u>	<u>(96,703)</u>
<i>Fund balances - end of year</i>	<u>\$ 0</u>	<u>\$ (736)</u>	<u>(215,801)</u>	<u>\$ (215,065)</u>
Net change in fund balance (budget basis)			<u>(119,098)</u>	
Adjustments to expenditures for Payroll			<u>(10,990)</u>	
Net change in fund balance (GAAP Basis)			<u>\$ (130,088)</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, 2012

	<u>Budgeted Amounts</u>	<u>Actual</u>	<u>Variances</u>
	<u>Original / Final</u>	<u>(Non-GAAP Budgetary Basis)</u>	<u>Favorable (Unfavorable)</u>
			<u>Final to Actual</u>
<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, 2012

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Gross receipts	\$ 160,000	\$ 160,000	\$ 117,322	\$ (42,678)
Interest income	1,000	1,000	234	(766)
<i>Total revenues</i>	<u>161,000</u>	<u>161,000</u>	<u>117,556</u>	<u>(43,444)</u>
<i>Expenditures</i>				
Current				
General government	91,000	91,000	121,002	(30,002)
<i>Total expenditures</i>	<u>91,000</u>	<u>91,000</u>	<u>121,002</u>	<u>(30,002)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>70,000</u>	<u>70,000</u>	<u>(3,446)</u>	<u>(73,446)</u>
<i>Other financing sources (uses)</i>				
Transfers in		25,000		(25,000)
<i>Total other financing sources (uses)</i>	<u>0</u>	<u>25,000</u>	<u>0</u>	<u>(25,000)</u>
<i>Net change in fund balances</i>	<u>70,000</u>	<u>95,000</u>	<u>(3,446)</u>	<u>(98,446)</u>
<i>Fund balances - beginning of year</i>	<u>0</u>	<u>(5,807)</u>	<u>(137,058)</u>	<u>(131,251)</u>
<i>Fund balances - end of year</i>	<u>\$ 70,000</u>	<u>\$ 89,193</u>	<u>(140,504)</u>	<u>\$ (229,697)</u>
Net change in fund balance (budget basis)			(3,446)	
Adjustments to revenues for adjustments to gross receipts tax and transfers			<u>1,531</u>	
Net change in fund balance (GAAP Basis)			<u>\$ (1,915)</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-10

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, 2012

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes				
Gross receipts	\$ 240,000	\$ 240,000	\$ 238,917	\$ (1,083)
Interest income	1,000	1,000	769	(231)
<i>Total revenues</i>	<u>241,000</u>	<u>241,000</u>	<u>239,686</u>	<u>(1,314)</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>241,000</u>	<u>241,000</u>	<u>239,686</u>	<u>(1,314)</u>
<i>Other financing sources (uses)</i>				
Transfers out	<u>(240,000)</u>	<u>(240,000)</u>	<u>(128,525)</u>	<u>111,475</u>
<i>Total other financing sources (uses)</i>	<u>(240,000)</u>	<u>(240,000)</u>	<u>(128,525)</u>	<u>111,475</u>
<i>Net change in fund balances</i>	<u>1,000</u>	<u>1,000</u>	<u>111,161</u>	<u>110,161</u>
<i>Fund balances - beginning of year</i>	<u>141,000</u>	<u>90,398</u>	<u>1,627,097</u>	<u>1,536,699</u>
<i>Fund balances - end of year</i>	<u>\$ 142,000</u>	<u>\$ 91,398</u>	<u>1,738,258</u>	<u>\$ 1,646,860</u>
Net change in fund balance (budget basis)			<u>111,161</u>	
Adjustments to revenues for current and prior year gross receipts tax			<u>2,491</u>	
No Adjustments to expenditures			<u></u>	
Net change in fund balance (GAAP Basis)			<u>\$ 113,652</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-11

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, 2012

	<u>Budgeted Amounts</u>	<u>Actual</u>	<u>Variances</u>
	<u>Original / Final</u>	<u>(Non-GAAP Budgetary Basis)</u>	<u>Favorable (Unfavorable)</u>
			<u>Final to Actual</u>
<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-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, 2012

	<u>Budgeted Amounts</u>	<u>Actual</u>	<u>Variances</u>
	<u>Original / Final</u>	<u>(Non-GAAP Budgetary Basis)</u>	<u>Favorable (Unfavorable) Final to Actual</u>
<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>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>5,000</u>	<u>5,000</u>
<i>Fund balances - end of year</i>	<u>\$ 0</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, 2012

	Budgeted Amounts		Actual	Variations
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Intergovernmental income				
State operating grants	\$ 260,000	\$ 195,000	\$	\$ (195,000)
<i>Total revenues</i>	<u>260,000</u>	<u>195,000</u>	<u>0</u>	<u>(195,000)</u>
<i>Expenditures</i>				
Current				
General government			2,388	(2,388)
Capital outlay	<u>325,000</u>	<u>325,000</u>		<u>325,000</u>
<i>Total expenditures</i>	<u>325,000</u>	<u>325,000</u>	<u>2,388</u>	<u>322,612</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(65,000)</u>	<u>(130,000)</u>	<u>(2,388)</u>	<u>127,612</u>
<i>Other financing sources (uses)</i>				
Transfers in		2,388		(2,388)
<i>Total other financing sources (uses)</i>	<u>0</u>	<u>2,388</u>	<u>0</u>	<u>(2,388)</u>
<i>Net change in fund balances</i>	<u>(65,000)</u>	<u>(127,612)</u>	<u>(2,388)</u>	<u>125,224</u>
<i>Fund balances - beginning of year</i>	<u>0</u>	<u>0</u>	<u>251,443</u>	<u>251,443</u>
<i>Fund balances - end of year</i>	<u>\$ (65,000)</u>	<u>\$ (127,612)</u>	<u>249,055</u>	<u>\$ 376,667</u>
Net change in fund balance (budget basis)			(2,388)	
Net change in fund balance (GAAP Basis)			<u>\$ (2,388)</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-14

City of Eunice

Water Proprietary Fund

Statement of Revenues, Expenditures and Changes in Net Assets

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Operating revenues:</i>				
Charges for services	\$ 1,626,500	\$ 1,707,500	\$ 1,693,730	\$ (13,770)
<i>Total operating revenues</i>	<u>1,626,500</u>	<u>1,707,500</u>	<u>1,693,730</u>	<u>(13,770)</u>
<i>Operating expenses:</i>				
Current				
Personnel services	507,966	507,966	423,256	84,710
Supplies and materials	<u>784,500</u>	<u>789,500</u>	<u>1,108,737</u>	<u>(319,237)</u>
<i>Total operating expenses</i>	<u>1,292,466</u>	<u>1,297,466</u>	<u>1,531,993</u>	<u>(234,527)</u>
<i>Operating income (loss)</i>	<u>334,034</u>	<u>410,034</u>	<u>161,737</u>	<u>(248,297)</u>
<i>Non-operating revenues (expenses):</i>				
Interest income			1,211	1,211
State capital grant			81,654	81,654
Transfers in		327,936	323,571	(4,365)
Transfers out		<u>(377,655)</u>	<u>(377,655)</u>	
<i>Total other financing sources (uses)</i>		<u>(49,719)</u>	<u>28,781</u>	<u>78,500</u>
<i>Change in net assets</i>	<u>334,034</u>	<u>360,315</u>	<u>190,518</u>	<u>(169,797)</u>
<i>Net assets - beginning of year</i>	<u>794,036</u>	<u>1,275,933</u>	<u>10,851,420</u>	<u>9,575,487</u>
<i>Net assets - end of year</i>	<u>\$ 1,128,070</u>	<u>\$ 1,636,248</u>	<u>11,041,938</u>	<u>\$ 9,405,690</u>
Change in net assets (non-GAAP budgetary basis)			190,518	
Adjustments to expenditures for depreciation			<u>(124,385)</u>	
Change in net assets (GAAP)			<u>\$ 66,133</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, 2012

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Operating revenues:</i>				
Charges for services	\$ _____	\$ _____	\$ 270,733	\$ 270,733
<i>Total operating revenues</i>	_____	_____	270,733	270,733
<i>Operating expenses:</i>				
Personnel services			65,769	(65,769)
Supplies and materials			114,394	(114,394)
<i>Total operating expenses</i>	_____	_____	180,163	(180,163)
<i>Operating income (loss)</i>	_____	_____	90,570	90,570
<i>Non-operating revenues (expenses):</i>				
Interest income			817	817
Transfers in			4,365	4,365
<i>Total other financing sources (uses)</i>	_____ 0	_____ 0	5,182	5,182
<i>Change in net assets</i>	_____	_____	95,752	95,752
<i>Net assets - beginning of year</i>	159,959	942,584	3,270,582	2,327,998
<i>Net assets - end of year</i>	\$ 159,959	\$ 942,584	3,366,334	\$ 2,423,750
Change in net assets (non-GAAP budgetary basis)			95,752	
Adjustments to revenues for services provided and transfers from other funds				
Adjustments to expenditures for depreciation			(28,313)	
Change in net assets (GAAP)			\$ 67,439	

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, 2012

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances</u>
	<u>Original</u>	<u>Final</u>	<u>(Non-GAAP Budgetary Basis)</u>	<u>Favorable (Unfavorable) Final to Actual</u>
<i>Operating revenues:</i>				
Charges for services	\$ _____	\$ _____	\$ <u>374,090</u>	\$ <u>374,090</u>
<i>Total operating revenues</i>	<u> </u>	<u> </u>	<u>374,090</u>	<u>374,090</u>
<i>Operating expenses:</i>				
Current				
Supplies and materials			426,984	(426,984)
Capital outlay	<u>360,000</u>	<u>360,000</u>		<u>360,000</u>
<i>Total operating expenses</i>	<u>360,000</u>	<u>360,000</u>	<u>426,984</u>	<u>(66,984)</u>
<i>Operating income (loss)</i>	<u>(360,000)</u>	<u>(360,000)</u>	<u>(52,894)</u>	<u>307,106</u>
<i>Non-operating revenues (expenses):</i>				
Interest income	100	100	40	(60)
Transfers in	<u> </u>	<u>1,960</u>	<u>49,719</u>	<u>47,759</u>
<i>Total other financing sources (uses)</i>	<u>100</u>	<u>2,060</u>	<u>49,759</u>	<u>47,699</u>
<i>Change in net assets</i>	<u>(359,900)</u>	<u>(357,940)</u>	<u>(3,135)</u>	<u>354,805</u>
<i>Net assets - beginning of year</i>	<u>100</u>	<u>2,060</u>	<u>(281,248)</u>	<u>(283,308)</u>
<i>Net assets - end of year</i>	<u>\$ (359,800)</u>	<u>\$ (355,880)</u>	<u>(284,383)</u>	<u>\$ 71,497</u>
Change in net assets (non-GAAP budgetary basis)			(3,135)	
Adjustments to revenues for services provided and investment income				
Adjustments to expenditures for depreciation			<u>(40,760)</u>	
Change in net assets (GAAP)			<u>\$ (43,895)</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, 2012

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Operating revenues:</i>				
Charges for services	\$ 178,000	\$ 178,000	\$ 169,877	\$ (8,123)
<i>Total operating revenues</i>	<u>178,000</u>	<u>178,000</u>	<u>169,877</u>	<u>(8,123)</u>
<i>Operating expenses:</i>				
Current				
Culture and recreation	19,212	19,712	19,712	
Personnel services	120,562	140,983	133,077	7,906
Supplies and materials	203,600	302,144	219,552	82,592
Depreciation				
Capital outlay				
<i>Total operating expenses</i>	<u>343,374</u>	<u>462,839</u>	<u>372,341</u>	<u>90,498</u>
<i>Operating income (loss)</i>	<u>(165,374)</u>	<u>(284,839)</u>	<u>(202,464)</u>	<u>82,375</u>
<i>Non-operating revenues (expenses):</i>				
Transfers in	<u>165,374</u>	<u>284,838</u>	<u>83,000</u>	<u>(201,838)</u>
<i>Total other financing sources (uses)</i>	<u>165,374</u>	<u>284,838</u>	<u>83,000</u>	<u>(201,838)</u>
<i>Change in net assets</i>		(1)	(119,464)	(119,463)
<i>Net assets - beginning of year</i>	<u>172,418</u>	<u>16,292</u>	<u>(1,159,895)</u>	<u>(1,176,187)</u>
<i>Net assets - end of year</i>	<u>\$ 172,418</u>	<u>\$ 16,291</u>	<u>(1,279,359)</u>	<u>\$ (1,295,650)</u>
Change in net assets (non-GAAP budgetary basis)			(119,464)	
Adjustments to revenues for inventory				
Adjustments to expenditures for depreciation			(38,545)	
Change in net assets (GAAP)			<u>\$ (158,009)</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, 2012

Schedule I

Primary Government:

Bank Account/Account Type	Wells Fargo Bank	NM State Treasurer	Restricted Investments Bank of NY Mellon	Totals
General operations - Checking	\$ 789,445			\$ 789,445
Utility account - Checking	2,446,824			2,446,824
BEC trust fund - Checking				
LGIP fund (Pool) - Investment		\$ 791,681		791,681
LGIP fund (Pool) - Investment		896,788		896,788
LGIP Reserve Contingency Fund		388		388
LGIP Reserve Contingency Fund		538		538
NMFA reserve account			\$ 26,785	26,785
NMFA reserve account			9,923	9,923
Total on deposit	3,236,269	1,689,395	36,708	4,962,372
Reconciling Items	2,341,569			2,341,569
Reconciled Balance June 30, 2012	\$ 5,577,838	\$ 1,689,395	36,708	7,303,941
Cash per financial statements				
Cash and cash equivalents- Governmental Activities Exhibit A-1			3,767,510	
Business-type Activities - Exhibit A-1			1,777,493	
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			\$ 32,835	
Total cash and cash equivalents				\$ 7,312,704

See independent auditors' report

STATE OF NEW MEXICO
 City of Eunice
 Schedule of Collateral Pledged by Depository
 for Public Funds
 June 30, 2012

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, 2012</u>	<u>Name and Location of Safekeeper</u>
Wells Fargo Bank	No securities pledged due to Dodd-Frank Act All deposits are 100% insured				

STATE OF NEW MEXICO

Schedule III

City of Eunice

Schedule of Changes in Assets and Liabilities - Agency Funds
For the Year Ended June 30, 2012

	<u>Balance</u> <u>June 30, 2011</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2012</u>
<i>Employee Retirement Fund</i>				
<i>Assets</i>				
Cash and cash equivalents	\$ <u>24,194</u>	\$ <u>8,641</u>	\$ _____	\$ <u>32,835</u>
<i>Total assets</i>	\$ <u><u>24,194</u></u>	\$ <u><u>8,641</u></u>	\$ <u><u>0</u></u>	\$ <u><u>32,835</u></u>
<i>Liabilities</i>				
Deposits held and due to others	\$ <u>24,194</u>	\$ <u>8,641</u>	\$ _____	\$ <u>32,835</u>
<i>Total liabilities</i>	\$ <u><u>24,194</u></u>	\$ <u><u>8,641</u></u>	\$ <u><u>0</u></u>	\$ <u><u>32,835</u></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, 2012, which collectively comprise the City's basic financial statements, and have issued our report thereon dated November 29, 2012. 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

Management of the City, is responsible for establishing and maintaining effective 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 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 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 instances 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 2010-1.

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
November 29, 2012

STATE OF NEW MEXICO
City of Eunice
Schedule of Findings and Responses
June 30, 2012

Section I – Prior Year Audit Findings

Prior Year Audit Findings

Financial Statement Findings:

Disposition

2007-2	Preparation of Financial Statements	Revised and repeated
2008-5	Deficiencies in Accounting for Capital Assets	Revised and repeated
2009-1	Deficiencies in Internal Control Structure Design, Operation and oversight	Resolved
2009-6	Misuse of Payroll Deductions	Resolved
2009-10	Internal Controls over Inventory in the Water Department	Resolved
2010-1	Late Filing of Audit Report	Revised and repeated
2010-3	Inadequate Review and Documentation of Manual Journal Entries	Resolved

State Audit Rule Findings

2006-6	Budget	Revised and repeated
2006-10	Stale Dated Checks	Resolved

STATE OF NEW MEXICO
City of Eunice
Schedule of Findings and Responses
June 30, 2012

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 totaling \$840,921 as follows:

General Fund	\$ 163,104
Recreation Special Revenue Fund	157,289
State Fire Allotment Special Revenue Fund	3,807
Swimming Pool Special Revenue Fund	5,045
Government Gross Receipts Tax Fund	30,002
Water Proprietary Fund	234,527
Sewer Proprietary Fund	180,163
Solid Waste Proprietary Fund	<u>66,984</u>
Total	<u>\$ 840,921</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 budget was submitted on time, and is maintained monthly by the City Manager and weekly by the Finance Director.

Any "over-expenditures" were submitted to the State DFA office through budget resolution to address any overages.

All quarterly budget reports were submitted and approved.

STATE OF NEW MEXICO
City of Eunice
Schedule of Findings and Responses
June 30, 2012

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

The City of Eunice produced its own financial statements this year for the first time. We look for guidance on the financial statement controls that you reference.

STATE OF NEW MEXICO
City of Eunice
Schedule of Findings and Responses
June 30, 2012

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. As a result, we were required to make huge adjustment to properly record the city's assets.

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. 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 are in year two (2) of efforts to revamp capital asset inventory reconciliations and controls.

We did perform an inventory of capital assets in the 2011/2012 fiscal year.

STATE OF NEW MEXICO
City of Eunice
Schedule of Findings and Responses
June 30, 2012

Section II – Financial Statement Findings and Responses (continued)

FS 2010-1 Late Audit Report

Condition

The audit report was submitted to the State Auditor after the required deadline of December 01, 2012.

Criteria

The City of Eunice audit report should be submitted to the State Auditors Office by the December 1 following the fiscal year end, according to 2.2.2.9.A(1) of NMAC.

Effect

The City was not in compliance with the State Auditor rule NMAC 2.2.2.9.A for the fiscal year ended June 30, 2012.

Cause

The original audit report was initially submitted to the Office of the State Auditor on December 1, 2012. NMOSA reviewed the audit report and issued a notice of rejection. As additional review took place, the audit submission was delayed.

Recommendation

None.

Agency Response

The lateness of this report is due to the Auditing Firm's failure to properly complete the report, resulting in its initial rejection. We do not feel that we should face a finding when it was a State contracted Auditor who made the mistake.

STATE OF NEW MEXICO
City of Eunice
Exit Conference
June 30, 2012

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 December 3, 2012. The following individuals were in attendance.

Representing City of Eunice

Matt White	Mayor
Martin Moore	City Manager
Joyce Tolsma	City Clerk
Keena Frank	Finance Director

Representing Harshwal & Company, LLP

Christopher J. Schmitz	Senior Manager
Sanwar Harshwal	Managing Partner