

**STATE OF NEW MEXICO**  
**CITY OF ARTESIA**

Basic Financial Statements and  
Required Supplementary Information  
For the Year Ended June 30, 2010  
and Independent Auditors' Report

**STATE OF NEW MEXICO  
CITY OF ARTESIA**

**TABLE OF CONTENTS  
JUNE 30, 2010**

---

**FINANCIAL SECTION**

Directory of Officials	1
Independent Auditors' Report	2
Management's Discussion and Analysis	4
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Assets	13
Statement of Activities	14
Governmental Fund Financial Statements:	
Balance Sheet - Governmental Funds	15
Reconciliation of the Balance sheet to the Statement of Net Assets	16
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds	17
Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities	18
Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual: General Fund	19
Proprietary Fund Financial Statements	
Balance Sheet - Proprietary Funds	20
Statement of Revenues, Expenses and Changes in Fund Net Assets - Proprietary Funds	21
Statement of Cash Flows - Proprietary Funds	22
Fiduciary Funds	
Statement of Fiduciary Assets and Liabilities - Agency Fund	24
Notes to the Financial Statements	25

**SUPPLEMENTARY INFORMATION**

Combining and Individual Funds Statements and Schedules:	
Combining Balance Sheet - Nonmajor Governmental Funds	49
Combining Statement of Revenues, Expenditures and Changes in Fund Balances - Nonmajor Governmental Funds	53

STATE OF NEW MEXICO  
CITY OF ARTESIA

TABLE OF CONTENTS (CONTINUED)  
JUNE 30, 2010

---

Statement of Revenues, Expenditures, and Changes in Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual:	
Special Revenue Funds	57
Capital Project Funds	75
Debt Service Fund	78
Proprietary Funds	
Statement of Revenues, Expenses, and Changes in Fund Balances - Budget (Non-GAAP Budgetary Basis) and Actual:	
Water Fund	79
Solid Waste Fund	80
Wastewater Fund	81
Airport Fund	82
Wastewater Improvement Fund	83
Cemetery Fund	84
Other Supplemental Information	
Schedule of Changes in Assets and Liabilities - Agency Funds	85
Schedule of Cash Accounts	86
Schedule of Pledged Collateral	87
Schedule of Investments - Agency Funds	89
Joint Powers Agreements	90
Public Housing Authority - Financial Data Schedule	91
<b>COMPLIANCE SECTION</b>	
Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	93
Schedule of Findings and Responses	95
Exit Conference	101

**STATE OF NEW MEXICO  
CITY OF ARTESIA**

**DIRECTORY OF OFFICIALS**

---

**ELECTED OFFICIALS**

Phillip Burch  
Terry Hill  
Manuel Barragan  
Raul Rodriguez  
Jose Aguilar  
Nora Sanchez  
Kent Bratcher  
J.B. Smith  
George Holmes

Mayor  
Mayor Pro-Tem  
City Councilor  
City Councilor  
City Councilor  
City Councilor  
City Councilor  
City Councilor  
City Councilor

**DEPARTMENT HEADS**

Aubrey Hobson  
Donald Raley  
J.D. Hummingbird  
Robert Forrest  
Bill Thalman  
Kaye Kiper  
John Caraway

City Clerk - Treasurer  
Chief of Police  
Fire Chief  
Director of Infrastructure  
Human Resources Director  
Municipal Judge  
City Attorney

**HOUSING AUTHORITY**

Jimmy Boyse  
Veral d'Entremont  
Alex Vasquez  
Randy Hazelbaker  
Leslie Patterson

Chairperson  
Vice-Chairperson  
Commissioner  
Commissioner  
Commissioner

**ADMINISTRATIVE STAFF**

Louisa Madrid

Executive Director



## Strickler & Prieto, LLP

201 E. Main, Suite 500  
El Paso, Texas 79901  
Tel. (915) 532-2901  
Fax (915) 532-0807  
www.cpa-sp.com

### INDEPENDENT AUDITORS' REPORT

Hector H. Balderas,  
New Mexico State Auditor  
Mayor and City Councilors  
City of Artesia  
Artesia, New Mexico

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund of the City of Artesia (the "City"), as of and for the year ended June 30, 2010, which collectively comprise the City's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the City's nonmajor governmental funds and nonmajor enterprise funds, and the budgetary comparisons for the major public safety complex capital projects fund, the major enterprise funds, and all nonmajor funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2010, as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2010, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the general fund for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund, and nonmajor enterprise fund of the City as of June 30, 2010, and the respective changes in financial position thereof and the respective budgetary comparisons for the major public safety complex capital projects fund, the major enterprise funds and all nonmajor funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated March 16, 2011, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The management's discussion and analysis on pages 4 through 12 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the basic financial statements, and the combining and individual fund financial statements, and budgetary comparisons. The additional schedules listed as "Other Supplemental Information" in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Strickland & Pianta, LLP*

March 16, 2011

**STATE OF NEW MEXICO  
CITY OF ARTESIA**

**MANAGEMENT'S DISCUSSION AND ANALYSIS  
JUNE 30, 2010**

---

The following is an overview of the financial condition for the City of Artesia, New Mexico (the "City"), for the fiscal year ended June 30, 2010. This narrative highlights the major aspects of the City's financial status for this period, and should be considered in conjunction with the information presented in other sections of this audit report.

**Financial Highlights**

- The City assets exceeded liabilities by \$93,450,041 at June 30, 2010. Approximately 19% of the City's net assets may be used to meet the City's ongoing obligations to citizens and creditors. During the current year, the City increased its net assets by \$15,791,719.
- Unrestricted cash and investments at June 30, 2010, totaled \$17,940,028. Current liabilities, including the current portion of long-term liabilities at June 30, 2010, amounted to \$6,375,545. This is an increase of \$3,880,486 which is a result of the sale of bonds as well as a bank overdraft.
- During the fiscal year, the City governmental activities expended \$2,206,739 for capital assets. Investment in capital assets for the City total \$75,510,013, net of accumulated depreciation at June 30, 2010. These capital assets included land, construction in process, buildings, improvements, infrastructure, utility system, airport infrastructure and equipment.
- Long-term liabilities for the City at the end of the year were \$32,835,277. During the year, the City increased its debt by \$32,346,361.

**Overview of the Financial Statements**

This discussion and analysis is intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also contains other supplementary information, in addition to the basic financial statements themselves.

**Government-Wide Financial Statements**

The government-wide financial statements are designed to provide readers with a broad overview of the City's finances, in a manner similar to a private-sector business. The statement of net assets presents information on all of the City's assets and liabilities, with the difference between the two reported as net assets. Over time, increases or decreases in net assets may serve as a useful indicator of whether the financial position of the City is improving or deteriorating. The statement of activities presents information showing how the City's net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of the related cash flows. Thus, revenues and expenses are reported in this statement for some items that will result in cash flows in future fiscal periods.

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities).

The governmental activities of the City include general government, public safety, public works, and culture and recreation. The business-type activities of the City include water, solid waste, wastewater, airport, and cemetery. The government-wide financial statements include not only the City itself (known as the primary government), but also the legally separate Public Housing Authority. The Housing Authority is referred to as the component unit.

Detailed financial information for the Housing Authority is reported separately from the financial information presented for the primary government itself. The government-wide financial statements can be found on pages thirteen and fourteen. A complete set of separately issued audited financial statements can be obtained directly from the Housing Authority.

### **Fund Financial Statements**

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

### **Governmental Funds**

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

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

In addition to the general fund, the City maintains twenty-one other individual governmental funds of which eighteen are classified as special revenue funds; two are classified as capital projects funds. Information for the general fund, which is considered a major fund, is presented separately in the government fund balance sheet and in the governmental fund statement of revenues, expenditures, and changes in fund balances. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements following the notes to the financial statements.

The City adopts an annual appropriated budget for all of its funds. The budgetary comparison statement for the general fund is located on page nineteen. Budgetary comparison statements for the special revenue and capital projects nonmajor funds are located on pages fifty-seven through seventy-eight. The basic governmental fund financial statements can be found on page



thirteen through fourteen of this report.

### **Proprietary Funds**

The City maintains one type of proprietary funds. The enterprise fund is used to report the same functions presented as business-type activities in the government-wide financial statements. The City uses enterprise funds to account for its water, solid waste, and wastewater services provided to the citizens. Additionally, the City uses enterprise funds to account for an airport and a cemetery.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water fund, solid waste fund, wastewater fund, and airport fund; all of which are considered major funds of the City. Data from the other enterprise funds are combined into a single aggregated presentation. The basic proprietary fund statements can be found on pages twenty through twenty-one of this report.

### **Fiduciary Funds**

Fiduciary funds are used to account for resources held for the benefit of parties outside of the government. Fiduciary funds are not reflected in the government-wide financial statement because the resources of those funds are not available to support the City's own programs. The accounting used for fiduciary funds is much like that used for proprietary funds. The basic financial statements can be found on page twenty-four. The City's four fiduciary funds account for monies collected and expended for various purposes. The sales tax fund is a clearing account for sales tax receipts. The court fund accounts for DWI testing receipts and disbursements. The meter fund accounts for meter deposits held by the City. The Hellwig Fund accounts for assets provided by a private donor. The earnings from the assets are utilized for the purchase of medical equipment donated to the local community hospital.

### **Notes to the Financial Statements**

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and the fund financial statements. The notes to the financial statements can be found on pages twenty-five through forty-eight of this report.

### **Other Information**

The combining statements referred to earlier in connection with non-major are presented immediately following the notes to the financial statements. Combining governmental fund statements can be found on pages forty-nine through fifty-six of this report.

### **Government-Wide Financial Analysis**

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The City's assets exceeded liabilities by \$93,510,013 at the close of the fiscal year. Eighty-one percent of the City's net assets are composed of investment in capital assets (e.g., land, buildings, machinery, and equipment) less any debt, used to acquire those assets, that is still outstanding. The City uses these assets to provide services to the citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

**CONDENSED COMPARATIVE STATEMENT OF ACTIVITIES**

	Governmental Activities		Business Type Activities		Total	
	2010	2009	2010	2009	2010	2009
<b>Revenues</b>						
Program revenues						
Charges for services	\$ 1,314,085	\$ 751,286	\$ 8,393,693	\$ 6,270,337	\$ 9,707,778	\$ 7,021,623
Operating grants & contributions	820,084	903,327	30,900	30,000	850,984	933,327
Capital grants & contributions	2,953,907	3,041,479	326,100	233,772	3,280,007	3,275,251
General revenue						
Local effort taxes	9,694,200	11,419,867	-	-	9,694,200	11,419,867
State shared taxes	8,587,481	10,496,359	420,417	416,200	9,007,898	10,912,559
Interest income	147,627	243,636	17,312	46,678	164,939	290,314
Miscellaneous	-	-	1,021	1,528	1,021	1,528
Gain or loss on disposal of capital assets	(37,550)	(31,184)	(104)	(1,288)	(37,654)	(32,472)
Net operating transfers	(354,550)	50,000	354,550	(50,000)	-	-
<b>Total revenues</b>	<b>23,125,284</b>	<b>26,874,770</b>	<b>9,543,889</b>	<b>6,947,227</b>	<b>32,669,173</b>	<b>33,821,997</b>
<b>Expenses</b>						
General government	3,826,610	3,329,176	-	-	3,826,610	3,329,176
Public safety	8,318,353	6,254,567	-	-	8,318,353	6,254,567
Public works	(143,192)	6,107,168	-	-	(143,192)	6,107,168
Culture and recreation	1,871,067	2,003,530	-	-	1,871,067	2,003,530
Business type activities	-	-	5,899,210	6,743,195	5,899,210	6,743,195
<b>Total expenses</b>	<b>13,872,838</b>	<b>17,694,441</b>	<b>5,899,210</b>	<b>6,743,195</b>	<b>19,772,048</b>	<b>24,437,636</b>
Change in net assets	9,252,446	9,180,329	3,644,679	204,032	12,897,125	9,384,361
Net assets beginning of year	53,881,718	44,701,389	23,776,605	23,572,574	77,658,323	68,273,963
Restatements	-	-	2,892,592	-	2,892,592	-
<b>Net assets end of year</b>	<b>63,134,164</b>	<b>53,881,718</b>	<b>30,313,876</b>	<b>23,776,606</b>	<b>93,448,040</b>	<b>77,658,324</b>

**CONDENSED STATEMENT OF NET ASSETS**

	Governmental Activities		Business Type Activities		Total	
	2010	2009	2010	2009	2010	2009
<b>Assets</b>						
Cash & cash equivalents	\$ 10,302,472	\$ 1,117,679	\$ 6,389,989	\$ 821,452	\$ 16,692,461	\$ 1,939,131
Investments	24,645,330	20,848,919	7,094,347	2,066,380	31,739,677	22,915,299
Receivables						
Accounts	849,917	475,899	2,126,236	922,184	2,976,153	1,398,083
Taxes	2,944,788	3,191,724	56,142	61,213	3,000,930	3,252,937
Intergovernmental	674,688	594,962	-	-	674,688	594,962
Interest	6,614	4,240	1,471	1,135	8,085	5,375
Inventory	-	-	23,934	21,072	23,934	21,072
Restricted cash	-	-	112,936	111,624	112,936	111,624
Restricted investments	-	-	219,525	219,525	219,525	219,525
Capital assets not being depreciated	18,799,043	10,016,528	5,273,654	1,823,165	24,072,697	11,839,693
Capital assets net of accumulated depreciation	29,417,107	19,318,724	22,020,209	18,609,958	51,437,316	37,928,682
<b>Total Assets</b>	<b>\$ 87,639,959</b>	<b>\$ 55,568,675</b>	<b>\$ 43,318,443</b>	<b>\$ 24,657,708</b>	<b>\$ 130,958,402</b>	<b>\$ 80,226,383</b>
<b>Liabilities and Net Assets</b>						
Accounts payable	3,454,159	1,351,751	61,895	667,805	3,516,054	2,019,556
Interest payable	60,441	-	20,877	-	81,318	-
Accrued liabilities	21,161	50,974	2,316	8,613	23,477	59,587
Bank overdraft	1,052,235	-	-	-	1,052,235	-
Non-Current Liabilities						
Compensated absences						
Due within one year	305,799	163,073	60,412	48,255	366,211	211,328
Due after one year	-	121,159	-	24,679	-	145,838
Bonds payable						
Due within one year	790,000	-	500,000	10,000	1,290,000	10,000
Due after one year	18,820,000	-	12,312,816	73,000	31,132,816	73,000
Landfill closure due after one year	-	-	46,250	48,750	46,250	48,750
<b>Total Liabilities</b>	<b>24,503,795</b>	<b>1,686,957</b>	<b>13,004,566</b>	<b>881,102</b>	<b>37,508,361</b>	<b>2,568,059</b>
<b>Net Assets</b>						
Invested in capital assets net of related debt	48,216,150	29,335,252	27,293,863	20,433,123	75,510,013	49,768,375
Unrestricted	14,920,014	24,546,466	3,020,014	3,343,483	17,940,028	27,889,949
<b>Total Net Assets</b>	<b>63,136,164</b>	<b>53,881,718</b>	<b>30,313,877</b>	<b>23,776,606</b>	<b>93,450,041</b>	<b>77,658,324</b>
<b>Total Liabilities and Net Assets</b>	<b>\$ 87,639,959</b>	<b>\$ 55,568,675</b>	<b>\$ 43,318,443</b>	<b>\$ 24,657,708</b>	<b>\$ 130,958,402</b>	<b>\$ 80,226,383</b>

**CAPITAL ASSETS NET OF ACCUMULATED DEPRECIATION**  
(In Thousands)

	Governmental Activities		Business-type Activities		Total	
	6/30/2010	6/30/2009	6/30/2010	6/30/2009	6/30/2010	6/30/2009
Land	\$ 1,157	\$ 1,084	\$ 166	\$ 166	\$ 1,323	\$ 1,250
Construction in Progress	17,642	8,932	5,108	1,657	22,750	10,589
Buildings	5,414	5,607	86	(231)	5,500	5,376
Improvements	3,710	3,875	398	53	4,108	1,109
Infrastructure	17,467	6,910	-	-	17,467	6,910
Utility System	-	-	18,605	15,375	18,605	15,375
Airport Infrastructure	-	-	1,157	1,192	1,157	1,192
Furniture and Equipment	2,826	2,927	1,774	2,221	4,600	5,148
<b>Total governmental activities</b>	<b>\$ 48,216</b>	<b>\$ 29,335</b>	<b>\$ 27,294</b>	<b>\$ 20,433</b>	<b>\$ 75,510</b>	<b>\$ 46,949</b>

The remaining balance of unrestricted net assets of \$17,940,028 may be used to meet the government's ongoing obligations to citizens and creditors. The City increased its net assets by \$15,791,717 during the fiscal year. At the end of the current fiscal year, the City is able to report positive balances in the two categories of net assets.

At June 30, 2009, unrestricted cash and investments totaled \$27,889,949. At the end of the current year, unrestricted cash and investments totaled \$17,940,028; a decrease of \$9,949,921. This decrease was due to the issuance of \$32,000,000 in bonds.

At June 30, 2009, receivables for the City equaled \$5,251,357. At June 30, 2010, the receivables totaled \$6,659,856. The net increase in the receivables was \$1,408,499. The majority of the increase is attributed to accounts receivable.

Current and other assets within the governmental activities increased from \$26,243,072 in 2009 to \$39,423,809 in 2010, an increase of \$13,180,737. The reasons for the increase are as follows: investments increased by \$3,796,411 and cash increased by \$9,184,793.

Current and other assets within the business type activities decreased from \$4,224,584 in 2009 to \$16,024,580 in 2010, an increase of \$11,799,996. In comparing the two years, there was an increase in cash in the amount of \$5,568,537, and an increase in investments of \$5,027,967. Additionally, accounts receivable increased by \$1,204,052.

Current liabilities that consist of accounts payable, accrued salaries, accrued liabilities, and deferred revenues at June 30, 2009, equaled \$734,673. At June 30, 2010, the City reported an amount equal to \$645,500. The current liabilities decreased by \$89,173. Accounts payable decreased by \$605,910 while bonds payable increased by \$500,000.

At June 30, 2010, the long-term debt, including the current portion equaled \$13,650,066.

The net assets at June 30, 2010, totaled \$30,313,877. The net assets balance at June 30, 2009, amounted to \$23,776,605.

The statement of activities from 2010 shows revenue increases in business-type activities while showing a decrease in primary government activities when compared to the 2009 fiscal year.

Specifically, governmental activities program and general revenues decreased by \$3,749,000. This decrease was attributable to gross receipts tax.

In the current year, governmental activities expenses totaled \$13,870,838. The previous year, governmental activities expenses were equal to \$17,694,441. The decrease in current year expenses amount to \$3,823,603. The largest decrease was in public works spending as several projects were completed in 2009.

For 2009, the City's general government expenses totaled \$3,049,225 and increased by \$775,385 for a total of \$3,824,610. A twenty-five percent increase for general government expenses.

Expenses for public safety increased from \$6,254,567 in 2009 to \$8,318,353 in 2010, which is a thirty-three percent increase. This is due to project expenses for the public safety complex.

For 2010, the City reflected an increase in governmental activities net assets of \$9,254,446. In the prior year, the increase was \$9,180,328.

The business-type activities reflect an increase in net assets of \$3,644,680 for the current fiscal year. In the previous year, the increase amounted to \$204,031. Business-type revenues for the current year amounted to \$8,750,693. That amount is an increase \$2,216,584 when compared to the previous fiscal year.

During the current year, the City had capital grants within the business-type assets that totaled \$326,100. In the previous year, the City reported capital grants equal to \$233,772. The grant revenues received were from U.S. Federal Aviation Administration for airport improvements.

For the previous year, the business-type activities reported expenses as \$6,738,545. For the current year, the City reports expenses as \$5,899,210, a decrease of \$839,335.

## **Financial Analysis of the City's Funds**

### Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. At the end of the current fiscal year, the City's governmental funds reported combined ending fund balance of \$39,433,458. One hundred percent of this total constitutes undesignated, unreserved fund balances, which are available for spending at the City's discretion. The general fund balance of \$21,145,148 represents fifty-four percent of the total governmental fund balances. The City's general fund balance decreased by \$1,557,003 during the current fiscal year. While the non-major funds increased their fund balances by \$11,864,405.

General fund revenues totaled \$17,444,019 for the fiscal year, while expenditures were \$17,066,186. Revenues exceeded expenditures by \$377,833 prior to transfers in and out of the general fund. During the year, the general fund transferred out \$2,393,484. The transfer out decreased the excess revenues over expenditures resulting in a net decrease of fund balance of \$2,015,651.

The change in net assets is attributable to the decrease in gross receipts taxes in the general fund.

## Proprietary Funds

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

The water fund reflects a net increase in net assets in the amount of \$1,735,487. Total revenues for 2009 were \$3,269,149 compared to 2010 revenues of \$4,676,512. The major difference was in the charge for services as sales of water were up approximately \$1,433,682.

The solid waste fund reflects an increase in net assets of \$778,303 for 2010. This compares to the increase in net assets of \$7,708 in 2009. In 2010, operating expenses were down \$198,629. Revenues from taxes increased \$4,217.

The wastewater fund reflects a decrease in net assets of \$301,535 due to operations. In 2009, the decrease of net assets was \$444,631. Revenues in 2010 were up \$116,923 when comparing the two years, while expenditures in 2010 increased by \$31,893.

The airport fund reflects a net change in assets of \$367,464 for 2010; while in 2009 the net change in assets amounted to \$129,718. Operating expense decreased \$177,191 in 2010 when compared to 2009.

## **General Fund Budgetary Highlights**

The discussion that follows presents financial data based upon the budgetary basis of accounting. Please refer to the notes of the financial statements for an explanation of the differences of accounting regarding the budget.

During the current fiscal year, the City budgeted general fund revenues at \$17,998,908. The actual revenues for the fiscal year were \$17,444,019 a net difference of (\$554,899). Local effort taxes and shared taxes were under budget by \$164,346 and \$130,008, respectively. This is because of the downturn in the local economy. Licenses and permits were over budget by \$182,906. Fines and forfeitures were over budget by \$102,777. Miscellaneous revenues were under budget by \$37,001.

Decreases in the original budget were made due to trends detected early in the fiscal year, allowing the City to decrease the budgeted expenditures.

For the year ended June 30, 2010, the City anticipated that expenditures would exceed revenues and net transfers in by \$6,594,286. Actual revenues of \$17,444,019 exceeded expenditures of \$17,066,186 and net transfers out of (\$2,393,484), producing an excess of expenditures over revenues of \$2,015,651. General government expenditures showed to be under budget by \$9,539,178. The major portion of that was an under budget in capital outlay. Public safety expenditures showed to be under budget by \$337,704. Public works expenditures showed to be under budget by \$1,820,209.

Culture and recreation expenditures showed to be under budget by \$95,859. These categories, over the many departments represented are within the City's anticipated goals. Culture and recreation expenses are harder to estimate because of the unknown participation of citizens in the different programs.

Capital outlay expenditures showed to be under budget by \$4,404,827. This is reflected in the capital outlay category where \$3,000,000 for a library wasn't spent and \$1,000,000 wasn't spent on the public safety complex.

During the fiscal year, the City decreased anticipated revenues by \$1,428,296. The City decreased anticipated expenditures by \$924,796 for the fiscal year. The main reason for the decrease in the final budgeted revenues from the original budgeted revenues was anticipated decrease in revenues due to the economic slowdown.

**Capital Assets and Debt Administration**

Capital Assets

The City's investment in capital assets for the government as of June 30, 2010 amounts to \$75,510,013 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, utility systems, and machinery and equipment.

Major capital assets events during the current fiscal year included the following:

- Governmental Activities -During the fiscal year, the City expended \$5,320,496 for capital assets.

Additional information on the City's capital assets can be found in note seven on pages forty-one through forty-two of this report.

Long-Term Debt

At the end of the current year, the City had total debt outstanding of \$32,795,461 which consists of bonds, compensated absences, and landfill post-closure liability. The City's taxable value of property in 2009 was \$301,658,628. The City may currently issue up to \$11,788,000 in general obligation bonds. At the present time, the City does not have any general obligation bonds.

**LONG TERM DEBT  
(In Thousands)**

	<u>Governmental Activities</u>		<u>Business-type Activities</u>		<u>Total</u>	
	6/30/2010	6/30/2009	6/30/2010	6/30/2009	6/30/2010	6/30/2009
Notes Payable	\$ -	\$ -	-	\$ -	\$ -	\$ -
Bonds Payable	19,610	-	32,383	83	51,993	83
Landfill post closure	-	-	46	21	46	21
Compensated absences	366	248	60	49	426	297
<b>Total long term debt</b>	<b>\$ 19,976</b>	<b>\$ 248</b>	<b>\$ 32,489</b>	<b>\$ 153</b>	<b>\$ 52,465</b>	<b>\$ 401</b>

**Currently Known Facts, Decisions, or Conditions**

Although Gross Receipts increased for FY 2009-2010, there was a downturn at the end of the year. For 2009-2010 they were down 19% from FY 2008-2009. Part of this is due to the economic downturn in the area and the State. This decrease caused the Council to adjust the budgeted revenues downward and continued to project a flat rate for 2010-2011. Utility funds continue to be strong with the Solid Waste Fund still being the weakest of the three because of rising fuel and equipment costs. Solid Waste borrowed \$575,000 in the 2007-2008 fiscal year from the general fund for equipment needs and is paying the General Fund back \$200,000 in 2009-2010 and \$130,000 in subsequent years. At the end of the payout, it is estimated that the fund will be able to keep up with equipment needs.

Housing, as always, is a concern especially for affordable housing. The federal law enforcement training center continues to expand and is a major contributor to our growth and also to some of our infrastructure needs. There are a few subdividers building houses, but at this time there are a couple of large developments moving forward.

In 2010-2011, the City continues looking forward to the construction of new hotels as well as the planned development of certain areas for housing. There have been preliminary talks about affordable housing also being constructed.

Several projects will be continuing in the new budget year. and more infrastructure projects to begin construction in 2010-2011. The Public Safety Complex and the improvements to the wastewater treatment plant will be completed in late 2010 - 2011. The City of Artesia continues to prosper and the City will be very active in shaping that growth to meet the needs for quality of life for the citizens of Artesia.

### **Request for Information**

This financial report is designed to provide a general overview of the City's finances and to show the City's accountability for the money it receives. Questions concerning any of the information provided in this report or request for additional information should be addressed to the Clerk-Treasurer, P.O. Box 1310, Artesia, New Mexico 88211-1310.

## **BASIC FINANCIAL STATEMENTS**



STATE OF NEW MEXICO  
CITY OF ARTESIA

STATEMENT OF NET ASSETS  
JUNE 30, 2010

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	
<b>ASSETS</b>				
Cash	\$ 10,302,472	\$ 6,389,989	\$ 16,692,461	\$ 662,691
Investments	24,645,330	7,094,347	31,739,677	-
Receivables:				
Accounts	849,917	2,126,236	2,976,153	830
Taxes	2,944,788	56,142	3,000,930	-
Intergovernmental	674,688	-	674,688	-
Interest	6,614	1,471	8,085	-
Prepaid expenses	-	-	-	40,263
Inventory	-	23,934	23,934	-
Restricted cash	-	112,936	112,936	15,958
Restricted investments	-	219,525	219,525	-
Capital assets not being depreciated	18,799,043	5,273,654	24,072,697	102,969
Capital assets net of accumulated depreciation	29,417,107	22,020,209	51,437,316	2,195,352
<b>Total assets</b>	<b>\$ 87,639,959</b>	<b>\$ 43,318,443</b>	<b>\$ 130,958,402</b>	<b>\$ 3,018,063</b>
<b>LIABILITIES AND NET ASSETS</b>				
Accounts payable	\$ 3,454,159	\$ 61,895	\$ 3,516,054	\$ 31,122
Interest payable	60,441	20,877	81,318	-
Accrued salaries	-	-	-	18,980
Accrued liabilities	21,161	2,316	23,477	-
Bank overdraft	1,052,235	-	1,052,235	-
Tenant security deposits	-	-	-	16,089
Noncurrent liabilities:				
Compensated absences:				
Due within one year	305,799	60,412	366,211	6,233
Due after one year	-	-	-	-
Bonds payable:				
Due within one year	790,000	500,000	1,290,000	-
Due after one year	18,820,000	12,312,816	31,132,816	-
Landfill closure, due after one year	-	46,250	46,250	-
<b>Total liabilities</b>	<b>24,503,795</b>	<b>13,004,566</b>	<b>37,508,361</b>	<b>72,424</b>
<b>NET ASSETS</b>				
Invested in capital assets, net of related debt	48,216,150	27,293,863	75,510,013	2,298,321
Restricted for debt service	14,405,982	-	14,405,982	-
Unrestricted	514,032	3,020,014	3,534,046	647,318
<b>Total net assets</b>	<b>63,136,164</b>	<b>30,313,877</b>	<b>93,450,041</b>	<b>2,945,639</b>
<b>Total liabilities and net assets</b>	<b>\$ 87,639,959</b>	<b>\$ 43,318,443</b>	<b>\$ 130,958,402</b>	<b>\$ 3,018,063</b>

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
CITY OF ARTESIA

STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2010

Functions/Programs Primary Government:	Program Revenues			Primary Government Net (Expenses) Revenue and Changes in Net Assets			Component Unit
	Expenses	Charges for Service	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business-Type Activities	
Governmental Activities:							
General government	\$ 3,824,610	\$ 1,37,033	\$ 78,003	\$ 138,319	\$ (3,471,255)	\$ -	\$ (3,471,255)
Public safety	8,318,353	1,128,328	512,160	2,263,503	(4,414,362)	-	(4,414,362)
Public works	(143,192)	-	-	283,000	426,192	-	426,192
Culture and recreation	1,871,067	48,724	229,921	269,085	(1,323,337)	-	(1,323,337)
Total governmental activities	13,870,838	1,314,085	820,084	2,953,907	(8,782,762)	-	(8,782,762)
Business-type Activities:							
Water	1,945,175	4,678,678	-	-	-	2,733,503	2,733,503
Solid waste	1,492,024	1,957,384	30,900	-	-	496,260	496,260
Wastewater	1,379,447	1,076,905	-	-	-	(302,542)	(302,542)
Wastewater Improvement	270,428	-	-	-	-	(270,428)	(270,428)
Airport	735,122	626,486	-	326,100	-	217,464	217,464
Cemetery	77,014	54,240	-	-	-	(22,774)	(22,774)
Total business-type activities	5,899,210	8,393,693	30,900	326,100	-	2,851,483	2,851,483
Total primary government	\$ 19,770,048	\$ 9,707,778	\$ 850,984	\$ 3,280,007	\$ (8,782,762)	\$ 2,851,483	\$ (5,931,279)
Component Unit:							
Housing Authority	\$ 756,903	\$ 421,136	\$ 349,989	\$ 345,758	-	-	-
General Revenues:							
Local effort taxes					9,694,200	-	9,694,200
State shared taxes					8,587,481	420,417	9,007,898
Interest income					147,627	17,312	164,939
Miscellaneous					-	1,021	1,021
Gain (loss) on disposal of capital assets					(37,550)	(104)	(37,654)
Operating transfers, net					(354,550)	354,550	-
Total general revenues and transfers					18,037,208	793,196	18,830,404
Change in net assets					9,254,446	3,644,679	12,899,125
Net assets - beginning					53,881,718	23,776,606	77,658,324
Prior period restatement					-	2,892,592	2,892,592
Net assets - beginning of year restated					53,881,718	26,669,198	80,550,916
Net assets - ending					\$ 63,136,164	\$ 30,313,877	\$ 93,450,041

See accompanying notes to financial statements.

**GOVERNMENTAL FUNDS FINANCIAL STATEMENTS**

STATE OF NEW MEXICO  
CITY OF ARTESIA

BALANCE SHEET - GOVERNMENTAL FUNDS  
JUNE 30, 2010

	General Fund	Public Safety Complex Capital Project Fund	Total Nonmajor Funds	Total Governmental Funds
<b>ASSETS</b>				
Cash	\$ 2,724,674	\$ 6,834,880	\$ 742,918	\$ 10,302,472
Investments	15,272,619	7,528,281	1,844,430	24,645,330
Receivables:				
Accounts	849,917	-	-	849,917
Taxes	2,639,950	-	304,838	2,944,788
Intergovernmental	23,695	-	650,993	674,688
Interest	6,202	-	412	6,614
Interfund balance	9,649	-	-	9,649
<b>Total assets</b>	<b>\$ 21,526,706</b>	<b>\$ 14,363,161</b>	<b>\$ 3,543,591</b>	<b>\$ 39,433,458</b>
<b>LIABILITIES AND FUND BALANCES</b>				
<b>Liabilities:</b>				
Accounts payable	\$ 349,068	\$ -	\$ 3,105,091	\$ 3,454,159
Interest payable	-	-	60,441	60,441
Accrued liabilities	21,161	-	-	21,161
Bank overdraft	-	-	1,052,235	1,052,235
Deferred revenues	11,329	-	131,734	143,063
Interfund balance	-	-	9,649	9,649
<b>Total liabilities</b>	<b>381,558</b>	<b>-</b>	<b>4,359,150</b>	<b>4,740,708</b>
<b>Fund balances:</b>				
<b>Unreserved:</b>				
<b>Undesignated, reported in:</b>				
General fund	21,145,148	-	-	21,145,148
Special revenue fund	-	-	2,327,821	2,327,821
Capital project funds	-	14,363,161	(3,186,201)	11,176,960
Debt service funds	-	-	42,821	42,821
<b>Total fund balances</b>	<b>21,145,148</b>	<b>14,363,161</b>	<b>(815,559)</b>	<b>34,692,750</b>
<b>Total liabilities and fund balances</b>	<b>\$ 21,526,706</b>	<b>\$ 14,363,161</b>	<b>\$ 3,543,591</b>	<b>\$ 39,433,458</b>

See accompanying notes to financial statements.

**STATE OF NEW MEXICO  
CITY OF ARTESIA**

**RECONCILIATION OF THE BALANCE SHEET TO THE  
STATEMENT OF NET ASSETS  
JUNE 30, 2010**

---

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

Fund balances - total governmental funds	\$ 34,692,750
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	48,216,150
Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds:	
Property taxes	143,063
Long-term obligations applicable to the City's governmental activities are not due and payable in the current period and accordingly are not reported as fund liabilities. Interest on long-term debt is not accrued in governmental funds, but rather is recognized as an expenditure when due. All liabilities are reported in the statement of net assets.	<u>(19,915,799)</u>
Net assets - Statement of Net Assets	<u>\$ 63,136,164</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
CITY OF ARTESIA

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCES - GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2010

	General Fund	Public Safety Complex Capital Project Fund	Total Nonmajor Funds	Total
Revenues:				
Local effort taxes	\$ 9,286,371	\$ -	\$ 264,456	\$ 9,550,827
State shared taxes	6,886,733	-	1,700,748	8,587,481
Licenses and permits	70,185	-	-	70,185
Intergovernmental	442,959	-	3,258,802	3,701,761
Charges for services	720,568	-	234,701	955,269
Bond proceeds	-	20,000,000	-	20,000,000
Interest income	70,031	77,967	2,121	150,119
Fines and forfeitures	272,659	-	-	272,659
Other	88,203	-	-	88,203
Total revenues	<u>17,837,709</u>	<u>20,077,967</u>	<u>5,460,828</u>	<u>43,376,504</u>
Expenditures:				
Current:				
General government	2,767,459	-	180,671	2,948,130
Public safety	7,669,313	-	122,786	7,792,099
Public works	3,154,959	-	-	3,154,959
Culture and recreation	1,283,622	-	417,721	1,701,343
Bond principal	-	-	390,000	390,000
Bond interest	-	-	539,628	539,628
Bond fees charged	-	-	94,696	94,696
Capital outlay	<u>2,125,875</u>	<u>5,714,806</u>	<u>8,411,930</u>	<u>16,252,611</u>
Total expenditures	<u>17,001,228</u>	<u>5,714,806</u>	<u>10,157,432</u>	<u>32,873,466</u>
Excess of revenues over expenditures	836,481	14,363,161	(4,696,604)	10,503,038
Other financing sources (uses):				
Operating transfers in	130,000	-	3,114,967	3,244,967
Operating transfers out	<u>(2,523,484)</u>	<u>-</u>	<u>(1,076,033)</u>	<u>(3,599,517)</u>
Total other financing sources (uses)	<u>(2,393,484)</u>	<u>-</u>	<u>2,038,934</u>	<u>(354,550)</u>
Net changes in fund balances	(1,557,003)	14,363,161	(2,657,670)	10,148,488
Fund balance - beginning of year	<u>22,702,151</u>	<u>-</u>	<u>1,842,111</u>	<u>24,544,262</u>
Fund balance - end of year	<u>\$ 21,145,148</u>	<u>\$ 14,363,161</u>	<u>\$ (815,559)</u>	<u>\$ 34,692,750</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
CITY OF ARTESIA

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND  
CHANGES IN THE FUND BALANCES OF GOVERNMENTAL FUNDS TO THE  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2010

---

Net change in fund balances - total governmental funds	\$ 10,148,488
The changes in net assets reported for governmental activities in the statement of activities are different because:	
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. This is the amount by which capital outlays of \$16,252,612 exceeded depreciation expense of \$1,604,941 in the current period.	14,647,671
Construction in progress amount that was included in capital outlay which was reclassified to public works since it was related to road maintenance.	4,270,778
Disposition of capital assets	(37,550)
The issuance of long-term debt (e.g., bonds) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. This amount is the net effect of these differences in the treatment of long-term debt and related items.	(19,610,000)
Property taxes collected during the fiscal year, made available to pay for the current period's expenditures, reported as deferred revenue in the funds in the previous fiscal year of \$154,702, net of the current year amount of \$11,329.	(143,373)
Under the modified accrual basis of accounting used in the governmental funds, expenditures are not recognized for transactions that are not normally paid with expendable available financial resources. In the statement of activities, however, which is presented on the accrual basis, expenses and liabilities are reported regardless of when financial resources are available. This is the increase in the amount of compensated absences liability from the prior year of \$284,231, net of the current year amount of \$305,799.	(21,568)
Change in net assets of governmental activities	<u>\$ 9,254,446</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
CITY OF ARTESIA

GENERAL FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget- Positive (Negative)
Revenues:				
Local effort taxes	\$ 10,174,415	\$ 9,454,415	\$ 9,290,069	\$ (164,346)
State shared taxes	7,736,000	7,124,000	6,993,992	(130,008)
Licenses and permits	118,500	69,500	70,185	685
Intergovernmental	448,161	625,865	442,959	(182,906)
Charges for services	408,378	408,378	264,288	(144,090)
Fines and forfeitures	163,750	123,750	226,527	102,777
Miscellaneous	378,000	193,000	155,999	(37,001)
Total revenues	<u>19,427,204</u>	<u>17,998,908</u>	<u>17,444,019</u>	<u>(554,889)</u>
Expenditures:				
General government	3,626,320	3,666,152	2,797,743	868,409
Public safety	7,740,727	7,972,919	7,635,215	337,704
Public works	5,619,317	4,960,807	3,140,598	1,820,209
Culture and recreation	1,351,604	1,381,750	1,285,891	95,859
Capital outlay	7,180,022	6,611,566	2,206,739	4,404,827
Total expenditures	<u>25,517,990</u>	<u>24,593,194</u>	<u>17,066,186</u>	<u>7,527,008</u>
Excess (deficiency) of revenues over expenditures	<u>(6,090,786)</u>	<u>(6,594,286)</u>	<u>377,833</u>	<u>6,972,119</u>
Other financing sources (uses):				
Operating transfers in (out), net	1,404,747	2,415,282	(2,393,484)	(4,808,766)
Designated cash	4,686,039	4,179,004	-	(4,179,004)
Total other financing sources (uses)	<u>6,090,786</u>	<u>6,594,286</u>	<u>(2,393,484)</u>	<u>(8,987,770)</u>
Net changes in fund balances	-	-	(2,015,651)	(2,015,651)
Fund balance - beginning of year	-	-	19,862,861	(19,862,861)
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,847,210</u>	<u>\$ (21,878,512)</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ (2,015,651)	
Net revenue accruals			393,689	
Net expenditure accruals			64,959	
Net changes in fund balance GAAP basis			<u>\$ (1,557,003)</u>	

See accompanying notes to financial statements.



**PROPRIETARY FUNDS FINANCIAL STATEMENTS**

STATE OF NEW MEXICO  
CITY OF ARTESIA

BALANCE SHEET - PROPRIETARY FUNDS  
JUNE 30, 2010

	Water Fund	Solid Waste Fund	Wastewater Fund	Wastewater Improvement Fund	Airport Fund	Nonmajor Cemetery Fund	Total
<b>ASSETS:</b>							
Current Assets:							
Cash	\$ 1,193,220	\$ 607,868	\$ 214,225	\$ 4,252,042	\$ 89,719	\$ 32,915	\$ 6,389,989
Investments	-	700,500	541,380	5,652,467	-	200,000	7,094,347
Receivables:							
Accounts	897,301	828,737	249,260	-	150,938	-	2,126,236
Taxes	-	56,142	-	-	-	-	56,142
Interest	390	804	200	3	-	74	1,471
Inventory	-	-	-	-	23,934	-	23,934
Restricted cash	-	112,936	-	-	-	-	112,936
Restricted investments	20,000	199,525	-	-	-	-	219,525
Total current assets	2,110,911	2,506,512	1,005,065	9,904,512	264,591	232,989	16,024,580
Non-Current Assets							
Capital assets, net of accumulated depreciation	12,778,444	1,620,516	8,209,596	2,943,780	1,640,889	100,638	27,293,863
Total assets	<u>\$ 14,889,355</u>	<u>\$ 4,127,028</u>	<u>\$ 9,214,661</u>	<u>\$ 12,848,292</u>	<u>\$ 1,905,480</u>	<u>\$ 333,627</u>	<u>\$ 43,318,443</u>
<b>LIABILITIES:</b>							
Current Liabilities:							
Accounts payable	\$ 26,087	\$ 20,546	\$ 12,010	\$ -	\$ 1,023	\$ 2,229	\$ 61,895
Interest payable	-	-	-	20,877	-	-	20,877
Accrued liabilities	2,316	-	-	-	-	-	2,316
Current maturities of:							
Bonds payable	10,000	-	-	490,000	-	-	500,000
Compensated absences	18,161	18,198	20,329	-	3,724	-	60,412
Total current liabilities	56,564	38,744	32,339	510,877	4,747	2,229	645,500
Non-Current Liabilities:							
Bonds payable	63,000	-	-	12,210,000	-	-	12,273,000
Bond premium payable	-	-	-	39,816	-	-	39,816
Landfill closure and post- closure	-	46,250	-	-	-	-	46,250
Total non-current liabilities	63,000	46,250	-	12,249,816	-	-	12,359,066
Total liabilities	119,564	84,994	32,339	12,760,693	4,747	2,229	13,004,566
Net Assets:							
Invested in capital assets, net of related debt	12,778,444	1,620,516	8,209,596	2,943,780	1,640,889	100,638	27,293,863
Unrestricted	1,991,347	2,421,518	972,726	(2,856,182)	259,844	230,760	3,020,013
Total net assets	14,769,791	4,042,034	9,182,322	87,598	1,900,733	331,398	30,313,876
Total liabilities and net assets	<u>\$ 14,889,355</u>	<u>\$ 4,127,028</u>	<u>\$ 9,214,661</u>	<u>\$ 12,848,291</u>	<u>\$ 1,905,480</u>	<u>\$ 333,627</u>	<u>\$ 43,318,442</u>

See accompanying notes to financial statements.

**STATE OF NEW MEXICO  
CITY OF ARTESIA**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS -  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2010**

	Water Fund	Solid Waste Fund	Wastewater Fund	Wastewater Improvement Fund	Airport Fund	Nonmajor Cemetary Fund	Total
Operating Revenues:							
Changes for services	\$ 4,678,678	\$ 1,957,384	\$ 1,076,905	\$ -	\$ 626,486	\$ 54,240	\$ 8,393,693
Operating Expenses:							
Personnel services	794,688	600,788	440,965	-	195,419	-	2,031,860
General operating	847,201	680,812	420,826	-	485,882	39,876	2,474,597
Depreciation	299,136	210,424	517,656	-	53,821	37,138	1,118,175
Total operating expenses	1,941,025	1,492,024	1,379,447	-	735,122	77,014	5,624,632
Operating income (loss)	2,737,653	465,360	(302,542)	-	(108,636)	(22,774)	2,769,061
Non-Operating Revenues (Expenses):							
State shared taxes	-	420,417	-	-	-	-	420,417
Interest income	1,996	1,674	1,007	12,231	-	404	17,312
Intergovernmental	-	30,900	-	-	326,100	-	357,000
Bond premium amortization	-	-	-	1,021	-	-	1,021
Bond fee charged	-	-	-	(75,371)	-	-	(75,371)
Interest expense	(4,150)	-	-	(195,057)	-	-	(199,207)
Disposal of assets	(12)	(48)	-	-	-	(44)	(104)
Total non-operating revenues (expenses)	(2,166)	452,943	1,007	(257,176)	326,100	360	521,068
Income (loss) before transfers	2,735,487	918,303	(301,535)	(257,176)	217,464	(22,414)	3,290,129
Transfers:							
Transfers in	10,000	970	2,560	334,550	150,000	-	498,080
Transfers (out)	(10,000)	(130,970)	(2,560)	-	-	-	(143,530)
Total transfers	-	(130,000)	-	334,550	150,000	-	354,550
Change in net assets	2,735,487	788,303	(301,535)	77,374	367,464	(22,414)	3,644,679
Net assets - beginning of year	9,189,110	3,250,705	9,483,857	10,225	1,488,897	353,812	23,776,606
Prior period restatement	2,845,194	3,026	-	-	44,372	-	2,892,592
Net assets - beginning of year restated	12,034,304	3,253,731	9,483,857	10,225	1,533,269	353,812	26,669,198
Net assets - end of year	\$ 14,769,791	\$ 4,042,034	\$ 9,182,322	\$ 87,599	\$ 1,900,733	\$ 331,398	\$ 30,313,877

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
CITY OF ARTESIA

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2010

	Water Fund	Solid Waste Fund	Wastewater Fund	Wastewater Improvement Fund	Airport Fund	Nonmajor Cemetery Fund	Total
<b>Cash Flows From Operating Activities</b>							
Cash received from customers	\$ 4,337,315	\$ 1,357,042	\$ 967,047	\$ -	\$ 479,068	\$ 54,240	\$ 7,194,712
Cash payments to suppliers for goods and services	(1,372,458)	(690,598)	(434,675)	(75,371)	(556,212)	(38,222)	(3,167,536)
Cash payments to employees for services	(798,876)	(606,929)	(442,835)	-	(195,754)	-	(2,044,394)
Net cash provided by (used in) operating activities	2,165,981	59,515	89,537	(75,371)	(272,898)	16,018	1,982,782
<b>Cash Flows From Non-Capital and Related Financing Activities</b>							
Cash received from state shared taxes	-	420,417	-	-	-	-	420,417
Cash received from intergovernmental sources	-	30,900	-	-	326,100	-	357,000
Net transfers in (out)	-	(130,000)	-	334,551	150,000	-	354,551
Net cash provided by non-capital and related financing activities	-	321,317	-	334,551	476,100	-	1,131,968
<b>Cash Flows From Capital and Related Financing Activities</b>							
Acquisition of capital assets	(1,634,781)	(184,687)	(19,999)	(2,943,780)	(303,072)	88	(5,086,231)
Proceeds from sale of capital assets	-	(96)	-	-	-	(88)	(184)
Principal payments on capital debt	(10,000)	-	-	12,700,000	-	-	12,690,000
Interest payments on capital debt	(4,150)	-	-	(174,180)	-	-	(178,330)
Amortization of bond premium on capital debt	-	-	-	40,837	-	-	40,837
Net cash used in non-capital and related financing activities	(1,648,931)	(184,783)	(19,999)	9,622,877	(303,072)	-	7,466,092
<b>Cash Flows From Investing Activities</b>							
Interest income	1,903	1,541	926	12,230	-	374	16,974
Return of principal	617,000	-	-	-	-	-	617,000
Investment contribution	-	-	-	(5,643,967)	-	(1,000)	(5,644,967)
Net cash provided by (used in) investing activities	618,903	1,541	926	(5,631,737)	-	(626)	(5,010,993)
Net increase (decrease) in cash	1,135,953	197,590	70,464	4,250,320	(99,870)	15,392	5,569,849
Cash and cash equivalents, beginning of year	57,267	523,214	143,761	1,722	189,589	17,523	933,076
Cash and cash equivalents, end of year	\$ 1,193,220	\$ 720,804	\$ 214,225	\$ 4,252,042	\$ 89,719	\$ 32,915	\$ 6,502,925
Displayed as:							
Cash	\$ 1,193,220	\$ 607,868	\$ 214,225	\$ 4,252,042	\$ 89,719	\$ 32,915	\$ 6,389,989
Restricted cash	-	112,936	-	-	-	-	112,936
	\$ 1,193,220	\$ 720,804	\$ 214,225	\$ 4,252,042	\$ 89,719	\$ 32,915	\$ 6,502,925

(Continued)

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
CITY OF ARTESIA

STATEMENT OF CASH FLOWS - PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2010

	Water Fund	Solid Waste Fund	Wastewater Fund	Wastewater Improvement Fund	Airport Fund	Nonmajor Cemetary Fund	Total
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:							
Operating income (loss)	\$ 2,737,653	\$ 465,360	\$ (302,542)	\$ -	\$ (108,636)	\$ (22,774)	\$ 2,769,061
Adjustment to reconcile operating income to net cash provided by operating activities:							
Depreciation	299,136	210,424	517,656	-	53,821	37,139	1,118,176
Miscellaneous expense	(12)	-	-	(75,371)	-	-	(75,383)
Bad debt expense	-	-	-	-	-	-	-
Landfill monitoring	-	(2,500)	-	-	-	-	(2,500)
Changes in assets and liabilities:							
Accounts receivable	(341,363)	(600,342)	(109,858)	-	(147,418)	-	(1,198,981)
Inventory	-	-	-	-	(2,862)	-	(2,862)
Accounts payable and accrued liabilities	(525,257)	(7,286)	(13,849)	-	(67,468)	1,653	(612,207)
Compensated absences	(4,176)	(6,141)	(1,870)	-	(335)	-	(12,522)
Net cash provided by (used in) operating activities	<u>\$ 2,165,981</u>	<u>\$ 59,515</u>	<u>\$ 89,537</u>	<u>\$ (75,371)</u>	<u>\$ (272,898)</u>	<u>\$ 16,018</u>	<u>\$ 1,982,782</u>

(Concluded)

See accompanying notes to financial statements.

**FIDUCIARY FUNDS FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO  
CITY OF ARTESIA**

**STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES - AGENCY FUND  
JUNE 30, 2010**

---

**ASSETS**

Cash	\$ 416,762
Investments	1,539,673
Interest receivable	<u>286</u>
Total assets	<u>\$ 1,956,721</u>

**LIABILITIES**

Held for others	<u>\$ 1,956,721</u>
Total liabilities	<u>\$ 1,956,721</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
CITY OF ARTESIA

NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2010

---

**I. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

The City of Artesia (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, planning and zoning, and general administrative services.

The City's financial statements are prepared in accordance with generally accepted accounting principles ("GAAP"). The Governmental Accounting Standards Board ("GASB") is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board ("FASB") issued through November 30, 1989, when applicable, that do not conflict with or contradict GASB pronouncements. Although the City has the option to apply FASB pronouncements issued after that date to its business-type funds, the City has chosen not to do so. The more significant accounting policies established in GAAP and used by the City are discussed below.

**A. Reporting Entity**

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 14 and 39. 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.

Based upon the application of these criteria, the financial statements of the City of Artesia Public Housing Authority (the "Housing Authority") have been included in the City's financial statements as a discretely presented component unit.



The Housing Authority is reported as a proprietary fund type. The City appoints the Housing Authority's board of commissioners, and is able to impose its will on the Housing Authority.

Separately issued financial statements may be obtained directly from their administrative office as follows: Executive Director, Artesia Housing Authority, 617 West Bush Avenue, Artesia, New Mexico 88211.

There are no other other component units during the year ended June 30, 2010.

**B. Basis of Presentation**

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

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity and 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or activity and 3) grants and contributions that are restricted to meeting the capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported instead as general revenues. The net cost (by function of governmental-type activity) is normally covered by general revenues (property, sales, franchise taxes, intergovernmental revenues, interest income, etc.) The City does not allocate indirect costs.

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

The water, solid waste, wastewater funds, and airport 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 nonmajor funds are combined in a column in the fund financial statements. The nonmajor funds are detailed in the combining section of the statements.

The City's fiduciary funds (which have been refined narrowed in scope) are presented in the fund financial statements by type. Since by definition these assets are being held for the benefit of a third party (other local governments, individuals, pension participants, etc.) and cannot be used to address activities or obligations of the government, these funds are not incorporated into government-wide statements.

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

**C. Measurement Focus, Basis of Accounting**

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

***Governmental Fund Financial Statements***—The governmental fund level financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balances of financial resources) rather than upon net income. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be available when they are collectible within the current period. For this purpose, the City considers revenues to be available if they are collected within 60 days of the end of the current fiscal period.

Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is made.

Ad valorem, franchise, and sales tax revenues associated with the current fiscal period are recognized under the susceptible to accrual concept. Licenses and permits, charges for services, fines and forfeitures, contributions, and miscellaneous revenues are recorded as revenues when received in cash, as the resulting receivable is immaterial. Investment earnings are recorded as earned since they are measurable and available. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance. There are, however, essentially two types of these revenues.

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

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principle ongoing operations. The principle operating revenues of the City's water, sewer, and sanitary landfill funds are charges to customers for sales and services. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as non-operating revenues and expenses.

The reporting focus for fiduciary funds is on net assets and changes in net assets and are reported using the accounting principles similar to proprietary funds.

The City reports the following major governmental funds:

The General Fund is the City's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The public safety complex capital projects fund is to account for financial resources to be used for the construction of the public safety complex building.

The City reports the following major business-type funds:

The water fund accounts for the provisions of water services to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, billing and collection.

The solid waste fund accounts for the disposal of solid waste for the residents of the City.

The wastewater fund accounts for the provisions of sewer service to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including, administration, but not limited to, administration, operations, maintenance, financing and related debt service, billing and collection.

The wastewater improvement fund accounts for the municipal infrastructure gross receipts tax dedicated to wastewater facilities enhancement and to account for the bond proceeds and construction activity related to the wastewater treatment plant project.

The airport fund accounts for the operation of the City airport. Financing is provided in part by hangar rental and transfers from the general fund.

Additionally, the City reports the following fund types:

The City reports three combined agency funds; the court fund to account for DWI testing, receipts and disbursements; the meter fund to account for water security deposits held by the City, and the Hellwig fund to account for funds provided by a private donor to finance the purchase of medical equipment for the community hospital.

The City maintains twenty one other individual governmental funds that are considered nonmajor funds; eighteen are classified as special revenue funds, two are classified as capital project funds and one is classified as a debt service fund. The City maintains one other individual enterprise funds that is considered a nonmajor fund. A description for each nonmajor fund is as follows:

The municipal court fees fund accounts for the collection and expenditures of fees charged on citations for court appearances. The fund is authorized by Municipal Court Act 35-14-11, NMSA, 1978.

The emergency medical services fund accounts for the acquisition of emergency medical equipment financed through a grant from the state of New Mexico. The fund is authorized by Emergency Medical Fund Act, 24-10A-6, NMSA, 1978.

The fire protection fund accounts for operations and acquisition of assets for the Fire Department. This fund is financed through state grants. The fund is authorized by Fire Protection Act, 59A-53-1, NMSA, 1978.

The law enforcement fund accounts 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 fund is authorized by 29-13-3, NMSA, 1978.

The LF Kennedy library fund accounts for money provided by a private donor to finance the purchase of particular library books. The principal amount was required to be maintained intact until October 4, 1991. At that time, both principal and interest could be spent on library books. The fund is authorized by the City Council.

The lodgers' tax fund accounts for the operations of promotional activities of the City of Artesia. Financing is provided primarily by specific tax levy on area motels. The fund is authorized by 14-37-16, NMSA, 1969.

The lodgers' tax promotional fund accounts for the operations of promotional activities of the city of Artesia. Financing is provided primarily by transfer from the Lodger's Tax Fund. The fund is authorized by 14-37-16, NMSA, 1969.

The gasoline tax fund accounts for the receipts, disbursements and transfer of funds received from an additional one cent gasoline tax. These funds are used to finance capital projects. The fund is authorized by 7-1-6.27, NMSA, 1978 compliance, 1989 Supplement.

The recreation fund accounts for the operations and maintenance of City owned recreation facilities. Financing is provided by a cigarette tax levy to the extent that other revenues are not sufficient to provide such services. The fund is authorized by 7-12-15 and 16, NMSA 1978.

The CDBG project fund accounts for various developments funded by federal grants.

Authorized by federal government, Title I of the Housing and Community Development Act of 1974, as amended 10-4-95 and 9-30-96.

The Commission on Aging fund accounts for the operation and acquisition of assets for the senior citizens. It is financed through various grants. The fund is authorized by 13-1-59, NMSA, 1969.

The R.S.V.P fund records, maintains, and reports to the state of New Mexico hours performed by retired volunteers in the area. It is financed by a grant from the state of New Mexico. The fund is authorized by the City Council.

The federal forfeiture fund accounts for the receipts and disbursement of funds received from the sale of federally forfeited assets. These funds are used to supplement a fund for law enforcement. The fund is authorized by the federal government 21 U.S.C. Section 881 (E) (1) and 19 U.S.C Section 1616A.

The state and local forfeiture fund accounts for the receipts and disbursement of funds received from the sale of state and local forfeited assets. These funds are used to supplement a fund for law enforcement.

The industrial park fund provides for the lease of land and sale of water and sewer services to the lessee. The fund is authorized by the City Council.

The MGRT infrastructure accounts for the municipal gross receipts tax to be used for infrastructure improvements. The fund is authorized the City Council.

The MGRT economic development fund accounts for the municipal infrastructure gross receipts tax to be used for economic development plans and projects. This fund was established by City ordinance no. 645.

The economic stimulus fund accounts for the American Recovery and Reinvestment funds to be used for general development projects. This fund is authorized by City Council.

The capital improvement fund was established to record revenues and expenditures for severance tax and state funds received for projects approved by the legislature.

The CDBG rehab fund was established to record receipts from Urban Renewal in the early 1980's. The money was used to make low interest rate loans and grants for housing rehab. Funds collected from repayment of loans are used for CDBG-type projects.

The public safety complex bond debt service fund was established to account for the accumulation of resources and the payment of general long-term liability principal and interest related to the bond issuance for the public safety complex project.

The cemetery fund accounts for the operation and maintenance of the City cemetery. Financing is provided through lot sales and fees for services. The fund is authorized by 14-41-1, NMSA, 1978.

#### **D. Budgets**

Budgets for all funds are prepared by management and approved by the City Council and the New Mexico Department of Finance and Administration. The Clerk-Treasurer is responsible

for preparing the budget from requests submitted by department heads. The appropriated budget is prepared by line item within object class, program, department and fund; revenues expected to be available are estimated to provide for balanced budgeting. The comprehensive budget package is brought before the City Council for approval by resolution. The proposed budget is then submitted by June 1st to the New Mexico Department of Finance and Administration Local Government Division (DFA) for approval.

DFA certifies a pending budget by July 1st with final certification of the budget by the first Monday of September. The expenditure section of the budget, once adopted, is legally binding. Based on the final certified budget submitted, DFA certifies the allowable tax rates for property taxes in September.

These budgets are prepared on the non-GAAP cash basis. Carryover funds are reappropriated in the budget of the subsequent fiscal years.

The budget process in the state of New Mexico requires that the beginning cash balance be utilized to fund deficit budgets appropriated in the budget of the subsequent fiscal year. Such appropriated balance is presented as a reserved portion of fund balance. Actual expenditures may not exceed the budget on a fund basis. Budgets may be amended in two ways. If a budget transfer is necessary within a fund, this may be accomplished with only local Council approval. If a transfer between "funds" or a budget increase is required, approval must be obtained from the Department of Finance and Administration. The budgetary information presented in these financial statements has been amended in accordance with the above procedures.

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

A. Designated cash appropriations in excess of available balances:

MGRT Infrastructure	\$	544,677
Economic Stimulus		17,684

B. Excess of actual fund expenditures over budget:

State and Local Forfeitures Special Revenue                      \$                      165

**E. Assets, Liabilities and Net Assets or Equity**

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

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

***Receivables and Payables***—Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as interfund balance. Long term advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

***Inventory***—Proprietary fund inventories are recorded at the lower of cost or market on a first-in, first-out basis, and consist of operating supplies held for use in operations and are recorded as an expense when consumed rather than when purchased.

***Restricted Assets***—Certain long-term assets in the proprietary funds and the component unit are classified as restricted assets on the balance sheet because their use is limited to payments for debt service or other purposes such as "deposits held in trust for others."

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

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

asset or materially extend asset's lives are not capitalized.

During the 2005 regular New Mexico legislative session, the legislature enacted HB 1074 amending Section 12-6-10, NMSA 1978, and changing the capitalization threshold for movable chattel and equipment from costing more than \$1,000 to items costing more than \$5,000. The 2005 amendment became effective June 17, 2005. The City Council chose to amend its capitalization policy from \$1,000 to \$5,000 effective July 1, 2006. All assets capitalized prior to July 1, 2006, which are property of the City, remain on the financial and accounting records of the City.

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

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

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

<b>Assets</b>	<b>Years</b>
Buildings	40
Utility system	25
Public domain infrastructure	40
Machinery and equipment, including vehicles	5

**Compensated Absences**—City employees are entitled to certain compensated absences based on their employment classification and length of employment.

**Vacation Pay**—Full-time, permanent employees are granted vacation benefits in varying amounts to specified maximums depending on tenure with the City. Accumulated unused vacation may not be carried from one year to year. Effective January 1st of each year, the employees' annual leave balance from the previous year shall be forfeited. In situations involving unforeseen circumstances, the mayor, upon recommendation of an employee's supervisor, may approve annual leave to be carried over from one year to the next. Upon approval, such annual leave may not exceed forty (40) hours and must be used by March 31 or forfeited. Accumulated unused vacation is payable upon retirement or termination from employment. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability is reported in the governmental funds only if they have matured.

**Sick Leave**—With minor exceptions, the City allows 40-hour employees to accumulate unused sick leave to a maximum of 960 hours. Fire Department employees may accumulate 1,440 hours of sick leave. Hours accumulated above these thresholds are forfeited. Accumulated unused sick leave is not paid upon termination from employment or retirement. Sick leave is only paid upon illness while in the employment of the City. Accordingly, no provision for accumulated sick leave has been accrued in the accompanying financial statements.

**Accrued Liabilities**—Accrued liabilities are comprised of insurance contingencies through June 30, 2010, along with the applicable PERA and Retiree Health Care.



**Deferred Revenues**—Within the government-wide financial statements, deferred revenues represent unearned revenues advanced to the City. Such advances are reported as deferred revenue until the earnings process is complete. Deferred revenues may include grant awards reflected as receivable but not recognized as revenues since all criteria have not been met.

Within the governmental funds, revenues must be available in order to be recognized. Revenues such as real estate taxes that are not available are recorded as deferred revenues and reflected as a liability with the balance sheet.

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

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

**Net Assets**—The government-wide financial statements utilize a net assets presentation. Net assets are categorized as follows:

**Investment in capital assets, net of related debt**—This category reflects the portion of net assets that are associated with capital assets less outstanding capital asset related debt.

**Restricted net assets**—This category reflects the portion of net assets that have third party limitations on their use.

**Unrestricted net assets**—This category reflects net assets of the City, not restricted for any project or other purpose.

**Fund Equity**—In the fund financial statements, governmental funds report reservations of fund balance that are not available for appropriation or are legally restricted. Designations represent tentative managerial plans that are subject to change. Fund equity was reserved or designated for:

**Reserved, designated for subsequent year's expenditures**—Represents the amounts, other than carryover expenditures, which are required to be designated for subsequent year's expenditures.

**Unreserved, undesignated**—Amounts that have not been reserved or designated for any purpose. These funds are available for unrestricted use by the City.

**Bond Discounts/Issuance Costs**—In governmental fund types, bond discounts and issuance costs are recognized in the current period. Bond discounts are presented as a reduction of the face amount of bonds proceeds whereas issuance costs are recorded as expenditures.

*Use of Estimates*—The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

*Subsequent Events*—Management has evaluated events through March 16, 2011, the date the financial statements were available to be issued.

**2. CASH AND INVESTMENTS**

Cash

New Mexico State Statutes provide authoritative guidance regarding the deposit of cash and idle cash.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more bank 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 of America or by collateral deposited as security or by bond given by the financial institution. The rate of interest 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.

Idle cash may be invested in a wide variety of instruments, including money market accounts, certificates of deposit, the New Mexico State Treasurer's investment pool, or 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.

Cash Deposited With Financial Institutions

The City maintains cash in three financial institutions within Artesia, New Mexico. The City's deposits are carried at cost.

As of June 30, 2010, the amount of cash reported on the financial statements differs from the amount on deposit with the various institutions because of transactions in transit and outstanding checks. The locations and amounts deposited are as follows:

	Per Institution	Reconciling Items	Per Financial Statements
Cash on hand	\$ -	\$ 600	\$ 600
1st American Bank	5,349,693	(1,293,543)	4,056,150
Western Bank	323,275	-	323,275
Wells Fargo	704,714	-	704,714

Fidelity Institutional Money Market through First American Bank Trust Dept	11,085,185	-	11,085,185
Total cash deposits	<u>\$ 17,462,867</u>	<u>\$ (1,292,943)</u>	<u>\$ 16,169,924</u>

The amounts reported as cash for the primary government within the financial statement is displayed as:

Statement of Net Assets:	
Cash	\$ 16,692,461
Restricted cash	112,936
Statement of fiduciary net assets	416,762
Less, bank overdrafts	<u>(1,052,235)</u>
Total cash reported on financial statements	<u>\$ 16,169,924</u>

Except for items in transit, the carrying value of deposits by the respective depositories equated to the carrying value by the City.

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

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

	1st American Bank	1st American Bank Trust Dept	Western Bank	Wells Fargo Bank
Cash accounts	\$ 5,349,693	\$ 11,085,185	\$ 323,275	\$ 704,714
Certificates of deposit	21,000	13,172,248	1,000	-
Total deposits	<u>5,370,693</u>	<u>24,257,433</u>	<u>324,275</u>	<u>704,714</u>
FDIC coverage	<u>(250,000)</u>	<u>(17,250,000)</u>	<u>(250,000)</u>	<u>(250,000)</u>
Total uninsured public funds	<u>\$ 5,120,693</u>	<u>\$ 7,007,433</u>	<u>\$ 74,275</u>	<u>\$ 454,714</u>
Pledged securities	\$ 2,782,392	\$ -	\$ 431,157	\$ 227,629
Collateral requirement (50% of uninsured public funds)	<u>2,560,347</u>	<u>3,503,717</u>	<u>37,138</u>	<u>227,357</u>
Over (under) collateralization	<u>\$ 222,045</u>	<u>\$ (3,503,717)</u>	<u>\$ 394,019</u>	<u>\$ 272</u>

A detailed listing of the pledged collateral is contained in the supplemental financial information section of this report. According to the Federal Deposit Insurance Corporation, public unit deposits are owned by the public unit. Time deposits, savings deposits and interest bearing money market accounts at a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution.

**Custodial Credit Risk-Deposits**—Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk. As of June 30, 2010, \$12,657,115 of the City's bank balance of \$30,657,115 was exposed to custodial credit risk as follows:

	<b>1st American Bank</b>	<b>1st American BankTrust Dept</b>	<b>Western Bank</b>	<b>Wells Fargo Bank</b>	<b>Total</b>
Uninsured and collateral held by pledging banks' trust dept. or agent not in the City's name	\$ 5,120,693	\$ 7,007,433	\$ 74,275	\$ 454,714	\$ 12,657,115

Investments

Investments at June 30, 2010 are as follows:

<b>Agency</b>	<b>Investment</b>	<b>Maturity</b>	<b>Fair Market Value</b>
City Investments:			
NM State Treasurer	Investment Pool	N/A	\$ 18,514,954
First American Bank	Certificate of Deposit	02/07/2012	21,000
Western Bank	Certificate of Deposit	06/09/2011	1,000
Artesia Credit Union	Certificate of Deposit	03/17/2011	250,000
First American Bank Trust Dept.	Certificate of Deposit	Various	5,643,967
First American Bank Trust Dept	Certificate of Deposit	Various	<u>7,528,281</u>
Total city investments			31,959,202
Fiduciary Investments:			
NM State Treasurer			516,450
Other investments			<u>1,023,223</u>
Total fiduciary investments			<u>1,539,673</u>
Total investments			<u>\$ 33,498,875</u>

The investment amounts reported for the primary government within the financial statements are displayed as follows:

Statement of net assets:	
Investments	\$ 31,739,677
Restricted investments	219,525
Statement of fiduciary net assets	
Investments	<u>1,539,673</u>
	<u>\$ 33,498,875</u>

#### Credit and Interest Rate Risk

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.

*New MexiGROW Local Government Investment Pool*—The New MexiGROW Local Government Investment Pool's (LGIP) investments are valued at fair value based on quoted market prices as of the valuation date. The LGIP is not SEC registered. The New Mexico State Treasurer is authorized to invest the short term investment funds, with the advice and consent of the State Board of Finance, in accordance with Sections 6-10-10-1 through 6-10-10 P and Sections 6-10-10.1 A and E, NMSA 1978. The pool does not have unit shares. Per Section 6-10-10.1F, NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the fund amounts were invested. The LGIP is rated AAAM by Standard and Poor's and has a weighted average maturity of 50 days at June 30, 2010. Participation in the LGIP is voluntary.

LGIP's remaining position in the Reserve Primary Fund was transferred to the Reserve Contingency Fund. Therefore, the balance in the LGIP Reserve Contingency Fund reflects the City's remaining pro rata share of the LGIP's investment in the Reserve Primary Fund. The Reserve Contingency Fund, which is not rated, is a non-performing asset, and as such, a WAM cannot be calculated. The New Mexico State Treasurer's Office has no information about timing nor amounts of potential future distributions. As a result, the State Treasurer's Office cannot anticipate what the actual loss to the LGIP from the Reserve Primary Fund may be or when the actual loss may be realized. No actual loss has been realized to date.

#### Investments - Fiduciary Net Assets

A citizen of the City bequeathed certain assets to be used for the benefit of the community hospital. The City holds the assets strictly as an agent. The assets are mainly composed of equity securities in both public and private corporations. The City is prohibited from selling or trading the securities. All income earned is designated for the purchase of medical equipment for the local hospital. The fair market value of the investments at year end is \$1,023,223.

**3. ACCOUNTS RECEIVABLE**

Accounts receivable as of June 30, 2010, are as follows:

	<b>Governmental Activities</b>	<b>Business Type Activities</b>
Accounts receivable:		
Charges for services	\$ 1,532,390	\$ 2,257,424
Allowance for doubtful accounts	<u>(682,473)</u>	<u>(131,188)</u>
	<u>\$ 849,917</u>	<u>\$ 2,126,236</u>
Taxes receivable:		
Property taxes	\$ 19,186	\$ -
Local effort sales tax	391,748	-
State shared tax	<u>2,533,854</u>	<u>56,142</u>
	<u>\$ 2,944,788</u>	<u>\$ 56,142</u>
Intergovernmental:		
Federal grants	\$ 23,695	\$ -
State grants	<u>650,993</u>	<u>-</u>
	<u>\$ 674,688</u>	<u>\$ -</u>

Governmental funds report deferred revenue in connection with receivables for revenues that are not considered to be available to liquidate liabilities of the current period. Governmental funds also defer revenue recognition in connection with resources that have been received but not yet earned. At the end of the current fiscal year deferred revenue which related to delinquent property taxes was \$11,329 at June 30, 2010.

**4. PROPERTY TAX**

Property taxes attached as an enforceable lien on property as of January 1st. Property tax rates for the year are set no later than September 1st each year by the New Mexico Secretary of Finance and Administration. The rates of tax are then used by the Eddy County Assessor to develop the property tax schedule by October 1st. The Eddy County Treasurer sends tax notices to property owners by November 1st of each year. Taxes are payable in equal semiannual installments by November 10th and April 10th of subsequent year. Thirty days later the bill becomes delinquent and the County Treasurer assesses penalties and interest. Taxes are collected on behalf of the City by the County Treasurer, and are remitted to the City in the month following collection. The County Treasurer is statutorily required to collect taxes as an intermediary agency for all forms of government. Distribution of taxes collected is made through the County Treasurer's office.

The City is permitted to levy taxes for general operating purposes up to an amount determined by a formula based upon each \$1,000 of taxable value for both residential and nonresidential property, taxable value being defined as one third of the fully assessed value. In addition, the City is allowed to levy taxes for payments of bonds principal and interest in amounts approved by voters of the City. The City's total tax rate to finance general government services for the year 2010, was \$2.225 per \$1,000 for non-residential and \$1.850 for residential property. In the year 2010, there was no tax rate established for payment of bonds principal and interest.

**5. INTERFUND RECEIVABLES, PAYABLE AND TRANSFERS**

Interfund balances represent short-term advances for funds that receive grants on a reimbursement basis. The composition of interfund transfers during the year ended June 30, 2010 is as follows:

Transfers In	Transfers Out	Amount
General Fund	Solid Waster Fund	\$ 130,000
Airport Fund	General Fund	150,000
Bond Fund	Infrastructure Fund	432,510
Bond Fund	General Fund	969,186
Infrastructure Fund	General Infrastructure Tax	1,391,349
Lodgers Tax Promotional	Lodgers Tax Fund	208,972
Recreation Fund	General Fund	12,949
		<u>3,294,966</u>
		<u>\$ 3,294,966</u>

The City recorded interfund receivables/payables to reflect a temporary loan between funds. These funds are expected to be paid back within a year:

Due To	Due From	Amount
General Fund	RSVP Program Fund	\$ 4,265
General Fund	Commission on Aging	5,384
		<u>9,649</u>
		<u>\$ 9,649</u>

## 6. CAPITAL ASSETS

A summary of capital assets and changes occurring during the year ended June 30, 2010 is as follows:

	Balance June 30, 2009	Additions	Retirements	Net Transfers	Balance June 30, 2010
Governmental Activities:					
Capital assets not being depreciated:					
Land	\$ 1,084,424	\$ 72,571	\$ -	\$ -	\$ 1,156,995
Construction in progress	<u>8,932,104</u>	<u>20,580,622</u>	<u>(11,870,678)</u>	<u>-</u>	<u>17,642,048</u>
Total capital assets not being depreciated	<u>10,016,528</u>	<u>20,653,193</u>	<u>(11,870,678)</u>	<u>-</u>	<u>18,799,043</u>
Capital assets being depreciated:					
Buildings	9,006,929	6,641	-	-	9,013,570
Improvements	5,112,158	-	(1,600)	-	5,110,558
Infrastructure	19,122,530	11,078,381	(2,075)	-	30,198,836
Equipment	<u>7,340,754</u>	<u>655,851</u>	<u>(238,707)</u>	<u>51,589</u>	<u>7,809,487</u>
Total capital assets being depreciated	<u>40,582,371</u>	<u>11,740,873</u>	<u>(242,382)</u>	<u>51,589</u>	<u>52,132,451</u>
Less accumulated depreciation for:					
Buildings	3,400,045	199,123	-	-	3,599,168
Improvements	1,237,108	165,159	(1,600)	-	1,400,667
Infrastructure	12,212,872	520,072	(1,424)	-	12,731,520
Equipment	<u>4,413,622</u>	<u>720,586</u>	<u>(201,808)</u>	<u>51,589</u>	<u>4,983,989</u>
Total accumulated depreciation	<u>21,263,647</u>	<u>1,604,940</u>	<u>(204,832)</u>	<u>51,589</u>	<u>22,715,344</u>
Total capital assets being depreciated, net	<u>19,318,724</u>	<u>10,135,933</u>	<u>(37,550)</u>	<u>-</u>	<u>29,417,107</u>
Governmental activities capital assets, net	<u>\$ 29,335,252</u>	<u>\$ 30,789,126</u>	<u>\$ (11,908,228)</u>	<u>\$ -</u>	<u>\$ 48,216,150</u>

Depreciation expense for the year ended June 30, 2010 was charged to the following functions and funds:

General government	\$ 184,705
Public safety	363,898
Public works	923,078
Culture and recreation	<u>133,259</u>
	<u>\$ 1,604,940</u>



	Balance June 30, 2009	Additions	Retirements	Net Transfers	Adjustments	Balance June 30, 2010
<b>Business Type Activities:</b>						
Capital assets not being depreciated:						
Land	\$ 165,622	\$ -	\$ -	\$ -	\$ -	\$ 165,622
Construction in progress	<u>1,657,543</u>	<u>6,938,248</u>	<u>(3,487,759)</u>	<u>-</u>	<u>-</u>	<u>5,108,032</u>
Total capital assets not being depreciated	<u>1,823,165</u>	<u>6,938,248</u>	<u>(3,487,759)</u>	<u>-</u>	<u>-</u>	<u>5,273,654</u>
Capital assets being depreciated:						
Buildings	542,530	-	-	-	-	542,530
Improvements	111,720	347,444	-	-	-	459,164
Utility system	28,910,463	3,932,612	(13,000)	-	-	32,830,075
Airport infrastructure	4,408,576	-	(2,686)	-	-	4,405,890
Equipment	<u>4,593,325</u>	<u>248,475</u>	<u>(15,478)</u>	<u>(51,589)</u>	<u>-</u>	<u>4,774,733</u>
Total capital assets being depreciated	<u>38,566,614</u>	<u>4,528,531</u>	<u>(31,164)</u>	<u>(51,589)</u>	<u>-</u>	<u>43,012,392</u>
Less accumulated depreciation for:						
Buildings	773,596	3,615	-	-	(320,080)	457,131
Improvements	58,390	2,800	-	-	-	61,190
Utility system	13,535,864	778,299	(13,000)	-	(77,154)	14,224,009
Airport infrastructure	3,216,582	35,234	(2,686)	-	-	3,249,130
Equipment	<u>2,372,224</u>	<u>372,548</u>	<u>(15,375)</u>	<u>(51,589)</u>	<u>322,915</u>	<u>3,000,723</u>
Total accumulated depreciation	<u>19,956,656</u>	<u>1,192,496</u>	<u>(31,061)</u>	<u>(51,589)</u>	<u>(74,319)</u>	<u>20,992,183</u>
Total capital assets being depreciated, net	<u>18,609,958</u>	<u>3,336,035</u>	<u>(103)</u>	<u>-</u>	<u>74,319</u>	<u>22,020,209</u>
Business-type activities capital assets, net	<u>\$20,433,123</u>	<u>\$10,274,283</u>	<u>\$(3,487,862)</u>	<u>\$ -</u>	<u>\$ 74,319</u>	<u>\$27,293,863</u>

## 7. LONG TERM OBLIGATIONS

Long term liability activity for the year ended June 30, 2010, was as follows:

	Balance June 30, 2009	Additions	Reductions	Balance June 30, 2010	Due Within One Year
Governmental Activities:					
NM Gross Receipts					
Tax Revenue Bond	\$ -	\$ 20,000,000	\$ (390,000)	\$ 19,610,000	\$ 790,000
Compensated absences	284,232	2,221,127	(2,199,560)	305,799	305,799
Total governmental activities	<u>\$ 284,232</u>	<u>\$ 22,221,127</u>	<u>\$ (2,589,560)</u>	<u>\$ 19,915,799</u>	<u>\$ 1,095,799</u>
Business Type Activities:					
Water and Wastewater System Revenue bond	-	12,925,837	(186,021)	12,739,816	490,000
Drought relief bond	83,000	-	(10,000)	73,000	10,000
Compensated absences	72,934	499,754	(512,276)	60,412	60,412
Landfill closure	48,750	-	(2,500)	46,250	-
Total business-type activities	<u>\$ 204,684</u>	<u>\$ 13,425,591</u>	<u>\$ (710,797)</u>	<u>\$ 12,919,478</u>	<u>\$ 560,412</u>

### New Mexico Gross Receipts Tax Revenue Bonds Series 2009

On September 14, 2009, the City entered into a bond agreement for the construction of a public safety complex. The bond maturity amount is \$20,000,000. The bonds will constitute a special limited obligation of the City, and shall be payable only from the revenues of the state-shared gross receipts tax distributed to the City pursuant to Section 7-1-6.4 NMSA 1978, as amended. Interest on the bond is due June 1, 2010, and thereafter each December 1 and June 1 until maturity. Interest rates for the bond began at 4.625% and vary until maturity up to 4.25%. The term of the bond is 20 years.

The loan debt service requirements to maturity are as follows:

Years ending June 30,	Interest Rate	Principal	Interest	Total
2011	3.750%	\$ 790,000	\$ 697,759	\$ 1,487,759
2012	3.375%	800,000	668,134	1,468,134
2013	3.375%	815,000	641,134	1,456,134
2014	3.250%	830,000	613,628	1,443,628
2015	3.000%	850,000	586,653	1,436,653
Thereafter	Various	<u>15,525,000</u>	<u>4,852,777</u>	<u>20,377,777</u>
		<u>\$ 19,610,000</u>	<u>\$ 8,060,085</u>	<u>\$ 27,670,085</u>

Water and Wastewater System Revenue Bonds Series 2010

On December 8, 2009, the City entered into a bond agreement for the improvement of the wastewater treatment plant. The bond maturity amount is \$12,885,00, but were sold at a premium of \$40,837, therefore the city received funds of \$12,925,837. The bonds will constitute a special limited obligation of the City, and shall be payable only from the net revenues of the City's water and wastewater system and the first \$1,000,000 received during each fiscal year from the City's sixth increment municipal local option gross receipts tax and distributed to the City by the Revenue Division of the New Mexico Taxation and Revenue Department, which tax is imposed pursuant to Section 7-19D-1 through Section 7-19D-12 NMSA 1978 and City Ordinance No. 772 adopted on September 11, 2007, at a rate of 0.25% on any person engaging in business in the City for the privilege of engaging in business in the City. Interest on the bond is due June 1, 2010, and thereafter each December 1 and June 1 until maturity. Interest rates for the bond began at 2.000% and vary until maturity up to 4.250%. The term of the bond is 20 years.

The loan debt service requirements to maturity are as follows:

<b>Years ending June 30,</b>	<b>Interest Rate</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2011	2.500%	\$ 490,000	\$ 474,962	\$ 964,962
2012	2.500%	500,000	462,712	962,712
2013	2.500%	510,000	450,212	960,212
2014	3.000%	525,000	437,462	962,462
2015	3.000%	540,000	421,712	961,712
Thereafter	Various	<u>10,174,816</u>	<u>3,375,737</u>	<u>13,550,553</u>
		<u>\$ 12,739,816</u>	<u>\$ 5,622,797</u>	<u>\$ 18,362,613</u>

Drought relief bond

Interest rate for the bond payable is 5%. The loan debt service requirements to maturity are as follows:

<b>Years ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total</b>
2011	\$ 11,000	\$ 3,650	\$ 14,650
2012	11,000	3,100	14,100
2013	12,000	2,550	14,550
2014	12,000	1,950	13,950
2015	13,000	1,350	14,350
2016-2017	<u>14,000</u>	<u>750</u>	<u>14,750</u>
	<u>\$ 73,000</u>	<u>\$ 13,350</u>	<u>\$ 86,350</u>

The total interest expense for the year ended June 30, 2010 included in direct expenses in the governmental-wide statement of activities was \$738,835.

### Compensated Absences

A liability for unused vacation for all full-time employees is calculated and reported in the government-wide statements. For financial reporting, the following criteria must be met to be considered as compensated absences:

- leave or compensation is attributable to services already rendered.
- leave or compensation is not contingent on a specific event (such as illness).

Per GASB Interpretation No. 6, liabilities for compensated absences are recognized in the fund statements to the extent the liabilities have matured (i.e., are due for payment). Compensated absences are accrued in the government-wide statements. The compensated absences liability attributable to the governmental activities will be liquidated primarily by the general fund.

### Landfill Closure and Post-Closure Costs

State and federal laws and regulations require that the City place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure of the landfill site. In addition to operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized based on the future closure and post-closure care costs that will be incurred near or after the date the landfill no longer accepts waste.

The recognition of these landfill closure and post-closure care costs is based on the amount of the landfill used during the year. The landfill was closed in 1998. The estimated liability for landfill closure and postclosure care costs is \$46,250 as of June 30, 2010, which is based on 100 percent usage (filled) of the landfill. The estimated total current cost of the landfill closure and postclosure care is based on the amount that would be paid if all equipment, facilities, and services required to monitor and maintain the landfill were acquired as of June 30, 2010. However, the actual cost of post-closure care may be higher due to inflation, changes in technology, or changes in state and federal landfill laws and regulations.

In addition, the City is required by the state of New Mexico Environmental Regulation Board to demonstrate financial assurance for the post-closure costs. The City is in compliance with these requirements, and at June 30, 2010, cash and investments of \$18,009 are part of the pooled funds held by the City Treasurer and are presented on the Solid Waste Fund statement of net assets as restricted assets.

## **8. RISK MANAGEMENT**

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

These funds are funded entirely by member contributions and are administered by the New Mexico Self-Insurer's Fund. The pools are authorized by joint powers agreements entered into by each participating entity as a separate and independent government and legal entity pursuant to the provisions of Section 11-1-1 et. Seq. NMSA 1978.

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

At June 30, 2010 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.

The City's contribution to the New Mexico Self-Insurer's Fund for the year ended June 30, 2010 was \$843,556.

## **9. PERA PENSION PLAN**

*Plan Description.* Substantially all of the City's full time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11 NMSA 1978). The Public Employee Retirement Association (PERA) is the administrator of the plan, which is a cost sharing, multiple employer defined benefit retirement plan. The plan provides for retirement, disability benefits, survivor benefits, and cost of living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to PERA, P. O. Box 2123, Santa Fe, New Mexico 87504-2123.

*Funding Policy.* Plan members are required to contribute 15.65% for municipal employees and 16.3% of gross salaries for law enforcement employees. The City is required to contribute 18.5% for law enforcement plan members and 11.65% for all other plan members. The contribution requirements of plan members and the City are established under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The City's contributions to PERA for the years ended June 30, 2010, 2009, and 2008 were \$429,395, \$399,517, and \$307,610, respectively, equal to the amount of the required contributions for the years, respectively.

For the year ended June 30, 2010, the City's total payroll was \$7,201,302 and the payroll for employees covered by the plan was \$3,111,283.

## **10. DEFERRED COMPENSATION**

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The Plan is administered by Diversified Investment Advisors. The assets and liabilities are held in trust by Diversified Investment Advisors.

The plan, available to all City employees who work at least 17 hours per week, permits them to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseen emergency.

All amounts of compensation deferred under the plan, all property and rights purchased with those amounts, and all income attributable to those amounts, property, or rights are (until paid or made available to the employee or other beneficiary) solely the property and rights of the City (without being restricted to the provisions of benefits under the plan), subject only to the claims of the City's general creditors. Participants' rights under the plan are equal to those of

the deferred account of each participant.

It is the opinion of the City's legal counsel that the City has no liability for losses under the plan but does have the duty of due care that would be required of an ordinary prudent investor. The City believes that it is unlikely that it will use the assets to satisfy the claims of general creditors in the future.

The City contributes an amount equal to 8% for all employees contributing 0%, 9% for all employees contributing 2.5% and 10% for all employees contributing 5% of the permanent, full-time employees gross salaries. The City's contributions to the plan for the years ended June 30, 2010, 2009 and 2008 were approximately \$241,886, \$220,613, and \$208,757, respectively.

As of January 1, 2002, the assets of the plan were placed in a trust to be held for the exclusive benefit of the participants and their beneficiaries. Since the City does not have custody or control of these assets, an agency fund is not required to be reported. The market value of these assets at June 30, 2010 is \$4,846,188.

#### **11. POST EMPLOYMENT BENEFITS**

The Retiree Health Care Act, Chapter IV, Article 7C, NMSA 1978 provides a comprehensive core group health insurance for persons who have retired from certain public service in New Mexico. The City has elected not to participate in the post employment health insurance plan.

#### **12. CONTINGENT LIABILITIES**

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

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

#### **13. ACCOUNTING STANDARDS**

In February 2009, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 54, Fund Balance Reporting and Governmental Fund Type Definitions which is effective for financial statements for periods beginning after June 15, 2010, with earlier application encouraged. The Statement establishes the fund balance classifications for governmental funds. The City is analyzing the effect that this statement will have on its financial statements, and currently believes it will have no significant effect on the financial statements for the upcoming year.

In March 2009, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 55, The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments, which is effective upon its issuance. The objective of this Statement is to incorporate the hierarchy of generally accepted accounting principles (GAAP) for state and local governments into the GASB authoritative literature. The City incorporated this statement

for the current fiscal year, and believes it had no significant effect on the financial statements for the year.

In March 2009, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 56, Codification of Accounting and Financial Reporting Guidance Contained in the AICPA Statements on Auditing Standards, which is effective upon its issuance. This Statement establishes accounting and financial reporting standards for related party transactions, subsequent events, and going concern considerations. The City incorporated this statement for the current fiscal year, and believes it had no significant effect on the financial statements for the year.

#### **14. DEFICIT FUND BALANCES**

The following funds had deficit fund balances at June 30, 2010:

Emergency Medical Services Fund	\$	414
Fire Protection Fund		2,322
Gasoline Tax Fund		44,504
Recreation Fund		2,263
Economic Stimulus Fund		17,684
Capital Improvement Fund		3,194,017

Deficit fund balances are a result of the current year expenses exceeding beginning of year fund balances plus current year revenues.

#### **15. FUND BALANCE AND NET ASSET RESTATEMENT**

Fund balance at June 30, 2009 has been adjusted to correct an error in the reporting of construction in progress activity of the water fund, solid waste fund and airport fund. The water fund correction was \$2,845,194, the solid waste fund correction was \$3,026 and the airport fund correction was \$44,372. The corrections to each respective fund was to correct items expensed in prior years which should have been capitalized as construction in progress.

**SUPPLEMENTARY INFORMATION**



STATE OF NEW MEXICO  
CITY OF ARTESIA

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2010

	Special Revenue Funds						
	Municipal Court Fees Fund	Emergency Medical Service Fund	Fire Protection Fund	Law Enforcement Fund	L F Kennedy Library Fund	Lodgers' Tax Fund	
<b>ASSETS</b>							
Cash	\$ 151,968	\$ -	\$ -	\$ -	\$ 4,709	\$ 81,575	
Investments	200,000	-	-	-	41,000	-	
Taxes receivable	21,026	-	-	-	-	24,820	
Intergovernmental receivable	-	-	-	-	-	-	
Accrued interest receivable	29	-	45	-	8	-	
<b>Total assets</b>	<b>\$ 373,023</b>	<b>\$ -</b>	<b>\$ 45</b>	<b>\$ -</b>	<b>\$ 45,717</b>	<b>\$ 106,395</b>	

**LIABILITIES AND FUND**

<b>BALANCES</b>							
Liabilities:							
Accounts payable	\$ 16,671	\$ 414	\$ 2,367	\$ -	\$ 49	\$ -	
Interest payable	-	-	-	-	-	-	
Accrued salaries	-	-	-	-	-	-	
Bank overdraft	-	-	-	-	-	-	
Deferred revenue	-	-	-	-	-	-	
Interfund balance	-	-	-	-	-	-	
<b>Total liabilities</b>	<b>16,671</b>	<b>414</b>	<b>2,367</b>	<b>-</b>	<b>49</b>	<b>-</b>	
<b>Fund balances:</b>							
Unreserved	356,352	(414)	(2,322)	-	45,668	106,395	
<b>Total liabilities and fund balances</b>	<b>\$ 373,023</b>	<b>\$ -</b>	<b>\$ 45</b>	<b>\$ -</b>	<b>\$ 45,717</b>	<b>\$ 106,395</b>	

Continued

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
CITY OF ARTESIA

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2010

	Special Revenue Funds							
	Lodgers' Tax Promotional Fund	Gasoline Tax Fund	Recreation Fund	CDBG Project Fund	Commission on Aging Fund	RSVP Program Fund	Federal Forfeitures Fund	
<b>ASSETS</b>								
Cash	\$ 13,414	\$ 9	\$ -	\$ 10	\$ 5,110	\$ -	\$ -	\$ 129
Investments	-	27,067	-	-	-	-	-	-
Taxes receivables	-	33,426	1,295	-	-	-	-	-
Intergovernmental receivable	-	-	-	-	7,268	-	-	20,242
Accrued interest receivable	-	64	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ 13,414</b>	<b>\$ 60,566</b>	<b>\$ 1,295</b>	<b>\$ 10</b>	<b>\$ 12,378</b>	<b>\$ 20,242</b>	<b>\$ -</b>	<b>\$ 129</b>
<b>LIABILITIES AND FUND BALANCES</b>								
Liabilities:								
Accounts payable	\$ -	\$ 105,070	\$ 3,558	\$ -	\$ 928	\$ -	\$ -	\$ -
Interest payable	-	-	-	-	-	-	-	-
Accrued salaries	-	-	-	-	-	-	-	-
Bank overdraft	-	-	-	-	-	-	-	5,955
Deferred revenues	-	-	-	-	3,592	-	-	-
Interfund balance	-	-	-	-	5,384	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>105,070</b>	<b>3,558</b>	<b>-</b>	<b>9,904</b>	<b>10,220</b>	<b>-</b>	<b>-</b>
Fund balances:								
Unreserved	13,414	(44,504)	(2,263)	10	2,474	10,022	-	129
<b>Total liabilities and fund balances</b>	<b>\$ 13,414</b>	<b>\$ 60,566</b>	<b>\$ 1,295</b>	<b>\$ 10</b>	<b>\$ 12,378</b>	<b>\$ 20,242</b>	<b>\$ -</b>	<b>\$ 129</b>

Continued

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
CITY OF ARTESIA

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2010

	Special Revenue Funds							Total Special Revenue Funds
	State and Local Forfeitures Fund	Industrial Park Fund	MGRT Infrastructure Fund	MGRT Economic Development Fund	Economic Stimulus Fund			
<b>ASSETS</b>								
Cash	\$ 10,030	\$ 133,017	\$ 231,820	\$ 49	\$ -	\$ -	\$ 631,840	
Investments	-	206,000	602,550	767,813	-	-	1,844,430	
Taxes receivables	-	-	168,143	56,128	-	-	304,838	
Intergovernmental receivable	-	-	-	-	-	-	27,510	
Accrued interest receivable	-	76	33	157	-	-	412	
<b>Total assets</b>	<b>\$ 10,030</b>	<b>\$ 339,093</b>	<b>\$ 1,002,546</b>	<b>\$ 824,147</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,809,030</b>	

**LIABILITIES AND FUND**

<b>BALANCES</b>								
Liabilities:								
Accounts payable	\$ -	\$ -	\$ 315,272	\$ -	\$ -	\$ -	\$ 444,329	
Interest payable	-	-	-	-	-	-	-	
Bank overdraft	-	-	-	-	-	17,684	23,639	
Deferred revenue	-	-	-	-	-	-	3,592	
Interfund balance	-	-	-	-	-	-	9,649	
<b>Total liabilities</b>	<b>-</b>	<b>-</b>	<b>315,272</b>	<b>-</b>	<b>17,684</b>	<b>-</b>	<b>481,209</b>	
Fund balances:								
Unreserved	10,030	339,093	687,274	824,147	(17,684)		2,327,821	
<b>Total liabilities and fund balances</b>	<b>\$ 10,030</b>	<b>\$ 339,093</b>	<b>\$ 1,002,546</b>	<b>\$ 824,147</b>	<b>\$ -</b>	<b>\$ -</b>	<b>\$ 2,809,030</b>	

Continued

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
CITY OF ARTESIA

COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
JUNE 30, 2010

	Capital Project Funds			Debt Service Fund		Total Non-Major Funds
	Capital Improvement Fund	CDBG Rehab Fund	Total Capital Project Funds	Public Safety Complex Bond Debt Service Fund		
ASSETS						
Cash	\$ -	\$ -	7,816 \$	103,262 \$		742,918
Investment	-	-	-	-		1,844,430
Taxes receivable	-	-	-	-		304,838
Intergovernmental receivable	623,483	-	623,483	-		650,993
Accrued interest receivable	-	-	-	-		412
Total assets	\$ 623,483	\$ 7,816	\$ 631,299	\$ 103,262	\$	\$ 3,543,591
LIABILITIES AND FUND BALANCES						
Liabilities:						
Accounts payable	\$ 2,660,762	\$ -	\$ 2,660,762	\$ -	\$	\$ 3,105,091
Interest payable	-	-	-	60,441		60,441
Bank overdraft	1,028,596	-	1,028,596	-		1,052,235
Deferred revenue	128,142	-	128,142	-		131,734
Interfund balance	-	-	-	-		9,649
Total liabilities	3,817,500	-	3,817,500	60,441		4,359,150
Fund balances:						
Unreserved	(3,194,017)	7,816	(3,186,201)	42,821		(815,559)
Total liabilities and fund balances	\$ 623,483	\$ 7,816	\$ 631,299	\$ 103,262	\$	\$ 3,543,591

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
CITY OF ARTESIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2010

	Special Revenue Funds						
	Municipal Court Fees Fund	Emergency Medical Services Fund	Fire Protection Fund	Law Enforcement Fund	LF Kennedy Library Fund	Lodgers' Tax Fund	
Revenues:							
Local effort taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 264,456
State shared taxes	-	-	-	-	-	-	-
Intergovernmental	-	16,110	111,420	36,200	-	-	-
Charges for services	133,295	-	-	-	-	473	-
Bond proceeds	-	-	-	-	-	-	-
Interest income	372	-	-	-	-	37	-
Miscellaneous	-	-	-	-	-	-	-
Total revenues	133,667	16,110	111,420	36,200	510	-	264,456
Expenditures:							
Current:							
General government	32,887	-	-	-	-	-	-
Public safety	-	14,044	108,742	-	-	-	-
Culture and recreation	-	-	-	-	1,046	-	-
Bond principal	-	-	-	-	-	-	-
Bond interest	-	-	-	-	-	-	-
Bond fees charged	-	-	-	-	-	-	-
Capital outlay	-	-	-	36,200	-	-	-
Total expenditures	32,887	14,044	108,742	36,200	1,046	-	-
Excess (deficiency) of revenues over expenditures	100,780	2,066	2,678	-	(536)	-	264,456
Other financing sources (uses):							
Transfer in	-	-	-	-	-	-	-
Transfer (out)	-	-	-	-	-	-	(208,972)
Total other financing sources (uses)	-	-	-	-	-	-	(208,972)
Net changes in fund balances	100,780	2,066	2,678	-	(536)	-	55,484
Fund balance - beginning of year	255,572	(2,480)	(5,000)	-	46,204	-	50,911
Fund balance - end of year	\$ 356,352	\$ (414)	\$ (2,322)	\$ -	\$ 45,668	\$ -	\$ 106,395

Continued

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
CITY OF ARTESIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2010

	Special Revenue Funds						
	Lodgers' Tax Promotional Fund	Gasoline Tax Fund	Recreation Fund	CDBG Project Fund	Commission on Aging Fund	RSVP Program Fund	Federal Forfeitures Fund
Revenues:							
Local effort taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State shared taxes	-	338,468	11,875	-	-	-	-
Intergovernmental	-	-	56,650	-	38,587	58,273	-
Charges for services	-	-	35,926	-	-	-	-
Bond proceeds	-	-	-	-	-	-	-
Interest income	-	349	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-
Total revenues	-	338,817	104,451	-	38,587	58,273	-
Expenditures:							
Current:							
General government	-	-	-	-	-	-	-
Public safety	-	-	-	-	-	-	-
Culture and recreation	204,701	-	133,004	-	38,505	40,465	-
Bond principal	-	-	-	-	-	-	-
Bond interest	-	-	-	-	-	-	-
Bond fees charged	-	-	-	-	-	-	-
Capital outlay	-	318,667	-	-	-	-	-
Total expenditures	204,701	318,667	133,004	-	38,505	40,465	-
Excess (deficiency) of revenues over expenditures	(204,701)	20,150	(28,553)	-	82	17,808	-
Other financing sources (uses):							
Transfer in	208,973	-	12,949	-	-	-	-
Transfers (out)	-	-	-	-	-	-	-
Total other financing sources (uses)	208,973	-	12,949	-	-	-	-
Net changes in fund balances	4,272	20,150	(15,604)	-	82	17,808	-
Fund balance - beginning of year	9,142	(64,654)	13,341	10	2,392	(7,766)	129
Fund balance - end of year	\$ 13,414	\$ (44,504)	\$ (2,263)	\$ 10	\$ 2,474	\$ 10,022	\$ 129

Continued

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
CITY OF ARTESIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2010

	Special Revenue Funds						Total Special Revenue Funds
	State and Local Forfeitures Fund	Industrial Park Fund	MGRT Infrastructure Fund	MGRT Economic Development Fund	Economic Stimulus Fund		
Revenues:							
Local effort taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	264,456
State shared taxes	10,056	-	1,005,262	335,087	-	-	1,700,748
Intergovernmental	-	-	-	-	-	-	317,240
Charges for services	-	65,007	-	-	-	-	234,701
Bond proceeds	-	-	-	-	-	-	-
Interest income	-	383	167	793	-	-	2,101
Miscellaneous	-	-	-	-	-	-	-
Total revenues	10,056	65,390	1,005,429	335,880	-	-	2,519,246
Expenditures:							
Current:							
General government	165	-	-	129,935	17,684	-	180,671
Public safety	-	-	-	-	-	-	122,786
Culture and recreation	-	-	-	-	-	-	417,721
Bond principal	-	-	-	-	-	-	-
Bond interest	-	-	-	-	-	-	-
Bond fees charged	-	-	-	-	-	-	-
Capital outlay	-	-	2,716,088	475,000	-	-	3,545,955
Total expenditures	165	-	2,716,088	604,935	17,684	-	4,267,133
Excess (deficiency) of revenues over expenditures	9,891	65,390	(1,710,659)	(269,055)	(17,684)	-	(1,747,887)
Other financing sources (uses):							
Transfer in	-	-	1,391,349	-	-	-	1,613,271
Transfer out	-	-	(432,510)	-	-	-	(641,482)
Total other financing sources (uses)	-	-	958,839	-	-	-	971,789
Net changes in fund balances	9,891	65,390	(751,820)	(269,055)	(17,684)	-	(776,098)
Fund balance - beginning of year	139	273,703	1,439,094	1,093,202	-	-	3,103,919
Fund balance - end of year	\$ 10,030	\$ 339,093	\$ 687,274	\$ 824,147	\$ (17,684)	\$ -	\$ 2,327,821

Continued

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
CITY OF ARTESIA

COMBINING STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
NONMAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2010

	Capital Project Funds			Debt Service Fund		Total Non-Major Funds
	Capital Improvement Fund	CDBC Rehab Fund	Total Capital Project Funds	Public Safety Complex Debt Service Fund		
Revenues:						
Local effort taxes	\$ -	\$ -	\$ -	\$ -	\$ -	264,456
State shared taxes	-	-	-	-	-	1,700,748
Intergovernmental	2,941,562	-	2,941,562	-	-	3,258,802
Charges for services	-	-	-	-	-	234,701
Bond proceeds	-	-	-	-	-	-
Interest income	-	20	20	-	-	2,121
Total revenues	2,941,562	20	2,941,582	-	-	5,460,828
Expenditures:						
Current:						
General government	-	-	-	-	-	180,671
Public safety	-	-	-	-	-	122,786
Culture and recreation	-	-	-	-	-	417,721
Bond principal	-	-	-	390,000	-	390,000
Bond interest	-	-	-	539,628	-	539,628
Bond fees charged	-	-	-	94,696	-	94,696
Capital outlay	4,865,975	-	4,865,975	-	-	8,411,930
Total expenditures	4,865,975	-	4,865,975	1,024,324	-	10,157,432
Excess (deficiency) of revenues over expenditures	(1,924,413)	20	(1,924,393)	(1,024,324)	-	(4,696,604)
Other financing sources (uses):						
Transfer in	-	-	-	1,501,696	-	3,114,967
Transfer out	-	-	-	(434,551)	-	(1,076,033)
Total other financing sources (uses)	-	-	-	1,067,145	-	2,038,934
Net changes in fund balances	(1,924,413)	20	(1,924,393)	42,821	-	(2,657,670)
Fund balance - beginning of year	(1,269,604)	7,796	(1,261,808)	-	-	1,842,111
Fund balance - end of year	<u>\$ (3,194,017)</u>	<u>\$ 7,816</u>	<u>\$ (3,186,201)</u>	<u>\$ 42,821</u>	<u>\$ -</u>	<u>\$ (815,559)</u>

Concluded

See accompanying notes to financial statements.



**SPECIAL REVENUE FUNDS**

STATE OF NEW MEXICO  
CITY OF ARTESIA

MUNICIPAL COURT FEES SPECIAL REVENUE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON  
BUDGETARY BASIS  
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Over (Under)
Revenues:				
Charges for services	\$ 94,500	\$ 125,246	\$ 125,244	\$ (2)
Interest income	-	342	342	-
Total revenues	94,500	125,588	125,586	(2)
Expenditures:				
General government	26,500	29,663	29,190	473
Total expenditures	26,500	29,663	29,190	473
Excess (deficiency) of revenues over expenditures	68,000	95,925	96,396	471
Other financing sources (uses):				
Designated cash	(68,000)	(95,925)	-	95,925
Total other financing sources (uses):	(68,000)	(95,925)	-	95,925
Net change in fund balance	-	-	96,396	96,396
Fund balance - beginning of year	-	-	255,572	255,572
Fund balance - end of year	\$ -	\$ -	\$ 351,968	\$ 351,968
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ 96,396	
Net revenue accruals			8,080	
Net expenditure accruals			(3,696)	
Net changes in fund balance GAAP basis			\$ 100,780	

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
CITY OF ARTESIA

EMERGENCY MEDICAL SERVICES SPECIAL REVENUE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON  
BUDGETARY BASIS  
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Over (Under)
Revenues:				
Intergovernmental	\$ 18,720	\$ 16,110	\$ 16,110	\$ -
Expenditures:				
Public safety	18,720	16,110	16,110	-
Net change in fund balances	-	-	-	-
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	\$ -	\$ -	\$ -	\$ -
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ -	
Net revenue accruals			-	
Net expenditure accruals			2,066	
Net changes in fund balance GAAP basis			\$ 2,066	

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
CITY OF ARTESIA

**FIRE PROTECTION SPECIAL REVENUE FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND**  
**BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON**  
**BUDGETARY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

---

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Over (Under)
Revenues:				
Intergovernmental	\$ 91,990	\$ 111,420	\$ 111,420	\$ -
Miscellaneous	500	500	-	(500)
Total revenues	92,490	111,920	111,420	(500)
Expenditures:				
Public safety	92,490	111,920	111,420	500
Net change in fund balances	-	-	-	-
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ -	
Net revenue accruals			-	
Net expenditure accruals			2,678	
Net changes in fund balance GAAP basis			<u>\$ 2,678</u>	

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
CITY OF ARTESIA

LAW ENFORCEMENT SPECIAL REVENUE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON  
BUDGETARY BASIS  
FOR THE YEAR ENDED JUNE 30, 2010

---

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Over (Under)
Revenues:				
Intergovernmental	\$ 36,800	\$ 36,200	\$ 36,200	\$ -
Expenditures:				
Capital outlay	36,800	36,200	36,200	-
Excess (deficiency) of revenues over expenditures	-	-	-	-
Net change in fund balances	-	-	-	-
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ -	
Net revenue accruals			-	
Net expenditure accruals			-	
Net changes in fund balance GAAP basis			<u>\$ -</u>	

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
CITY OF ARTESIA

L F KENNEDY LIBRARY SPECIAL REVENUE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON  
BUDGETARY BASIS  
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Over (Under)
Revenues:				
Charges for services	\$ 600	\$ 600	\$ 508	\$ (92)
Miscellaneous	300	300	-	(300)
Total revenues	900	900	508	(392)
Expenditures:				
Culture and recreation	4,316	4,316	1,025	3,291
Excess (deficiency) of revenues over expenses	(3,416)	(3,416)	(517)	2,899
Other financing sources (uses):				
Designated cash	3,416	3,416	-	(3,416)
Net change in fund balances	-	-	(517)	(517)
Fund balance - beginning of year	-	-	46,226	46,226
Fund balance - end of year	\$ -	\$ -	\$ 45,709	\$ 45,709
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ (517)	
Net revenue accruals			2	
Net expenditure accruals			(21)	
Net changes in fund balance GAAP basis			\$ (536)	

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
CITY OF ARTESIA

LODGERS' TAX SPECIAL REVENUE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON  
BUDGETARY BASIS  
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Over (Under)
Revenues:				
Local effort taxes	\$ 252,000	\$ 252,000	\$ 239,636	\$ (12,364)
Expenditures:				
Culture and recreation	50,000	50,000	-	50,000
Excess of revenues over expenditures	202,000	202,000	239,636	37,636
Other financing sources (uses):				
Transfer in (out)	(237,500)	(237,500)	(208,972)	28,528
Designated cash	35,500	35,500	-	(35,500)
Total other financing sources (uses)	(202,000)	(202,000)	(208,972)	(6,972)
Net change in fund balances	-	-	30,664	30,664
Fund balance - beginning of year	-	-	50,911	50,911
Fund balance - end of year	\$ -	\$ -	\$ 81,575	\$ 81,575
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ 30,664	
Net revenue accruals			24,820	
Net expenditure accruals			-	
Net changes in fund balance GAAP basis			\$ 55,484	

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
CITY OF ARTESIA

LODGERS' TAX PROMOTIONAL SPECIAL REVENUE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON  
BUDGETARY BASIS  
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Over (Under)
Revenues:				
Miscellaneous	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Culture and recreation	237,500	237,500	222,168	15,332
Deficiency of revenues over expenditures	(237,500)	(237,500)	(222,168)	(15,332)
Other financing sources (uses):				
Transfer in (out)	237,500	237,500	226,440	11,060
Designated cash	-	-	-	-
Total other financing sources (uses)	237,500	237,500	226,440	11,060
Net change in fund balance	-	-	4,272	4,272
Fund balance - beginning of year	-	-	9,142	9,142
Fund balance - end of year	\$ -	\$ -	\$ 13,414	\$ 13,414
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ 4,272	
Net revenue accruals			(17,468)	
Net expenditure accruals			17,468	
Net changes in fund balance GAAP basis			\$ 4,272	

See accompanying notes to financial statements.



**STATE OF NEW MEXICO  
CITY OF ARTESIA**

**GASOLINE TAX SPECIAL REVENUE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON  
BUDGETARY BASIS  
FOR THE YEAR ENDED JUNE 30, 2010**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Over (Under)
Revenues:				
State shared taxes	\$ 201,772	\$ 190,888	\$ 58,415	\$ (132,473)
Intergovernmental	300,000	300,000	297,393	(2,607)
Interest income	3,500	3,500	345	(3,155)
	<u>505,272</u>	<u>494,388</u>	<u>356,153</u>	<u>(138,235)</u>
Expenditures:				
Capital outlay	<u>780,205</u>	<u>769,321</u>	<u>604,077</u>	<u>165,244</u>
Excess (deficiency) of revenues over expenses	<u>(274,933)</u>	<u>(274,933)</u>	<u>(247,924)</u>	<u>27,009</u>
Other financing sources (uses):				
Designated cash	<u>274,933</u>	<u>274,933</u>	<u>-</u>	<u>(274,933)</u>
Net change in fund balances	-	-	(247,924)	(247,924)
Fund balance - beginning of year	<u>-</u>	<u>-</u>	<u>275,000</u>	<u>275,000</u>
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 27,076</u>	<u>\$ 27,076</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ (247,924)	
Net revenue accruals			(17,336)	
Net expenditure accruals			<u>285,410</u>	
Net changes in fund balance GAAP basis			<u>\$ 20,150</u>	

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
CITY OF ARTESIA

RECREATION SPECIAL REVENUE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON  
BUDGETARY BASIS  
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Over (Under)
Revenues:				
State shared taxes	\$ 15,000	\$ 15,000	\$ 12,733	\$ (2,267)
Intergovernmental	56,650	56,650	56,650	-
Charges for services	27,314	37,742	35,926	(1,816)
Total revenues	98,964	109,392	105,309	(4,083)
Expenditures:				
Culture and recreation	147,269	150,221	131,816	18,405
Excess (deficiency) of revenues over expenditures	(48,305)	(40,829)	(26,507)	14,322
Other financing sources (uses):				
Transfer in (out)	34,747	34,747	-	(34,747)
Designated cash	13,558	6,082	12,949	6,867
Total other financing sources (uses)	48,305	40,829	12,949	(27,880)
Net change in fund balance	-	-	(13,558)	(13,558)
Fund balance - beginning of year	-	-	13,558	13,558
Fund balance - end of year	\$ -	\$ -	\$ -	\$ -
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ (13,558)	
Net revenue accruals			(857)	
Net expenditure accruals			(1,189)	
Net changes in fund balance GAAP basis			\$ (15,604)	

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
CITY OF ARTESIA

CDBG GRANT SPECIAL REVENUE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON  
BUDGETARY BASIS  
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Over (Under)
Revenues:				
Intergovernmental	\$ 350,000	\$ 350,000	\$ -	\$ (350,000)
Expenditures:				
General government	350,000	350,000	-	(350,000)
Net change in fund balance	-	-	-	-
Fund balance - beginning of year	-	-	10	10
Fund balance - end of year	\$ -	\$ -	\$ 10	\$ 10

See accompanying notes to financial statements.

**STATE OF NEW MEXICO  
CITY OF ARTESIA**

**COA GRANT SPECIAL REVENUE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON  
BUDGETARY BASIS  
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance with Final Budget Over (Under)</u>
Revenues:				
Intergovernmental	\$ 38,861	\$ 38,861	\$ 38,587	\$ (274)
Expenditures:				
Culture & recreation	38,861	38,864	38,861	3
Excess (deficiency) of revenues over expenditures	-	(3)	(274)	(271)
Other financing sources (uses):				
Designated cash	-	3	-	(3)
Net change in fund balance	-	-	(274)	(274)
Fund balance - beginning of year	-	-	5,384	5,384
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,110</u>	<u>\$ 5,110</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ (274)	
Net revenue accruals			-	
Net expenditure accruals			356	
Net changes in fund balance GAAP basis			<u>\$ 82</u>	

See accompanying notes to financial statements.

**STATE OF NEW MEXICO  
CITY OF ARTESIA**

**RSVP PROGRAM SPECIAL REVENUE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON  
BUDGETARY BASIS  
FOR THE YEAR ENDED JUNE 30, 2010**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Over (Under)
Revenues:				
Intergovernmental	\$ 59,417	\$ 59,417	\$ 45,292	\$ (14,125)
Expenditures:				
Culture and recreation	45,578	45,578	41,739	3,839
Excess revenues over expenditures	13,839	13,839	3,553	(10,286)
Other financing sources (uses):				
Designated cash	(13,839)	(13,839)	-	(13,839)
Net change in fund balance	-	-	3,553	3,553
Fund balance - beginning of year	-	-	(9,508)	(9,508)
Fund balance - end of year	\$ -	\$ -	\$ (5,955)	\$ (5,955)
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ 3,553	
Net revenue accruals			12,981	
Net expenditure accruals			1,274	
Net changes in fund balance GAAP basis			\$ 17,808	

See accompanying notes to financial statements.

**STATE OF NEW MEXICO  
CITY OF ARTESIA**

**FEDERAL FORFEITURES SPECIAL REVENUE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCES - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON  
BUDGETARY BASIS  
FOR THE YEAR ENDED JUNE 30, 2010**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Over (Under)
Revenues:				
Miscellaneous	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Public safety	-	-	-	-
Net change in fund balance	-	-	-	-
Fund balance - beginning of year	-	-	129	129
Fund balance - end of year	\$ -	\$ -	\$ 129	\$ 129

See accompanying notes to financial statements.

**STATE OF NEW MEXICO  
CITY OF ARTESIA**

**STATE AND LOCAL FORFEITURES SPECIAL REVENUE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON  
BUDGETARY BASIS  
FOR THE YEAR ENDED JUNE 30, 2010**

---

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Over (Under)
Revenues:				
Miscellaneous	\$ -	\$ -	\$ 10,056	\$ 10,056
Expenditures:				
Public safety	-	-	165	(165)
Net change in fund balance	-	-	9,891	9,891
Fund balance - beginning of year	-	-	139	139
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,030</u>	<u>\$ 10,030</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
CITY OF ARTESIA

INDUSTRIAL PARK SPECIAL REVENUE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON  
BUDGETARY BASIS  
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Over (Under)
Revenues:				
Charges for services	\$ 75,000	\$ 75,000	\$ 65,007	\$ (9,993)
Interest income	4,200	4,200	353	(3,847)
Total revenue	79,200	79,200	65,360	(13,840)
Expenditures:				
Capital outlay	-	-	-	-
Excess of revenues over expenditures	79,200	79,200	65,360	(13,840)
Other financing sources (uses):				
Designated cash	(79,200)	(79,200)	-	79,200
Net change in fund balance	-	-	65,360	65,360
Fund balance - beginning of year	-	-	273,657	273,657
Fund balance - end of year	\$ -	\$ -	\$ 339,017	\$ 339,017
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ 65,360	
Net revenue accruals			30	
Net expenditure accruals			-	
Net changes in fund balance GAAP basis			\$ 65,390	

See accompanying notes to financial statements.



**STATE OF NEW MEXICO  
CITY OF ARTESIA**

**MGRT INFRASTRUCTURE SPECIAL REVENUE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON  
BUDGETARY BASIS  
FOR THE YEAR ENDED JUNE 30, 2010**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Over (Under)
Revenues:				
State shared taxes	\$ 1,183,500	\$ 1,088,820	\$ 1,020,454	\$ (68,366)
Interest income	1,500	1,500	154	(1,346)
Total revenues	<u>1,185,000</u>	<u>1,090,320</u>	<u>1,020,608</u>	<u>(69,712)</u>
Expenditures:				
Capital outlay	2,970,000	2,886,204	2,580,164	306,040
Retirement of debt	1,000,000	1,000,000	-	1,000,000
Total expenditures	<u>3,970,000</u>	<u>3,886,204</u>	<u>2,580,164</u>	<u>1,306,040</u>
Excess (deficiency) of revenues over expenditures	<u>(2,785,000)</u>	<u>(2,795,884)</u>	<u>(1,559,556)</u>	<u>1,236,328</u>
Other Financing Sources (Uses):				
Transfers in	1,350,000	1,242,000	1,391,349	149,349
Transfers out	-	(425,880)	(432,510)	(6,630)
Designated cash	1,435,000	1,979,764	-	(1,979,764)
Total other financing sources (uses)	<u>2,785,000</u>	<u>2,795,884</u>	<u>958,839</u>	<u>(1,837,045)</u>
Net change in fund balance	-	-	(600,717)	(600,717)
Fund balance - beginning of year	<u>-</u>	<u>-</u>	<u>1,435,087</u>	<u>1,435,087</u>
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 834,370</u>	<u>\$ 834,370</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ (600,717)	
Net revenue accruals			(15,179)	
Net expenditure accruals			<u>(135,924)</u>	
Net changes in fund balance GAAP basis			<u>\$ (751,820)</u>	

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
CITY OF ARTESIA

MGRT ECONOMIC DEVELOPMENT SPECIAL REVENUE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON  
BUDGETARY BASIS  
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Over (Under)
Revenues:				
State shared taxes	\$ 387,000	\$ 356,040	\$ 340,151	\$ (15,889)
Interest income	6,500	6,500	730	(5,770)
Total revenues	393,500	362,540	340,881	(21,659)
Expenditures:				
General government	128,600	158,536	129,935	28,601
Capital outlay	175,000	475,000	475,000	-
Total expenditures	303,600	633,536	604,935	28,601
Excess (deficiency) of revenues over expenditures	89,900	(270,996)	(264,054)	6,942
Other Financing Sources (Uses):				
Designated cash	(89,900)	270,996	-	(270,996)
Net change in fund balance	-	-	(264,054)	(264,054)
Fund balance - beginning of year	-	-	1,031,916	1,031,916
Fund balance - end of year	\$ -	\$ -	\$ 767,862	\$ 767,862
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ (264,054)	
Net revenue accruals			(5,001)	
Net expenditure accruals			-	
Net changes in fund balance GAAP basis			\$ (269,055)	

See accompanying notes to financial statements.

**STATE OF NEW MEXICO  
CITY OF ARTESIA**

**ECONOMIC STIMULUS SPECIAL REVENUE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON  
BUDGETARY BASIS  
FOR THE YEAR ENDED JUNE 30, 2010**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Over (Under)
Revenues:				
Expenditures:				
General government	<u>17,684</u>	<u>17,684</u>	<u>17,684</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	<u>(17,684)</u>	<u>(17,684)</u>	<u>(17,684)</u>	<u>-</u>
Other Financing Sources (Uses):				
Designated cash	<u>17,684</u>	<u>17,684</u>	<u>-</u>	<u>(17,684)</u>
Net change in fund balance	-	-	(17,684)	(17,684)
Fund balance - beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance - end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (17,684)</u>	<u>\$ (17,684)</u>

See accompanying notes to financial statements.

**CAPITAL PROJECT FUNDS**

STATE OF NEW MEXICO  
CITY OF ARTESIA

CAPITAL IMPROVEMENT CAPITAL PROJECT FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON  
BUDGETARY BASIS  
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Over (Under)
Revenues:				
Intergovernmental	\$ 35,346,674	\$ 5,346,674	\$ 2,874,817	\$ (2,471,857)
Expenditures:				
General government	34,055,391	4,055,391	2,612,131	1,443,260
Excess (deficiency) of revenues over expenditures	1,291,283	1,291,283	262,686	(1,028,597)
Other financing sources (uses):				
Designated cash	(1,291,283)	(1,291,283)	-	1,291,283
Net change in fund balance	-	-	262,686	262,686
Fund balance, beginning of year	-	-	(1,291,282)	(1,291,282)
Fund balance, end of year	\$ -	\$ -	\$ (1,028,596)	\$ (1,028,596)
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ 262,686	
Net revenue accruals			66,745	
Net expenditure accruals			(2,253,844)	
Net changes in fund balance GAAP basis			\$ (1,924,413)	

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
CITY OF ARTESIA

**CDBG REHAB CAPITAL PROJECTS FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND**  
**BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON**  
**BUDGETARY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Over (Under)
Revenues:				
Interest income	\$ 25	\$ 25	\$ 20	\$ (5)
Total revenues	25	25	20	(5)
Expenditures				
General government	-	-	-	-
Excess revenues over expenditures	25	25	20	(5)
Other Financing Sources (Uses):				
Designated cash	(25)	(25)	-	25
Net changes in fund balance	-	-	20	20
Fund balance - beginning of year	-	-	7,796	7,796
Fund balance - end of year	\$ -	\$ -	\$ 7,816	\$ 7,816

See accompanying notes to financial statements.

**STATE OF NEW MEXICO  
CITY OF ARTESIA**

**PUBLIC SAFETY COMPLEX FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON  
BUDGETARY BASIS  
FOR THE YEAR ENDED JUNE 30, 2010**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Over (Under)
Revenues:				
Bond proceeds	\$ -	\$ 20,000,000	\$ 20,000,000	\$ -
Interest income	-	50,000	77,967	27,967
Total revenues	-	20,050,000	20,077,967	27,967
Expenditures				
Capital outlay	-	20,050,000	5,714,806	14,335,194
Net changes in fund balance	-	-	14,363,161	14,363,161
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	\$ -	\$ -	\$ 14,363,161	\$ 14,363,161

See accompanying notes to financial statements.

**DEBT SERVICE FUNDS**



STATE OF NEW MEXICO  
CITY OF ARTESIA

**PUBLIC SAFETY COMPLEX BOND DEBT SERVICE FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND  
BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON  
BUDGETARY BASIS  
FOR THE YEAR ENDED JUNE 30, 2010**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance with Final Budget Over (Under)
Revenues:				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Expenditures:				
General government	-	170,068	170,068	-
Retirement of debt	1,300,000	575,000	575,000	-
Interest expense	<u>1,300,000</u>	<u>654,366</u>	<u>653,366</u>	<u>(1,000)</u>
Total expenditures	2,600,000	1,399,434	1,398,434	(1,000)
Excess (deficiency) of revenues over expenditures	<u>(2,600,000)</u>	<u>(1,399,434)</u>	<u>(1,398,434)</u>	<u>1,000</u>
Other financing sources (uses):				
Transfers in (out)	2,600,000	2,925,394	1,501,696	(1,423,698)
Designated cash	<u>-</u>	<u>(1,525,960)</u>	<u>-</u>	<u>1,525,960</u>
Total other financing sources (uses)	2,600,000	1,399,434	1,501,696	102,262
Net change in fund balance	-	-	103,262	103,262
Fund balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 103,262</u>	<u>\$ 103,262</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ 103,262	
Net revenue accruals			(434,551)	
Net expenditure accruals			<u>374,110</u>	
Net changes in fund balance GAAP basis			<u>\$ 42,821</u>	

See accompanying notes to financial statements.

## **PROPRIETARY FUNDS**

STATE OF NEW MEXICO  
CITY OF ARTESIA

WATER FUND

STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE -  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY  
BASIS  
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Operating Revenues:				
Charges for services	\$ 4,063,778	\$ 4,063,778	\$ 4,269,374	\$ 205,596
Operating Expenses:				
Personnel services	917,611	938,659	798,185	140,474
General operating	<u>3,098,947</u>	<u>3,077,899</u>	<u>3,001,634</u>	<u>76,265</u>
Total operating expenses	<u>4,016,558</u>	<u>4,016,558</u>	<u>3,799,819</u>	<u>216,739</u>
Operating income (loss)	47,220	47,220	469,555	422,335
Non-Operating Revenues (Expenses):				
Interest Income	25,300	25,300	1,904	(23,396)
Retirement of debt	(10,000)	(12,075)	(12,075)	-
Interest expense	<u>(5,550)</u>	<u>(3,475)</u>	<u>(2,075)</u>	<u>1,400</u>
Total non-operating revenues (expenses)	<u>9,750</u>	<u>9,750</u>	<u>(12,246)</u>	<u>(21,996)</u>
Income (loss) before other financing sources (uses)	<u>56,970</u>	<u>56,970</u>	<u>457,309</u>	<u>400,339</u>
Other Financing Sources (uses):				
Transfers in	13,500	2,013,500	-	2,013,500
Transfers out	(13,500)	(13,500)	-	(13,500)
Designated cash	<u>(56,970)</u>	<u>(2,056,970)</u>	<u>-</u>	<u>(2,056,970)</u>
Total other financing sources (uses)	<u>(56,970)</u>	<u>(56,970)</u>	<u>-</u>	<u>56,970</u>
Net change in fund balance	-	-	457,309	457,309
Fund balance, beginning of year	-	-	674,267	674,267
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,131,576</u>	<u>\$ 1,131,576</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ 457,309	
Net revenue accruals			409,304	
Net expenditure accruals			(231,065)	
Capital outlay			2,089,858	
Principal payments on debt			10,081	
Net changes in fund balance GAAP basis			<u>\$ 2,735,487</u>	

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
CITY OF ARTESIA

**SOLID WASTE FUND**  
**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE -**  
**BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY**  
**BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2010**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Operating Revenues:				
Charges for services	\$ 1,418,500	\$ 2,861,188	\$ 1,444,516	\$ (1,416,672)
Operating Expenses:				
Personnel services	638,066	658,210	605,928	52,282
General operating	1,306,298	1,296,154	873,311	422,843
Total operating expenses	1,944,364	1,954,364	1,479,239	475,125
Operating (loss)	(525,864)	906,824	(34,723)	(941,547)
Non-Operating Revenues (Expenses):				
State shared taxes	387,000	696,293	340,253	(356,040)
Intergovernmental	30,900	61,800	30,900	(30,900)
Interest income (expense)	11,550	6,169	1,540	(4,629)
Total non-operating revenues (expenses)	429,450	764,262	372,693	(391,569)
Income (loss) before other financing sources (uses):	(96,414)	1,671,086	337,970	(1,333,116)
Other Financing Sources (Uses):				
Transfers in	970	970	970	-
Transfers out	(130,970)	(130,970)	(130,970)	-
Designated cash	226,414	(1,541,086)	-	1,541,086
Total other financing sources (uses)	96,414	(1,671,086)	(130,000)	1,541,086
Net change in fund balance	-	-	207,970	207,970
Fund balance, beginning of year	-	-	1,112,090	1,112,090
Fund balance, end of year	\$ -	\$ -	\$ 1,320,060	\$ 1,320,060
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ 207,970	
Net revenue accruals			593,117	
Net expenditure accruals			(200,593)	
Capital outlay			187,809	
Net changes in fund balance GAAP basis			\$ 788,303	

See accompanying notes to financial statements.

**STATE OF NEW MEXICO  
CITY OF ARTESIA**

**WASTEWATER FUND**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE -  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY  
BASIS  
FOR THE YEAR ENDED JUNE 30, 2010**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Operating Revenues:				
Charges for services	\$ 940,000	\$ 1,910,842	\$ 970,842	\$ (940,000)
Operating Expenses:				
Personnel services	452,660	452,660	442,835	9,825
General operating	577,049	577,050	454,674	122,376
Total operating expenses	1,029,709	1,029,710	897,509	132,201
Operating income (loss)	(89,709)	881,132	73,333	(807,799)
Non-Operating Revenues (Expenses):				
Interest income	9,400	10,282	927	(9,355)
Income (loss) before other financing sources (uses):	(80,309)	891,414	74,260	(817,154)
Other Financing Sources (Uses):				
Transfers in	5,120	5,120	-	(5,120)
Designated cash	75,189	(896,534)	-	896,534
Total other financing sources (uses)	80,309	(891,414)	-	891,414
Net change in fund balance	-	-	74,260	74,260
Fund balance, beginning of year	-	-	685,141	685,141
Fund balance, end of year	\$ -	\$ -	\$ 759,401	\$ 759,401
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ 74,260	
Net revenue accruals			106,143	
Net expenditure accruals			(501,937)	
Capital outlay			19,999	
Net changes in fund balance GAAP basis			\$ (301,535)	0

See accompanying notes to financial statements.

**STATE OF NEW MEXICO  
CITY OF ARTESIA**

**AIRPORT FUND**

**STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE -  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY  
BASIS  
FOR THE YEAR ENDED JUNE 30, 2010**

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Operating Revenues:				
Charges for services	\$ 620,550	\$ 490,550	\$ 478,283	\$ (12,267)
Operating Expenses:				
Personnel services	186,939	206,056	195,754	10,302
General operating	1,271,131	989,221	859,284	129,937
Total operating expenses	1,458,070	1,195,277	1,055,038	140,239
Operating (loss)	(837,520)	(704,727)	(576,755)	127,972
Non-Operating Revenues (Expenses):				
Intergovernmental	575,881	405,072	326,100	(78,972)
Loss before other financing sources:	(261,639)	(299,655)	(250,655)	49,000
Other Financing Sources (Uses):				
Transfers in	150,000	150,000	150,000	-
Designated cash	111,639	149,655	-	(149,655)
Total other financing sources (uses)	261,639	299,655	150,000	(149,655)
Net change in fund balance	-	-	(100,655)	(100,655)
Fund balance, beginning of year	-	-	189,589	189,589
Fund balance, end of year	\$ -	\$ -	\$ 88,934	\$ 88,934
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ (100,655)	
Net revenue accruals			148,203	
Net expenditure accruals			(16,038)	
Capital outlay			335,954	
Net changes in fund balance GAAP basis			\$ 367,464	

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
CITY OF ARTESIA

WASTEWATER IMPROVEMENT FUND  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE -  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY  
BASIS  
FOR THE YEAR ENDED JUNE 30, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Operating Expenses:				
Capital outlay	-	11,869,638	2,943,780	8,925,858
Total operating expenses	-	11,869,638	2,943,780	8,925,858
Non-Operating Revenues (Expenses):				
Bond proceeds	-	11,845,888	12,825,837	979,949
Interest income	15	23,750	12,230	(11,520)
Total non-operating revenues (expenses)	15	11,869,638	12,838,067	968,429
Other Financing Sources (Uses):				
Designated cash	(15)	-	-	-
Net change in fund balance	-	-	9,894,287	9,894,287
Fund balance, beginning of year	-	-	10,222	10,222
Fund balance, end of year	\$ -	\$ -	\$ 9,904,509	\$ 9,904,509
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ 9,894,287	
Net revenue accruals			(12,491,286)	
Net expenditure accruals			(269,407)	
Capital outlay			2,943,780	
Net changes in fund balance GAAP basis			\$ 77,374	

See accompanying notes to financial statements.

**STATE OF NEW MEXICO  
CITY OF ARTESIA**

**CEMETERY FUND  
STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND BALANCE -  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY  
BASIS  
FOR THE YEAR ENDED JUNE 30, 2010**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance With Final Budget Over (Under)</u>
Operating Revenues:				
Charges for services	\$ 74,000	\$ 74,000	\$ 54,240	\$ (19,760)
Operating Expenses:				
Personnel services	850	850	-	850
General operating	59,400	59,400	38,223	21,177
Total operating expenses	60,250	60,250	38,223	22,027
Operating income (loss)	13,750	13,750	16,017	2,267
Non-Operating Revenues (Expenses):				
Interest income	3,500	3,500	375	(3,125)
Income before other financing sources	17,250	17,250	16,392	(858)
Other Financing Sources (Uses):				
Designated cash	(17,250)	(17,250)	-	-
Net change in fund balance	-	-	16,392	16,392
Fund balance, beginning of year	-	-	216,523	216,523
Fund balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 232,915</u>	<u>\$ 232,915</u>
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			\$ 16,392	
Net revenue accruals			(14)	
Net expenditure accruals			(38,792)	
Capital outlay			-	
Net changes in fund balance GAAP basis			<u>\$ (22,414)</u>	

See accompanying notes to financial statements.



**OTHER SUPPLEMENTAL INFORMATION**

**STATE OF NEW MEXICO  
CITY OF ARTESIA**

**SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES - AGENCY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2010**

	Balance June 30, 2009	Increase/ Receipts	Decrease/ Disbursements	Balance June 30, 2010
<b>Court Fund</b>				
Assets:				
Cash	\$ 4,223	\$ -	\$ 1,033	\$ 3,190
Total assets	<u>\$ 4,223</u>	<u>\$ -</u>	<u>\$ 1,033</u>	<u>\$ 3,190</u>
Liabilities:				
Held for others	\$ 4,223	\$ 3,108	\$ 4,141	\$ 3,190
Total liabilities	<u>\$ 4,223</u>	<u>\$ 3,108</u>	<u>\$ 4,141</u>	<u>\$ 3,190</u>
<b>Mefer Fund</b>				
Assets:				
Cash	\$ 124,025	\$ 7,195	\$ -	\$ 131,220
Investments	90,000	-	-	90,000
Total assets	<u>\$ 214,025</u>	<u>\$ 7,195</u>	<u>\$ -</u>	<u>\$ 221,220</u>
Liabilities:				
Held for others	\$ 214,025	\$ 15,946	\$ 8,751	\$ 221,220
Total liabilities	<u>\$ 214,025</u>	<u>\$ 15,946</u>	<u>\$ 8,751</u>	<u>\$ 221,220</u>
<b>Hellwig Fund</b>				
Assets:				
Cash	\$ 63,322	\$ 219,030	\$ -	\$ 282,352
Investments	1,579,656	-	129,983	1,449,673
Accrued interest receivable	171	115	-	286
Total assets	<u>\$ 1,643,149</u>	<u>\$ 219,145</u>	<u>\$ 129,983</u>	<u>\$ 1,732,311</u>
Liabilities:				
Held for others	\$ 1,643,149	\$ 342,315	\$ 253,153	\$ 1,732,311
Total liabilities	<u>\$ 1,643,149</u>	<u>\$ 342,315</u>	<u>\$ 253,153</u>	<u>\$ 1,732,311</u>
<b>Summary</b>				
Assets:				
Cash	\$ 191,570	\$ 226,225	\$ 1,033	\$ 416,762
Investments	1,669,656	-	129,983	1,539,673
Accrued interest receivable	171	115	-	286
Total assets	<u>\$ 1,861,397</u>	<u>\$ 226,340</u>	<u>\$ 131,016</u>	<u>\$ 1,956,721</u>
Liabilities:				
Held for others	\$ 1,861,397	\$ 361,369	\$ 266,045	\$ 1,956,721
Total liabilities	<u>\$ 1,861,397</u>	<u>\$ 361,369</u>	<u>\$ 266,045</u>	<u>\$ 1,956,721</u>

See accompanying notes to financial statements.

**STATE OF NEW MEXICO  
CITY OF ARTESIA**

**SCHEDULE OF CASH ACCOUNTS  
JUNE 30, 2010**

Financial Institution/Account Description	Type of Account	Financial Institution Balance	Reconciling Items	Reconciled Balance
1st American Bank 303 W. Main Street P.O. Box AA Artesia, New Mexico 88211-7526				
City of Artesia Fund	Money Market	\$ 4,844,465	\$ (1,067,554)	\$ 3,776,911
Payroll Fund	Checking	408,637	(224,270)	184,367
Meter Fund	Checking	86,431	(1,719)	84,712
Federal Forfeitures	Checking	129	-	129
State Forfeitures	Checking	10,031	-	10,031
		<u>\$ 5,349,693</u>	<u>\$ (1,293,543)</u>	<u>\$ 4,056,150</u>
Western Bank 320 W. Texas P.O. Drawer 500 Artesia, New Mexico 88211-0500				
City Fund	Money Market	\$ 218,888	\$ -	\$ 218,888
Payroll Fund	Checking	77,326	-	77,326
Meter Fund	Checking	19,235	-	19,235
Community Development	Checking	7,826	-	7,826
		<u>\$ 323,275</u>	<u>\$ -</u>	<u>\$ 323,275</u>
Wells Fargo Bank, N A. Artesia Office 610 West Main Street Artesia, New Mexico 88210-2070				
City Fund	Money Market	\$ 401,389	\$ -	\$ 401,389
City Fund	Checking	165,499	-	165,499
Payroll Fund	Checking	110,553	-	110,553
Meter Fund	Checking	27,273	-	27,273
		<u>\$ 704,714</u>	<u>\$ -</u>	<u>\$ 704,714</u>
1st American Bank Trust Department 303 W. Main Street P.O. Drawer 500 Artesia, New Mexico 88211-7526				
Muni Building CD	Money Market	\$ 2,543,281	\$ -	\$ 2,543,281
Muni Building Cash	Money Market	4,291,599	-	4,291,599
Wastewater Treatment Plant CD	Money Market	353,622	-	353,622
Wastewater Treatment Plant Cash Mgmt	Money Market	980,778	-	980,778
Wastewater Treatment Plant Cash	Money Market	2,915,905	-	2,915,905
		<u>\$ 11,085,185</u>	<u>\$ -</u>	<u>\$ 11,085,185</u>

See accompanying notes to financial statements.

**STATE OF NEW MEXICO  
CITY OF ARTESIA**

**SCHEDULE OF PLEDGED COLLATERAL  
JUNE 30, 2010**

---

1st American Bank of New Mexico  
303 W. Main Street  
P.O. Box AA  
Artesia, New Mexico 88211-7526

Security	CUSIP	Maturity	Market Value
CURRY CNTY NM	231327AZ0	08/01/11	\$ 376,241
MBS FHLMC GOLD 10YR BJ4041	312966P24	05/01/14	47,523
FHLB 1TIME CALL 9/8/11	3133XGSE5	09/08/16	211,188
FHLB 1TIME CALL 9/8/11	3133XGSE5	09/08/16	105,594
MBS FNMA684130 15-YR	31400DA77	01/01/18	206,355
SAN JUAN CNTY NM CENT	798359HR9	08/01/19	907,929
LOS LUNAS NM SCH DIST	545562NW6	07/15/22	<u>927,562</u>
		Total:	<u>\$ 2,782,392</u>

The holder of the security pledged by 1st National Bank New Mexico is Federal Home Loan Bank of Dallas, P.O. Box 619026, Dallas, TX 75261-9026.

Western Bank  
320 W. Texas  
P.O. Drawer 500  
Artesia, New Mexico 88211-0500

Security	CUSIP	Maturity	Market Value
FNMA Pool #190709	31368HYE7	03/01/24	\$ 20,837
Cloudcroft, NM Municipal Sch District	189134D60	08/01/15	<u>410,320</u>
			<u>\$ 431,157</u>

The holder of the security pledged by Western Bank is the Federal Home Loan Bank of Dallas, P.O. Box 619026, Dallas, TX 75261-9026.

Wells Fargo Bank, N.A.  
 Artesia Office  
 610 West Main Street  
 Artesia, New Mexico 88210-2070

Security	CUSIP	Maturity	Market Value
Federal National Mortgage Assum 867437	314009CV69	05/01/36	\$ 105,532
GNMA Pool 781038	36225BEK0	05/15/29	4,057
GNMA Pool 781148	36225BHZ4	07/15/29	30,842
GNMA Pool 781246	36225BL30	02/15/31	64,582
GNMA Pool 781280	3622BM54	04/15/31	<u>22,616</u>
			<u>\$ 227,629</u>

The holder of the security pledged is Wells Fargo Bank, N.A. The address of the bank is, Public Funds Administration, 420 Montgomery St., 11th Floor, San Francisco, CA 94104.

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
CITY OF ARTESIA

SCHEDULE OF INVESTMENTS  
JUNE 30, 2010

---

Type of Investment	Fair Market Value
Investments - Fiduciary funds held by the City:	
HJ Heinz Co.	\$ 309,960
Agere Systems Inc.	1,335
ExxonMobil Corp.	362,368
Citigroup	12,517
3M Co.	105,321
Del Monte Foods Co.	45,910
American Electric Power Company Inc.	25,813
Yellow Freight	30,463
Oklahoma Gas & Electric Co.	47,494
SBC	13,068
Safeway Inc.	5,600
Southwest Asset Solutions Inc.	9,351
SCS Trans	9,321
Imation Corp.	1,185
Unisys Corp.	20,986
Vodafone Group PLC	3,554
Comcast Corp.	2,184
AT&T Inc.	9,158
Verizon Communications Inc.	4,917
Teradata Corporation	1,267
Qwest Communications International Inc.	588
Lucent Technologies Inc.	551
Avaya, Inc.	312
New Mexico LGIP Funds	<u>516,450</u>
Total Investments - Fiduciary Funds - Agency	<u>\$ 1,539,673</u>

See accompanying notes to financial statements.

STATE OF NEW MEXICO  
CITY OF ARTESIA

JOINT POWERS AGREEMENTS  
JUNE 30, 2010

Participants	Responsible Party	Description	Beginning Date	Ending Date	Project Amount	City Portion	Current Year Contributions	Audit Responsibility
Eddy County and City of Artesia	Eddy County	Consolidated Communications Center	April 18, 2006	No set termination date	Based upon annual budgets	40% of administrative and operational expenses	\$290,783 paid for dispatch services	Eddy County
Eddy County and City of Artesia	City of Artesia	Services Agreement	July 1, 2009	June 30, 2010 and is renewable	An annual amount of \$370,800	Quarterly advance payments to be received from Eddy County	\$370,800 received from Eddy County	Eddy County

STATE OF NEW MEXICO  
CITY OF ARTESIA  
PUBLIC HOUSING AUTHORITY

FINANCIAL DATA SCHEDULE  
JUNE 30, 2010

Account No.		Low Rent 14.850	CFP 14.872	Total
Current Assets:				
111	Cash	\$ 662,691	\$ -	\$ 662,691
126	Accounts receivable - tenant dwellings rent	830	-	830
142	Prepaid expenses	40,263	-	40,263
150	Total current assets	703,784	-	703,784
Restricted Assets:				
114	Tenant security deposit	15,958	-	15,958
Property, Plant and Equipment				
161	Land	102,969	-	102,969
162	Building and improvements	5,142,102	881,975	6,024,077
163	Furniture, Equipment & Machinery - Dwelling	165,946	-	165,946
166	Accumulated Depreciation	(3,931,443)	(63,228)	(3,994,671)
190	Total Assets	\$ 2,199,316	\$ 818,747	\$ 3,018,063
Liabilities and Fund Equity				
Current Liabilities:				
312	Accounts payable <= 90 days	\$ 31,122	\$ -	\$ 31,122
312	Accrued wages	18,980	-	18,980
322	Accrued compensation absences - current portion	6,233	-	6,233
Liabilities payable from restricted assets:				
341	Tenant security deposits	16,089	-	16,089
300	Total Liabilities	72,424	-	72,424
Net Assets				
508.1	Invested in capital assets, net of related debt	1,479,574	818,747	2,298,321
512.1	Unrestricted net assets	647,318	-	647,318
600	Total Liabilities and Net Assets	\$ 2,199,316	\$ 818,747	\$ 3,018,063



**STATE OF NEW MEXICO  
CITY OF ARTESIA  
PUBLIC HOUSING AUTHORITY**

**FINANCIAL DATA SCHEDULE  
JUNE 30, 2010**

<b>Account No.</b>	<b>Low Rent 14.850</b>	<b>CFP 14.872</b>	<b>Total</b>
<b>REVENUE:</b>			
703 Net tenant rental revenue	\$ 395,869	\$ -	\$ 395,869
704 Tenant revenue -other	25,267	-	25,267
705 Total tenant revenue	421,136	-	421,136
706 HUD PHA operating grants	349,989	-	349,989
706.1 Capital grants	-	345,758	345,758
711 Investment income - unrestricted	5,722	-	5,722
700 Total Revenue	776,847	345,758	1,122,605
<b>EXPENSES:</b>			
911 Administrative salaries	95,297	-	95,297
912 Auditing and accounting fees	14,471	-	14,471
915 Employee benefits contributions	86,194	-	86,194
916 Other operating - administrative	34,249	-	34,249
931 Water	44,113	-	44,113
932 Electricity	39,318	-	39,318
933 Gas	34,654	-	34,654
938 Other utilities expense	11,890	-	11,890
941 Ordinary maintenance - labor	89,895	-	89,895
942 Ordinary maintenance - materials & other	28,260	-	28,260
943 Ordinary maintenance - contract costs	24,940	-	24,940
974 Depreciation expense	159,522	32,339	191,861
961 Insurance premiums	50,206	-	50,206
964 Other general expenses	11,555	-	11,555
900 Total Expenses	724,564	32,339	756,903
1000 Excess of operating revenue over expenses	52,283	313,419	365,702
1103 Net assets at beginning of year	1,815,347	764,590	2,579,937
1104 Equity transfer	259,262	(259,262)	-
Net assets at end of year	\$ 2,126,892	\$ 818,747	\$ 2,945,639

## **COMPLIANCE SECTION**



## Strickler & Prieto, LLP

201 E. Main, Suite 500  
El Paso, Texas 79901  
Tel. (915) 532-2901  
Fax (915) 532-0807  
www.cpa-sp.com

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

Hector H. Balderas, New Mexico State Auditor  
Mayor and City Councilors  
City of Artesia  
Artesia, New Mexico

We have audited the financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, the aggregate remaining fund information, the fiduciary funds, the budgetary comparisons of the general fund and the combining and individual funds and related budgetary comparison presented as supplementary information of the City of Artesia (the "City") as of and for the year ended June 30, 2010, and have issued our report thereon dated March 16, 2011. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

#### Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's and the City of Artesia Public Housing Authority's ("Authority") internal control over financial reporting as a basis for designing our auditing procedures for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the City's and Authority's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's and Authority's internal control over financial reporting.

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.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as described above. However, we identified certain deficiencies in internal control over financial reporting, described in the accompanying schedule of findings and responses that we consider to be significant deficiencies in internal control over financial reporting described as findings

2006-05, 2009-01, 2010-01, and 2010-02 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.

#### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's and Authority's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items 2006-05, 2009-01, 2010-01 and 2010-02.

We also noted certain other matters that are required to be reported pursuant to *Governmental Auditing Standards* paragraphs 5.14 and 5.16, and Section 12-6-5, NMSA 1978, which are described in the accompanying schedule of findings and responses as findings 2006-05, 2009-01, 2010-01 and 2010-02.

The City's and Authority's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the City's response and, accordingly, we express no opinion on it.

This report is intended solely for the information and use of the City Council, the Housing Authority's Board of Commissioners, management, the State Auditor, the New Mexico State Legislature, New Mexico Department of Finance and Administration Local Government Division and applicable federal grantors, and is not intended to be and should not be used by anyone other than these specified parties.

*Brickler & Pinto, LLP*

March 16, 2011

STATE OF NEW MEXICO  
CITY OF ARTESIA

SCHEDULE OF FINDINGS AND RESPONSES  
YEAR ENDED JUNE 30, 2010

---

FINDINGS - FINANCIAL STATEMENT AUDIT

**Primary Government:**

**2006-05: Late Submission of Audit Report**

**Condition**

The audit report for fiscal year 2010 was not submitted by December 1, 2010, causing the City to be out of compliance with New Mexico State Auditor Rule 2.2.2.9A(1).

**Criteria**

The New Mexico State Auditor Rule 2.2.2.9A(1) requires audit reports for municipalities to be submitted by December 1st following the end of the fiscal year.

**Effect**

The City's financial status and other information is not available to the public and various state agencies in a timely manner.

**Cause**

Additional time was needed by the City to submit required documentation to the Auditors to support the accuracy of the information reported in the financial statements.

**Recommendation**

The City should ensure that all required documentation provided to the Auditors be submitted on a timely basis.

**Management's Response**

This is a recurring problem and although it is a required finding, the fault lies with the auditing firm as much as with the City. The firm does not begin their field work until after the middle of October and I feel the City provides the information required. Additional information requested after the firm finishes their field work is not requested in a timely manner so there is no possible way to provide that information in order for them to file the audit on time.

## **2009-01: Designated Cash Exceeded Available Balance and Legal Compliance with Budget**

### **Condition**

The City budget exceeded the available balance in the following funds:

MGRT Infrastructure	544,677
Economic Stimulus	17,684

The City's actual expenditures exceeded budgeted expenditures in the following funds:

State and Local Forfeitures Special Revenue	165
---	-----

### **Criteria**

According to 2.2.2.10 NMCA if budgeted expenditures exceed budgeted revenues and the agency budget's cash or fund balance then that amount must not exceed the beginning fiscal year cash or fund balance. Section 6-6-6 of the New Mexico State Statutes restricts all officials and governing authorities from approving claims in excess of the approved budget. Additionally, Section 6-6-6 of NMCA prohibits any payments in excess of the approved budget. City officials and governing authorities have the obligation to follow applicable state statutes.

### **Cause**

The cause of the condition appears to be inadequate monitoring of the City's budgeting procedures. Management failed to monitor the expenses and compare them to budget.

### **Effect**

The City budgeted expenditures that required designated cash that exceeded its beginning fund balance. Non-compliance with the state statutes could subject officials and employees to penalties and fines required by state statutes.

### **Recommendation**

Budget for future years should be revised to insure all funds have adequate budget authority for appropriations. Greater attention should be given to the budget monitoring process.

### **Management's Response**

I disagree with this finding. We addressed the fact last year that we prepare our budget and reports to the DFA on a cash basis. On that basis, MGRT Infrastructure spent 66% of the budget. In the Economic Stimulus Fund we spent \$17,684 and were not reimbursed before the end of the fiscal year, this is how the ARRA funds work. We prepare our budget to DFA specifications on a cash basis. This will be a problem with the 2010-2011 audit as well. In the 2011-2012 budget, we will forego transfers and budget them as intragovernmental revenues and expenditures as suggested at the class I took in Phoenix.

### **Rebuttal to Response**

NMAC 2.2.2.10 requires that the budgetary comparison presented in the financial statements must be at least at the same appropriation level as the approved budget to demonstrate compliance with legal requirements. Since the city budgets cash or fund balance that did not exist at the beginning of the fiscal year, a finding must be reported.

## **2010-01: Adequate Construction in Progress records not maintained**

### **Condition**

The City does not have a systematic process of capturing capital expenditures related to ongoing construction in progress projects at the project level.

### **Criteria**

New Mexico State Statutes Section 12-6-10 directs the general services department to promulgate regulations to state agencies for the accounting and control of capital assets owned by government agencies. The New Mexico State Administrative Code, Title 2 Chapter 20, Part 1, *Accounting and Control of Fixed Assets of State Government, Accounting for Acquisitions and Establishing Controls* issued by the general services department requires that the City implement a systematic and well documented system for accounting of capital assets. The accounting system must be capable of generating lists of capital assets in sequences useful for managing them. The system must track all transactions, including acquisitions, depreciation, improvements and dispositions. The system must generate all necessary accounting entries to the City's general ledger.

### **Effect**

It is difficult to determine the total cost related to each ongoing construction project. The City's capital assets subsidiary ledgers are not capable of generating data necessary for the financial statements without a significant amount of manipulation.

### **Cause**

The City did not perform a roll forward that would track all construction in progress activity. All construction activity is comingled into various general ledger accounts, and consists of various independent projects not related to each other. No subsidiary reports are maintained to provide an accurate accounting of project activity at the project level.

### **Recommendation**

A method to account for construction in progress activity at the project level should be implemented. Each individual project should be accounted for separately to ensure that the correct dollar amount attributed to each project is captured and capitalized at the completion of each project.

### **Management's Response**

I agree with the audit firm that a new system should be put in place to track the expenditures of a project. With our large projects having to be funded through several funds, it becomes increasingly difficult to track progress. We will still that problem in 2010-2011 however, with the 2011-2012 budget we will use the Capital Projects Fund to tract each project separately along with engineering accounted for separately. We will then use intragovernmental revenues to fund these projects so we tract them through just one fund.

## **2010-02: Uncollateralized Bank Deposits**

### **Condition**

The City's cash balance of money market funds at the First American Bank Trust & Investment services exceeded the FDIC insurance of \$250,000 on June 30, 2010 by \$10,835,185. The bank did not post any pledged collateral, thus leaving the City's money market funds undercollateralized by \$3,503,717. Further, the City failed to remove its funds from First American Bank Trust & Investment as required by the Public Money Statutes.

### **Criteria**

New Mexico State Statutes Section 6-10-16 and 6-10-17 NMSA 1978 require the bank to collateralize the City's bank accounts in amount equal to one half of the public monies in excess of the FDIC insured amount. In addition, the Public Money statutes, 6-10-17.1 NMSA 1978 require the City to withdraw its funds from the financial institution within ten calendar days after the bank failed to post the required collateral.

### **Effect**

The City has cash on deposit at First American Bank Trust & Investment that is at risk of loss in the case of bank failure. The City is also not in compliance with the New Mexico Public Money statutes.

### **Cause**

The First American Bank Trust & Investment department failed to post the required collateral for the money market funds held in trust by the institution.

### **Recommendation**

Demand the financial institution post collateral for the City's accounts pursuant to the New Mexico Public Money Statutes. If the bank continues to refuse to comply with the Public Money Statutes within the ten days provided by 6-10-17.1 NMSA 1978, the City must withdraw its funds from the bank within the next ten days.

### **Management's Response**

This finding was due to a misunderstanding on my part. As soon as the firm informed us of the situation, we contacted the bank and they provided sufficient collateral.



## **FINDINGS - COMPONENT UNIT**

### **2010-01: Audit Report Submission to the New Mexico State Auditor**

#### **Condition**

The required submission date of the audit report for the fiscal year ended June 30, 2010 to the New Mexico State Auditor was December 1, 2010. The June 30, 2010 replacement financial statements were submitted in January.

#### **Criteria**

New Mexico State Statutes Section 12-6-12 require the state auditor to promulgate reasonable regulations necessary to carry out the duties of the office. NMAC 2-2-2-9 requires that the City of Artesia Public Housing Authority submit the audit report by December 1 following the end of each fiscal year at June 30.

#### **Effect**

Delays in the submission of the audit reports affecting the reporting of financial information to other state agencies and local governments.

#### **Cause**

The New Mexico State Auditor's office required corrections to the original audit report submission.

#### **Recommendation**

The audit report should be submitted prior to the submission deadline date to allow the New Mexico State Auditor's office time to review and release the audit report by the December 1 deadline date.

#### **Management's Response**

The NM State Auditors rejecting the audit due to required corrections from Strickler and Prieto, Auditors, created a finding for our agency.

## STATUS OF PRIOR YEAR FINDINGS

### Primary Government:

		<b>Current Status</b>
2006-03	Capital Assets Subsidiary Records	Resolved
2006-05	Late Submission of Audit Report	Repeat and Updated
2007-01	Financial Statements and Disclosures	Resolved
2009-01	Designated Cash Exceeded Available Balance and Legal Compliance with Budget	Repeat and Updated

### Component Unit:

	<b>Current Status</b>
No prior year findings	

**STATE OF NEW MEXICO  
CITY OF ARTESIA**

**EXIT CONFERENCE  
FOR THE YEAR ENDED JUNE 30, 2010**

---

**Primary Government:**

An exit conference was conducted on March 31, 2011 with the following individuals in attendance:

**City of Artesia Officials**

Terry Hill	Mayor Pro-tem
Bill Rogers	City Councilor
Jose Aguilar	City Councilor
Aubrey Hobson	City Clerk-Treasurer
Jan Briggs	Assistant Clerk-Treasurer

**Strickler & Prieto, LLP**

Brad Voge	Manager
-----------	---------

**Public Housing Authority:**

An exit conference was conducted November 30, 2010 with the following individuals in attendance:

**City of Artesia Public Housing Authority Officials**

Veral d'Entremont	Vice-Chairperson
Leslie Patterson	Commissioner
Louisa Madrid	Executive Director

**Strickler & Prieto, LLP**

Sandra Chiquito	Manager
-----------------	---------

**Financial Statement Preparation**

The City's and Housing Authority's independent public accountants prepared the accompanying financial statements; however, the City and Housing Authority are responsible for the financial statement content.