

State of New Mexico
City of Eunice
Basic Financial Statements and
Supplementary Information
for the Year Ended June 30, 2014
and Independent Auditors' Report

**STATE OF NEW MEXICO
CITY OF EUNICE**

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**STATE OF NEW MEXICO
CITY OF EUNICE**

**OFFICIAL ROSTER
JUNE 30, 2014**

ELECTED OFFICIALS

Johnnie M. White	Mayor
Warden Allen	City Councilor
Bill Robinson	City Councilor
Manuel Soriano	City Councilor
Billy Hobbs	City Councilor
Nina Lynch	City Councilor
Mary Lou Vinson	City Councilor
Terry Bettis	City Councilor
Jerry Corral	City Councilor

ADMINISTRATIVE OFFICIALS

Dr. Martin Moore	City Manager
Joyce Tolsma	City Clerk
Connie Whitmire	Finance Director

INDEPENDENT AUDITORS' REPORT

Hector H. Balderas, State Auditor
and the Mayor and City Council of the
City of Eunice, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate discretely presented component units and remaining fund information, and the budgetary comparison for the general fund and major special revenue funds of the City of Eunice, as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the City's nonmajor governmental funds and the budgetary comparisons for the major enterprise funds, and all nonmajor funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2014, as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion.

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

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-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of the City of Eunice, as of June 30, 2014, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the general fund and major special revenue funds for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental and major enterprise fund of the City of Eunice as of June 30, 2014 and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the major enterprise funds and all nonmajor funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis and budgetary comparison information on pages 4 through 11 be presented to supplement the basic financial statements. Such 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. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

The other schedules required by 2.2.2 NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the other schedules required by Section 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Information

Our audit was conducted for the purpose of forming opinions on the City's financial statements, the combining and individual fund financial statements, and budgetary comparisons are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2014, on our consideration of the City of Eunice 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* in considering City of Eunice, internal control over financial reporting and compliance.

White & Zamamego & Campbell, CP

El Paso, Texas

November 30, 2014

STATE OF NEW MEXICO
CITY OF EUNICE

MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014

This section of City of Eunice's annual financial report presents our discussion and analysis of the City's financial performance during the fiscal year ended June 30, 2014. Please read it in conjunction with the City's financial statements, which follow this section.

Financial Highlights

- The assets of the City of Eunice exceeded its liabilities at the close of the most recent fiscal year end by \$13,599,781 (net position). Of this amount, \$4,582,345 (unrestricted net position) may be used to meet the government's ongoing, obligations to citizens and creditors.
- The government's total net position decreased by \$2,644,800 during the fiscal year. The majority of this is due to restatements made to the prior year relating to capital assets, investments, and cash.
- As of June 30, 2014, the City's governmental funds reported combined ending fund balances of \$1,320,563. Of this total, \$22,818 is restricted for special revenue, capital projects and debt service.
- At the close of the current fiscal year, unassigned fund balance of the general fund was \$1,343,381.

Overview of the Financial Statements

This annual report consists of three parts – management's discussion and analysis (this section), the basic financial statements, and required supplementary information. The basic financial statements include two kinds of statements that present different views of the City:

- The first two statements are government-wide financial statements that provide both long-term and short-term information about the City's overall financial status.
- The remaining statements are fund financial statements that focus on individual parts of the government, reporting the City's operations in more detail than the government-wide statements.
- The governmental funds statements tell how general government services were financed in the short term as well as what remains for future spending.
- Proprietary fund statements offer short-term and long-term financial information about the activities the government operates like businesses.

Government-Wide Statements

The *government-wide financial statements* are designed to provide readers with a broad overview of the City of Eunice's finances, in a manner similar to a private-sector business.

The *statements of net position* presents information on all of the City of Eunice's assets and liabilities, with the difference between the two reported as *net position*. Over time, increases or decreases in net position may serve as a useful indicator of whether the financial position of the City of Eunice is improving or deteriorating.

The *statement of activities* presents information showing how the government's net position changed during the most recent fiscal year. All changes in net position are reported as soon as the underlying event giving rise to the change occurs, *regardless of the timing of related cash flows*. Revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (e.g. uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Eunice that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*). The governmental activities of the City of Eunice include general government, public safety, highways and streets and culture and recreation. The business-type activities of the City include water, sewer, solid waste, and a golf course.

Fund Financial Statements

A *fund* is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. The City of Eunice, like other state and local governments, uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements. All of the funds of the City of Eunice can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds

Governmental funds are used to account for essentially the same functions reported as governmental activities in the government-wide financial statements. However, unlike the government-wide financial statements, governmental fund financial statements focus on *near-term inflows and outflows and outflows of expendable resources*, as well as on *balances of expendable resources* available at the end of the fiscal year. Such information may be useful in determining what financial resources are available in the near future to finance the City's programs.

Because the focus of governmental funds is narrower than that of the government-wide financial statements, it is useful to compare the information presented for *governmental funds* with similar information presented for *governmental activities* in the government-wide financial statements. By doing so, readers may better understand the long-term impact of the government's near term financing decisions. Both the governmental fund balance sheet and the governmental fund statement of revenues, expenditures, and changes in fund balances provide a reconciliation to facilitate this comparison between *governmental funds* and *governmental activities*.

The City maintains thirty-five individual governmental funds organized according to their type (general, special revenue, capital projects and debt service). Information is presented separately in governmental fund balance sheet and statement of revenues, expenditures, and changes in fund balances for the General Fund. Data from the other thirty-four governmental funds are combined into a single, aggregated presentation. Individual fund data for each of these non-major governmental funds is provided in the form of *combining statements* elsewhere in this report.

The City of Eunice adopts an annual appropriated budget for its general fund and all other funds. A budgetary comparison statement has been provided for the all of the governmental funds to demonstrate compliance with this budget.

Proprietary Funds

Proprietary funds are generally used to account for services for which the City charges customers -either outside customers or internal units or departments of the City. Proprietary funds provide the same type of information as shown in the government-wide financial statements, only in more detail. The City maintains four proprietary funds, the Water fund, Sewer Fund, the Solid Waste Fund, and the Golf Fund. The proprietary funds are used to report the same functions presented as business-type activities in the government-wide financial statements.

Notes to the Financial Statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found beginning on page 34 of this report.

Combining Statements

The combining statements referred to earlier in connection with non-major governmental funds are presented immediately following the notes to the financial statements.

Analysis of Net Position

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$13,599,781 at the close of the current fiscal year.

The largest portion of the City of Eunice's net position represent the City's investment of \$9,017,436 in capital assets (e.g., land, construction in progress, improvements, buildings, and machinery and equipment), less any related outstanding debt used to acquire those assets. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

A portion of the City's net position represents resources that are subject to external restrictions on how they may be used. The remaining balance of unrestricted net position of \$4,582,345 may be used to meet the government's ongoing obligations to citizens and creditors.

At the end of the current fiscal year, the City is able to report positive balances in all categories of net position, for the government as a whole as well as for the business-type activities.

Analysis of Changes in Net Position

During the current fiscal year, the City's net position in governmental and business-type activities decreased by \$215,326, and had a restatement decreasing net position by 2,585,029.

Governmental Activities

Governmental activities increased the City's net position by \$561,864 and a restatement of \$1,998,083. Revenues including transfers increased from \$6,726,951 for the year ended June 30, 2013 to \$7,118,380 for the year ended June 30, 2014. The increase in revenues is primarily due to the oil boom the region is experiencing. Governmental expenses increased from \$6,517,531 for the year ended June 30, 2013 to \$6,556,516 for the year ended June 30, 2014. Total revenues and expenses from governmental activities are summarized below.

Business-Type Activities

Business-type activities decreased the City's net position by \$621,635 after transfers of \$62,518 out to governmental activities and a restatement of \$(4,583,112), compared to the prior year's increase of \$102,863 after transfers of \$29,227 out to the general fund. Elements of this decrease compared to the prior year increase include decrease in service charge throughout the year.

A summary of the statement of net position is as follows:

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
ASSETS						
Current assets						
Cash and cash equivalents	\$ 1,793,859	\$ 254,599	\$ 3,676,881	\$ 4,879,745	\$ 5,470,740	\$ 5,134,344
Non current assets	-	40,866	-	-	-	40,866
Capital assets, net of accumulated depreciation	5,493,497	4,505,351	8,893,523	12,460,469	14,387,020	16,965,820
Total assets	\$ 7,287,356	\$ 4,800,816	\$12,570,404	\$17,340,214	\$19,857,760	\$22,141,030
LIABILITIES						
Current liabilities						
Current and other liabilities	\$ 536,588	\$ 536,557	\$ 599,810	\$ 299,532	\$ 1,136,398	\$ 836,089
Long-term liabilities	-	73,438	5,121,581	4,986,922	5,121,581	5,060,360
Total liabilities	536,588	609,995	5,721,391	5,286,454	6,257,979	5,896,449
NET POSITION						
Net invested in capital assets	5,493,497	4,505,351	3,523,939	7,500,208	9,017,436	12,005,559
Restricted	-	2,071,359	-	-	-	2,071,359
Unrestricted	1,257,271	(2,385,889)	3,325,074	4,553,552	4,582,345	2,167,663
Total net position	6,750,768	4,190,821	6,849,013	12,053,760	13,599,781	16,244,581
Total liabilities and net position	\$ 7,287,356	\$ 4,800,816	\$12,570,404	\$17,340,214	\$19,857,760	\$22,141,030

A summary of the statement of activities is as follows:

	Governmental Activities		Business-Type Activities		Total	
	2014	2013	2014	2013	2014	2013
REVENUES						
Program revenue:						
Charges for services	\$ 458,899	\$ 220,685	\$ 2,461,304	\$ 2,961,712	\$ 2,920,203	\$ 3,182,397
Operating grant and contributions	709,207	902,936	6,079	-	715,286	902,936
Capital grants and contributions	-	409,851	-	272,259	-	682,110
General revenues:						
Taxes	5,426,831	5,088,770	873,064	-	6,299,895	5,088,770
Other income	460,925	133,936	5,124	1,396	466,049	135,332
Total revenues	7,055,862	6,756,178	3,345,571	3,235,367	10,401,433	9,991,545
EXPENSES						
Administration	4,398,766	3,871,448	-	-	4,398,766	3,871,448
Fire	324,112	92,449	-	-	324,112	92,449
Recreation	494,054	679,246	-	-	494,054	679,246
Paving and Street	407,232	1,118,889	-	-	407,232	1,118,889
Municipal Infrastructure	-	2,491	-	-	-	2,491
EMS	201,959	145,956	-	-	201,959	145,956
State Fire Allotment	55,740	59,275	-	-	55,740	59,275
Corrections	4,391	16,058	-	-	4,391	16,058
LEPF	18,686	10,059	-	-	18,686	10,059
Senior Center	369,806	349,674	-	-	369,806	349,674
Gun Range	-	62	-	-	-	62
Swimming Pool	207,443	170,393	-	-	207,443	170,393
Governmental Gross Receipt	-	1,531	-	-	-	1,531
YCCC	67,318	-	-	-	67,318	-
Youth Advisory	3,687	-	-	-	3,687	-
Downtown Project	3,322	-	-	-	3,322	-
Golf	-	-	602,909	449,922	602,909	-
Solid Waste	-	-	486,384	495,129	486,384	-
Sewer	-	-	353,625	207,992	353,625	-
Water	-	-	2,461,770	2,008,688	2,461,770	-
Total expenses	6,556,516	6,517,531	3,904,688	3,161,731	10,461,204	9,679,262
Changes in net position before transfers	499,346	238,647	(559,117)	73,636	(59,771)	312,283
Transfers	62,518	(29,227)	(62,518)	29,227	-	-
Changes in net position	561,864	209,420	(621,635)	102,863	(59,771)	312,283
Net position - beginning of year, as previously stated	4,190,821	3,981,401	12,053,760	11,950,897	16,244,581	15,932,298
Restatement	1,998,083	-	(4,583,112)	-	(2,585,029)	-
Net position, beginning of year as restated	6,188,904	3,981,401	7,470,648	11,950,897	13,659,552	15,932,298
Net position - ending	\$ 6,750,768	\$ 4,190,821	\$ 6,849,013	\$12,053,760	\$13,599,781	\$16,244,581

Financial Analysis of the City of Eunice as a Whole

As noted earlier, the City of Eunice uses fund accounting to ensure and demonstrate compliance with finance related legal requirements.

Governmental Funds

The focus of the City of Eunice's *governmental funds* is to provide information on near-term inflows, outflows, and balances of *expendable* resources. Such information is useful in assessing the City of Eunice's financing requirements. In particular, *unassigned fund balance* may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. Types of governmental funds reported by the City include the General Fund, Special Revenue Funds, Debt Service Funds and Capital Project Funds.

As of the end of the current fiscal year, the City's governmental funds reported combined ending fund balances of \$1,320,563, an increase of \$774,513 in comparison with the prior year. Furthermore, a restatement of \$1,236,341 was made to governmental fund balance. Approximately 57% of this total amount, or \$759,123, constitutes unassigned fund balance, which is available for spending at the government's discretion. The remainder of fund balance, \$561,440, is restricted to indicate that it is not available for new spending because it has already been restricted to pay special revenue, capital projects and debt service.

Revenues for governmental functions overall totaled \$7,041,897 in the year ended June 30, 2014, which represents an increase of \$299,684 from the year ended June 30, 2013. Expenditures for governmental functions totaled \$6,329,902 in the year ended June 30, 2014. This was a increase of \$38,985 from the fiscal year-ended June 30, 2013. In the fiscal year-ended June 30, 2014, revenues for governmental functions exceeded expenditures by approximately \$711,995.

The General Fund is the chief operating fund of the City. At the end of the current fiscal year, the fund balance of the General Fund was \$1,343,381. General Fund revenues totaled \$5,824,847 for the fiscal year, while expenditures totaled \$4,172,152. Revenues exceeded expenditures by \$1,652,695 before transfers in and out of the general fund.

During 2014, the General Fund made transfers of \$1,620,300 to other funds and had transfers of \$611,135 from other funds. The net transfers of \$1,009,165 decreased the fund balance, which increased \$643,530 during the current fiscal year.

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. An analysis of the major proprietary funds is as follows:

Proprietary funds decreased total assets from \$17,340,214 in 2013 to \$12,570,404 in 2014. This is a 27.5% decrease. The Water Fund makes up the largest portion of total assets with \$10,958,601 and had the largest decrease in assets of the proprietary funds which was \$401,504. The Sewer Fund had an decrease in assets of \$74,993, the Solid Waste Fund had an decrease in assets of \$45,692, and the Golf Fund had an decrease of \$99,446 in assets in 2014.

Proprietary fund liabilities increased 8% or \$434,937 during 2014.

General Fund Budgetary Highlights

The discussion that follows presents financial data based upon the budgetary basis of accounting. Please refer to the notes of the financial statements for an explanation of the differences of accounting regarding the budget. During the fiscal year, the City revised the budget on several occasions. Generally, budget amendments fall into one of three categories: 1) amendments made to adjust the estimates that are used to prepare the original budget once exact information is available; 2) amendments made to recognize new funding amounts from external sources, such as Federal and State grants; and 3) increases in appropriations that become necessary to maintain services.

The budget for General Fund revenues was increase by \$38,330 for the year ended June 30, 2014. Local gross receipts collections for the year ended June 30, 2014 were less than what was collected in previous years due the departure of some of the workforce.

Actual General Fund expenditures were \$4,172,152, which was 4% above the final budget amount for the year ended June 30, 2014. The City's policy is to budget based upon expected expenditures, but City employees are encouraged to spend only what is needed to provide services, which accounts for the expenditure savings.

Fund balance was budgeted to be \$5,751,136 in the final budget. The actual fund balance for the General Fund for the year ended June 30, 2014 was \$1,133,095. This was a unfavorable variance of \$4,618,041, or 80%. The decrease was due to the large number of restatements made.

Capital Asset and Debt Administration

Capital Assets

The City of Eunice's capital assets for its governmental and business-type activities as of June 30, 2014 amount to \$14,387,020 (net of accumulated depreciation). Capital assets include land, construction in progress, improvements, buildings, furniture and equipment, and vehicles. The total increase in the City's capital assets (excluding accumulated depreciation) for the current fiscal year was \$162,666 for governmental activities. Land improvements costing \$12,830 were purchased for the City and construction in progress of \$149,836 was added in the year ended June 30, 2014. The total decrease in business-type capital assets (excluding accumulated depreciation) for the current fiscal year was \$2,031,737, due primarily to the adjustment of any capital assets, after the city contracted with an asset management team to correct and update asset listing.

The following is a schedule showing the Net Value of the Capital Assets and the application of the principal balances of the notes as of the fiscal year end:

Capital Assets, Net of Depreciation June 30, 2014 and 2013

	Governmental Activities		Business - Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Land and Construction in Progress	\$ 402,504	\$ 973,418	\$ 350,295	\$ 5,650,025	\$ 752,799	\$ 6,623,443
Buildings, Improvements, Equipment, Furniture and Vehicles	<u>5,090,993</u>	<u>3,531,933</u>	<u>8,543,228</u>	<u>6,810,444</u>	<u>13,634,221</u>	<u>10,342,377</u>
Capital Assets, Net of A/D	<u>\$ 5,493,497</u>	<u>\$ 4,505,351</u>	<u>\$ 8,893,523</u>	<u>\$ 12,460,469</u>	<u>\$ 14,387,020</u>	<u>\$ 16,965,820</u>

For government-wide financial statement presentation, all depreciable capital assets were depreciated from acquisition date to the end of the current fiscal year. Fund financial statements record capital asset purchases as expenditures.

Long-term Debt

At the end of fiscal year 2014, the City had total long-term debt outstanding of \$5,467,226, which consists of notes payable and compensated absences payable. Governmental activity and business-type long-term debt as of June 30, 2014 was \$77,257 and \$5,389,969, respectively, and were increased \$3,819 and increased \$403,047, respectively, during the fiscal year.

The City's long term debt is summarized as follows:

**Long Term Debt
June 30, 2014 and 2013**

	Governmental Activities		Business - Type Activities		Total	
	2014	2013	2014	2013	2014	2013
Notes Payable	\$ -	\$ -	\$ 5,369,584	\$ 4,960,261	\$ 5,369,584	\$ 4,960,261
Compensated Absences	<u>77,257</u>	<u>73,438</u>	<u>20,385</u>	<u>26,661</u>	<u>97,642</u>	<u>100,099</u>
Total Long Term Debt	<u>\$ 77,257</u>	<u>\$ 73,438</u>	<u>\$ 5,389,969</u>	<u>\$ 4,986,922</u>	<u>\$ 5,467,226</u>	<u>\$ 5,060,360</u>

REQUEST FOR INFORMATION

This financial report is designed to provide a general overview of the City of Eunice's finances for those with an interest in the government's finances. Questions concerning any of the information provided in this report or requests for additional financial information should be addressed to the Finance Director, 1106 Avenue J, City of Eunice, NM 88231.

GOVERNMENT - WIDE FINANCIAL STATEMENTS

STATE OF NEW MEXICO
CITY OF EUNICE

STATEMENT OF NET POSITION
JUNE 30, 2014

	Primary Government		Total	Component
	Governmental Activities	Business-type Activities		Unit Housing Authority
ASSETS				
CURRENT ASSETS:				
Cash and cash equivalents	\$ 383,237	\$ 2,057,338	\$ 2,440,575	\$ 51,189
Investments	717,511	896,788	1,614,299	-
Accounts receivable	7,809	143,597	151,406	-
Taxes	564,672	436,532	1,001,204	-
Tenants	-	-	-	197
Other	87,384	-	87,384	-
Inventory	-	142,626	142,626	-
Prepaid assets	33,246	-	33,246	-
Total current assets	<u>1,793,859</u>	<u>3,676,881</u>	<u>5,470,740</u>	<u>51,386</u>
NON-CURRENT ASSETS:				
Restricted cash and cash equivalents	-	-	-	3,125
Capital assets	13,646,960	10,721,216	24,368,176	683,189
Less: accumulated depreciation	(8,153,463)	(1,827,693)	(9,981,156)	(611,604)
Total non-current assets	<u>5,493,497</u>	<u>8,893,523</u>	<u>14,387,020</u>	<u>74,710</u>
Total assets	<u>\$ 7,287,356</u>	<u>\$ 12,570,404</u>	<u>\$ 19,857,760</u>	<u>\$ 126,096</u>
LIABILITIES AND NET POSITION				
CURRENT LIABILITIES:				
Accounts payable	\$ 333,885	\$ 241,470	\$ 575,355	469
Accrued salaries	124,896	16,250	141,146	1,659
Other current liabilities	-	-	-	3,076
Customer deposits	-	73,702	73,702	-
Current portion of compensated absences	77,257	11,246	88,503	60
Other accrued expenses	550	-	550	-
Current portion of long term debt	-	257,142	257,142	-
Total current liabilities	<u>536,588</u>	<u>599,810</u>	<u>1,136,398</u>	<u>5,264</u>
Tenant deposits	-	-	-	-
Total Current liabilities (payable from restricted assets)	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,223</u>
NON-CURRENT LIABILITIES:				
Accrued compensated absences	-	9,139	9,139	-
Loans and capital leases payable	-	5,112,442	5,112,442	-
Total non-current liabilities	<u>-</u>	<u>5,121,581</u>	<u>5,121,581</u>	<u>-</u>
Total liabilities	<u>536,588</u>	<u>5,721,391</u>	<u>6,257,979</u>	<u>8,487</u>
NET POSITION				
Net investment in capital assets	5,493,497	3,523,939	9,017,436	71,585
Restricted	-	-	-	3,125
Unrestricted	<u>1,257,271</u>	<u>3,325,074</u>	<u>4,582,345</u>	<u>42,899</u>
Total net position	<u>6,750,768</u>	<u>6,849,013</u>	<u>13,599,781</u>	<u>117,609</u>
Total net position and liabilities	<u>\$ 7,287,356</u>	<u>\$ 12,570,404</u>	<u>\$ 19,857,760</u>	<u>\$ 126,096</u>

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
CITY OF EUNICE

STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2014

FUNCTIONAL/PROGRAMS:	Program Revenues				Net (Expense) Revenue and Changes in Net Position			Component Unit
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total	
					Governmental Activities	Business-type Activities		
Governmental activities:								
General Government	\$ 2,487,176	\$ 289,547	\$ 166,813	\$ -	\$ (2,030,816)	\$ (2,030,816)	\$ -	
Public Safety	707,820	132,830	345,500	-	(229,490)	(229,490)	-	
Public Works	839,748	-	-	-	(839,748)	(839,748)	-	
Culture and recreation	2,521,772	36,522	196,894	-	(2,288,356)	(2,288,356)	-	
Total governmental activities	6,556,516	458,899	709,207	-	(5,388,410)	(5,388,410)	-	
Business-type activities:								
Water	2,461,770	1,609,093	6,079	-	(846,598)	(846,598)	-	
Sewer	353,625	278,474	-	-	(75,151)	(75,151)	-	
Solid waste	486,384	402,346	-	-	(84,038)	(84,038)	-	
Golf	602,909	171,391	-	-	(431,518)	(431,518)	-	
Total business-type activities	3,904,688	2,461,304	6,079	-	(1,437,305)	(1,437,305)	-	
Total primary government	10,461,204	2,920,203	715,286	-	(5,388,410)	(6,750,564)	-	
Component unit:								
Housing Authority	-	-	-	-	-	-	-	(164,459)
General Revenues:								
Taxes								
Property taxes, levied for general purposes					230,706	873,064	5,895,637	-
Gross receipts taxes					5,022,573	-	75,918	-
Gasoline and motor vehicle tax					75,918	-	97,634	-
Other taxes					97,634	-	-	45,397
Rental revenue					981	944	1,925	46
Interest income					459,944	4,180	464,124	59,753
Miscellaneous income					62,518	(62,518)	-	-
Transfers					5,950,274	815,670	6,535,238	105,196
Total general revenues and transfers					561,864	(621,635)	(215,326)	(59,263)
Changes in net position								
Net position, beginning of year, as previously stated					4,190,821	12,053,760	16,244,581	176,872
Restatement					1,998,083	(4,583,112)	(2,585,029)	-
Net position, beginning of year as restated					6,188,904	7,470,648	13,659,552	176,872
Net position, end of year					\$ 6,750,768	\$ 6,849,013	\$ 13,599,781	\$ 117,609

See independent auditors' report and accompanying notes to financial statements

GOVERNMENTAL FUND STATEMENTS

STATE OF NEW MEXICO
CITY OF EUNICE

BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2014

	General Fund	Fire Fund	State Fire Allotment	Total Nonmajor Funds	Total
ASSETS					
Cash and cash equivalents	\$ 208,802	\$ -	\$ 45,831	\$ 128,604	\$ 383,237
Investments	717,511	-	-	-	717,511
Accounts receivable	1,554	6,255	-	-	7,809
Taxes receivable	493,782	-	-	70,890	564,672
Other	-	-	-	87,384	87,384
Prepaid assets	33,246	-	-	-	33,246
Total assets	<u>\$ 1,454,895</u>	<u>6,255</u>	<u>45,831</u>	<u>\$ 286,878</u>	<u>\$ 1,793,859</u>
LIABILITIES AND FUND BALANCE					
Liabilities:					
Accounts payable	\$ 31	\$ 16,297	\$ (115,157)	\$ 432,714	\$ 333,885
Accrued salaries	96,968	3,500	-	24,428	124,896
Other accrued expenses	550	-	-	-	550
Total liabilities	97,549	19,797	(115,157)	457,142	459,331
Deferred inflows:					
Property tax revenue	13,965	-	-	-	13,965
Total liabilities and deferred inflows	111,514	19,797	(115,157)	457,142	473,296
Fund balances:					
Assigned to:					
Special revenue funds	-	(13,542)	160,988	413,994	561,440
Unassigned:					
General Fund	1,343,381	-	-	-	1,343,381
Capital projects funds	-	-	-	(584,258)	(584,258)
Total fund balances	<u>1,343,381</u>	<u>(13,542)</u>	<u>160,988</u>	<u>(170,264)</u>	<u>1,320,563</u>
Total liabilities, deferred inflows, and fund balances	<u>\$ 1,454,895</u>	<u>\$ 6,255</u>	<u>\$ 45,831</u>	<u>\$ 286,878</u>	<u>\$ 1,793,859</u>

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
CITY OF EUNICE

RECONCILIATION OF THE BALANCE SHEET OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2014

Total fund balances - governmental funds		\$ 1,320,563
Amounts reported for governmental activities in the Statement of Net Position are different because:		
Capital assets used in governmental activities are not financial resources and therefore, are not reported in the funds.		
The cost of capital assets	13,646,960	
Accumulated depreciation	<u>(8,153,463)</u>	5,493,497
Long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds:		
Property taxes		13,965
Other long-term liabilities and certain other liabilities, including bonds and notes payable, are not due and payable in the current period and therefore are not reported as liabilities in the funds. Long-term and other liabilities at year end consist of:		
Compensated absences	<u>77,257</u>	<u>(77,257)</u>
Total net position - governmental activities		\$ <u>6,750,768</u>

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
CITY OF EUNICE

STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE -
GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	General Fund	Fire Fund	State Fire Allotment	Other Governmental Funds	Total
REVENUES					
Taxes:					
Property	\$ 216,741	\$ -	\$ -	\$ -	\$ 216,741
Gross receipts	4,618,812	-	-	403,761	5,022,573
Gasoline and motor vehicle taxes	-	-	-	75,918	75,918
Other	97,634	-	-	-	97,634
Intergovernmental income				29,528	29,528
Federal operating grants	-	231,062	74,587	207,217	679,679
State operating grants	166,813	5,400	-	126,603	178,903
Charges for services	46,900	-	-	37,349	68,082
Licenses and fees	30,733	-	-	-	30,733
Fines and forfeitures	211,914	-	-	-	211,914
Interest income	981	-	-	-	981
Miscellaneous	434,319	15,000	-	10,625	459,944
Total revenues	5,824,847	251,462	74,587	891,001	7,041,897
EXPENDITURES					
General government	2,313,955	-	55,740	90,395	2,460,090
Public safety	-	324,112	-	205,281	529,393
Public works	72,283	-	-	630,889	703,172
Culture and recreation	1,773,084	-	-	701,497	2,474,581
Capital outlay	12,830	-	-	149,836	162,666
Total expenditures	4,172,152	324,112	55,740	1,777,898	6,329,902
Excess (deficiency) of revenues over expenditures	1,652,695	(72,650)	18,847	(886,897)	711,995
OTHER FINANCING SOURCES (USES):					
Transfers in	611,135	28,730	-	1,403,719	2,043,584
Transfers out	(1,620,300)	-	-	(360,766)	(1,981,066)
Total other financing source (uses)	(1,009,165)	28,730	-	1,042,953	62,518
Net change in fund balance	643,530	(43,920)	18,847	156,056	774,513
Fund balance at beginning of year, as previously stated	5,535,723	(1,657,386)	173,947	(4,742,575)	(690,291)
Restatement	(4,835,872)	1,687,764	(31,806)	4,416,255	1,236,341
Fund balance at beginning of year as restated	699,851	30,378	142,141	(326,320)	546,050
Fund balance at end of year	\$ 1,343,381	\$ (13,542)	\$ 160,988	\$ (170,264)	\$ 1,320,563

See independent auditors' report and accompanying notes to 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 ENDED JUNE 30, 2014**

Net change in fund balances - total governmental funds		\$ 774,513
<p>The changes in net position reported for governmental activities in the statement of activities are different because:</p>		
<p>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:</p>		
Capital assets reported as capital outlay expenditures	162,666	
Depreciation expense	(385,461)	(222,795)
<p>Property taxes that do not provide current financial resources, made available to pay for the current period's expenditures, reported as deferred inflows in the funds.</p>		
		13,965
<p>In the Statement of Activities, compensated absences are measured by the amounts earned during the year. In the governmental funds, however, expenditures for these items are measured by the amount of financial resources used (essentially, the amounts paid).</p>		
		<u>(3,819)</u>
Change in net position of governmental activities		<u>\$ 561,864</u>

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
CITY OF EUNICE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Taxes:				
Property	\$ 115,000	\$ 128,027	\$ 196,957	\$ 68,930
Gross receipts	2,092,000	2,092,000	4,460,918	2,368,918
Gasoline and motor vehicle	75,000	98,253	-	(98,253)
Other	92,000	92,000	65,026	(26,974)
Intergovernmental	1,800,000	1,800,000	-	(1,800,000)
Gasoline and motor vehicle	147,000	147,000	-	(147,000)
State operating grants	1,198,000	100,000	166,813	66,813
Small cities assistance	35,000	35,000	-	(35,000)
Charges for services	63,450	63,450	46,900	(16,550)
Licenses and fees	6,150	6,150	30,733	24,583
Fines and forfeitures	22,200	27,250	211,914	184,664
Interest	1,560	1,560	981	(579)
Miscellaneous	87,750	1,182,750	434,319	(748,431)
Total revenues	5,735,110	5,773,440	5,614,561	(158,879)
EXPENDITURES:				
Current			2,313,955	(2,313,955)
General government	-	-	-	1,375,324
Public safety	2,155,245	1,375,324	-	1,258,016
Executive-Legislative	1,233,616	1,258,016	-	72,141
Judicial	72,283	72,141	-	257,906
Finance & Administration	214,783	257,906	-	(72,283)
Public works	-	-	72,283	(1,541,176)
Culture and recreation	223,844	231,908	1,773,084	806,832
Other - Miscellaneous	290,116	806,832	-	(12,830)
Capital outlay	-	-	12,830	(170,025)
Total expenditures	4,189,887	4,002,127	4,172,152	11,146
Excess (deficiency) of revenues over expenditures	1,545,223	1,771,313	1,442,409	611,135
OTHER FINANCING SOURCES (USES)				
Transfers in	-	-	611,135	(64,400)
Transfers out	(1,555,900)	(1,555,900)	(1,620,300)	546,735
Total other financing sources (uses)	(1,555,900)	(1,555,900)	(1,009,165)	

(Continued)

**STATE OF NEW MEXICO
CITY OF EUNICE**

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
GENERAL FUND
FOR THE YEAR ENDED JUNE 30, 2014**

Net changes in fund balance	(10,677)	215,413	433,244	557,881
Fund balance - beginning of the year, as previously stated	5,535,723	5,535,723	5,535,723	-
Restatement	<u>-</u>	<u>-</u>	<u>(4,835,872)</u>	<u>(4,835,872)</u>
Fund balance - beginning of the year, as restated	<u>5,535,723</u>	<u>5,535,723</u>	<u>699,851</u>	<u>(4,835,872)</u>
Fund balance - end of the year	<u>\$ 5,525,046</u>	<u>\$ 5,751,136</u>	<u>\$ 1,133,095</u>	<u>\$ (4,277,991)</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ 433,244	
Net revenue accruals			<u>210,286</u>	
Net change in fund balance GAAP basis			<u>\$ 643,530</u>	
				(Concluded)

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
CITY OF EUNICE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FIRE FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Taxes:				
State operating grants	\$ 621,170	\$ 621,170	\$ 231,062	\$ (390,108)
Charges for services	-	-	5,400	5,400
Miscellaneous	621,170	40,000	15,000	(25,000)
Total revenues	1,242,340	661,170	251,462	(409,708)
EXPENDITURES:				
Current				
Public safety	754,900	694,900	324,112	370,788
Total expenditures	754,900	694,900	324,112	370,788
Excess (deficiency) of revenues over expenditures	487,440	(33,730)	(72,650)	(38,920)
OTHER FINANCING SOURCES (USES)				
Transfers in	28,730	28,730	28,730	-
Total other financing sources (uses)	28,730	28,730	28,730	-
Net changes in fund balance	516,170	(5,000)	(43,920)	(38,920)
Fund balance - beginning of the year, as previously stated	(1,657,386)	(1,657,386)	(1,657,386)	-
Restatement	-	-	1,687,764	1,687,764
Fund balance - beginning of the year, as restated	(1,657,386)	(1,657,386)	30,378	1,687,764
Fund balance - end of the year	\$ (1,141,216)	\$ (1,662,386)	\$ (13,542)	\$ 1,648,844
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ (43,920)	
Net change in fund balance GAAP basis			\$ (43,920)	

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
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, 2014

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
State operating grants	\$ 80,000	\$ 80,000	\$ 74,587	\$ (5,413)
Miscellaneous	-	40,000	-	(40,000)
Total revenues	80,000	120,000	74,587	(45,413)
EXPENDITURES:				
Public safety	75,000	75,000	55,740	19,260
Total expenditures	75,000	75,000	55,740	19,260
Excess (deficiency) of revenues over expenditures	5,000	45,000	18,847	(26,153)
OTHER FINANCING SOURCES (USES)				
Transfers in	28,730	28,730	-	(28,730)
Total other financing sources (uses)	28,730	28,730	-	(28,730)
Net changes in fund balance	33,730	73,730	18,847	(54,883)
Fund balance - beginning of the year, as previously stated	173,947	173,947	173,947	-
Restatement	-	-	(31,806)	(31,806)
Fund balance - beginning of the year, as restated	173,947	173,947	142,141	(31,806)
Fund balance - end of the year	\$ 207,677	\$ 247,677	\$ 160,988	\$ (86,689)
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ 18,847	
Net change in fund balance GAAP basis			\$ 18,847	

See independent auditors' report and accompanying notes to financial statements.

PROPRIETARY FUNDS

STATE OF NEW MEXICO
CITY OF EUNICE

STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2014

	Water Fund	Sewer Fund	Solid Waste Fund	Golf Fund	Total Proprietary Funds
ASSETS					
CURRENT ASSETS:					
Cash and cash equivalents	\$ 1,958,246	\$ 52,046	\$ 47,046	\$ -	\$ 2,057,338
Investment	896,788	-	-	-	896,788
Trade receivable	64,433	33,589	45,575	-	143,597
Taxes receivable	436,532	-	-	-	436,532
Inventory	113,311	-	-	29,315	142,626
Total current assets	<u>3,469,310</u>	<u>85,635</u>	<u>92,621</u>	<u>29,315</u>	<u>3,676,881</u>
NON-CURRENT ASSETS:					
Capital assets, net	8,659,904	1,369,399	-	691,913	10,721,216
Less: accumulated depreciation	(1,170,613)	(333,042)	-	(324,038)	(1,827,693)
Total non-current assets	<u>7,489,291</u>	<u>1,036,357</u>	<u>-</u>	<u>367,875</u>	<u>8,893,523</u>
Total assets	<u>\$ 10,958,601</u>	<u>\$ 1,121,992</u>	<u>\$ 92,621</u>	<u>\$ 397,190</u>	<u>\$ 12,570,404</u>
LIABILITIES AND NET POSITION					
CURRENT LIABILITIES:					
Accounts payable	\$ 172,147	\$ 586	\$ 50,982	\$ 17,755	\$ 241,470
Customer deposits	73,702	-	-	-	73,702
Accrued salaries	8,062	3,638	-	4,550	16,250
Compensated absences - current portion	7,233	1,743	-	2,270	11,246
Long term debt - current portion	257,142	-	-	-	257,142
Total current liabilities	<u>518,286</u>	<u>5,967</u>	<u>50,982</u>	<u>24,575</u>	<u>599,810</u>
NON-CURRENT LIABILITIES:					
Accrued compensated absences	5,878	1,417	-	1,844	9,139
Loans and capital leases payable	5,112,442	-	-	-	5,112,442
Total non-current liabilities	<u>5,118,320</u>	<u>1,417</u>	<u>-</u>	<u>1,844</u>	<u>5,121,581</u>
Total liabilities	<u>5,636,606</u>	<u>7,384</u>	<u>50,982</u>	<u>26,419</u>	<u>5,721,391</u>
NET POSITION					
Net investment in capital assets	2,119,707	1,036,357	-	367,875	3,523,939
Unrestricted	3,202,288	78,251	41,639	2,896	3,325,074
Total net position	<u>5,321,995</u>	<u>1,114,608</u>	<u>41,639</u>	<u>370,771</u>	<u>6,849,013</u>
Total liabilities and net position	<u>\$ 10,958,601</u>	<u>\$ 1,121,992</u>	<u>\$ 92,621</u>	<u>\$ 397,190</u>	<u>\$ 12,570,404</u>

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
CITY OF EUNICE

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Water Fund	Sewer Fund	Solid Waste Fund	Golf Fund	Total Proprietary Funds
OPERATING REVENUES	\$ 1,579,815	\$ 278,474	\$ 402,346	\$ 171,391	\$ 2,432,026
Charges for services	873,064	-	-	-	873,064
GRT Taxes	765	158	21	-	944
Investment income	29,278	-	-	-	29,278
Sales	6,079	-	-	-	6,079
State funds	200	-	-	3,278	3,478
Other and miscellaneous					
Total operating revenues	2,489,201	278,632	402,367	174,669	3,344,869
OPERATING EXPENSES					
Salaries and wages	879,026	95,401	-	292,854	1,267,281
Maintenance	220,793	59,267	-	95,566	375,626
Personnel Services	76,800	8,260	464,343	16,953	566,356
Supplies	105,076	29,306	-	61,842	196,224
Noncapital purchases	15,239	4,883	-	469	20,591
Operating costs	541,615	122,284	22,041	115,842	801,782
Depreciation	76,837	34,224	-	19,383	130,444
Total operating expenses	1,915,386	353,625	486,384	602,909	3,358,304
Operating income (loss)	573,815	(74,993)	(84,017)	(428,240)	(13,435)
NON OPERATING REVENUES (EXPENSES):					
Investment expense	(546,384)	-	-	-	(546,384)
Gain/Loss on Sale of Assets	-	-	-	702	702
Total non operating revenues (expenses)	(546,384)	-	-	702	(545,682)
Transfers:					
Transfers in	37,096	-	38,325	328,092	403,513
Transfers out	(466,031)	-	-	-	(466,031)
Total transfers	(428,935)	-	38,325	328,092	(62,518)
Change in net position	(401,504)	(74,993)	(45,692)	(99,446)	(621,635)
Net position, beginning of year as previously stated	12,581,344	1,020,188	(317,344)	(1,230,428)	12,053,760
Restatement	(6,857,845)	169,413	404,675	1,700,645	(4,583,112)
Net position, beginning of year, as restated	5,723,499	1,189,601	87,331	470,217	7,470,648
Net position, end of year	\$ 5,321,995	\$ 1,114,608	\$ 41,639	\$ 370,771	\$ 6,849,013

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
CITY OF EUNICE

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Water Fund	Sewer Fund	Solid Waste Fund	Golf Fund	Total Proprietary Funds
Cash flows from operating activities:					
Cash received from customers	\$ (373,896)	\$ 2,095,681	\$ 819,624	\$ 1,875,314	\$ 4,416,723
Payments to employees for services	(86,242)	(11,489)	(465,647)	(1,559,322)	(2,122,700)
Payments to suppliers and contractors	<u>(1,716,957)</u>	<u>(325,092)</u>	<u>(22,041)</u>	<u>(570,076)</u>	<u>(2,634,166)</u>
Net cash provided by (used in) operating activities	<u>(2,177,095)</u>	<u>1,759,100</u>	<u>331,936</u>	<u>(254,084)</u>	<u>(340,143)</u>
Cash flows from non-capital activities and related financing activities:					
Transfers	<u>(428,935)</u>	<u>-</u>	<u>38,325</u>	<u>328,092</u>	<u>(62,518)</u>
Net cash provided by (used in) non-capital activities and related financing activities:	<u>(428,935)</u>	<u>-</u>	<u>38,325</u>	<u>328,092</u>	<u>(62,518)</u>
Cash flows from capital activities and related financing activities:					
Acquisition of capital assets	296,306	-	-	(74,008)	222,298
Adjustments to capital assets	4,108,415	(893,508)	-	-	3,214,907
Proceeds from loan	640,000	-	-	-	640,000
Interest payment	(1,089,418)	(1,838,114)	(382,362)	-	(3,309,894)
Principal payments on debt	<u>(223,444)</u>	<u>1,743</u>	<u>-</u>	<u>-</u>	<u>(221,701)</u>
Net cash provided by (used in) capital activities and related financing activities:	<u>3,731,859</u>	<u>(2,729,879)</u>	<u>(382,362)</u>	<u>(74,008)</u>	<u>545,610</u>
Cash flows from investing activities:					
Investment income (loss)	<u>(359,788)</u>	<u>576,000</u>	<u>20,000</u>	<u>-</u>	<u>236,212</u>
Net cash provided by (used in) investing activities	<u>(359,788)</u>	<u>576,000</u>	<u>20,000</u>	<u>-</u>	<u>236,212</u>
Net increase (decrease) in cash and cash equivalents	766,041	(394,779)	7,899	-	379,161
Cash and cash equivalents - beginning	<u>1,192,205</u>	<u>446,825</u>	<u>39,147</u>	<u>-</u>	<u>1,678,177</u>
Cash and cash equivalents - ending	<u>\$ 1,958,246</u>	<u>\$ 52,046</u>	<u>\$ 47,046</u>	<u>\$ -</u>	<u>\$ 2,057,338</u>

(Continued)

STATE OF NEW MEXICO
CITY OF EUNICE

STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

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

Operating income (loss)	\$ 573,815	\$ (74,993)	\$ (84,017)	\$ (428,240)	\$ (13,435)
Depreciation	76,837	34,224	-	19,382	130,443
Restatement	<u>(6,857,845)</u>	<u>169,413</u>	<u>404,675</u>	<u>1,700,645</u>	<u>(4,583,112)</u>
Changes in net position and liabilities:					
Accounts receivables	290,421	1,647,636	12,582	-	1,950,639
Tax receivable	3,704,327	-	-	-	3,704,327
Accounts payable	41,708	(13,951)	-	1,047	28,804
Accrued salaries	1	1,304	(1,304)	(1,541,093)	(1,541,092)
Compensated absences	(9,443)	(4,533)	-	(1,276)	(15,252)
Customer deposits	<u>3,084</u>	<u>-</u>	<u>-</u>	<u>(4,549)</u>	<u>(1,465)</u>
Net cash provided by (used in) operating activities	<u>\$ (2,177,095)</u>	<u>\$ 1,759,100</u>	<u>\$ 331,936</u>	<u>\$ (254,084)</u>	<u>\$ (340,143)</u>

(Concluded)

See independent auditors' report and accompanying notes to financial statements.

FIDUCIARY FUNDS

**STATE OF NEW MEXICO
CITY OF EUNICE**

**FIDUCIARY FUNDS LISTING
JUNE 30, 2014**

AGENCY FUNDS:

These funds are used to account for monies held by the City in a custodial capacity.

Retiree Fund

To account for the collection and distribution of funds

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
CITY OF EUNICE

STATEMENT OF AGENCY NET ASSETS
JUNE 30, 2014

	<u>Retiree Fund</u>
ASSETS	
CURRENT ASSETS:	
Total assets	\$ <u>-</u>
LIABILITIES	
CURRENT LIABILITIES:	
Total liabilities	<u>-</u>
NET POSITION	
Held in trust for private purpose	
Total net position	\$ <u>-</u>

	<u>Retiree Fund</u>
ADDITIONS	
Miscellaneous	\$ <u>7,723</u>
Total additions	<u>7,723</u>
DEDUCTIONS	
Total deductions	<u>-</u>
Change in net position	7,723
Net position beginning of year, as previously stated	<u>43,813</u>
Restatement	<u>(51,536)</u>
Net position beginning of year, as restated	<u>(7,723)</u>
Net position end of year	\$ <u>-</u>

See independent auditors' report and accompanying notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

STATE OF NEW MEXICO
CITY OF EUNICE

NOTES TO BASIC FINANCIAL STATEMENTS
AS OF AND FOR THE YEAR ENDED JUNE 30, 2014

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Eunice (the "City") is a political subdivision of the state of New Mexico, operates under the Mayor-Council form of government. The City provides the following authorized services: public safety, police and fire, highways and streets, water, sanitation, health and welfare, social services, culture and recreation, public improvements and general administrative services.

The City's financial statements are prepared in accordance with generally accepted accounting principles ("GAAP"). The Governmental Accounting Standards Board ("GASB") is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The more significant accounting policies established in GAAP and used by the City are discussed below.

A. Reporting Entity

The City Council (the "Council") is elected by the public and has the authority to make decisions, appoint administrators and managers, and significantly influence operations. It also has the primary accountability for fiscal matters. Therefore, the City is a financial reporting entity as defined by the Governmental Accounting Standards Board ("GASB") in its Statement No. 14, "The Financial Reporting Entity."

Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government. The basic- but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, 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. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity. Based upon the application of these criteria, the following is a brief review of each potential component unit addressed in defining government's reporting entity. The City has one discretely presented component unit.

Eunice Housing Authority (Authority): This component unit has separate elected and/or appointed boards and provides services to residents, generally within the geographic boundaries of the government. GASB Statement No. 14 requires the Authority to be reported as a component unit of the City of Eunice.

Separately issued financial statements for the Authority may be obtained directly from the administrative office at: Executive Director, Eunice Housing Authority, 706 15th St., Eunice, NM 88231.

B. Basis of Presentation

Government-Wide and Fund Financial Statements- The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the nonfiduciary activities of the primary government and its component unit. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

The 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.

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 activity. 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 activity and 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or activity and 3) grants and contributions that are restricted to meeting the capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported instead as general revenues. The net cost (by function of governmental-type activity) is normally covered by general revenues (property, sales, franchise taxes, intergovernmental revenues, interest income, etc.) The City does not allocate indirect costs.

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

The water, sewer, and golf fund are the major proprietary funds. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category for the governmental and enterprise combined) for the determination of major funds.

The government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on the major individual funds of the governmental and business-type categories, as well as the fiduciary funds (by category), and the component units. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

C. Measurement Focus, Basis of Accounting

Government-Wide Financial Statements - The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year for which the taxes are levied. Revenue from grants, entitlements, and donations is recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Derived tax revenues (i.e., sales taxes) are recognized in the period when the exchange transaction on the tax is imposed or when the resources are received, whichever occurs first.

Governmental Fund Financial Statements - The governmental fund level financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. 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. For this purpose, the City 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 made.

Property taxes, franchise taxes, licenses, and interest associated with the current fiscal period are recognized under the susceptible to accrual concept. Sales and use taxes and miscellaneous revenues are recorded as revenues when received in cash, as the resulting receivable is immaterial. Investment earnings are recorded as earned since they are measurable and available. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues.

In one, monies must be expended for the specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

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

Business-type activities and all proprietary funds are accounted for on a flow of economic resources measurement focus and the full accrual basis of accounting. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases and decreases (e.g., revenues and expenses) in net total assets.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principle ongoing operations. The principle operating revenues of the City's water, sewer, and sanitary landfill funds are charges to customers for sales and services.

Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses.

The City reports the following major governmental funds:

The General Fund is the City'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 City reports the following major business-type funds:

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

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

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

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

D. Assets, Liabilities and Net Position or Equity

Cash and Cash Equivalents - For purposes of the statement of cash flows, the City considers all highly liquid investments, including restricted assets, with a maturity when purchased of three months or less to be cash equivalents.

Deposits and Investments - Investments in the City's cash are stated at cost, which approximates fair value. State statutes authorize the City to invest in certificates of deposit, obligations of the state and the U.S. government, and the New Mexico State Treasurer's investments pool. Cash is reported at book value. All other investments are carried at fair market value using quoted market prices. Interest income, realized gains and losses on investment transactions, and amortization of premiums/discounts on investment purchases are included for financial statement purposes as investment income and are allocated to participating funds based on the specific identification of the source of funds for a given investment.

Receivables and Payables - Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as inter-fund balance. Long term 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 from available financial resources.

Property taxes attach as an enforceable lien on property as of January 1. Taxes are payable in equal semiannual installments by November 10th and April 10th of the subsequent year with levies becoming delinquent 30 days thereafter unless a timely protest has been made. Taxes are collected on behalf of the City by the Lea County Treasurer, and are distributed in the month of tile collection.

Inventory - Inventories in governmental funds consist of expendable supplies held for consumption, and are valued at cost using a first-in, first-out 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 an expense when consumed rather than when purchased.

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

Interfund Activity - Interfund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported as interfund balance as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

Capital Assets - Capital assets include: property, plant, utility systems, equipment, and infrastructure assets. Infrastructure includes streets, sidewalks, bridges, drainage systems, lighting systems and similar items. Such assets are reported in the applicable governmental or business-type activities columns the government-wide financial statements. The government defines capital assets as assets with an initial individual cost of more than \$5,000, and an estimated useful life in excess of two years. Assets are capitalized at historical cost or estimated historical cost if purchased or constructed. It is the policy of the City not to capitalize computer software. Donated assets are recorded at estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add value of the asset or materially extend the asset's lives are not capitalized.

As allowed by GASB Statement No. 34, the City had retroactively reported all infrastructure assets owned by the municipality.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of businesslike activities is included as part of the capitalized value of the assets under construction.

Property, plant, and equipment, and infrastructure of the primary government is depreciated using the straight line method over the following estimated useful lives:

Assets	Years
Building and building improvements	30-40
Water and sewer plants	40
Streets	10-20
Vehicles, machinery and equipment	5-20
Computer equipment and software	3-5

Compensated Absences - City employees are entitled to certain compensation absences based on their employment classification and length of employment. With minor exceptions, the City allows 40 hour week employees to accumulate unused sick leave to a maximum of 526 hours. Accumulated unused sick leave, however, is not paid upon termination from employment or retirement, but will be paid only upon illness while in the employment of the City. The City has a policy that if an employees has in excess of 100 hours of sick leave they may donate excess hours to a designated sick employee. The sick employee must have exhausted all of his/her paid leave prior to receiving the donated sick leave. Accordingly, no provision for accumulated unused sick leave has been made in the accompanying financial statements.

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

Deferred Inflows - 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 received and not expended in the Special Revenue Funds are shown as deferred revenues. Utility service payments in the Enterprise Funds are reported as deferred revenue until the earnings process in complete.

Long-Term Debt - In the government-wide fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities statement of net position. 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. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs, during the period. The face amount of debt issued is reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Customer Deposits - Cash held in the proprietary funds for customer deposits is restricted.

Net Position - The government-wide financial statements utilize a net position presentation. Net position are categorized as follows:

Net investment in capital assets - This category reflects the portion of net position that are associated with capital assets less outstanding capital asset related debt.

Restricted net position - Restricted net position result from the constraints placed on the use of net position when externally imposed by creditors, grantors, laws and regulations of other governments and imposed by law through constitutional provisions or enabling legislation.

Unrestricted net position - This category reflects net position of the City, not restricted for any project or other purpose. When the City incurs an expense for which it may use either restricted or unrestricted assets, it uses the restricted assets first whenever they will have to be returned if they are not used.

Fund Balances - In the fund financial statement, 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 balances represent tentative management plans that are subject to change.

Nonspendable - fund balance classification includes amounts that cannot be spent because they are either (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 and prepaid amounts. It also includes amounts to be held in perpetuity.

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

Restricted - Fund balance should be reported when constraints placed on the use of resources are either:

- a. Externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or
- b. Imposed by law through constitutional provisions or enabling legislation.
- c. Enabling legislation, as the term is used in this Statement, authorizes the government to assess, levy, charge, or otherwise mandate payment of resources (from external resource providers) and includes a legally enforceable requirement that those resources be used only for the specific purposes stipulated in the legislation. Legal enforceability means that a government can be compelled by an external party-such as citizens, public interest groups, or the judiciary-to use resources created by enabling legislation only for the purposes specified by the 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 balance is the residual classification for the general fund. This classification represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund. The general fund should be the only fund that reports a positive unassigned fund balance amount. In other governmental

funds, if expenditures incurred for specific purposes exceeded the amounts restricted, committed, or assigned to those purposes, it may be necessary to report a negative unassigned fund balance.

The City's policy is to apply restricted resources first, committed sources second, assigned resources third, and unassigned resources last when an expense is incurred for purposes for which all or any fund balance classification is available.

Use of 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.

Implementation of New Accounting Standards - In June 2012, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 67 Financial Reporting for Pension Plans - an amendment of GASB Statement No. 25. Earlier application is encouraged. The objective of this Statement is to improve financial reporting by state and local governmental pension plans. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statements No. 25, Financial Reporting for Defined Benefit Pension Plans and Note Disclosures for Defined Contribution Plans, and No. 50, Pension Disclosures, as they relate to pension plans that are administered through trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 25 and 50 remain applicable to pension plans that are not administered through trusts covered by the scope of this Statement and to defined contribution plans that provide postemployment benefits other than pensions. The City is analyzing the effect that this statement will have on its financial statement, and currently believes it will have no significant effect on the financial statement for the upcoming year.

In June 2012, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 68 Accounting and Financial Reporting for Pensions- an amendment of GASB Statement No. 27. Earlier application is encouraged. The objective of this Statement is to improve accounting and financial reporting by state and local governments for pensions. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for pensions with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement replaces the requirements of Statement No. 27, Accounting for Pensions by State and Local Governmental Employers, as well as the requirements of Statement No. 50, Pension Disclosures, as they relate to pensions that are provided through pension plans administered as trusts or equivalent arrangements (hereafter jointly referred to as trusts) that meet certain criteria. The requirements of Statements 27 and 50 remain applicable for pensions that are not covered by the scope of this Statement. The City is analyzing the effect that this statement will have on its financial statement, and currently believes it will have no significant effect on the financial statement for the upcoming year.

In January 2013, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 69 Government Combinations and Disposals of government Operations. This Statement establishes accounting and financial reporting standards related to government combinations and disposals of government operations. As used in this Statement, the term government combinations includes a variety of transactions referred to as mergers, acquisitions, and transfers of operations. The requirements of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013, and should be applied on a prospective basis. Earlier application is encouraged. The City is

analyzing the effect that this statement will have on its financial statement, and currently believes it will have no significant effect on the financial statement for the upcoming year.

In April 2013, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 70 Accounting and Financial Reporting for Nonexchange Financial Guarantees. This Statement requires a government that extends a nonexchange financial guarantee to recognize a liability when qualitative factors and historical data, if any, indicate that it is more likely than not that the government will be required to make a payment on the guarantee. The amount of the liability to be recognized should be the discounted present value of the best estimate of the future outflows related to the guarantee expected to be incurred. When there is no best estimate but a range of the estimated future outflows can be established, the amount of the liability to be recognized should be the discounted present value of the minimum amount within the range. This Statement requires a government that has issued an obligation guaranteed in a nonexchange transaction to recognize revenue to the extent of the reduction in its guaranteed liabilities. This Statement also requires a government that is required to repay a guarantor for making a payment on a guaranteed obligation or legally assuming the guaranteed obligation to continue to recognize a liability until legally released as an obligor. When a government is released as an obligor, the government should recognize revenue as a result of being relieved of the obligation. This Statement also provides additional guidance for intra-entity nonexchange financial guarantees involving blended component units. This Statement specifies the information required to be disclosed by governments that extend nonexchange financial guarantees. In addition, this Statement requires new information to be disclosed by governments that receive nonexchange financial guarantees. The provisions of this Statement are effective for reporting periods beginning after June 15, 2013. Earlier application is encouraged. Except for disclosures related to cumulative amounts paid or received in relation to a financial guarantee, the provisions of this Statement are required to be applied retroactively. Disclosures related to cumulative amounts paid or received in relation to a financial guarantee may be applied prospectively. The City is analyzing the effect that this statement will have on its financial statement, and currently believes it will have no significant effect on the financial statement for the upcoming year.

In November 2013, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 71 Pension Transition for Contributions made Subsequent to the Measurement Date - An Amendment of GASB Statement No. 68. The objective of this Statement is to address an issue regarding application of the transition provisions of Statement No. 68, Accounting and Financial Reporting for Pensions. The issue relates to amounts associated with contributions, if any, made by a state or local government employer or nonemployer contributing entity to a defined benefit pension plan after the measurement date of the government's beginning net pension liability. The City is analyzing the effect that this statement will have on its financial statement, and currently believes it will have no significant effect on the financial statement for the upcoming year.

Analysis for Impairment - Management reviews long-lived assets for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. In management's opinion, there are no impairment of such assets at June 30, 2014 for the City of Eunice.

2. STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Data - The City Council adopts an annual budget for the General Fund, Special Revenue Funds, Capital Projects Funds, Debt Service Funds and the Enterprise Funds by following the budgetary procedures outlined below. The City is required to present the adopted and final amended budgeted revenues and expenditures for each of these funds. The City compares the final amended budget to actual revenues and expenditures based on the City's modified accrual basis of accounting.

The following procedures are followed in establishing the budgetary data reflected in the general purpose financial statements:

1. The City prepares a proposed interim operating budget based upon input from public hearings conducted to obtain taxpayer comments and management assessment of City needs and resources available. The operating budget includes proposed expenditures and the means of financing them. A budget is proposed for the General, Special Revenue, Capital Projects, Debt Service and Proprietary Funds.
2. The interim operating budget for the fiscal year commencing July 1 is submitted to the Department of Finance and Administration-Local Government Division by June 1. The Department of Finance reviews the interim budget, makes any needed adjustments and grants interim approval by July 1.
3. The final operating budget for the fiscal year is submitted to the Department of Finance on or before July 31. The Department of Finance reviews the budget and grants approval by September 1.
4. The interim and final budgets are legally enacted through passage of resolutions and the council is authorized to transfer budgeted amounts between departments within any fund. Any revisions that alter the total expenditures of any fund must be approved by the Department of Finance and Administration-Local Government Division.
5. Budgets for funds are adopted on the modified accrual basis of accounting. Budgetary comparisons have been presented in this report on the basis of the legally adopted budget.
6. Appropriations lapse at year end with any unspent cash balance being available for expenditures and appropriation in the subsequent year's budget.
7. The level of classification detail in which expenditures may not legally exceed appropriations for each budget is in fund total.

3. CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS 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 deposit and investment requirements as of June 30, 2014.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more financial institution. 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.

In accordance with FDIC, public unit deposits are funds owned by the City. Time deposits, savings deposits and interest bearing NOW accounts of a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the unlimited coverage for public unit demand deposits at the same institution.

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.

The rate of interest in non-demand interest-bearing accounts is set by the State Board of Finance, but the rate of interest will not be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of deposit.

Custodial Credit Risk - Custodial credit risk is the risk that in the event of a bank failure, the government's deposits and investments may not be returned to it. The City does not have a formal deposit policy for custodial credit risk other than following state statutes. The City has not suffered any previous losses and management believes any risk of loss of funds is minimal.

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 50% of the amount on deposit with the institution, and 103% for amounts invested in repurchase agreements with the institution.

The types of collateral an institution is permitted to use as pledged securities are limited to direct obligations of the United States Government and all bonds issued by any agency or political subdivision of the State of New Mexico.

The schedules listed below disclose requirements on reporting the insured and uninsured portions of the City's deposits regarding custodial credit risk.

Interest Rate Risk - Interest rate risk is the risk that the change in interest rates will adversely affect the fair value of the investments. The City does not have a formal policy to manage its exposure to interest rate risk.

New Mexico State Treasurer Local Government Investment Pool - The City maintains accounts with the New Mexico State Treasurer Local Government Investment Pool (LGIP), an external investment pool. The LGIP is not SEC registered, and as a government investment pool, exempt from disclosing concentration risk. The LGIP is rated AAA by Standard and Poor's and has a weighted average maturity of 52 days.

Section 6-10-10. I , NMSA 1978 empowers the State Treasurer, with the advice and consent of the State Board of Finance, to invest money held in the short-term investment funds in securities that are issued by the United States government or by its departments or agencies and are either backed by the full faith and credit of the United States government or are agencies sponsored by the United States government.

The LGIP investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments. The pool does not have unit shares and earnings are distributed monthly by the State Treasurer to the participants in proportion to the amount and length of time the participants have funds on deposit. Participation in the LGIP is voluntary and can be liquidated by the City at the City council's discretion. The City's balance in the LGIP account as of June 30, 2014 is \$1,614,299.

New Mexico Finance Authority Investment - The City maintains investment funds on account with the New Mexico Finance Authority (NMFA), which in turn invests the funds in the State Treasurer. NMFA's cash on deposit with the State Treasurer is invested by the State Treasurer in "overnight" repurchase programs. State statutes require that all deposits held by the State Treasurer be collateralized at a minimum level of 50%. Repurchase agreements are collateralized at 103% by the NMFA's internal policies. Funds held by the NMFA acting as trustee for the City are invested in money market accounts that invest in United States Treasury obligations and/or repurchase agreements secured by U.S. Treasury obligations. Separate financial statements of the NMFA and State Treasurer collateral, categories of risk, and market value of purchased investments which may differ from the cash deposited with the NMFA by the City.

All deposits are collateralized with eligible securities, as described by New Mexico State Statute, in amounts equal to at least 50% of the City carrying value of the deposits (demand and certificates of deposit).

Such collateral, as permitted by the state statutes is held in each respective depository bank's collateral pool at a Federal Reserve Bank, or member bank other than the depository bank, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds with the exception of deposit insurance provided by the Federal Deposit Insurance Corporation.

A summary of the cash deposits at June 30, 2014 is as follows:

The following summarizes the collateral requirements at June 30, 2014:

	Wells Fargo Bank	New Mexico Finance Authority	LGIP	Total	Component Unit
Demand account	\$ 2,105,655	\$ 393,414	\$ 1,614,299	\$ 4,113,368	\$ 58,124
FDIC Coverage	(250,000)	(250,000)	(1,614,299)	(2,114,299)	(58,124)
Total uninsured public funds	<u>1,855,655</u>	<u>143,414</u>	<u>-</u>	<u>1,999,069</u>	<u>-</u>
50% of uninsured funds	\$ 927,828	\$ 71,707	\$ -	\$ 999,535	\$ -
Pledged collateral	<u>923,343</u>	<u>1,071,780</u>	<u>-</u>	<u>1,995,123</u>	<u>-</u>
Over (under) collateralized	<u>\$ 4,485</u>	<u>\$ 1,000,073</u>	<u>\$ -</u>	<u>\$ 995,588</u>	<u>\$ -</u>

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 on hundred two percent of the fair value of the securities underlying overnight repurchase accounts invested with the institution. At June 30, 2014, the City's investment balances were exposed to custodial credit risk as follows:

	New MexiGROW LGIP
Investment in the State Treasurer's Local Investment Pool	<u>\$ 1,614,299</u>
Total investments subject to custodial credit risk	<u>\$ 1,614,299</u>

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 participate'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 STO's original plan was to amortize the related loss by decreasing the interest earnings of LGIP participants over the first ten months or so of calendar year 2010, with the goal of avoiding any negative impact on the principal balances of LGIP participants. Therefore, interest payments were decreased accordingly. However, on February 27, 2010, the State Treasurer's Office notified LGIP participants that the Reserve unexpectedly announced that it was setting aside an initial \$3.5 billion for the purpose of anticipated and pending litigation against it. STO revised its original plan and announced its intent to isolate the LGIP's Reserve position into a segregated fund named "The Reserve Contingency Fund" that will not earn interest. Any future distributions made by the Reserve will be placed into that fund and then be distributed to the LGIP participants based on each participant's pro rata share of the LGIP balance as of September 15, 2008. The STO is evaluating the new information received from the Reserve to determine whether STO has any recourse in light of the Reserve's actions.

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

Interest Rate Risk

The City's investments at June 30, 2014 include the following:

Investments	Weighted Average Maturities	Fair Value	Rating
State Treasurer Local New MexiGROW LGIP	60 Days	\$ 1,614,299	AAA

Reconciliation to the Statement of Net Position:

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

	Primary Government	Component Unit
Carrying amount		
Deposits	\$ 2,440,575	-
Investments	1,614,299	-
Total	4,054,874	-
Included in the following captions		
Cash and cash equivalents	2,440,575	51,189
Restricted cash	-	3,125
Investments	1,614,299	-
Add: Outstanding checks and other reconciling items	-	3,910
Less: Petty cash	-	(100)
	\$ 4,054,874	\$ 58,124

4. ACCOUNTS RECEIVABLE

Accounts receivable reported in the business-type activities at June 30, 2014 represent net balances due from customers of water, sewer and solid waste services provided by the City. The following is the detail of the business-type receivables at June 30, 2014:

	<u>Accounts Receivable</u>	<u>Allowance for Uncollectibles</u>	<u>Total</u>
Water	\$ 588,718	\$ (87,753)	\$ 500,965
Sewer	33,589	-	33,589
Solid waste	45,575	-	45,575
	<u>\$ 667,882</u>	<u>\$ (87,753)</u>	<u>\$ 580,129</u>

The general fund receivable of \$495,336 consists primarily of gross receipt taxes at June 30, 2014. No allowance for uncollectible accounts has been established for the gross receipts accounts receivable, as management believes the amounts are fully collectible.

Receivable for governmental activities are considered fully collectible and consist of the following:

	<u>Accounts Receivable</u>	<u>Taxes Receivable</u>	<u>Other</u>	<u>Net Receivables</u>
Gross receipts taxes	\$ -	\$ 564,672	\$ -	\$ 564,672
Other	7,809	-	87,384	95,193
	<u>\$ 7,809</u>	<u>\$ 564,672</u>	<u>\$ 87,384</u>	<u>\$ 659,865</u>

Governmental funds report deferred inflows in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year deferred inflows which related to delinquent property taxes was \$13,965.

The component unit accounts receivable were:

	Low Rent Public Housing	Public Housing Capital Fund	Total
Receivables:			
Tenant receivables	\$ 197	\$ -	\$ 197
Total Receivables	<u>\$ 197</u>	<u>\$ -</u>	<u>\$ 197</u>

5. INTERFUND RECEIVABLES, PAYABLES AND TRANSFERS

Accounts payable as of June 30, 2014, are as follows:

	Governmental Activities	Business-type activities	Component unit
Payable to suppliers	\$ 333,885	\$ 241,470	\$ 469
Customer deposits	-	73,702	-
Other accrued expenses	550	-	-
Payable to and on behalf of employees	<u>202,153</u>	<u>27,496</u>	<u>1,719</u>
Total accounts payable and accrued expense	<u>\$ 536,588</u>	<u>\$ 342,668</u>	<u>\$ 2,188</u>

Interfund transfers reflect a transfer of cash due to needs within the fund. The composition of interfund transfers during the year ended June 30, 2014 is as follows:

TRANSFERS:

Transfer in	Amount	Transfer out	Amount
General	\$ 611,134	General Fund	\$ 1,620,300
Fire Fund	28,730	Street Fund	-
Recreation Fund	575,797	Water	466,031
EMS	50,000	Municipal Infrastructure	118,822
Senior Center Fund	249,600	Governmental Gross Receipts	241,944
Swimming Pool Fund	303,851		-
YCCC Fund	18,092		-
Street Fund	206,380		-
Golf	328,092		-
Water	37,096		-
Solid Waste	38,325		-
	<u>\$ 2,447,097</u>		<u>\$ 2,447,097</u>

6. CAPITAL ASSETS

A summary of capital assets and changes occurring during the year ended June 30, 2014, including those changes pursuant to the implementation of GASB Statement No. 34, follows. Land and Construction in Progress is not subject to depreciation.

	Balance June 30, 2013	Additions	Deletions	Transfers	Adjustments	Balance June 30, 2014
<i>Governmental activities:</i>						
Capital assets not being depreciated:						
Land	\$ 252,668	\$ -	\$ -	\$ -	-	\$ 252,668
Construction in progress	720,750	149,836	-	-	(720,750)	149,836
Total	973,418	149,836	-	-	(720,750)	402,504
Other capital assets being depreciated:						
Land improvements	47,665	12,830	-	-	306,838	367,333
Building & improvements	5,093,132	-	-	-	1,481,694	6,574,826
Equipment	570,224	-	4,412	-	102,854	668,666
Vehicles	2,185,924	-	7,900	-	211,252	2,389,276
Roads	3,112,391	-	-	-	-	3,112,391
Library Collections	302,910	-	-	-	(170,946)	131,964
Total	11,312,246	12,830	12,312	-	1,931,692	13,244,456
Less accumulated depreciation for:						
Land Improvements	22,856	7,039	-	-	-	29,895
Building & improvements	4,115,242	57,758	-	-	-	4,173,000
Equipment	337,006	66,470	4,412	-	-	399,064
Vehicles	1,410,007	159,038	7,900	-	-	1,561,145
Roads	1,774,039	95,156	-	-	-	1,869,195
Library Collections	121,164	-	-	-	-	121,164
Total accumulated depreciation	7,780,314	385,461	12,312	-	-	8,153,463
Governmental capital assets, net	\$ 4,505,350	\$ (222,795)	\$ -	\$ -	1,210,942	\$ 5,493,497
<i>Business-type activities</i>						
Capital assets not being depreciated:						
Land	\$ 103,709	\$ -	\$ -	-	-	\$ 103,709
Construction in progress	5,546,315	246,586	-	(5,546,315)	-	246,586
Total	5,650,024	246,586	-	(5,546,315)	-	350,295
Capital assets being depreciated:						
Land and Improvements	83,669	-	-	-	(60,588)	23,081
Buildings & improvements	1,939,063	-	-	-	(503,584)	1,435,479
Equipment	698,878	49,720	-	-	2,593,312	3,341,910
Vehicles	-	-	-	-	401,051	401,051
Utility Systems	9,681,048	-	-	5,546,315	(10,057,963)	5,169,400
Total	12,402,658	49,720	-	5,546,315	(7,627,772)	10,370,921
Less accumulated depreciation:						
Land and Improvements	15,856	400	-	-	4,613	20,869
Building & improvements	960,230	21,944	-	-	(753,375)	228,799
Equipment	361,502	74,885	-	-	803,519	1,239,906
Vehicles	-	26,911	-	-	265,685	292,596
Utility Systems	4,254,627	6,306	-	-	(4,215,410)	45,523
Total accumulated depreciation	5,592,215	130,446	-	-	(3,894,968)	1,827,693
Business-type capital assets, net	\$ 12,460,467	\$ 165,860	\$ -	\$ -	(3,732,804)	\$ 8,893,523

The City reported \$8,153,463 of accumulated depreciation in general fixed assets in use by governmental funds on the Government-Wide Statement of Activities.

Depreciation expense for the year ended June 30, 2014 was charged to the following functions and funds:

Government activities:	
General government	\$ 23,267
Public safety	178,427
Public works	136,576
Culture and recreation	<u>47,191</u>
Total governmental activities	<u>\$ 385,461</u>
Business-type activities:	
Water fund	\$ 76,838
Sewer fund	34,225
Golf fund	<u>19,383</u>
Total governmental activities	<u>\$ 130,446</u>

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014
<i>Component unit activities:</i>				
Capital assets not being depreciated:				
Land	\$ 20,392	\$ -	\$ -	\$ 20,392
Total capital assets not being depreciated:	<u>20,392</u>	<u>-</u>	<u>-</u>	<u>20,392</u>
Capital assets being depreciated:				
Buildings & improvements	588,717	-	-	588,717
Equipment	74,080	-	-	74,080
Total	<u>662,797</u>	<u>-</u>	<u>-</u>	<u>662,797</u>
Total capital assets	<u>683,189</u>	<u>-</u>	<u>-</u>	<u>683,189</u>
Less accumulated depreciation:				
Building & improvements	537,463	5,688	-	543,151
Equipment	67,842	611	-	68,453
Total accumulated depreciation	<u>605,305</u>	<u>6,299</u>	<u>-</u>	<u>611,604</u>
Component unit capital assets, net	<u>\$ 77,884</u>	<u>\$ (6,299)</u>	<u>\$ -</u>	<u>\$ 71,585</u>

The Authority has continued to maintain the cost of its buildings, machinery and equipment and update its depreciation schedule as information becomes available. Depreciation expense for the year ended June 30, 2014, totaled \$6,299.

7. **LONG TERM DEBT**

A summary of changes in long-term debt, including capital lease obligations for the year ended June 30, 2014, was as follows:

	Balance 6/30/13	Additions	Reductions	Balance 06/30/14
Business -Type Activities:				
NMFA - Water lines	\$ 4,960,261	\$ -	\$ 217,169	\$ 4,743,092
NMFA - Water lines	<u>-</u>	<u>640,000</u>	<u>13,508</u>	<u>626,492</u>
Total	<u>\$ 4,960,261</u>	<u>\$ 640,000</u>	<u>\$ 230,677</u>	<u>\$ 5,369,584</u>

Scheduled principal and interest payments on the City's long term debt are as follows:

Year Ended June 30,	Principal	Business -Type Interest	Total
2015	\$ 257,142	\$ 85,404	\$ 342,546
2016	261,733	80,825	342,558
2017	266,413	76,156	342,569
2018	271,186	71,394	342,580
2019	276,054	66,539	342,593
2020-2024	1,456,717	256,438	1,713,155
2025-2029	1,593,674	119,817	1,713,491
2030-2033	<u>986,665</u>	<u>18,862</u>	<u>1,005,527</u>
Total	<u>\$ 5,369,584</u>	<u>\$ 775,435</u>	<u>\$ 6,145,019</u>

Below are the terms, amounts due within one year, and maturity dates of the City's outstanding long term debt:

Description	Interest Rate	Payment Frequency	Payment Amount	Maturity Date	Due Within One Year	Servicing Fund
Business-Type Activities:						
NMFA - Water lines	2.00%	Monthly	\$308,780	May 2032	\$ 224,905	Water
NMFA - Water lines	0.25%	Monthly	\$33,766	June 2013	<u>32,237</u>	Water
					<u>\$ 257,142</u>	

8. ACCRUED COMPENSATED ABSENCES

The City pays any accumulated accrued vacation leave in a lump cash payment to employees upon retirement or to the employee's estate in the event of death. Compensation for sick leave is limited to time-off and is not monetarily compensated. The City does not pay accrued sick leave upon termination. The liability also includes the City's portion of employment taxes related to the hours and time accrued by the employee.

	Balance 06/30/13	Additions	Reductions	Balance 06/30/14	Due Within One Year
Governmental Activities	\$ 73,438	\$ 91,767	\$ 87,948	\$ 77,257	\$ 77,257
Business-Type Activities	26,661	10,906	17,182	20,385	11,246
Component Unit	-	-	-	-	-
	<u>\$ 100,099</u>	<u>\$ 102,673</u>	<u>\$ 105,130</u>	<u>\$ 97,642</u>	<u>\$ 88,503</u>

9. RISK MANAGEMENT

The City is exposed to various risks of loss from torts; theft of, damage to, and destruction of assets; business interruption; errors and omissions; employee injuries and illnesses; natural disasters; and employee health, dental, and accident benefits. The City participates in the New Mexico Self-Insurer's Fund risk pool. The New Mexico Self-Insurer's Fund risk pool operates as a common risk management and insurance program for workers compensation and property and casualty coverage.

These funds are funded entirely by member contributions and are administered by the New Mexico Self-insurer's Fund. The pools are authorized by joint powers agreements entered into by each participating entity as a separate and independent government and legal entity pursuant to the provisions of Section 11-1-1 et. Seq. NMSA 1978. The City's contributions for the year ended June 30, 2014 were \$948,256.

The City has not filed any claims for which the settlement amount exceeded the insurance coverage in any preceding years. However, should a claim be filed against the Authority which exceeds the insurance coverage, the City would be responsible for a loss in excess of the coverage amounts. As claims are filed, the New Mexico Self-Insurers Fund assesses and estimates the potential for loss.

At June 30, 2014 no unpaid claims have been filed which exceed the policy limits and to the best of management's knowledge and belief all known and unknown claims will be covered by insurance. No major lawsuits have been filed against the City.

10. PERA PENSION PLAN

Plan Description: Substantially all of the City'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, 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, PO Box 2123, Santa Fe, New Mexico 87504-2123. The report is also available on PERA's website at www.pera.state.nm.us.

Funding Policy - Plan members are required to contribute 9.15% of general employees, 8.00% for fire department employees and 7.00% for police department employees of their gross salary. The City is required to contribute of 9.15% for general employees, 21.25% for the fire department employees and 18.50% for police department employees of their gross covered salary. The contribution requirements of

plan members and the City are established under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The City's contributions to PERA for the years ending June 30, 2014, 2013, and 2012 were \$312,765, \$302,226, and \$259,350, respectively, equal to the amount of the required contributions for each year.

11. POST-EMPLOYMENT BENEFITS - STATE RETIREE HEALTH CARE PLAN

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.

12. COMMITMENTS AND CONTINGENCIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amount, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time, although the City expects such amount, if any, to be immaterial.

The City is involved in various claims and lawsuits arising in the normal course of business. The City is insured through the New Mexico City Insurance Authority. In the opinion of management, the outcome of these matters will not have a material effect on the financial position of the City.

13. DEFICIT FUND BALANCES OR NET POSITION AND EXCESS OF EXPENDITURES OVER APPROPRIATIONS

A. Deficit fund balance or net position of individual funds:

Fire Special Revenue Fund	\$	13,542
Recreation Special Revenue Fund		11,650
Swimming Pool Special Revenue Fund		7,765
New Cemetery Capital Project Fund		70,453
Downtown Capital Project Fund		268,685
Correction Fund		169
Gun Range Fund		<u>71</u>
Total	\$	<u>372,335</u>

B. Excess of expenditures over appropriations:

	<u>Budget</u>	<u>Actual</u>	<u>Overexpended</u>
General Fund	\$ 4,002,127	\$ 4,172,152	\$ 170,025
Swimming Pool Fund	173,951	207,443	33,492
Paving and Streets Special Revenue Fund	280,380	407,232	126,852
Solid Waste Proprietary Fund	428,000	486,384	58,384
Sewer Proprietary Fund	176,658	353,625	176,967
Golf Proprietary Fund	<u>361,000</u>	<u>601,638</u>	<u>240,638</u>
Total	<u>\$ 5,422,116</u>	<u>\$ 6,228,474</u>	<u>\$ 806,358</u>

14. COMMITMENTS

The City had no material commitments as of June 30, 2014.

15. RELATED PARTY

The City of Eunice sold land to Manuel & Kristy Soriano for the amount of \$20,019. Manuel Soriano is a council member for the City.

16. SUBSEQUENT EVENTS

The date to which events occurring after after June 30, 2014, the date of the most recent, have been evaluated for possible adjustment to the financial statements or disclosures is November 30, 2014 which is the date on which the financial statements were available to be issued.

17. RESTATEMENT

An error resulting in an understatement of previously reported capital assets cash were discovered during the current year. Accordingly, an adjustment of \$3,913,050 was made during the fiscal year ending June 30, 2014 to increase capital assets as of the beginning of the year in governmental funds. Furthermore, an error resulting in an overstatement of previously reported capital assets cash were discovered during the current year. Accordingly, an adjustment of \$3,683,088 was made during the fiscal year ending June 30, 2014 to decrease capital assets as of the beginning of the year in proprietary.

Due to and due from's were carried on the Balance Sheet – Governmental Funds for various years for amounts previously paid off. Accordingly an adjustment was made during the fiscal year ending June 30, 2014 to zero out these accounts

An overstatement of investments was found during test work, accordingly an adjustment to decrease investments was made against fund balance for \$1,396,338 in governmental funds, and \$2,030,864 in enterprise funds. Furthermore, cash balances were overstated in governmental funds by \$1,203,176 and overstated in proprietary funds by \$1,169,998.

As a whole, governmental fund balance was increased \$1,998,083, and decreased net position for proprietary fund by \$4,583,112.

SUPPLEMENTARY INFORMATION

SPECIAL REVENUE FUNDS

Special Revenue funds are used to account for the proceeds of specific revenue sources (other than special assessments, expendable trusts and major capital projects) that are legally restricted to expenditures for specified purposes.

CORRECTION FUND - Accounts for the cost of housing prisoners through the assessment of traffic violations within the City's jurisdiction.

EMERGENCY MEDICAL SERVICES FUND - The objective of this fund is to account for the acquisition of emergency medical equipment. The fund is financed through a grant from the State of NM. The authority for the creation of this fund is the Emergency Medical Fund Act, 24-10A-6, N.M.S.A. 1978.

RECREATION FUND - The objective of this fund is to account for money used for the youth center and parks and recreation.

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

DOWNTOWN CAPITAL PROJECT FUND - The objective of this fund is to account for the money used for the reconstruction of Main Street.

SENIOR CENTER FUND - The objective of the fund is to account for the construction, 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.

YCCC FUND - The objective of this fund is to assist in paying for a projects conducted in the City lake by workers ages 16-18.

YOUTH ADVISORY FUND - Accounts for the Youth Council's money raised for scholarships and community projects.

PAVING AND STREETS FUND - The objective of this fund is to account for the money used to pave the City Streets.

MAINSTREET FUND - Accounts for the donations and grants received and the related expenditures in conjunction with the Mainstreet project.

MUNICIPAL INFRASTRUCTURE CAPITAL PROJECT FUND - Accounts for the one-cent gasoline tax being allocated to the City for the explicit purpose of street repairs.

STATE OF NEW MEXICO
CITY OF EUNICE

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014

	Non Major Governmental Funds					
	EMS Fund	Recreation Fund	Correction Fund	LEPF Fund	Senior Center Fund	Gun Range Fund
ASSETS						
Cash and cash equivalents	\$ -	\$ 2,635	\$ -	\$ 23,248	\$ 27,081	\$ -
Accounts Receivable						
Other	61,984			25,400		
Total assets	\$ 61,984	\$ 2,635	\$ -	\$ 48,648	\$ 27,081	\$ -
LIABILITIES AND FUND BALANCE						
Liabilities						
Accounts payable	10,148	4,375	169	-	9,829	71
Accrued salaries	1,745	9,910	-	-	4,208	-
Total liabilities	11,893	14,285	169	-	14,037	71
Fund Balance						
Special revenue funds	50,091	(11,650)	(169)	48,648	13,044	(71)
Total fund balances	50,091	(11,650)	(169)	48,648	13,044	(71)
Total liabilities and fund balances	\$ 61,984	\$ 2,635	\$ -	\$ 48,648	\$ 27,081	\$ -

Continued

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
CITY OF EUNICE

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014

	Non Major Governmental Funds					
	Swimming Pool Fund	Triangle Beatification Capital Project Fund	Governmental Gross Receipts	Meals on Wheels Capital Project Fund	Economic Development Grant	New Cemetery Capital Project Fund
ASSETS						
Accounts Receivable	\$ -	\$ -	\$ 21,520	\$ -	\$ -	\$ -
Taxes receivables	\$ -	\$ -	\$ 21,520	\$ -	\$ -	\$ -
Total assets	\$ -	\$ -	\$ 43,040	\$ -	\$ -	\$ -
LIABILITIES AND FUND BALANCE						
Liabilities						
Accounts payable	\$ 1,475	\$ -	\$ 8,057	\$ -	\$ -	\$ 70,453
Accrued salaries	6,290	-	-	-	-	-
Total liabilities	\$ 7,765	\$ -	\$ 8,057	\$ -	\$ -	\$ 70,453
Fund balances:						
Special revenue funds	(7,765)	-	13,463	-	-	(70,453)
Total fund balances	(7,765)	-	13,463	-	-	(70,453)
Total liabilities and fund balances	\$ -	\$ -	\$ 21,520	\$ -	\$ -	\$ -

Continued

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
CITY OF EUNICE

COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014

Non Major Governmental Funds							
	Downtown Capital Project Fund	YCCC Project Fund	Youth Advisory Fund	Paving and Streets Capital Project Fund	Municipal Infrastructure Capital Project Fund	Main Street Fund	Total Non Major Funds
ASSETS							
Cash and cash equivalents	\$ -	\$ -	\$ -	\$ 75,640	\$ -	\$ -	\$ 128,604
Accounts Receivable	-	-	-	6,330	43,040	-	70,890
Taxes receivables	-	-	-	-	-	-	87,384
Other	-	-	-	-	-	-	-
Total assets	\$ -	\$ -	\$ -	\$ 81,970	\$ 43,040	\$ -	\$ 286,878
LIABILITIES AND FUND BALANCE							
Liabilities							
Accounts payable	\$ 268,685	\$ -	\$ -	\$ 59,452	\$ -	\$ -	\$ 432,714
Accrued payroll	-	-	-	2,275	-	-	24,428
Total liabilities	268,685	-	-	61,727	-	-	457,142
Fund balances:							
Restricted, reported in:							
Special revenue funds	(268,685)	-	-	20,243	43,040	-	(170,264)
Total fund balances	(268,685)	-	-	20,243	43,040	-	(170,264)
Total liabilities and fund balances	\$ -	\$ -	\$ -	\$ 81,970	\$ 43,040	\$ -	\$ 286,878

Concluded

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
CITY OF EUNICE

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Non Major Governmental Funds					
	EMS Fund	Recreation Fund	Correction Fund	LEPPF Fund	Senior Center Fund	Gun Range Fund
Revenues:						
Federal operating grants	\$ -	\$ -	\$ -	\$ -	\$ 29,528	\$ 960
State operating grants	15,050	10,100	-	24,801	97,628	-
Charges for services	112,831	987	-	-	-	980
Licenses and fees	-	4,557	13,619	-	-	-
Miscellaneous	4,886	4,894	-	-	845	-
Total revenues	132,767	20,538	13,619	24,801	128,001	1,940
Expenditures:						
Current						
General government	201,959	-	4,391	18,686	-	-
Public safety	-	-	-	-	369,806	-
Public works	-	-	-	-	-	-
Culture and recreation	-	494,054	-	-	-	-
Total expenditures	201,959	494,054	4,391	18,686	369,806	-
Excess (deficit) of revenues over expenditures	(69,192)	(473,516)	9,228	6,115	(241,805)	1,940
Other financing sources:						
Transfers in	50,000	575,796	-	-	249,600	-
Transfers out	-	-	-	-	-	-
Total other financing sources	50,000	575,796	-	-	249,600	-
Net Change in fund balances	(19,192)	102,280	9,228	6,115	7,795	1,940
Fund balance - beginning of year, as previously stated	(849,849)	(2,175,788)	191,034	63,604	(742,079)	10,120
Restatement	919,132	2,061,858	(200,431)	(21,071)	747,328	(12,131)
Fund balance - beginning of year, as restated	69,283	(113,930)	(9,397)	42,533	5,249	(2,011)
Fund balance - end of year	\$ 50,091	\$ (11,650)	\$ (1,169)	\$ 48,648	\$ 13,044	\$ (71)

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
CITY OF EUNICE

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Swimming Pool Fund	Triangle Beattification Capital Project Fund	Governmental Gross Receipts	Meals on Wheels Capital Project Fund	Economic Development Grant	New Cemetery Capital Project Fund
Revenues:						
Gross receipts	\$ -	\$ -	\$ 256,361	\$ -	\$ -	\$ -
Charges for services	12,785	-	-	-	-	-
Licenses and fees	18,193	-	-	-	-	-
Total revenues	30,978	-	256,361	-	-	-
Expenditures:						
Current						
Culture and recreation	207,443	-	-	-	-	-
Total expenditures	207,443	-	-	-	-	-
Excess (deficit) of revenues over expenditures	(176,465)	-	256,361	-	-	-
Other financing sources						
Transfers in)	303,851	-	(241,944)	-	-	-
Transfers out	303,851	-	(241,944)	-	-	-
Total other financing sources	127,386	-	14,417	-	-	-
Net Change in fund balances	(199,361)	(7,031)	(140,503)	3,644	5,000	(253,831)
Fund balance - beginning of year, as previously stated	64,210	7,031	139,549	(3,644)	(5,000)	183,378
Restatement	(135,151)	-	(954)	-	-	(70,453)
Fund balance - beginning of year, as restated	\$ (7,765)	\$ -	\$ 13,463	\$ -	\$ -	\$ (70,453)
Fund balance - end of year						

See independent auditors' report and accompanying notes to financial statements

STATE OF NEW MEXICO
CITY OF EUNICE

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Non Major Governmental Funds							Total Non Major Funds
	Downtown Capital Project Fund	YCCC Project	Youth Advisory Fund	Paving and Streets Capital Project Fund	Municipal Infrastructure Capital Project Fund	Main Street Fund		
Revenues:								
Taxes	\$ -	\$ -	\$ -	\$ -	\$ 147,400	\$ -	\$ -	\$ 403,761
Gross receipts	-	-	-	-	-	75,918	-	75,918
Gasoline Taxes	-	-	-	-	-	-	-	29,528
Federal operating grants	-	-	6,136	-	-	-	-	207,217
State operating grants	-	52,542	-	-	-	-	-	126,603
Charges for services	-	-	-	-	-	-	-	37,349
Licenses and fees	-	-	-	-	-	-	-	10,625
Miscellaneous	-	-	-	-	-	-	-	-
Total revenues	-	52,542	6,136	75,918	147,400	-	-	891,001
Expenditures:								
General government	3,322	67,318	-	-	-	-	-	90,395
Public safety	-	-	-	257,396	-	-	-	205,281
Public works	-	-	3,687	-	-	-	-	630,889
Culture and recreation	-	-	-	149,836	-	-	-	701,497
Capital outlay	-	-	-	-	-	-	-	149,836
Total expenditures	3,322	67,318	3,687	407,232	-	-	-	1,777,898
Excess (deficit) of revenues over expenditures	(3,322)	(14,776)	2,449	(331,314)	147,400	-	-	(886,897)
Other financing sources:								
Transfers in	-	18,092	-	206,380	-	-	-	1,403,719
Transfers out	-	-	-	-	(118,822)	-	-	(360,766)
Total other financing sources	-	18,092	-	206,380	(118,822)	-	-	1,042,953
Net Change in fund balances	(3,322)	3,316	2,449	(124,934)	28,578	-	-	156,056
Fund balance - beginning of year, as previously stated	-	-	-	(2,094,084)	1,738,258	(291,709)	-	(4,742,575)
Restatement	(265,363)	(3,316)	(2,449)	2,239,261	(1,723,796)	291,709	-	4,416,255
Fund balance - beginning of year, as restated	(265,363)	(3,316)	(2,449)	145,177	14,462	-	-	(326,320)
Fund balance - end of year	(268,685)	-	-	20,243	43,040	-	-	(170,264)

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
CITY OF EUNICE

EMS 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, 2014

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Intergovernmental income	\$ 8,500	\$ 8,500	\$ 15,050	\$ 6,550
State operating grants	-	-	112,831	112,831
Charges for services	300,313	300,313	4,886	(295,427)
Miscellaneous revenue	-	-	-	-
Total revenues	308,813	308,813	132,767	(176,046)
EXPENDITURES:				
Current	263,853	263,853	201,959	61,894
Public safety	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	263,853	263,853	201,959	61,894
Excess (deficiency) of revenues over expenditures	44,960	44,960	(69,192)	(114,152)
OTHER FINANCING SOURCES				
Transfers in	50,000	50,000	50,000	-
Total other financing sources	50,000	50,000	50,000	-
Net changes in fund balance	94,960	94,960	(19,192)	(114,152)
Fund balance - beginning of the year, as previously stated	-	-	(849,849)	(849,849)
Restatement	-	-	919,132	919,132
Fund balance - beginning of the year, as restated	-	-	69,283	69,283
Fund balance - end of the year	\$ 94,960	\$ 94,960	\$ 50,091	\$ (44,869)
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ (19,192)	
Net change in fund balance GAAP basis			\$ (19,192)	

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
CITY OF EUNICE

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
RECREATION SPECIAL REVENUE FUND
FOR THE YEAR ENDED JUNE 30, 2014

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Taxes:				
Other	\$ 42,510	\$ 42,510	\$ -	\$ (42,510)
State operating grants	-	-	10,100	10,100
Charges for services	-	-	987	987
Licenses and fees	-	-	4,557	4,557
Miscellaneous	-	-	4,894	4,894
Total revenues	42,510	42,510	20,538	(21,972)
EXPENDITURES:				
Current				
Culture and recreation	618,307	618,307	494,054	124,253
Total expenditures	618,307	618,307	494,054	124,253
Excess (deficiency) of revenues over expenditures	(575,797)	(575,797)	(473,516)	(146,225)
OTHER FINANCING SOURCES (USES)				
Transfers in	575,797	575,797	575,796	-
Total other financing sources (uses)	575,797	575,797	575,796	-
Net changes in fund balance	-	-	102,280	(146,225)
Fund balance - beginning of the year, as previously stated	(2,175,788)	(2,175,788)	(2,175,788)	-
Restatement	-	-	2,061,858	2,061,858
Fund balance - beginning of the year, as restated	(2,175,788)	(2,175,788)	(113,930)	2,061,858
Fund balance - end of the year	\$ (2,175,788)	\$ (2,175,788)	\$ (11,650)	\$ 1,915,633
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ 102,280	
Net change in fund balance GAAP basis			\$ 102,280	

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
CITY OF EUNICE

**CORRECTIONS 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, 2014**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Licenses and fees	\$ 11,000	\$ 11,015	\$ 13,619	\$ 2,604
Total revenues	11,000	11,015	13,619	2,604
EXPENDITURES:				
Current				
General government	11,000	11,000	4,391	6,609
Total expenditures	11,000	11,000	4,391	6,609
Excess (deficiency) of revenues over expenditures	-	15	9,228	9,213
Net changes in fund balance	-	15	9,228	9,213
Fund balance - beginning of the year, as previously stated	191,034	191,034	191,034	-
Restatement	-	-	(200,431)	(200,431)
Fund balance - beginning of the year, as restated	191,034	191,034	(9,397)	(200,431)
Fund balance - end of the year	<u>\$ 191,034</u>	<u>\$ 191,049</u>	<u>\$ (169)</u>	<u>\$ (191,218)</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			<u>\$ 9,228</u>	
Net change in fund balance GAAP basis			<u>\$ 9,228</u>	

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
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, 2014

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
State operating grants	\$ 24,800	\$ 24,800	\$ 24,801	\$ 1
Total revenues	24,800	24,800	24,801	1
EXPENDITURES:				
Current				
Public safety	23,800	23,800	18,686	5,114
Total expenditures	23,800	23,800	18,686	5,114
Excess (deficiency) of revenues over expenditures	1,000	1,000	6,115	5,115
Net changes in fund balance	1,000	1,000	6,115	5,115
Fund balance - beginning of the year, as previously stated	63,604	63,604	63,604	-
Restatement	-	-	(21,071)	-
Fund balance - beginning of the year, as restated	63,604	63,604	42,533	-
Fund balance - end of the year	\$ 64,604	\$ 64,604	\$ 48,648	\$ 5,115
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ 6,115	
Net change in fund balance GAAP basis			\$ 6,115	

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
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, 2014

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Federal operating grants	\$ 32,997	\$ 32,997	\$ 29,528	\$ (3,469)
State operating grants	43,143	54,336	97,628	43,292
Miscellaneous	<u>60,908</u>	<u>49,715</u>	<u>845</u>	<u>(48,870)</u>
Total revenues	137,048	137,048	128,001	(9,047)
EXPENDITURES:				
Current				
Culture and recreation	<u>386,648</u>	<u>386,648</u>	<u>369,806</u>	<u>16,842</u>
Total expenditures	<u>386,648</u>	<u>386,648</u>	<u>369,806</u>	<u>16,842</u>
Excess (deficiency) of revenues over expenditures	(249,600)	(249,600)	(241,805)	7,795
OTHER FINANCING SOURCES				
Transfers in	<u>249,600</u>	<u>249,600</u>	<u>249,600</u>	<u>-</u>
Total other financing sources	<u>249,600</u>	<u>249,600</u>	<u>249,600</u>	<u>-</u>
Net changes in fund balance	-	-	7,795	7,795
Fund balance - beginning of the year, as previously stated	(742,079)	(742,079)	(742,079)	-
Restatement	<u>-</u>	<u>-</u>	<u>747,328</u>	<u>747,328</u>
Fund balance - beginning of the year, as previously stated	<u>(742,079)</u>	<u>(742,079)</u>	<u>5,249</u>	<u>747,328</u>
Fund balance - end of the year	<u>\$ (742,079)</u>	<u>\$ (742,079)</u>	<u>\$ 13,044</u>	<u>\$ 755,123</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			<u>\$ 7,795</u>	
Net change in fund balance GAAP basis			<u>\$ 7,795</u>	

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
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, 2014

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
State capital grants	4500 \$	4,500 \$	960 \$	(3,540)
Licenses and permits	-	-	980	980
Total revenues	4,500	4,500	1,940	(2,560)
EXPENDITURES:				
Current				
Culture and recreation	4,000	4,000	-	4,000
Total expenditures	4,000	4,000	-	4,000
Excess (deficiency) of revenues over expenditures	500	500	1,940	1,440
Net changes in fund balance	500	500	1,940	1,440
Fund balance - beginning of the year, as previously Stated	10,120	10,120	10,120	-
Restatement	-	-	(12,131)	(12,131)
Fund balance - beginning of the year, as restated	10,120	10,120	(2,011)	(12,131)
Fund balance - end of the year	\$ 10,620	\$ 10,620	\$ (71)	\$ (10,691)
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ 1,940	
Net change in fund balance GAAP basis			\$ 1,940	

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
CITY OF EUNICE

SWIMMING POOL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Charges for services	\$ 40,000	\$ 40,000	\$ 12,785	\$ (27,215)
Licenses and permits	-	-	18,193	18,193
Total revenues	40,000	40,000	30,978	(9,022)
EXPENDITURES:				
Current				
Culture and recreation	253,951	173,951	207,443	(33,492)
Total expenditures	253,951	173,951	207,443	(33,492)
Excess (deficiency) of revenues over expenditures	(213,951)	(133,951)	(176,465)	(42,514)
OTHER FINANCING SOURCES (USES)				
Transfers in	213,951	213,951	303,851	89,900
Total other financing sources (uses)	213,951	213,951	303,851	89,900
Net changes in fund balance	-	80,000	127,386	47,386
Fund balance - beginning of the year, as previously stated	(199,361)	(199,361)	(199,361)	-
Restatement	-	-	64,210	64,210
Fund balance - beginning of the year, as restated	(199,361)	(199,361)	(135,151)	64,210
Fund balance - end of the year	\$ (199,361)	\$ (119,361)	\$ (7,765)	\$ 111,596
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ 127,386	
Net change in fund balance GAAP basis			\$ 127,386	

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
CITY OF EUNICE

GOVERNMENT GROSS RECEIPTS 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, 2014

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Gross receipts	\$ -	\$ -	\$ 241,944	\$ 241,944
Total revenues	-	-	241,944	241,944
EXPENDITURES:				
General government	-	92,000	-	92,000
Total expenditures	-	92,000	-	92,000
Excess (deficiency) of revenues over expenditures	-	(92,000)	241,944	333,944
OTHER FINANCING SOURCES				
Transfers out	-	-	(241,944)	(241,944)
Total other financing sources	-	-	(241,944)	(241,944)
Net changes in fund balance	-	(92,000)	-	92,000
Fund balance - beginning of the year, as previously stated	(140,503)	(140,503)	(140,503)	-
Restatement	-	-	139,549	139,549
Fund balance - beginning of the year, as restated	(140,503)	(140,503)	(954)	139,549
Fund balance - end of the year	\$ (140,503)	\$ (232,503)	\$ (954)	\$ 231,549
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ -	
Net revenue accruals			14,417	
Net change in fund balance GAAP basis			\$ 14,417	

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
CITY OF EUNICE

**ECONOMIC DEVELOPMENT 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, 2014**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Total revenues	\$ -	\$ -	\$ -	\$ -
EXPENDITURES:				
Total expenditures	-	-	-	-
Fund balance - beginning of the year, as previously stated	-	-	5,000	5,000
Restatement	-	-	(5,000)	(5,000)
Fund balance - beginning of the year, as restated	-	-	-	-
Fund balance - end of the year	\$ -	\$ -	\$ -	\$ -
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ -	
Net change in fund balance GAAP basis			\$ -	

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
CITY OF EUNICE

YCCC 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, 2014

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
State grants	\$ -	\$ 54,898	\$ 52,542	\$ (2,356)
Total revenues	-	54,898	52,542	(2,356)
EXPENDITURES:				
Current				
General government	-	72,990	67,318	5,672
Total expenditures	-	72,990	67,318	5,672
Excess (deficiency) of revenues over expenditures	-	(18,092)	(14,776)	3,316
OTHER FINANCING USES				
Transfers in	-	18,092	18,092	-
Total other financing uses	-	18,092	18,092	-
Net changes in fund balance	-	-	3,316	3,316
Fund balance - beginning of the year, as previously stated	-	-	-	-
Restatement	-	-	(3,316)	(3,316)
Fund balance - beginning of the year, as restated	-	-	(3,316)	(3,316)
Fund balance - end of the year	\$ -	\$ -	\$ -	\$ -
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ 3,316	
Net change in fund balance GAAP basis			\$ 3,316	

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
CITY OF EUNICE

**YOUTH ADVISORY 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, 2014**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
State grants	\$ -	\$ 10,500	\$ 6,136	\$ (4,364)
Total revenues	-	10,500	6,136	(4,364)
EXPENDITURES:				
Current				
Public works	-	11,000	3,687	7,313
Total expenditures	-	11,000	3,687	7,313
Excess (deficiency) of revenues over expenditures	-	(500)	2,449	2,949
Transfers in	-	500	-	(500)
Total other financing sources	-	500	-	(500)
Net changes in fund balance	-	-	2,449	2,449
Fund balance - beginning of the year, as previously stated	-	-	-	-
Restatement	-	-	(2,449)	(2,449)
Fund balance - beginning of the year, as restated	-	-	(2,449)	(2,449)
Fund balance - end of the year	\$ -	\$ -	\$ -	\$ -
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ 2,449	
Net change in fund balance GAAP basis			\$ 2,449	

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
CITY OF EUNICE

MUNICIPAL STREET 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, 2014

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Total revenues	\$ -	\$ -	\$ -	\$ -
EXPENDITURES:				
Total expenditures	-	-	-	-
Net changes in fund balance	-	-	-	-
Fund balance - beginning of the year, as previously stated	(291,709)	(291,709)	(291,709)	-
Restatement	-	-	291,709	291,709
Fund balance - beginning of the year, as restated	(291,709)	(291,709)	-	291,709
Fund balance - end of the year	<u>\$ (291,709)</u>	<u>\$ (291,709)</u>	<u>\$ -</u>	<u>\$ 291,709</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			<u>\$ -</u>	
Net change in fund balance GAAP basis			<u>\$ -</u>	

See independent auditors' report and accompanying notes to financial statements.

CAPITAL PROJECTS FUNDS

STATE OF NEW MEXICO
CITY OF EUNICE

**TRIANGLE BEAUTIFICATION CAPITAL PROJECT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Total revenues	\$ -	\$ -	\$ -	\$ -
EXPENDITURES:				
Total expenditures	-	-	-	-
Net changes in fund balance	-	-	-	-
Fund balance - beginning of the year, as previously stated	-	-	(7,031)	(7,031)
Restatement	-	-	7,031	7,031
Fund balance - beginning of the year, as restated	-	-	-	-
Fund balance - end of the year	\$ -	\$ -	\$ -	\$ -
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ -	
Net change in fund balance GAAP basis			\$ -	

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
CITY OF EUNICE

MEALS ON WHEELS 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, 2014

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Total revenues	\$ -	\$ -	\$ -	\$ -
EXPENDITURES:				
Total expenditures	-	-	-	-
Net changes in fund balance	-	-	-	-
Fund balance - beginning of the year, as previously stated	3,644	3,644	3,644	-
Restatement	-	-	(3,644)	3,644
Fund balance - beginning of the year, as restated	3,644	3,644	-	3,644
Fund balance - end of the year	<u>\$ 3,644</u>	<u>\$ 3,644</u>	<u>\$ -</u>	<u>\$ 3,644</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			<u>\$ -</u>	
Net change in fund balance GAAP basis			<u>\$ -</u>	

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
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, 2014

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Total revenues	\$ -	\$ -	\$ -	\$ -
EXPENDITURES:				
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	-	-
Fund balance - beginning of the year, as previously stated	(253,831)	(253,831)	(253,831)	-
Restatement	-	-	183,378	183,378
Fund balance - beginning of the year, as restated	(253,831)	(253,831)	(70,453)	183,378
Fund balance - end of the year	<u>\$ (253,831)</u>	<u>\$ (253,831)</u>	<u>\$ (70,453)</u>	<u>\$ 183,378</u>

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
CITY OF EUNICE

**DOWNTOWN 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, 2014**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Total revenues	\$ -	\$ -	\$ -	\$ -
EXPENDITURES:				
Current				
Public safety	-	100,000	3,322	96,678
Total expenditures	-	100,000	3,322	96,678
Excess (deficiency) of revenues over expenditures	-	(100,000)	(3,322)	96,678
Net changes in fund balance	-	(100,000)	(3,322)	96,678
Fund balance - beginning of the year, as previously stated	-	-	-	-
Restatement	-	-	(265,363)	(265,363)
Fund balance - beginning of the year, as restated	-	-	(265,363)	(265,363)
Fund balance - end of the year	\$ -	\$ (100,000)	\$ (268,685)	\$ (168,685)
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ (3,322)	
Net change in fund balance GAAP basis			\$ (3,322)	

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
CITY OF EUNICE

PAVING AND STREETS 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, 2014

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Taxes:				
Gasoline and motor vehicle	\$ 74,000	\$ 74,000	\$ 74,798	\$ 798
Miscellaneous	324,247	324,247	-	(324,247)
Total revenues	398,247	398,247	74,798	(323,449)
EXPENDITURES:				
Current				
Public works	280,380	280,380	257,396	22,984
Capital outlay	-	-	149,836	(149,836)
Total expenditures	280,380	280,380	407,232	(126,852)
Excess (deficiency) of revenues over expenditures	117,867	117,867	(332,434)	(450,301)
OTHER FINANCING SOURCES (USES)				
Transfers in	206,380	524,123	206,380	(317,743)
Total other financing sources (uses)	206,380	524,123	206,380	(317,743)
Net changes in fund balance	324,247	641,990	(126,054)	(768,044)
Fund balance - beginning of the year, as previously stated	(4,742,575)	(4,742,575)	(2,094,084)	2,648,491
Restatement	-	-	2,239,261	2,239,261
Fund balance - beginning of the year, as restated	(4,742,575)	(4,742,575)	145,177	4,887,752
Fund balance - end of the year	<u>\$ (4,418,328)</u>	<u>\$ (4,100,585)</u>	<u>\$ 19,123</u>	<u>\$ (4,119,708)</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ (126,054)	
Net revenue accruals			1,120	
Net change in fund balance GAAP basis			<u>\$ (124,934)</u>	

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
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, 2014

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
State shared taxes	\$ 200,000	\$ 200,000	\$ 118,822	\$ (81,178)
Total revenues	200,000	200,000	118,822	(81,178)
EXPENDITURES:				
Public works	200,000	200,000	-	200,000
Total expenditures	200,000	200,000	-	200,000
Excess (deficiency) of revenues over expenditures	-	-	118,822	118,822
OTHER FINANCING SOURCES				
Transfers out	-	-	(118,822)	(118,822)
Total other financing sources	-	-	(118,822)	(118,822)
Fund balance - beginning of the year, as previously stated	-	-	1,738,258	1,738,258
Restatement	-	-	(1,723,796)	(1,723,796)
Fund balance - beginning of the year, as restated	-	-	14,462	14,462
Fund balance - end of the year	\$ -	\$ -	\$ 14,462	\$ 14,462
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ -	
Net revenue accruals			28,578	
Net change in fund balance GAAP basis			\$ 28,578	

See independent auditors' report and accompanying notes to financial statements.

PROPRIETARY FUNDS

STATE OF NEW MEXICO
CITY OF EUNICE

**WATER PROPRIETARY FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
State shared taxes	\$ -	\$ -	\$ 436,532	\$ 436,532
Charges for services	1,600,000	1,600,000	1,456,907	(143,093)
Other grants and contributions	1,308,700	908,700	6,279	(902,421)
Interest income	-	-	765	765
Total revenues	2,908,700	2,508,700	1,900,483	(608,217)
EXPENDITURES:				
Current				
Public works	2,121,716	2,508,700	1,915,386	593,314
Debt service	-	-	546,384	(546,384)
Interest	-	-	-	-
Total expenditures	2,121,716	2,508,700	2,461,770	46,930
Excess (deficiency) of revenues over expenditures	786,984	-	(561,287)	(561,287)
OTHER FINANCING SOURCES				
Transfers in	-	-	37,096	37,096
Transfers out	391,433	(67,925)	(466,031)	(398,106)
Total other financing sources	391,433	(67,925)	(428,935)	(361,010)
Net changes in fund balance	1,178,417	(67,925)	(990,222)	(922,297)
Fund balance - beginning of the year, as previously stated	12,581,344	12,581,344	12,581,344	-
Restatement	-	-	(6,857,845)	(6,857,845)
Fund balance - beginning of the year, as restated	(12,581,344)	(12,581,344)	(5,723,499)	(6,857,845)
Fund balance - end of the year	\$ 13,759,761	\$ 12,513,419	\$ 4,733,277	\$ (7,780,142)
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ (990,222)	
Net revenue accruals			588,718	
Net change in fund balance GAAP basis			\$ (401,504)	

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
CITY OF EUNICE

SEWER PROPRIETARY FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Charges for services	\$ 250,000	\$ 250,000	\$ 278,474	\$ 28,474
Interest income	300	300	158	(142)
Total revenues	250,300	250,300	278,632	28,332
EXPENDITURES:				
Current				
Public works	176,658	176,658	353,625	(176,967)
Total expenditures	176,658	176,658	353,625	(176,967)
Excess (deficiency) of revenues over expenditures	73,642	73,642	(74,993)	(148,635)
Net changes in fund balance	73,642	73,642	(74,993)	(148,635)
Fund balance - beginning of the year, as previously stated	1,020,188	1,020,188	1,020,188	-
Restatement	-	-	169,413	(169,413)
Fund balance - beginning of the year, as restated	(1,020,188)	(1,020,188)	(1,189,601)	169,413
Fund balance - end of the year	\$ 1,093,830	\$ 1,093,830	\$ 1,114,608	\$ (318,048)
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ (74,993)	
Net change in fund balance GAAP basis			\$ (74,993)	

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
CITY OF EUNICE

**SOLID WASTE PROPRIETARY FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Charges for services	\$ 360,075	\$ 360,000	\$ 402,346	\$ 42,346
Interest income	75	75	21	(54)
Total revenues	360,150	360,075	402,367	42,292
EXPENDITURES:				
Current				
Public works	428,000	428,000	486,384	(58,384)
Total expenditures	428,000	428,000	486,384	(58,384)
Excess (deficiency) of revenues over expenditures	(67,850)	(67,925)	(84,017)	(16,092)
OTHER FINANCING SOURCES				
Transfers in	67,925	67,925	38,325	(29,600)
Total other financing sources	67,925	67,925	38,325	(29,600)
Net changes in fund balance	75	-	(45,692)	(45,692)
Fund balance - beginning of the year, as previously stated	(317,344)	(317,344)	(317,344)	-
Restatement	-	-	404,675	404,675
Fund balance - beginning of the year, as restated	(317,344)	(317,344)	87,331	404,675
Fund balance - end of the year	\$ (317,269)	\$ (317,344)	\$ 41,639	\$ 358,983
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ (45,692)	
Net change in fund balance GAAP basis			\$ (45,692)	

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
CITY OF EUNICE

GOLF PROPRIETARY FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Positive (Negative)
REVENUES:				
Charges for services	\$ 143,150	\$ 143,150	\$ 171,391	\$ 28,241
Other and miscellaneous	-	-	3,980	3,980
Total revenues	143,150	143,150	175,371	32,221
EXPENDITURES:				
Current				
Public works	361,000	361,000	601,638	(240,638)
Total expenditures	361,000	361,000	601,638	(240,638)
Excess (deficiency) of revenues over expenditures	(217,850)	(217,850)	(426,267)	272,859
OTHER FINANCING SOURCES				
Transfers in	308,735	217,850	328,092	110,242
Total other financing sources	308,735	217,850	328,092	110,242
Net changes in fund balance	90,885	-	(98,175)	98,175
Fund balance - beginning of the year, as previously stated	(1,230,428)	(1,230,428)	(1,230,428)	-
Restatement	-	-	1,700,645	1,700,645
Fund balance - beginning of the year, as restated	1,230,428	1,230,428	(470,217)	(1,700,645)
Fund balance - end of the year	<u>\$ (1,139,543)</u>	<u>\$ (1,230,428)</u>	<u>\$ 372,042</u>	<u>\$ 1,798,820</u>
Reconciliation of budgetary basis to GAAP basis:				
Net change in fund balance budgetary basis			\$ (98,175)	
Net expenditure accruals			(1,271)	
Net change in fund balance GAAP basis			<u>\$ (99,446)</u>	

See independent auditors' report and accompanying notes to financial statements.

SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
CITY OF EUNICE

SCHEDULE OF FINANCIAL DATA FOR THE CITY OF EUNICE HOUSING AUTHORITY A
COMPONENT UNIT OF THE CITY OF EUNICE
JUNE 30, 2014

FDS LINE #	Accounts Description	Low Rent Public Housing Program	Public Housing Capital Fund Program	Total
	ASSETS:			
111	Cash - unrestricted	\$ 25,976	\$ -	\$ 25,976
114	Cash - tenant security deposits	3,125	-	3,125
100	Total cash	<u>29,101</u>	<u>-</u>	<u>29,101</u>
		197	-	197
126	Accounts receivable - tenants - dwelling rents	197	-	197
120	Total receivables, net of allowances for doubtful accounts	<u>197</u>	<u>-</u>	<u>197</u>
		25,213	-	25,213
131	Investments - Unrestricted	54,511	-	54,511
150	Total current assets	<u>54,511</u>	<u>-</u>	<u>54,511</u>
		20,392	-	20,392
161	Land	588,717	-	588,717
162	Buildings	74,080	-	74,080
163	Furniture, equipment & machinery - dwellings	(611,604)	-	(611,604)
166	Accumulated depreciation	71,585	-	71,585
160	Total capital assets, net of accumulated depreciation	<u>71,585</u>	<u>-</u>	<u>71,585</u>
		71,585	-	71,585
180	Total non-current assets	<u>71,585</u>	<u>-</u>	<u>71,585</u>
		126,096	-	126,096
190	Total assets	<u>126,096</u>	<u>-</u>	<u>126,096</u>
	LIABILITIES:			
312	Accounts payable <90 days	470	-	470
321	Accrued wage/payroll taxes payable	1,658	-	1,658
322	Accrued compensated absences - current portion	60	-	60
341	Tenant security deposits	3,223	-	3,223
346	Accrued liabilities - other	3,076	-	3,076
310	Total current liabilities	<u>8,487</u>	<u>-</u>	<u>8,487</u>
		8,487	-	8,487
300	Total liabilities	<u>8,487</u>	<u>-</u>	<u>8,487</u>
	EQUITY			
508.1	Net investment in capital assets	71,585	-	71,585
512.4	Restricted	3,125	-	3,125
512.4	Unrestricted net position	42,899	-	42,899
513	Total equity/net position	<u>117,609</u>	<u>-</u>	<u>117,609</u>
		126,096	-	126,096
600	Total liabilities and equity/net position	<u>\$ 126,096</u>	<u>\$ -</u>	<u>\$ 126,096</u>

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
CITY OF EUNICE

SCHEDULE OF FINANCIAL DATA FOR THE CITY OF EUNICE HOUSING AUTHORITY A
COMPONENT UNIT OF THE CITY OF EUNICE

FDS Line#	Accounts Description	Low Rent Public Housing Program	Public Housing Capital Fund Program	Total
	REVENUE:			
70300	Net tenant rental revenue	\$ 45,397	\$ -	\$ 45,397
70400	Other tenant revenue	1,291	-	1,291
70500	Total tenant revenue	<u>46,688</u>	<u>-</u>	<u>46,688</u>
70600	HUD PHA operating grants	39,705	17,431	57,136
71100	Investment income - unrestricted	46	-	46
71500	Other revenue	1,326	-	1,326
70000	Total revenue	<u>87,765</u>	<u>17,431</u>	<u>105,196</u>
	EXPENSES:			
91100	Administrative salaries	29,484	-	29,484
91200	Auditing fees	10,781	-	10,781
91300	Management fees	7,902	-	7,902
91500	Employee benefit contributions - administrative	13,637	-	13,637
91900	Other	1,889	-	1,889
91000	Total operating - administrative	<u>63,693</u>	<u>-</u>	<u>63,693</u>
93100	Water	4,470	-	4,470
93200	Electricity	5,688	-	5,688
93300	Gas	790	-	790
93800	Other Utilities Expense	3,038	-	3,038
93000	Total Utilities	<u>13,986</u>	<u>-</u>	<u>13,986</u>
94100	Ordinary maintenance and operations - labor	-	11,975	11,975
94300	Ordinary maintenance and operations - contracts	37,429	5,456	42,885
94000	Total maintenance	<u>37,429</u>	<u>17,431</u>	<u>54,860</u>
96110	Property insurance	8,212	-	8,212
96100	Total insurance premiums	<u>8,212</u>	<u>-</u>	<u>8,212</u>
96200	Other general expenses	15,453	-	15,453
96210	Compensated absences	1,851	-	1,851
96400	Bad debt - Tenant Rents	105	-	105
96000	Total other general expenses	<u>17,409</u>	<u>-</u>	<u>17,409</u>
96900	Total operating expenses	<u>140,729</u>	<u>17,431</u>	<u>158,160</u>
97000	Excess of operating revenue over operating	(52,964)	-	(52,964)
97400	Depreciation expense	6,299	-	6,299
90000	Total expenses	<u>\$ 147,028</u>	<u>\$ 17,431</u>	<u>\$ 164,459</u>

STATE OF NEW MEXICO
CITY OF EUNICE

SCHEDULE OF FINANCIAL DATA FOR THE CITY OF EUNICE HOUSING AUTHORITY A
COMPONENT UNIT OF THE CITY OF EUNICE

FDS Line#	Accounts Description	Low Rent Public Housing Program	Public Housing Capital Fund Program	Total
	OTHER FINANCING SOURCES(USES):			
10010	Operating transfers in	\$ -	\$ 4,500	\$ 4,500
10020	Operating transfers out	-	(4,500)	(4,500)
10100	Total other financing sources(uses)	-	-	-
10000	Excess (deficiency) of total revenue over (under) total expenses	(59,263)	-	(59,263)
11030	Beginning equity	176,872	-	176,872
	Ending equity(deficit)	117,609	-	117,609
11190	Unit months available	240	-	240
11210	Number of unit months leased	\$ 238	\$ -	\$ 238

STATE OF NEW MEXICO
CITY OF EUNICE

SCHEDULE OF DEPOSITORIES AND TEMPORARY INVESTMENTS BY DEPOSITORY FOR PUBLIC FUNDS
JUNE 30, 2014

	Account Type	Fund Type	Amount Per Bank	Net Reconciling Items	Balance Per Books
Wells Fargo					
Operating Fund	Checking	Governmental	\$ 438,967	\$ (57,281)	\$ 381,686
Utility Account	Checking	Governmental	1,665,137	(1,213)	1,663,924
BEC Project	Checking	Governmental	1,551	-	1,551
Total Checking			<u>\$ 2,105,655</u>	<u>\$ (58,494)</u>	<u>\$ 2,047,161</u>
New Mexico State Treasurer - Local Government Investment Pool					
General Fund		Governmental	\$ 717,511	\$ -	\$ 717,511
Water		Business-type	896,788	-	896,788
Total deposits			<u>\$ 1,614,299</u>	<u>\$ -</u>	<u>\$ 1,614,299</u>
New Mexico Finance Authority					
Cash held by NMFA		Governmental	\$ 393,414	\$ -	\$ 393,414
			<u>\$ 393,414</u>	<u>\$ -</u>	<u>\$ 393,414</u>
Total cash and equivalents			<u>\$ 4,113,368</u>	<u>\$ (58,494)</u>	<u>\$ 4,054,874</u>

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
CITY OF EUNICE

SCHEDULE OF DEPOSITORIES AND TEMPORARY INVESTMENTS BY DEPOSITORY FOR PUBLIC FUNDS

Component Unit-Housing Authority		Account Number	Bank Balance	Deposits in Transit	Outstanding Checks	Book Balance
Wells Fargo Bank	Bank Name					
General Fund		1103416607	\$ 29,815	\$ -	\$ 3,938	\$ 25,877
Tenant deposits		1103416607	3,125	-	-	3,125
Certificate of deposit		3266083439	10,074	11	-	10,085
Certificate of deposit		3266083421	15,110	17	-	15,127
			<u>\$ 58,124</u>	<u>\$ 28</u>	<u>\$ 3,938</u>	\$ 54,214
Total cash in bank						<u>100</u>
Petty cash						<u>\$ 54,314</u>
Total cash and cash equivalents						
Statement of net position						51,189
Cash and cash equivalents						<u>3,125</u>
Restricted cash and cash equivalents						<u>\$ 54,314</u>
Total cash and cash equivalents						

STATE OF NEW MEXICO
CITY OF EUNICE

SCHEDULE OF DEPOSITORIES AND TEMPORARY INVESTMENTS BY DEPOSITORY FOR PUBLIC FUNDS
JUNE 30, 2014

Reconciliation of Public Funds to Government-Wide Balance Sheet:

	Governmental Activities	Business-Type Activities	Total
Cash and cash equivalents - Unrestricted	\$ 383,237	\$ 2,057,338	\$ 2,440,575
Cash and cash equivalents - Restricted	-	-	-
Investments - Unrestricted	<u>717,511</u>	<u>896,788</u>	<u>1,614,299</u>
	<u>\$ 1,100,748</u>	<u>\$ 2,954,126</u>	<u>\$ 4,054,874</u>
 Cash Source:			
Wells Fargo			\$ 2,047,161
LGIP			1,614,299
NMFA			<u>393,414</u>
			<u>\$ 4,054,874</u>
			Concluded

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
CITY OF EUNICE

SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY FOR PUBLIC FUNDS
AS OF JUNE 30, 2014

Description of Pledged Collateral	Amount	Name and Location
FN POOL AT2724, CUSIP#3138WQA28, Maturing 05/1/2043	\$ 84,092	Wells Fargo
FN POOL AU4293, CUSIP#3138X3XX5, Maturing 09/1/2043	839,251	Wells Fargo
FNMA POOL, CUSIP#3138X3XX5, Maturing 9/1/2043	<u>1,071,780</u>	First Community Bank Bank of Albuquerque
Total pledged securities	<u>\$ 1,995,123</u>	

See independent auditors' report and accompanying notes to financial statements.

STATE OF NEW MEXICO
CITY OF EUNICE

SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES-AGENCY FUNDS
AS OF JUNE 30, 2014

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014
Employee retirement fund				
Assets				
Cash and cash equivalents	\$ 43,813	\$ 7,723	\$ 51,536	\$ -
Total assets	\$ 43,813	\$ 7,723	\$ 51,536	\$ -
Liabilities				
Deposits held and due to others	\$ 43,814	\$ -	\$ 43,814	\$ -
Total liabilities	\$ 43,814	\$ -	\$ 43,814	\$ -

COMPLIANCE SECTION



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SAMANIEGO+
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**INDEPENDENT AUDITORS' 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 H. Balderas,
New Mexico State Auditor
The Council Members
City of Eunice
Eunice, New Mexico

We have audited, in accordance with the 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, the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, the aggregate remaining fund information, the budgetary comparison of the general fund and major special revenue funds, of the City of Eunice as of and for the year ended June 30, 2014 and the related notes to the financial statements, which collectively comprise the City of Eunice basic financial statements and the combining and individual funds and related budgetary comparisons presented as supplemental information, and have issued our report thereon dated November 30, 2014.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and responses, we identified certain deficiencies in internal control that we consider to be material weaknesses and 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 to be material weaknesses. 2010-003 [2010-3].

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 to be significant deficiencies. 2006-

006 [2006-6], 2007-002 [2007-2], 2008-005 [2008-05], 2014-001, 2014-002, 2014-003, 2014-004, 2014-001

Compliance and Other Matters

As part of obtaining reasonable assurance about whether 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*.

The City's Response to Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not provided an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

White + Samamez + Campbell, LLP

El Paso, Texas
November 30, 2014

STATE OF NEW MEXICO
CITY OF EUNICE

SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2014

Section II - Prior year findings:

2006-6	Budget (Non Compliance)	Revised and Repeated
2007-2	Preparation of Financial Statements (Significant Deficiency)	Revised and Repeated
2008-5	Deficiencies in Accounting for Capital Assets (Material Weakness)	Revised and Repeated

Component Unit

2007-1	Preparation of Financial Statements	Resolved
2009-1	Internal Control/Segregation of duties (Significant Deficiency)	Resolved
2010-3	Internal Control Structure Design, Operation, and Oversight (Material Weakness)	Revised and Repeated
2013-1	Move-in and annual inspection (Non Compliance)	Resolved

STATE OF NEW MEXICO
CITY OF EUNICE

SCHEDULE OF FINDINGS AND RESPONSES
JUNE 30, 2014

Budget (2006-006) [2006-6] - Significant Deficiency

CONDITION A budget was set, but over expended for the General, Paving and Streets, Swimming Pool, Golf, Sewer and Solid Waste Funds.

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.

Deficit fund balance or net position of individual funds:

Fire Special Revenue Fund	\$	13,542
Recreation Special Revenue Fund		11,650
Swimming Pool Special Revenue Fund		7,765
New Cemetery Capital Project Fund		70,453
Downtown Capital Project Fund		268,685
Correction Fund		169
Gun Range Fund		71
		<u>71</u>
Total	\$	<u>372,335</u>

Excess of expenditures over appropriations:

	<u>Budget</u>	<u>Actual</u>	<u>Overexpended</u>
General Fund	\$ 4,002,127	\$ 4,172,152	\$ 170,025
Swimming Pool Fund	173,951	207,443	33,492
Paving and Streets Special Revenue Fund	280,380	407,232	126,852
Solid Waste Proprietary Fund	428,000	486,384	58,384
Sewer Proprietary Fund	176,658	353,625	176,967
Golf Proprietary Fund	361,000	601,638	240,638
		<u>601,638</u>	<u>240,638</u>
Total	\$ 5,422,116	\$ 6,228,474	\$ 806,358

Budget (2006-006) [2006-6] - Significant Deficiency

CAUSE	The City does not have a working knowledge of the procedure to enter the final budget numbers into the accounting software, thus did not monitor expenses against budget.
EFFECT	Without the final budget entered correctly the City is unable to determine how well they are staying within their budget. The internal controls established by adherence to budgets have been compromised, and excess spending could, and did result. In addition, New Mexico statutes have been violated.
RECOMMENDATION	We recommend improved planning and monitoring of the budget. We also recommend that City personnel obtain the necessary training on the process required to enter budgets into their accounting software.
RESPONSE	The City concurs that budget overexpenditures occurred, and we will make appropriate changes and institute procedures to correct this item.

(Concluded)

Preparation of Financial Statements (2007-002) [2007-2] - Significant Deficiency

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.
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.
EFFECT	When sufficient controls over the preparation of financial statements and related disclosures are not designed, implemented and operating effectively, an entity's ability to prevent or detect a misstatement in its financial statements is limited.
RECOMMENDATION	<p>It is recommended 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:</p> <ul style="list-style-type: none">- 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 <p>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</p>
RESPONSE	An excessive number of Journal entries had to be made to correct many balances that were carried forward incorrectly for many years. Some of the entries were unusual and are not expected to be made in future years. The City expects to clear the findings next year.

Deficiencies in Acct for Capital Assets (2008-005) [2008-05] - Significant Deficiency

CONDITION	The City did not maintain an accurate list of capital assets the entire year. An asset listing as of June 30, 2014 has been compiled resulting in a prior period adjustment relating to fixed assets of \$3,913,050 in the Governmental funds, and \$3,683,088 in the enterprise funds.
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.
CAUSE	Improper treatment due to inadequate procedures of fixed assets have caused inaccurate recording.
EFFECT	Inaccurate recording of capital assets will cause net position to be either under or over stated.
RECOMMENDATION	Set policies and procedures on the recording and the oversight of fixed asset schedule will help on keeping accurate records.
RESPONSE	The City has corrected this finding and produced a full capital assets list with a depreciation schedule. A staff member is now permanently assigned to conduct ongoing maintenance of the capital assets listings and schedules.

Internal Control/Billing (2014-001) - Significant Deficiency

CONDITION	The City could not produce an accurate count of gallons of water usage by customer for the months of July 2013 through February 2014 resulting from a billing system error. From July to February the City's recorded water pumped was 371 million gallons while gallons disbursed to customers 3.69 billion gallons which is inaccurate. This may result in an unidentifiable billing error for water utility.
CRITERIA	Statement on Auditing Standards (SAS) 109, paragraph 41 states the following: "Internal control is a process - effected by those charged with governance, management, and other personnel - designed to provide reasonable assurance about the achievement of the entity's objective with regard to reliability of financial reporting, effectiveness and efficiency of operations, and compliance with laws and regulations, internal control over safeguarding of assets against unauthorized acquisition, use, or disposition may include control relating to financial reporting and operations objectives."
CAUSE	Issues with broken meters and Cassel software glitches caused the City to account for an overexcessive amount of water disbursed.
EFFECT	The City is unable to determine if billing was correct resulting in inaccurate charges for services.
RECOMMENDATION	We recommend a timely and consistent check of accuracy of the software system.
RESPONSE	Starting in March, 2014, this finding has been corrected. The City will continue to monitor the software readings for reasonableness.

Journal Entries (2014-002) - Significant Deficiency

CONDITION	The City does not have standard operating procedures on approving and reviewing journal entries. It was noted that some entries were reviewed and approved; however, there is not a consistent procedure in place.
CRITERIA	Section 6-5-1 through 6-5-6 NMSA, 1978 require internal accounting controls designed to prevent accounting errors and violation of state and federal laws and rules related to financial matters.
CAUSE	The City has undergone staffing changes in the finance department resulting in inconsistencies in procedural implementation.
EFFECT	The missing procedures can result in management override of controls, that may result in error, fraud, or manipulation.
RECOMMENDATION	We recommend that management establish standard operating procedures, train staff on the standard operating procedures, and evaluate internal control regularly to detect and prevent the deterioration of internal controls.
RESPONSE	The City concurs with this finding and are providing training to the Finance Director and staff on adjusting journal entries, and procedures.

Internal Controls and Cash Management (2014-003) - Significant Deficiency

CONDITION	It was noted that a rubber stamp is sometimes used to sign checks, as a second signature. The stamp can be accessed by various employees, without significant limitation or controls. It was also noted that in many cases, the first check signer was the check preparer, and had access to the rubber stamp.
CRITERIA	Section 6-5-1 through 6-5-6 NMSA, 1978 require internal accounting controls designed to prevent accounting errors and violation of state and federal laws and rules related to financial matters.
CAUSE	Lack of policies and procedures caused the improper handling of signature stamp.
EFFECT	The availability of signature stamp by various staff can result in the misuse, error, or manipulation.
RECOMMENDATION	The City should set policies and procedures in place stating who will have access to the signature stamp and a tracking system to identify when the stamp is used and by whom.
RESPONSE	A procedure is now in place to control signature stamp access.

Cash and Cash equivalents (2014-004) - Significant Deficiency

CONDITION	Two existing investment accounts were not booked in the accounting system totaling \$538 and \$388. Further, adjusting journal entries were incorrectly posted to the investment account doubling the investment balance by \$3,427,202. In addition, cash accounts were overstated by a net of \$961,978 in governmental funds, and understated in proprietary accounts by approximately \$1,343,876. Both amounts were adjusted to prior periods.
CRITERIA	Section 6-6-3 NMSA, 1978 discusses good accounting practices and require that bank reconciliations be performed monthly to ensure that cash receipts and cash disbursements are recorded in a correct and timely manner and that differences or errors be followed up and corrected in a timely manner.
CAUSE	After the audit of 2013 the City recorded and adjusting journal entry incorrectly which caused accounts to be overstated. Incorrect postings were not identified do to the change in management.
EFFECT	Investments were overstated. Governmental cash was overstated and proprietary accounts were understated.
RECOMMENDATION	Policies and procedures should be in place that include timely oversight that will help correct any errors that occur.
RESPONSE	The City concurs with this finding and are providing training to the Finance Director and staff.

STATE OF NEW MEXICO
CITY OF EUNICE

SCHEDULE OF FINDINGS AND RESPONSES (COMPONENT UNIT)
JUNE 30, 2014

Internal Control Structure Design, Operation and Oversight (2010-003) [2010-3] - Material Weakness

CONDITION	<p>The Housing Authority does not have a comprehensive documented internal control structure. The internal control structure should include controls that allow the governing body to exercise effective oversight of internal controls and the financial reporting process. Also, controls in certain specific areas are not operating as designed. These include:</p> <ul style="list-style-type: none">- There is not a fraud risk assessment done at the Housing Authority- There is inadequate segregation of duties.
CRITERIA	<p>As required by NMSA 1978 Section 6-6-3, the Housing Authority should design and maintain an internal control structure that enables it to record, process, summarize, and report financial data consistent with the assertions of management in the financial statements. Under SAS 115, the internal control and financial reporting process should have adequate oversight provided by the body charged with governance.</p>
CAUSE	<p>For the fiscal year 2014 management, the body charged with governance, and staff did not have expertise and/or training to implement an adequate internal control structure.</p>
EFFECT	<p>Because there is not an adequate internal control structure or oversight by the governing body, complete and accurate financial data cannot be verified, assets are not properly safeguarded, reconciliations are not performed, or at a minimum not performed on a timely basis, and adequate controls are not in place to prevent or detect intentional misstatements of accounting information.</p>
RECOMMENDATION	<p>The Housing Authority should ensure that a comprehensive internal control structure is designed, documented and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process. Additionally, the Housing Authority management should give annual consideration to how fraud might occur in their organization and develop procedures to address fraud risk and document those risks and procedures.</p>
RESPONSE	<p>The Eunice Housing Authority has been under the management of the Eastern Regional Housing Authority for the later part of the last year. The issues of a lack of segregation of duties no longer exist for the Eunice Housing Authority. In the next fiscal Year the Eunice Housing Authority will be absorbed into the Eastern Regional Housing Authority and will cease to exist.</p>

Internal Controls over Cash Disbursement (2014-001) - Significant Deficiency

CONDITION	During test work of cash disbursements, it was noted one out of twenty disbursements totaling \$4,500 did not have supporting documentation to review.
CRITERIA	Maintenance of adequate supporting documentation for all disbursements, including purchase requisitions, purchase orders, travel authorizations, receiving reports, travel reports, and approval of disbursements are an integral part of a sound internal control system to safeguard the assets and accomplish timely preparation and submission of financial reports.
CAUSE	Management did not follow proper internal control procedures. The Authority staff failed to ensure that all of the required documentation that supports the expenditure was in place.
EFFECT	Without proper documentation, there are not adequate controls over expenditures which could result in over spending.
RECOMMENDATION	The Authority should implement procedures to maintain proper supporting documentation and also train personnel to adhere to the policies and procedures.
RESPONSE	The Eunice Housing Authority has been under the management of the Eastern Regional Housing Authority for the later part of the last year. The issues of a lack of proper documentation for cash disbursements have been corrected for the Eunice Housing Authority. In the next fiscal Year the Eunice Housing Authority will be absorbed into the Eastern Regional Housing Authority and will cease to exist.

**STATE OF NEW MEXICO
CITY OF EUNICE**

**EXIT CONFERENCE
FOR THE YEAR ENDED JUNE 30, 2014**

An exit conference was held on November 25, 2014 in a closed meeting with the following City officials:

Matt White	Mayor
Warden Allen	Mayor Pro Tem
Bill Robinson	City Council
Martin Moore	City Manager
Connie Whitmire	Finance Director
Joyce Tolsma	City Clerk
Isaac Sanchez	Finance Officer

White + Samaniego + Campbell, LLP

Juan A Garcia

Audit Staff

The financial statements presented in this report were compiled with the assistance of the auditors, White + Samaniego + Campbell, LLP. However, the contents of the financial statements remain the responsibility of management.