



State of
New Mexico
City of Eunice

Annual Financial Report
For the Year Ended June 30, 2017



EUNICE *NEW MEXICO*

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INTRODUCTORY SECTION

STATE OF NEW MEXICO
City of Eunice
Annual Financial Report
June 30, 2017
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STATE OF NEW MEXICO

City of Eunice

Official Roster

June 30, 2017

City Commission

| <u>Name</u> | <u>Title</u> |
|--------------------|---------------------|
| Johnnie Matt White | Mayor |
| Warden L. Allen | City Council |
| Terry Bettis | City Council |
| Jerry Corral | City Council |
| Billy Hobbs | City Council |
| Nina Lynch | City Council |
| Marty Rodriguez | City Council |
| Steve Almager | City Council |
| Mary Lou Vinson | City Council |

Administration

| | |
|----------------------|------------------|
| Dr. Martin Moore | City Manager |
| Connie Lynn Whitmire | Finance Director |
| Candy Brito | City Clerk |
| Judge C. Jenkins | Municipal Judge |
| Tommy D. Parker | City Attorney |

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Wayne Johnson
New Mexico State Auditor
To the City of Eunice City Council Members
City of Eunice
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 remaining fund information, and the budgetary comparisons for the General Fund and the major special revenue fund of the City of Eunice (the City), as of and for the year ended June 30, 2017, and the related notes to the financial statements which collectively comprise the City's basic financial statements 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 misstatements, 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 *Governmental 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 auditor's 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, each major fund, and the aggregate remaining fund information of the City of Eunice, as of June 30, 2017, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General Fund and the major special revenue fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

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

Accounting principles generally accepted in the United States of America require Schedules I and II and the notes to the required supplementary information on pages 68 through 74 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 inquires of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquires, the basic financial statements, and other knowledge 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The combining and individual fund financial statements and Schedules III and IV required by 2.2.2 NMAC are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

The combining and individual fund financial statements and Supporting Schedules III and IV required by Section 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 the auditing standards generally accepted in the United States of America. In our opinion, the combining and individual fund financial statements and Supporting Schedules III and IV required by Section 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2017 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

RPC CPAs + Consultants LLP

RPC CPAs + Consultants, LLP
Albuquerque, NM
December 12, 2017

**BASIC
FINANCIAL STATEMENTS**

STATE OF NEW MEXICO
City of Eunice
Statement of Net Position
June 30, 2017

| | Primary Government | | Total |
|---|------------------------------------|-------------------------------------|----------------------|
| | Governmental Activities | Business-type Activities | |
| Assets | | | |
| <i>Current assets</i> | | | |
| Cash and cash equivalents | \$ 445,729 | \$ 287,419 | \$ 733,148 |
| Investments | 344,657 | 426,242 | 770,899 |
| Land held for sale | 77,099 | - | 77,099 |
| Receivables: | | | |
| Property taxes | 13,223 | - | 13,223 |
| Other taxes | 680,423 | - | 680,423 |
| Utility receivables, net | - | 456,214 | 456,214 |
| Other | 271,550 | 9,000 | 280,550 |
| Prepaid expenses | 18,857 | 57,494 | 76,351 |
| Inventory | 231,076 | 62,332 | 293,408 |
| Internal balances | 322,000 | (322,000) | - |
| <i>Total current assets</i> | <u>2,404,614</u> | <u>976,701</u> | <u>3,381,315</u> |
| <i>Noncurrent assets</i> | | | |
| Restricted cash and cash equivalents | 721,746 | - | 721,746 |
| Restricted investments | 4,700,132 | 56,182 | 4,756,314 |
| Capital assets | 12,371,253 | 34,698,659 | 47,069,912 |
| Less: accumulated depreciation | <u>(6,659,259)</u> | <u>(14,165,122)</u> | <u>(20,824,381)</u> |
| <i>Total noncurrent assets</i> | <u>11,133,872</u> | <u>20,589,719</u> | <u>31,723,591</u> |
| Deferred outflows of resources | | | |
| Changes of assumptions | 281,911 | 104,094 | 386,005 |
| Changes in proportion | 44,030 | 8,061 | 52,091 |
| Difference between expected and actual experience | 291,569 | 84,877 | 376,446 |
| Net difference between protected and actual earnings on pension plan investments | 758,426 | 289,481 | 1,047,907 |
| Employer contributions subsequent to the measurement date | <u>233,483</u> | <u>38,473</u> | <u>271,956</u> |
| <i>Total deferred outflows of resources</i> | <u>1,609,419</u> | <u>524,986</u> | <u>2,134,405</u> |
| <i>Total assets and deferred outflows of resources</i> | <u>\$ 15,147,905</u> | <u>\$ 22,091,406</u> | <u>\$ 37,239,311</u> |

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

| | Primary Government | | Total |
|---|------------------------------------|-------------------------------------|----------------------|
| | Governmental Activities | Business-type Activities | |
| Liabilities | | | |
| <i>Current liabilities</i> | | | |
| Accounts payable | \$ 338,302 | \$ 67,031 | \$ 405,333 |
| Accrued payroll | 80,425 | 32,211 | 112,636 |
| Accrued compensated absences | 150,010 | 73,238 | 223,248 |
| Customer deposits | - | 82,953 | 82,953 |
| Accrued interest | - | 12,529 | 12,529 |
| Other accrued expenses | - | 2,464 | 2,464 |
| Current portion of long-term debt | 53,715 | 277,351 | 331,066 |
| <i>Total current liabilities</i> | <u>622,452</u> | <u>547,777</u> | <u>1,170,229</u> |
| <i>Noncurrent liabilities</i> | | | |
| Notes payable | 5,156,115 | 4,359,033 | 9,515,148 |
| Net pension liability | 5,203,245 | 1,219,531 | 6,422,776 |
| <i>Total noncurrent liabilities</i> | <u>10,359,360</u> | <u>5,578,564</u> | <u>15,937,924</u> |
| <i>Total liabilities</i> | <u>10,981,812</u> | <u>6,126,341</u> | <u>17,108,153</u> |
| Deferred inflows of resources | | | |
| Change of assumptions | 31,379 | 3,075 | 34,454 |
| Changes in proportion | 318,356 | 108,916 | 427,272 |
| Difference between protected and actual experience | 48,314 | 3,287 | 51,601 |
| <i>Total deferred inflows of resources</i> | <u>398,049</u> | <u>115,278</u> | <u>513,327</u> |
| Net position | | | |
| Net investment in capital assets | 502,164 | 15,897,153 | 16,399,317 |
| Restricted for: | | | |
| Capital projects | 1,370,412 | - | 1,370,412 |
| Special revenue | 948,026 | - | 948,026 |
| Unrestricted | 947,442 | (47,366) | 900,076 |
| <i>Total net position</i> | <u>3,768,044</u> | <u>15,849,787</u> | <u>19,617,831</u> |
| <i>Total liabilities, deferred inflows of resources, and net position</i> | <u>\$ 15,147,905</u> | <u>\$ 22,091,406</u> | <u>\$ 37,239,311</u> |

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

STATE OF NEW MEXICO
City of Eunice
Statement of Activities
For the Year Ended June 30, 2017

| Functions/Programs | Expenses | Program Revenues | | |
|---------------------------------------|----------------------------|----------------------------|------------------------------------|----------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary Government | | | | |
| Governmental activities: | | | | |
| General government | \$ 1,128,743 | \$ 232,789 | \$ 132,111 | \$ - |
| Public safety | 2,204,481 | 112,123 | 180,224 | - |
| Public works | 243,481 | - | - | 155,289 |
| Culture and recreation | 1,021,830 | 33,592 | 156,482 | - |
| <i>Total governmental activities</i> | <u>4,598,535</u> | <u>378,504</u> | <u>468,817</u> | <u>155,289</u> |
| Business-type activities: | | | | |
| Water | 1,985,017 | 1,737,107 | - | - |
| Sewer | 279,826 | 284,048 | - | - |
| Solid waste | 536,786 | 457,034 | - | - |
| Golf | 420,867 | 153,736 | - | - |
| <i>Total business-type activities</i> | <u>3,222,496</u> | <u>2,631,925</u> | <u>-</u> | <u>-</u> |
| <i>Total primary government</i> | <u><u>\$ 7,821,031</u></u> | <u><u>\$ 3,010,429</u></u> | <u><u>\$ 468,817</u></u> | <u><u>\$ 155,289</u></u> |

General revenues and transfers:

Taxes:

Property taxes, levied for general purposes

Gross receipts taxes

Gasoline and motor vehicle taxes

Other taxes

Investment income

Miscellaneous revenue

Contributions

Special item - donated asset

Transfers

Total general revenues, special item, and transfers

Change in net position

Net position, beginning

Net position, restatement (note 18)

Net position, as restated

Net position, ending

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

| Net (Expense) Revenue and Changes in Net Position | | |
|--|-------------------------------------|----------------------|
| Primary Government | | |
| Governmental Activities | Business-type Activities | Total |
| \$ (763,843) | \$ - | \$ (763,843) |
| (1,912,134) | - | (1,912,134) |
| (88,192) | - | (88,192) |
| (831,756) | - | (831,756) |
| <u>(3,595,925)</u> | <u>-</u> | <u>(3,595,925)</u> |
| - | (247,910) | (247,910) |
| - | 4,222 | 4,222 |
| - | (79,752) | (79,752) |
| <u>-</u> | <u>(267,131)</u> | <u>(267,131)</u> |
| <u>-</u> | <u>(590,571)</u> | <u>(590,571)</u> |
| <u>(3,595,925)</u> | <u>(590,571)</u> | <u>(4,186,496)</u> |
| 222,910 | - | 222,910 |
| 3,111,081 | - | 3,111,081 |
| 94,824 | - | 94,824 |
| 70,607 | - | 70,607 |
| 14,228 | 2,016 | 16,244 |
| 260,298 | 384,215 | 644,513 |
| 581,191 | - | 581,191 |
| 74,780 | - | 74,780 |
| (222,477) | 222,477 | - |
| <u>4,207,442</u> | <u>608,708</u> | <u>4,816,150</u> |
| <u>611,517</u> | <u>18,137</u> | <u>629,654</u> |
| 3,000,899 | 15,831,650 | 18,832,549 |
| <u>155,628</u> | <u>-</u> | <u>155,628</u> |
| <u>3,156,527</u> | <u>15,831,650</u> | <u>18,988,177</u> |
| <u>\$ 3,768,044</u> | <u>\$ 15,849,787</u> | <u>\$ 19,617,831</u> |

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

STATE OF NEW MEXICO

City of Eunice
Balance Sheet
Governmental Funds
June 30, 2017

| | <u>General Fund</u> | <u>Recreation Special Revenue Fund</u> | <u>Paving and Streets Capital Projects Fund</u> |
|--|---------------------|--|---|
| <i>Assets</i> | | | |
| Cash and cash equivalents | \$ 123,178 | \$ 55,846 | \$ 28,497 |
| Investments | 421,756 | - | 5,347,150 |
| Receivables: | | | |
| Property taxes | 13,223 | - | - |
| Other taxes | 638,787 | - | 41,636 |
| Miscellaneous receivables | 66,879 | 179,534 | - |
| Inventory | 222,326 | 8,264 | 486 |
| Prepaid assets | 18,857 | - | - |
| Due from other funds | - | - | - |
| <i>Total assets</i> | <u>\$ 1,505,006</u> | <u>\$ 243,644</u> | <u>\$ 5,417,769</u> |
| <i>Liabilities</i> | | | |
| Accounts payable | \$ 78,326 | \$ 147,604 | \$ 106,717 |
| Accrued payroll | 52,056 | 16,370 | 1,937 |
| Due to other funds | 231,000 | - | - |
| <i>Total liabilities</i> | <u>361,382</u> | <u>163,974</u> | <u>108,654</u> |
| <i>Deferred inflows of resources</i> | | | |
| Unavailable revenue - property taxes | 9,381 | - | - |
| <i>Total deferred inflows of resources</i> | <u>9,381</u> | <u>-</u> | <u>-</u> |
| <i>Fund balances</i> | | | |
| Nonspendable: | | | |
| Inventory and prepaid assets | 241,183 | 8,264 | 486 |
| Spendable: | | | |
| Restricted for: | | | |
| Public works | - | - | 5,308,629 |
| Public safety | - | - | - |
| Culture and recreation | - | 71,406 | - |
| Fire protection | - | - | - |
| Committed to: | | | |
| General government | - | - | - |
| Culture and recreation | - | - | - |
| Unassigned | 893,060 | - | - |
| <i>Total fund balances</i> | <u>1,134,243</u> | <u>79,670</u> | <u>5,309,115</u> |
| <i>Total liabilities, deferred inflows of resources, and fund balances</i> | <u>\$ 1,505,006</u> | <u>\$ 243,644</u> | <u>\$ 5,417,769</u> |

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

| Nonmajor Governmental Funds | Total Governmental Funds |
|--|---|
| \$ 312,936 | \$ 520,457 |
| - | 5,768,906 |
| - | 13,223 |
| - | 680,423 |
| 25,137 | 271,550 |
| - | 231,076 |
| - | 18,857 |
| <u>553,000</u> | <u>553,000</u> |
| <u>\$ 891,073</u> | <u>\$ 8,057,492</u> |
| \$ 5,655 | \$ 338,302 |
| 10,062 | 80,425 |
| - | <u>231,000</u> |
| <u>15,717</u> | <u>649,727</u> |
| - | <u>9,381</u> |
| - | <u>9,381</u> |
| - | 249,933 |
| - | 5,308,629 |
| 2,546 | 2,546 |
| - | 71,406 |
| 847,816 | 847,816 |
| 848 | 848 |
| 30,545 | 30,545 |
| (6,399) | <u>886,661</u> |
| <u>875,356</u> | <u>7,398,384</u> |
| <u>\$ 891,073</u> | <u>\$ 8,057,492</u> |

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

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STATE OF NEW MEXICO
City of Eunice
Governmental Funds
Reconciliation of the Balance Sheet to the Statement of Net Position
June 30, 2017

Exhibit B-1
Page 2 of 2

Amounts reported for governmental activities in the Statement of Net Position are different because:

| | | |
|--|----|-------------------------|
| Fund balances - total governmental funds | \$ | 7,398,384 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds | | 5,711,994 |
| Delinquent property taxes and grants not collected within sixty days after year end are not considered "available" revenues and are considered to be unavailable revenue in the fund financial statements, but are considered revenue in the Statement of Activities | | 9,381 |
| Deferred outflows and inflows of resources related to pensions are applicable to future periods and, therefore, are not reported in the funds: | | |
| Deferred outflows of resources related to changes of assumptions | | 281,911 |
| Deferred outflows of resources related to changes in proportion | | 44,030 |
| Deferred outflows of resources related to differences between expected and actual experience | | 291,569 |
| Deferred outflows of resources related to employer contributions subsequent to the measurement date | | 233,483 |
| Deferred outflows of resources related to the net difference between projected and actual earnings on pension plan investments | | 758,426 |
| Deferred inflows of resources related to changes in assumptions | | (31,379) |
| Deferred inflows of resources related to changes in proportion | | (318,356) |
| Deferred inflows of resources related differences between expected and actual experience | | (48,314) |
| Certain liabilities, including notes payable, net pension liability and accrued compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds: | | |
| Notes payable | | (5,209,830) |
| Accrued compensated absences | | (150,010) |
| Net pension liability | | (5,203,245) |
| <i>Net position of governmental activities</i> | \$ | <u><u>3,768,044</u></u> |

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

STATE OF NEW MEXICO
City of Eunice
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2017

| | <u>General Fund</u> | <u>Recreation Special Revenue Fund</u> | <u>Paving and Streets Capital Projects Fund</u> |
|--|---------------------|--|---|
| <i>Revenues</i> | | | |
| Taxes: | | | |
| Property | \$ 228,159 | \$ - | \$ - |
| Gross receipts | 2,695,012 | - | 416,069 |
| Gasoline and motor vehicle | 21,689 | - | 73,135 |
| Franchise | 70,607 | - | - |
| Intergovernmental: | | | |
| Federal operating grants | - | - | - |
| State operating grants | 186,647 | - | - |
| State capital grants | - | - | 155,289 |
| Local operating grants | 40,141 | - | - |
| Charges for services | 150,413 | 3,043 | - |
| Licenses and fees | 188,640 | 3,695 | - |
| Investment income | 1,858 | - | 12,370 |
| Miscellaneous | 362,307 | 451,690 | 5,832 |
| <i>Total revenues</i> | <u>3,945,473</u> | <u>458,428</u> | <u>662,695</u> |
| <i>Expenditures</i> | | | |
| Current: | | | |
| General government | 1,041,921 | - | - |
| Public safety | 1,732,078 | - | - |
| Public works | - | - | 390,444 |
| Culture and recreation | 175,448 | 338,281 | - |
| Capital outlay | 4,598 | 583,345 | 239,824 |
| <i>Total expenditures</i> | <u>2,954,045</u> | <u>921,626</u> | <u>630,268</u> |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>991,428</u> | <u>(463,198)</u> | <u>32,427</u> |
| <i>Other financing sources (uses)</i> | | | |
| Loan proceeds | - | - | 5,209,830 |
| Transfers in | 18,129 | 546,534 | 23,659 |
| Transfers (out) | (880,341) | - | - |
| <i>Total other financing sources (uses)</i> | <u>(862,212)</u> | <u>546,534</u> | <u>5,233,489</u> |
| <i>Net change in fund balance</i> | <u>129,216</u> | <u>83,336</u> | <u>5,265,916</u> |
| <i>Fund balance - beginning of year</i> | 849,399 | (3,666) | 43,199 |
| <i>Fund balance - restatement (Note 18)</i> | <u>155,628</u> | <u>-</u> | <u>-</u> |
| <i>Fund balance - beginning, as restated</i> | <u>1,005,027</u> | <u>(3,666)</u> | <u>43,199</u> |
| <i>Fund balance - end of year</i> | <u>\$ 1,134,243</u> | <u>\$ 79,670</u> | <u>\$ 5,309,115</u> |

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

| Nonmajor Governmental Funds | Total Governmental Funds |
|--|---|
| \$ - | \$ 228,159 |
| - | 3,111,081 |
| - | 94,824 |
| - | 70,607 |
| 28,309 | 28,309 |
| 193,720 | 380,367 |
| - | 155,289 |
| 20,000 | 60,141 |
| 26,854 | 180,310 |
| 5,859 | 198,194 |
| - | 14,228 |
| 21,660 | 841,489 |
| <u>296,402</u> | <u>5,362,998</u> |
| - | 1,041,921 |
| 129,184 | 1,861,262 |
| - | 390,444 |
| 369,927 | 883,656 |
| 43,747 | 871,514 |
| <u>542,858</u> | <u>5,048,797</u> |
| <u>(246,456)</u> | <u>314,201</u> |
| - | 5,209,830 |
| 112,065 | 700,387 |
| <u>(42,523)</u> | <u>(922,864)</u> |
| <u>69,542</u> | <u>4,987,353</u> |
| <u>(176,914)</u> | <u>5,301,554</u> |
| 1,052,270 | 1,941,202 |
| - | 155,628 |
| <u>1,052,270</u> | <u>2,096,830</u> |
| <u>\$ 875,356</u> | <u>\$ 7,398,384</u> |

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

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STATE OF NEW MEXICO

City of Eunice

Governmental Funds

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, 2017

Exhibit B-2

Page 2 of 2

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

| | | |
|--|----|-----------|
| Net change in fund balances - total governmental funds | \$ | 5,301,554 |
|--|----|-----------|

Governmental funds report capital outlays as expenditures. However, in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

| | | |
|---|--|-----------|
| Capital expenditures recorded in capital outlay reported in the fund financial statements | | 871,514 |
| Depreciation expense | | (376,873) |
| Book value of disposed capital assets | | (4,237) |
| Donation of capital assets | | 74,780 |

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

| | | |
|--|--|-----|
| Change in unavailable revenue related to property taxes receivable | | 368 |
|--|--|-----|

Governmental funds report City pension contributions as expenditures. However, in the Statement of Activities, the cost of pension benefits earned, net of employee contributions, is reported as pension expense:

| | | |
|----------------------------|--|-----------|
| City pension contributions | | 233,843 |
| Pension expense | | (278,315) |

Some expenses reported in the Statement of Activities do not require the use of current financial resources and, therefore, are not reported as expenditures in the governmental funds:

| | | |
|--|--|---------|
| Increase in accrued compensated absences not due and payable | | (1,287) |
|--|--|---------|

The issuance of long-term debt (e.g. bonds, notes, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums and similar items when debt is first issued, whereas these amounts are deferred and amortized in the Statement of Activities:

| | | |
|--------------------------------------|--|--------------------|
| Loan proceeds from the issuance debt | | <u>(5,209,830)</u> |
|--------------------------------------|--|--------------------|

| | | |
|--|----|----------------|
| <i>Change in net position of governmental activities</i> | \$ | <u>611,517</u> |
|--|----|----------------|

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

STATE OF NEW MEXICO

Exhibit C-1

City of Eunice

General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance
 Budget (Non-GAAP Budgetary Basis) and Actual
 For the Year Ended June 30, 2017

| | Budgeted Amounts | | Actual | Variances |
|---|--------------------|--------------------|-------------------|---|
| | Original | Final | | Favorable (Unfavorable) Final to Actual |
| <i>Revenues</i> | | | | |
| Taxes: | | | | |
| Property | \$ 226,044 | \$ 226,044 | \$ 223,033 | \$ (3,011) |
| Gross receipts | 3,000,000 | 3,000,000 | 2,439,575 | (560,425) |
| Gasoline and motor vehicle | 28,000 | 28,000 | 21,642 | (6,358) |
| Franchise | 92,000 | 92,000 | 70,342 | (21,658) |
| Intergovernmental income: | | | | |
| State operating grant | 222,389 | 222,389 | 182,008 | (40,381) |
| Local operating grant | 40,000 | 40,000 | 40,141 | 141 |
| Charges for services | 243,000 | 243,000 | 229,480 | (13,520) |
| Licenses and fees | 157,700 | 157,700 | 186,793 | 29,093 |
| Investment income | 1,560 | 1,560 | 2,046 | 486 |
| Miscellaneous | 163,600 | 163,600 | 363,974 | 200,374 |
| <i>Total revenues</i> | <u>4,174,293</u> | <u>4,174,293</u> | <u>3,759,034</u> | <u>(415,259)</u> |
| <i>Expenditures</i> | | | | |
| Current: | | | | |
| General government | 1,072,646 | 1,072,646 | 1,042,504 | 30,142 |
| Public safety | 1,848,990 | 1,848,990 | 1,755,726 | 93,264 |
| Public works | - | - | - | - |
| Culture and recreation | 200,780 | 200,780 | 179,505 | 21,275 |
| Health and welfare | - | - | - | - |
| Capital outlay | - | - | 4,598 | (4,598) |
| <i>Total expenditures</i> | <u>3,122,416</u> | <u>3,122,416</u> | <u>2,982,333</u> | <u>140,083</u> |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>1,051,877</u> | <u>1,051,877</u> | <u>776,701</u> | <u>(275,176)</u> |
| <i>Other financing sources (uses)</i> | | | | |
| Designated cash (budgeted cash increase) | 32,188 | 32,188 | - | (32,188) |
| Transfers in | - | - | - | - |
| Transfers (out) | (1,084,065) | (1,084,065) | (902,097) | 181,968 |
| <i>Total other financing sources (uses)</i> | <u>(1,051,877)</u> | <u>(1,051,877)</u> | <u>(902,097)</u> | <u>149,780</u> |
| <i>Net change in fund balance</i> | - | - | (125,396) | (110,925) |
| <i>Fund balance - beginning of year</i> | - | - | 362,231 | 362,231 |
| <i>Fund balance - end of year</i> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 236,835</u> | <u>\$ 251,306</u> |
| Net change in fund balance (non-GAAP budgetary basis) | | | \$ (125,396) | |
| Adjustments to revenues for taxes, intergovernmental, and other revenue accruals. | | | 186,439 | |
| Adjustments to expenditures for salaries and operating expenses. | | | 68,173 | |
| <i>Net change in fund balance (GAAP)</i> | | | <u>\$ 129,216</u> | |

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

STATE OF NEW MEXICO

Exhibit C-2

City of Eunice

Recreation Special Revenue Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2017

| | Budgeted Amounts | | Actual | Variances |
|---|------------------|------------------|------------------|---|
| | Original | Final | | Favorable (Unfavorable) Final to Actual |
| <i>Revenues</i> | | | | |
| Taxes: | | | | |
| Property | \$ - | \$ - | \$ - | \$ - |
| Gross receipts | - | - | - | - |
| Gasoline and motor vehicle | - | - | - | - |
| Franchise | - | - | - | - |
| Intergovernmental income: | | | | |
| State operating grant | - | - | - | - |
| Local operating grant | - | - | - | - |
| Charges for services | 3,000 | 3,000 | 3,043 | 43 |
| Licenses and fees | 4,000 | 4,000 | 3,695 | (305) |
| Investment income | - | - | - | - |
| Miscellaneous | 20,000 | 20,000 | 397,156 | 377,156 |
| <i>Total revenues</i> | <u>27,000</u> | <u>27,000</u> | <u>403,894</u> | <u>376,894</u> |
| <i>Expenditures</i> | | | | |
| Current: | | | | |
| General government | - | - | - | - |
| Public safety | - | - | - | - |
| Public works | - | - | - | - |
| Culture and recreation | 436,968 | 436,968 | 301,010 | 135,958 |
| Health and welfare | - | - | - | - |
| Capital outlay | - | 464,286 | 600,244 | (135,958) |
| <i>Total expenditures</i> | <u>436,968</u> | <u>901,254</u> | <u>901,254</u> | <u>-</u> |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>(409,968)</u> | <u>(409,968)</u> | <u>(497,360)</u> | <u>376,894</u> |
| <i>Other financing sources (uses)</i> | | | | |
| Designated cash (budgeted cash increase) | 5,000 | 5,000 | - | (5,000) |
| Transfers in | 404,968 | 404,968 | 546,534 | 141,566 |
| Transfers (out) | - | - | - | - |
| <i>Total other financing sources (uses)</i> | <u>409,968</u> | <u>409,968</u> | <u>546,534</u> | <u>136,566</u> |
| <i>Net change in fund balance</i> | - | - | 49,174 | 513,460 |
| <i>Fund balance - beginning of year</i> | - | - | 6,672 | 6,672 |
| <i>Fund balance - end of year</i> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 55,846</u> | <u>\$ 520,132</u> |
| Net change in fund balance (non-GAAP budgetary basis) | | | \$ 49,174 | |
| Adjustments to revenues for taxes, intergovernmental, and other revenue accruals. | | | 54,534 | |
| Adjustments to expenditures for salaries and operating expenses. | | | (20,372) | |
| <i>Net change in fund balance (GAAP)</i> | | | <u>\$ 83,336</u> | |

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

STATE OF NEW MEXICO
City of Eunice
Statement of Net Position
Proprietary Funds
June 30, 2017

| | Business-Type Activities - Enterprise | | |
|---|--|---------------------|--------------------|
| | Water | Sewer | Solid Waste |
| Assets | | | |
| <i>Current assets</i> | | | |
| Cash and cash equivalents | \$ 148,033 | \$ 106,150 | \$ 30,772 |
| Investments | 57,886 | 90,606 | 277,750 |
| Receivables: | | | |
| Utility receivables, net | 362,277 | 35,921 | 58,016 |
| Other | - | - | - |
| Inventory | 60,905 | 1,427 | - |
| Prepaid assets | 57,494 | - | - |
| <i>Total current assets</i> | <u>686,595</u> | <u>234,104</u> | <u>366,538</u> |
| <i>Noncurrent assets</i> | | | |
| Restricted investments | 56,182 | - | - |
| Capital assets | 32,214,531 | 1,916,167 | - |
| Less: accumulated depreciation | <u>(13,384,414)</u> | <u>(449,012)</u> | <u>-</u> |
| <i>Total noncurrent assets</i> | <u>18,886,299</u> | <u>1,467,155</u> | <u>-</u> |
| Deferred outflows of resources | | | |
| Change of assumptions | 73,314 | 10,986 | - |
| Changes in proportion | 4,876 | 956 | - |
| Difference between expected and actual experience | 58,113 | 9,176 | - |
| Net difference between projected and actual investment earnings on pension plan investments | 204,805 | 30,430 | - |
| Employer contributions subsequent to the measurement date | <u>22,226</u> | <u>4,700</u> | <u>-</u> |
| <i>Total deferred outflows of resources</i> | <u>363,334</u> | <u>56,248</u> | <u>-</u> |
| <i>Total assets and deferred outflows of resources</i> | <u>\$ 19,936,228</u> | <u>\$ 1,757,507</u> | <u>\$ 366,538</u> |

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

Business-Type Activities - Enterprise

| <u>Golf</u> | <u>Total</u> |
|-------------------|----------------------|
| \$ 2,464 | \$ 287,419 |
| - | 426,242 |
| - | 456,214 |
| 9,000 | 9,000 |
| - | 62,332 |
| - | 57,494 |
| <u>11,464</u> | <u>1,298,701</u> |
| - | 56,182 |
| 567,961 | 34,698,659 |
| <u>(331,696)</u> | <u>(14,165,122)</u> |
| <u>236,265</u> | <u>20,589,719</u> |
| 19,794 | 104,094 |
| 2,229 | 8,061 |
| 17,588 | 84,877 |
| 54,246 | 289,481 |
| <u>11,547</u> | <u>38,473</u> |
| <u>105,404</u> | <u>524,986</u> |
| <u>\$ 353,133</u> | <u>\$ 22,413,406</u> |

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

STATE OF NEW MEXICO
City of Eunice
Statement of Net Position
Proprietary Funds
June 30, 2017

| | Business-Type Activities - Enterprise | | |
|---|--|---------------------|--------------------|
| | Water | Sewer | Solid Waste |
| Liabilities | | | |
| <i>Current liabilities</i> | | | |
| Accounts payable | \$ 18,293 | \$ 5,701 | \$ 33,586 |
| Accrued payroll expenses | 20,971 | 3,382 | - |
| Accrued compensated absences | 44,461 | 12,350 | - |
| Customer deposits | 82,953 | - | - |
| Due to other funds | - | 322,000 | - |
| Accrued interest | 12,529 | - | - |
| Other accrued expenses | - | - | - |
| Current portion of long-term debt | 267,551 | - | - |
| <i>Total current liabilities</i> | <u>446,758</u> | <u>343,433</u> | <u>33,586</u> |
| <i>Noncurrent liabilities</i> | | | |
| Notes payable | 4,327,162 | - | - |
| Net pension liability | 790,391 | 137,697 | - |
| <i>Total noncurrent liabilities</i> | <u>5,117,553</u> | <u>137,697</u> | <u>-</u> |
| <i>Total liabilities</i> | <u>5,564,311</u> | <u>481,130</u> | <u>33,586</u> |
| Deferred inflows of resources | | | |
| Changes of assumptions | 1,335 | 433 | - |
| Changes in proportion | 75,866 | 11,605 | - |
| Differences between expected and actual experience | 1,453 | 460 | - |
| <i>Total deferred inflows of resources</i> | <u>78,654</u> | <u>12,498</u> | <u>-</u> |
| Net position | | | |
| Net investment in capital assets | 14,235,404 | 1,467,155 | - |
| Unrestricted | 57,859 | (203,276) | 332,952 |
| <i>Total net position</i> | <u>14,293,263</u> | <u>1,263,879</u> | <u>332,952</u> |
| <i>Total liabilities, deferred inflows of resources, and net position</i> | <u>\$ 19,936,228</u> | <u>\$ 1,757,507</u> | <u>\$ 366,538</u> |

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

Business-Type Activities - Enterprise

| <u>Golf</u> | <u>Total</u> |
|-------------------|----------------------|
| \$ 9,451 | \$ 67,031 |
| 7,858 | 32,211 |
| 16,427 | 73,238 |
| - | 82,953 |
| - | 322,000 |
| - | 12,529 |
| 2,464 | 2,464 |
| 9,800 | 277,351 |
| <u>46,000</u> | <u>869,777</u> |
| 31,871 | 4,359,033 |
| <u>291,443</u> | <u>1,219,531</u> |
| <u>323,314</u> | <u>5,578,564</u> |
| <u>369,314</u> | <u>6,448,341</u> |
| 1,307 | 3,075 |
| 21,445 | 108,916 |
| <u>1,374</u> | <u>3,287</u> |
| <u>24,126</u> | <u>115,278</u> |
| 194,594 | 15,897,153 |
| <u>(234,901)</u> | <u>(47,366)</u> |
| <u>(40,307)</u> | <u>15,849,787</u> |
| <u>\$ 353,133</u> | <u>\$ 22,413,406</u> |

The accompanying notes are an integral part of these 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, 2017

| | Business-Type Activities - Enterprise | | |
|--|--|---------------------|--------------------|
| | Water | Sewer | Solid Waste |
| <i>Operating revenues</i> | | | |
| Charges for services | \$ 1,737,107 | \$ 284,048 | \$ 457,034 |
| <i>Total operating revenues</i> | <u>1,737,107</u> | <u>284,048</u> | <u>457,034</u> |
| <i>Operating expenses</i> | | | |
| General operating | 400,747 | 81,766 | 536,786 |
| Personnel services | 961,259 | 119,533 | - |
| Depreciation | 456,781 | 38,825 | - |
| Maintenance and materials | 32,296 | 8,483 | - |
| Equipment | 58,760 | 31,219 | - |
| <i>Total operating expenses</i> | <u>1,909,843</u> | <u>279,826</u> | <u>536,786</u> |
| <i>Operating income (loss)</i> | <u>(172,736)</u> | <u>4,222</u> | <u>(79,752)</u> |
| <i>Non-operating revenues (expenses)</i> | | | |
| Interest expense | (75,174) | - | - |
| Investment income | 1,417 | 16 | 583 |
| Miscellaneous income | 5,287 | 375,000 | - |
| Gain (loss) on disposition of asset | - | - | - |
| <i>Total non-operating revenues (expenses)</i> | <u>(68,470)</u> | <u>375,016</u> | <u>583</u> |
| <i>Income (loss) before grants and transfers</i> | <u>(241,206)</u> | <u>379,238</u> | <u>(79,169)</u> |
| Transfers in | 215,519 | 36,954 | 404,954 |
| Transfers (out) | (386,619) | (270,808) | - |
| <i>Change in net position</i> | <u>(412,306)</u> | <u>145,384</u> | <u>325,785</u> |
| <i>Net position - beginning</i> | <u>14,705,569</u> | <u>1,118,495</u> | <u>7,167</u> |
| <i>Net position - end of year</i> | <u>\$ 14,293,263</u> | <u>\$ 1,263,879</u> | <u>\$ 332,952</u> |

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

Business-Type Activities - Enterprise

| <u>Golf</u> | <u>Total</u> |
|--------------------|----------------------|
| \$ 153,736 | \$ 2,631,925 |
| <u>153,736</u> | <u>2,631,925</u> |
| 102,805 | 1,122,104 |
| 224,894 | 1,305,686 |
| 21,620 | 517,226 |
| 50,535 | 91,314 |
| 289 | 90,268 |
| <u>400,143</u> | <u>3,126,598</u> |
| <u>(246,407)</u> | <u>(494,673)</u> |
| - | (75,174) |
| - | 2,016 |
| 3,928 | 384,215 |
| <u>(20,724)</u> | <u>(20,724)</u> |
| <u>(16,796)</u> | <u>290,333</u> |
| <u>(263,203)</u> | <u>(204,340)</u> |
| 222,477 | 879,904 |
| <u>-</u> | <u>(657,427)</u> |
| <u>(40,726)</u> | <u>18,137</u> |
| <u>419</u> | <u>15,831,650</u> |
| <u>\$ (40,307)</u> | <u>\$ 15,849,787</u> |

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

STATE OF NEW MEXICO
City of Eunice
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2017

| | Business-Type Activities - Enterprise | | |
|---|--|-------------------|---------------------|
| | Water | Sewer | Solid Waste |
| <i>Cash flows from operating activities</i> | | | |
| Cash received from user charges | \$ 1,864,163 | \$ 294,328 | \$ 471,287 |
| Cash payments to employees for services | (874,489) | (101,302) | - |
| Cash payments to suppliers for goods and services | (483,844) | (119,146) | (628,424) |
| <i>Net cash (used) by operating activities</i> | <u>505,830</u> | <u>73,880</u> | <u>(157,137)</u> |
| <i>Cash flows from noncapital financing activities</i> | | | |
| Miscellaneous income | 5,287 | 375,000 | - |
| Internal balances | (171,100) | (233,854) | 404,954 |
| <i>Net cash provided by noncapital financing activities</i> | <u>(165,813)</u> | <u>141,146</u> | <u>404,954</u> |
| <i>Cash flows from investing activities</i> | | | |
| Sale (purchase) of investments | (111,312) | (7,340) | (266,664) |
| Interest on investments | 1,417 | 16 | 583 |
| <i>Net cash provided (used) by investing activities</i> | <u>(109,895)</u> | <u>(7,324)</u> | <u>(266,081)</u> |
| <i>Cash flows from capital and related financing activities</i> | | | |
| Acquisition of capital assets | - | (102,968) | - |
| Interest paid | (75,174) | - | - |
| Proceeds from issuance of long-term debt | - | - | - |
| Principal payments on bonds, loans and notes payable | (262,860) | - | - |
| <i>Net cash (used) by capital and related financing activities</i> | <u>(338,034)</u> | <u>(102,968)</u> | <u>-</u> |
| <i>Net (decrease) increase in cash and cash equivalents</i> | (107,912) | 104,734 | (18,264) |
| <i>Cash and cash equivalents - beginning of year</i> | <u>255,945</u> | <u>1,416</u> | <u>49,036</u> |
| <i>Cash and cash equivalents - end of year</i> | <u>\$ 148,033</u> | <u>\$ 106,150</u> | <u>\$ 30,772</u> |
| <i>Reconciliation of operating (loss) income to net cash provided (used) by operating activities:</i> | | | |
| Operating (loss) income | \$ (172,736) | \$ 4,222 | \$ (79,752) |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | |
| Depreciation | 456,781 | 38,825 | - |
| Noncash pension expense | 66,372 | 9,879 | - |
| Changes in assets, deferred outflows, and liabilities: | | | |
| Receivables | 125,126 | 10,280 | 14,253 |
| Inventory | 39,095 | (1,427) | - |
| Prepaid expenses | (34,236) | - | - |
| Contributions subsequent to the measurement date | 9,766 | 1,453 | - |
| Accounts payable | 3,100 | 3,749 | (91,638) |
| Accrued payroll expenses | 3,991 | 139 | - |
| Accrued compensated absences | 6,641 | 6,760 | - |
| Other accrued expenses | - | - | - |
| Meter deposits | 1,930 | - | - |
| <i>Net cash (used) by operating activities</i> | <u>\$ 505,830</u> | <u>\$ 73,880</u> | <u>\$ (157,137)</u> |

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

Business-Type Activities - Enterprise

| <u>Golf</u> | <u>Total</u> |
|---------------------|--------------------|
| \$ 144,787 | \$ 2,774,565 |
| (207,290) | (1,183,081) |
| <u>(163,235)</u> | <u>(1,394,649)</u> |
| <u>(225,738)</u> | <u>196,835</u> |
| 3,930 | 384,217 |
| 222,476 | 222,476 |
| <u>226,406</u> | <u>606,693</u> |
| - | (385,316) |
| - | 2,016 |
| <u>-</u> | <u>(383,300)</u> |
| - | (102,968) |
| - | (75,174) |
| - | - |
| <u>(695)</u> | <u>(263,555)</u> |
| <u>(695)</u> | <u>(441,697)</u> |
| (27) | (21,469) |
| <u>2,491</u> | <u>308,888</u> |
| <u>\$ 2,464</u> | <u>\$ 287,419</u> |
| | |
| \$ (246,408) | \$ (494,674) |
| 21,620 | 517,226 |
| 17,651 | 93,902 |
| (8,949) | 140,710 |
| - | 37,668 |
| - | (34,236) |
| 2,597 | 13,816 |
| 4,230 | (80,559) |
| 6 | 4,136 |
| (2,650) | 10,751 |
| (13,835) | (13,835) |
| - | 1,930 |
| <u>\$ (225,738)</u> | <u>\$ 196,835</u> |

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

STATE OF NEW MEXICO
City of Eunice
Notes to the Financial Statements
June 30, 2017

NOTE 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 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 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.

This summary of significant accounting policies of the City is presented to assist in the understanding of the City's financial statements. The financial statements and notes are the representation of the City's management who is responsible for their integrity and objectivity. The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units.

During the year ended June 30, 2017, the City adopted GASB Statements No. 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68 (partial)*, No. 74, *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, No. 77, *Tax Abatement Disclosures*, No. 78 *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plans*, and No. 80, *Blending Requirements for Certain Component Units – an amendment of GASB Statement No. 14* and No. 82, *Pension Issues-an amendment of GASB Statements No. 67, NO. 68, and No. 73*. These six Statements are required to be implemented as of June 30, 2017, if applicable.

GASB Statement No. 73 establishes accounting and financial reporting standards for defined benefit pensions and defined contribution pensions that are not provided to employees of state and local government employers and are not within the scope of Statement 68. A portion of this pronouncement was effective and was implemented for the June 30, 2016 year end, and a portion is effective for June 30, 2017 year end. Effective for June 30, 2017 are the provisions of the statement that address accounting and financial reporting by employers and governmental nonemployer contributing entities for pensions that are not within the scope of Statement 68. This does not have a material effect on the financial statements of the City, as its pension plan is within the scope of Statement 68.

STATE OF NEW MEXICO
City of Eunice
Notes to the Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

The objective of GASB Statement No. 74 is to improve the usefulness of information about postemployment benefits other than pensions (other postemployment benefits or OPEB) included in the general purpose external financial reports of state and local governmental OPEB plans for making decisions and assessing accountability. This Statement results from a comprehensive review of the effectiveness of existing standards of accounting and financial reporting for all postemployment benefits (pensions and OPEB) with regard to providing decision-useful information, supporting assessments of accountability and interperiod equity, and creating additional transparency. This Statement does not affect the City's financial statements directly; however, the effects on the City's OPEB plan, administered through the New Mexico Retiree Health Care Authority, will be seen in future periods.

GASB Statement No. 77 is intended to improve the usefulness of financial statements prepared by state and local governments – which are intended, among other things, to assist users of financial statements in assessing (1) whether a government's current-year revenues were sufficient to pay for current-year services (interperiod equity), (2) whether a government complied with finance-related legal and contractual obligations, (3) where a government's financial resources came from and how it uses them, and (4) a government's financial position and economic condition and how they have changed after time – by including information about certain limitations on a government's ability to raise resources. This includes limitations on revenue-raising capacity resulting from government programs that use tax abatements to induce behavior by individuals and entities that is beneficial to the government or its citizens – such as the encouragement of economic development. For financial reporting purposes, this Statement defines a tax abatement as resulting from an agreement between a government and an individual or entity in which the government promises to forgo tax revenues and the individual or entity promises to subsequently take a specific action that contributes to economic development or otherwise benefits the government or its citizens.

These tax abatements may affect the financial position of the government and its results of operations, including its ability to raise resources in the future. Statement No. 77 requires disclosure of tax abatement information about (1) a reporting government's own tax abatement agreements and (2) those that are entered into by other governments that reduce the reporting government's tax revenues.

This Statement requires governments that enter into tax abatement agreements to disclose the following information about the agreements:

- Brief descriptive information, such as the tax being abated, the authority under which tax abatements are provided, eligibility criteria, the mechanism by which taxes are abated, provisions for recapturing abated taxes, and the types of commitments made by tax abatement recipients;
- The gross dollar amount of taxes abated during the period;
- Commitments made by a government, other than to abate taxes, as part of a tax abatement agreement.

For tax abatement agreements entered into by other governments, the following should be disclosed:

- The names of the governments that entered into the agreements;
- The specific taxes being abated; and
- The gross dollar amount of taxes abated during the period.

The City was not affected by any tax abatements. This standard was implemented at June 30, 2017.

STATE OF NEW MEXICO
City of Eunice
Notes to the Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

The objective of GASB Statement No. 78 is to address a practice issue regarding the scope and applicability of Statement No. 68, *Accounting and Financial Reporting for Pensions*. This issue is associated with pensions provided through certain multiple-employer defined benefit pension plans and to state or local governmental employers whose employees are provided with such pensions. This Statement amends the scope and applicability of Statement 68 to exclude certain pensions provided to employees of state or local governmental employers. The City's pension plan does not meet the criteria for exclusion.

The objective of GASB Statement No. 80 is to improve financial reporting by clarifying the financial statement presentation requirements for certain component units. This Statement amends the blending requirements established in paragraph 53 of Statement No. 14, *The Financial Reporting Entity, as amended*.

This Statement amends the blending requirements for the financial statement presentation of component units of all state and local governments. The additional criterion requires blending of a component unit incorporated as a not-for-profit corporation in which the primary government is the sole corporate member. The additional criterion does not apply to component units included in the financial reporting entity pursuant to the provisions of Statement No. 39, *Determining Whether Certain Organizations Are Component Units*.

GASB Statement No. 82 clarified and adjusted several items from GASB Statement Nos. 67 and 68, including the definition of covered payroll, the presentation of payroll-related measures in required supplementary information, the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and the classification of payments made by employers to satisfy employee contribution requirements.

A. Financial Reporting Entity

The financial reporting entity consists of (a) the primary government, (b) organizations for which the primary government is financially accountable and (c) other organizations for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

In evaluating how to define the City for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statements No. 14, as amended by GASB Statement No. 39, GASB Statement No. 61, and GASB Statement No. 80. Blended component units, although legally separate entities, are in substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters.

STATE OF NEW MEXICO
City of Eunice
Notes to the Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

A. Financial Reporting Entity (continued)

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 City has no component units required to be reported under GASB Statements No. 14, No. 39, No. 61, or No. 80.

B. 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 non-fiduciary activities of the primary government. For the most part, the effect of inter-fund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or 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, Solid Waste 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.

STATE OF NEW MEXICO
City of Eunice
Notes to the Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

B. Government-wide and fund financial statements (continued)

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). Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

Separate 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 governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

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

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

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period, subject to the availability criterion. Sales and use taxes are classified as derived tax revenues and are recognized as revenue when the underlying exchange takes place and the revenues are measurable and available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met, subject to the availability criterion. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the government.

Under the requirements of GASB Statement No. 34, the City is required to present certain of its governmental funds as major based upon certain criteria. The major funds presented in the fund financial statements include the following:

STATE OF NEW MEXICO
City of Eunice
Notes to the Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

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

The City reports the following major governmental funds:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. This fund includes state shared gross receipts tax income fund and state shared gas tax income fund.

The *Recreation Special Revenue Fund* accounts for money used for the youth center and parks and recreation. Authority for creation of this fund is the City Council.

The *Paving and Streets Capital Projects Fund* accounts for money used for road projects throughout the City. Authority for creation of this fund is the City Council.

The City reports the following proprietary funds as major 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. Authority for creation of this fund is the City Council.

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. Authority for creation of this fund is the City Council.

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. Authority for creation of this fund is the City Council.

The *Golf Fund* accounts for the revenues and expenses associated with the operation of the City of Eunice golf course. Authority for creation of this fund is the City Council.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes and other charges between the government's enterprise funds and various other functions of the government. Elimination of these charges would distort the direct costs and program revenues reported in the Statement of Activities.

Additionally, the government reports the following agency fund:

Fiduciary funds are purely custodial (assets equal liabilities) and do not involve measurement of results of operations. The City's fiduciary fund accounts for self-insurance for retirees. Authority for creation of this fund is the City Council.

Program revenues included in the Statement of Activities are derived directly from the program itself or from parties outside the City's taxpayer or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the City's general revenues.

STATE OF NEW MEXICO
City of Eunice
Notes to the Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

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

Program revenues are categorized as (a) charges for services, which include revenues collected for fees and use of City facilities, etc., (b) program-specific operating grants, which include revenues received from state and federal sources such as small cities assistance to be used as specified within each program grant agreement, and (c) program-specific capital grants and contributions, which include revenues from state sources to be used for capital projects. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes. The City reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function.

The City does not currently employ indirect cost allocation systems. Depreciation expense is specifically identified by function and is included in the direct expense of each function. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenue of the City's enterprise fund is charges for services for the City's utilities. Operating expenses for enterprise funds include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

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

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity

Deposits and Investments: The City's cash and cash equivalents are considered to be cash on hand, demand deposits and short-term investments with original maturities of three months or less from the date of acquisition.

State statutes authorize the City to invest in Certificates of Deposit, obligations of the U.S. Government, and the State Treasurer's Investment Pool.

Investments for the City are reported at fair value. The State Treasurer's Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares. Restricted investments have been reclassified from prior year classification of restricted cash and cash equivalents, due to the maturity date, and therefore are more accurately considered restricted investments.

Receivables and Payables: Interfund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables 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 a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or between proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

STATE OF NEW MEXICO
City of Eunice
Notes to the Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (continued)

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources in the event they are not received within 60 days of year end.

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. In the government-wide and governmental fund financial statements, delinquent property taxes are recorded when levied. Property taxes are considered to be 100% collectible.

Property taxes are levied on November 1 based on the assessed value of property as listed on the previous January 1 and are due in two payments by November 10th and April 10th. Property taxes uncollected after November 10th and April 10th are considered delinquent and the City may assess penalties and interest. The taxes attach as an enforceable lien on property thirty (30) days thereafter, at which time they become delinquent. Property taxes are collected by Lea County and remitted monthly to the City.

The City estimates the allowance for uncollectible accounts based off historical collection trends.

Restricted Assets: Restricted assets consist of those funds expendable for operating purposes but restricted by donors or other outside agencies as to the specific purpose for which they may be used and restricted for future debt service payments, capital projects, and other purposes.

Inventory: The City's method of accounting for inventory is the consumption method. Under the consumption approach, governments report inventories they purchase as an asset and defer recognition of the expenditures until the period in which the inventories actually are consumed. The cost of inventory is recorded as expenditures at the time individual inventory items are consumed.

Prepaid Expenses: Prepaid expenses include insurance payments that reflect costs applicable to future accounting periods and are recorded as prepaid items in both the government-wide financial statements and fund financial statements.

Capital Assets: Capital assets, which include property, plant, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Pursuant to the implementation of GASB Statement No. 34, the historical cost of infrastructure assets, (retroactive to 1979) are included as part of the governmental capital assets reported in the government wide statements. Information Technology Equipment including software is being capitalized and included in furniture, fixtures and equipment in accordance with NMAC 2.20.1.9 C (5). Donated capital assets are recorded at estimated fair market value at the date of donation.

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

STATE OF NEW MEXICO
City of Eunice
Notes to the Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (continued)

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. There was no interest expense capitalized by the City during the current fiscal year. No interest was included as part of the cost of capital assets under construction.

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

| Assets | Years |
|------------------------------------|--------------|
| Land improvements | 30-40 |
| Buildings and improvements | 30-40 |
| Furniture, fixtures, and equipment | 5-20 |
| Vehicles | 5-20 |
| Utility systems | 40 |
| Roads | 10-20 |

Deferred Outflows of Resources: In addition to assets, the balance sheet reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a use of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until that time. The City has four types of items that qualify for reporting in this category in both the governmental and business-type activities. Accordingly, the items, the net difference between projected and actual earnings on pension plan investments, changes of assumptions, changes in proportion, differences between expected and actual experience, and employer contributions subsequent to measurement date, have been reported as deferred outflows of resources in the amounts of \$1,047,907, \$386,005, \$52,091, \$360,940 and \$271,956, respectively. These amounts are reported in the Statement of Net Position. These amounts will directly reduce the net pension liability future periods.

Deferred Inflows of Resources: In addition to liabilities, the balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Revenue must be susceptible to accrual (measurable and available to finance expenditures of the current fiscal period) to be recognized. If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by a corresponding liability for deferred inflows of resources. The City has one type of deferred inflow which arises under the modified accrual basis of accounting that qualifies for reporting in this category. Accordingly, the item, unavailable revenue - property taxes tax is reported only in the governmental funds balance sheet. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available. The City has recorded \$9,381 related to property taxes considered "unavailable". In addition, the City has three types of items present on the Statement of Net Position for both the governmental and business-type activities, which arise due to the implementation of GASB 68 and the related net pension liability. Accordingly, the items, changes of assumptions of \$34,454, changes in proportion of \$427,270, and differences between expected and actual experience of \$36,096, are reported on the Statement of Net Position.

STATE OF NEW MEXICO
City of Eunice
Notes to the Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (continued)

These amounts are reported as deferred inflows and amortized into pension expense over the average remaining service life of employees.

Pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (P.E.R.A) and additions to/deductions from P.E.R.A's fiduciary net position have been determined on the same basis as they are reported by P.E.R.A, on the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Accrued Expenses: Accrued expenses are comprised of the payroll expenditures based on amounts earned by the employees through June 30, 2017, along with applicable FICA and Medicare liabilities.

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.

Long-term Obligations: In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond premiums and discounts 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. For fund financial reporting, bond premiums and discounts, as well as issuance costs are recognized in the period the bonds are issued. Bond proceeds are reported as another financing source net of the applicable premium or discount. Issuance costs, even if withheld from the actual net proceeds received, are reported as debt service expenditures.

Fund Balance Classification Policies and Procedures: For committed fund balance, the City's highest level of decision-making authority is the City Council. The formal action that is required to be taken to establish a fund balance commitment is the City Council.

STATE OF NEW MEXICO
City of Eunice
Notes to the Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (continued)

For assigned fund balance, the City Council or an official or body to which the City Council delegates the authority is authorized to assign amounts to a specific purpose. The authorization policy is in governmental funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

For the classification of fund balances, the City considers restricted or unrestricted amounts to have been spent when an expenditure is incurred for the purposes for which both restricted and unrestricted fund balance is available. Also for the classification of fund balances, the City considers committed, assigned, or unassigned amounts to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Nonspendable Fund Balance: At June 30, 2017, the nonspendable fund balance of the City is comprised of inventory and prepaid assets in the amount of \$249,933 which is not in spendable form.

Restricted and Committed Fund Balance: At June 30, 2017, the City has presented restricted fund balance on the governmental funds balance sheet in the amount of \$6,230,397 for various City operations as restricted by enabling legislation. The details of these fund balance items are located on the governmental funds balance sheet as detailed on pages 18-19.

Net Position: Equity is classified as net position and displayed in three components:

- a. Net investment in capital assets: Net position invested in capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted Net Position: Consist of net position with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation. Descriptions for the related restrictions for net position restricted for "special revenue, debt service, and capital projects" are described on pages 41 and 76 through 77.
- c. Unrestricted Net Position: All other net position that do not meet the definition of "restricted" or "Net Investment in Capital Assets."

Interfund Transactions: Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund from expenditures/expenses initially made from it that are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements are reported as transfers. Nonrecurring or non-routine permanent transfers of equity are reported as residual equity transfers. All other interfund transfers are reported as operating transfers.

STATE OF NEW MEXICO
City of Eunice
Notes to the Financial Statements
June 30, 2017

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position or Equity (continued)

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates in the City's financial statements include the allowance for uncollectible accounts in the joint utility fund and depreciation on capital assets, current portion of accrued compensated absences, inventory, net pension liability and related deferred inflows and outflows of resources.

NOTE 2. Stewardship, Compliance and Accountability

Budgetary Information

Annual budgets of the City are prepared prior to June 1 and must be approved by resolution of the City Councilors, and submitted to the Department of Finance and Administration for State approval. Once the budget has been formally approved, any amendments must also be approved by the City Council Members and the Department of Finance and Administration. A separate budget is prepared for each fund. Line items within each budget may be over-expended; however, it is not legally permissible to over-expend any budget in total by fund.

Governmental fund budgets are prepared on the Non-GAAP cash basis, excluding encumbrances, and secure appropriation of funds for only one year. Carryover funds must be re-appropriated in the budget of the subsequent fiscal year.

Proprietary fund budgets are prepared on the cash basis. The City does not budget for depreciation expense, only capital outlay.

The budgetary information presented in these financial statements has been properly amended by City Councilors in accordance with the above procedures. These amendments resulted in the following changes:

| | Excess (deficiency) of revenues over expenditures | |
|--------------------------|--|-------------------------|
| | Original Budget | Final Budget |
| General Fund | \$ 1,051,877 | \$ 1,051,877 |
| Recreation | (409,968) | (409,968) |
| Other Governmental Funds | (398,000) | 4,635,325 |
| | Operating income (loss) | |
| | Original Budget | Final Budget |
| Water Department | \$ 397,299 | \$ 76,731 |
| Sewer Fund | 64,750 | 344,864 |
| Solid Waste Fund | 30,000 | (155,885) |
| Golf Fund | (261,893) | (261,893) |

STATE OF NEW MEXICO
City of Eunice
Notes to the Financial Statements
June 30, 2017

NOTE 2. Stewardship, Compliance and Accountability (continued)

Budgetary Information (continued)

The accompanying Statements of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual and Statements of Revenues, Expenses and Changes in Net Position – Budget (Non-GAAP Budgetary Basis) and Actual presents comparisons of the legally adopted budget with actual data on a budgetary basis.

The reconciliation between the Non-GAAP budgetary basis amounts and the financial statements on the GAAP basis for each governmental fund are included in each individual budgetary comparison.

NOTE 3. Deposits and Investments

Section 22-8-40, NMSA 1978 authorizes the investment of City funds in a wide variety of instruments including certificates of deposit and other similar obligations, the state investment pool, money market accounts, and United States Government obligations. All invested funds of the City properly followed State investment requirements as of June 30, 2017.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the City. Deposits may be made to the extent that they are insured by an agency of the United States or collateralized by the financial institution as required by statute. The financial institution must provide pledged collateral for 50% of the deposit amount in excess of the deposit insurance.

The rate of interest in non-demand interest-bearing accounts shall be set by the State Board of Finance, but in no case shall the rate of interest be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of deposit.

Excess 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.

All of the City's accounts are at an insured depository institution, including all noninterest-bearing transaction accounts, which will be insured by the FDIC up to the Standard Maximum Deposit Insurance Amount of \$250,000.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk, other than following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). June 30, 2017, \$884,483 of the City's bank balance of \$1,154,433 was subject to custodial credit risk. \$519,058 was uninsured and collateralized by collateral held by the pledging bank's trust department, not in the City's name and \$365,425 of the City's deposits was uninsured and uncollateralized at June 30, 2017.

STATE OF NEW MEXICO
City of Eunice
Notes to the Financial Statements
June 30, 2017

NOTE 3. Deposits and Investments (continued)

| | <u>Wells Fargo Bank, NA</u> | <u>JP Stone Bank</u> | <u>Totoal</u> |
|---|---------------------------------|--------------------------|------------------|
| Amount of deposits | \$ 1,134,483 | \$ 19,950 | \$ 1,154,433 |
| FDIC Coverage | <u>(250,000)</u> | <u>(19,950)</u> | <u>(269,950)</u> |
| Total uninsured public funds | <u>884,483</u> | <u>-</u> | <u>884,483</u> |
| Collateralized by securities held by Pledging institutions or by its trust department or agent in other than the City's name | | | |
| | <u>519,058</u> | <u>-</u> | <u>519,058</u> |
| Uninsured and uncollateralized | <u>365,425</u> | <u>-</u> | <u>365,425</u> |
| Collateral requirement (50% of uninsured funds) | | | |
| | 442,242 | - | 442,242 |
| Pledged Collateral | <u>519,058</u> | <u>-</u> | <u>519,058</u> |
| Over (Under) collateralized | <u>\$ 76,817</u> | <u>\$ -</u> | <u>\$ 76,817</u> |

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

Investments

The City invests excess cash in the State Treasurer Local Government Investment Pool. The New Mexico 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. (F), 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.

As of June 30, 2017, the City's investment in the New Mexico LGIP was rated as AAAM by Standard & Poor's.

Additionally, the City has investments held in U.S. Treasury Money Market Mutual Funds at the Bank of Albuquerque in connection with New Mexico Finance Authority (NMFA) loans. Also, the City has investments which are managed by NMFA, on deposit with the State Treasurer's office, in NMFA's name for the benefit of the City.

The City's investments at June 30, 2017 include the following:

| <u>Investment Type</u> | <u>Weighted Average Maturities</u> | <u>Fair Value</u> | <u>Rating</u> |
|---|--|---------------------|---------------|
| New Mexico Local Government Investment Pool | 58 days (WAM (R)); 106 days (WAM (F)) | \$ 770,899 * | AAAm |
| U.S. Treasury Money Market Mutual Funds | >365 | <u>4,756,314 **</u> | Aaa |
| | | <u>\$ 5,527,213</u> | |

* Based off Standards & Poor's rating

** Based off Moody's rating

STATE OF NEW MEXICO
City of Eunice
Notes to the Financial Statements
June 30, 2017

NOTE 3. Deposits and Investments (continued)

At June 30, 2017 the City has funds which are managed by NMFA which are considered restricted cash and cash equivalents or investments. This is made up of the \$4,756,314 in investments noted above and \$471,763 considered restricted cash and cash equivalents per Exhibit A-1. For purposes of cash flows at Exhibit D-3, ending cash is considered to be cash and cash equivalents, and restricted cash and cash equivalents.

Interest Rate Risk – Investments. The City does not have a formal policy limiting investment maturities that would help manage its exposure to fair value losses from increasing interest rates.

Concentration of Credit Risk – Investments. For an investment, concentration of credit risk is when any one issuer is 5% or more of the investment portfolio of the City. The investments in the New Mexico Local Government Investment Pool represents 96%, of the investment portfolio. The City’s policy related to concentration credit risk is to comply with the state statute as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978).

Fair Value Measurement

The fair value framework uses a hierarchy that prioritizes the inputs to the valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the City has the ability to access.

Level 2 Inputs to the valuation methodology include:

- Quoted prices for similar assets or liabilities in active markets.
- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted prices that are observable for the asset or liability.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

The asset’s or liability’s fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. See above for discussion of valuation methodologies used to measure fair value of investments.

The valuation methodologies described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the City believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The City maintained a balance of \$770,899 in New MexiGROWLGIP at year end which required fair value disclosure.

STATE OF NEW MEXICO
City of Eunice
Notes to the Financial Statements
June 30, 2017

NOTE 3. Deposits and Investments (continued)

The following table sets forth by level within the fair value hierarchy, the City's assets at fair value as of June 30, 2017:

| Level 1 | Level 2 | Level 3 | Total |
|----------------|----------------|----------------|--------------|
| \$ 5,527,213 | \$ - | \$ - | \$ 5,527,213 |

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:

Reconciliation to the Statement of Net Position:

| | |
|--|------------------|
| Cash and cash equivalents per Exhibit A-1 | \$ 733,148 |
| Restricted cash and cash equivalents per Exhibit A-1 | 721,746 |
| Investments per Exhibit A-1 | 770,899 |
| Restricted investments per Exhibit A-1 | 4,756,314 |
| Total cash, cash equivalents, and investments | 6,982,107 |
| Add: outstanding items | 171,302 |
| Less: NMFA restricted cash and investments | (5,228,077) |
| Less: <i>New MexiGROW- LGIP</i> | (770,899) |
| Bank balance of deposits | \$ 1,154,433 |

NOTE 4. Land Held for Sale

During the year ended June 30, 2017, land in the amount of \$67,700 was sold. As of June 30, 2017, the City held \$77,099 in land held for sale. Per GASB 72, as these assets were originally capital assets they are not measure at fair value even though their usage has changed.

STATE OF NEW MEXICO
City of Eunice
Notes to the Financial Statements
June 30, 2017

NOTE 5. Receivables

Receivables as of June 30, 2017, are as follows:

| Governmental activities: | General Fund | Recreation Special Revenue Fund | Paving and Streets Capital Projects Fund | Nonmajor Governmental Funds | Total |
|---------------------------------|-------------------------|--|---|--|-------------------|
| Property taxes | \$ 13,223 | \$ - | \$ - | \$ - | \$ 13,223 |
| Gross receipts taxes | 638,787 | - | 41,636 | - | 680,423 |
| Miscellaneous | 66,879 | 179,534 | - | 25,137 | 271,550 |
| Totals by fund | <u>\$ 718,889</u> | <u>\$ 179,534</u> | <u>\$ 41,636</u> | <u>\$ 25,137</u> | <u>\$ 965,196</u> |

Receivables for governmental activities are considered to be 100% collectible.

Governmental funds report *unavailable revenue* in connection with receivables for revenues that are not considered to be available to liquidate liabilities in the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. Unavailable revenue related to property taxes receivable was \$9,381 for the City for the year ended June 30, 2017.

Business-type activities:

| | Water | Sewer | Solid Waste | Total |
|--|-------------------|------------------|--------------------|-------------------|
| Utility receivable | \$ 464,030 | \$ 35,921 | \$ 58,016 | \$ 557,967 |
| Less: Allowance for uncollectible accounts | <u>(101,753)</u> | <u>-</u> | <u>-</u> | <u>(101,753)</u> |
| Totals | <u>\$ 362,277</u> | <u>\$ 35,921</u> | <u>\$ 58,016</u> | <u>\$ 456,214</u> |

STATE OF NEW MEXICO
City of Eunice
Notes to the Financial Statements
June 30, 2017

NOTE 6. Transfers and Interfund Receivables

Net operating transfers, made to close out funds and to supplement other funding sources, were as follows:

| <u>Transfers In</u> | <u>Transfers Out</u> | <u>Amount</u> |
|-----------------------------|--------------------------|---------------------|
| Recreation | General Fund | \$ 546,534 |
| Golf | General Fund | 222,477 |
| Corrections | General Fund | 14,929 |
| Senior Center | General Fund | 23,463 |
| Swimming Pool | General Fund | 66,910 |
| Youth Advisory Council | General Fund | 4,125 |
| Paving and Streets | General Fund | 23,659 |
| Fire Fund | General Fund | 2,638 |
| Governmental Gross Receipts | General Fund | 8,903 |
| Sewer | Water | 36,954 |
| Solid Waste | Water | 349,665 |
| Water | Sewer | 215,519 |
| Solid Waste | Sewer | 55,289 |
| General Fund | Municipal Infrastructure | 18,129 |
| General Fund | EMS Fund | 15,491 |
| | | <u>\$ 1,604,685</u> |

Interfund balances as of June 30, 2017 consisted of the following:

| <u>Due from other funds</u> | <u>Due to other funds</u> | <u>Amount</u> |
|-----------------------------|---------------------------|-------------------|
| New Fire Station | General Fund | \$ 231,000 |
| New Fire Station | Solid Waste | 322,000 |
| | | <u>\$ 553,000</u> |

All interfund balances are expected to be paid back within one year.

STATE OF NEW MEXICO
City of Eunice
Notes to the Financial Statements
June 30, 2017

NOTE 7. Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2017 follows. Land, construction in progress, and library collections are not subject to depreciation.

Governmental Activities:

| | <u>Balance</u> <u>June 30, 2016</u> | <u>Transfers</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u> <u>June 30, 2017</u> |
|---------------------------------------|--|------------------|-------------------|-------------------|--|
| Capital assets not being depreciated: | | | | | |
| Land | \$ 146,732 | \$ - | \$ - | \$ - | \$ 146,732 |
| Construction in progress | 273,628 | (598,947) | 1,062,993 | - | 737,674 |
| Library collections | 10,800 | - | - | - | 10,800 |
| | <u>431,160</u> | <u>(598,947)</u> | <u>1,062,993</u> | <u>-</u> | <u>895,206</u> |
| Capital assets being depreciated: | | | | | |
| Land improvements | 948,811 | - | - | - | 948,811 |
| Buildings and improvements | 4,275,866 | 598,947 | 74,780 | - | 4,949,593 |
| Furniture, fixtures, and equipment | 1,166,295 | - | - | - | 1,166,295 |
| Vehicles | 2,784,808 | - | 48,345 | (174,193) | 2,658,960 |
| Roads | 1,752,388 | - | - | - | 1,752,388 |
| | <u>10,928,168</u> | <u>598,947</u> | <u>123,125</u> | <u>(174,193)</u> | <u>11,476,047</u> |
| Total capital assets | <u>11,359,328</u> | <u>-</u> | <u>1,186,118</u> | <u>(174,193)</u> | <u>12,371,253</u> |
| Accumulated depreciation: | | | | | |
| Land improvements | 467,895 | - | 17,037 | - | 484,932 |
| Buildings and improvements | 2,134,584 | - | 86,375 | - | 2,220,959 |
| Furniture, fixtures, and equipment | 825,253 | - | 65,979 | - | 891,232 |
| Vehicles | 2,089,376 | - | 157,413 | (169,956) | 2,076,833 |
| Roads | 935,234 | - | 50,069 | - | 985,303 |
| | <u>6,452,342</u> | <u>-</u> | <u>376,873</u> | <u>(169,956)</u> | <u>6,659,259</u> |
| Net capital assets | <u>\$ 4,906,986</u> | <u>\$ -</u> | <u>\$ 809,245</u> | <u>\$ (4,237)</u> | <u>\$ 5,711,994</u> |

STATE OF NEW MEXICO
City of Eunice
Notes to the Financial Statements
June 30, 2017

NOTE 7. Capital Assets (continued)

Depreciation expense for the year ended June 30, 2017 was charged to governmental activities as follows:

| | |
|------------------------|-------------------|
| Total by Function | |
| General government | \$ 42,710 |
| Public safety | 167,589 |
| Public works | 72,695 |
| Culture and recreation | 93,879 |
| Total | <u>\$ 376,873</u> |

Business-type Activities:

| | <u>Balance</u> <u>June 30, 2016</u> | <u>Transfers</u> | <u>Additions</u> | <u>Deletions</u> | <u>Balance</u> <u>June 30, 2017</u> |
|---------------------------------------|--|------------------|---------------------|------------------|--|
| Capital assets not being depreciated: | | | | | |
| Land | \$ 3,466 | \$ - | \$ - | \$ - | \$ 3,466 |
| Construction in progress | 487,383 | - | 102,968 | - | 590,351 |
| | <u>490,849</u> | <u>-</u> | <u>102,968</u> | <u>-</u> | <u>593,817</u> |
| Capital assets being depreciated: | | | | | |
| Land improvements | 762,184 | - | - | - | 762,184 |
| Buildings and improvements | 1,435,479 | - | - | - | 1,435,479 |
| Furniture, fixtures, and equipment | 997,400 | - | 42,366 | 51,000 | 988,766 |
| Vehicles | 365,143 | - | - | 84,681 | 280,462 |
| Utility Systems | 30,637,951 | - | - | - | 30,637,951 |
| | <u>34,198,157</u> | <u>-</u> | <u>42,366</u> | <u>135,681</u> | <u>34,104,842</u> |
| Total capital assets | <u>34,689,006</u> | <u>-</u> | <u>145,334</u> | <u>135,681</u> | <u>34,698,659</u> |
| Accumulated depreciation: | | | | | |
| Land improvements | 49,737 | - | 19,120 | - | 68,857 |
| Buildings and improvements | 280,296 | - | 25,748 | - | 306,044 |
| Furniture, fixtures, and equipment | 555,889 | - | 58,094 | 30,276 | 583,707 |
| Vehicles | 269,395 | - | 26,900 | 84,681 | 211,614 |
| Utility Systems | 12,607,535 | - | 387,365 | - | 12,994,900 |
| | <u>13,762,852</u> | <u>-</u> | <u>517,227</u> | <u>114,957</u> | <u>14,165,122</u> |
| Net capital assets | <u>\$ 20,926,154</u> | <u>\$ -</u> | <u>\$ (371,893)</u> | <u>\$ 20,724</u> | <u>\$ 20,533,537</u> |

Depreciation expense for the year ended June 30, 2017 was charged to business-type activities as follows:

| | |
|-------------------|-------------------|
| Total by Function | |
| Water | \$ 456,782 |
| Sewer | 38,825 |
| Golf | 21,620 |
| Total | <u>\$ 517,227</u> |

STATE OF NEW MEXICO
City of Eunice
Notes to the Financial Statements
June 30, 2017

NOTE 8. Long-term Debt

Governmental Activities:

During the year ended June 30, 2017, the following changes occurred in the liabilities reported in the government-wide statement of net position:

| | <u>Balance</u> <u>June 30, 2016</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance</u> <u>June 30, 2017</u> | <u>Due Within</u> <u>One Year</u> |
|----------------------|--|---------------------|-------------------|--|--------------------------------------|
| Loan Payable | \$ - | \$ 5,209,830 | \$ - | \$ 5,209,830 | \$ 53,715 |
| Compensated absences | 148,723 | 156,000 | 154,713 | 150,010 | 150,010 |
| Total long-term debt | <u>\$ 148,723</u> | <u>\$ 5,365,830</u> | <u>\$ 154,713</u> | <u>\$ 5,359,840</u> | <u>\$ 203,725</u> |

NMFA Loans- Notes Payable

In March 2017, the City borrowed \$5,209,830 from the New Mexico Finance Authority. The note matures on July 1, 2036, and accrues interest at an average rate of 3.28% per annum. The proceeds of the loan were used for street improvement projects within the City. The payments of principal and interest are paid from pledged state shared gross receipts tax revenues.

The NMFA loan details are as follows:

| <u>Description</u> | <u>Date of</u> <u>Issue</u> | <u>Maturity</u> <u>Date</u> | <u>Interest</u> <u>Rate</u> | <u>Amount</u> <u>of Issue</u> | <u>Balance</u> <u>June 30, 2017</u> |
|--------------------|--------------------------------|--------------------------------|--------------------------------|----------------------------------|--|
| NMFA Loan | 3/24/2017 | 5/1/2032 | 3.28% | \$ 5,209,830 | <u>\$ 5,209,830</u> |

Compensated Absences- Employees of the City are able to accrue a limited amount of vacation and other compensatory time during the year. During fiscal year June 30, 2017, compensated absences increased \$1,287 from the prior year. Compensated absences are liquidated by the respective funds in which they are accrued.

Business-Type Activities:

The proprietary funds have incurred various forms of debt which were used for the purposes of constructing, expanding, repairing and making improvements to its property, plant and equipment. The following schedule shows the changes to its various forms of debt during the fiscal year ended June 30, 2017:

| | <u>Balance</u> <u>June 30, 2016</u> | <u>Additions</u> | <u>Reductions</u> | <u>Balance</u> <u>June 30, 2017</u> | <u>Due Within</u> <u>One Year</u> |
|----------------------|--|-------------------|-------------------|--|--------------------------------------|
| Loans Payable: | | | | | |
| NMFA Water lines | \$ 4,295,637 | \$ - | \$ 230,461 | \$ 4,065,176 | \$ 235,071 |
| NMFA Water lines | 561,936 | - | 32,399 | 529,537 | 32,480 |
| Total Notes Payable | 4,857,573 | - | 262,860 | 4,594,713 | 267,551 |
| Capital Leases | - | 42,366 | 695 | 41,671 | 9,800 |
| Compensated absences | 62,487 | 90,050 | 79,299 | 73,238 | 72,238 |
| Total long-term debt | <u>\$ 4,920,060</u> | <u>\$ 132,416</u> | <u>\$ 342,854</u> | <u>\$ 4,709,622</u> | <u>\$ 349,589</u> |

STATE OF NEW MEXICO
City of Eunice
Notes to the Financial Statements
June 30, 2017

NOTE 8. Long-term Debt (continued)

NMFA Loans- Notes Payable

In October 2012, the City borrowed \$5,050,000 from the New Mexico Finance Authority. The note matures on February 27, 2032, and accrues interest at 2.00% per annum. The proceeds of the loan were used for the replacement of 30M water lines. The payments of principal and interest are paid from pledged state shared gross receipts tax revenues.

On April 4, 2014, the City borrowed \$640,000 from the New Mexico Finance Authority. The note matures on April 4, 2033, and it does not accrue interest but has administrative fees of .2500% per semi-annually. The proceeds of the loan were used for the City's drinking water. The payments of principal and interest are paid from pledged gross receipts tax revenues.

In May 2017, the City entered into a capital lease for Equipment in the amount of \$12,212 with John Deere. The lease terminates on May 2, 2021, and it accrues interest at 4.559% per annum.

In May 2017, the City entered into a capital lease for Equipment in the amount of \$30,154 with John Deere. The lease terminates on May 22, 2021, and it accrues interest at 5.910% per annum.

The NMFA loans and capital leases are as follows:

| <u>Description</u> | <u>Date of Issue</u> | <u>Maturity Date</u> | <u>Interest Rate</u> | <u>Original Amount of Issue</u> | <u>Balance June 30, 2017</u> |
|--------------------------------|----------------------|----------------------|----------------------|---------------------------------|------------------------------|
| NMFA Loan | 2/27/2009 | 5/1/2032 | 1.75% | \$ 5,050,000 | \$ 4,065,176 |
| NMFA Loan | 4/4/2014 | 6/1/2033 | 0.25% | 640,000 | 529,537 |
| John Deer Capital lease | 5/2/2017 | 5/2/2021 | 4.56% | 12,212 | 11,980 |
| John Deer Capital lease | 5/2/2017 | 5/22/2017 | 5.91% | 30,154 | 29,691 |
| Total loans and capital leases | | | | | <u>\$ 4,636,384</u> |

The annual requirements to amortize the NMFA loans as of June 30, 2017, including interest payments, are as follows:

| <u>Fiscal Year Ending June 30,</u> | <u>Principal</u> | <u>Interest</u> | <u>Total Debt Service</u> |
|------------------------------------|---------------------|-------------------|---------------------------|
| 2018 | \$ 277,351 | \$ 84,684 | \$ 362,035 |
| 2019 | 282,688 | 79,346 | 362,034 |
| 2020 | 288,152 | 75,449 | 363,601 |
| 2021 | 292,758 | 68,290 | 361,048 |
| 2022 | 287,254 | 62,924 | 350,178 |
| 2023-2027 | 1,515,905 | 233,801 | 1,749,706 |
| 2028-2032 | 1,658,557 | 92,332 | 1,750,889 |
| 2033 | 33,719 | 84 | 33,803 |
| | <u>\$ 4,636,384</u> | <u>\$ 696,910</u> | <u>\$ 5,333,294</u> |

Compensated Absences- Employees of the City are able to accrue a limited amount of vacation and other compensatory time during the year. During fiscal year June 30, 2017, compensated absences increased \$9,751 from the prior year accrual. Compensated absences are liquidated by the respective funds in which they are accrued.

STATE OF NEW MEXICO
City of Eunice
Notes to the Financial Statements
June 30, 2017

NOTE 9. Risk Management

The City is exposed to various risks of loss related to torts, thefts of, damage to, and destruction of property, errors and omissions and natural disasters. The City participates in the New Mexico Self-Insurers' Fund risk pool.

The City has not filed any claims for which the settlement amount exceeded the insurance coverage during the past three years. However, should a claim be filed against the City 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 and handles all aspects of the claim. Insurance coverage's have not changed significantly from prior years and coverage's are expected to be continued.

At June 30, 2017, 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 of Eunice.

New Mexico Self-Insurers' Fund has not provided information on an entity by entity basis that would allow for a reconciliation of changes in the aggregate liabilities for claims for the current fiscal year and the prior fiscal year.

NOTE 10. Other Required Individual Fund Disclosures

Generally accepted accounting principles require disclosures of certain information concerning individual funds including:

- A. Deficit fund balance of individual funds. There was one fund with a deficit fund balance as of June 30, 2017.

Non Major Funds

| | |
|------------------------------------|-------------------|
| Ambulance Special Revenue Fund | \$ (116) |
| Swimming Pool Special Revenue Fund | <u>(6,283)</u> |
| Total | <u>\$ (6,399)</u> |

- B. Actual expenditures in excess of amount budgeted at the budgetary authority level. Budgetary legal level of control is at the fund level. The City had no funds exceeding approved budgetary authority for the year ended June 30, 2017.
- C. Designated cash appropriations in excess of available balances. The City had no funds in which there were designated cash appropriations in excess of available balances for the year ended June 30, 2017.

STATE OF NEW MEXICO
City of Eunice
Notes to the Financial Statements
June 30, 2017

NOTE 11. Pension Plan - Public Employees Retirement Association

General Information about the Pension Plan

Plan Description: The Public Employees Retirement Fund (PERA Fund) is a **cost-sharing, multiple employer defined benefit pension plan**. This fund has six divisions of members, including State General, State Police/Adult Correction Officer, Municipal General, Municipal Police/Detention Officers, Municipal fire, and State Legislative Divisions, and offers 24 different types of coverage within the PERA plan. All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of this plan. Certain coverage plans are only applicable to a specific division. Eligibility for membership in the PERA Fund is set forth in the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). Except as provided for in the Volunteer Firefighters Retirement Act (10-11A-1 to 10-11A-7, NMSA 1978), the Judicial Retirement Act (10-12B-1 to 10-12B-19, NMSA 1978), the Magistrate Retirement Act (10-12C-1 to 10-12C-18, NMSA 1978), and the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978), and the provisions of Sections 29-4-1 through 29-4-11, NMSA 1978 governing the State Police Pension Fund, each employee and elected official of every affiliated public employer is required to be a member in the PERA fund.

PERA issues a publicly available financial report and a comprehensive annual financial report that can be obtained at <http://saonm.org/> using the Audit Report Search function for agency 366.

Benefits provided. For a description of the benefits provided and recent changes to the benefits see Note 1 in the PERA audited financial statements for the fiscal year ended June 30, 2016 available at: http://www.nmpera.org/assets/uploads/downloads/comprehensive-annual-financial-reports/2016CAFR_12.22.2016_FINAL-with-corrections.pdf.

Contributions. The contribution requirements of defined Contributions. The contribution requirements of defined benefit plan members and The City are established in State Statute under Chapter 10, Article 11 NMSA 1978. The contribution requirements may be amended by acts of the legislature. For the employer and employee contribution rates in effect for FY15 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on pages 29 through 31 of the PERA FY15 annual audit report at: http://www.nmpera.org/assets/uploads/downloads/comprehensive-annual-financial-reports/2016CAFR_12.22.2016_FINAL-with-corrections.pdf.

The PERA coverage options that apply to the City are Municipal General Division, Municipal Police Division, and Municipal Fire Division. Statutorily required contributions to the pension plan from the City were \$271,956 and there were employer paid member benefits of \$170,511 that were “picked up” by the employer for the year ended June 30, 2017.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: The PERA pension liability amounts, net pension liability amounts, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2015. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2016, using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date June 30, 2016.

The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members) for whom separate contribution rates are determined each year pursuant to chapter 10, Article 11 NMSA 1978.

STATE OF NEW MEXICO
City of Eunice
Notes to the Financial Statements
June 30, 2017

NOTE 11. Pension Plan - Public Employees Retirement Association (continued)

General Information about the Pension Plan (continued)

Therefore, the calculations of the net pension liability, pension expense and deferred inflows and outflows were performed separately for each of the membership groups: municipal general members; municipal police members; municipal fire members; state general members; state police members and legislative members. The City's proportion of the net pension liability for each membership group that the employer participates in is based on the employer contributing entity's percentage of that membership group's total employer contributions for the fiscal year ended June 30, 2016 were included in the total contributions for a specific employer.

Regular and any adjustment contributions that applied to FY 2016 are included in the total contribution amounts. In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

For PERA Fund Municipal General Division, at June 30, 2017, the City reported a liability of \$3,698,591 for its proportionate share of the net pension liability. At June 30, 2016, the City's proportion was .2315 percent, which was a decrease of 0.0230 percent from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the City recognized PERA Fund Municipal General Division pension expense of \$364,738. At June 30, 2017, the City reported PERA Fund Municipal General Division deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | <u>Deferred Outflows of Resources</u> | <u>Deferred Inflows of Resources</u> |
|---|---|--|
| Changes of assumptions | \$ 216,879 | \$ 615 |
| Changes in proportion | 52,091 | 181,723 |
| Differences between expected and actual experience | 184,797 | 36,096 |
| Net difference between projected and actual earnings on pension plan investments | 680,534 | - |
| City of Eunice's contributions subsequent to the measurement date | <u>158,213</u> | <u>-</u> |
| Total | <u>\$ 1,292,514</u> | <u>\$ 218,434</u> |

For Municipal General, \$158,213 was reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date June 30, 2016 will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

STATE OF NEW MEXICO
City of Eunice
Notes to the Financial Statements
June 30, 2017

NOTE 11. Pension Plan - Public Employees Retirement Association (continued)

Year ended June 30:

| | |
|------------|---------------------|
| 2017 | \$ (192,520) |
| 2018 | (192,520) |
| 2019 | (363,927) |
| 2020 | (166,900) |
| Thereafter | - |
| | <u>\$ (915,867)</u> |

For PERA Fund Municipal Police Division, at June 30, 2017, the City reported a liability of \$1,876,301 for its proportionate share of the net pension liability. At June 30, 2016, the City's proportion was 0.2543 percent, which was a decrease of 0.0191 percent from its proportion measured as of June 30, 2015.

For the year ended June 30, 2017, the City recognized PERA Fund Municipal Police Division pension expense of \$233,819. At June 30, 2017, the City reported PERA Fund Municipal Police Division deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Change of assumptions | \$ 124,276 | \$ 33,839 |
| Changes in proportion | - | 93,325 |
| Difference between expected and actual experience | 137,747 | - |
| Net difference between projected and actual earnings on pension plan investments | 296,748 | - |
| City of Eunice's contributions subsequent to the measurement date | 86,496 | - |
| Total | \$ 645,267 | \$ 127,164 |

\$86,496 was reported as deferred outflows of resources related to pensions resulting from The City's contributions subsequent to the measurement date June 30, 2016 will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

| | |
|------------|---------------------|
| 2017 | \$ (91,888) |
| 2018 | (91,888) |
| 2019 | (173,880) |
| 2020 | (73,951) |
| Thereafter | - |
| | <u>\$ (431,607)</u> |

For PERA Fund Municipal Fire Division, at June 30, 2017, the City reported a liability of \$847,886 for its proportionate share of the net pension liability. At June 30, 2016, the City's proportion was 0.1271 percent, which was a decrease of 0.03150 percent from its proportion measured as of June 30, 2015.

STATE OF NEW MEXICO
City of Eunice
Notes to the Financial Statements
June 30, 2017

NOTE 11. Pension Plan - Public Employees Retirement Association (continued)

For the year ended June 30, 2017, the City recognized PERA Fund Municipal Fire Division pension expense of \$60,138. At June 30, 2017, the City reported PERA Fund Municipal Fire Division deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

| | Deferred Outflows of Resources | Deferred Inflows of Resources |
|---|---|--|
| Changes of assumptions | \$ 44,850 | \$ - |
| Changes in proportion | - | 152,222 |
| Differences between expected and actual experience | 38,396 | - |
| Net difference between projected and actual earnings on pension plan investments | 70,625 | - |
| City of Eunice's contributions subsequent to the measurement date | 27,247 | - |
| Total | \$ 181,118 | \$ 152,222 |

\$27,247 was reported as deferred outflows of resources related to pensions resulting from The City's contributions subsequent to the measurement date June 30, 2016 will be recognized as a reduction of the net pension liability in the year ended June 30, 2018. Other amounts reported as deferred inflows and outflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:

| | |
|------------|-------------------|
| 2017 | \$ 11,222 |
| 2018 | 11,222 |
| 2019 | (9,166) |
| 2020 | (14,927) |
| Thereafter | - |
| | \$ (1,649) |

Actuarial assumptions. As described above, the PERA Fund member group pension liabilities and net pension liabilities are based on actuarial valuations performed as of June 30, 2014 for each of the membership groups. Then each PERA Fund member group pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2016 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the rollforward liabilities as of June 30, 2016. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2016 actuarial valuation.

| | |
|-------------------------------|--|
| Actuarial valuation date | June 30, 2015 |
| Actuarial cost method | Entry age normal |
| Amortization method | Level percentage of pay, open |
| Amortization period | Solved for based on statutory rates |
| Asset valuation method | Fair value |
| Actuarial assumptions: | |
| Investment rate of return | 7.48% annual rate, net of investment expense |
| Projected benefit payment | 100 years |
| Payroll growth | 2.75% for the first 10 years, then 3.25% all other years |
| Projected salary increases | 2.75% to 14.25% annual rate |

STATE OF NEW MEXICO
City of Eunice
Notes to the Financial Statements
June 30, 2017

NOTE 11. Pension Plan - Public Employees Retirement Association (continued)

| | |
|---|--|
| Includes inflation at Mortality assumptions | 2.25% annual rate first 10 years, 2.75% all other years RP-2000 mortality tables (combined table for healthy post-retirements, Employee table for active members, and disabled table for disabled retirees before retirement age) with projections to 2018 using scale AA. |
| Experience study dates | July 1, 2008 to June 30, 2013 (demographic) and July 1, 2010 through June 20, 2015 |

The long term expected rate of return on pension plan investments was determined using a statistical analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and most recent best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

| ALL FUNDS - Asset Class | Target Allocation | Long-Term Expected Real Rate of Return |
|------------------------------|-------------------|---|
| Global Equity | 43.50% | 7.39% |
| Risk Reduction & Mitigation | 21.50% | 1.79% |
| Credit Oriented Fixed Income | 15.00% | 5.77% |
| Real Assets | 20.00% | 7.35% |
| | <u>100.00%</u> | |

Discount Rate. The discount rate used to measure the total pension liability was 7.48 percent. The projection of cash flows used to determine the discount rate assumed that future contributions will be made in accordance with statutory rates. On this basis, the pension plan's fiduciary net position together with the expected future contributions are sufficient to provide all projected future benefit payments of current plan members as determined in accordance with GASBS 67. Therefore, the 7.48% assumed longterm expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

Sensitivity of the Employer's proportionate share of the net pension liability to changes in the discount rate. The following tables show the sensitivity of the net pension liability to changes in the discount rate. In particular, the tables present The City's net pension liability in each PERA Fund Division that The City participates in, under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.48%) or one percentage point higher (8.48%) than the single discount rate.

| | 1% Decrease (6.48%) | Current Discount Rate (7.48%) | 1% Increase (8.48%) |
|--|-----------------------------|-------------------------------------|-----------------------------|
| PERA Fund Municipal General Division: | <u> </u> | <u> </u> | <u> </u> |
| City of Eunice's proportionate share of the net pension liability | \$ 5,514,270 | \$ 3,698,591 | \$ 2,192,575 |

STATE OF NEW MEXICO
City of Eunice
Notes to the Financial Statements
June 30, 2017

NOTE 11. Pension Plan - Public Employees Retirement Association (continued)

| | 1% Decrease (6.48%) | Current Discount Rate (7.48%) | 1% Increase (8.48%) |
|---|--------------------------------|--|--------------------------------|
| PERA Fund Municipal Police Division | | | |
| City of Eunice's proportionate share of the net pension liability | <u>\$ 2,760,505</u> | <u>\$ 1,876,301</u> | <u>\$ 1,153,126</u> |
| PERA Fund Municipal Fire Division | | | |
| City of Eunice's proportionate share of the net pension liability | <u>\$ 1,109,030</u> | <u>\$ 847,886</u> | <u>\$ 633,383</u> |

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued FY16 PERA financial report. The report is available at http://www.nmpera.org/assets/uploads/downloads/comprehensive-annual-financial-reports/2016CAFR_12.22.2016_FINAL-with-corrections.pdf.

Payables to the pension plan. At June 30, 2017, there were no contributions due and payable to PERA for the City.

NOTE 12. Post-Employment Benefit - State Retiree Health Care Plan

The City did not participate in the Retiree Health Care Plan provided under the Retiree Health Care Act (10-7c-1 to 10-7c-17, NMSA 1978) during the year ended June 30, 2017.

NOTE 13. Contingent Liabilities

The City is party to various claims and lawsuits arising in the normal course of business. The City is insured through the New Mexico Self Insurers Fund. The maximum exposure of the City is not estimable as of June 30, 2017 in the remaining cases.

NOTE 14. Federal and State Grants

In the normal course of operations, the City receives grant funds from various federal and state agencies. Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Any liability for reimbursement which may arise as a result of these audits is not believed to be material.

NOTE 15. Construction and Other Significant Commitments

The City had no significant commitments as of June 30, 2017.

STATE OF NEW MEXICO
City of Eunice
Notes to the Financial Statements
June 30, 2017

NOTE 16. Subsequent Events

The date to which events occurring after June 30, 2017 have been evaluated for possible adjustment to the financial statements or disclosures is December 12, 2017, which is the date on which the financial statements were issued. None were noted.

NOTE 17. Restricted Net Position

The government-wide statement of net position reports \$2,109,560 of restricted net position, all of which is restricted by enabling legislation. See pages 41 and 76 through 77 for descriptions of the related restrictions for special revenue and capital projects funds.

NOTE 18. Concentrations

The City depends on financial resources flowing from, or associated with, both the Federal Government and the State of New Mexico. Because of this dependency, the City is subject to changes in the specific flows of intergovernmental revenues based on modifications to Federal and State laws and Federal and State appropriations.

NOTE 19. Prior Period Fund Balance/Net Position Restatement

A restatement to correct the inventory balance in the amount of \$155,628 was made to the governmental activities and the General Fund in order to account for inventory related to EMS incorrectly not recorded in the prior year.

NOTE 20. Related Parties

During the year ended June 30, 2017, the City purchases goods and services in the aggregate amount of \$51,657 from various vendors that were related to members of the governing body, management, and employees.

NOTE 21. Subsequent Pronouncements

In June 2015, GASB Statement No. 75, *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, was issued. Effective Date: The provisions of this Statement are effective for fiscal years beginning after June 15, 2017. The standard will be implemented during the fiscal year ended June 30, 2018. The City does not expect this pronouncement to have a material effect on the financial statements.

In March 2016, GASB Statement No. 81, *Irrevocable Split-Interest Agreements*, was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2016. Earlier application is encouraged. The City is still evaluating how this pronouncement will affect the financial statements.

In November 2016, GASB Statement No. 83, *Certain Asset Retirement Obligations*, was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2018. Earlier application is encouraged. The City is still evaluating how this pronouncement will affect the financial statements.

STATE OF NEW MEXICO
City of Eunice
Notes to the Financial Statements
June 30, 2017

NOTE 21. Subsequent Pronouncements (continued)

In January 2017, GASB Statement No. 84, *Fiduciary Activities*, was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2018. Earlier application is encouraged. The City is still evaluating how this pronouncement will affect the financial statements.

In March 2017, GASB Statement No. 85, *Omnibus 2017*, was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged. This Statement addresses a variety of topics including issues related to blending component units, goodwill, fair value measurement and application, and postemployment benefits (pensions and other postemployment benefits [OPEB]). The City is still evaluating how this pronouncement will affect the financial statements.

In May 2017, GASB Statement No. 86, *Certain Debt Extinguishment Issues*, was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2017. Earlier application is encouraged. This Statement addresses a variety of topics including issues related to in-substance defeasance of debt using only existing resources. The City does not expect the pronouncement to have a material effect on the financial statements.

In June 2017, GASB Statement No. 87, *Leases*, was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2019. Earlier application is encouraged. The City is still evaluating how this pronouncement will affect the financial statements.

REQUIRED SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO

City of Eunice

Schedule I

Page 1 of 3

Schedule of the City's Proportionate Share of the Net Pension Liability
of PERA Fund Municipal General Division
Public Employees Retirement Association (PERA) Plan
Last 10 Fiscal Years*

| | 2017 | 2016 | 2015 |
|--|------------------------------|------------------------------|------------------------------|
| | Measurement | Measurement | Measurement |
| | Date | Date | Date |
| | (As of and for | (As of and for | (As of and for |
| | the year ended | the year ended | the year ended |
| | <u>June 30, 2016)</u> | <u>June 30, 2015)</u> | <u>June 30, 2014)</u> |
| City of Eunice's proportion of the net pension liability | 0.2315% | 0.2545% | 0.2454% |
| City of Eunice's proportionate share of the net pension liability | \$ 3,698,591 | \$ 2,594,848 | \$ 1,914,383 |
| City of Eunice's covered payroll | \$ 2,018,435 | \$ 2,224,893 | \$ 1,972,536 |
| City of Eunice's proportionate share of the net pension liability as a percentage of its covered payroll | 183.24% | 116.63% | 97.05% |
| Plan fiduciary net position as a percentage of the total pension liability | 69.18% | 76.99% | 81.29% |

* The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, City of Eunice will present information for those years for which information is available.

See independent auditors' report.
See notes to required supplementary information.

STATE OF NEW MEXICO

City of Eunice

Schedule I

Page 2 of 3

Schedule of the City's Proportionate Share of the Net Pension Liability
of PERA Fund Municipal Police Division
Public Employees Retirement Association (PERA) Plan
Last 10 Fiscal Years*

| | 2017 Measurement Date (As of and for the year ended June 30, 2016) | 2016 Measurement Date (As of and for the year ended June 30, 2015) | 2015 Measurement Date (As of and for the year ended June 30, 2014) |
|--|---|---|---|
| City of Eunice's proportion of the net pension liability | 0.2543% | 0.2734% | 0.2837% |
| City of Eunice's proportionate share of the net pension liability | \$ 1,876,301 | \$ 1,314,660 | \$ 924,831 |
| City of Eunice's covered payroll | \$ 513,043 | \$ 564,674 | \$ 492,825 |
| City of Eunice's proportionate share of the net pension liability as a percentage of its covered payroll | 365.72% | 232.82% | 187.66% |
| Plan fiduciary net position as a percentage of the total pension liability | 69.18% | 76.99% | 81.29% |

* The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, City of Eunice will present information for those years for which information is available.

See independent auditors' report.
See notes to required supplementary information.

STATE OF NEW MEXICO

City of Eunice

Schedule I

Page 3 of 3

Schedule of the City's Proportionate Share of the Net Pension Liability
of PERA Fund Municipal Fire Division
Public Employees Retirement Association (PERA) Plan
Last 10 Fiscal Years*

| | 2017 Measurement Date (As of and for the year ended June 30, 2016) | 2016 Measurement Date (As of and for the year ended June 30, 2015) | 2015 Measurement Date (As of and for the year ended June 30, 2014) |
|--|---|---|---|
| City of Eunice's proportion of the net pension liability | 0.1271% | 0.1586% | 0.1737% |
| City of Eunice's proportionate share of the net pension liability | \$ 847,886 | \$ 818,563 | \$ 725,023 |
| City of Eunice's covered payroll | \$ 150,129 | \$ 178,564 | \$ 185,914 |
| City of Eunice's proportionate share of the net pension liability as a percentage of its covered payroll | 564.77% | 458.41% | 389.98% |
| Plan fiduciary net position as a percentage of the total pension liability | 69.18% | 76.99% | 81.29% |

* The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, City of Eunice will present information for those years for which information is available.

See independent auditors' report.
See notes to required supplementary information.

STATE OF NEW MEXICO
City of Eunice
Schedule of City's Contributions
Public Employees Retirement Association (PERA) Plan
PERA Fund Municipal General Division
Last 10 Fiscal Years*

| | <u>As of and for the year ended June 30, 2017</u> | <u>As of and for the year ended June 30, 2016</u> | <u>As of and for the year ended June 30, 2015</u> |
|--|---|---|---|
| Contractually required contribution | \$ 158,214 | \$ 192,761 | \$ 212,477 |
| Contributions in relation to the contractually required contribution | <u>(158,214)</u> | <u>(192,761)</u> | <u>(212,477)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| City of Eunice's covered payroll | \$ 1,656,686 | \$ 2,018,435 | \$ 2,224,893 |
| Contributions as a percentage of covered payroll | 9.55% | 9.55% | 9.55% |

* The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, City of Eunice will present information for those years for which information is available.

See independent auditors' report.
See notes to required supplementary information.

STATE OF NEW MEXICO
City of Eunice
Schedule of City's Contributions
Public Employees Retirement Association (PERA) Plan
PERA Fund Municipal Police Division
Last 10 Fiscal Years*

| | <u>As of and for the year ended June 30, 2017</u> | <u>As of and for the year ended June 30, 2016</u> | <u>As of and for the year ended June 30, 2015</u> |
|--|---|---|---|
| Contractually required contribution | \$ 86,496 | \$ 96,965 | \$ 103,321 |
| Contributions in relation to the contractually required contribution | <u>(86,496)</u> | <u>(96,965)</u> | <u>(103,321)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| City of Eunice's covered payroll | \$ 457,652 | \$ 513,043 | \$ 546,674 |
| Contributions as a percentage of covered payroll | 18.90% | 18.90% | 18.90% |

* The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, City of Eunice will present information for those years for which information is available.

See independent auditors' report.
See notes to required supplementary information.

STATE OF NEW MEXICO
City of Eunice
Schedule of City's Contributions
Public Employees Retirement Association (PERA) Plan
PERA Fund Municipal Fire Division
Last 10 Fiscal Years*

| | <u>As of and for the year ended June 30, 2017</u> | <u>As of and for the year ended June 30, 2016</u> | <u>As of and for the year ended June 30, 2015</u> |
|--|---|---|---|
| Contractually required contribution | \$ 27,247 | \$ 32,503 | \$ 38,659 |
| Contributions in relation to the contractually required contribution | <u>(27,247)</u> | <u>(32,503)</u> | <u>(38,659)</u> |
| Contribution deficiency (excess) | <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| City of Eunice's covered payroll | \$ 125,851 | \$ 150,129 | \$ 178,564 |
| Contributions as a percentage of covered payroll | 21.65% | 21.65% | 21.65% |

* The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, City of Eunice will present information for those years for which information is available.

See independent auditors' report.
See notes to required supplementary information.

STATE OF NEW MEXICO
City of Eunice
Notes to Required Supplementary Information
For the Year Ended June 30, 2017

Changes of benefit terms . The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY16 audit available at <http://www.nmpera.org/financialoverview/comprehensive-annual-financial-report>.

Changes of assumptions. The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2016 report is available at <http://s3.amazonaws.com/boardaudio/Final-Version-2016-PERA-GASB-68-Report.pdf> See the notes to the financial statements on the CAFR pages 74-76 which summarizes actuarial assumptions and methods effective with the June 30, 2016 valuation.

See independent auditors' report.
See notes to required supplementary information.

SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
City of Eunice
Nonmajor Governmental Fund Descriptions
June 30, 2017

Special Revenue Funds

Fire Protection Fund –To account for the operations and maintenance of the Fire Department which is financed by a specific allotment from the State Fire Marshal's Office. The authority for the creation of this fund was given by 59A-53-1, NMSA 1978.

EMS 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, NMSA 1978.

State Fire Allotment 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.

Corrections Fund- Accounts for the cost of housing prisoners through the assessment of traffic violations within the City's jurisdiction. Authority for creation of this fund is 33-3-25, NMSA 1978.

Law Enforcement Protection Fund – The objective of this fund is to account for receipts and disbursements of State Funds Chapter 289, Law of 1983. These funds are to enhance the efficiency and effectiveness of the police force. The authority for the creation of this fund is Section 29-13-3, NMSA 1978.

Ambulance Fund – The objective of to account for State funds used for Emergency Medical Services. Authority for creation of this fund is the City Council.

Senior Center Fund – The objective of this fund is to account for State funds used for the construction, grant revenues and expenditures, and operations of the Senior Citizens Center. Authority for 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. Authority for creation of this fund is the City Council.

Youth Advisory Council –Accounts for the Youth Council's money raised for scholarships and community projects. Authority for creation of this fund is the City Council.

Governmental Gross Receipts – The objective of this fund is to account for a portion of the gross receipts tax received by the City of Eunice. Authority for creation of this fund is the City Council.

Animal Shelter Project – To account for the collection of money from the Youth Council to supplement the Animal Shelter. Authority for creation of this fund is the City Council.

STATE OF NEW MEXICO
City of Eunice
Nonmajor Governmental Fund Descriptions
June 30, 2017

Capital Projects Funds

Veterans' Memorial - Fund set up during the construction of the Veterans' Memorial at the cemetery to record donations and expenses. Authority for creation of this fund is the City Council.

Municipal Infrastructure - Account for the one-cent gasoline tax allocated to the City for the explicit purpose of street repairs. Authority for creation of this fund is the City Council.

Downtown Project - The objective of this fund is to account for the reconstruction of Main Street. Authority for creation of this fund is the City Council.

New Fire Station - Account for the construction of the fire station. The fund is financed by donations and general fund transfers. Authority for creation of this fund is the City Council.

STATE OF NEW MEXICO
City of Eunice
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2017

| | Special Revenue | | |
|--|---------------------------------|-----------------|---------------------------------|
| | Fire Protection Fund | EMS Fund | State Fire Allotment |
| <i>Assets</i> | | | |
| Cash and cash equivalents | \$ - | \$ - | \$ 44,833 |
| Receivables: | | | |
| Miscellaneous receivables | - | - | - |
| Due from other funds | - | - | - |
| | - | - | - |
| <i>Total assets</i> | - | - | 44,833 |
| <i>Liabilities</i> | | | |
| Accounts payable | \$ - | \$ - | \$ - |
| Accrued payroll | - | - | - |
| Accrued compensated absences | - | - | - |
| Due to other funds | - | - | - |
| | - | - | - |
| <i>Total liabilities</i> | - | - | - |
| <i>Fund balances</i> | | | |
| Spendable | | | |
| Restricted for: | | | |
| Public safety | - | - | - |
| Fire protection | - | - | 44,833 |
| Committed to: | | | |
| General government | - | - | - |
| Culture and recreation | - | - | - |
| Unassigned (deficit) | - | - | - |
| | - | - | - |
| <i>Total fund balances</i> | - | - | 44,833 |
| <i>Total liabilities and fund balances</i> | \$ - | \$ - | \$ 44,833 |

See independent auditors' report.

Special Revenue

| Corrections Fund | Law Enforcement Protection | Ambulance Fund | Senior Center Fund | Gun Range Fund | Swimming Pool Fund |
|-----------------------------|---|---------------------------|-------------------------------|---------------------------|-------------------------------|
| \$ 2,673 | \$ - | \$ - | \$ 1,005 | \$ - | \$ - |
| - | - | - | 25,137 | - | - |
| - | - | - | - | - | - |
| <u>2,673</u> | <u>-</u> | <u>-</u> | <u>26,142</u> | <u>-</u> | <u>-</u> |
| \$ 127 | \$ - | \$ 116 | \$ 2,789 | \$ - | \$ 2,623 |
| - | - | - | 6,402 | - | 3,660 |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| <u>127</u> | <u>-</u> | <u>116</u> | <u>9,191</u> | <u>-</u> | <u>6,283</u> |
| 2,546 | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | 16,951 | - | - |
| - | - | (116) | - | - | (6,283) |
| <u>2,546</u> | <u>-</u> | <u>(116)</u> | <u>16,951</u> | <u>-</u> | <u>(6,283)</u> |
| <u>\$ 2,673</u> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 26,142</u> | <u>\$ -</u> | <u>\$ -</u> |

See independent auditors' report.

STATE OF NEW MEXICO
City of Eunice
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2017

| | Special Revenue | | |
|--|-----------------------------------|--|-----------------------------------|
| | Youth Advisory Council | Governmental Gross Receipts | Animal Shelter Project |
| <i>Assets</i> | | | |
| Cash and cash equivalents | \$ 13,594 | \$ - | \$ 848 |
| Receivables: | | | |
| Miscellaneous receivables | - | - | - |
| Due from other funds | - | - | - |
| <i>Total assets</i> | <u>13,594</u> | <u>-</u> | <u>848</u> |
| <i>Liabilities</i> | | | |
| Accounts payable | \$ - | \$ - | \$ - |
| Accrued payroll | - | - | - |
| Accrued compensated absences | - | - | - |
| Due to other funds | - | - | - |
| <i>Total liabilities</i> | <u>-</u> | <u>-</u> | <u>-</u> |
| <i>Fund balances</i> | | | |
| Spendable | | | |
| Restricted for: | | | |
| Public safety | - | - | - |
| Fire protection | - | - | - |
| Committed to: | | | |
| General government | - | - | 848 |
| Culture and recreation | 13,594 | - | - |
| Unassigned (deficit) | - | - | - |
| <i>Total fund balances</i> | <u>13,594</u> | <u>-</u> | <u>848</u> |
| <i>Total liabilities and fund balances</i> | <u>\$ 13,594</u> | <u>\$ -</u> | <u>\$ 848</u> |

See independent auditors' report.

Capital Projects

| Veterans' Memorial | Municipal Infrastructure | Downtown Project | New Fire Station | Total Nonmajor Governmental Funds |
|-------------------------------|-------------------------------------|-----------------------------|-----------------------------|--|
| \$ - | \$ - | \$ - | \$ 249,983 | \$ 312,936 |
| - | - | - | - | 25,137 |
| - | - | - | 553,000 | 553,000 |
| - | - | - | 802,983 | 891,073 |
| \$ - | \$ - | \$ - | \$ - | \$ 5,655 |
| - | - | - | - | 10,062 |
| - | - | - | - | - |
| - | - | - | - | - |
| - | - | - | - | 15,717 |
| - | - | - | - | 2,546 |
| - | - | - | 802,983 | 847,816 |
| - | - | - | - | 848 |
| - | - | - | - | 30,545 |
| - | - | - | - | (6,399) |
| - | - | - | 802,983 | 875,356 |
| \$ - | \$ - | \$ - | \$ 802,983 | \$ 891,073 |

See independent auditors' report.

STATE OF NEW MEXICO
City of Eunice
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2017

| | Special Revenue | | |
|--|---------------------------------|-----------------|---------------------------------|
| | Fire Protection Fund | EMS Fund | State Fire Allotment |
| <i>Revenues</i> | | | |
| Intergovernmental: | | | |
| Federal operating grants | \$ - | \$ - | \$ - |
| Federal capital grants | - | - | - |
| State operating grants | - | - | 83,786 |
| State capital grants | - | - | - |
| Local operating grants | - | - | - |
| Charges for services | - | - | - |
| Licenses and fees | - | - | - |
| Investment income | - | - | - |
| Miscellaneous | - | - | - |
| <i>Total revenues</i> | <u>-</u> | <u>-</u> | <u>83,786</u> |
| <i>Expenditures</i> | | | |
| Current: | | | |
| General government | - | - | - |
| Public safety | - | - | 70,450 |
| Public works | - | - | - |
| Culture and recreation | - | - | - |
| Capital outlay | - | - | - |
| <i>Total expenditures</i> | <u>-</u> | <u>-</u> | <u>70,450</u> |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>-</u> | <u>-</u> | <u>13,336</u> |
| <i>Other financing sources (uses)</i> | | | |
| Transfers in | 2,638 | - | - |
| Transfers out | - | (15,491) | - |
| <i>Total other financing sources (uses)</i> | <u>2,638</u> | <u>(15,491)</u> | <u>-</u> |
| <i>Net change in fund balances</i> | <u>2,638</u> | <u>(15,491)</u> | <u>13,336</u> |
| <i>Fund balances - beginning of year</i> | <u>(2,638)</u> | <u>15,491</u> | <u>31,497</u> |
| <i>Fund balances - end of year</i> | <u>\$ -</u> | <u>\$ -</u> | <u>\$ 44,833</u> |

See independent auditors' report.

Special Revenue

| Corrections Fund | Law Enforcement Protection | Ambulance Fund | Senior Center Fund | Gun Range Fund | Swimming Pool Fund |
|------------------|----------------------------|-----------------|--------------------|----------------|--------------------|
| \$ - | \$ - | \$ - | \$ 28,309 | \$ - | \$ - |
| - | - | - | - | - | - |
| - | 25,400 | 8,891 | 75,643 | - | - |
| - | - | - | - | - | - |
| - | - | - | 20,000 | - | - |
| - | - | - | - | - | 26,854 |
| 5,859 | - | - | - | - | - |
| - | - | - | - | - | - |
| - | - | - | 14,206 | - | - |
| <u>5,859</u> | <u>25,400</u> | <u>8,891</u> | <u>138,158</u> | <u>-</u> | <u>26,854</u> |
| - | - | - | - | - | - |
| 17,835 | 31,892 | 9,007 | - | - | - |
| - | - | - | - | - | - |
| - | - | - | 275,275 | - | 87,186 |
| - | 43,747 | - | - | - | - |
| <u>17,835</u> | <u>75,639</u> | <u>9,007</u> | <u>275,275</u> | <u>-</u> | <u>87,186</u> |
| <u>(11,976)</u> | <u>(50,239)</u> | <u>(116)</u> | <u>(137,117)</u> | <u>-</u> | <u>(60,332)</u> |
| 14,929 | - | - | 23,463 | - | 66,910 |
| - | - | - | - | - | - |
| <u>14,929</u> | <u>-</u> | <u>-</u> | <u>23,463</u> | <u>-</u> | <u>66,910</u> |
| 2,953 | (50,239) | (116) | (113,654) | - | 6,578 |
| (407) | 50,239 | - | 130,605 | - | (12,861) |
| <u>\$ 2,546</u> | <u>\$ -</u> | <u>\$ (116)</u> | <u>\$ 16,951</u> | <u>\$ -</u> | <u>\$ (6,283)</u> |

See independent auditors' report.

STATE OF NEW MEXICO
City of Eunice
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2017

| | Special Revenue | | |
|--|-----------------------------------|--|-----------------------------------|
| | Youth Advisory Council | Governmental Gross Receipts | Animal Shelter Project |
| <i>Revenues</i> | | | |
| Intergovernmental | | | |
| Federal operating grants | \$ - | \$ - | \$ - |
| Federal capital grants | - | - | - |
| State operating grants | - | - | - |
| State capital grants | - | - | - |
| Local operating grants | - | - | - |
| Charges for services | - | - | - |
| Licenses and fees | - | - | - |
| Investment income | - | - | - |
| Miscellaneous | 7,454 | - | - |
| <i>Total revenues</i> | <u>7,454</u> | <u>-</u> | <u>-</u> |
| <i>Expenditures</i> | | | |
| Current: | | | |
| General government | - | - | - |
| Public safety | - | - | - |
| Public works | - | - | - |
| Culture and recreation | 7,466 | - | - |
| Capital outlay | - | - | - |
| <i>Total expenditures</i> | <u>7,466</u> | <u>-</u> | <u>-</u> |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>(12)</u> | <u>-</u> | <u>-</u> |
| <i>Other financing sources (uses)</i> | | | |
| Transfers in | 4,125 | - | - |
| Transfers out | - | (8,903) | - |
| <i>Total other financing sources (uses)</i> | <u>4,125</u> | <u>(8,903)</u> | <u>-</u> |
| <i>Net change in fund balances</i> | <u>4,113</u> | <u>(8,903)</u> | <u>-</u> |
| <i>Fund balances - beginning of year</i> | <u>9,481</u> | <u>8,903</u> | <u>848</u> |
| <i>Fund balances - end of year</i> | <u>\$ 13,594</u> | <u>\$ -</u> | <u>\$ 848</u> |

See independent auditors' report.

Capital Projects

| Veterans' Memorial | Municipal Infrastructure | Downtown Project | New Fire Station | Total Nonmajor Governmental Funds |
|-------------------------------|-------------------------------------|-----------------------------|-----------------------------|--|
| \$ - | \$ - | \$ - | \$ - | \$ 28,309 |
| - | - | - | - | - |
| - | - | - | - | 193,720 |
| - | - | - | - | - |
| - | - | - | - | 20,000 |
| - | - | - | - | 26,854 |
| - | - | - | - | 5,859 |
| - | - | - | - | - |
| - | - | - | - | 21,660 |
| - | - | - | - | 296,402 |
| - | - | - | - | - |
| - | - | - | - | 129,184 |
| - | - | - | - | - |
| - | - | - | - | 369,927 |
| - | - | - | - | 43,747 |
| - | - | - | - | 542,858 |
| - | - | - | - | (246,456) |
| - | - | - | - | 112,065 |
| - | (18,129) | - | - | (42,523) |
| - | (18,129) | - | - | 69,542 |
| - | (18,129) | - | - | (176,914) |
| - | 18,129 | - | 802,983 | 1,052,270 |
| \$ - | \$ - | \$ - | \$ 802,983 | \$ 875,356 |

See independent auditors' report.

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SUPPORTING SCHEDULES

STATE OF NEW MEXICO
City of Eunice
Schedule of Deposit and Investment Accounts
June 30, 2017

Schedule III

| <u>Bank Name/ Account Type</u> | <u>Account Type</u> | <u>Bank Balance</u> | <u>Deposits in Transit</u> | <u>Outstanding Checks</u> | <u>Totals</u> |
|---|---------------------|---------------------|----------------------------|---------------------------|-------------------|
| Wells Fargo Bank | | | | | |
| Checking - Operational | Demand Account | \$ 671,764 | \$ 94,307 | \$ 228,722 | \$ 537,349 |
| Checking - Utility | Demand Account | 453,258 | 4,456 | 23,585 | 434,129 |
| Youth Advisory Council | Demand Account | 9,461 | 1,439 | - | 10,900 |
| <i>Total Wells Fargo</i> | | <u>1,134,483</u> | <u>100,202</u> | <u>252,307</u> | <u>982,378</u> |
| New Mexico Finance Authority | | | | | |
| Cash and Investments held by NMFA | Money Market * | 5,228,077 | - | - | 5,228,077 |
| <i>Total NMFA</i> | | <u>5,228,077</u> | <u>-</u> | <u>-</u> | <u>5,228,077</u> |
| James Polk Stone Community Bank | | | | | |
| Motor Vehicle | Demand Account | 19,950 | - | 19,197 | 753 |
| <i>Total James Polk Community Bank</i> | | <u>19,950</u> | <u>-</u> | <u>19,197</u> | <u>753</u> |
| New Mexico State Treasurer | | | | | |
| <i>New MexiGROW - LGIP</i> | Investment | 344,657 | - | - | 344,657 |
| <i>New MexiGROW - LGIP</i> | Investment | 426,242 | - | - | 426,242 |
| <i>Total New Mexico State Treasurer</i> | | <u>770,899</u> | <u>-</u> | <u>-</u> | <u>770,899</u> |
| <i>Total Deposits and Investments</i> | | <u>\$ 7,153,409</u> | <u>\$ 100,202</u> | <u>\$ 271,504</u> | 6,982,107 |
| Less: Restricted cash and cash equivalents per Exhibit A-1 | | | | | (721,746) |
| Less: Restricted investments per Exhibit A-1 | | | | | (4,756,314) |
| Less: Investments per Exhibit A-1 | | | | | <u>(770,899)</u> |
| <i>Total unrestricted cash and cash equivalents per Exhibit A-1</i> | | | | | <u>\$ 733,148</u> |

* These cash accounts are restricted for debt service by the New Mexico Finance Authority

See independent auditors' report.

STATE OF NEW MEXICO

Schedule IV

City of Eunice
 Schedule of Collateral Pledged By Depository
 For Public Funds
 June 30, 2017

| <u>Name of Depository</u> | <u>Description of Pledged Collateral</u> | <u>Maturity</u> | <u>CUSIP Number</u> | <u>Fair Market Value at June 30, 2017</u> | <u>Location of Safekeeper</u> |
|---------------------------|--|-----------------|---------------------|---|-------------------------------|
| Wells Fargo Bank | | | | | |
| | FNMA FNMS 2.500% | 8/1/2031 | 3140F9BG9 | \$ 294,990 | BNY Mellon, New York, NY |
| | FNMA FNMS 2.500% | 5/1/2031 | 3140F2P53 | 224,068 | BNY Mellon, New York, NY |
| | <i>Total Pledged Collateral</i> | | | <u>\$ 519,058</u> | |

See independent auditors' report.

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COMPLIANCE SECTION

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

INDEPENDENT AUDITORS' REPORT

Wayne Johnson
New Mexico State Auditor and
The City of Eunice City 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, each major fund, the aggregate remaining fund information and the budgetary comparison of the General Fund and major special revenue fund of the City of Eunice, New Mexico (the City) as of and for the year ended June 30, 2017, and the related notes to the financial statements, which collectively comprise the City's basic financial statements.

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 (internal control) 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 preceding paragraph 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, 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 City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying Schedule of Findings and Responses as item FS 2017-001 to be a material weakness.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying Schedule of Findings and Responses as items FS 2016-001, FS 2016-002, FS 2016-004, and FS 2017-002 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion.

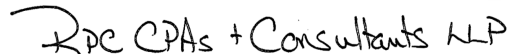
We noted a certain matter that is required to be reported per section 12-6-5 NMSA 1978 that we have described in the accompanying Schedule of Section 12-6-5 NMSA 1978 Findings as item NM 2016-003.

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 and responses. 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 is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the City'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 City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



RPC CPAs + Consultants, LLP
Albuquerque, NM
December 12, 2017

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Section I – Summary of Auditors’ Results

Financial Statements:

- | | |
|--|------------|
| 1. Type of auditors’ report issued | Unmodified |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | Yes |
| b. Significant deficiencies identified not considered to be material weaknesses? | Yes |
| c. Noncompliance material to the financial statements noted? | None noted |

Section II – Prior Year Audit Findings

Prior Year Audit Findings

Financial Statement Findings

- FS 2006-006 (FS 2006-06) – Budget- Over Expended – Resolved
- FS 2015-004 – Cash Appropriations in Excess of Available Cash Balances – Resolved
- FS 2016-001 – Improper Year End Accruals – Repeated and Modified
- FS 2016-002 – Maintenance of Capital Assets – Repeated and Modified
- FS 2016-003 – Bank Reconciliations Outstanding Reconciling Items – Resolved
- FS 2016-004 – Inadequate Accounting Over Consumable Inventory – Repeated and Modified
- FS 2016-005 – Year End Reporting Not Approved by DFA – Resolved
- FS 2016-006 – DFA Cash Report Does Not Reconcile to the City’s Cash – Resolved
- NM 2016-001 – Payroll Documentation – Resolved
- NM 2016-002 - Procurement Act Listing – Resolved
- NM 2016-003 – Travel and Per Diem – Repeated and Modified

Section II – Findings - Financial Statement Audit

FS 2017-001 — Inadequate Accounting over Allocation of Pooled Cash (Material Weakness)

Condition: The City did not properly account for classification of the cash allocated amongst the individual funds from the pooled cash balances.

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

Effect: An entry was proposed to agree the City's total cash balance to the pooled cash amounts. However, the allocation of these cash account amongst the individual funds were not properly classified.

Cause: Management believes they are unable to correctly allocate cash to the individual funds from the pool cash balances at year end due to behind the scenes issues with their financial software.

Auditors' Recommendations: The City should review pooled cash balances and the allocation of these cash balances on a monthly basis to ensure that proper classification of cash is allocated to individual funds.

Views of Responsible Officials and Planned Corrective Action: In our review of this finding, we have been working with our accounting software representatives, and believe we may have found a resolution to this finding. The City Manager will conduct monthly reviews of pooled cash balances with the Finance Director starting January 2018. Once the resolution has been verified and implemented, management will conduct monthly and year end reviews to monitor compliance.

Section II – Findings - Financial Statement Audit (continued)

FS 2016-001 — Improper Year End Accruals (Significant Deficiency) Repeated/Modified

Condition: The City did not properly accrue gross receipts taxes, motor vehicle taxes, gas taxes and other receivables for five items totaling \$744,100. In addition, the City improperly excluded one transaction totaling \$88,111 from accounts payable at year end. The City was unable to improve on the identification of year-end accruals in the current year.

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

Effect: An entry was proposed to correct the accounts receivable and accounts payable balances. Not properly identifying cutoff related to receivable and payable balances will cause revenues and expenses to be recorded in the improper period.

Cause: Management did not correctly identify all items that are considered to be accounts receivable and accounts payable at year end.

Auditors' Recommendations: The City should review receipts and disbursements after the balance sheet date to determine which fiscal year transactions should be reported in. The City should keep a subledger tracking receivable and payable items near the balance sheet date as well as after year end to ensure all accruals are captured for the current year.

Views of Responsible Officials and Planned Corrective Action: The subledgers were kept and provided to auditors, but were incomplete. The City of Eunice Finance Director will review the subledgers at least quarterly and prior to year end to ensure that all accruals are captured for the current year.

Section II – Findings - Financial Statement Audit (continued)

FS 2016-002 — Maintenance of Capital Assets (Significant Deficiency) Repeated/Modified

Condition: The City failed to identify Construction in Progress additions for the fiscal year. Several adjustments were required in order to tie the City's capital asset listing to the financial records. These included adding construction in progress to the listing for governmental and business-type activities totaling \$538,345 and \$102,968 respectively in order to reasonably state balances at year-end. Additionally, the City failed to maintain accurate records for depreciable assets for the year ended June 30, 2017. Adjustments were proposed to governmental activities depreciation totaling \$16,960. While the City improved on their overall capital asset recording during FY 2017, there was still an issue related to construction in progress.

Criteria: Section 2.20.1 NMAC requires agencies to properly account for capital assets; including implementing a capital asset accounting system, proper internal controls over the capital assets, and properly accounting for capital assets disposed of during the year.

Effect: Inaccurate tracking of capital assets increases the risk of misappropriation and assets are more susceptible to being misclassified and/or misstated without proper accounting.

Cause: The City's capital asset listing's beginning and ending balances did not reflect the total capital assets held by the City at year end; and land, construction in progress, and the value of donated assets were not being tracked by the City.

Auditors' Recommendations: The City should maintain a detail asset listing throughout the entire year to ensure that all items have all been accounted for at year end. Repairs and maintenance and other activity should be reviewed at least monthly to ensure correct posting to accounts and entries made to reclassify items posted incorrectly.

Views of Responsible Officials and Planned Corrective Action: We have made significant progress in the tracking and maintenance of capital assets year to year, including:

- a. The adding of the following into capital inventory:
 1. Land and the disposal of land
 2. Roads and Road Improvements
 3. Completed capital projects.
- b. The completion of a comprehensive asset inventory
- c. The establishment of a depreciation schedule
- d. The keeping of hard copy records of construction in progress and completed.

The city already maintains a detail listing, and will review construction in progress monthly as recommended. Further, we will make entries that document the tracking of land disposition as sales occur. The value of land has already been correctly entered into the accounting software. All construction in progress is currently in the accounting software. New construction in progress will be added as they occur. The Finance Director and City Manager will conduct at least semi-annual reviews of construction in progress.

Section II – Findings - Financial Statement Audit (continued)

FS 2016-004 — Inadequate Accounting Over Consumable Inventory (Significant Deficiency) Repeated/Modified

Condition: The City does not have sufficient controls in place over tracking inventory. The City has made progress, however, there continues to be inadequacies in the internal controls over counting, controlling, and valuing inventory. The inventory count performed at year end did not incorporate the consideration of all costs related to the inventory.

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

Effect: The City is unable to record the value of assets without accurately maintaining the value of the items in inventory. There is also an increased risk that inventory could be missing but still recorded on the City's consumable inventory list, valuation of inventory items could be or overstated if defective or obsolete items are not properly deleted from the list and disposed of.

Cause: The City does not have documented or effective internal control procedures over inventory that are sufficient to accurately track, value, and safeguard the consumable inventory of the City.

Auditors' Recommendation: The City should document in their policy and procedures manual internal control procedures over consumable inventory. In addition, the City should track inventory and conduct an inventory count at a minimum, at the end of each year for all departments that keep consumable inventory on hand and include the value of the inventory items on their listing.

Views of Responsible Officials and Planned Corrective Actions: We did conduct an inventory count at year end for all departments. The department where the value of consumable inventory was questioned is public works, and our purchasing agent has instituted a plan for tracking the inflow and outflow of consumable inventory. The value of inventory going forward should resolve itself through his efforts, which will be reviewed at least quarterly with the Finance Director and City Manager. Part of the plan includes the purchase of a scanning system for check out of consumable inventory. We have already requested prices for the system. We will document these internal control procedures in our policy and procedures manual.

Section II – Findings - Financial Statement Audit (continued)

FS 2017-002 — NMFA Statement Reconciliation (Significant Deficiency)

Condition: The City did not reconcile four NMFA Statements totaling \$98,274 to the general ledger for the month of June 2017.

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

Effect: An adjusting entry was needed in order to accurately reflect NMFA statement balances.

Cause: Management did not to record the June activity from the NMFA statements to their trial balance as part of their year-end close procedures.

Auditors' Recommendations: Management should implement the NMFA journal entries as part of their month end close processes.

Views of Responsible Officials and Planned Corrective Action: The City of Eunice concurs with this finding and has already begun the process of implementing the NMFA journal entries as part of their month end close processes. The City will also review the implementation for completeness and accuracy at least quarterly and prior to year end.

Section III – Findings - Section 12-6-5 1978 NMSA

NM 2016-003 — Travel and Per Diem (Other Noncompliance) Repeated/Modified

Condition: The City did not improve on the prior year finding or comply with the Per Diem and Mileage Act, the following were noted in the five samples totaling \$41.36 that were tested:

- In one out of five transactions totaling \$6.46, travel approval forms do not have the date of request or approval for travel to confirm travel reimbursement was approved prior to the travel date.
- In one out of five transaction totaling \$4.82, two employees were reimbursed at a higher rate for out of town meals than the allowable amount, which resulted in an overpayment of \$28.09. Additionally, an itemized receipt was not accompanied with a purchase receipt, which resulted in an overpayment of \$17.81.

Criteria: The Per Diem and Mileage Act, Section 10-8-1 to 10-8-8, NMSA 1978 documents the requirements of the Act. Such requirements include:

- 1) With prior written approval of the secretary or the secretary’s designee or the local public body, a nonsalaried public officer of a state agency or local public body, a salaried public officer of a state agency of local public body, or a salaried employee of a state agency or local public body is entitled to per diem expenses under this subsection and shall receive:
 - a. Reimbursement for actual expenses for lodging; and
 - b. Reimbursement for actual expenses for meals not to exceed \$30.00 per day for in-state travel and \$45.00 per day for out of state travel

Effect: The City did not comply with the Mileage and Per Diem Act and reimbursed more travel expense than allowed. Unauthorized travel and per diem expenditures may be processed and paid without proper approval and rate calculation.

Cause: The City did not follow the Mileage and Per Diem Act when processing travel and per diem expenditures.

Auditors’ Recommendation: The City should implement a procedure to review all travel and per diem expenditures prior to payment and ensure all reimbursements are in compliance with State Statutes and the City’s policy.

Views of Responsible Officials and Planned Corrective Actions: No later than January 31, 2018 a new procedures will be added to the City’s policies and procedures manual that requires the Accounts Payable Clerk (under the direction of the Finance Director) to review travel and per diem expenditures prior to payment. This review will include an assurance that a) pre-trip disbursements adhere to state statutes and city policy; and b) post-trip reimbursements adhere to state statutes and city policy. Starting February 2018, the City Manager will regularly (at least quarterly, and monthly if needed) review implementation of the new travel and per diem procedure with the Finance Director.

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STATE OF NEW MEXICO

City of Eunice
Other Disclosures
June 30, 2017

Exit Conference

An exit conference was held on December 12, 2017. In attendance were the following:

Representing the City of Eunice:

| | |
|--------------------|------------------|
| Johnnie Matt White | City Mayor |
| Dr. Martin Moore | City Manager |
| Connie Whitmire | Finance Director |
| Candy Brito | City Clerk |

Representing RPC CPAs + Consultants, LLP:

| | |
|---------------------------|---------|
| Danny Martinez, CPA, CGFM | Partner |
| Carol Snider, CPA | Partner |

Auditor Prepared Financial Statements

RPC CPAs + Consultants, LLP prepared the GAAP-basis financial statements and footnotes of the City of Eunice from the original books and records provided to them by the management of the City. The responsibility for the financial statements remains with the City.