

State of New Mexico
City of Eunice

FINANCIAL STATEMENTS

For the Year Ended June 30, 2018



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RIGGS &
INGRAM

CPAs and Advisors

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June 30, 2018

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**City of Eunice, New Mexico
Official Roster
June 30, 2018**

City Council

<u>Name</u>	<u>Title</u>
Billy Hobbs	Mayor
Warden L. Allen	City Councilor
Terry Bettis	City Councilor
Jerry Corral	City Councilor
Carlos Conner	City Councilor
Nina Lynch	City Councilor
Marty Rodriguez	City Councilor
Chris Meyers	City Councilor
Mary Lou Vinson	City Councilor

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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Report

INDEPENDENT AUDITORS' REPORT

Wayne Johnson
New Mexico State Auditor
To the Mayor and 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 comparison for the General Fund of the City of Eunice (the "City"), as of and for the year ended June 30, 2018, 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, 2018, and the respective changes in financial position and, where applicable, cash flows thereof and the respective budgetary comparison for the General 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 that the Public Employees Retirement Association (PERA) Pension Plan Schedules required by GASB on pages 70 through 82 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 fund financial statements and supporting schedules as 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 fund financial statements and supporting schedules as 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 fund financial statements and Supporting Schedules as 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 14, 2018 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 solely 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 effectiveness of the City's 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.

Carr, Riggs & Ingram, L.L.C.

Carr, Riggs & Ingram, LLC
Albuquerque, NM
December 14, 2018

Basic Financial Statements

City of Eunice, New Mexico
Statement of Net Position
June 30, 2018

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 738,471	\$ 636,260	\$ 1,374,731
Investments	1,059,949	426,242	1,486,191
Land held for sale	77,099	-	77,099
Receivables:			
Property taxes	10,960	-	10,960
Gross receipts taxes	936,477	-	936,477
Other taxes	25,186	-	25,186
Utility receivables, net	-	342,898	342,898
Other	127,081	10,367	137,448
Inventory	274,095	69,960	344,055
Prepaid expenses	21,029	37,127	58,156
Internal balances	327,148	(327,148)	-
Total current assets	3,597,495	1,195,706	4,793,201
Noncurrent assets			
Restricted cash and cash equivalents	580,285	142,151	722,436
Restricted investments	2,084,917	-	2,084,917
Capital assets	15,051,766	34,671,698	49,723,464
Less: accumulated depreciation	(7,052,607)	(14,701,232)	(21,753,839)
Total noncurrent assets	10,664,361	20,112,617	30,776,978
Deferred outflows of resources			
Related to pensions	766,545	237,942	1,004,487
Total deferred outflows of resources	766,545	237,942	1,004,487
Total assets and deferred outflows of resources	\$ 15,028,401	\$ 21,546,265	\$ 36,574,666

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

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Liabilities			
Current liabilities			
Accounts payable	\$ 435,020	\$ 210,093	\$ 645,113
Accrued payroll	192,515	27,551	220,066
Accrued compensated absences	165,574	75,575	241,149
Customer deposits	-	84,215	84,215
Accrued interest	92,962	5,586	98,548
Other accrued expenses	-	2,464	2,464
Current portion of long-term debt and leases	243,045	282,688	525,733
Total current liabilities	1,129,116	688,172	1,817,288
Noncurrent liabilities			
Notes and leases payable	4,988,557	4,076,344	9,064,901
Net pension liability	3,539,558	540,909	4,080,467
Total noncurrent liabilities	8,528,115	4,617,253	13,145,368
Total liabilities	9,657,231	5,305,425	14,962,656
Deferred inflows of resources			
Related to pension	1,133,923	415,442	1,549,365
Total deferred inflows of resources	1,133,923	415,442	1,549,365
Net position			
Net investment in capital assets	4,819,957	15,611,434	20,431,391
Restricted for:			
Capital projects	4,652,783	-	4,652,783
Unrestricted	(5,235,493)	213,964	(5,021,529)
Total net position	4,237,247	15,825,398	20,062,645
Total liabilities, deferred inflows of resources, and net position	\$ 15,028,401	\$ 21,546,265	\$ 36,574,666

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

City of Eunice, New Mexico
Statement of Activities
For the Year Ended June 30, 2018

Functions/Programs	Program Revenues			
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government				
Governmental activities:				
General government	\$ 855,078	\$ 329,571	\$ 98,317	\$ -
Public safety	2,448,956	25,148	176,967	-
Public works	491,349	-	169,460	3,738
Culture and recreation	1,563,683	21,156	161,461	-
Interest on long-term debt	192,371	-	-	-
Total governmental activities	5,551,437	375,875	606,205	3,738
Business-type activities:				
Water	1,968,550	1,835,295	-	-
Sewer	283,532	296,968	-	-
Solid waste	498,075	524,828	-	-
Golf	430,208	111,222	-	-
Total business-type activities	3,180,365	2,768,313	-	-
Total primary government	\$ 8,731,802	\$ 3,144,188	\$ 606,205	\$ 3,738

General revenues and transfers:

Taxes:

Property, levied for general purposes

Gross receipts

Gasoline and motor vehicle

Other

Investment income

Miscellaneous revenue

Transfers

Total general revenues and transfers

Change in net position

Net position, beginning

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
\$ (427,190)	\$ -	\$ (427,190)
(2,246,841)	-	(2,246,841)
(318,151)	-	(318,151)
(1,381,066)	-	(1,381,066)
(192,371)	-	(192,371)
(4,565,619)	-	(4,565,619)
-	(133,255)	(133,255)
-	13,436	13,436
-	26,753	26,753
-	(318,986)	(318,986)
-	(412,052)	(412,052)
(4,565,619)	(412,052)	(4,977,671)
218,178	-	218,178
4,177,286	-	4,177,286
105,981	-	105,981
73,806	-	73,806
50,232	7,123	57,355
666,824	123,055	789,879
(257,485)	257,485	-
5,034,822	387,663	5,422,485
469,203	(24,389)	444,814
3,768,044	15,849,787	19,617,831
\$ 4,237,247	\$ 15,825,398	\$ 20,062,645

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

City of Eunice, New Mexico
Balance Sheet
Governmental Funds
June 30, 2018

	General Fund 01	Paving and Streets Capital Projects Fund 28, 31, 32	Total Nonmajor Governmental Funds	Total Governmental Funds
Assets				
Cash and cash equivalents	\$ 628,062	\$ 356,637	\$ 334,057	\$ 1,318,756
Investments	521,948	2,700,017	-	3,221,965
Receivables:				
Property taxes	10,960	-	-	10,960
Gross receipts taxes	843,243	93,234	-	936,477
Other receivables	36,335	105,795	10,137	152,267
Inventory	274,095	-	-	274,095
Prepaid assets	21,029	-	-	21,029
Due from other funds	7,258	-	553,000	560,258
Total assets	\$ 2,342,930	\$ 3,255,683	\$ 897,194	\$ 6,495,807
Liabilities				
Accounts payable	\$ 62,574	\$ 24,398	\$ 348,048	\$ 435,020
Accrued payroll	171,380	1,657	19,478	192,515
Due to other funds	231,000	-	2,110	233,110
Total liabilities	464,954	26,055	369,636	860,645
Deferred inflows of resources				
Unavailable revenue - property taxes	3,616	-	-	3,616
Total deferred inflows of resources	3,616	-	-	3,616
Fund balances				
Nonspendable:				
Inventory and prepaid assets	295,124	-	-	295,124
Spendable:				
Restricted for:				
Public works	-	3,229,628	-	3,229,628
Public safety	-	-	5,051	5,051
Fire protection	-	-	802,983	802,983
Committed to:				
General government	-	-	848	848
Culture and recreation	-	-	18,395	18,395
Unassigned (deficit)	1,579,236	-	(299,719)	1,279,517
Total fund balances	1,874,360	3,229,628	527,558	5,631,546
Total liabilities, deferred inflows of resources, and fund balances	\$ 2,342,930	\$ 3,255,683	\$ 897,194	\$ 6,495,807

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

City of Eunice, New Mexico
Reconciliation of the Governmental Funds Balance Sheet to the
Statement of Net Position
June 30, 2018

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

Fund balances - total governmental funds	\$	5,631,546
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		7,999,159
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		3,616
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		149,959
Deferred outflows of resources related to changes in proportion		27,438
Deferred outflows of resources related to differences between expected and actual experience		153,159
Deferred outflows of resources related to employer contributions subsequent to the measurement date		200,880
Deferred outflows of resources related to the net difference between projected and actual earnings on pension plan investments		235,109
Deferred inflows of resources related to changes in assumptions		(45,928)
Deferred inflows of resources related to changes in proportion		(791,860)
Deferred inflows of resources related differences between expected and actual experience		(296,135)
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		(5,231,602)
Accrued interest		(92,962)
Accrued compensated absences		(165,574)
Net pension liability		(3,539,558)
Net position of governmental activities	\$	4,237,247

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

City of Eunice, New Mexico
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2018

	General Fund 01	Paving and Streets Capital Projects Fund 28, 31, 32	Total Nonmajor Governmental Funds	Total Governmental Funds
Revenues				
Taxes:				
Property	\$ 227,785	\$ -	\$ -	\$ 227,785
Gross receipts	3,505,080	672,206	-	4,177,286
Gasoline and motor vehicle	25,234	80,747	-	105,981
Other	73,806	-	-	73,806
Intergovernmental:				
Federal operating grants	-	-	25,424	25,424
State operating grants	155,221	169,460	196,016	520,697
State capital grants	-	3,738	-	3,738
Local operating grants	40,084	-	20,000	60,084
Charges for services	340,263	-	35,612	375,875
Investment income	8,694	41,538	-	50,232
Miscellaneous	277,432	157,106	232,326	666,864
Total revenues	4,653,599	1,124,795	509,378	6,287,772
Expenditures				
Current:				
General government	779,823	-	1,518	781,341
Public safety	2,085,237	-	166,151	2,251,388
Public works	-	374,647	-	374,647
Culture and recreation	247,557	-	1,178,966	1,426,523
Capital outlay	100,297	2,709,805	-	2,810,102
Debt service:				
Principal	-	53,715	-	53,715
Interest	-	99,409	-	99,409
Total expenditures	3,212,914	3,237,576	1,346,635	7,797,125
Excess (deficiency) of revenues over expenditures	1,440,685	(2,112,781)	(837,257)	(1,509,353)
Other financing sources (uses)				
Transfers in	55,288	33,294	409,789	498,371
Transfers (out)	(755,856)	-	-	(755,856)
Total other financing sources (uses)	(700,568)	33,294	409,789	(257,485)
Net change in fund balances	740,117	(2,079,487)	(427,468)	(1,766,838)
Fund balances - beginning	1,134,243	5,309,115	955,026	7,398,384
Fund balances - end of year	\$ 1,874,360	\$ 3,229,628	\$ 527,558	\$ 5,631,546

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

City of Eunice, New Mexico

**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, 2018**

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

Net change in fund balances - total governmental funds	\$ (1,766,838)
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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	2,810,102
Depreciation expense	(616,722)

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	(5,765)
--	---------

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	200,880
Pension expense	(115,941)

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	(15,564)
Increase in accrued interest	(92,962)

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 and capital lease payments consume the current financial resources of governmental funds. Neither transaction, however, has any effect on net position.

Capital lease payment	18,298
Principal on long-term debt	53,715

Change in net position of governmental activities	\$ 469,203
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The accompanying notes are an integral part of these financial statements.

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City of Eunice, New Mexico
General Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2018

	<u>Budgeted Amounts</u>		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
Revenues				
Taxes:				
Property	\$ 222,479	\$ 228,390	\$ 228,390	\$ -
Gross receipts	2,696,426	3,299,682	3,299,682	-
Gasoline and motor vehicle	22,500	23,998	23,998	-
Franchise	80,000	79,524	79,524	-
Intergovernmental income:				
State operating grant	209,955	175,039	175,039	-
Local operating grant	40,000	60,084	60,084	-
Charges for services	375,400	325,127	324,537	(590)
Licenses and fees	-	-	-	-
Investment income	1,560	8,694	8,694	-
Other revenue	-	-	-	-
Miscellaneous	378,250	279,059	279,059	-
Total revenues	4,026,570	4,479,597	4,479,007	(590)
Expenditures				
Current:				
General government	963,087	940,968	874,038	66,930
Public safety	1,841,837	2,130,457	1,973,074	157,383
Public works	-	-	-	-
Culture and recreation	248,910	241,791	224,590	17,201
Health and welfare	-	-	-	-
Capital outlay	20,670	94,403	94,403	-
Total expenditures	3,074,504	3,407,619	3,166,105	241,514
Excess (deficiency) of revenues over expenditures	952,066	1,071,978	1,312,902	240,924
Other financing sources (uses)				
Designated cash (budgeted cash increase)	(185,050)	(371,410)	-	371,410
Transfers in	-	55,288	55,288	-
Transfers (out)	(767,016)	(755,856)	(755,856)	-
Total other financing sources (uses)	(952,066)	(1,071,978)	(700,568)	371,410
Net change in fund balance	-	-	612,334	612,334
Fund balance - beginning of year	-	-	236,835	236,835
Fund balance - end of year	\$ -	\$ -	\$ 849,169	\$ 849,169
Net change in fund balance (non-GAAP budgetary basis)			\$ 612,334	
Adjustments to revenues for taxes, intergovernmental, and other revenue accrual:			174,592	
Adjustments to expenditures for salaries and operating expenses.			(46,809)	
Net change in fund balance (GAAP)			\$ 740,117	

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

City of Eunice, New Mexico
Statement of Net Position
Proprietary Funds
June 30, 2018

	Business-Type Activities - Enterprise		
	Water	Sewer	Solid Waste
Assets			
Current assets			
Cash and cash equivalents	\$ 323,933	\$ 222,970	\$ 86,893
Investments	57,886	90,606	277,750
Receivables:			
Utility receivables, net	213,339	46,002	83,557
Other	-	-	-
Inventory	68,533	1,427	-
Prepaid assets	37,127	-	-
Total current assets	700,818	361,005	448,200
Noncurrent assets			
Restricted cash	142,151	-	-
Capital assets	32,187,570	1,916,167	-
Less: accumulated depreciation	(13,854,803)	(491,226)	-
Total noncurrent assets	18,474,918	1,424,941	-
Deferred outflows of resources			
Change of assumptions	36,013	5,668	-
Changes in proportion	186	287	-
Difference between expected and actual experience	18,987	3,598	-
Net difference between projected and actual investment earnings on pension plan investments	56,873	9,340	-
Employer contributions subsequent to the measurement date	56,785	8,096	-
Total deferred outflows of resources	168,844	26,989	-
Total assets and deferred outflows of resources	\$ 19,344,580	\$ 1,812,935	\$ 448,200

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

Business-Type Activities - Enterprise

<u>Golf</u>		<u>Total</u>	
\$	2,464	\$	636,260
	-		426,242
	-		342,898
	10,367		10,367
	-		69,960
	-		37,127
	<u>12,831</u>		<u>1,522,854</u>
	-		142,151
	567,961		34,671,698
	(355,203)		(14,701,232)
	<u>212,758</u>		<u>20,112,617</u>
	8,589		50,270
	820		1,293
	5,834		28,419
	9,807		76,020
	<u>17,059</u>		<u>81,940</u>
	<u>42,109</u>		<u>237,942</u>
\$	<u>267,698</u>	\$	<u>21,873,413</u>

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

City of Eunice, New Mexico
Statement of Net Position
Proprietary Funds
June 30, 2018

	Business-Type Activities - Enterprise		
	Water	Sewer	Solid Waste
Liabilities			
Current liabilities			
Accounts payable	\$ 145,205	\$ 9,007	\$ 41,167
Accrued payroll expenses	17,937	2,893	-
Accrued compensated absences	46,165	12,350	-
Customer deposits	84,215	-	-
Due to other funds	5,148	322,000	-
Accrued interest	5,586	-	-
Other accrued expenses	-	-	-
Current portion of long-term debt	272,333	-	-
Total current liabilities	576,589	346,250	41,167
Noncurrent liabilities			
Notes payable	4,054,829	-	-
Net pension liability	320,096	70,649	-
Total noncurrent liabilities	4,374,925	70,649	-
Total liabilities	4,951,514	416,899	41,167
Deferred inflows of resources			
Changes of assumptions	5,447	1,019	-
Changes in proportion	209,718	30,688	-
Differences between expected and actual experience	71,507	10,447	-
Total deferred inflows of resources	286,672	42,154	-
Net position			
Net investment in capital assets	14,005,605	1,424,941	-
Unrestricted	100,789	(71,059)	407,033
Total net position	14,106,394	1,353,882	407,033
Total liabilities, deferred inflows of resources, and net position	\$ 19,344,580	\$ 1,812,935	\$ 448,200

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

Business-Type Activities - Enterprise

	<u>Golf</u>		<u>Total</u>
\$	14,714	\$	210,093
	6,721		27,551
	17,060		75,575
	-		84,215
	-		327,148
	-		5,586
	2,464		2,464
	10,355		282,688
	<hr/>		<hr/>
	51,314		1,015,320
	<hr/>		<hr/>
	21,515		4,076,344
	150,164		540,909
	<hr/>		<hr/>
	171,679		4,617,253
	<hr/>		<hr/>
	222,993		5,632,573
	<hr/>		<hr/>
	2,542		9,008
	61,655		302,061
	<hr/>		<hr/>
	22,419		104,373
	<hr/>		<hr/>
	86,616		415,442
	<hr/>		<hr/>
	180,888		15,611,434
	(222,799)		213,964
	<hr/>		<hr/>
	(41,911)		15,825,398
	<hr/>		<hr/>
\$	267,698	\$	21,873,413
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The accompanying notes are an integral part of these financial statements.

City of Eunice, New Mexico
Statement of Revenues, Expenses, and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2018

	Business-Type Activities - Enterprise		
	Water	Sewer	Solid Waste
Operating revenues			
Charges for services	\$ 1,835,295	\$ 296,968	\$ 524,828
Total operating revenues	1,835,295	296,968	524,828
Operating expenses			
General operating	186,175	79,256	498,075
Personnel services	805,635	96,069	-
Depreciation	497,350	42,214	-
Maintenance and materials	181,499	49,642	-
Equipment	219,841	16,351	-
Total operating expenses	1,890,500	283,532	498,075
Operating income (loss)	(55,205)	13,436	26,753
Non-operating revenues (expenses)			
Interest expense	(78,050)	-	-
Investment income	2,614	121	4,388
Miscellaneous income	-	76,446	42,000
Total non-operating revenues (expenses)	(75,436)	76,567	46,388
Income (loss) before transfers	(130,641)	90,003	73,141
Transfers in	-	-	940
Transfers (out)	(56,228)	-	-
Change in net position	(186,869)	90,003	74,081
Net position - beginning	14,293,263	1,263,879	332,952
Net position - end of year	\$ 14,106,394	\$ 1,353,882	\$ 407,033

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

Business-Type Activities - Enterprise

Golf		Total	
\$	111,222	\$	2,768,313
	111,222		2,768,313
	69,627		833,133
	252,861		1,154,565
	23,507		563,071
	65,595		296,736
	18,618		254,810
	430,208		3,102,315
	(318,986)		(334,002)
	-		(78,050)
	-		7,123
	4,609		123,055
	4,609		52,128
	(314,377)		(281,874)
	312,773		313,713
	-		(56,228)
	(1,604)		(24,389)
	(40,307)		15,849,787
\$	(41,911)	\$	15,825,398

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

City of Eunice, New Mexico
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2018

	Business-Type Activities - Enterprise		
	Water	Sewer	Solid Waste
Cash flows from operating activities			
Cash received from user charges	\$ 1,985,495	\$ 286,887	\$ 499,287
Cash payments to employees for services	(874,752)	(104,691)	-
Cash payments to suppliers for goods and services	(447,864)	(141,943)	(490,494)
Net cash provided by operating activities	662,879	40,253	8,793
Cash flows from noncapital financing activities			
Miscellaneous income	-	76,446	42,000
Internal balances	(51,080)	-	940
Net cash provided by noncapital financing activities	(51,080)	76,446	42,940
Cash flows from investing activities			
Sale (purchase) of investments	56,182	-	-
Interest on investments	2,614	121	4,388
Net cash provided by investing activities	58,796	121	4,388
Cash flows from capital and related financing activities			
Interest paid	(84,993)	-	-
Principal payments on bonds, loans and notes payable	(267,551)	-	-
Net cash (used) by capital and related financing activities	(352,544)	-	-
Net (decrease) increase in cash and cash equivalents	318,051	116,820	56,121
Cash and cash equivalents - beginning of year	148,033	106,150	30,772
Cash and cash equivalents - end of year	\$ 466,084	\$ 222,970	\$ 86,893
Reconciliation of operating (loss) income to net cash provided (used) by operating activities:			
Operating (loss) income	\$ (55,205)	\$ 13,436	\$ 26,753
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	497,350	42,214	-
Noncash pension expense	(33,228)	(4,737)	-
Changes in assets, deferred outflows, and liabilities:			
Receivables	148,938	(10,081)	(25,541)
Prepaid expenses	20,367	-	-
Contributions subsequent to the measurement date	(34,559)	(3,396)	-
Accounts payable	126,912	3,306	7,581
Accrued payroll expenses	(3,034)	(489)	-
Accrued compensated absences	1,704	-	-
Meter deposits	1,262	-	-
Net cash (used) by operating activities	\$ 662,879	\$ 40,253	\$ 8,793

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

Business-Type Activities - Enterprise

<u>Golf</u>		<u>Total</u>	
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\$	109,855	\$	2,881,524
	(268,859)		(1,248,302)
	(148,577)		(1,228,878)
	(307,581)		404,344

	4,609		123,055
	312,773		262,633
	317,382		385,688

	-		56,182
	-		7,123
	-		63,305

	-		(84,993)
	(9,801)		(277,352)
	(9,801)		(362,345)

	-		490,992
	2,464		287,419

\$	2,464	\$	778,411
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\$	(318,986)	\$	(334,002)
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	23,507		563,071
	(9,982)		(47,947)

	(1,367)		111,949
	-		20,367
	(5,512)		(43,467)
	5,263		143,062
	(1,137)		(4,660)
	633		2,337
	-		1,262

\$	(307,581)	\$	404,344
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The accompanying notes are an integral part of these financial statements.

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City of Eunice, New Mexico
Notes to the Financial Statements
June 30, 2018

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, 2018, the City adopted GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment benefits other than Pensions*, GASB Statements No. 81 *Irrevocable Split-Interest Agreements*, GASB Statement No. 85 *Omnibus*, and GASB Statement No. 86 *Certain Debt Extinguishment Issues*. These four statements are required to be implemented as of June 30, 2018, if applicable. The City has evaluated these three statements and has determined that they do not have a material effective on the financial statements.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

B. Government-wide and Fund Financial Statements (Continued)

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

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, (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 and proprietary. 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 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.

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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, gross receipts 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:

The City reports the following major governmental funds:

The *General Fund (01)* 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 *Paving and Streets Capital Projects Fund (28, 31, 32)* 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.

City of Eunice, New Mexico
Notes to the Financial Statements
June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation (Continued)

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.

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.

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.

City of Eunice, New Mexico
Notes to the Financial Statements
June 30, 2018

NOTE 1: SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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.

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.

City of Eunice, New Mexico
Notes to the Financial Statements
June 30, 2018

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)

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.

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.

City of Eunice, New Mexico
Notes to the Financial Statements
June 30, 2018

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)

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 \$311,129, \$200,229, \$28,731, \$181,578, and \$282,820, 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 \$3,616 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 \$54,936, changes in proportion of \$1,093,921, and differences between expected and actual experience of \$400,508, are reported on the Statement of Net Position.

City of Eunice, New Mexico
Notes to the Financial Statements
June 30, 2018

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, 2018, 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.

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.

City of Eunice, New Mexico
Notes to the Financial Statements
June 30, 2018

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, 2018, the nonspendable fund balance of the City is comprised of inventory and prepaid assets in the amount of \$295,124 which is not in spendable form.

Restricted and Committed Fund Balance: At June 30, 2018, the City has presented restricted fund balance on the governmental funds balance sheet in the amount of \$4,037,662 for various City operations as restricted by enabling legislation. Additionally, committed fund balance of \$19,243 is presented for various City operations by the City Commission. The details of these fund balance items are located on the governmental funds balance sheet as detailed on page 18.

Minimum Fund Balance Policy: The City's policy for maintaining a minimum amount of fund balance for operations is to minimize any sudden and unplanned discontinuity to programs and operations and for unforeseen contingencies. This is also a required reserve by DFA – LGD. At a minimum, the budget shall ensure that the City holds cash reserves of 1/12th of the General Fund final budgeted expenditures. At June 30, 2018, the City reported \$289,181 in minimum fund balance.

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. Net investment in capital assets includes unspent loan proceeds of \$2,052,400.
- 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 36-37 and 85.

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)

- 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.

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.

Tax Abatements: The City had no tax abatements requiring separate disclosure under GASB Statement No. 77.

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.

City of Eunice, New Mexico
Notes to the Financial Statements
June 30, 2018

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

Budgetary Information (Continued)

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	Final
	Budget	Budget
General Fund	\$ 952,066	\$ 1,071,978
Paving and Streets	(5,192,393)	176,926
Nonmajor Governmental Funds	(599,522)	(445,941)

	Operating income (loss)	
	Original	Final
	Budget	Budget
Water Department	\$ 202,234	\$ 470,636
Sewer Fund	127,085	(184,881)
Solid Waste Fund	32,250	47,580
Golf Fund	(187,697)	(311,443)

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, 2018.

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.

City of Eunice, New Mexico
Notes to the Financial Statements
June 30, 2018

NOTE 3: DEPOSITS AND INVESTMENTS (Continued)

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, 2018, \$1,280,745 of the City's bank balance of \$1,566,713 was subject to custodial credit risk. \$981,790 was uninsured and collateralized by collateral held by the pledging bank's trust department, in the City's name and \$298,955 of the City's deposits was uninsured and uncollateralized at June 30, 2018.

	Wells Fargo		
	Bank, NA	JP Stone Bank	Total
Amount of deposits	\$ 1,530,745	\$ 35,968	\$ 1,566,713
FDIC Coverage	(250,000)	(35,968)	(285,968)
Total uninsured public funds	1,280,745	-	1,280,745
Collateralized by securities held by Pledging institutions or by its trust department or agent in other than the City's name	981,790	-	981,790
Uninsured and uncollateralized	298,955	-	298,955
Collateral requirement (50% of uninsured funds)	640,373	-	640,373
Pledged Collateral	981,790	-	981,790
Over (Under) collateralized	\$ 341,417	\$ -	\$ 341,417

The collateral pledged is listed on Schedule of Pledged Collateral 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.

City of Eunice, New Mexico
Notes to the Financial Statements
June 30, 2018

NOTE 3: DEPOSITS AND INVESTMENTS (Continued)

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, 2018, 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, 2018 include the following:

Investment Type	Weighted Average Maturities	Fair Value	Rating
New Mexico Local Government Investment Pool	100 days (WAM (F))	\$ 1,486,191 *	AAAM
U.S. Treasury Money Market Mutual Funds	>365	2,084,917 **	Aaa
		\$ 3,571,108	

* Based off Standards & Poor's rating

** Based off Moody's rating

At June 30, 2018 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 \$2,084,917 in investments noted above and \$1,486,191 considered restricted cash and cash equivalents. For purposes of cash flows at the Statement of Cash Flows, 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.

NOTE 3: DEPOSITS AND INVESTMENTS (Continued)

Investments (Continued)

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 \$1,486,191 in New MexiGROW LGIP at year end which were valued at amortized cost, which approximates fair value.

City of Eunice, New Mexico
Notes to the Financial Statements
June 30, 2018

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, 2018:

Level 1	Level 2	Level 3	Total
\$ 2,084,917	\$ -	\$ -	\$ 2,084,917

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	\$ 1,374,731
Restricted cash and cash equivalents	722,436
Investments	1,486,191
Restricted investments	2,084,917
<hr/>	
Total cash, cash equivalents, and investments	5,668,275
<hr/>	
Add: outstanding items	107,720
Less: NMFA restricted cash and investments	(2,723,091)
Less: <i>New MexiGROW- LGIP</i>	(1,486,191)
<hr/>	
Bank balance of deposits	\$ 1,566,713
<hr/>	

NOTE 4: LAND HELD FOR SALE

As of June 30, 2018, 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.

City of Eunice, New Mexico
Notes to the Financial Statements
June 30, 2018

NOTE 5: RECEIVABLES

Receivables as of June 30, 2018, are as follows:

Governmental activities:	General Fund	Paving and Streets Capital Projects Fund	Nonmajor Governmental Funds	Total
Property taxes	\$ 10,960	\$ -	\$ -	\$ 10,960
Gross receipts taxes	843,243	93,234	-	936,477
Other				
State grants	-	91,373	-	91,373
Other receivables	36,335	14,422	10,137	60,894
Totals by fund	\$ 890,538	\$ 199,029	\$ 10,137	\$ 1,099,704

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 \$3,616 for the City for the year ended June 30, 2018.

Business-type activities:

	Water	Sewer	Solid Waste	Golf	Total
Utility receivable	\$ 318,956	\$ 46,002	\$ 83,557	\$ -	\$ 448,515
Less: Allowance for uncollectible accounts	(105,617)	-	-	-	(105,617)
Other					
Other receivables	-	-	-	10,367	10,367
Totals	\$ 213,339	\$ 46,002	\$ 83,557	\$ 10,367	\$ 353,265

City of Eunice, New Mexico
Notes to the Financial Statements
June 30, 2018

NOTE 6: TRANSFERS AND INTERFUND RECEIVABLES

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

Transfers In	Transfers Out	Amount
General Fund	Water	\$ 55,288
Recreational Fund	General Fund	249,610
Golf Fund	General Fund	312,773
Solid Waste	Water	940
Senior Center Fund	General Fund	156,021
Youth Advisory	General Fund	3,000
Paving and Streets	General Fund	33,294
Animal Shelter	General Fund	1,158
		\$ 812,084

Interfund balances as of June 30, 2018 consisted of the following:

Due from	Due to	Amount
Water Fund	General Fund	\$ 5,148
Youth Council	General Fund	1,750
MVD	General Fund	360
General Fund	New Fire Station	231,000
Sewer	New Fire Station	322,000
		\$ 560,258

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

City of Eunice, New Mexico
Notes to the Financial Statements
June 30, 2018

NOTE 7: CAPITAL ASSETS

A summary of capital assets and changes occurring during the year ended June 30, 2018 follows. Land, construction in progress, and library collections are not subject to depreciation.

Governmental Activities:	Balance			Balance
	June 30, 2017	Additions	Deletions	June 30, 2018
Capital assets not being depreciated:				
Land	\$ 146,732	\$ -	\$ -	\$ 146,732
Construction in progress	737,674	2,709,805	-	3,447,479
Library collections	10,800	-	-	10,800
	<u>895,206</u>	<u>2,709,805</u>	<u>-</u>	<u>3,605,011</u>
Capital assets being depreciated:				
Land improvements	948,811	-	-	948,811
Buildings and improvements	4,949,593	-	-	4,949,593
Furniture, fixtures, and equipment	1,166,295	28,164	(18,000)	1,176,459
Vehicles	2,658,960	165,918	(205,374)	2,619,504
Roads	1,752,388	-	-	1,752,388
	<u>11,476,047</u>	<u>194,082</u>	<u>(223,374)</u>	<u>11,446,755</u>
Total capital assets	<u>12,371,253</u>	<u>2,903,887</u>	<u>(223,374)</u>	<u>15,051,766</u>
Accumulated depreciation:				
Land improvements	484,932	30,718	-	515,650
Buildings and improvements	2,220,959	118,511	-	2,339,470
Furniture, fixtures, and equipment	891,232	95,351	(18,000)	968,583
Vehicles	2,076,833	322,074	(205,374)	2,193,533
Roads	985,303	50,068	-	1,035,371
	<u>6,659,259</u>	<u>616,722</u>	<u>(223,374)</u>	<u>7,052,607</u>
Net capital assets	<u>\$ 5,711,994</u>	<u>\$ 2,287,165</u>	<u>\$ -</u>	<u>\$ 7,999,159</u>

Depreciation expense for the year ended June 30, 2018 was charged to governmental activities as follows:

Total by Function	
General government	\$ 69,892
Public safety	274,246
Public works	118,959
Culture and recreation	153,625
Total	<u>\$ 616,722</u>

City of Eunice, New Mexico
Notes to the Financial Statements
June 30, 2018

NOTE 7: CAPITAL ASSETS (Continued)

Governmental Activities (continued)

The capital asset additions includes a capital lease in the amount of \$93,785 that is not included as part of capital outlay expenditures.

Business-type Activities:	Balance				Balance
	June 30, 2017	Additions	Deletions		June 30, 2018
Capital assets not being depreciated:					
Land	\$ 3,466	\$ -	\$ -		\$ 3,466
Construction in progress	590,351	-	-		590,351
	<u>593,817</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	988,766	-	-		988,766
Vehicles	280,462	-	26,961		253,501
Utility Systems	30,637,951	-	-		30,637,951
	<u>34,104,842</u>	-	<u>26,961</u>		<u>34,077,881</u>
Total capital assets	34,698,659	-	26,961		34,671,698
Accumulated depreciation:					
Land improvements	68,857	19,774	-		88,631
Buildings and improvements	306,044	25,748	-		331,792
Furniture, fixtures, and equipment	583,707	72,168	-		655,875
Vehicles	211,614	44,292	26,961		228,945
Utility Systems	12,994,900	401,089	-		13,395,989
	<u>14,165,122</u>	<u>563,071</u>	<u>26,961</u>		<u>14,701,232</u>
Net capital assets	\$ 20,533,537	\$ (563,071)	\$ -		\$ 19,970,466

Depreciation expense for the year ended June 30, 2018 was charged to business-type activities as follows:

Total by Function	
Water	\$ 497,350
Sewer	42,214
Golf	23,507
<u>Total</u>	<u>\$ 563,071</u>

City of Eunice, New Mexico
Notes to the Financial Statements
June 30, 2018

NOTE 8: LONG-TERM DEBT

Governmental Activities:

During the year ended June 30, 2018, the following changes occurred in the liabilities reported in the government-wide statement of net position:

	Balance June 30, 2017	Additions	Retirements	Balance June 30, 2018	Due Within One Year
Loan Payable	\$ 5,209,830	\$ -	\$ 53,715	\$ 5,156,115	\$ 225,787
Leases Payable	-	93,785	18,298	75,487	17,258
Compensated Absences	150,010	90,180	74,616	165,574	165,574
Total long-term debt	\$ 5,359,840	\$ 183,965	\$ 146,629	\$ 5,397,176	\$ 408,619

NMFA Loans- Notes and Leases 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.

In September 2017, the City entered into a capital lease for an Ambulance in the amount of \$97,785 with HGAC Buy. The lease terminates on September 21, 2021, and it accrues interest at 8.30% per annum.

The NMFA loan and capital lease details are as follows:

Description	Date of Issue	Maturity Date	Interest Rate	Original Amount of Issue	Balance June 30, 2018
NMFA Loan	3/24/2017	5/1/2036	3.28%	\$ 5,209,830	\$ 5,156,115
Ambulance Capital Lease	9/21/2017	9/21/2021	8.30%	97,785	75,487
Total loans and capital leases					\$ 5,231,602

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, 2018, governmental activities compensated absences increased \$15,564 from the prior year. Compensated absences are liquidated by the respective funds in which they are accrued.

City of Eunice, New Mexico
Notes to the Financial Statements
June 30, 2018

NOTE 8: LONG-TERM DEBT (Continued)

The annual requirements to amortize the NMFA loans as of June 30, 2018, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2019	\$ 225,787	\$ 133,196	\$ 358,983
2020	227,819	130,927	358,746
2021	230,325	128,212	358,537
2022	233,250	125,035	358,285
2023	236,679	121,344	358,023
2024-2028	1,254,582	531,220	1,785,802
2029-2033	1,427,123	350,682	1,777,805
2034-2037	1,320,550	96,158	1,416,708
	<u>\$ 5,156,115</u>	<u>\$ 1,616,774</u>	<u>\$ 6,772,889</u>

The future minimum lease payments for the capital lease are as follows:

Fiscal Year Ending June 30,	Principal
2019	\$ 17,258
2020	17,843
2021	40,386
	<u>\$ 75,487</u>

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, 2018:

	Balance June 30, 2017	Additions	Retirements	Balance June 30, 2018	Due Within One Year
Loans Payable:					
NMFA Water Lines	\$ 4,065,176	\$ -	\$ 235,071	\$ 3,830,105	\$ 239,772
NMFA Water Lines	529,537	-	32,480	497,057	32,561
Total Notes Payable	4,594,713	-	267,551	4,327,162	272,333
Capital Leases	41,671	-	9,801	31,870	10,355
Compensated Absences	73,238	29,417	27,080	75,575	75,575
	<u>\$ 4,709,622</u>	<u>\$ 29,417</u>	<u>\$ 304,432</u>	<u>\$ 4,434,607</u>	<u>\$ 358,263</u>

City of Eunice, New Mexico
Notes to the Financial Statements
June 30, 2018

NOTE 8: LONG-TERM DEBT (Continued)

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:

Description	Date of Issue	Maturity Date	Interest Rate	Original Amount of Issue	Balance June 30, 2018
NMFA Loan	2/27/2009	5/1/2032	1.75%	\$ 5,050,000	\$ 3,830,105
NMFA Loan	4/4/2014	6/1/2033	0.25%	640,000	497,057
John Deere Capital Lease	5/2/2017	5/2/2021	4.56%	12,212	9,121
John Deere Capital Lease	5/2/2017	5/22/2017	5.91%	30,154	22,749
Total loans and capital leases					\$ 4,359,032

The annual requirements to amortize the NMFA loans as of June 30, 2018, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2019	\$ 272,333	\$ 68,270	\$ 340,603
2020	277,211	65,558	342,769
2021	282,183	59,631	341,814
2022	287,254	55,183	342,437
2023	292,425	49,794	342,219
2024-2028	1,543,331	181,703	1,725,034
2029-2033	1,372,425	54,485	1,426,910
	\$ 4,327,162	\$ 534,624	\$ 4,861,786

City of Eunice, New Mexico
Notes to the Financial Statements
June 30, 2018

NOTE 8: LONG-TERM DEBT (Continued)

The future minimum lease payments for the capital leases are as follows:

Fiscal Year Ending June 30,	Principal
2019	\$ 10,355
2020	10,941
2021	10,574
	\$ 31,870

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, 2018, business-type activities compensated absences increased \$2,337 from the prior year accrual. Compensated absences are liquidated by the respective funds in which they are accrued.

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, 2018, 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.

City of Eunice, New Mexico
Notes to the Financial Statements
June 30, 2018

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 five funds with a deficit fund balance as of June 30, 2018.

Major Funds

Golf Fund	(41,911)
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Non Major Funds

Recreation Special Revenue Fund	\$ (23,999)
State Fire Allotment Fund	(3,634)
Ambulance Fund	(215)
Senior Center Fund	(271,511)
MVD Account	(360)

Total	\$ (341,630)
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- 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 one fund exceeding approved budgetary authority for the year ended June 30, 2018.

Governmental Funds

Paving and Streets Capital Projects	\$ 2,757,474
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Total	\$ 2,757,474
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- 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, 2018.

City of Eunice, New Mexico
Notes to the Financial Statements
June 30, 2018

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, 2017 available at: <http://www.nmpera.org/assets/uploads/downloads/comprehensive-annual-financial-reports/CAFR-2017-Final.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 FY16 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 FY17 annual audit report at: <http://www.nmpera.org/assets/uploads/downloads/comprehensive-annual-financial-reports/CAFR-2017-Final.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 \$282,820 and there were employer paid member benefits of \$181,125 that were “picked up” by the employer for the year ended June 30, 2018.

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, 2016. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2017, using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date June 30, 2017.

City of Eunice, New Mexico
Notes to the Financial Statements
June 30, 2018

NOTE 11: PENSION PLAN - PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (Continued)

General Information about the Pension Plan (Continued)

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.

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, 2017 were included in the total contributions for a specific employer.

Regular and any adjustment contributions that applied to FY 2017 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, 2018, the City reported a liability of \$2,444,496 for its proportionate share of the net pension liability. At June 30, 2017, the City's proportion was 0.1779 percent, which was a decrease of 0.0536 percent from its proportion measured as of June 30, 2016.

City of Eunice, New Mexico
Notes to the Financial Statements
June 30, 2018

NOTE 11: PENSION PLAN - PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (Continued)

For the year ended June 30, 2018, the City recognized PERA Fund Municipal General Division pension expense of \$101,847. At June 30, 2018, the City reported PERA Fund Municipal General 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	\$ 112,728	\$ 25,261
Changes in proportion	28,731	578,464
Differences between expected and actual experience	96,052	125,200
Net difference between projected and actual earnings on pension plan investments	200,556	-
City of Eunice's contributions subsequent to the measurement date	164,306	-
Total	\$ 602,373	\$ 728,925

For Municipal General, \$164,306 was reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date June 30, 2017 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	\$ 124,614
2018	(2,941)
2019	110,573
2020	58,612
Thereafter	-
	\$ 290,858

City of Eunice, New Mexico
Notes to the Financial Statements
June 30, 2018

NOTE 11: PENSION PLAN - PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (Continued)

For PERA Fund Municipal Police Division, at June 30, 2018, the City reported a liability of \$1,143,354 for its proportionate share of the net pension liability. At June 30, 2017, the City's proportion was 0.2058 percent, which was a decrease of 0.0485 percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the City recognized PERA Fund Municipal Police Division pension expense of \$40,547. At June 30, 2018, 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	\$ 68,026	\$ 26,587
Changes in proportion	-	251,048
Difference between expected and actual experience	69,442	213,624
Net difference between projected and actual earnings on pension plan investments	92,081	-
City of Eunice's contributions subsequent to the measurement date	86,030	-
Total	\$ 315,579	\$ 491,259

\$86,030 was reported as deferred outflows of resources related to pensions resulting from The City's contributions subsequent to the measurement date June 30, 2017 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	\$ 104,408
2018	36,361
2019	94,018
2020	26,923
Thereafter	-
	\$ 261,710

City of Eunice, New Mexico
Notes to the Financial Statements
June 30, 2018

NOTE 11: PENSION PLAN - PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (Continued)

For PERA Fund Municipal Fire Division, at June 30, 2018, the City reported a liability of \$492,617 for its proportionate share of the net pension liability. At June 30, 2017, the City's proportion was 0.0861 percent, which was a decrease of 0.0410 percent from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the City recognized PERA Fund Municipal Fire Division pension expense of \$(55,903). At June 30, 2018, 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	\$ 19,475	\$ 3,088
Changes in proportion	-	264,409
Differences between expected and actual experience	16,085	61,684
Net difference between projected and actual earnings on pension plan investments	18,492	
City of Eunice's contributions subsequent to the measurement date	32,483	-
Total	\$ 86,535	\$ 329,181

\$32,483 was reported as deferred outflows of resources related to pensions resulting from The City's contributions subsequent to the measurement date June 30, 2017 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	\$ 110,716
2018	92,819
2019	66,267
2020	5,327
Thereafter	-
	\$ 275,129

City of Eunice, New Mexico
Notes to the Financial Statements
June 30, 2018

NOTE 11: PENSION PLAN - PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (Continued)

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, 2016 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, 2017 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, 2017. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2017 actuarial valuation.

Actuarial valuation date	June 30, 2016
Actuarial cost method	Entry age normal
Amortization method	Level percentage of payroll, open
Amortization period	Solved for based on statutory rates
Asset valuation method	4-year Smoothed Market
Actuarial assumptions:	
Investment rate of return	7.25% for 1 st 10years, 7.75% thereafter
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
Includes inflation at	2.25% annual rate first 10 years, 2.75% all other years
Mortality assumptions	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

City of Eunice, New Mexico
Notes to the Financial Statements
June 30, 2018

NOTE 11: PENSION PLAN - PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (Continued)

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 7.51%. 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 7.51% assumed long-term 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 (6.51%) or one percentage point higher (8.51%) than the single discount rate.

PERA Fund Municipal General Division	1% Decrease (6.51%)	Current Discount Rate (7.51%)	1% Increase (8.51%)
City of Eunice's proportionate share of the net pension liability	\$ 3,831,334	\$ 2,444,496	\$ 1,291,149

City of Eunice, New Mexico
Notes to the Financial Statements
June 30, 2018

NOTE 11: PENSION PLAN - PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (Continued)

	1% Decrease (6.51%)	Current Discount Rate (7.51%)	1% Increase (8.51%)
PERA Fund Municipal Police Division			
City of Eunice's proportionate share of the net pension liability	\$ 1,823,332	\$ 1,143,354	\$ 585,331

	1% Decrease (6.51%)	Current Discount Rate (7.51%)	1% Increase (8.51%)
PERA Fund Municipal Fire Division			
City of Eunice's proportionate share of the net pension liability	\$ 660,234	\$ 492,617	\$ 354,485

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued FY17 PERA financial report. The report is available at <http://www.nmpera.org/assets/uploads/downloads/comprehensive-annual-financial-reports/CAFR-2017-Final.pdf>.

Payables to the pension plan. At June 30, 2018, the City had contributions due and payable to PERA for the in the amount of \$21,490.

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, 2018.

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, 2018 in the remaining cases.

City of Eunice, New Mexico
Notes to the Financial Statements
June 30, 2018

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 received \$5 million in an NMFA loan for the improvement of the City's roads. As of June 30, 2018, the City had commitments of NMFA funds for the road improvements of \$2,052,400.

NOTE 16: SUBSEQUENT EVENTS

The date to which events occurring after June 30, 2018 have been evaluated for possible adjustment to the financial statements or disclosures is December 14, 2018, 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 \$4,652,783 of restricted net position, all of which is restricted by enabling legislation. See pages 36-37 and 85 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: RELATED PARTIES

During the year ended June 30, 2018, the City purchases goods and services in the aggregate amount of \$13,982 from various vendors that were related to members of the governing body, management, and employees.

City of Eunice, New Mexico
Notes to the Financial Statements
June 30, 2018

NOTE 20: SUBSEQUENT PRONOUNCEMENTS

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.

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 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.

In April 2018, GASB Statement No. 88 *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements* 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.

In June 2018, GASB Statement No. 89 *Accounting for Interest Cost Incurred before the End of a Construction Period* was issued. 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.

In June 2018, GASB Statement No. 90 *Majority Equity Interests—an amendment of GASB Statements No.14 and No. 61*, 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.

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Required Supplementary Information

City of Eunice, New Mexico
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*

	2018 Measurement Date (As of and for the year ended June 30, 2017)	2017 Measurement Date (As of and for the year ended June 30, 2016)
City of Eunice's proportion of the net pension liability	0.1779%	0.2315%
City of Eunice's proportionate share of the net pension liability	\$ 2,444,496	\$ 3,698,591
City of Eunice's covered payroll	\$ 1,656,686	\$ 2,018,435
City of Eunice's proportionate share of the net pension liability as a percentage of its covered payroll	147.55%	183.24%
Plan fiduciary net position as a percentage of the total pension liability	73.74%	69.18%

* 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.

2016	2015
Measurement	Measurement
Date	Date
(As of and for the	(As of and for the
year ended	year ended
June 30, 2015)	June 30, 2014)
0.2545%	0.2454%
\$ 2,594,848	\$ 1,914,383
\$ 2,224,893	\$ 1,972,536
116.63%	97.05%
76.99%	81.29%

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

City of Eunice, New Mexico
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*

	2018	2017
	Measurement	Measurement
	Date	Date
	(As of and for the	(As of and for the
	year ended	year ended
	June 30, 2017)	June 30, 2016)
City of Eunice's proportion of the net pension liability	0.2058%	0.2543%
City of Eunice's proportionate share of the net pension liability	\$ 1,143,354	\$ 1,876,301
City of Eunice's covered payroll	\$ 457,652	\$ 513,043
City of Eunice's proportionate share of the net pension liability as a percentage of its covered payroll	249.83%	365.72%
Plan fiduciary net position as a percentage of the total pension liability	73.74%	69.18%

* 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.

2016	2015
Measurement	Measurement
Date	Date
(As of and for the	(As of and for the
year ended	year ended
June 30, 2015)	June 30, 2014)
0.2734%	0.2837%
\$ 1,314,660	\$ 924,831
\$ 564,674	\$ 492,825
232.82%	187.66%
76.99%	81.29%

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

City of Eunice, New Mexico
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*

	2018	2017
	Measurement	Measurement
	Date	Date
	(As of and for the	(As of and for the
	year ended	year ended
	June 30, 2017)	June 30, 2016)
City of Eunice's proportion of the net pension liability	0.0861%	0.1271%
City of Eunice's proportionate share of the net pension liability	\$ 492,617	\$ 847,886
City of Eunice's covered payroll	\$ 125,851	\$ 150,129
City of Eunice's proportionate share of the net pension liability as a percentage of its covered payroll	391.43%	564.77%
Plan fiduciary net position as a percentage of the total pension liability	73.74%	69.18%

* 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.

2016	2015
Measurement	Measurement
Date	Date
(As of and for the	(As of and for the
year ended	year ended
June 30, 2015)	June 30, 2014)
0.1586%	0.1737%
\$ 818,563	\$ 725,023
\$ 178,564	\$ 185,914
458.41%	389.98%
76.99%	81.29%

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

City of Eunice, New Mexico
Schedule of City's Contributions
Public Employees Retirement Association (PERA) Plan
PERA Fund Municipal General Division
Last 10 Fiscal Years*

	As of and for the year ended June 30, 2018	As of and for the year ended June 30, 2017
Contractually required contribution	\$ 164,306	\$ 158,214
Contributions in relation to the contractually required contribution	(164,306)	(158,214)
Contribution deficiency (excess)	\$ -	\$ -
City of Eunice's covered payroll	\$ 1,720,496	\$ 1,656,686
Contributions as a percentage of covered payroll	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.

As of and for the year ended June 30, 2016	As of and for the year ended June 30, 2015
\$ 192,761	\$ 212,477
<u>(192,761)</u>	<u>(212,477)</u>
<u>\$ -</u>	<u>\$ -</u>
\$ 2,018,435	\$ 2,224,893
9.55%	9.55%

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

City of Eunice, New Mexico
Schedule of City's Contributions
Public Employees Retirement Association (PERA) Plan
PERA Fund Municipal Police Division
Last 10 Fiscal Years*

	As of and for the year ended June 30, 2018	As of and for the year ended June 30, 2017
Contractually required contribution	\$ 86,030	\$ 86,496
Contributions in relation to the contractually required contribution	(86,030)	(86,496)
Contribution deficiency (excess)	\$ -	\$ -
City of Eunice's covered payroll	\$ 455,183	\$ 457,652
Contributions as a percentage of covered payroll	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.

As of and for the year ended June 30, 2016	As of and for the year ended June 30, 2015
\$ 96,965	\$ 103,321
<u>(96,965)</u>	<u>(103,321)</u>
<u>\$ -</u>	<u>\$ -</u>
\$ 513,043	\$ 546,674
18.90%	18.90%

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

City of Eunice, New Mexico
Schedule of City's Contributions
Public Employees Retirement Association (PERA) Plan
PERA Fund Municipal Fire Division
Last 10 Fiscal Years*

	As of and for the year ended June 30, 2018	As of and for the year ended June 30, 2017
Contractually required contribution	\$ 33,483	\$ 27,247
Contributions in relation to the contractually required contribution	(33,483)	(27,247)
Contribution deficiency (excess)	\$ -	\$ -
City of Eunice's covered payroll	\$ 154,655	\$ 125,851
Contributions as a percentage of covered payroll	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.

As of and for the year ended June 30, 2016	As of and for the year ended June 30, 2015
\$ 32,503	\$ 38,659
<u>(32,503)</u>	<u>(38,659)</u>
<u>\$ -</u>	<u>\$ -</u>
\$ 150,129	\$ 178,564
21.65%	21.65%

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



City of Eunice, New Mexico
Notes to Required Supplementary Information
For the Year Ended June 30, 2018

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 ActuarialValuation 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.

Supplementary Information

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City of Eunice, New Mexico
Nonmajor Governmental Fund Descriptions
June 30, 2018

SPECIAL REVENUE FUNDS

Recreation Special Revenue Fund (03) - To accounts for money used for the youth center and parks and recreation. Authority for creation of this fund is the City Council.

State Fire Allotment Fund (06) – accounts for the operations of the fire department. The find 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 (07) - 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 (08) – 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 (09) – 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 (14) – 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.

Swimming Pool Fund (16) –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 (24) –Accounts for the Youth Council's money raised for scholarships and community projects. Authority for creation of this fund is the City Council.

Animal Shelter Project (37) – 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.

CAPITAL PROJECTS FUNDS

New Fire Station (36) - Account for the construction of the fire station. The find is financed by donations and general fund transfers. Authority for creation of this fund is the City Council.

MVD FUND (58) – To track and account for the collection of money and the activity of the Motor Vehicle Division in the City. Authority for creation of this fund is the City Council.

City of Eunice, New Mexico
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2018

	Special Revenue			
	Recreation Special Revenue Fund 03	State Fire Allotment 06	Corrections Fund 07	Law Enforcement Protection 08
Assets				
Cash and cash equivalents	\$ 55,846	\$ -	\$ 5,229	\$ 1
Receivables:				
Miscellaneous receivables	1,950	-	-	-
Due from other funds	-	-	-	-
Total assets	\$ 57,796	\$ -	\$ 5,229	\$ 1
Liabilities				
Accounts payable	\$ 67,793	\$ 3,634	\$ 179	\$ -
Accrued payroll	14,002	-	-	-
Due to other funds	-	-	-	-
Total liabilities	81,795	3,634	179	-
Fund balances				
Spendable				
Restricted for:				
Public safety	-	-	5,050	1
Fire protection	-	-	-	-
Committed to:				
General government	-	-	-	-
Culture and recreation	-	-	-	-
Unassigned (deficit)	(23,999)	(3,634)	-	-
Total fund balances	(23,999)	(3,634)	5,050	1
Total liabilities and fund balances	\$ 57,796	\$ -	\$ 5,229	\$ 1

See independent auditors' report.

Special Revenue				Capital Projects		
Ambulance Fund 09	Senior Center Fund 14	Swimming Pool Fund 16	Youth Advisory Council 24	Animal Shelter Project 37	New Fire Station 36	
\$ -	\$ 1,005	\$ -	\$ 21,145	\$ 848	\$ 249,983	
-	8,187	-	-	-	-	
-	-	-	-	-	553,000	
\$ -	\$ 9,192	\$ -	\$ 21,145	\$ 848	\$ 802,983	
\$ 215	\$ 275,227	\$ -	\$ 1,000	\$ -	\$ -	
-	5,476	-	-	-	-	
-	-	-	1,750	-	-	
215	280,703	-	2,750	-	-	
-	-	-	-	-	-	
-	-	-	-	-	802,983	
-	-	-	-	848	-	
-	-	-	18,395	-	-	
(215)	(271,511)	-	-	-	-	
(215)	(271,511)	-	18,395	848	802,983	
\$ -	\$ 9,192	\$ -	\$ 21,145	\$ 848	\$ 802,983	

See independent auditors' report.

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City of Eunice, New Mexico
Combining Balance Sheet
Nonmajor Governmental Funds
June 30, 2018

	<u>Capital Projects</u>	<u>Total</u>
	<u>MVD Account</u>	<u>Nonmajor</u>
	<u>58</u>	<u>Funds</u>
Assets		
Cash and cash equivalents	\$ -	\$ 334,057
Receivables:		
Miscellaneous receivables	-	10,137
Due from other funds	-	553,000
Total assets	\$ -	\$ 897,194
Liabilities		
Accounts payable	\$ -	\$ 348,048
Accrued payroll	-	19,478
Due to other funds	360	2,110
Total liabilities	360	369,636
Fund balances		
Spendable		
Restricted for:		
Public safety	-	5,051
Fire protection	-	802,983
Committed to:		
General government	-	848
Culture and recreation	-	18,395
Unassigned (deficit)	(360)	(299,719)
Total fund balances	(360)	527,558
Total liabilities and fund balances	\$ -	\$ 897,194

See independent auditors' report.

City of Eunice, New Mexico
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2018

	Special Revenue			
	Recreation			Law
	Special Revenue Fund 03	State Fire Allotment 06	Corrections Fund 07	Enforcement Protection 08
Revenues				
Intergovernmental:				
Federal operating grants	\$ -	\$ -	\$ -	\$ -
State operating grants	-	87,717	-	24,200
Local operating grants	-	-	-	-
Charges for services	21,156	-	8,173	-
Miscellaneous	207,712	-	-	-
Total revenues	228,868	87,717	8,173	24,200
Expenditures				
Current:				
General government	-	-	-	-
Public safety	-	136,184	5,669	24,199
Culture and recreation	582,147	-	-	-
Total expenditures	582,147	136,184	5,669	24,199
Excess (deficiency) of revenues over expenditures	(353,279)	(48,467)	2,504	1
Other financing sources (uses)				
Transfers in	249,610	-	-	-
Total other financing sources (uses)	249,610	-	-	-
Net change in fund balances	(103,669)	(48,467)	2,504	1
Fund balances - beginning of year	79,670	44,833	2,546	-
Fund balances - end of year	\$ (23,999)	\$ (3,634)	\$ 5,050	\$ 1

See independent auditors' report.

Special Revenue				Capital Projects		
Ambulance Fund 09	Senior Center Fund 14	Swimming Pool Fund 16	Youth Advisory Council 24	Animal Shelter Project 37	New Fire Station 36	
\$ -	\$ 25,424	\$ -	\$ -	\$ -	\$ -	
-	84,099	-	-	-	-	
-	20,000	-	-	-	-	
-	-	6,283	-	-	-	
-	12,252	-	12,362	-	-	
-	141,775	6,283	12,362	-	-	
-	-	-	-	1,158	-	
99	-	-	-	-	-	
-	586,258	-	10,561	-	-	
99	586,258	-	10,561	1,158	-	
(99)	(444,483)	6,283	1,801	(1,158)	-	
-	156,021	-	3,000	1,158	-	
-	156,021	-	3,000	1,158	-	
(99)	(288,462)	6,283	4,801	-	-	
(116)	16,951	(6,283)	13,594	848	802,983	
\$ (215)	\$ (271,511)	\$ -	\$ 18,395	\$ 848	\$ 802,983	

See independent auditors' report.

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City of Eunice, New Mexico

**Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
Nonmajor Governmental Funds
For the Year Ended June 30, 2018**

	<u>Capital Projects</u>	Total
	MVD Account	Nonmajor
	58	Governmental
		Funds
Revenues		
Intergovernmental		
Federal operating grants	\$ -	\$ 25,424
State operating grants	-	196,016
Local operating grants	-	20,000
Charges for services	-	35,612
Miscellaneous	-	232,326
Total revenues	-	509,378
Expenditures		
Current:		
General government	360	1,518
Public safety	-	166,151
Culture and recreation	-	1,178,966
Total expenditures	360	1,346,635
Excess (deficiency) of revenues over expenditures	(360)	(837,257)
Other financing sources (uses)		
Transfers in	-	409,789
Total other financing sources (uses)	-	409,789
Net change in fund balances	(360)	(427,468)
Fund balances - beginning of year	-	955,026
Fund balances - end of year	\$ (360)	\$ 527,558

See independent auditors' report.

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Supporting Schedules

City of Eunice, New Mexico
Schedule of Deposit and Investment Accounts
June 30, 2018

Bank Name/ Account Type	Account Type	Bank Balance	Deposits in Transit	Outstanding Checks	Totals
Wells Fargo Bank					
Checking - Operational	Demand Account	\$ 630,865	\$ 13,577	\$ 80,908	\$ 563,534
Checking - Utility	Demand Account	885,779	4,876	10,782	879,873
Youth Advisory Council	Demand Account	14,101	560	438	14,223
Total Wells Fargo		1,530,745	19,013	92,128	1,457,630
New Mexico Finance Authority					
Cash and Investments held by NMFA					
	Money Market	2,771,144	-	48,053	2,723,091
Total NMFA		2,771,144	-	48,053	2,723,091
James Polk Stone Community Bank					
Motor Vehicle	Demand Account	35,968	-	34,605	1,363
Total James Polk Community Bank		35,968	-	34,605	1,363
New Mexico State Treasurer					
New MexiGROW - LGIP	Investment	1,059,949	-	-	1,059,949
New MexiGROW - LGIP	Investment	426,242	-	-	426,242
Total New Mexico State Treasurer		1,486,191	-	-	1,486,191
Total Deposits and Investments		\$ 5,824,048	\$ 19,013	\$ 174,786	5,668,275
Less: Restricted cash and cash equivalents					(722,436)
Less: Restricted investments					(2,084,917)
Less: Investments					(1,486,191)
Total unrestricted cash and cash equivalents					\$ 1,374,731

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

See independent auditors' report.

City of Eunice, New Mexico
Schedule of Collateral Pledged By Depository for Public Funds
June 30, 2018

Name of Depository	Description of Pledged Collateral	Maturity	CUSIP Number	Fair Market Value at June 30, 2018	Location of Safekeeper
Wells Fargo Bank					
	FNMA FNMS 2.500%	7/1/2031	3140F9AC9	\$ 981,790	BNY Mellon, New York, NY
Total Pledged Collateral				\$ 981,790	

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 of the City of Eunice, New Mexico (the "City") as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and have issued our report thereon dated December 14, 2018.

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.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weakness. We did identify certain

deficiencies in internal control, described in the accompanying Schedule of Findings and Responses as items FS 2016-004 and FS 2017-002 that we consider 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.

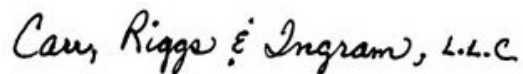
We noted certain matters that are required to be reported per section 12-6-5 NMSA 1978 that we have described in the accompanying Schedule of Section 12-6-5 NMSA 1978 Findings as items FS 2016-001, NM 2018-001 and NM 2018-002.

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.



Carr, Riggs & Ingram, LLC
Albuquerque, NM
December 14, 2018

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City of Eunice, New Mexico
Schedule of Findings and Responses
June 30, 2018

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? | No |
| 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

Financial Statement Findings

FS 2016-001 – Improper Year End Accruals – Repeated and Modified

FS 2016-002 – Maintenance of Capital Assets – Resolved

FS 2016-004 – Inadequate Accounting Over Consumable Inventory – Repeated and Modified

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

FS 2017-002 – NMFA Statement Reconciliation (Significant Deficiency) – Repeated and Modified

NM 2016-003 – Travel and Per Diem – Resolved

City of Eunice, New Mexico
Schedule of Findings and Responses
June 30, 2018

SECTION III – FINDINGS – FINANCIAL STATEMENT AUDIT

FS 2016-001 — Improper Year End Accruals (Finding that does not rise to the level of significant deficiency) (Repeated/Modified)

Condition: The City did not properly accrue one month of gas tax in the amount of \$7,182.97.

Status from Prior Year: The City was able to improve on the identification of year-end accruals in the current year including the accrual of all payables at year-end.

Criteria: GASB 33 defines revenue recognition for nonexchange transactions such as gross receipts taxes.

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

Cause: Management recorded the transaction when it was received in August but erroneously left it off of their year-end accounts receivable listing.

Auditors' Recommendations: The City should review tax related revenue receipts after the balance sheet date which include those which disbursements are delayed 2 months after collection to determine which fiscal year transactions should be reported in.

Views of Responsible Officials and Planned Corrective Action: The Interim City Manager will enact a Standard Operating Procedure that directs the Finance office to take extra care in reviewing account receivables entries to accruals to ensure that all entries are made and provided to the auditors by June 30, 2019. The City will further add a “double check” review requirement for journal entries and spreadsheet preparation to our procedures.

City of Eunice, New Mexico
Schedule of Findings and Responses
June 30, 2018

SECTION III – 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 for water inventory and EMS inventory did not incorporate the consideration of all costs related to the inventory. Attempts to track water inventory did not get effectively implemented due to the nature of needing inventory in emergency situations that require the water department to hastily retrieve inventory items and not write down what they took to keep an updated listing.

Status from Prior Year: The City has begun to take steps towards addressing this finding and are currently in the process of evaluating which method of inventory tracking would be the most beneficial and cost effective for the City.

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

Effect: 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 has not designed and implemented 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. The policy should include a process for tracking the use of and purchase of consumable inventory throughout the year in order to maintain an up to date inventory list. Additionally, the City should conduct an inventory count at a minimum, at the end of each year for all departments that keep consumable inventory on hand. The consumable inventory listing should include the county and value of the inventory items on their listing. The employees who participate in and manage the inventory tracking process should be trained in order to follow the process/procedures put in place.

Views of Responsible Officials and Planned Corrective Actions: The City will purchase a program to keep correct count of our consumable inventory. The City will also prepare a Standard Operating Procedure (SOP) to direct one or more employees to be designated to order, receive, and track all inventory at the City Barn for the Water/Sewer and Parks/Streets. We will also train an employee to handle the inventory for the EMS. The City is already in contact with vendors to purchase a program to help resolve this finding. The Finance Officer will have the finding resolved by June 30, 2019.

City of Eunice, New Mexico
Schedule of Findings and Responses
June 30, 2018

SECTION III – FINDINGS – FINANCIAL STATEMENT AUDIT (Continued)

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

Condition: The City recorded the activity related to one of their NMFA loans in a “report only” function that did not post to the final trial balance provided for audit. The activity exceeded \$2 million in cash and expenditures.

Status from Prior Year: The City has improved on this from the prior year as they ensured that they kept track of all NMFA activity throughout the year. It was posted to a report only module of the software, which didn’t record the activity in their trial balance.

Criteria: NMSA 6-10-2 discusses the duty of public officials to balance public money at the close of each business day. Generally accepted accounting principles also require that activity be recorded when the transaction occurs.

Effect: An adjusting entry was needed in order to accurately reflect City cash and expenditure activity pertaining to the NMFA loan.

Cause: Management believed that tracking their NMFA loan activity in a “report only” function in their accounting software and not posting that activity to the general ledger was the appropriate tracking for activity with NMFA.

Auditors’ Recommendations: A knowledgeable member of management should post journal entries to record NMFA activity as part of their month end close processes and reconcile the NMFA statements to the general ledger to ensure proper recording.

Views of Responsible Officials and Planned Corrective Action: The City appreciates the auditors reducing this finding after we provided proof that we did book NMFA transactions into our system through an RO entry. We agree with the direction from the auditors to change how the entry is made, and will enact a Standard Operating Procedure (SOP) directing that the Finance office record the NMFA transactions with a JE entry each month rather than an RO entry. The Finance Officer will have the finding resolved by June 30, 2019.

City of Eunice, New Mexico
Schedule of Findings and Responses
June 30, 2018

SECTION IV – FINDINGS - SECTION 12-6-5 1978 NMSA

NM 2018-001 — End of Year Board Certified Capital Asset Listing (Other Non-compliance)

Condition: The City did not perform their annual physical inventory of chattels and equipment or get board approval to certify the correctness of the listing.

Criteria: Per Section 12-6-10 NMSA 1978, Agencies shall conduct an annual physical inventory of chattels and equipment on the inventory list at the end of each fiscal year. The Agency shall certify the correctness of the inventory after the physical inventory.

Effect: The City did not comply with Section 12-6-10 NMSA 1978, therefore there is a risk that the capital asset listing is not correct and does not reflect what items are actually held by the City.

Cause: The City did not follow the Section 12-6-10 NMSA 1978 during their yearend close out processes and subsequently, they didn't get the board approval of the listing.

Auditors' Recommendation: The City should designate an employee to be responsible for implementation of the year end physical inventory count and subsequently, including getting board approval.

Views of Responsible Officials and Planned Corrective Actions: We did complete a physical audit, unfortunately, it was not presented to the City Council. A standard operating procedure will be enacted to show that verbal direction has designated, and will in the future continue to designate, an employee to be responsible for doing the physical inventory count and providing the board with documentation for approval prior to our fiscal year end 6/30. The Finance Officer will have the finding resolved by June 30, 2019.

City of Eunice, New Mexico
Schedule of Findings and Responses
June 30, 2018

SECTION IV – FINDINGS - SECTION 12-6-5 1978 NMSA (Continued)

NM 2018-002 — Budget Over-Expenditure (Other Non-compliance)

Condition: The Paving and Streets Capital Projects Fund was over-expended by \$2,757,474.

With the exception of the over-expenditure caused by a misunderstanding in recording NMFA activity, the City did not over-expend in any other funds, which is an improvement from the prior year.

Criteria: All City funds, with the exception of agency funds, are to be budgeted by the local governing body and submitted to the State of New Mexico Department of Finance and Administration – Local Government Division for approval. Once adopted, any claims or warrants in excess of budget are a violation of New Mexico State Statute 6- 6-6, 1978 Compilation. Per Section 6-6-11, NMSA 1978 (the Batemen Act), it is unlawful for any board of county commissioners, municipal governing body or any local school board, for any purpose whatever to become indebted or contract any debts of any kind or nature whatsoever during any current year which, at the end of such current year, is not and cannot then be paid out of the money actually collected and belonging to that current year, and any indebtedness for any current year which is not paid and cannot be paid, as above provided for, is void.

Effect: The City did not comply with New Mexico State Statute 6- 6-6, 1978 Compilation.

Cause: The over-expenditure is a result of not budgeting the expenditures in relation to the street improvement project associated with an NMFA loan.

Auditors' Recommendation: The City should ensure activity with NMFA is recorded and budgeted for.

Views of Responsible Officials and Planned Corrective Actions: The City will record all transactions of the NMFA statements throughout the year and make adjustments to the budgeted expenditures as the activity is recorded. The Finance Officer will have the finding resolved by June 30, 2019.

EXIT CONFERENCE

An exit conference was held on December 13, 2018. In attendance were the following:

Representing the City of Eunice:

Billy Hobbs	City Mayor
Connie Whitmire	Finance Director
Candy Brito	City Clerk
Isaac Sanchez	Finance Officer

Representing Carr, Riggs & Ingram, LLC:

Danny Martinez, CPA, CGFM	Partner
Carol Snider, CPA	Partner
Eric Spurlin, CPA, CITP	Manager

AUDITOR PREPARED FINANCIAL STATEMENTS

Carr, Riggs & Ingram, LLC 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.