

State of New Mexico
City of Eunice

FINANCIAL STATEMENTS

For the Year Ended June 30, 2019



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RIGGS &
INGRAM

CPAs and Advisors

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Introductory Section

City of Eunice, New Mexico
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June 30, 2019

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**City of Eunice, New Mexico
Official Roster
June 30, 2019**

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 |
| Steve Almager | City Councilor |
| Marty Rodriguez | City Councilor |
| Chris Meyers | City Councilor |
| Jessica Harper | City Councilor |

Administration

| | |
|----------------------|--------------------------------------|
| Dr. Martin Moore | City Manager (resigned October 2018) |
| Shannon Cummins | Interim City Manager |
| Jordan Yutzy | City Manager (as of July 1, 2019) |
| Connie Lynn Whitmire | Finance Director |
| Candy Brito | City Clerk |
| Judge C. Jenkins | Municipal Judge |
| Tommy D. Parker | City Attorney |

INDEPENDENT AUDITORS' REPORT

Brian S. Colón, Esq., New Mexico State Auditor
To the Mayor and City Council Members
City of Eunice, New Mexico

Report on the 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, 2019, 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, the aggregate remaining fund information and the budgetary comparison of the General Fund of the City of Eunice, as of June 30, 2019, and the respective changes in financial position and, where applicable, cash flows thereof 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 68 through 80 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 introductory section, combining nonmajor fund financial statements, supporting schedules required by 2.2.2 NMAC, and other disclosures are presented for the purposes of additional analysis and are not a required part of the basic financial statements.

The combining nonmajor fund financial statements and the 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 nonmajor fund financial statements and the supporting schedules required by 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section and other disclosures have 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 them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated December 16, 2019 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 16, 2019

Basic Financial Statements

City of Eunice, New Mexico
Statement of Net Position
June 30, 2019

| | Primary Government | | Total |
|--|----------------------------|-----------------------------|----------------------|
| | Governmental Activities | Business-type Activities | |
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | \$ 1,018,865 | \$ 607,167 | \$ 1,626,032 |
| Investments | 2,504,374 | 1,026,804 | 3,531,178 |
| Land held for sale | 66,213 | - | 66,213 |
| Receivables: | | | |
| Property taxes | 14,162 | - | 14,162 |
| Gross receipts taxes | 891,477 | - | 891,477 |
| Other taxes | 10,010 | - | 10,010 |
| Utility receivables, net | - | 326,658 | 326,658 |
| Due from other governments | 14,083 | - | 14,083 |
| Miscellaneous | 216,598 | 4,585 | 221,183 |
| Inventory | 104,160 | 104,420 | 208,580 |
| Prepaid expenses | 106,996 | 39,229 | 146,225 |
| Internal balances | 327,148 | (327,148) | - |
| Total current assets | 5,274,086 | 1,781,715 | 7,055,801 |
| Noncurrent assets | | | |
| Restricted cash and cash equivalents | 481,336 | 139,693 | 621,029 |
| Restricted investments | 739,134 | - | 739,134 |
| Capital assets | 18,776,553 | 34,750,810 | 53,527,363 |
| Less: accumulated depreciation | (7,660,861) | (15,258,911) | (22,919,772) |
| Total noncurrent assets | 12,336,162 | 19,631,592 | 31,967,754 |
| Deferred outflows of resources | | | |
| Related to pension | 1,464,687 | 492,393 | 1,957,080 |
| Total deferred outflows of resources | 1,464,687 | 492,393 | 1,957,080 |
| Total assets and deferred outflows of resources | \$ 19,074,935 | \$ 21,905,700 | \$ 40,980,635 |

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

| | Primary Government | | Total |
|---|----------------------------|-----------------------------|----------------------|
| | Governmental Activities | Business-type Activities | |
| Liabilities | | | |
| Current liabilities | | | |
| Accounts payable | \$ 507,157 | \$ 425,554 | \$ 932,711 |
| Accrued payroll | 138,748 | 58,049 | 196,797 |
| Accrued compensated absences | 137,430 | 58,098 | 195,528 |
| Customer deposits | - | 73,757 | 73,757 |
| Accrued interest | 66,091 | 12,065 | 78,156 |
| Other accrued expenses | - | 871 | 871 |
| Current portion of long-term debt and leases | 245,662 | 291,286 | 536,948 |
| Total current liabilities | 1,095,088 | 919,680 | 2,014,768 |
| Noncurrent liabilities | | | |
| Notes and leases payable | 4,742,895 | 3,833,828 | 8,576,723 |
| Net pension liability | 4,736,420 | 977,131 | 5,713,551 |
| Total noncurrent liabilities | 9,479,315 | 4,810,959 | 14,290,274 |
| Total liabilities | 10,574,403 | 5,730,639 | 16,305,042 |
| Deferred inflows of resources | | | |
| Related to pension | 731,127 | 268,634 | 999,761 |
| Total deferred inflows of resources | 731,127 | 268,634 | 999,761 |
| Net position | | | |
| Net investment in capital assets | 6,676,638 | 15,366,785 | 22,043,423 |
| Restricted for: | | | |
| Capital projects | 2,372,658 | - | 2,372,658 |
| Special revenue | 72,721 | - | 72,721 |
| Unrestricted | (1,352,612) | 539,642 | (812,970) |
| Total net position | 7,769,405 | 15,906,427 | 23,675,832 |
| Total liabilities, deferred inflows of resources, and net position | \$ 19,074,935 | \$ 21,905,700 | \$ 40,980,635 |

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, 2019

| Functions/Programs | Expenses | Program Revenues | | |
|---------------------------------------|---------------------|----------------------|------------------------------------|----------------------------------|
| | | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| Primary Government | | | | |
| Governmental activities: | | | | |
| General government | \$ 1,723,728 | \$ 336,584 | \$ 90,000 | \$ - |
| Public safety | 2,822,103 | 183,684 | 218,819 | - |
| Public works | 249,651 | - | 185,169 | 290,000 |
| Culture and recreation | 1,028,065 | 29,212 | 303,263 | 360,000 |
| Interest on long-term debt | 103,841 | - | - | - |
| Total governmental activities | 5,927,388 | 549,480 | 797,251 | 650,000 |
| Business-type activities: | | | | |
| Water | 2,155,210 | 2,398,385 | - | - |
| Sewer | 542,353 | 325,349 | - | 73,578 |
| Solid waste | 608,588 | 533,789 | - | - |
| Golf | 453,567 | 147,778 | - | - |
| Total business-type activities | 3,759,718 | 3,405,301 | - | 73,578 |
| Total primary government | \$ 9,687,106 | \$ 3,954,781 | \$ 797,251 | \$ 723,578 |

General revenues and transfers:

Taxes:

Property, levied for general purposes

Gross receipts

Gasoline and motor vehicle

Franchise

Investment income

Contributions

Miscellaneous revenue

Special item - donated asset

Transfers

Total general revenues and transfers

Change in net position

Net position, beginning

Net position, restatement (note 20)

Net position, beginning, as restated

Net position, ending

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

| Net (Expense) Revenue and Changes in Net Position | | |
|--|----------------------|----------------------|
| Primary Government | | |
| Governmental | Business-type | |
| Activities | Activities | Total |
| \$ (1,297,144) | \$ - | \$ (1,297,144) |
| (2,419,600) | - | (2,419,600) |
| 225,518 | - | 225,518 |
| (335,590) | - | (335,590) |
| (103,841) | - | (103,841) |
| (3,930,657) | - | (3,930,657) |
| - | 243,175 | 243,175 |
| - | (143,426) | (143,426) |
| - | (74,799) | (74,799) |
| - | (305,789) | (305,789) |
| - | (280,839) | (280,839) |
| (3,930,657) | (280,839) | (4,211,496) |
| 216,871 | - | 216,871 |
| 5,476,743 | - | 5,476,743 |
| 119,392 | - | 119,392 |
| 88,140 | - | 88,140 |
| 62,570 | 16,923 | 79,493 |
| 9,135 | - | 9,135 |
| 747,794 | 83,615 | 831,409 |
| 1,012,500 | - | 1,012,500 |
| (270,330) | 270,330 | - |
| 7,462,815 | 370,868 | 7,833,683 |
| 3,532,158 | 90,029 | 3,622,187 |
| 4,237,247 | 15,825,398 | 20,062,645 |
| - | (9,000) | (9,000) |
| 4,237,247 | 15,816,398 | 20,053,645 |
| \$ 7,769,405 | \$ 15,906,427 | \$ 23,675,832 |

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

City of Eunice, New Mexico
Balance Sheet
Governmental Funds
June 30, 2019

| | General Fund 01 | Paving and Streets Capital Projects Fund 28, 31, 32 | Total Nonmajor Governmental Funds | Total Governmental Funds |
|--|---------------------|--|---|--------------------------------|
| Assets | | | | |
| Cash and cash equivalents | \$ 347,438 | \$ 693,514 | \$ 459,249 | \$ 1,500,201 |
| Investments | 1,381,241 | 1,928,480 | - | 3,309,721 |
| Receivables: | | | | |
| Property taxes | 14,162 | - | - | 14,162 |
| Gross receipts taxes | 803,001 | 88,476 | - | 891,477 |
| Other taxes | 10,010 | - | - | 10,010 |
| Due from other governments | - | - | 14,083 | 14,083 |
| Miscellaneous | 192,353 | 16,715 | 7,530 | 216,598 |
| Inventory | 104,160 | - | - | 104,160 |
| Prepaid assets | 106,996 | - | - | 106,996 |
| Due from other funds | 582,490 | - | 553,000 | 1,135,490 |
| Total assets | \$ 3,541,851 | \$ 2,727,185 | \$ 1,033,862 | \$ 7,302,898 |
| Liabilities | | | | |
| Accounts payable | \$ 339,488 | \$ 32,684 | \$ 134,985 | \$ 507,157 |
| Accrued payroll | 116,249 | 1,076 | 21,423 | 138,748 |
| Due to other funds | 232,345 | 574,247 | 1,750 | 808,342 |
| Total liabilities | 688,082 | 608,007 | 158,158 | 1,454,247 |
| Deferred inflows of resources | | | | |
| Unavailable revenue - property taxes | 5,726 | - | - | 5,726 |
| Total deferred inflows of resources | 5,726 | - | - | 5,726 |
| Fund balances | | | | |
| Nonspendable: | | | | |
| Inventory and prepaid assets | 211,156 | - | - | 211,156 |
| Spendable: | | | | |
| Restricted for: | | | | |
| Minimum fund balance | 475,441 | - | - | 475,441 |
| General government | - | - | 8,378 | 8,378 |
| Public safety | - | - | 10,688 | 10,688 |
| Culture and recreation | - | - | 54,477 | 54,477 |
| Capital projects | - | 2,119,178 | 802,983 | 2,922,161 |
| Committed to: | | | | |
| Culture and recreation | - | - | 27,980 | 27,980 |
| Unassigned (deficit) | 2,161,446 | - | (28,802) | 2,132,644 |
| Total fund balances | 2,848,043 | 2,119,178 | 875,704 | 5,842,925 |
| Total liabilities, deferred inflows of resources, and fund balances | \$ 3,541,851 | \$ 2,727,185 | \$ 1,033,862 | \$ 7,302,898 |

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, 2019

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

| | | |
|--|----|-------------|
| Fund balances - total governmental funds | \$ | 5,842,925 |
| Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds | | 11,115,692 |
| 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 | | 5,726 |
| 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 | | 382,931 |
| Deferred outflows of resources related to changes in proportion | | 440,093 |
| Deferred outflows of resources related to differences between expected and actual experience | | 152,743 |
| Deferred outflows of resources related to employer contributions subsequent to the measurement date | | 206,495 |
| Deferred outflows of resources related to the net difference between projected and actual earnings on pension plan investments | | 282,425 |
| Deferred inflows of resources related to changes in assumptions | | (28,545) |
| Deferred inflows of resources related to changes in proportion | | (477,278) |
| Deferred inflows of resources related differences between expected and actual experience | | (225,304) |
| 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 | | (4,988,557) |
| Accrued interest | | (66,091) |
| Accrued compensated absences | | (137,430) |
| Net pension liability | | (4,736,420) |
| Net position of governmental activities | \$ | 7,769,405 |

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, 2019

| | General Fund 01 | Paving and Streets Capital Projects Fund 28, 31, 32 | Total Nonmajor Governmental Funds | Total Governmental Funds |
|---|---------------------|--|---|--------------------------------|
| Revenues | | | | |
| Taxes: | | | | |
| Property | \$ 214,761 | \$ - | \$ - | \$ 214,761 |
| Gross receipts | 4,933,486 | 543,257 | - | 5,476,743 |
| Gasoline and motor vehicle | 23,483 | 95,909 | - | 119,392 |
| Franchise | 88,140 | - | - | 88,140 |
| Intergovernmental: | | | | |
| Federal operating grants | - | - | 30,212 | 30,212 |
| State operating grants | 152,265 | 185,169 | 354,605 | 692,039 |
| State capital grants | - | 290,000 | 360,000 | 650,000 |
| Local operating grants | 50,000 | - | 25,000 | 75,000 |
| Charges for services | 513,673 | - | 35,617 | 549,290 |
| Investment income | 15,051 | 47,517 | 2 | 62,570 |
| Contributions | 65,559 | - | 25,197 | 90,756 |
| Miscellaneous | 278,838 | 364,981 | 22,544 | 666,363 |
| Total revenues | 6,335,256 | 1,526,833 | 853,177 | 8,715,266 |
| Expenditures | | | | |
| Current: | | | | |
| General government | 1,625,933 | - | 26,602 | 1,652,535 |
| Public safety | 2,338,045 | - | 152,203 | 2,490,248 |
| Public works | - | 133,626 | - | 133,626 |
| Culture and recreation | 227,283 | - | 643,820 | 871,103 |
| Capital outlay | 233,139 | 2,149,716 | 329,432 | 2,712,287 |
| Debt service: | | | | |
| Principal | 17,258 | 225,787 | - | 243,045 |
| Interest | 2,559 | 128,154 | - | 130,713 |
| Total expenditures | 4,444,217 | 2,637,283 | 1,152,057 | 8,233,557 |
| Excess (deficiency) of revenues over expenditures | 1,891,039 | (1,110,450) | (298,880) | 481,709 |
| Other financing sources (uses) | | | | |
| Transfers in | - | - | 647,026 | 647,026 |
| Transfers (out) | (917,356) | - | - | (917,356) |
| Total other financing sources (uses) | (917,356) | - | 647,026 | (270,330) |
| Net change in fund balances | 973,683 | (1,110,450) | 348,146 | 211,379 |
| Fund balances - beginning | 1,874,360 | 3,229,628 | 527,558 | 5,631,546 |
| Fund balances - end of year | \$ 2,848,043 | \$ 2,119,178 | \$ 875,704 | \$ 5,842,925 |

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, 2019**

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

| | | |
|--|----|---------|
| Net change in fund balances - total governmental funds | \$ | 211,379 |
|--|----|---------|

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 | | 2,712,287 |
| Donation of capital assets | | 1,012,500 |
| Depreciation expense | | (608,254) |

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 | | 2,110 |
|--|--|-------|

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 | | (308,815) |
| Pension expense | | 212,890 |

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:

| | | |
|--|--|--------|
| Decrease in accrued compensated absences not due and payable | | 28,144 |
| Decrease in accrued interest | | 26,872 |

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 | | 17,258 |
| Principal on long-term debt | | 225,787 |

| | | |
|---|----|-----------|
| Change in net position of governmental activities | \$ | 3,532,158 |
|---|----|-----------|

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

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City of Eunice, New Mexico
Statement of Revenues, Expenditures, and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
General Fund
For the Year Ended June 30, 2019

| | <u>Budgeted Amounts</u> | | Actual | Variances |
|--|-------------------------|------------------|---------------------|---|
| | Original | Final | | Favorable (Unfavorable) Final to Actual |
| Revenues | | | | |
| Taxes: | | | | |
| Property | \$ 222,560 | \$ 222,560 | \$ 215,066 | \$ (7,494) |
| Gross receipts | 3,285,544 | 3,285,544 | 4,973,728 | 1,688,184 |
| Gasoline and motor vehicle | 24,000 | 24,000 | 23,574 | (426) |
| Franchise | 91,120 | 91,120 | 83,680 | (7,440) |
| Intergovernmental: | | | | |
| State operating grant | 162,000 | 162,000 | 152,265 | (9,735) |
| Local operating grant | 40,000 | 40,000 | 50,000 | 10,000 |
| Charges for services | 416,800 | 416,800 | 499,892 | 83,092 |
| Investment income | 6,000 | 6,000 | 15,051 | 9,051 |
| Contributions | 157,500 | 157,500 | 65,559 | (91,941) |
| Miscellaneous | 38,200 | 38,200 | 117,085 | 78,885 |
| Total revenues | 4,443,724 | 4,443,724 | 6,195,900 | 1,752,176 |
| Expenditures | | | | |
| Current: | | | | |
| General government | 1,060,198 | 1,060,998 | 1,152,385 | (91,387) |
| Public safety | 1,999,059 | 2,014,616 | 2,421,643 | (407,027) |
| Culture and recreation | 227,419 | 227,419 | 227,881 | (462) |
| Capital outlay | 170,000 | 170,000 | 246,980 | (76,980) |
| Total expenditures | 3,456,676 | 3,473,033 | 4,048,889 | (575,856) |
| Excess (deficiency) of revenues over expenditures | 987,048 | 970,691 | 2,147,011 | 1,176,320 |
| Other financing sources (uses) | | | | |
| Designated cash (budgeted cash increase) | (78,272) | (47,998) | - | 47,998 |
| Transfers (out) | (908,776) | (922,693) | (917,356) | 5,337 |
| Total other financing sources (uses) | (987,048) | (970,691) | (917,356) | 53,335 |
| Net change in fund balance | - | - | 1,229,655 | 1,229,655 |
| Fund balance - beginning of year | - | - | 849,169 | 849,169 |
| Fund balance - end of year | \$ - | \$ - | \$ 2,078,824 | \$ 2,078,824 |
| Net change in fund balance (non-GAAP budgetary basis) | | | \$ 1,229,655 | |
| Adjustments to revenues for taxes, intergovernmental, and other revenue accrua | | | 139,356 | |
| Adjustments to expenditures for salaries and operating expenses. | | | (395,328) | |
| Net change in fund balance (GAAP) | | | \$ 973,683 | |

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

City of Eunice, New Mexico
Statement of Net Position
Proprietary Funds
June 30, 2019

| | Business-Type Activities - Enterprise | | |
|---|--|---------------------|--------------------|
| | Water | Sewer | Solid Waste |
| Assets | | | |
| Current assets | | | |
| Cash and cash equivalents | \$ 466,595 | \$ 34,223 | \$ 104,149 |
| Investments | 174,636 | 571,626 | 280,542 |
| Receivables: | | | |
| Utility receivables, net | 204,432 | 45,207 | 77,019 |
| Other | - | 4,585 | - |
| Inventory | 81,005 | 1,427 | - |
| Prepaid assets | 39,229 | - | - |
| Due from other funds | 188,885 | - | 62,500 |
| Total current assets | 1,154,782 | 657,068 | 524,210 |
| Noncurrent assets | | | |
| Restricted cash | 139,693 | - | - |
| Capital assets | 32,248,983 | 1,916,167 | - |
| Less: accumulated depreciation | (14,347,390) | (533,036) | - |
| Total noncurrent assets | 18,041,286 | 1,383,131 | - |
| Deferred outflows of resources | | | |
| Change of assumptions | 97,300 | 14,483 | - |
| Changes in proportion | 108,742 | 15,900 | - |
| Difference between expected and actual experience | 18,878 | 3,582 | - |
| Net difference between projected and actual investment earnings on pension plan investments | 69,320 | 11,130 | - |
| Employer contributions subsequent to the measurement date | 58,262 | 8,308 | - |
| Total deferred outflows of resources | 352,502 | 53,403 | - |
| Total assets and deferred outflows of resources | \$ 19,548,570 | \$ 2,093,602 | \$ 524,210 |

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

| Business-Type Activities - Enterprise | | | |
|--|-----------|-------------|--------------|
| | | Golf | Total |
| \$ | 2,200 | \$ | 607,167 |
| | - | | 1,026,804 |
| | - | | 326,658 |
| | - | | 4,585 |
| | 21,988 | | 104,420 |
| | - | | 39,229 |
| | - | | 251,385 |
| | 24,188 | | 2,360,248 |
| | - | | 139,693 |
| | 585,660 | | 34,750,810 |
| | (378,485) | | (15,258,911) |
| | 207,175 | | 19,631,592 |
| | 23,398 | | 135,181 |
| | 27,051 | | 151,693 |
| | 5,808 | | 28,268 |
| | 12,815 | | 93,265 |
| | 17,416 | | 83,986 |
| | 86,488 | | 492,393 |
| \$ | 317,851 | \$ | 22,484,233 |

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

City of Eunice, New Mexico
Statement of Net Position
Proprietary Funds
June 30, 2019

| | Business-Type Activities - Enterprise | | |
|---|--|---------------------|--------------------|
| | Water | Sewer | Solid Waste |
| Liabilities | | | |
| Current liabilities | | | |
| Accounts payable | \$ 213,252 | \$ 50,977 | \$ 117,249 |
| Accrued payroll expenses | 38,179 | 5,805 | - |
| Accrued compensated absences | 40,341 | 9,127 | - |
| Customer deposits | 73,757 | - | - |
| Due to other funds | 6,533 | 572,000 | - |
| Accrued interest | 12,065 | - | - |
| Other accrued expenses | - | - | - |
| Current portion of long-term debt | 277,211 | - | - |
| Total current liabilities | 661,338 | 637,909 | 117,249 |
| Noncurrent liabilities | | | |
| Notes payable | 3,810,179 | - | - |
| Net pension liability | 634,951 | 115,934 | - |
| Total noncurrent liabilities | 4,445,130 | 115,934 | - |
| Total liabilities | 5,106,468 | 753,843 | 117,249 |
| Deferred inflows of resources | | | |
| Changes of assumptions | 874 | 361 | - |
| Changes in proportion | 126,962 | 18,785 | - |
| Differences between expected and actual experience | 52,874 | 7,767 | - |
| Total deferred inflows of resources | 180,710 | 26,913 | - |
| Net position | | | |
| Net investment in capital assets | 13,814,203 | 1,383,131 | - |
| Restricted: | | | |
| Unrestricted | 447,189 | (70,285) | 406,961 |
| Total net position | 14,261,392 | 1,312,846 | 406,961 |
| Total liabilities, deferred inflows of resources, and net position | \$ 19,548,570 | \$ 2,093,602 | \$ 524,210 |

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

| Business-Type Activities - Enterprise | | | |
|--|-------------|----|--------------|
| | Golf | | Total |
| \$ | 44,076 | \$ | 425,554 |
| | 14,065 | | 58,049 |
| | 8,630 | | 58,098 |
| | - | | 73,757 |
| | - | | 578,533 |
| | - | | 12,065 |
| | 871 | | 871 |
| | 14,075 | | 291,286 |
| | 81,717 | | 1,498,213 |
| | 23,649 | | 3,833,828 |
| | 226,246 | | 977,131 |
| | 249,895 | | 4,810,959 |
| | 331,612 | | 6,309,172 |
| | 1,437 | | 2,672 |
| | 41,658 | | 187,405 |
| | 17,916 | | 78,557 |
| | 61,011 | | 268,634 |
| | 169,451 | | 15,366,785 |
| | (244,223) | | 539,642 |
| | (74,772) | | 15,906,427 |
| \$ | 317,851 | \$ | 22,484,233 |

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, 2019

| | Business-Type Activities - Enterprise | | |
|--|--|---------------------|--------------------|
| | Water | Sewer | Solid Waste |
| Operating revenues | | | |
| Charges for services | \$ 2,398,385 | \$ 325,349 | \$ 533,789 |
| Total operating revenues | 2,398,385 | 325,349 | 533,789 |
| Operating expenses | | | |
| General operating | 242,749 | 95,745 | 608,588 |
| Personnel services | 933,394 | 121,518 | - |
| Depreciation | 492,587 | 41,810 | - |
| Maintenance and materials | 120,385 | 56,655 | - |
| Equipment | 283,014 | 226,625 | - |
| Total operating expenses | 2,072,129 | 542,353 | 608,588 |
| Operating income (loss) | 326,256 | (217,004) | (74,799) |
| Non-operating revenues (expenses) | | | |
| Interest expense | (83,081) | - | - |
| Investment income | 5,124 | 9,072 | 2,727 |
| State operating grant | - | 73,578 | - |
| Miscellaneous income | 17 | - | 72,000 |
| Total non-operating revenues (expenses) | (77,940) | 82,650 | 74,727 |
| Income (loss) before transfers | 248,316 | (134,354) | (72) |
| Transfers in | - | 93,318 | - |
| Transfers (out) | (93,318) | - | - |
| Change in net position | 154,998 | (41,036) | (72) |
| Net position - beginning | 14,106,394 | 1,353,882 | 407,033 |
| Restatement (note 20) | - | - | - |
| Net position - beginning, as restated | 14,106,394 | 1,353,882 | 407,033 |
| Net position - end of year | \$ 14,261,392 | \$ 1,312,846 | \$ 406,961 |

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

| Business-Type Activities - Enterprise | | | |
|--|-----------|--------------|------------|
| Golf | | Total | |
| \$ | 147,778 | \$ | 3,405,301 |
| | 147,778 | | 3,405,301 |
| | 53,930 | | 1,001,012 |
| | 271,853 | | 1,326,765 |
| | 23,282 | | 557,679 |
| | 68,358 | | 245,398 |
| | 36,144 | | 545,783 |
| | 453,567 | | 3,676,637 |
| | (305,789) | | (271,336) |
| | - | | (83,081) |
| | - | | 16,923 |
| | - | | 73,578 |
| | 11,598 | | 83,615 |
| | 11,598 | | 91,035 |
| | (294,191) | | (180,301) |
| | 270,330 | | 363,648 |
| | - | | (93,318) |
| | (23,861) | | 90,029 |
| | (41,911) | | 15,825,398 |
| | (9,000) | | (9,000) |
| | (50,911) | | 15,816,398 |
| \$ | (74,772) | \$ | 15,906,427 |

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, 2019

| | Business-Type Activities - Enterprise | | |
|--|--|---------------------|--------------------|
| | Water | Sewer | Solid Waste |
| Cash flows from operating activities | | | |
| Cash received from user charges | \$ 2,396,834 | \$ 326,144 | \$ 540,327 |
| Cash payments to employees for services | (893,741) | (118,199) | - |
| Cash payments to suppliers for goods and services | (592,675) | (337,055) | (532,506) |
| Net cash provided (used) by operating activities | 910,418 | (129,110) | 7,821 |
| Cash flows from noncapital financing activities | | | |
| Miscellaneous income | 17 | - | 72,000 |
| Government contributions | - | 68,993 | - |
| Settlement of internal balances | (280,818) | 343,318 | (62,500) |
| Net cash (used) provided by noncapital financing activities | (280,801) | 412,311 | 9,500 |
| Cash flows from investing activities | | | |
| Sale (purchase) of investments | (60,568) | (481,020) | (2,792) |
| Interest on investments | 5,124 | 9,072 | 2,727 |
| Net cash (used) by investing activities | (55,444) | (471,948) | (65) |
| Cash flows from capital and related financing activities | | | |
| Acquisition of capital assets | (61,413) | - | - |
| Interest paid | (76,602) | - | - |
| Principal payments on payables | (239,772) | - | - |
| Net cash (used) provided by capital and related financing activities | (377,787) | - | - |
| Net increase (decrease) in cash and cash equivalents | 196,386 | (188,747) | 17,256 |
| Cash and cash equivalents - beginning of year | 409,902 | 222,970 | 86,893 |
| Cash and cash equivalents - end of year | \$ 606,288 | \$ 34,223 | \$ 104,149 |
| Reconciliation of operating income (loss) to net cash provided (used) by operating activities: | | | |
| Operating income (loss) | \$ 326,256 | \$ (217,004) | \$ (74,799) |
| Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities: | | | |
| Depreciation | 492,587 | 41,810 | - |
| Noncash pension expense | 26,712 | 3,842 | - |
| Changes in assets, deferred outflows, and liabilities: | | | |
| Receivables | 8,907 | 795 | 6,538 |
| Inventory | (12,472) | - | - |
| Prepaid expenses | (2,102) | - | - |
| Contributions subsequent to the measurement date | (1,477) | (212) | - |
| Accounts payable | 68,047 | 41,970 | 76,082 |
| Accrued payroll expenses | 20,242 | 2,912 | - |
| Accrued compensated absences | (5,824) | (3,223) | - |
| Other accrued expenses | - | - | - |
| Meter deposits | (10,458) | - | - |
| Net cash provided (used) by operating activities | \$ 910,418 | \$ (129,110) | \$ 7,821 |

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

| Business-Type Activities - Enterprise | | | |
|--|-----------|--------------|-------------|
| Golf | | Total | |
| \$ | 149,145 | \$ | 3,412,450 |
| | (266,841) | | (1,278,781) |
| | (152,651) | | (1,614,887) |
| | (270,347) | | 518,782 |
| | 11,598 | | 83,615 |
| | - | | 68,993 |
| | 270,330 | | 270,330 |
| | 281,928 | | 422,938 |
| | - | | (544,380) |
| | - | | 16,923 |
| | - | | (527,457) |
| | (17,699) | | (79,112) |
| | - | | (76,602) |
| | 5,854 | | (233,918) |
| | (11,845) | | (389,632) |
| | (264) | | 24,631 |
| | 2,464 | | 722,229 |
| \$ | 2,200 | \$ | 746,860 |

\$ (305,789) \$ (271,336)

| | | | |
|----|-----------|----|----------|
| | 23,282 | | 557,679 |
| | 6,455 | | 37,009 |
| | 1,367 | | 17,607 |
| | (21,988) | | (34,460) |
| | - | | (2,102) |
| | (357) | | (2,046) |
| | 29,362 | | 215,461 |
| | 7,344 | | 30,498 |
| | (8,430) | | (17,477) |
| | (1,593) | | (1,593) |
| | - | | (10,458) |
| \$ | (270,347) | \$ | 518,782 |

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

City of Eunice, New Mexico
Notes to the Financial Statements
June 30, 2019

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, 2019, the City adopted GASB Statement No. 88, *Certain Disclosures Related to Debt, including Direct Borrowings and Direct Placements*, and GASB Statement No. 83, *Certain Capital Asset Retirement Obligations*. These statements are required to be implemented as of June 30, 2019, if applicable. The City has evaluated these statements and has determined that they do not have a material effect 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 financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

The 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.

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, 2019

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, 2019

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, 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.

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 the acquisition value.

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, 2019

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 related to reporting under GASB 68, which total \$1,674,655 in the Statement of Net Position. The amounts are further detailed in Note 11. These amounts are deferred and recognized as outflows of resources in future periods and will reduce the net pension liability in 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 \$5,726 related to property taxes considered "unavailable". In addition, the City has four types of items present on the Statement of Net Position that qualify for reporting in this category related to reporting under GASB 68. The deferred inflows of resources total \$717,336 in the Statement of Net Position, and are further detailed in Note 11. These amounts are deferred and recognized as inflows of resources in the period that the amounts become available.

City of Eunice, New Mexico
Notes to the Financial Statements
June 30, 2019

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 or 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, 2019, 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.

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, 2019, the nonspendable fund balance of the City is comprised of inventory and prepaid assets in the amount of \$211,156 which is not in spendable form.

Restricted and Committed Fund Balance: At June 30, 2019, the City has presented restricted fund balance on the governmental funds balance sheet in the amount of \$2,995,704 for various City operations as restricted by enabling legislation. Additionally, committed fund balance of \$27,980 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 16.

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, 2019, the City reported \$475,411 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 \$549,503.
- 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 33-34 and 83.

City of Eunice, New Mexico
Notes to the Financial Statements
June 30, 2019

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

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, 2019

NOTE 2: STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (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 Budget | Final Budget |
| General Fund | \$ 967,048 | \$ 950,691 |
| Paving and Streets | 170,442 | 170,442 |
| Nonmajor Governmental Funds | 53,497 | 67,377 |
| Operating income (loss) | | |
| | Original Budget | Final Budget |
| Water Department | \$ 194,729 | \$ 194,729 |
| Sewer Fund | (310) | 38,327 |
| Solid Waste Fund | 35,250 | 35,250 |
| Golf Fund | - | - |

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, 2019.

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, 2019

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, 2019, \$1,626,798 of the City's bank balance of \$1,901,588 was subject to custodial credit risk. \$968,230 was uninsured and collateralized by collateral held by the pledging bank's trust department, in the City's name and \$154,831 of the City's deposits was uninsured and uncollateralized at June 30, 2019.

| | Wells Fargo Bank, NA | JP Stone Bank | Total |
|---|---------------------------------|----------------------|-------------------|
| Amount of deposits | \$ 1,876,798 | \$ 24,790 | \$ 1,901,588 |
| FDIC Coverage | (250,000) | (24,790) | (274,790) |
| Total uninsured public funds | 1,626,798 | - | 1,626,798 |
| Collateralized by securities held by Pledging institutions or by its trust department or agent in other than the City's name | 968,230 | - | 968,230 |
| Uninsured and uncollateralized | 658,568 | - | 658,568 |
| Collateral requirement (50% of uninsured funds) | 813,399 | - | 813,399 |
| Pledged Collateral | 968,230 | - | 968,230 |
| Over (Under) collateralized | \$ 154,831 | \$ - | \$ 154,831 |

The collateral pledged is listed on page 91 in this report. The types of collateral allowed are limited to direct obligations of the United States Government, all bonds issued by any agency, District or political subdivision of the State of New Mexico, securities, including student loans, that are guaranteed by the United States or the state of New Mexico, revenue bonds that are underwritten by a member of the financial industry regulatory authority, known as FINRA, and are rated BAA or above by a nationally recognized bond rating service, or letter of credit issued by a federal home loan bank.

City of Eunice, New Mexico
Notes to the Financial Statements
June 30, 2019

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.

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, 2019 include the following:

| Investment Type | Weighted Average Maturities | Fair Value | Rating |
|---|--|---------------------|---------------|
| New Mexico Local Government Investment Pool | 35 day WAM (R) | | |
| | 112 day WAM (F) | \$ 3,531,178 | * AAAM |
| U.S. Treasury Money Market Mutual Funds | >365 | 739,134 | ** Aaa |
| | | \$ 4,270,312 | |

* Based off Standards & Poor's rating

** Based off Moody's rating

At June 30, 2019 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 \$739,134 in investments noted above and \$542,300 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.

Credit Risk – Investments. As of June 30, 2019, the City's investment in the New Mexico LGIP was rated as AAAM by Standard & Poor's. Public funds are not required to disclose custodial credit risk for external investment pools. Therefore, the LGIP is exempt from this requirement.

Foreign Currency Risk – Investment. The LGIP does not have any foreign currency risk as all investments are denominated in US dollars.

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 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). External investment pools, such as the LGIP, are excluded from the requirement of disclosing concentration of credit risk. Therefore, LGIP is exempt from this disclosure.

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.

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.

City of Eunice, New Mexico
Notes to the Financial Statements
June 30, 2019

NOTE 3: DEPOSITS AND INVESTMENTS (Continued)

The City maintained a balance of \$3,531,178 in New MexiGROW LGIP at year end which were valued at amortized cost, which approximates fair value.

The following table sets forth by level within the fair value hierarchy, the City's assets at fair value as of June 30, 2019:

| Level 1 | Level 2 | Level 3 | Total |
|------------|---------|---------|------------|
| \$ 739,134 | \$ - | \$ - | \$ 739,134 |

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:

| | | |
|---|----|--------------|
| Cash and cash equivalents | \$ | 1,626,032 |
| Investments | | 3,531,178 |
| Restricted cash and cash equivalents | | 621,029 |
| Restricted investments | | 739,134 |
| Total cash, cash equivalents, and investments | | 6,517,373 |
| Add: outstanding checks and deposits in transit | | 196,827 |
| Less: NMFA restricted cash and investments | | (1,281,434) |
| Less: New MexiGROW- LGIP | | (3,531,178) |
| Bank balance of deposits | | \$ 1,901,588 |

NOTE 4: LAND HELD FOR SALE

As of June 30, 2019, the City held \$66,213 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, 2019

NOTE 5: RECEIVABLES

Receivables as of June 30, 2019, are as follows:

| Governmental activities: | General Fund | Paving and Streets Capital Projects Fund | Nonmajor Governmental Funds | Total |
|---------------------------------|-------------------------|---|--|---------------------|
| Property taxes | \$ 14,162 | \$ - | \$ - | \$ 14,162 |
| Gross receipts taxes | 803,001 | 88,476 | - | 891,477 |
| Other taxes | 10,010 | 16,715 | - | 26,725 |
| Other receivables | 192,353 | - | 21,613 | 213,966 |
| Totals by fund | \$ 1,019,526 | \$ 105,191 | \$ 21,613 | \$ 1,146,330 |

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 \$5,726 for the City for the year ended June 30, 2019.

Business-type activities:

| | Water | Sewer | Solid Waste | Golf | Total |
|--|-------------------|------------------|--------------------|-------------|-------------------|
| Utility receivable | \$ 300,615 | \$ 45,207 | \$ 77,019 | \$ - | \$ 422,841 |
| Less: Allowance for uncollectible accounts | (96,183) | - | - | - | (96,183) |
| Other receivables | - | 4,585 | - | - | 4,585 |
| Totals | \$ 204,432 | \$ 49,792 | \$ 77,019 | \$ - | \$ 331,243 |

City of Eunice, New Mexico
Notes to the Financial Statements
June 30, 2019

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 |
|------------------------|----------------------|---------------------|
| Recreation | General Fund | \$ 455,525 |
| Golf | General Fund | 270,330 |
| Sewer | Water | 93,318 |
| Senior Center | General Fund | 176,013 |
| Animal Shelter Project | General Fund | 15,488 |
| | | \$ 1,010,674 |

Interfund balances as of June 30, 2019 consisted of the following:

| Due from | Due to | Amount |
|-----------------------|------------------------|---------------------|
| New Fire Station Fund | General Fund | \$ 231,000 |
| New Fire Station Fund | Sewer Fund | 322,000 |
| General Fund | Paving and Streets Fur | 574,247 |
| General Fund | Youth Council Fund | 1,750 |
| General Fund | Water Fund | 6,533 |
| Water Fund | General Fund | 1,345 |
| Water Fund | Sewer Fund | 187,500 |
| Solid Waste Fund | Sewer Fund | 62,500 |
| | | \$ 1,386,875 |

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

City of Eunice, New Mexico
Notes to the Financial Statements
June 30, 2019

NOTE 7: CAPITAL ASSETS

A summary of capital assets and changes occurring during the year ended June 30, 2019 follows. Land, construction in progress, and library collections are not subject to depreciation.

| Governmental Activities: | Balance | | | Balance |
|---|----------------------|---------------------|------------------|----------------------|
| | June 30, 2018 | Additions | Deletions | June 30, 2019 |
| Capital assets not being depreciated: | | | | |
| Land | \$ 146,732 | \$ - | \$ - | \$ 146,732 |
| Construction in progress | 3,447,479 | 2,337,877 | - | 5,785,356 |
| Library collections | 10,800 | - | - | 10,800 |
| Total capital assets not being depreciated | 3,605,011 | 2,337,877 | - | 5,942,888 |
| Capital assets being depreciated: | | | | |
| Land improvements | 948,811 | 141,271 | - | 1,090,082 |
| Buildings and improvements | 4,949,593 | 1,012,500 | - | 5,962,093 |
| Furniture, fixtures, and equipment | 1,176,459 | - | - | 1,176,459 |
| Vehicles | 2,619,504 | 233,139 | - | 2,852,643 |
| Roads | 1,752,388 | - | - | 1,752,388 |
| Total capital assets being depreciated | 11,446,755 | 1,386,910 | - | 12,833,665 |
| Total capital assets | 15,051,766 | 3,724,787 | - | 18,776,553 |
| Accumulated depreciation: | | | | |
| Land improvements | 515,650 | 31,468 | - | 547,118 |
| Buildings and improvements | 2,339,470 | 118,511 | - | 2,457,981 |
| Furniture, fixtures, and equipment | 968,583 | 94,151 | - | 1,062,734 |
| Vehicles | 2,193,533 | 314,056 | - | 2,507,589 |
| Roads | 1,035,371 | 50,068 | - | 1,085,439 |
| Total accumulated depreciation | 7,052,607 | 608,254 | - | 7,660,861 |
| Net capital assets | \$ 7,999,159 | \$ 3,116,533 | \$ - | \$ 11,115,692 |

City of Eunice, New Mexico
Notes to the Financial Statements
June 30, 2019

NOTE 7: CAPITAL ASSETS (Continued)

Governmental Activities (continued)

Depreciation expense for the year ended June 30, 2019 was charged to governmental activities as follows:

| | | |
|------------------------|-----------|----------------|
| Total by Function | | |
| General government | \$ | 68,932 |
| Public safety | | 270,480 |
| Public works | | 117,326 |
| Culture and recreation | | 151,516 |
| <u>Total</u> | <u>\$</u> | <u>608,254</u> |

The capital asset additions includes a donated asset in the amount of \$1,012,500 that is not included as part of capital outlay expenditures.

City of Eunice, New Mexico
Notes to the Financial Statements
June 30, 2019

NOTE 7: CAPITAL ASSETS (Continued)

Business-Type Activities (continued)

| Business-type Activities: | Balance | | | | Balance | |
|---|----------------------|---------------------|------------------|--|----------------------|--|
| | June 30, 2018 | Additions | Deletions | | June 30, 2019 | |
| Capital assets not being depreciated: | | | | | | |
| Land | \$ 3,466 | \$ - | \$ - | | \$ 3,466 | |
| Construction in progress | 590,351 | - | - | | 590,351 | |
| Total capital assets not being depreciated | 593,817 | - | - | | 593,817 | |
| 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 | 43,185 | - | | 1,031,951 | |
| Vehicles | 253,501 | 35,927 | - | | 289,428 | |
| Utility Systems | 30,637,951 | - | - | | 30,637,951 | |
| Total capital assets being depreciated | 34,077,881 | 79,112 | - | | 34,156,993 | |
| Total capital assets | 34,671,698 | 79,112 | - | | 34,750,810 | |
| Accumulated depreciation: | | | | | | |
| Land improvements | 88,631 | 19,774 | - | | 108,405 | |
| Buildings and improvements | 331,792 | 25,748 | - | | 357,540 | |
| Furniture, fixtures, and equipment | 655,875 | 72,168 | - | | 728,043 | |
| Vehicles | 228,945 | 38,900 | - | | 267,845 | |
| Utility Systems | 13,395,989 | 401,089 | - | | 13,797,078 | |
| Total accumulated depreciation | 14,701,232 | 557,679 | - | | 15,258,911 | |
| Net capital assets | \$ 19,970,466 | \$ (478,567) | \$ - | | \$ 19,491,899 | |

Depreciation expense for the year ended June 30, 2019 was charged to business-type activities as follows:

| Total by Function | |
|-------------------|-------------------|
| Water | \$ 492,587 |
| Sewer | 41,810 |
| Golf | 23,282 |
| Total | \$ 557,679 |

City of Eunice, New Mexico
Notes to the Financial Statements
June 30, 2019

NOTE 8: LONG-TERM DEBT

Governmental Activities:

During the year ended June 30, 2019, the following changes occurred in the liabilities reported in the government-wide statement of net position:

| | Balance | | | Balance | | | Due Within |
|-----------------------------|----------------------|------------------|--------------------|----------------------|-----------------|----------------|-------------------|
| | June 30, 2018 | Additions | Retirements | June 30, 2019 | One Year | | |
| Loan payable | \$ 5,156,115 | \$ - | \$ 225,787 | \$ 4,930,328 | \$ | 227,819 | |
| Leases payable | 75,487 | - | 17,258 | 58,229 | | | |
| Compensated absences | 165,574 | 63,445 | 91,589 | 137,430 | 137,430 | | |
| Total long-term debt | \$ 5,397,176 | \$ 63,445 | \$ 334,634 | \$ 5,125,987 | \$ | 383,092 | |

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, 2019 |
|---------------------------------------|----------------------|----------------------|----------------------|---------------------------------|------------------------------|
| NMFA Loan | 3/24/2017 | 5/1/2036 | 3.28% | \$ 5,209,830 | \$ 4,930,328 |
| Ambulance Capital Lease | 9/21/2017 | 9/21/2021 | 8.30% | 97,785 | 58,229 |
| Total loans and capital leases | | | | | \$ 4,988,557 |

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, 2019, governmental activities compensated absences decreased \$28,144 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, 2019

NOTE 8: LONG-TERM DEBT (Continued)

The annual requirements to amortize the NMFA loans as of June 30, 2019, including interest payments, are as follows:

| Fiscal Year Ending June 30, | Principal | Interest | Total Debt Service |
|--------------------------------|---------------------|---------------------|-----------------------|
| 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 | 240,631 | 117,094 | 357,725 |
| 2025-2029 | 1,282,975 | 501,363 | 1,784,338 |
| 2030-2034 | 1,471,515 | 304,564 | 1,776,079 |
| 2035-2037 | 1,007,134 | 54,949 | 1,062,083 |
| | <u>\$ 4,930,328</u> | <u>\$ 1,483,488</u> | <u>\$ 6,413,816</u> |

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

| Fiscal Year Ending June 30, | Principal |
|--------------------------------|------------------|
| 2020 | \$ 17,843 |
| 2021 | 40,386 |
| | <u>\$ 58,229</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, 2019:

| | Balance June 30, 2018 | Additions | Retirements | Balance June 30, 2019 | Due Within One Year |
|----------------------|--------------------------|------------------|-------------------|--------------------------|------------------------|
| Loans payable: | | | | | |
| NMFA Water Lines | \$ 3,830,105 | \$ - | \$ 239,772 | \$ 3,590,333 | \$ 244,568 |
| NMFA Water Lines | 497,057 | - | - | 497,057 | 32,643 |
| Total Notes Payable | 4,327,162 | - | 239,772 | 4,087,390 | 277,211 |
| Capital Leases | 31,870 | 17,699 | 11,845 | 37,724 | 14,075 |
| Compensated Absences | 75,575 | 28,530 | 46,007 | 58,098 | 58,098 |
| | <u>\$ 4,434,607</u> | <u>\$ 46,229</u> | <u>\$ 297,624</u> | <u>\$ 4,183,212</u> | <u>\$ 349,384</u> |

City of Eunice, New Mexico
Notes to the Financial Statements
June 30, 2019

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.

In November 2018, the City entered into a capital lease for Equipment in the amount of \$17,699 with Western Equipment. The lease terminates on December 5, 2023, and it accrues interest at 7.95% 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, 2019 |
|---------------------------------------|---------------|---------------|---------------|--------------------------|-----------------------|
| NMFA Loan | 2/27/2009 | 5/1/2032 | 1.75% | \$ 5,050,000 | \$ 3,590,333 |
| 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 | 6,129 |
| John Deere Capital Lease | 5/2/2017 | 5/22/2017 | 5.91% | 30,154 | 15,386 |
| Western Equipment Capital Lease | 1/5/2019 | 1/5/2023 | 5.31% | 17,699 | 16,209 |
| Total loans and capital leases | | | | | \$ 4,125,114 |

The annual requirements to amortize the NMFA loans as of June 30, 2019, including interest payments, are as follows:

| Fiscal Year Ending June 30, | Principal | Interest | Total Debt Service |
|-----------------------------|---------------------|-------------------|---------------------|
| 2020 | \$ 277,211 | \$ 74,534 | \$ 351,745 |
| 2021 | 282,183 | 67,995 | 350,178 |
| 2022 | 287,254 | 62,924 | 350,178 |
| 2023 | 292,425 | 56,898 | 349,323 |
| 2024 | 297,698 | 51,646 | 349,344 |
| 2025-2029 | 1,571,298 | 176,664 | 1,747,962 |
| 2030-2033 | 1,079,321 | 36,736 | 1,116,057 |
| | \$ 4,087,390 | \$ 527,397 | \$ 4,614,787 |

City of Eunice, New Mexico
Notes to the Financial Statements
June 30, 2019

NOTE 8: LONG-TERM DEBT (Continued)

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

| Fiscal Year Ending June 30, | Principal |
|--|------------------|
| 2020 | \$ 14,075 |
| 2021 | 13,966 |
| 2022 | 3,672 |
| 2023 | 3,903 |
| 2024 | 2,108 |
| | \$ 37,724 |

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, 2019, business-type activities compensated absences decreased \$17,477 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, 2019, 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, 2019

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 three funds with a deficit fund balance as of June 30, 2019.

| | |
|---------------------------|------------|
| Major Funds | |
| Golf Fund | \$ 74,772 |
| Non Major Funds | |
| State Fire Allotment Fund | 28,287 |
| MVD Fund | 515 |
| Total | \$ 103,574 |

- 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 nine funds exceeding approved budgetary authority for the year ended June 30, 2019.

| | |
|--|--------------|
| Governmental Funds | |
| General Fund | \$ 575,856 |
| MVD Fund | 155 |
| Paving and Streets Capital Projects Fund | 1,596,578 |
| Recreation Special Revenue Fund | 290,557 |
| Senior Center | 134,223 |
| State Fire Allotment | 3,526 |
| Total | \$ 2,600,895 |

| | |
|--------------------------|------------|
| Proprietary Funds | |
| Water Fund | \$ 205,534 |
| Golf Fund | 24,183 |
| Solid Waste Fund | 17,506 |
| Total | \$ 247,223 |

- 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, 2019.

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, unless specifically excluded.

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, 2018 available at <http://www.nmpera.org/financial-overview/comprehensive-annual-financial-report>.

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 FY18 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on page 43 of the PERA FY18 annual audit report at <http://www.nmpera.org/financial-overview/comprehensive-annual-financial-report>.

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 \$295,949 and there were employer paid member benefits of \$185,867 that were “picked up” by the employer for the year ended June 30, 2019.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: At June 30, 2019, the City reported a liability of \$4,736,421 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2018, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2017. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2018 using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date of June 30, 2018. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2018. The City’s proportion of the net pension liability was based on a projection of the City’s long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined.

City of Eunice, New Mexico
Notes to the Financial Statements
June 30, 2019

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

For PERA Fund Municipal General Division, at June 30, 2019, the City reported a liability of \$3,231,789 for its proportionate share of the net pension liability. At June 30, 2018, the City's proportion was 0.2027 percent, which was an increase of 0.0248 percent from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the City recognized PERA Fund Municipal General Division pension expense of \$263,862. At June 30, 2019, 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 | \$ 293,007 | \$ 18,582 |
| Changes in proportion | 234,075 | 360,925 |
| Differences between expected and actual experience | 93,405 | 84,849 |
| Net difference between projected and actual earnings on pension plan investments | 239,686 | - |
| City of Eunice's contributions subsequent to the measurement date | 155,776 | - |
| Total | \$ 1,015,949 | \$ 464,356 |

For Municipal General, \$155,776 was reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. 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: | |
|----------------------------|-------------------|
| 2019 | \$ 207,222 |
| 2020 | 68,296 |
| 2021 | 107,512 |
| 2022 | 12,787 |
| Thereafter | - |
| | \$ 395,817 |

City of Eunice, New Mexico
Notes to the Financial Statements
June 30, 2019

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

For PERA Fund Municipal Police Division, at June 30, 2019, the City reported a liability of \$1,451,261 for its proportionate share of the net pension liability. At June 30, 2018, the City's proportion was 0.2127 percent, which was an increase of 0.0069 percent from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the City recognized PERA Fund Municipal Police Division pension expense of \$69,329. At June 30, 2019, 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 | \$ 165,591 | \$ 8,872 |
| Changes in proportion | 29,042 | 151,039 |
| Difference between expected and actual experience | 71,047 | 143,858 |
| Net difference between projected and actual earnings on pension plan investments | 99,867 | - |
| City of Eunice's contributions subsequent to the measurement date | 87,386 | - |
| Total | \$ 452,933 | \$ 303,769 |

\$87,386 was reported as deferred outflows of resources related to pensions resulting from The City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. 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: | |
|----------------------------|------------------|
| 2019 | \$ 36,800 |
| 2020 | (23,836) |
| 2021 | 43,499 |
| 2022 | 5,315 |
| Thereafter | - |
| | \$ 61,778 |

City of Eunice, New Mexico
Notes to the Financial Statements
June 30, 2019

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

For PERA Fund Municipal Fire Division, at June 30, 2019, the City reported a liability of \$1,030,501 for its proportionate share of the net pension liability. At June 30, 2018, the City's proportion was 0.1610 percent, which was an increase of 0.0749 percent from its proportion measured as of June 30, 2017.

For the year ended June 30, 2019, the City recognized PERA Fund Municipal Fire Division pension expense of \$97,794. At June 30, 2019, 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 | \$ 59,515 | \$ 3,763 |
| Changes in proportion | 328,669 | 152,719 |
| Differences between expected and actual experience | 16,560 | 75,154 |
| Net difference between projected and actual earnings on pension plan investments | 36,137 | - |
| City of Eunice's contributions subsequent to the measurement date | 47,317 | - |
| Total | \$ 488,198 | \$ 231,636 |

\$47,317 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2019. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

| Year ended June 30: | |
|----------------------------|-------------------|
| 2019 | \$ 39,553 |
| 2020 | 49,771 |
| 2021 | 117,011 |
| 2022 | 2,910 |
| Thereafter | - |
| | \$ 209,245 |

City of Eunice, New Mexico
Notes to the Financial Statements
June 30, 2019

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, 2017 |
| Actuarial cost method | Entry Age Normal |
| Amortization method | Level Percentage of Pay |
| Actuarial period | Solved for based on statutory rates |
| Asset valuation method | Market value of assets |
| Actuarial Assumptions: | |
| Investment rate of return, net of investment expense | 7.25% annual rate, net of investment expense |
| Projected benefit payment | 100 years |
| Payroll growth | 3.00% |
| Projected salary increases | 3.25% to 13.50% annual rate |
| Includes inflation at | 2.50% annual rate first 9 years, 2.75% all other years |
| Mortality assumptions | The mortality assumptions are based on the RPH-2014 Blue Collar mortality table with female ages set forward one year. Future improvement in mortality rates is assumed using 60% of the MP-2017 projection scale generationally. For non-public safety groups, 25% of in-service deaths are assumed to be duty related and 35% are assumed to be duty-related for public safety groups. |
| Experience Study Dates | July 1, 2008 to June 30, 2017 (demographic) and July 1, 2010 through June 30, 2018 (economic) |

City of Eunice, New Mexico
Notes to the Financial Statements
June 30, 2019

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

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2017. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2018. These assumptions were adopted by the PERA Board for use in the June 30, 2017 actuarial valuation.

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:

| <u>Asset Class</u> | <u>Target Allocation</u> | <u>Long-Term Expected Real Rate of Return</u> |
|------------------------------|------------------------------|---|
| Global Equity | 43.50% | 7.48% |
| Risk Reduction & Mitigation | 21.50 | 2.37 |
| Credit Oriented Fixed Income | 15.00 | 5.47 |
| Real Assets | 20.00 | 6.48 |
| Total | 100.00% | |

Discount Rate. A single discount rate of 7.25% was used to measure the total pension liability as of June 30, 2018. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.25%, compounded annually, net of expense. Based on the stated assumptions and the projection of cash flows, the plan's fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability. The projections of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels.

City of Eunice, New Mexico
Notes to the Financial Statements
June 30, 2019

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

Sensitivity of the Employer's proportionate share of the net pension liability to changes in the discount rate. The following table presents the City's proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the City's proportionate share of the net pension liability would be if it were calculated at discount rate that is 1-percentage-point lower (6.25 percent) or 1-percentage-point- higher (8.25 percent) than the current rate.

| | 1% Decrease (6.25%) | Current Discount Rate (7.25%) | 1% Increase (8.25%) |
|--|------------------------|-------------------------------------|------------------------|
| PERA Fund Municipal General Division | | | |
| City of Eunice's proportionate share of the net pension liability | \$ 4,979,969 | \$ 3,231,789 | \$ 1,786,637 |

| | 1% Decrease (6.25%) | Current Discount Rate (7.25%) | 1% Increase (8.25%) |
|--|------------------------|-------------------------------------|------------------------|
| PERA Fund Municipal Police Division | | | |
| City of Eunice's proportionate share of the net pension liability | \$ 2,231,444 | \$ 1,451,261 | \$ 815,227 |

| | 1% Decrease (6.25%) | Current Discount Rate (7.25%) | 1% Increase (8.25%) |
|--|------------------------|-------------------------------------|------------------------|
| PERA Fund Municipal Fire Division | | | |
| City of Eunice's proportionate share of the net pension liability | \$ 1,375,641 | \$ 1,030,501 | \$ 747,760 |

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued FY18 PERA financial report. The report is available at <http://www.nmpera.org/for-employers/gasb-information>.

Payables to the pension plan. At June 30, 2019 there were no contributions due and payable to PERA for the City. Contractually required contributions are remitted to PERA monthly.

City of Eunice, New Mexico
Notes to the Financial Statements
June 30, 2019

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, 2019.

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, 2019 in the remaining cases.

NOTE 14: FEDERAL AND STATE GRANTS

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

NOTE 15: CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS

The City received \$5 million in an NMFA loan for the improvement of the City's roads during fiscal year 2018. As of June 30, 2019, the City had commitments of NMFA funds for the road improvements of \$72,100. In addition, the City had commitments related to the Senior Center in the amount of \$15,000.

NOTE 16: SUBSEQUENT EVENTS

The date to which events occurring after June 30, 2019 have been evaluated for possible adjustment to the financial statements or disclosures is December 16, 2019, which is the date on which the financial statements were issued.

The City issued bonds dated September 17, 2019 in the amount of \$3,085,000.

NOTE 17: RESTRICTED NET POSITION

The government-wide statement of net position reports \$2,445,379 of restricted net position, all of which is restricted by enabling legislation. See pages 33-34 and 83 for descriptions of the related restrictions for special revenue and capital projects funds.

City of Eunice, New Mexico
Notes to the Financial Statements
June 30, 2019

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, 2019, the City purchases goods and services in the aggregate amount of \$68,066 from various vendors that were related to members of the governing body, management, and employees.

NOTE 20: RESTATEMENT OF BEGINNING NET POSITION

Net position as of July 1, 2018, has been restated due to a correction in a previously reported amount. The following table presents the impact of the correction to previously reported amounts on the City's net position:

| | Golf Fund | Business-Type Activities |
|--|----------------------|--------------------------|
| Net position, July 1, 2018, as previously reported | \$ 15,825,398 | \$ 15,825,398 |
| Restatement of receivables | (9,000) | (9,000) |
| Net position, July 1, 2018, as restated | \$ 15,816,398 | \$ 15,816,398 |

NOTE 21: SUBSEQUENT PRONOUNCEMENTS

In January 2017, GASB Statement No. 84, *Fiduciary Activities*, was issued. 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. 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. 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.



City of Eunice, New Mexico
Notes to the Financial Statements
June 30, 2019

NOTE 21: SUBSEQUENT PRONOUNCEMENTS

In June 2018, GASB Statement No. 90, *Majority Equity Interests—an amendment of GASB Statements No.14 and No. 61*, was issued. 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 May 2019, GASB Statement No. 91, *Conduit Debt Obligations*, was issued. The requirements of this statement are effective for reporting periods beginning after December 15, 2020. 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*

| | 2019 | 2018 |
|--|---------------------------|---------------------------|
| | Measurement | Measurement |
| | Date | Date |
| | (As of and for the | (As of and for the |
| | year ended | year ended |
| | June 30, 2018) | June 30, 2017) |
| City of Eunice's proportion of the net pension liability | 0.2027% | 0.1779% |
| City of Eunice's proportionate share of the net pension liability | \$ 3,231,789 | \$ 2,444,496 |
| City of Eunice's covered payroll | \$ 1,720,496 | \$ 1,656,686 |
| City of Eunice's proportionate share of the net pension liability as a percentage of its covered payroll | 187.84% | 147.55% |
| Plan fiduciary net position as a percentage of the total pension liability | 71.13% | 73.74% |

* 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.

| 2017 | 2016 | 2015 |
|---------------------------|---------------------------|---------------------------|
| Measurement | Measurement | Measurement |
| Date | Date | Date |
| (As of and for the | (As of and for the | (As of and for the |
| year ended | year ended | year ended |
| June 30, 2016) | June 30, 2015) | June 30, 2014) |
| 0.2315% | 0.2545% | 0.2454% |
| \$ 3,698,591 | \$ 2,594,848 | \$ 1,914,383 |
| \$ 2,018,435 | \$ 2,224,893 | \$ 1,972,536 |
| 183.24% | 116.63% | 97.05% |
| 69.18% | 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*

| | 2019 | 2018 |
|--|---------------------------|---------------------------|
| | Measurement | Measurement |
| | Date | Date |
| | (As of and for the | (As of and for the |
| | year ended | year ended |
| | June 30, 2018) | June 30, 2017) |
| City of Eunice's proportion of the net pension liability | 0.2127% | 0.2058% |
| City of Eunice's proportionate share of the net pension liability | \$ 1,451,261 | \$ 1,143,354 |
| City of Eunice's covered payroll | \$ 455,183 | \$ 457,652 |
| City of Eunice's proportionate share of the net pension liability as a percentage of its covered payroll | 318.83% | 249.83% |
| Plan fiduciary net position as a percentage of the total pension liability | 71.13% | 73.74% |

* 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.

| 2017 | 2016 | 2015 |
|---------------------------|---------------------------|---------------------------|
| Measurement | Measurement | Measurement |
| Date | Date | Date |
| (As of and for the | (As of and for the | (As of and for the |
| year ended | year ended | year ended |
| June 30, 2016) | June 30, 2015) | June 30, 2014) |
| 0.2543% | 0.2734% | 0.2837% |
| \$ 1,876,301 | \$ 1,314,660 | \$ 924,831 |
| \$ 513,043 | \$ 564,674 | \$ 492,825 |
| 365.72% | 232.82% | 187.66% |
| 69.18% | 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*

| | 2019 | 2018 |
|--|---------------------------|---------------------------|
| | Measurement | Measurement |
| | Date | Date |
| | (As of and for the | (As of and for the |
| | year ended | year ended |
| | June 30, 2018) | June 30, 2017) |
| City of Eunice's proportion of the net pension liability | 0.1610% | 0.0861% |
| City of Eunice's proportionate share of the net pension liability | \$ 1,030,501 | \$ 492,617 |
| City of Eunice's covered payroll | \$ 154,655 | \$ 125,851 |
| City of Eunice's proportionate share of the net pension liability as a percentage of its covered payroll | 666.32% | 391.43% |
| Plan fiduciary net position as a percentage of the total pension liability | 71.13% | 73.74% |

* 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.

| 2017 | 2016 | 2015 |
|---------------------------|---------------------------|---------------------------|
| Measurement | Measurement | Measurement |
| Date | Date | Date |
| (As of and for the | (As of and for the | (As of and for the |
| year ended | year ended | year ended |
| June 30, 2016) | June 30, 2015) | June 30, 2014) |
| 0.1271% | 0.1586% | 0.1737% |
| \$ 847,886 | \$ 818,563 | \$ 725,023 |
| \$ 150,129 | \$ 178,564 | \$ 185,914 |
| 564.77% | 458.41% | 389.98% |
| 69.18% | 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, 2019 | As of and for the year ended June 30, 2018 |
|---|--|--|
| Contractually required contribution | \$ 155,776 | \$ 164,306 |
| Contributions in relation to the contractually required contribution | (155,776) | (164,306) |
| Contribution deficiency (excess) | \$ - | \$ - |
| City of Eunice's covered payroll | \$ 1,589,554 | \$ 1,720,496 |
| Contributions as a percentage of covered payroll | 9.80% | 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, 2017 | As of and for the year ended June 30, 2016 | As of and for the year ended June 30, 2015 |
|---|---|---|
| \$ 158,214 | \$ 192,761 | \$ 212,477 |
| (158,214) | (192,761) | (212,477) |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| \$ 1,656,686 | \$ 2,018,435 | \$ 2,224,893 |
| 9.55% | 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, 2019 | As of and for the year ended June 30, 2018 |
|--|---|---|
| Contractually required contribution | \$ 87,386 | \$ 86,030 |
| Contributions in relation to the contractually required contribution | (87,386) | (86,030) |
| Contribution deficiency (excess) | \$ - | \$ - |
| City of Eunice's covered payroll | \$ 456,338 | \$ 455,183 |
| Contributions as a percentage of covered payroll | 19.15% | 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, 2017 | As of and for the year ended June 30, 2016 | As of and for the year ended June 30, 2015 |
|---|---|---|
| \$ 86,496 | \$ 96,965 | \$ 103,321 |
| (86,496) | (96,965) | (103,321) |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| \$ 457,652 | \$ 513,043 | \$ 546,674 |
| 18.90% | 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, 2019 | As of and for the year ended June 30, 2018 |
|--|---|---|
| Contractually required contribution | \$ 47,317 | \$ 33,483 |
| Contributions in relation to the contractually required contribution | (47,317) | (33,483) |
| Contribution deficiency (excess) | \$ - | \$ - |
| City of Eunice's covered payroll | \$ 216,060 | \$ 154,655 |
| Contributions as a percentage of covered payroll | 21.90% | 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, 2017 | As of and for the year ended June 30, 2016 | As of and for the year ended June 30, 2015 |
|---|---|---|
| \$ 27,247 | \$ 32,503 | \$ 38,659 |
| (27,247) | (32,503) | (38,659) |
| <u>\$ -</u> | <u>\$ -</u> | <u>\$ -</u> |
| \$ 125,851 | \$ 150,129 | \$ 178,564 |
| 21.65% | 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, 2019

Changes of benefit terms . The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY18 CAFR available at <https://www.saonm.org>.

Changes of assumptions. The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 2018 report is available at <http://www.nmpera.org/>

See independent auditors' report.

Supplementary Information

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City of Eunice, New Mexico
Nonmajor Governmental Fund Descriptions
June 30, 2019

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 fund is financed by grants and general fund transfers. The authority for the creation of this fund was given by 59A-53-1, NMSA 1978.

Corrections Fund (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.

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 fund 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, 2019

| | Special Revenue | | | |
|--|--|---------------------------------------|---------------------------|--|
| | Recreation Special Revenue Fund 03 | State Fire Allotment Fund 06 | Corrections Fund 07 | Law Enforcement Protection Fund 08 |
| Assets | | | | |
| Cash and cash equivalents | \$ 171,442 | \$ - | \$ 5,806 | \$ 5,900 |
| Receivables: | | | | |
| Due from other governments | - | - | - | - |
| Miscellaneous | - | - | - | - |
| Due from other funds | - | - | - | - |
| Total assets | \$ 171,442 | \$ - | \$ 5,806 | \$ 5,900 |
| Liabilities | | | | |
| Accounts payable | \$ 100,579 | \$ 28,287 | \$ 894 | \$ 124 |
| Accrued payroll | 16,386 | - | - | - |
| Due to other funds | - | - | - | - |
| Total liabilities | 116,965 | 28,287 | 894 | 124 |
| Fund balances | | | | |
| Spendable | | | | |
| Restricted for: | | | | |
| General government | - | - | - | - |
| Public safety | - | - | 4,912 | 5,776 |
| Culture and recreation | 54,477 | - | - | - |
| Capital projects | - | - | - | - |
| Committed to: | | | | |
| Culture and recreation | - | - | - | - |
| Unassigned (deficit) | - | (28,287) | - | - |
| Total fund balances | 54,477 | (28,287) | 4,912 | 5,776 |
| Total liabilities and fund balances | \$ 171,442 | \$ - | \$ 5,806 | \$ 5,900 |

See independent auditors' report.

| Special Revenue | | | | Capital Projects | | | Total |
|-------------------------|-----------------------------|------------------------------------|------------------------------------|---------------------------|----------------|------------------------|-------|
| Ambulance Fund 09 | Senior Center Fund 14 | Youth Advisory Council 24 | Animal Shelter Project 37 | New Fire Station 36 | MVD Fund 58 | Government al Funds | |
| \$ - | \$ 1,120 | \$ 24,150 | \$ 848 | \$ 249,983 | \$ - | \$ 459,249 | |
| - | 14,083 | - | - | - | - | 14,083 | |
| - | - | - | 7,530 | - | - | 7,530 | |
| - | - | - | - | 553,000 | - | 553,000 | |
| \$ - | \$ 15,203 | \$ 24,150 | \$ 8,378 | \$ 802,983 | \$ - | \$ 1,033,862 | |
| \$ - | \$ 3,586 | \$ 1,000 | \$ - | \$ - | \$ 515 | \$ 134,985 | |
| - | 5,037 | - | - | - | - | 21,423 | |
| - | - | 1,750 | - | - | - | 1,750 | |
| - | 8,623 | 2,750 | - | - | 515 | 158,158 | |
| - | - | - | 8,378 | - | - | 8,378 | |
| - | - | - | - | - | - | 10,688 | |
| - | - | - | - | - | - | 54,477 | |
| - | - | - | - | 802,983 | - | 802,983 | |
| - | 6,580 | 21,400 | - | - | - | 27,980 | |
| - | - | - | - | - | (515) | (28,802) | |
| - | 6,580 | 21,400 | 8,378 | 802,983 | (515) | 875,704 | |
| \$ - | \$ 15,203 | \$ 24,150 | \$ 8,378 | \$ 802,983 | \$ - | \$ 1,033,862 | |

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, 2019

| | Special Revenue | | | |
|---|--|---------------------------------------|---------------------------|--|
| | Recreation Special Revenue Fund 03 | State Fire Allotment Fund 06 | Corrections Fund 07 | Law Enforcement Protection Fund 08 |
| Revenues | | | | |
| Intergovernmental: | | | | |
| Federal operating grants | \$ - | \$ - | \$ - | \$ - |
| State operating grants | - | 89,431 | - | 27,955 |
| State capital grants | 360,000 | - | - | - |
| Local operating grants | - | - | - | - |
| Charges for services | 29,212 | - | 6,405 | - |
| Investment income | - | - | - | - |
| Contributions | 1,466 | - | - | - |
| Miscellaneous | 17,348 | 1,667 | - | - |
| Total revenues | 408,026 | 91,098 | 6,405 | 27,955 |
| Expenditures | | | | |
| Current: | | | | |
| General government | - | - | - | - |
| Public safety | - | 115,751 | 6,543 | 22,180 |
| Culture and recreation | 596,914 | - | - | - |
| Capital outlay | 188,161 | - | - | - |
| Total expenditures | 785,075 | 115,751 | 6,543 | 22,180 |
| Excess (deficiency) of revenues over expenditures | (377,049) | (24,653) | (138) | 5,775 |
| Other financing sources (uses) | | | | |
| Transfers in | 455,525 | - | - | - |
| Total other financing sources (uses) | 455,525 | - | - | - |
| Net change in fund balances | 78,476 | (24,653) | (138) | 5,775 |
| Fund balances - beginning of year | (23,999) | (3,634) | 5,050 | 1 |
| Fund balances - end of year | \$ 54,477 | \$ (28,287) | \$ 4,912 | \$ 5,776 |

See independent auditors' report.

| Special Revenue | | | | Capital Projects | | | |
|-------------------------|-----------------------------|------------------------------------|------------------------------------|---------------------------|----------------|--|--|
| Ambulance Fund 09 | Senior Center Fund 14 | Youth Advisory Council 24 | Animal Shelter Project 37 | New Fire Station 36 | MVD Fund 58 | Total Nonmajor Governmental Funds | |
| \$ - | \$ 30,212 | \$ - | \$ - | \$ - | \$ - | \$ 30,212 | |
| 7,944 | 210,786 | - | 18,489 | - | - | 354,605 | |
| - | - | - | - | - | - | 360,000 | |
| - | 25,000 | - | - | - | - | 25,000 | |
| - | - | - | - | - | - | 35,617 | |
| - | - | 2 | - | - | - | 2 | |
| - | 12,487 | 11,244 | - | - | - | 25,197 | |
| - | 3,529 | - | - | - | - | 22,544 | |
| 7,944 | 282,014 | 11,246 | 18,489 | - | - | 853,177 | |
| - | - | - | 26,447 | - | 155 | 26,602 | |
| 7,729 | - | - | - | - | - | 152,203 | |
| - | 38,665 | 8,241 | - | - | - | 643,820 | |
| - | 141,271 | - | - | - | - | 329,432 | |
| 7,729 | 179,936 | 8,241 | 26,447 | - | 155 | 1,152,057 | |
| 215 | 102,078 | 3,005 | (7,958) | - | (155) | (298,880) | |
| - | 176,013 | - | 15,488 | - | - | 647,026 | |
| - | 176,013 | - | 15,488 | - | - | 647,026 | |
| 215 | 278,091 | 3,005 | 7,530 | - | (155) | 348,146 | |
| (215) | (271,511) | 18,395 | 848 | 802,983 | (360) | 527,558 | |
| \$ - | \$ 6,580 | \$ 21,400 | \$ 8,378 | \$ 802,983 | \$ (515) | \$ 875,704 | |

See independent auditors' report.

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Supporting Schedules

City of Eunice, New Mexico
Schedule of Deposit and Investment Accounts
June 30, 2019

| Bank Name/ Account Type | Account Type | Bank Balance | Deposits in Transit | Outstanding Checks | Totals |
|---|---------------------|---------------------|----------------------------|---------------------------|---------------------|
| Wells Fargo Bank | | | | | |
| Checking - Operational | Demand Account | \$ 1,019,955 | \$ 22,857 | \$ 182,725 | \$ 860,087 |
| Checking - Utility | Demand Account | 840,356 | 8,202 | 21,650 | 826,908 |
| Youth Advisory Council | Demand Account | 16,487 | 610 | - | 17,097 |
| Total Wells Fargo | | 1,876,798 | 31,669 | 204,375 | 1,704,092 |
| New Mexico Finance Authority | | | | | |
| Cash and Investments | | | | | |
| held by NMFA | Money Market | 1,281,435 | - | - | 1,281,435 |
| Total NMFA | | 1,281,435 | - | - | 1,281,435 |
| James Polk Stone Community Bank | | | | | |
| Motor Vehicle | Demand Account | 24,790 | (24,122) | - | 668 |
| Total James Polk Community Bank | | 24,790 | (24,122) | - | 668 |
| New Mexico State Treasurer | | | | | |
| New MexiGROW - LGIP | Investment | 2,504,374 | - | - | 2,504,374 |
| New MexiGROW - LGIP | Investment | 1,026,804 | - | - | 1,026,804 |
| Total New Mexico State Treasurer | | 3,531,178 | - | - | 3,531,178 |
| Total deposits and investments | | \$ 6,714,201 | \$ 7,547 | \$ 204,375 | 6,517,373 |
| Less: restricted cash and cash equivalents | | | | | (621,029) |
| Less: restricted investments | | | | | (739,134) |
| Less: investments | | | | | (3,531,178) |
| Total unrestricted cash and cash equivalents | | | | | \$ 1,626,032 |

See independent auditors' report.

City of Eunice, New Mexico
Schedule of Collateral Pledged By Depository for Public Funds
June 30, 2019

| Name of Depository | Description of Pledged Collateral | Maturity | CUSIP Number | Fair Market Value at June 30, 2019 | Location of Safekeeper |
|---------------------------------|-----------------------------------|----------|--------------|------------------------------------|--------------------------|
| Wells Fargo Bank | | | | | |
| | FNMA FNMS 3.000% | 5/1/2036 | 3138WG4M3 | \$ 251,989 | BNY Mellon, New York, NY |
| | FNMA FNMS 2.500% | 7/1/2031 | 3140F9AC9 | 470,911 | BNY Mellon, New York, NY |
| | FNMA FNMS 3.000% | 1/1/2043 | 31417ES36 | 245,330 | BNY Mellon, New York, NY |
| Total pledged collateral | | | | \$ 968,230 | |

See independent auditors' report.

State of New Mexico
City of Eunice

**Schedule of Special, Deficiency, Specific and Capital Outlay Appropriations
For the Year Ended June 30, 2019**

| Description | SHARE Identifier # | Original Appropriation |
|--|-----------------------|---------------------------|
| Special, Deficiency, Specific and Capital Outlay Appropriations | | |
| Renovation of Eunice Senior Center | A5026 | \$ 190,000 |
| Total Special, Deficiency, Specific and Capital Outlay Appropriations | | \$ 190,000 |

See independent auditors' report.

| Appropriation Period | Expenditures To Date | Outstanding Encumbrances | Unencumbered Balances |
|---------------------------------|---------------------------------|-------------------------------------|----------------------------------|
| 8/1/2017-6/30/2021 | \$ 174,390 | \$ - | \$ 15,610 |
| | \$ 174,390 | \$ - | \$ 15,610 |

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

Brian S. Colón, Esq., New Mexico State Auditor
To the Mayor and City Council Members
City of 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, 2019, 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 16, 2019.

Internal Control Over Financial Reporting

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

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that have not been identified. However, as described in the accompanying schedule of findings and responses, we did identify certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected, on a timely basis. We consider the deficiency described in the accompanying schedule of findings and responses as item FS 2019-001 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompany schedule of findings and responses as item FS 2016-001 to be a significant deficiency.

Compliance and Other Matters

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

We noted a certain matter that is required to be reported per section 12-6-5 NMSA 1978 that we have described in the accompanying schedule of findings and responses pursuant to Section 12-6-5 NMSA 1978 as item 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

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

Carr, Riggs & Ingram, LLC
Albuquerque, NM
December 16, 2019

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City of Eunice, New Mexico
Schedule of Findings and Responses
June 30, 2019

SECTION I – SUMMARY OF AUDITORS’ RESULTS

Financial Statements:

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

SECTION II – PRIOR YEAR AUDIT FINDINGS

Financial Statement Findings

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

FS 2016-004 – Inadequate Accounting Over Consumable Inventory (Significant Deficiency) – Resolved

FS 2017-002 – NMFA Statement Reconciliation (Significant Deficiency) – Resolved

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

NM 2018-002 – Budget Over-Expenditure (Other Non-compliance) – Repeated and Modified

City of Eunice, New Mexico
Schedule of Findings and Responses
June 30, 2019

SECTION III – FINDINGS – FINANCIAL STATEMENT AUDIT

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

Condition: The City did not identify the need to accrue accounts receivable for MVD tax totaling \$9,103. In addition, grants receivable totaling \$148,340 were not identified related to expenditures due to be reimbursed from Lea County. Additionally, the City did not reverse a receivable in the prior year, which caused a restatement in the amount of \$9,000.

Status from Prior Year: The City properly identified the gas tax receivable discussed in the prior year finding, but did not identify the accounts receivable accruals listed above.

Criteria: GASB 33 defines revenue recognition for exchange and nonexchange transactions such as gross receipts taxes, reimbursement grants, etc.

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 transactions when they were received, but left them off of their year-end accounts receivable listing or forgot to reverse the entry in the subsequent period.

Auditors' Recommendations: The City should review all revenue receipts after the balance sheet date which include those tax disbursements received from the State of New Mexico that are delayed 2 months after the business activity takes place to determine which fiscal year transactions should be reported in.

Views of Responsible Officials and Planned Corrective Action: The City will implement a procedure to ensure that all reimbursements for grants and projects are monitored for completion within the specified time frame for each grant or project. The City expects to implement the new process by June 2020.

Responsible Official: Finance Director

City of Eunice, New Mexico
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June 30, 2019

SECTION III – FINDINGS – FINANCIAL STATEMENT AUDIT (Continued)

FS 2019-001 — Maintenance of Capital Asset Listing (Material Weakness)

Condition: The City did not identify expenditures to an ongoing construction project to be additions to construction in process on its capital asset listing. The total cost incurred during the 2019 fiscal year that was not capitalized was \$2,337,877. This related to resurfacing the streets and playground improvements.

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

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

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

Auditors' Recommendations: The City should maintain a detail list of ongoing construction projects and update it periodically throughout the year to ensure that all items have all been accounted for at year end. Repairs and maintenance and other activity should be reviewed at least monthly to ensure correct posting to accounts and entries made to reclassify items posted incorrectly.

Views of Responsible Officials and Planned Corrective Action: The City will implement a procedure to ensure that there is communication between the Grant Overseer and the Asset Manager to better identify expenditures for ongoing construction projects that need to be additions to the City's capital assets. The City expects to implement the new process by June 2020.

Responsible Official: Finance Director

City of Eunice, New Mexico
Schedule of Findings and Responses
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SECTION IV – FINDINGS – SECTION 12-6-5 1978 NMSA

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

Condition: The following funds were over-expended during fiscal year 2019.

| Fund | Amount |
|---|------------|
| 01 - General Fund | \$ 575,856 |
| 03 - Recreation Special Revenue Fund | 290,557 |
| 05 - Golf Fund | 24,183 |
| 06 - State Fire Allotment Fund | 3,526 |
| 11 - Water Fund | 205,534 |
| 13 - Solid Waste Fund | 17,506 |
| 14 - Senior Center Fund | 134,223 |
| 28, 31 - Paving and Streets Capital Projects Fund | 1,596,578 |
| 58 - MVD Account Fund | 155 |

Status of Prior Year: The City had more funds that were over-expended as compared to the 2018 fiscal 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: Budget adjustments to true up at the end of the fiscal year did not account for the funds noted above.

Auditors' Recommendation: The City should review total actual expenditures at the end of the fiscal year to the approved budget and submit budget adjustments when appropriate.

Views of Responsible Officials and Planned Corrective Actions: The City is continually working on the process of reporting to the Department of Finance and Administration website, Local Government Budget Management System, to ensure that all adjustments and reports are in on a timely manner to help avoid any possible budget over-expenditures. The City expects to implement the new process by June 2020.

Responsible Official: Finance Director

EXIT CONFERENCE

An exit conference was held on December 12, 2019. In attendance were the following:

Representing the City of Eunice:

| | |
|-----------------|---------------------|
| Warden Allen | City Council Member |
| Jordan Yutzy | City Manager |
| Connie Whitmire | Finance Director |
| Isaac Sanchez | Finance Officer |

Representing Carr, Riggs & Ingram, LLC:

| | |
|-------------------------|----------------------------|
| Ray Roberts, CPA | Partner (via phone) |
| Carol Snider, CPA | Partner |
| Eric Spurlin, CPA, CITP | Senior Manager (via phone) |

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.