

Accounting & Consulting Group, LLP

Certified Public Accountants

STATE OF NEW MEXICO
CITY OF ARTESIA
ANNUAL FINANCIAL REPORT
JUNE 30, 2011



STATE OF NEW MEXICO
CITY OF ARTESIA
ANNUAL FINANCIAL REPORT
JUNE 30, 2011

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INTRODUCTORY SECTION

STATE OF NEW MEXICO

City of Artesia
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City of Artesia

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STATE OF NEW MEXICO

City of Artesia

Official Roster

June 30, 2011

<u>Name</u>	<u>Elected Officials</u>	<u>Title</u>
Phillip Burch		Mayor
Manuel Barragan		City Councilor
Raul Rodriguez		City Councilor
Joe Aguilar		City Councilor
Nora Sanchez		City Councilor
Kent Bratcher		City Councilor
J.B. Smith		City Councilor
Terry Hill		City Councilor
Bill Rogers		City Councilor
	<u>Department Heads</u>	
Aubrey Hobson		City Clerk/Treasurer
Donald Raley		Chief of Police
J.D. Hummingbird		Fire Chief
Robert Forrest		Director of Infrastructure
Bill Thalman		Human Resources Director
Kaye Kiper		Municipal Judge
John Caraway		City Attorney
	<u>Housing Authority</u>	
Jimmy Boyse		Chairperson
Veral d'Entremont		Vice-Chairperson
Alex Vasquez		Commissioner
Randy Hazelbaker		Commissioner
Leslie Patterson		Commissioner
Louisa Madrid		Executive Director

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FINANCIAL SECTION



Accounting & Consulting Group, LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Hector H. Balderas
New Mexico State Auditor
The Office of Management and Budget and
To The Board of Education
City of Artesia
Artesia, New Mexico

We were engaged to audit the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the budgetary comparison for the General Fund and the aggregate remaining fund information of the City of Artesia (the City) as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. We were also engaged to audit the financial statements of each of the City's nonmajor governmental funds, the nonmajor proprietary funds, the budgetary comparisons for the proprietary funds, and the respective budgetary comparisons for the major capital projects fund, and the remaining nonmajor governmental funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2011 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 have audited the accompanying financial statements of the business-type activities of the Artesia Housing Authority, a component unit of the City of Artesia, New Mexico, as of and for the year ended June 30, 2011, which collectively comprise the component units basic financial statements as listed in the table of contents. We have also audited the budgetary comparisons of the component unit for the year ended June 30, 2011 listed as supplementary information in the table of contents. These financial statements are the responsibility of the Artesia Housing Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

With regards to the Artesia Housing Authority, we conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States, and the standards applicable to financial statement audits contained in the New Mexico State Audit Rule 2.2.2 NMAC. 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. 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.

As a result of the numerous material weaknesses over the internal control structure of the City, the City's accounting records are inadequate to substantiate the account balances for revenues, expenditures, capital assets, related depreciation expense, accumulated depreciation, long term debt, and related debt activities. The City has insufficient or non-existent internal controls over substantially all of its significant transaction classes and general ledger postings cannot be relied upon. There are no internal controls in place to mitigate the risk of management override, as numerous nonstandard manual journal entries exist in the general ledger with little or no evidence to substantiate its validity. There is insufficient evidence available to determine that the account distributions for revenues, expenditures, capital assets, depreciation expense, accumulated depreciation, and long debt and related debt activities, amounts are accurate and management assertions cannot be adequately examined to afford a basis for an opinion. The City's records do not permit the application of other auditing procedures to its revenues, expenditures, capital assets, related depreciation expense, accumulated depreciation, long term debt, and related debt activities.

Because we were unable to obtain adequate supporting documentation and evidence for the City's revenues, expenditures, capital assets, related depreciation expense, accumulated depreciation, long term debt, and related debt activities, the scope of our work was not sufficient to enable us to express, and we do not express opinions on the governmental activities, the business-type activities, each major fund, the budgetary comparisons of the general fund and the aggregate remaining fund information of the City. Also, because we were unable to obtain adequate supporting documentation and evidence for the City's revenues, expenditures, capital assets, related depreciation expense, accumulated depreciation, long term debt, and related debt activities, the scope of our work was not sufficient to enable us to express, and we do not express opinions on the City's nonmajor governmental funds, nonmajor proprietary funds, the budgetary comparisons for the proprietary funds, and the respective budgetary comparisons for the major capital projects fund and the remaining nonmajor governmental funds presented as supplementary information.

With regard to the Artesia Housing Authority, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities, as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof, and the budgetary comparison 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 enterprise fund as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof, and the respective budgetary comparisons for the non major enterprise funds presented as supplementary information 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 21, 2012 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 City has not presented the *Management's Discussion and Analysis* that accounting principles generally accepted in the United States has determined is necessary to supplement, although not required to be part of, the basic financial statements.

We were engaged to conduct an audit for the purpose of forming opinions on the City's basic financial statements, the discretely presented component unit, the combining and individual fund financial statements, and the budgetary comparisons. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of State, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The accompanying financial information listed as Supporting Schedules I through IV in the table of contents is presented for purposes of additional analysis and is not a required part of the financial statements of the City. Because of the significance of the matters discussed in the preceding paragraphs, the scope of our work was not sufficient to enable us to express, and we do not express an opinion regarding whether schedules I through IV or the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects, in relation to the basic financial statements, and the remaining nonmajor governmental fund financial statements. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express no opinion on it.

Accounting & Consulting Group, LLP

Accounting & Consulting Group, LLP
Albuquerque, NM
March 21, 2012

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**BASIC
FINANCIAL STATEMENTS**

STATE OF NEW MEXICO

City of Artesia

Statement of Net Assets

June 30, 2011

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Housing Authority
Assets				
Current assets				
Cash and cash equivalents	\$ 2,818,059	\$ 2,259,229	\$ 5,077,288	\$ 734,948
Investments	13,358,175	1,669,905	15,028,080	-
Receivables:				
Property taxes	14,014	-	14,014	-
Other taxes	3,705,607	72,573	3,778,180	-
Due from other governments	413,168	-	413,168	37,951
Other	3,811	853,272	857,083	5,735
Less: allowance for uncollectables	-	(25,181)	(25,181)	(4,127)
Inventory	-	59,553	59,553	-
Prepays	-	-	-	41,266
Internal balances	242,847	-	242,847	-
Total current assets	20,555,681	4,889,351	25,445,032	815,773
Noncurrent assets				
Restricted cash and cash equivalents	3,562,193	1,154,916	4,717,109	28,799
Capital assets	90,690,675	58,254,079	148,944,754	6,944,019
Less: accumulated depreciation	(24,552,216)	(22,250,740)	(46,802,956)	(4,210,141)
Total noncurrent assets	69,700,652	37,158,255	106,858,907	2,762,677
Total assets	\$ 90,256,333	\$ 42,047,606	\$ 132,303,939	\$ 3,578,450

The accompanying notes are an integral part of these financial statements

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Housing Authority
Liabilities				
Current liabilities				
Accounts payable	\$ 931,267	\$ 173,466	\$ 1,104,733	\$ 89,343
Accrued payroll	359,653	61,040	420,693	20,264
Accrued interest	55,678	40,122	95,800	-
Current portion of compensated absences	360,646	55,495	416,141	5,416
Tenant deposits	-	-	-	28,799
Current portion of bonds payable	800,000	512,000	1,312,000	-
Total current liabilities	<u>2,507,244</u>	<u>842,123</u>	<u>3,349,367</u>	<u>143,822</u>
Noncurrent liabilities				
Compensated absences	-	-	-	3,020
Bonds payable	18,020,000	11,762,000	29,782,000	-
Bond premium	-	32,816	32,816	-
Landfill closure and post closure	-	43,750	43,750	-
Total noncurrent liabilities	<u>18,020,000</u>	<u>11,838,566</u>	<u>29,858,566</u>	<u>3,020</u>
Total liabilities	<u>20,527,244</u>	<u>12,680,689</u>	<u>33,207,933</u>	<u>146,842</u>
Net Assets				
Invested in capital assets, net of related debt	47,318,459	24,884,255	72,202,714	2,733,878
Restricted for:				
Debt service	45,282	-	45,282	-
Capital projects	141,277	-	141,277	-
Special revenue	2,387,024	-	2,387,024	-
Unrestricted	19,837,047	4,482,662	24,319,709	697,730
Total net assets	<u>69,729,089</u>	<u>29,366,917</u>	<u>99,096,006</u>	<u>3,431,608</u>
Total liabilities and net assets	<u>\$ 90,256,333</u>	<u>\$ 42,047,606</u>	<u>\$ 132,303,939</u>	<u>\$ 3,578,450</u>

STATE OF NEW MEXICO
City of Artesia
Statement of Activities
For the Year Ended June 30, 2011

<u>Functions/Programs</u>	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government				
Governmental Activities:				
General government	\$ 5,454,414	\$ 172,051	\$ 217,866	\$ 1,084,855
Public safety	7,299,080	-	183,450	659,693
Public works	2,561,513	-	-	-
Culture and recreation	589,124	89,004	-	-
Depreciation - unallocated	1,916,740	-	-	-
Interest on long-term debt	695,388	-	-	-
<i>Total governmental activities</i>	<u>18,516,259</u>	<u>261,055</u>	<u>401,316</u>	<u>1,744,548</u>
Business-type Activities:				
Wastewater	1,440,620	806,275	-	-
Solid waste	1,757,757	877,113	-	-
Water	2,866,068	2,857,953	-	-
Airport	897,311	471,817	56,920	-
Cemetary	64,042	66,550	-	-
Wastewater improvements	485,644	-	-	-
<i>Total business-type activities</i>	<u>7,511,442</u>	<u>5,079,708</u>	<u>56,920</u>	<u>-</u>
<i>Total primary government</i>	<u>\$ 26,027,701</u>	<u>\$ 5,340,763</u>	<u>\$ 458,236</u>	<u>\$ 1,744,548</u>
Component Unit Activities:				
Housing Authority	<u>\$ 817,472</u>	<u>\$ 435,568</u>	<u>\$ 266,606</u>	<u>\$ 580,937</u>

General Revenues:

Taxes:

Property taxes, levied for general purposes

Gross receipts taxes

Gasoline and motor vehicle taxes

Other taxes

Local sources

Fines and forfeitures

Investment income

Miscellaneous income

Loss on disposal of capital assets

Transfers

Total general revenues and transfers

Change in net assets

Net assets - as originally stated

Net assets - restatement (note 15)

Net assets - as restated

Net assets, ending

The accompanying notes are an integral part of these financial statements

Net (Expense) Revenue and Changes in Net Assets			
Governmental Activities	Business-Type Activities	Total	Component Unit Housing Authority
\$ (3,979,642)	\$ -	\$ (3,979,642)	\$ -
(6,455,937)	-	(6,455,937)	-
(2,561,513)	-	(2,561,513)	-
(500,120)	-	(500,120)	-
(1,916,740)	-	(1,916,740)	-
(695,388)	-	(695,388)	-
<u>(16,109,340)</u>	<u>-</u>	<u>(16,109,340)</u>	<u>-</u>
-	(634,345)	(634,345)	-
-	(880,644)	(880,644)	-
-	(8,115)	(8,115)	-
-	(368,574)	(368,574)	-
-	2,508	2,508	-
-	(485,644)	(485,644)	-
<u>-</u>	<u>(2,374,814)</u>	<u>(2,374,814)</u>	<u>-</u>
(16,109,340)	(2,374,814)	(18,484,154)	-
-	-	-	465,639
525,185	-	525,185	-
18,585,462	307,378	18,892,840	-
439,250	-	439,250	-
967,499	-	967,499	-
275,010	-	275,010	-
101,760	-	101,760	-
119,284	25,590	144,874	5,266
27,629	112,135	139,764	15,064
(1,077)	(2,212)	(3,289)	-
(984,963)	984,963	-	-
<u>20,055,039</u>	<u>1,427,854</u>	<u>21,482,893</u>	<u>20,330</u>
3,945,699	(946,960)	2,998,739	485,969
63,136,164	30,313,877	93,450,041	2,945,639
<u>2,647,226</u>	<u>-</u>	<u>2,647,226</u>	<u>-</u>
<u>65,783,390</u>	<u>30,313,877</u>	<u>96,097,267</u>	<u>2,945,639</u>
<u>\$ 69,729,089</u>	<u>\$ 29,366,917</u>	<u>\$ 99,096,006</u>	<u>\$ 3,431,608</u>

STATE OF NEW MEXICO

City of Artesia
Balance Sheet
Governmental Funds
June 30, 2011

	<u>General Fund</u>	<u>Public Safety Complex Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>
<i>Assets</i>			
Cash and cash equivalents	\$ 4,788,556	\$ 549,488	\$ 1,042,208
Investments	12,129,000	-	1,229,175
Receivables:			
Property taxes	14,014	-	-
Other taxes	3,362,017	-	343,590
Due from other governments	228,940	-	184,228
Other	3,811	-	-
Due from other funds	419,070	-	-
<i>Total assets</i>	<u>\$ 20,945,408</u>	<u>\$ 549,488</u>	<u>\$ 2,799,201</u>
<i>Liabilities</i>			
Accounts payable	\$ 408,929	\$ 334,019	\$ 188,319
Accrued payroll	338,786	-	20,867
Deferred revenue:			
Property taxes	6,833	-	-
Due to other funds	-	-	176,223
<i>Total liabilities</i>	<u>754,548</u>	<u>334,019</u>	<u>385,409</u>
<i>Fund balances</i>			
Spendable			
Restricted for:			
Municipal court	-	-	312,248
Fire departments	-	-	2,980
Library	-	-	45,200
Promotional activities	-	-	142,971
Road projects	-	-	189,957
Community development	-	-	7,855
Forfeited assets	-	-	10,605
Debt service	-	-	100,960
Public safety complex construction	-	215,469	-
Committed for:			
Volunteer work	-	-	1,821
Land lease	-	-	252,172
Infrastructure revenues	-	-	286,783
Economic development	-	-	1,172,808
Minimum fund balance	1,476,629	-	-
Unassigned	18,714,231	-	(112,568)
<i>Total fund balances</i>	<u>20,190,860</u>	<u>215,469</u>	<u>2,413,792</u>
<i>Total liabilities and fund balances</i>	<u>\$ 20,945,408</u>	<u>\$ 549,488</u>	<u>\$ 2,799,201</u>

The accompanying notes are an integral part of these financial statements

<u>Total</u>	
\$	6,380,252
	13,358,175
	14,014
	3,705,607
	413,168
	3,811
	419,070
\$	<u>24,294,097</u>

\$	931,267
	359,653
	6,833
	176,223
	<u>1,473,976</u>

	312,248
	2,980
	45,200
	142,971
	189,957
	7,855
	10,605
	100,960
	215,469
	1,821
	252,172
	286,783
	1,172,808
	1,476,629
	18,601,663
	<u>22,820,121</u>
\$	<u>24,294,097</u>

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STATE OF NEW MEXICO

City of Artesia

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Assets

June 30, 2011

Exhibit B-1

Page 2 of 2

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

Fund balances - total governmental funds	\$ 22,820,121
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	66,138,459
Delinquent property taxes not collected within sixty days after year end are not considered "available" revenues and are considered to be deferred revenue in the fund financial statements, but are considered revenue in the Statement of Activities	6,833
Interest on long-term debt is not accrued in the fund financial statements unless it is due and payable: Accrued interest	(55,678)
Some liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds: Accrued compensated absences Bonds payable	(360,646) <u>(18,820,000)</u>
Total net assets of governmental activities	<u><u>\$ 69,729,089</u></u>

The accompanying notes are an integral part of these 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, 2011

	<u>General Fund</u>	<u>Public Safety Complex Capital Projects Fund</u>	<u>Nonmajor Governmental Funds</u>
<i>Revenues</i>			
Taxes:			
Property	\$ 661,415	\$ -	\$ -
Gross receipts	17,015,060	-	1,570,402
Gasoline and motor vehicle	63,546	-	375,704
Other	661,631	-	305,868
Intergovernmental income:			
Federal operating grants	-	-	17,684
Federal capital grants	25,262	-	659,693
State operating grants	75,229	-	308,403
State capital grants	351,587	-	708,006
Local sources	275,010	-	-
Charges for services	-	-	261,055
Fines and forfeitures	101,760	-	-
Investment income	41,848	75,468	1,968
Miscellaneous	27,255	-	374
<i>Total revenues</i>	<u>19,299,603</u>	<u>75,468</u>	<u>4,209,157</u>
<i>Expenditures</i>			
Current:			
General government	4,860,228	-	476,920
Public safety	7,312,476	-	102,587
Public works	2,518,864	-	-
Culture and recreation	416,122	-	162,087
Capital outlay	2,071,862	14,223,160	3,545,104
Debt service:	-	-	-
Principal	-	-	790,000
Interest	-	-	639,710
<i>Total expenditures</i>	<u>17,179,552</u>	<u>14,223,160</u>	<u>5,716,408</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>2,120,051</u>	<u>(14,147,692)</u>	<u>(1,507,251)</u>
<i>Other financing sources (uses)</i>			
Transfer in	130,000	-	4,501,168
Transfers (out)	(3,204,339)	-	(2,411,792)
<i>Total other financing sources (uses)</i>	<u>(3,074,339)</u>	<u>-</u>	<u>2,089,376</u>
<i>Net change in fund balances</i>	(954,288)	(14,147,692)	582,125
<i>Fund balances - as originally stated</i>	21,145,148	14,363,161	(815,559)
<i>Fund balances - restatement (note 15)</i>	-	-	2,647,226
<i>Fund balances - as restated</i>	<u>21,145,148</u>	<u>14,363,161</u>	<u>1,831,667</u>
<i>Fund balances - end of year</i>	<u>\$ 20,190,860</u>	<u>\$ 215,469</u>	<u>\$ 2,413,792</u>

The accompanying notes are an integral part of these financial statements

<u>Total</u>	
\$	661,415
	18,585,462
	439,250
	967,499
	17,684
	684,955
	383,632
	1,059,593
	275,010
	261,055
	101,760
	119,284
	27,629
	<u>23,584,228</u>
	5,337,148
	7,415,063
	2,518,864
	578,209
	19,840,126
	790,000
	639,710
	<u>37,119,120</u>
	<u>(13,534,892)</u>
	4,631,168
	<u>(5,616,131)</u>
	<u>(984,963)</u>
	(14,519,855)
	34,692,750
	<u>2,647,226</u>
	<u>37,339,976</u>
\$	<u>22,820,121</u>

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STATE OF NEW MEXICO

City of Artesia

Governmental Funds

Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances of Governmental Funds to the Statement of Activities
For the Year Ended June 30, 2011

Exhibit B-2

Page 2 of 2

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

Net change in fund balances - total governmental funds	\$ (14,519,855)
--	-----------------

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

Capital expenditures recorded in capital outlay	19,840,126
Depreciation expense	(1,916,740)
Loss on disposal of capital assets	(1,077)

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

Change in deferred revenue related to property taxes receivable	(136,230)
---	-----------

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

Increase in accrued compensated absences	(54,847)
Increase in accrued interest	(55,678)
Principal payments on bonds payable	790,000
	790,000

Change in net assets of governmental activities	\$ 3,945,699
---	--------------

The accompanying notes are an integral part of these financial statements

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STATE OF NEW MEXICO

Exhibit C-1

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, 2011

	Budgeted Amounts		Actual (GAAP Basis)	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		
<i>Revenues</i>				
Taxes:				
Property taxes	\$ 472,372	\$ 673,781	\$ 673,420	\$ (361)
Gross receipts	15,400,000	16,709,223	16,756,628	47,405
Gasoline and motor vehicle	59,200	59,348	57,717	(1,631)
Other	715,259	715,263	534,080	(181,183)
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	56,000	16,000	13,507	(2,493)
State operating grants	177,987	177,987	71,418	(106,569)
State capital grants	350,000	390,000	158,097	(231,903)
Local sources	275,010	275,010	275,010	-
Charges for services	653,685	679,012	445,019	(233,993)
Fines and forfeitures	213,750	214,476	147,892	(66,584)
Investment income	100,000	100,000	48,050	(51,950)
Miscellaneous	26,600	27,965	27,255	(710)
<i>Total revenues</i>	<u>18,499,863</u>	<u>20,038,065</u>	<u>19,208,093</u>	<u>(829,972)</u>
<i>Expenditures</i>				
Current:				
General government	5,071,382	5,102,263	4,808,609	293,654
Public safety	7,552,065	7,552,065	7,050,839	501,226
Public works	2,651,144	2,651,144	2,507,649	143,495
Culture and recreation	482,525	482,525	407,963	74,562
Health and welfare	-	-	-	-
Capital outlay	5,940,950	5,910,069	2,029,010	3,881,059
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>21,698,066</u>	<u>21,698,066</u>	<u>16,804,070</u>	<u>4,893,996</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(3,198,203)</u>	<u>(1,660,001)</u>	<u>2,404,023</u>	<u>4,064,024</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	6,540,633	5,119,644	-	(5,119,644)
Transfers in	130,000	130,000	130,000	-
Transfers (out)	(3,472,430)	(3,589,643)	(3,204,339)	385,304
<i>Total other financing sources (uses)</i>	<u>3,198,203</u>	<u>1,660,001</u>	<u>(3,074,339)</u>	<u>(4,734,340)</u>
<i>Net change in fund balance</i>	-	-	(670,316)	(670,316)
<i>Fund balances - beginning of year</i>	-	-	18,006,942	18,006,942
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,336,626</u>	<u>\$ 17,336,626</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ (670,316)
Adjustments to revenues for taxes, fuel, federal and state operating grants and other revenues				91,510
Adjustments to expenditures for payroll, services, supplies and other expenditures				(375,482)
Net change in fund balance (GAAP basis)				<u>\$ (954,288)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

City of Artesia
Statement of Net Assets
Proprietary Funds
June 30, 2011

	<u>Waste Water Fund</u>	<u>Solid Waste Fund</u>	<u>Water Fund</u>
<i>Assets</i>			
<i>Current assets</i>			
Cash and cash equivalents	\$ 235,990	\$ 785,028	\$ 1,109,610
Investments	541,380	900,025	20,000
Receivables:			
Taxes	-	72,573	-
Other	120,720	184,399	548,153
Less: allowance for uncollectables	(3,563)	(5,442)	(16,176)
Inventory	-	-	-
<i>Total current assets</i>	<u>894,527</u>	<u>1,936,583</u>	<u>1,661,587</u>
<i>Noncurrent assets</i>			
Restricted cash and cash equivalents	-	-	-
Capital assets	19,768,509	4,006,868	16,963,050
Less: accumulated depreciation	(12,035,082)	(2,420,110)	(3,674,665)
<i>Total noncurrent assets</i>	<u>7,733,427</u>	<u>1,586,758</u>	<u>13,288,385</u>
<i>Total assets</i>	<u>\$ 8,627,954</u>	<u>\$ 3,523,341</u>	<u>\$ 14,949,972</u>
<i>Liabilities and net assets</i>			
<i>Liabilities:</i>			
<i>Current liabilities</i>			
Accounts payable	\$ 17,978	\$ 22,400	\$ 80,266
Accrued payroll	14,971	18,209	23,024
Accrued interest	-	-	1,563
Current portion of compensated absences	18,085	16,029	17,743
Current portion of bonds payable	-	-	12,000
<i>Total current liabilities</i>	<u>51,034</u>	<u>56,638</u>	<u>134,596</u>
<i>Noncurrent liabilities</i>			
Bonds payable	-	-	52,000
Bond premium	-	-	-
Landfill closure and post closure	-	43,750	-
<i>Total noncurrent liabilities</i>	<u>-</u>	<u>43,750</u>	<u>52,000</u>
<i>Total liabilities</i>	<u>51,034</u>	<u>100,388</u>	<u>186,596</u>
<i>Net assets:</i>			
Invested in capital assets, net of related debt	7,733,427	1,586,758	13,224,385
Restricted net assets	843,493	1,836,195	1,538,991
<i>Total net assets</i>	<u>8,576,920</u>	<u>3,422,953</u>	<u>14,763,376</u>
<i>Total liabilities and net assets</i>	<u>\$ 8,627,954</u>	<u>\$ 3,523,341</u>	<u>\$ 14,949,972</u>

The accompanying notes are an integral part of these financial statements

Waste Water Improvements Fund	Nonmajor Proprietary Funds	Total
\$ 1,756	\$ 126,845	\$ 2,259,229
8,500	200,000	1,669,905
-	-	72,573
-	-	853,272
-	-	(25,181)
-	59,553	59,553
<u>10,256</u>	<u>386,398</u>	<u>4,889,351</u>
1,154,916	-	1,154,916
11,726,016	5,789,636	58,254,079
-	(4,120,883)	(22,250,740)
<u>12,880,932</u>	<u>1,668,753</u>	<u>37,158,255</u>
<u>\$ 12,891,188</u>	<u>\$ 2,055,151</u>	<u>\$ 42,047,606</u>
\$ 20,360	\$ 32,462	\$ 173,466
-	4,836	61,040
38,559	-	40,122
-	3,638	55,495
500,000	-	512,000
<u>558,919</u>	<u>40,936</u>	<u>842,123</u>
11,710,000	-	11,762,000
32,816	-	32,816
-	-	43,750
<u>11,742,816</u>	<u>-</u>	<u>11,838,566</u>
<u>12,301,735</u>	<u>40,936</u>	<u>12,680,689</u>
670,932	1,668,753	24,884,255
(81,479)	345,462	4,482,662
<u>589,453</u>	<u>2,014,215</u>	<u>29,366,917</u>
<u>\$ 12,891,188</u>	<u>\$ 2,055,151</u>	<u>\$ 42,047,606</u>

STATE OF NEW MEXICO
City of Artesia
Statement of Revenues, Expenses, and Changes in Net Assets
Proprietary Funds
For the Year Ended June 30, 2011

	Waste Water Fund	Solid Waste Fund	Water Fund
<i>Operating revenues:</i>			
Charges for services	\$ 806,275	\$ 877,113	\$ 2,857,953
<i>Total operating revenues</i>	806,275	877,113	2,857,953
<i>Operating expenses:</i>			
Personnel services	443,121	632,983	909,227
Contractual services	-	47,386	2,665
Supplies	59,848	5,968	49,743
Maintenance and materials	206,629	205,733	180,786
Utilities	153,476	-	236,752
Equipment	2,108	71,082	539,814
Depreciation	489,709	267,279	501,482
Miscellaneous	85,729	527,326	437,849
<i>Total operating expenses</i>	1,440,620	1,757,757	2,858,318
<i>Operating income (loss)</i>	(634,345)	(880,644)	(365)
<i>Non-operating revenues (expenses):</i>			
Interest expense	-	-	(7,750)
Interest income	959	1,243	491
Miscellaneous income	27,984	82,942	1,209
<i>Total non-operating revenues (expenses)</i>	28,943	84,185	(6,050)
Governmental contributions	-	-	-
Gross receipts taxes	-	307,378	-
Gain (loss) on sale of capital assets	-	-	-
Transfers in	-	-	-
Transfers (out)	-	(130,000)	-
<i>Grants and net transfers</i>	-	177,378	-
<i>Change in net assets</i>	(605,402)	(619,081)	(6,415)
<i>Net assets - beginning of year</i>	9,182,322	4,042,034	14,769,791
<i>Net assets - end of year</i>	\$ 8,576,920	\$ 3,422,953	\$ 14,763,376

The accompanying notes are an integral part of these financial statements

<u>Waste Water Improvements Fund</u>	<u>Nonmajor Proprietary Funds</u>	<u>Total</u>
\$ -	\$ 538,367	\$ 5,079,708
-	538,367	5,079,708
-	186,609	2,171,940
-	2,096	52,147
-	3,074	118,633
-	22,583	615,731
-	14,702	404,930
-	82,392	695,396
-	82,935	1,341,405
-	566,962	1,617,866
-	961,353	7,018,048
-	(422,986)	(1,938,340)
(485,644)	-	(493,394)
22,535	362	25,590
-	-	112,135
(463,109)	362	(355,669)
-	56,920	56,920
-	-	307,378
-	(2,212)	(2,212)
964,963	150,000	1,114,963
-	-	(130,000)
964,963	204,708	1,347,049
501,854	(217,916)	(946,960)
87,599	2,232,131	30,313,877
\$ 589,453	\$ 2,014,215	\$ 29,366,917

STATE OF NEW MEXICO
City of Artesia
Statement of Cash Flows - Proprietary Funds
For the Year Ended June 30, 2011

	<u>Waster Water Fund</u>	<u>Solid Waste Fund</u>	<u>Water Fund</u>
<i>Cash flows from operating activities:</i>			
Cash received from user charges	\$ 938,578	\$ 1,511,266	\$ 3,223,667
Cash payments to employees for services	(430,394)	(616,943)	(888,937)
Cash payments to suppliers for goods and services	(501,822)	(858,141)	(1,393,430)
<i>Net cash provided (used) by operating activities</i>	<u>6,362</u>	<u>36,182</u>	<u>941,300</u>
<i>Cash flows from noncapital financing activities:</i>			
Operating grants	-	-	-
Taxes received	-	307,378	-
Miscellaneous income	27,984	82,942	1,209
Internal cash transfers in (out)	-	(130,000)	-
<i>Net cash provided (used) by noncapital financing activities:</i>	<u>27,984</u>	<u>260,320</u>	<u>1,209</u>
<i>Cash flows from capital and related financing activities:</i>			
Acquisition of capital assets	(13,540)	(233,521)	(1,011,423)
Principal paid on capital debt	-	-	(9,000)
Interest paid on capital debt	-	-	(6,187)
<i>Net cash provided (used) by capital and related financing activities:</i>	<u>(13,540)</u>	<u>(233,521)</u>	<u>(1,026,610)</u>
<i>Cash flows from investing activities:</i>			
Proceeds from the sale of investments	-	-	-
Interest on investments	959	1,243	491
<i>Net cash provided by (used) from investing activities</i>	<u>959</u>	<u>1,243</u>	<u>491</u>
<i>Net increase in cash and cash equivalents</i>	<u>21,765</u>	<u>64,224</u>	<u>(83,610)</u>
<i>Cash and cash equivalents - beginning of year</i>	<u>214,225</u>	<u>720,804</u>	<u>1,193,220</u>
<i>Cash and cash equivalents - end of year</i>	<u>\$ 235,990</u>	<u>\$ 785,028</u>	<u>\$ 1,109,610</u>
<i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</i>			
Operating income (loss)	\$ (634,345)	\$ (880,644)	\$ (365)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities:			
Depreciation	489,709	267,279	501,482
Amortization	-	(2,500)	-
Changes in assets and liabilities			
Receivables	132,303	634,153	365,714
Inventory	-	-	-
Accounts payable	5,968	1,854	54,179
Accrued payroll expenses	14,971	18,209	20,708
Current accrued compensated absences	(2,244)	(2,169)	(418)
<i>Net cash (used) by operating activities</i>	<u>\$ 6,362</u>	<u>\$ 36,182</u>	<u>\$ 941,300</u>

The accompanying notes are an integral part of these financial statements

Waste Water Improvements Fund	Nonmajor Proprietary Funds	Total
\$ 20,363	\$ 689,379	\$ 6,383,253
-	(181,859)	(2,118,133)
(7,000)	(698,218)	(3,458,611)
<u>13,363</u>	<u>(190,698)</u>	<u>806,509</u>
-	56,920	56,920
-	-	307,378
-	-	112,135
<u>964,963</u>	<u>150,000</u>	<u>984,963</u>
<u>964,963</u>	<u>206,920</u>	<u>1,461,396</u>
(8,782,237)	(12,373)	(10,053,094)
(490,000)	-	(499,000)
(467,962)	-	(474,149)
<u>(9,740,199)</u>	<u>(12,373)</u>	<u>(11,026,243)</u>
5,643,968	-	5,643,968
22,535	362	25,590
<u>5,666,503</u>	<u>362</u>	<u>5,669,558</u>
<u>(3,095,370)</u>	<u>4,211</u>	<u>(3,088,780)</u>
<u>4,252,042</u>	<u>122,634</u>	<u>6,502,925</u>
<u>\$ 1,156,672</u>	<u>\$ 126,845</u>	<u>\$ 3,414,145</u>
\$ -	\$ (422,986)	\$ (1,938,340)
-	82,935	1,341,405
(7,000)	-	(9,500)
3	151,012	1,283,185
-	(35,619)	(35,619)
20,360	29,210	111,571
-	4,836	58,724
-	(86)	(4,917)
<u>\$ 13,363</u>	<u>\$ (190,698)</u>	<u>\$ 806,509</u>

STATE OF NEW MEXICO
City of Artesia
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2011

Exhibit E-1

<i>Current Assets</i>	
Cash and cash equivalents	\$ 505,068
Investments	1,749,390
Interest receivable	<u>1,051</u>
<i>Total assets</i>	<u><u>\$ 2,255,509</u></u>
<i>Current Liabilities</i>	
Accounts payable	\$ 512
Held in trust for others	<u>2,254,997</u>
<i>Total liabilities</i>	<u><u>\$ 2,255,509</u></u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Artesia
Notes to Financial Statements
June 30, 2011

NOTE 1. Summary of Significant Accounting Policies

The City of Artesia (City) operates under a Mayor-Council form of government and provides the following services as authorized by its charter: public safety (police, fire, etc), highways and streets, public utilities (wastewater, water, solid waste, etc), health and social services, culture-recreation, public improvements, housing, planning and zoning, and general administrative services.

The City is a body, political and corporate, under the name and form of government selected by its qualified electors. The City may:

1. Sue or be sued;
2. Enter into contracts and leases;
3. Acquire and hold property, both real and personal;
4. Have common seal, which may be altered at pleasure;
5. Exercise such other privileges that are incident to corporations of like character or degree that are not inconsistent with the laws of New Mexico;
6. Protect generally the property of its municipality and its inhabitants;
7. Preserve peace and order within the municipality; and
8. Establish rates for services provided by municipal utilities and revenue-producing projects, including amounts which the governing body determines to be reasonable in the operation of similar facilities.

This summary of significant accounting policies of the City is presented to assist in the understanding of City's financial statements. The financial statements and notes are the representation of City's management who is responsible for their integrity and objectivity.

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to governmental units. The Governmental Accounting Standard Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The GASB periodically updates its codification of the existing Governmental Accounting and Financial Reporting Standards which, along with subsequent GASB pronouncements (Statements and Interpretations), constitutes GAAP for governmental units. The government-wide and the proprietary funds financial statements have incorporated all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on Accounting Procedures issued after November 30, 1989, unless those pronouncements conflict with or contradict GASB pronouncements. Governments also have the option of following subsequent private sector guidance for their government-wide financial statements and enterprise funds, subject to the same limitation. The City has elected not to follow the subsequent private sector guidance. The more significant of the City's accounting policies are described below.

A. Financial Reporting Entity

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

In evaluating how to define the City, for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statements No. 14 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.

STATE OF NEW MEXICO
City of Artesia
Notes to Financial Statements
June 30, 2011

NOTE 1. Summary of Significant Accounting Policies (continued)

A. Financial Reporting Entity (continued)

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

A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens.

A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity.

Based upon the application of these criteria, the 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.

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

The Statement of Net Assets and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt and obligations. The City's net assets are reported in three parts – invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets.

STATE OF NEW MEXICO
City of Artesia
Notes to Financial Statements
June 30, 2011

NOTE 1. Summary of Significant Accounting Policies (continued)

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

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *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 segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

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

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

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

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

Program revenues included in the Statement of Activities are derived directly from the program itself or from parties outside the City's taxpayer or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the City's general revenues. Program revenues are categorized as (a) charges for services, which include revenues collected for fees and use of City facilities, etc., (b) program-specific operating grants, which includes revenues received from state and federal sources to be used as specified within each program grant agreement, and (c) program-specific capital grants and contributions, which include revenues from state sources to be used for capital projects. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

STATE OF NEW MEXICO
City of Artesia
Notes to Financial Statements
June 30, 2011

NOTE 1. Summary of Significant Accounting Policies (continued)

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

The City reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. The City does not currently employ indirect cost allocation systems. Depreciation expense is unallocated and is considered an indirect expense and is reported separately on the Statement of Activities. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

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

The City reports the following major governmental funds:

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

The *Public Safety Complex Capital Projects Fund* accounts for financial resources to be used for the construction of the public safety complex building.

The City reports its proprietary funds as major funds. Proprietary funds include:

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 *Solid Waste Fund* accounts for the disposal of solid waste for the residents of the City.

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 *Wastewater Improvement Fund* accounts for the municipal infrastructure gross receipts tax dedicated to the wastewater facilities enhancement and to account for the bond proceeds and construction activity related to the wastewater treatment plant project.

Additionally, the government reports the following fund types:

The *Special Revenue Funds* account for the proceeds of specific revenue sources that are legally restricted to expenditures for specified purposes.

The *Debt Service Funds* account for the services of general long-term debt not being financed by proprietary or nonexpendable trust funds.

The *Capital Projects Funds* account for the acquisition of capital assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds.

The *Fiduciary Funds* are purely custodial (assets equal liabilities) and do not involve measurement of results of operations. The City's fiduciary funds are used to account for DWI testing receipts and disbursements; water security deposits, and for funds provided by a private donor to finance the purchase of medical equipment for the community hospital.

STATE OF NEW MEXICO
City of Artesia
Notes to Financial Statements
June 30, 2011

NOTE 1. Summary of Significant Accounting Policies (continued)

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

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

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

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

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

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

Investments for the City are reported at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties.

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

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

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

STATE OF NEW MEXICO
City of Artesia
Notes to Financial Statements
June 30, 2011

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Net Assets or Equity (continued)

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

Capital Assets: Capital assets, which include property, plant, utility systems, equipment, and infrastructure assets (e.g., roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by the government as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Pursuant to the implementation of GASB Statement No. 34, the historical cost of infrastructure assets, (retroactive to 1980) are included as part of the governmental capital assets reported in the government-wide statements. Information Technology Equipment including software is being capitalized and included in furniture, fixtures and equipment in accordance with NMAC 2.20.1.9 C (5). Donated capital assets are recorded at estimated fair market value at the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized. Library books and periodicals are estimated to have a useful life of less than one year or are under the capitalization threshold and are expensed when purchased.

Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed. The total interest expense capitalized by the City during the current fiscal year was \$0. No interest was included as part of the cost of capital assets under construction.

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

<u>Assets</u>	<u>Years</u>
Buildings	40
Infrastructure	40
Utility systems	25
Machinery and equipment, including vehicles	5

Accrued Expenses: Accrued expenses are comprised of payroll expenditures based on amounts earned by the employees through June 30, 2011, along with applicable PERA and Retiree Health Care.

STATE OF NEW MEXICO
City of Artesia
Notes to Financial Statements
June 30, 2011

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Net Assets or Equity (continued)

Deferred Revenues: Accounting principles generally accepted in the United States of America require that grant revenue (voluntary nonexchange transactions) be recognized as revenue in the government-wide financial statements when all eligibility requirements have been met and recognized as revenue in the governmental fund financial statements based on the same factors subject to the availability criterion. Amounts received from reimbursement basis grants are recorded as deferred revenue in the governmental fund financial statements when received more than 90 days after year end and amounts received after 60 days after year end for property taxes.

Compensated Absences: City employees accrue sick leave at various rates depending on the employee's length of service. Accumulated sick leave shall not be taken as annual paid leave. Accordingly, no liability is recorded for non-vesting accumulated rights to receive sick pay benefits.

They earn vacation leave at various rates depending on the employee's length of service, as follows:

Annual leave may not be carried over from year to year. Effective January 1 of each year, the annual leave balance from the previous year shall be forfeited. When an employee, for any reason, terminates his/her employment with the City, he/she shall be paid for all unused earned annual leave hours.

<u>Employment Duration</u>	<u>Regular Employees</u>	<u>Fire Employees</u>
1 to 4 years	80 hours	120 hours
5 to 9 years	120 hours	168 hours
10 to 19 years	160 hours	240 hours
20 years and over	200 hours	288 hours

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental or proprietary fund that will pay it. In prior years, substantially all of the related expenditures have been liquidated by the general fund. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the government-wide statement of net assets.

Long-term Obligations: In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net 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 or straight-line method, if the difference is inconsequential.

Fund Balance Classification Policies and Procedures: For committed fund balance the City's highest level of decision-making authority is the City Council. The formal action that is required to establish, modify, or rescind a fund balance commitment is a resolution approved by the Council at a City Council meeting. The resolution must either be approved or rescinded, as applicable, prior to the last day of the fiscal year for which the commitment is made.

For assigned fund balance, the City Council has approved the City Manager as an authorized official to assign fund balance to a specific purpose.

When multiple categories of fund balance are available for expenditures, the City will start with the most restricted category and spend those funds first before moving down to the next category of available funds.

STATE OF NEW MEXICO
City of Artesia
Notes to Financial Statements
June 30, 2011

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Net Assets or Equity (continued)

Nonspendable Fund Balance: At June 30, 2011, the City of Artesia did not have any nonspendable fund balance.

Restricted and Committed Fund Balance: At June 30, 2011, the City has presented restricted fund balance on the governmental funds balance sheet in the amount of \$1,028,245 for various City operations as restricted by enabling legislation. The City has also presented committed fund balance on the governmental funds balance sheet in the amount of \$3,190,213 in order to provide services throughout the City. The details of these fund balance items are located on the governmental funds balance sheet as detailed on pages 18-19.

Minimum Fund Balance Policy: It is the policy of the City to achieve and maintain an Unassigned Fund Balance in the General Fund equal to 8.33% or 1/12th of budgeted expenditures. The City considers a balance of less than 8.33% or 1/12th to be cause for concern, barring unusual or deliberate circumstances.

In the event that the Undesignated Fund Balance in the General Fund is calculated to be less than the policy requires, the City shall plan to control operating expenditures and use budget surpluses in subsequent fiscal years to restore the balance. The minimum Unassigned Fund Balance shall be restored within one to three fiscal years, as economic conditions allow. Except in extraordinary circumstances, the minimum Undesignated Fund Balance should not be used to fund any portion of the ongoing and routine year-to-year operating expenditures of the City. It should be used primarily to insure adequate designated reserves, to respond to unforeseen emergencies, to provide cash flow, and to provide overall financial stability.

Equity Classifications: Equity is classified as net assets and displayed in three components in the *Government-wide Statements*:

- a. Invested in capital assets, net of related debt: Net assets invested in capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted Net Assets: Consist of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation. Descriptions for related restrictions for the net assets restricted for "special revenue, debt service, and capital projects" are described on pages 38 and 64-65.
- c. Unrestricted Net assets: All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

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

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

STATE OF NEW MEXICO
City of Artesia
Notes to Financial Statements
June 30, 2011

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Net Assets or Equity (continued)

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates in the City's financial statements include the allowance for uncollectible accounts in the enterprise funds, depreciation on capital assets over their estimated useful lives, and the current portion of accrued compensated absences

Reclassifications: Certain amounts included in the financial statements have been reclassified to conform to the current year presentation.

NOTE 2. Stewardship, Compliance and Accountability

Budgetary Information

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

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

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

Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Debt Service Funds, Capital Projects, and Proprietary Funds.

The City is required to balance its budgets each year. Accordingly, amounts that are excess or deficient are presented as changes in cash designated for expenditures, not as an excess or deficiency of revenues over expenditures.

The accompanying Statements of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual presents comparisons of the legally adopted budget with actual data on the budgetary basis. Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles, a reconciliation of resultant basis, perspective, equity and timing differences in the excess (deficiency) of revenues and other sources of financial resources for the year ended June 30, 2011 is presented. Reconciliations between the non-GAAP budgetary basis amounts and the financial statements on the GAAP basis, by fund, can be found on each individual budgetary statement.

STATE OF NEW MEXICO
City of Artesia
Notes to Financial Statements
June 30, 2011

NOTE 2. Stewardship, Compliance and Accountability (continued)

Budgetary Information (continued)

		Excess (deficiency) of revenues over expenditures	
		Original Budget	Final Budget
Budgeted Funds:			
Governmental Funds:			
General Fund		\$ (3,198,203)	\$ (1,660,001)
Public Safety Complex Capital Projects Fund		\$ (14,335,194)	\$ (14,335,194)
Other Governmental Funds		\$ (3,437,754)	\$ (3,253,394)
		Operating income (loss)	
		Original Budget	Final Budget
Proprietary Funds:			
Waste Water Fund		\$ (26,977)	\$ (19,395)
Solid Waste Fund		\$ (478,896)	\$ (417,199)
Water Fund		\$ (478,740)	\$ (100,402)
Waste Water Improvements Fund		\$ (8,926,322)	\$ (8,926,322)
Other Proprietary Funds		\$ (436,299)	\$ (373,312)

NOTE 3. Deposits and Investments

State statutes authorize the investment of City funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. All invested funds of the City properly followed State investment requirements as of June 30, 2011.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the City. The financial institution must provide pledged collateral for 50% of the deposit amount in excess of the deposit insurance.

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

Excess of funds may be temporarily invested in securities which are issued by the State or by the United States government, or by their departments or agencies, and which are either direct obligations of the State or the United States or are backed by the full faith and credit of those governments.

STATE OF NEW MEXICO
City of Artesia
Notes to Financial Statements
June 30, 2011

NOTE 3. Deposits and Investments (continued)

According to the Federal Deposit Insurance Corporation (FDIC), public unit deposits are funds owned by the public unit. Under the Transaction Account Guarantee Program (TAGP) in effect from July 1, 2010 to December 31, 2010, time deposits, savings deposits and interest bearing negotiable order of withdrawal (NOW) accounts of a public unit in an institution in the same state were insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution. The TAGP program expired on December 31, 2010. On November 9, 2010, the FDIC Board of Directors issued a final rule to implement the section of the Dodd-Frank Wall Street Reform and Consumer Protection Act that provides temporary unlimited coverage for noninterest-bearing transaction accounts at all FDIC-insured depository institutions. The separate coverage on non-interest bearing transaction accounts became effective on December 31, 2010 and will terminate on December 31, 2012. From December 31, 2010 to July 20, 2011 accounts held by an official custodian for a government unit are insured as follows:

- Up to \$250,000 for the combined total of all time and savings deposits (including NOW accounts), and
- Unlimited coverage for noninterest-bearing transaction (demand deposit) accounts

Through July 20, 2011, there is no difference in deposit insurance coverage when an official custodian deposits money in-state or out-of-state.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk, other than following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). At June 30, 2011, \$10,397,425 of the City's bank balance of \$12,090,885 was subject to custodial credit risk. \$4,503,165 was uninsured and collateralized by collateral held by the pledging bank's trust department, not in the City's name. \$5,894,260 of the City's deposits were uninsured and uncollateralized at June 30, 2011.

	First American Bank	Western Bank	Artesia Federal Credit Union	Total
Amount of deposits	\$ 11,464,114	\$ 376,771	\$ 250,000	\$ 12,090,885
Deposit Accounts Covered by the "Dodd-Frank Deposit Insurance Provision"	(566,689)	(125,771)	-	(692,460)
FDIC Coverage	<u>(500,000)</u>	<u>(251,000)</u>	<u>(250,000)</u>	<u>(1,001,000)</u>
Total uninsured public funds	<u>10,397,425</u>	<u>-</u>	<u>-</u>	<u>10,397,425</u>
 Collateralized by securities held by pledging institutions or by its trust department or agent in other than the City's name	 <u>4,503,165</u>	 <u>-</u>	 <u>-</u>	 <u>4,503,165</u>
Uninsured and uncollateralized	<u>\$ 5,894,260</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,894,260</u>
 Collateral requirement (50% of uninsured funds)	 \$ 5,198,713	 \$ -	 \$ -	 \$ 5,198,713
Pledged Collateral	<u>4,503,165</u>	<u>415,236</u>	<u>-</u>	<u>4,918,401</u>
Over (Under) collateralized	<u>\$ (695,548)</u>	<u>\$ 415,236</u>	<u>\$ -</u>	<u>\$ (280,312)</u>

STATE OF NEW MEXICO
City of Artesia
Notes to Financial Statements
June 30, 2011

NOTE 3. Deposits and Investments (continued)

Reconciliation to the Statement of Net Assets

The carrying amount of deposits and investments shown above are included in the City's Statement of Net Assets as follows:

Cash and cash equivalents - Governmental Activities Exhibit A-1	\$	2,818,059
Cash and cash equivalents - Proprietary Funds Exhibit A-1		2,259,229
Restricted cash and cash equivalents - Governmental Activities Exhibit A-1		3,562,193
Restricted cash and cash equivalents - Proprietary Funds Exhibit A-1		1,154,916
Investments - Governmental Activities Exhibit A-1		13,358,175
Investments - Proprietary Funds Exhibit A-1		1,669,905
Cash - Statement of Fiduciary Assets and Liabilities - Exhibit E-1		505,068
Investments - Statement of Fiduciary Assets and Liabilities - Exhibit E-1		1,749,390
 Total cash, cash equivalents, and investments		27,076,935
 Add: outstanding checks		1,561,627
Less: deposits in transit		(29,107)
Less: investments held in NM State Treasurer's LGIP		(66,731)
Less: investments held in U.S. Treasury MM mutual fund		(14,701,849)
Less: investments in Securities - Agency		(1,749,390)
Less: petty cash		(600)
 Bank balance of deposits	\$	12,090,885

Component Unit Activities:

Custodial Credit Risk – Deposits Custodial credit risk is the risk that in the event of a bank failure, the Housing Authority's deposits may not be returned to it. The Housing Authority does not have a deposit policy for custodial credit risk, other than following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). At June 30, 2011, \$543,925 of the Housing Authority's bank balance of \$793,925 was subject to custodial credit risk. \$543,925 was uninsured and collateralized by collateral held by the pledging bank's trust department, not in the City's name. None of the Housing Authority's deposits were uninsured and uncollateralized at June 30, 2011.

STATE OF NEW MEXICO
City of Artesia
Notes to Financial Statements
June 30, 2011

NOTE 3. Deposits and Investments (continued)

	First American Bank
Amount of deposits	\$ 793,925
Deposit Accounts Covered by the "Dodd-Frank Deposit Insurance Provision"	-
FDIC Coverage	(250,000)
Total uninsured public funds	543,925
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the City's name	543,925
Uninsured and uncollateralized	\$ -
Collateral requirement (50% of uninsured funds)	\$ 271,963
Pledged Collateral	595,000
Over (Under) collateralized	\$ 323,038

Reconciliation to the Statements of Net Assets

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

Cash and cash equivalents - Component Unit Exhibit A-1	\$ 734,948
Restricted cash and cash equivalents - Component Unit Exhibit A-1	28,799
Total cash and cash equivalents	763,747
Add: reconciling items	30,198
Less: Petty cash	(20)
Bank balance of deposits	\$ 793,925

STATE OF NEW MEXICO
City of Artesia
Notes to Financial Statements
June 30, 2011

NOTE 3. Deposits and Investments (continued)

Investments

The City's investments at June 30, 2011 include the following:

<u>Investments</u>	<u>Rating</u>	<u>Maturity</u>	<u>Fair Value</u>
<i>New MexiGROW</i> LGIP	AAAm	>36 Days	\$ 14,701,849
Reserve Contingency Fund	Unrated	N/A	66,731
			<u>\$ 14,768,580</u>

The New MexiGrow Local Government Investment Pool's (LGIP) investments are valued at fair value based on quoted market prices as of the valuation date. The LGIP is not SEC registered. The New Mexico State Treasurer is authorized to invest the short-term investment funds, with the advice and consent of the State Board of Finance, in accordance with Sections 6-10-10(I) through 6-10-10(P) and Sections 6-10-10.1(A) and (E), NMSA 1978. The pool does not have unit shares. Per section 6-10-10(F), NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the fund amounts were invested. Participation in the LGIP is voluntary. As of June 30, 2011, the City's investment in the State Treasurer Local Government Investment Pool was rated AAAM by Standard & Poor's.

Interest Rate Risk – Investments. The City's policy related to interest rate risk with investments is to comply with the state as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978).

Concentration of Credit Risk – Investments. For an investment, concentration credit risk is when any one issuer is 5% or more of the investment portfolio of the City. The investment in the U.S Treasury Money Market Mutual Funds represents 67% and the investment in the New Mexico State Treasurer Debt Service is 33% of the investment portfolio, respectively. Since the City only purchases investments with the highest credit rating, the additional concentration is not viewed to be an additional risk by the City. The City's policy related to concentration of credit risk is to comply with the state statute as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978).

The City has presented certificates of deposits of \$259,500 as investments in the Statement of Net Assets.

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 these 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 \$1,749,390.

STATE OF NEW MEXICO
City of Artesia
Notes to Financial Statements
June 30, 2011

NOTE 4. Receivables

Primary Government:

Governmental funds receivables as of June 30, 2011, are as follows:

	<u>General Fund</u>	<u>Nonmajor Governmental Funds</u>	<u>Total</u>
Property taxes	\$ 14,014	\$ -	\$ 14,014
Other taxes:			
Gross receipts taxes	3,228,637	290,197	3,518,834
Franchise taxes	127,528	-	127,528
Lodger's taxes	-	26,867	26,867
Gasoline & motor vehicle taxes	5,829	26,515	32,344
Other taxes	23	11	34
Due from other governments			
Federal sources	228,940	86,788	315,728
State sources	-	97,440	97,440
Other receivables	<u>3,811</u>	<u>-</u>	<u>3,811</u>
Totals by category	<u>\$ 3,608,782</u>	<u>\$ 527,818</u>	<u>\$ 4,136,600</u>

The above receivables are deemed 100% collectible.

In accordance with GASB No. 33, property tax revenues in the amount of \$6,833 that were not collected within the period of availability have been reclassified as deferred revenue in the governmental fund financial statements.

Proprietary fund receivables as of June 30, 2011, are as follows:

	<u>Waste Water</u>	<u>Solid Waste</u>	<u>Water</u>	<u>Total</u>
Other taxes:				
Gross receipts taxes	\$ -	\$ 72,573	\$ -	\$ 72,573
Customer receivables	120,720	184,399	548,153	853,272
Allowance for doubtful accounts	<u>(3,563)</u>	<u>(5,442)</u>	<u>(16,176)</u>	<u>(25,181)</u>
Totals by category	<u>\$ 117,157</u>	<u>\$ 251,530</u>	<u>\$ 531,977</u>	<u>\$ 900,664</u>

STATE OF NEW MEXICO
City of Artesia
Notes to Financial Statements
June 30, 2011

NOTE 4. Receivables (continued)

Component Unit:

Accounts receivable as of June 30, 2011, are as follows:

		Housing Authority
Due from other governments		
Federal sources	\$	37,951
Customer receivables		5,735
Allowance for doubtful accounts		<u>(4,127)</u>
Totals by category	<u>\$</u>	<u>39,559</u>

NOTE 5. Interfund Receivables, Payables, and Transfers

Primary Government

The City records temporary interfund receivables and payables to enable the funds to operate until grant monies are received. All interfund balances are to be repaid within one year.

The composition of interfund balances during the year ended June 30, 2011 is as follows:

<u>Due from other funds</u>	<u>Due to other funds</u>	<u>Amount</u>
General Fund	Commission on Aging Fund	\$ 5,384
General Fund	RSVP Program	4,265
General Fund	Economic Stimulus Fund	86,788
General Fund	Capital Improvements	79,786
General Fund	Unknown	<u>242,847</u>
Total		<u>\$ 419,070</u>

For the year ended June 30, 2011 there is \$242,847 of interfund payables from the general fund to other unknown funds. The City of Artesia is unable to provide a reconciliation of these unbalanced amounts.

Net operating transfers, made to close out funds and to supplement other funding sources in the normal course of operations, were as follows:

<u>Transfers from other funds</u>	<u>Transfers to other funds</u>	<u>Amount</u>
General Fund	Solid Waste Fund	\$ 130,000
Recreation Fund	General Fund	49,367
Airport Fund	General Fund	150,000
MGRT Infrastructure	General Fund	1,517,123
Public Safety Complex Bond	General Fund	1,487,849
Lodger's Tax Promotional	Lodger's Tax	281,866
MGRT Infrastructure	Industrial Park Fund	200,000
Waste Water Improvements Fund	Public Safety Complex Bond	964,963
Public Safety Complex Bond	MGRT Infrastructure	<u>964,963</u>
Total		<u>\$ 5,746,131</u>

STATE OF NEW MEXICO
City of Artesia
Notes to Financial Statements
June 30, 2011

NOTE 5. Interfund Receivables, Payables, and Transfers (continued)

Component Unit

The Housing Authority recorded a transfer from the Public Housing Capital Fund Program to the Low Rent Public Housing Program in the amount of \$9,346 to supplement other funding sources in the normal course of business

Net equity transfers, made to close out funds, were as follows:

<u>Equity Transfers from other programs</u>	<u>Equity Transfers to other programs</u>	
Public Housing Capital Fund Program	Low Rent Public Housing Program	\$ 170,292
Formula Capital Fund Stimulus Grant	Low Rent Public Housing Program	<u>50,264</u>
		<u>\$ 220,556</u>

NOTE 6. Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2011, including those changes pursuant to the implementation of GASB Statement No. 34, follow. Land and construction in progress are not subject to depreciation.

	<u>Balance June 30, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2011</u>
Governmental activities:				
Capital assets, not depreciated:				
Land	\$ 1,156,995	\$ 6,625	\$ -	\$ 1,163,620
Construction in progress	<u>17,642,048</u>	<u>19,741,415</u>	<u>1,477,815</u>	<u>35,905,648</u>
Total capital assets, not depreciated	<u>18,799,043</u>	<u>19,748,040</u>	<u>1,477,815</u>	<u>37,069,268</u>
Capital assets, depreciated:				
Buildings	9,013,570	9,289	2,829	9,020,030
Improvements	5,110,558	-	-	5,110,558
Infrastructure	30,198,836	1,477,815	-	31,676,651
Equipment	<u>7,809,487</u>	<u>82,797</u>	<u>78,116</u>	<u>7,814,168</u>
Total capital assets, depreciated	<u>52,132,451</u>	<u>1,569,901</u>	<u>80,945</u>	<u>53,621,407</u>
Less accumulated depreciation:				
Buildings	3,599,168	199,455	2,829	3,795,794
Improvements	1,400,667	164,048	-	1,564,715
Infrastructure	12,731,520	927,419	-	13,658,939
Equipment	<u>4,983,989</u>	<u>625,818</u>	<u>77,039</u>	<u>5,532,768</u>
Total accumulated depreciation	<u>22,715,344</u>	<u>1,916,740</u>	<u>79,868</u>	<u>24,552,216</u>
Net book value	<u>\$ 48,216,150</u>	<u>\$ 19,401,201</u>	<u>\$ 1,478,892</u>	<u>\$ 66,138,459</u>

For the year ended June 30, 2011, depreciation expense in the amount of \$1,916,740 was unallocated to the functions of the governmental activities.

STATE OF NEW MEXICO
City of Artesia
Notes to Financial Statements
June 30, 2011

NOTE 6. Capital Assets (continued)

	<u>Balance June 30, 2010</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2011</u>
Business-type activities:				
Capital assets, not depreciated:				
Land	\$ 165,622	\$ -	\$ -	\$ 165,622
Construction in progress	5,108,032	9,788,301	355,391	14,540,942
Total capital assets, not depreciated	<u>5,273,654</u>	<u>9,788,301</u>	<u>355,391</u>	<u>14,706,564</u>
Capital assets, depreciated:				
Buildings	542,530	-	-	542,530
Improvements	459,164	-	1,800	457,364
Utility System	32,830,075	361,096	-	33,191,171
Airport Infrastructure	4,405,890	-	-	4,405,890
Equipment	4,774,733	259,088	83,261	4,950,560
Total capital assets, depreciated	<u>43,012,392</u>	<u>620,184</u>	<u>85,061</u>	<u>43,547,515</u>
Less accumulated depreciation:				
Buildings	457,131	38,849	-	495,980
Improvements	61,190	10,762	1,800	70,152
Utility System	14,224,009	893,665	-	15,117,674
Airport Infrastructure	3,249,130	-	-	3,249,130
Equipment	3,000,723	398,129	81,048	3,317,804
Total accumulated depreciation	<u>20,992,183</u>	<u>1,341,405</u>	<u>82,848</u>	<u>22,250,740</u>
Net book value	<u>\$ 27,293,863</u>	<u>\$ 9,067,080</u>	<u>\$ 357,604</u>	<u>\$ 36,003,339</u>

Depreciation expense for the year ended June 30, 2011 was charged to business-type activities as follows:

Waste Water	\$ 489,709
Solid Waste	267,279
Water	501,482
Airport	61,121
Cemetery	21,814
Total	<u>\$ 1,341,405</u>

STATE OF NEW MEXICO
City of Artesia
Notes to Financial Statements
June 30, 2011

NOTE 6. Capital Assets (continued)

Component Unit:	Balance June 30, 2010	Additions	Deletions	Balance June 30, 2011
Capital assets, not depreciated:				
Land	\$ 102,969	\$ -	\$ -	\$ 102,969
Total capital assets, not depreciated	<u>102,969</u>	<u>-</u>	<u>-</u>	<u>102,969</u>
Capital assets, depreciated:				
Buildings & improvements	6,024,077	645,557	-	6,669,634
Machinery & equipment - Dwellings	-	-	-	-
Machinery & Equipment - Administrative	<u>165,946</u>	<u>5,470</u>	<u>-</u>	<u>171,416</u>
Total capital assets, depreciated	<u>6,190,023</u>	<u>651,027</u>	<u>-</u>	<u>6,841,050</u>
Less accumulated depreciation:				
Buildings & improvements	3,834,275	212,656	-	4,046,931
Machinery & equipment - Dwellings	-	1,715	-	1,715
Machinery & Equipment - Administrative	<u>160,395</u>	<u>1,100</u>	<u>-</u>	<u>161,495</u>
Total accumulated depreciation	<u>3,994,670</u>	<u>215,471</u>	<u>-</u>	<u>4,210,141</u>
Net book value	<u>\$ 2,298,322</u>	<u>\$ 435,556</u>	<u>\$ -</u>	<u>\$ 2,733,878</u>

Depreciation expense for the year ended June 30, 2011 was charged to the component unit as follows:

Low Rent Public Housing Program	\$ 205,088
Public Housing Capital Fund Program	<u>10,381</u>
Total	<u>\$ 215,469</u>

STATE OF NEW MEXICO
City of Artesia
Notes to Financial Statements
June 30, 2011

NOTE 7. Long-term Debt

Primary Government

During the year ended June 30, 2011, the following changes occurred in the liabilities reported in the government-wide Statement of Net Assets:

Governmental Activities:

	Balance June 30, 2010	Additions	Retirements	Balance June 30, 2011	Due Within One Year
Bonds	\$ 19,610,000	\$ -	\$ 790,000	\$ 18,820,000	\$ 800,000
Compensated Absences	305,799	479,879	425,032	360,646	360,646
Total	\$ 19,915,799	\$ 479,879	\$ 1,215,032	\$ 19,180,646	\$ 1,160,646

Revenue Bonds

On September 14, 2009, the City entered into a bond agreement for the construction of a public safety complex. The bonds will constitute a special 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 NMA 1978, as amended. Interest on the bond is due June 1, 2010, and thereafter each December 1 and June 1 until maturity. The revenue bond is as follows:

Series	Original Issue	Final Maturity	Interest Rate	Outstanding
New Mexico Gross Receipts Tax Revenue Bonds Series 2009	\$20,000,000	6/1/2029	2.750-4.625%	\$ 18,820,000
				<u>\$ 18,820,000</u>

The annual requirements to amortize the revenue bonds as of June 30, 2011, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2012	\$ 800,000	\$ 668,134	\$ 1,468,134
2013	815,000	641,134	1,456,134
2014	830,000	613,628	1,443,628
2015	850,000	586,653	1,436,653
2016	875,000	561,153	1,436,153
2017-2021	4,800,000	2,407,500	7,207,500
2022-2026	5,770,000	1,380,475	7,150,475
2027-2031	4,080,000	348,590	4,428,590
	<u>\$ 18,820,000</u>	<u>\$ 7,207,267</u>	<u>\$ 26,027,267</u>

STATE OF NEW MEXICO
City of Artesia
Notes to Financial Statements
June 30, 2011

NOTE 7. Long-term Debt (continued)

Primary Government (continued)

Business type Activities:

	Balance June 30, 2010	Additions	Retirements	Balance June 30, 2011	Due Within One Year
Bonds	\$ 12,773,000	\$ -	\$ 499,000	\$ 12,274,000	\$ 512,000
Landfill Closure	46,250	-	2,500	43,750	-
Compensated Absences	60,412	83,108	88,025	55,495	55,495
Total	\$ 12,879,662	\$ 83,108	\$ 589,525	\$ 12,373,245	\$ 473,713

Revenue Bonds

On December 8, 2009, the City entered into a bond agreement for the improvement of the wastewater treatment plant. The bonds will constitute a special 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. On November 8, 1977, the City entered into a bond agreement for the Joint Water and Sewer Extension. No revenues are pledged for payment of the debt service. The revenue bonds are as follows:

Series	Original Issue	Final Maturity	Interest Rate	Outstanding
Water and Wastewater System				
Revenue Bonds Series 2010	\$12,885,000	6/1/2029	2.000-4.250%	\$ 12,210,000
Drought Relief Bond	256,000	7/1/2017	5.000%	64,000
				<u>\$ 12,274,000</u>

STATE OF NEW MEXICO
City of Artesia
Notes to Financial Statements
June 30, 2011

NOTE 7. Long-term Debt (continued)

Primary Government (continued)

The annual requirements to amortize the revenue bonds as of June 30, 2011, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2012	\$ 512,000	\$ 465,313	\$ 977,313
2013	522,000	452,213	974,213
2014	538,000	438,813	976,813
2015	553,000	422,413	975,413
2016	569,000	405,513	974,513
2017-2021	3,105,000	1,705,515	4,810,515
2022-2026	3,780,000	1,033,315	4,813,315
2027-2031	2,695,000	582,343	3,277,343
	<u>\$ 12,274,000</u>	<u>\$ 5,505,438</u>	<u>\$ 17,779,438</u>

Component Unit

Housing Authority:

	Balance, June 30, 2010	Additions	Retirements	Balance, June 30, 2011	Due Within One Year
Compensated absences	\$ 6,233	\$ 7,619	\$ 5,416	\$ 8,436	\$ 5,416
Totals	<u>\$ 6,233</u>	<u>\$ 7,619</u>	<u>\$ 5,416</u>	<u>\$ 8,436</u>	<u>\$ 5,416</u>

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 post-closure care costs is \$43,750 as of June 30, 2011, which is based on 100 percent usage (filled) of the landfill. The estimated total current cost of the landfill closure and post-closure 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, 2011. 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, 2011, cash and investments reported as part of the pooled funds held by the City Treasurer and are presented on the Solid Waste Fund Statement of Net Assets is sufficient to cover the estimated remaining post-closure costs.

STATE OF NEW MEXICO
City of Artesia
Notes to Financial Statements
June 30, 2011

NOTE 8. Risk Management

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

The City has not filed any claims for which the settlement amount exceeded the insurance coverage during the past three years. However, should a claim be filed against the City which exceeds the insurance coverage, the City would not be responsible for a loss in excess of the coverage amounts. As claims are filed, the New Mexico Self-Insurers' Fund assesses and estimates the potential for loss and handles all aspects of the claim. Insurance coverages have not changed significantly from prior years and coverages are expected to be continued.

At June 30, 2011, no unpaid claims have been filed which exceed the policy limits and to the best of management's knowledge and belief all known and unknown claims will be covered by insurance. No major lawsuits have been filed against the City of Artesia.

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

NOTE 9. Pension Plan – Public Employee Retirement Association (PERA)

Plan Description. Substantially all of the City of Artesia'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. The report is also available on PERA's website at www.pera.state.nm.us.

Funding Policy. Plan members are required to contribute the following percentages of their gross salary: 16.3% for law enforcement, 16.2% for fire protection employees and 13.15% for municipal employees. The City was required to contribute the following percentages of the gross covered salary: 21.25% for fire protection plan members, 18.5% for law enforcement plan members, and 9.15% for municipal plan members. The contribution requirements of plan members and the City are established in State Statute 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 fiscal years ending June 30, 2011, 2010, and 2009 were \$496,455, \$429,395, and \$399,517, respectively.

NOTE 10. 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 and Housing Authority has elected not to participate in the post employment health insurance plan.

STATE OF NEW MEXICO
City of Artesia
Notes to Financial Statements
June 30, 2011

NOTE 11. Deferred Compensation

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

The plan is available to all City employees who work at least 17 hours per week. The plan permits participants to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable 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, 2011, 2010 and 2009 were approximately \$390,063, \$241,886, 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, 2011 is \$4,625,471.

NOTE 12. Concentrations

Primary Government

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

Component Unit

Substantially all revenues of the Housing Authority are received from programs directed by the United States Department of Housing and Urban Development. Receipt of these funds is contingent upon the Housing Authority's continued compliance with the grant provisions and the maintenance of the grant programs by the United States Department of Housing and Urban Development.

STATE OF NEW MEXICO
City of Artesia
Notes to Financial Statements
June 30, 2011

NOTE 13. 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. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City's legal counsel that resolution of these matters will not have a material adverse effect on the financial condition of the City.

NOTE 14. Deficit Fund Balances and Budget Noncompliance Issues

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

- A. Deficit fund balance of individual funds. The following funds reflected a deficit fund balance as of June 30, 2011:

Primary Government:

Recreation Fund	\$ 24,622
Commission on Aging Fund	5,919
Capital Improvements	<u>82,027</u>
	<u>\$ 112,568</u>

Component Unit:

None

- B. Excess of expenditures over appropriations. The following funds exceeded approved budgetary authority for the year ended June 30, 2011:

Primary Government:

None

Component Unit:

Low Rent Public Housing Program	\$ 7,573
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- C. Designated cash appropriations. The following funds had designated cash appropriations in excess of available balances for the year ended June 30, 2011:

Primary Government:

None

Component Unit:

None

STATE OF NEW MEXICO
City of Artesia
Notes to Financial Statements
June 30, 2011

NOTE 15. Fund Balance and Net Assets Restatement

The City has restated the prior year modified accrual basis fund balance of the Capital Improvement Capital Projects Fund in amount of \$2,647,226 in order to fairly present the beginning balance for accounts payable in the Capital Improvements Capital Projects Fund. This restatement was also reflected on the full accrual basis in order to fairly present the beginning balance for accounts payable in on the government-wide net assets.

NOTE 16. Subsequent Events

The date to which events occurring after June 30, 2011, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosures is March 21, 2012 which is the date on which the financial statements were available to be issued. No events took place subsequent to year end.

NOTE 17. Joint Powers Agreements and Memorandums of Understanding

Utilization of Sanitary Landfill

Participants – City of Artesia
Eddy County

Responsible Party – All participants

Description – To make available to Artesia the landfill facilities for the disposal of solid waste materials in an environmentally approved manner, in compliance with EID Solid Waste Management Regulations

Beginning Date – February 14, 1995

Ending Date – Until rescinded or terminated

Estimated amount of project – The County will bear the cost of construction of the landfill and the cost of operation of the landfill at no cost to Artesia.

Amount contributed - None

Audit responsibility – Eddy County

Fiscal agent – Eddy County

NOTE 18. Restricted Net Assets

The government-wide statement of net assets reports \$2,573,583 of restricted net assets, all of which is restricted by enabling legislation. For descriptions of the related enabling legislation for special revenue, capital projects, and debt service funds, see pages 38, and 64-65.

STATE OF NEW MEXICO
City of Artesia
Notes to Financial Statements
June 30, 2011

NOTE 19. Subsequent Pronouncements

In November 2010, GASB Statement No. 60 *Accounting and Financial Reporting for Service Concession Arrangements*, Effective Date: For financial statements for periods beginning after December 15, 2011. The provisions of this Statement generally are required to be applied retroactively for all periods presented. The City is still evaluating the possible effects of this standard.

In November 2010, GASB Statement No. 61 *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*, Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2012. Earlier application is encouraged. The standard is expected to have no effect on the City in upcoming years.

In December 2010, GASB Statement No. 62 *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, Effective Date: The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011. Earlier application is encouraged. The provisions of this Statement generally are required to be applied retroactively for all periods presented. The City will implement this standard during fiscal year June 30, 2013.

In June 2011, GASB Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* Effective Date: The provisions of Statement 63 are effective for financial statements for periods beginning after December 15, 2011, with earlier application encouraged. The standard is expected to have no effect on the City in upcoming years.

In June 2011, GASB Statement No. 64 *Derivative Instruments: Application of Hedge Accounting Termination Provisions—an amendment of GASB Statement No. 53* Effective Date: The provisions of Statement 64 are effective for financial statements for periods beginning after June 15, 2011, with earlier application encouraged. The standard is expected to have no effect on the City in upcoming years.

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SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
City of Artesia
Nonmajor Fund Descriptions
June 30, 2011

Special Revenue Funds

Municipal Court Fees – To account for the collections and expenditures of fees charged on citations for court appearances. The fund is authorized by Municipal Court Act 35-14-11, NNSA, 1978.

EMS Grant – To account 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.

Fire Fund – To account for the operation 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.

Law Enforcement Assistance – To account for receipts and disbursements of State Funds Chapter 289, Law of 1983. These funds are to enhance the efficiency and effectiveness of the police force. The fund is authorized by 29-13-3, NMSA, 1978.

Leah Kennedy Library Trust – To account 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.

Lodger's Tax – To account 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.

Lodger's Tax Promotional – To account for the operations of promotional activities of the city of Artesia. Financing is provided primarily by transfer from the Lodger's Tax Fun. The fund is authorized by 14-37-16, NMSA, 1969.

1 Cent Gasoline Tax – To account 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.

Recreation Fund – To account 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.

2000 CDBG Grant – To account 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.

Commission on Aging Fund – To account 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.

RSVP Program – To record, maintain, and report 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.

Federal Forfeitures – To account for the receipts and disbursements 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.

State and Local Forfeitures – To account 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.

Economic Stimulus Fund – To accounts for the American Recovery and Reinvestment funds to be used for general development projects. This fund is authorized by City Council.

Industrial Park Fund – To account for the lease of land and sale of water and sewer services to the lessee. The fund is authorized by the City Council.

MGRT Infrastructure – To account for the municipal gross receipts tax to be used for infrastructure improvements. The fund is authorized by the City Council.

STATE OF NEW MEXICO
City of Artesia
Nonmajor Fund Descriptions
June 30, 2011

Special Revenue Funds (continued)

MGRT Economic Development – To account 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.

Capital Projects Funds

Capital Improvements – To record revenues and expenditures for severance tax and state funds received for projects approved by the legislature.

CDBG Rehab Fund – 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.

Debt Service Funds

Public Safety Complex Bond – 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.

Proprietary Funds

Airport Fund – To account for the operation of the City airport. Financing is provided in part by hangar rental and transfers from the general fund.

Cemetery Fund – To account 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.

STATE OF NEW MEXICO
City of Artesia
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2011

	Special Revenue			
	Municipal Court Fees	EMS Grant	Fire Fund	Law Enforcement Assistance
<i>Assets</i>				
Cash and cash equivalents	\$ 117,828	\$ -	\$ 5,149	\$ -
Investments	200,000	-	-	-
Receivables:				
Other taxes	-	-	-	-
Due from other governments	-	-	-	-
<i>Total assets</i>	<u>\$ 317,828</u>	<u>\$ -</u>	<u>\$ 5,149</u>	<u>\$ -</u>
<i>Liabilities</i>				
Accounts payable	\$ 5,580	\$ -	\$ 2,169	\$ -
Accrued payroll	-	-	-	-
Due to other funds	-	-	-	-
<i>Total liabilities</i>	<u>5,580</u>	<u>-</u>	<u>2,169</u>	<u>-</u>
<i>Fund balances</i>				
Spendable				
Restricted for:				
Municipal court	312,248	-	-	-
Fire departments	-	-	2,980	-
Library	-	-	-	-
Promotional activities	-	-	-	-
Road projects	-	-	-	-
Community development	-	-	-	-
Forfeited assets	-	-	-	-
Debt service	-	-	-	-
Committed for:				
Volunteer work	-	-	-	-
Land lease	-	-	-	-
Infrastructure revenues	-	-	-	-
Economic development	-	-	-	-
Unassigned	-	-	-	-
<i>Total fund balances</i>	<u>312,248</u>	<u>-</u>	<u>2,980</u>	<u>-</u>
<i>Total liabilities and fund balances</i>	<u>\$ 317,828</u>	<u>\$ -</u>	<u>\$ 5,149</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

Special Revenue

Leah Kennedy Library Trust	Lodger's Tax	Lodger's Tax Promotional	1 Cent Gasoline Tax	Recreation Fund
\$ 16,905	\$ 102,273	\$ 37,893	\$ 136,375	\$ -
28,295	-	-	27,067	-
-	26,867	-	26,515	11
-	-	-	-	-
<u>\$ 45,200</u>	<u>\$ 129,140</u>	<u>\$ 37,893</u>	<u>\$ 189,957</u>	<u>\$ 11</u>
\$ -	\$ 24,062	\$ -	\$ -	\$ 3,766
-	-	-	-	20,867
-	-	-	-	-
-	24,062	-	-	24,633
-	-	-	-	-
-	-	-	-	-
45,200	-	-	-	-
-	105,078	37,893	-	-
-	-	-	189,957	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	(24,622)
<u>45,200</u>	<u>105,078</u>	<u>37,893</u>	<u>189,957</u>	<u>(24,622)</u>
<u>\$ 45,200</u>	<u>\$ 129,140</u>	<u>\$ 37,893</u>	<u>\$ 189,957</u>	<u>\$ 11</u>

STATE OF NEW MEXICO
City of Artesia
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2011

	Special Revenue			
	2000 CDBG Grant	Commission on Aging Fund	RSVP Program	Federal Forfeitures
<i>Assets</i>				
Cash and cash equivalents	\$ 20	\$ 1,055	\$ 6,086	\$ 129
Investments	-	-	-	-
Receivables:				
Other taxes	-	-	-	-
Due from other governments	-	-	-	-
<i>Total assets</i>	<u>\$ 20</u>	<u>\$ 1,055</u>	<u>\$ 6,086</u>	<u>\$ 129</u>
<i>Liabilities</i>				
Accounts payable	\$ -	\$ 1,590	\$ -	\$ -
Accrued payroll	-	-	-	-
Due to other funds	-	5,384	4,265	-
<i>Total liabilities</i>	<u>-</u>	<u>6,974</u>	<u>4,265</u>	<u>-</u>
<i>Fund balances</i>				
Spendable				
Restricted for:				
Municipal court	-	-	-	-
Fire departments	-	-	-	-
Library	-	-	-	-
Promotional activities	-	-	-	-
Road projects	-	-	-	-
Community development	20	-	-	-
Forfeited assets	-	-	-	129
Debt service	-	-	-	-
Committed for:				
Volunteer work	-	-	1,821	-
Land lease	-	-	-	-
Infrastructure revenues	-	-	-	-
Economic development	-	-	-	-
Unassigned	-	(5,919)	-	-
<i>Total fund balances</i>	<u>20</u>	<u>(5,919)</u>	<u>1,821</u>	<u>129</u>
<i>Total liabilities and fund balances</i>	<u>\$ 20</u>	<u>\$ 1,055</u>	<u>\$ 6,086</u>	<u>\$ 129</u>

The accompanying notes are an integral part of these financial statements

Special Revenue

State and Local Forfeitures	Economic Stimulus Fund	Industrial Park Fund	MGRT Infrastructure	MGRT Economic Development
\$ 10,476	\$ -	\$ 46,172	\$ 119,712	\$ 333,340
-	-	206,000	-	767,813
-	-	-	217,646	72,551
-	86,788	-	-	-
<u>\$ 10,476</u>	<u>\$ 86,788</u>	<u>\$ 252,172</u>	<u>\$ 337,358</u>	<u>\$ 1,173,704</u>
\$ -	\$ -	\$ -	\$ 50,575	\$ 896
-	-	-	-	-
-	86,788	-	-	-
<u>-</u>	<u>86,788</u>	<u>-</u>	<u>50,575</u>	<u>896</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
10,476	-	-	-	-
-	-	-	-	-
-	-	252,172	-	-
-	-	-	286,783	-
-	-	-	-	1,172,808
-	-	-	-	-
<u>10,476</u>	<u>-</u>	<u>252,172</u>	<u>286,783</u>	<u>1,172,808</u>
<u>\$ 10,476</u>	<u>\$ 86,788</u>	<u>\$ 252,172</u>	<u>\$ 337,358</u>	<u>\$ 1,173,704</u>

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STATE OF NEW MEXICO
City of Artesia
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2011

Statement A-1
Page 3 of 3

	Capital Projects		Debt Service	Total Nonmajor Governmental Funds
	Capital Improvements	CDBG Rehab Fund	Public Safety Complex Bond	
<i>Assets</i>				
Cash and cash equivalents	\$ -	\$ 7,835	\$ 100,960	\$ 1,042,208
Investments	-	-	-	1,229,175
Receivables:				
Other taxes	-	-	-	343,590
Due from other governments	97,440	-	-	184,228
<i>Total assets</i>	\$ 97,440	\$ 7,835	\$ 100,960	\$ 2,799,201
<i>Liabilities</i>				
Accounts payable	\$ 99,681	\$ -	\$ -	\$ 188,319
Accrued payroll	-	-	-	20,867
Due to other funds	79,786	-	-	176,223
<i>Total liabilities</i>	179,467	-	-	385,409
<i>Fund balances</i>				
Spendable				
Restricted for:				
Municipal court	-	-	-	312,248
Fire departments	-	-	-	2,980
Library	-	-	-	45,200
Promotional activities	-	-	-	142,971
Road projects	-	-	-	189,957
Community development	-	7,835	-	7,855
Forfeited assets	-	-	-	10,605
Debt service	-	-	100,960	100,960
Committed for:				
Volunteer work	-	-	-	1,821
Land lease	-	-	-	252,172
Infrastructure revenues	-	-	-	286,783
Economic development	-	-	-	1,172,808
Unassigned	(82,027)	-	-	(112,568)
<i>Total fund balances</i>	(82,027)	7,835	100,960	2,413,792
<i>Total liabilities and fund balances</i>	\$ 97,440	\$ 7,835	\$ 100,960	\$ 2,799,201

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Artesia
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2011

	Special Revenue			
	Municipal Court Fees	EMS Grant	Fire Fund	Law Enforcement Assistance
<i>Revenues</i>				
Taxes:				
Gross receipts	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	19,803	108,563	37,400
State capital grants	-	-	-	-
Charges for services	59,264	-	-	-
Investment income	454	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>59,718</u>	<u>19,803</u>	<u>108,563</u>	<u>37,400</u>
<i>Expenditures</i>				
Current:				
General government	103,822	-	-	-
Public safety	-	19,389	83,198	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	20,063	37,400
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>103,822</u>	<u>19,389</u>	<u>103,261</u>	<u>37,400</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(44,104)</u>	<u>414</u>	<u>5,302</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Transfer in	-	-	-	-
Transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	(44,104)	414	5,302	-
<i>Fund balances - as originally stated</i>	356,352	(414)	(2,322)	-
<i>Fund balances - restatement (note 15)</i>	-	-	-	-
<i>Fund balances - as restated</i>	<u>356,352</u>	<u>(414)</u>	<u>(2,322)</u>	<u>-</u>
<i>Fund balances - end of year</i>	<u>\$ 312,248</u>	<u>\$ -</u>	<u>\$ 2,980</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

Special Revenue				
Leah Kennedy Library Trust	Lodger's Tax	Lodger's Tax Promotional	1 Cent Gasoline Tax	Recreation Fund
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	375,704	-
-	304,511	-	-	1,357
-	-	-	-	-
-	-	-	-	-
-	-	-	112,708	-
-	-	-	-	-
-	100	-	-	89,004
37	-	-	83	-
374	-	-	-	-
<u>411</u>	<u>304,611</u>	<u>-</u>	<u>488,495</u>	<u>90,361</u>
879	24,062	257,387	-	-
-	-	-	-	-
-	-	-	-	162,087
-	-	-	254,034	-
-	-	-	-	-
-	-	-	-	-
<u>879</u>	<u>24,062</u>	<u>257,387</u>	<u>254,034</u>	<u>162,087</u>
<u>(468)</u>	<u>280,549</u>	<u>(257,387)</u>	<u>234,461</u>	<u>(71,726)</u>
-	-	281,866	-	49,367
-	(281,866)	-	-	-
<u>-</u>	<u>(281,866)</u>	<u>281,866</u>	<u>-</u>	<u>49,367</u>
(468)	(1,317)	24,479	234,461	(22,359)
45,668	106,395	13,414	(44,504)	(2,263)
-	-	-	-	-
<u>45,668</u>	<u>106,395</u>	<u>13,414</u>	<u>(44,504)</u>	<u>(2,263)</u>
<u>\$ 45,200</u>	<u>\$ 105,078</u>	<u>\$ 37,893</u>	<u>\$ 189,957</u>	<u>\$ (24,622)</u>

STATE OF NEW MEXICO
City of Artesia
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2011

	Special Revenue			
	2000 CDBG Grant	Commission on Aging Fund	RSVP Program	Federal Forfeitures
<i>Revenues</i>				
Taxes:				
Gross receipts	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	29,143	-	-
State capital grants	158,097	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>158,097</u>	<u>29,143</u>	<u>-</u>	<u>-</u>
<i>Expenditures</i>				
Current:				
General government	-	37,536	8,201	-
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	158,087	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>158,087</u>	<u>37,536</u>	<u>8,201</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>10</u>	<u>(8,393)</u>	<u>(8,201)</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Transfer in	-	-	-	-
Transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	10	(8,393)	(8,201)	-
<i>Fund balances - as originally stated</i>	10	2,474	10,022	129
<i>Fund balances - restatement (note 15)</i>	-	-	-	-
<i>Fund balances - as restated</i>	<u>10</u>	<u>2,474</u>	<u>10,022</u>	<u>129</u>
<i>Fund balances - end of year</i>	<u>\$ 20</u>	<u>\$ (5,919)</u>	<u>\$ 1,821</u>	<u>\$ 129</u>

The accompanying notes are an integral part of these financial statements

Special Revenue				
State and Local Forfeitures	Economic Stimulus Fund	Industrial Park Fund	MGRT Infrastructure	MGRT Economic Development
\$ -	\$ -	\$ -	\$ 1,177,860	\$ 392,542
-	-	-	-	-
-	-	-	-	-
-	17,684	-	-	-
-	659,693	-	-	-
786	-	-	-	-
-	-	-	-	-
-	-	112,687	-	-
-	-	392	171	812
-	-	-	-	-
<u>786</u>	<u>677,377</u>	<u>113,079</u>	<u>1,178,031</u>	<u>393,354</u>
340	-	-	-	44,693
-	-	-	-	-
-	-	-	-	-
-	659,693	-	2,330,682	-
-	-	-	-	-
-	-	-	-	-
<u>340</u>	<u>659,693</u>	<u>-</u>	<u>2,330,682</u>	<u>44,693</u>
<u>446</u>	<u>17,684</u>	<u>113,079</u>	<u>(1,152,651)</u>	<u>348,661</u>
-	-	-	1,717,123	-
-	-	(200,000)	(964,963)	-
-	-	(200,000)	752,160	-
446	17,684	(86,921)	(400,491)	348,661
10,030	(17,684)	339,093	687,274	824,147
-	-	-	-	-
<u>10,030</u>	<u>(17,684)</u>	<u>339,093</u>	<u>687,274</u>	<u>824,147</u>
<u>\$ 10,476</u>	<u>\$ -</u>	<u>\$ 252,172</u>	<u>\$ 286,783</u>	<u>\$ 1,172,808</u>

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STATE OF NEW MEXICO

City of Artesia

Nonmajor Governmental Funds

Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2011

Statement A-2

Page 3 of 3

	Capital Projects		Debt Service	Total Nonmajor Governmental Funds
	Capital Improvement	CDBG Rehab Fund	Public Safety Complex Bond	
<i>Revenues</i>				
Taxes:				
Gross receipts	\$ -	\$ -	\$ -	\$ 1,570,402
Gasoline and motor vehicle	-	-	-	375,704
Other	-	-	-	305,868
Intergovernmental income:				
Federal operating grants	-	-	-	17,684
Federal capital grants	-	-	-	659,693
State operating grants	-	-	-	308,403
State capital grants	549,909	-	-	708,006
Charges for services	-	-	-	261,055
Investment income	-	19	-	1,968
Miscellaneous	-	-	-	374
<i>Total revenues</i>	<u>549,909</u>	<u>19</u>	<u>-</u>	<u>4,209,157</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	476,920
Public safety	-	-	-	102,587
Culture and recreation	-	-	-	162,087
Capital outlay	85,145	-	-	3,545,104
Debt service:				
Principal	-	-	790,000	790,000
Interest	-	-	639,710	639,710
<i>Total expenditures</i>	<u>85,145</u>	<u>-</u>	<u>1,429,710</u>	<u>5,716,408</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>464,764</u>	<u>19</u>	<u>(1,429,710)</u>	<u>(1,507,251)</u>
<i>Other financing sources (uses)</i>				
Transfer in	-	-	2,452,812	4,501,168
Transfers (out)	-	-	(964,963)	(2,411,792)
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>1,487,849</u>	<u>2,089,376</u>
<i>Net change in fund balances</i>	464,764	19	58,139	582,125
<i>Fund balances - as originally stated</i>	(3,194,017)	7,816	42,821	(815,559)
<i>Fund balances - restatement (note 15)</i>	<u>2,647,226</u>	<u>-</u>	<u>-</u>	<u>2,647,226</u>
<i>Fund balances - as restated</i>	<u>(546,791)</u>	<u>7,816</u>	<u>42,821</u>	<u>1,831,667</u>
<i>Fund balances - end of year</i>	<u>\$ (82,027)</u>	<u>\$ 7,835</u>	<u>\$ 100,960</u>	<u>\$ 2,413,792</u>

The accompanying notes are an integral part of these financial statements

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STATE OF NEW MEXICO
City of Artesia
Combining Statement of Net Assets
Nonmajor Proprietary Funds
June 30, 2011

Statement B-1

	Airport Fund	Cemetery Fund	Total
<i>Assets</i>			
<i>Current assets</i>			
Cash and cash equivalents	\$ 83,186	\$ 43,659	\$ 126,845
Investments	-	200,000	200,000
Inventory	59,553	-	59,553
<i>Total current assets</i>	142,739	243,659	386,398
 <i>Noncurrent assets</i>			
Capital assets	5,499,118	290,518	5,789,636
Less: accumulated depreciation	(3,919,350)	(201,533)	(4,120,883)
<i>Total noncurrent assets</i>	1,579,768	88,985	1,668,753
 <i>Total assets</i>	1,722,507	332,644	2,055,151
 <i>Liabilities and net assets</i>			
<i>Liabilities:</i>			
<i>Current liabilities</i>			
Accounts payable	31,874	588	32,462
Accrued payroll	4,836	-	4,836
Current portion of compensated absences	3,638	-	3,638
<i>Total current liabilities</i>	40,348	588	40,936
 <i>Net assets:</i>			
Invested in capital assets, net of related debt	1,579,768	88,985	1,668,753
Restricted net assets	102,391	243,071	345,462
<i>Total net assets</i>	1,682,159	332,056	2,014,215
 <i>Total liabilities and net assets</i>	\$ 1,722,507	\$ 332,644	\$ 2,055,151

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-2

City of Artesia

Combining Statement of Revenues, Expenses and Changes in Net Assets

Nonmajor Proprietary Funds

For the Year Ended June 30, 2011

	<u>Airport Fund</u>	<u>Cemetery Fund</u>	<u>Total</u>
<i>Operating revenues:</i>			
Charges for services	\$ 471,817	\$ 66,550	\$ 538,367
<i>Total operating revenues</i>	<u>471,817</u>	<u>66,550</u>	<u>538,367</u>
<i>Operating expenses:</i>			
Personnel services	186,609	-	186,609
Contractual services	2,096	-	2,096
Supplies	991	2,083	3,074
Maintenance and materials	2,670	19,913	22,583
Utilities	10,429	4,273	14,702
Equipment	74,388	8,004	82,392
Depreciation	61,121	21,814	82,935
Miscellaneous	559,007	7,955	566,962
<i>Total operating expenses</i>	<u>897,311</u>	<u>64,042</u>	<u>961,353</u>
<i>Operating income (loss)</i>	<u>(425,494)</u>	<u>2,508</u>	<u>(422,986)</u>
<i>Non-operating revenues (expenses):</i>			
Interest income	-	362	362
<i>Total non-operating revenues (expenses)</i>	<u>-</u>	<u>362</u>	<u>362</u>
Governmental contributions	56,920	-	56,920
Gain (loss) on sale of capital assets	-	(2,212)	(2,212)
Transfers in	150,000	-	150,000
<i>Grants and net transfers</i>	<u>206,920</u>	<u>(2,212)</u>	<u>204,708</u>
<i>Change in net assets</i>	(218,574)	658	(217,916)
<i>Net assets - beginning of year</i>	<u>1,900,733</u>	<u>331,398</u>	<u>2,232,131</u>
<i>Net assets - end of year</i>	<u>\$ 1,682,159</u>	<u>\$ 332,056</u>	<u>\$ 2,014,215</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement B-3

City of Artesia

Combining Statement of Cash Flows - Nonmajor Proprietary Funds

For the Year Ended June 30, 2011

	Airport Fund	Cemetery Fund	Total
<i>Cash flows from operating activities:</i>			
Cash received from user charges	\$ 622,755	\$ 66,624	\$ 689,379
Cash payments to employees for services	(181,859)	-	(181,859)
Cash payments to suppliers for goods and services	(654,349)	(43,869)	(698,218)
<i>Net cash provided (used) by operating activities</i>	<u>(213,453)</u>	<u>22,755</u>	<u>(190,698)</u>
<i>Cash flows from noncapital financing activities:</i>			
Operating grants	56,920	-	56,920
Internal transfers and loans	150,000	-	150,000
<i>Net cash provided (used) by noncapital financing activities:</i>	<u>206,920</u>	<u>-</u>	<u>206,920</u>
<i>Cash flows from capital and related financing activities:</i>			
Acquisition of capital assets	-	(12,373)	(12,373)
<i>Net cash provided (used) by capital and related financing activities:</i>	<u>-</u>	<u>(12,373)</u>	<u>(12,373)</u>
<i>Cash flows from investing activities:</i>			
Interest on investments	-	362	362
<i>Net cash provided by (used) from investing activities</i>	<u>-</u>	<u>362</u>	<u>362</u>
<i>Net increase in cash and cash equivalents</i>	<u>(6,533)</u>	<u>10,744</u>	<u>4,211</u>
<i>Cash and cash equivalents - beginning of year</i>	<u>89,719</u>	<u>32,915</u>	<u>122,634</u>
<i>Cash and cash equivalents - end of year</i>	<u>\$ 83,186</u>	<u>\$ 43,659</u>	<u>\$ 126,845</u>
<i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</i>			
Operating income (loss)	\$ (425,494)	\$ 2,508	(422,986)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities:			
Depreciation	61,121	21,814	82,935
Changes in assets and liabilities			
Receivables	150,938	74	151,012
Inventory	(35,619)	-	(35,619)
Accounts payable	30,851	(1,641)	29,210
Accrued payroll expenses	4,836	-	4,836
Current accrued compensated absences	(86)	-	(86)
<i>Net cash (used) by operating activities</i>	<u>\$ (213,453)</u>	<u>\$ 22,755</u>	<u>\$ (190,698)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement C-1

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

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (GAAP Basis)	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		
<i>Revenues</i>				
Taxes:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Local sources	-	-	-	-
Charges for services	117,000	117,232	80,290	(36,942)
Fines and forfeitures	-	-	-	-
Investment income	342	455	454	(1)
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>117,342</u>	<u>117,687</u>	<u>80,744</u>	<u>(36,943)</u>
<i>Expenditures</i>				
Current:				
General government	152,000	152,960	114,884	38,076
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>152,000</u>	<u>152,960</u>	<u>114,884</u>	<u>38,076</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(34,658)</u>	<u>(35,273)</u>	<u>(34,140)</u>	<u>1,133</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	34,658	35,273	-	(35,273)
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>34,658</u>	<u>35,273</u>	<u>-</u>	<u>(35,273)</u>
<i>Net change in fund balance</i>	-	-	(34,140)	(34,140)
<i>Fund balance - beginning of year</i>	-	-	351,968	351,968
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 317,828</u>	<u>\$ 317,828</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ (34,140)
Adjustments to revenues for court cost assessment revenues recognized in the prior year				(21,026)
Adjustments to expenditures for supplies and other expenditures				11,062
Net change in fund balance (GAAP basis)				<u>\$ (44,104)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement C-2

City of Artesia

EMS Grant Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (GAAP Basis)	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		
<i>Revenues</i>				
Taxes:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	19,900	19,900	19,803	(97)
State capital grants	-	-	-	-
Local sources	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>19,900</u>	<u>19,900</u>	<u>19,803</u>	<u>(97)</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	19,900	19,900	19,803	97
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>19,900</u>	<u>19,900</u>	<u>19,803</u>	<u>97</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	-	-	-	-
<i>Fund balance - beginning of year</i>	-	-	-	-
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ -
No adjustments to revenues				-
Adjustments to expenditures for employee training expenditures				414
Net change in fund balance (GAAP basis)				<u>\$ 414</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement C-3

City of Artesia

Fire Fund Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variances
	Original	Final	(GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	108,607	108,607	108,608	1
State capital grants	-	-	-	-
Local sources	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>108,607</u>	<u>108,607</u>	<u>108,608</u>	<u>1</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	84,279	83,398	83,396	2
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	24,328	23,270	20,063	3,207
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>108,607</u>	<u>106,668</u>	<u>103,459</u>	<u>3,209</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>1,939</u>	<u>5,149</u>	<u>3,210</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	(1,939)	-	1,939
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>(1,939)</u>	<u>-</u>	<u>1,939</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>5,149</u>	<u>5,149</u>
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,149</u>	<u>\$ 5,149</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ 5,149
Adjustments to revenues for state fire allotment revenues recognized in the prior year				(45)
Adjustments to expenditures for per diem and maintenance expenditures				198
Net change in fund balance (GAAP basis)				<u>\$ 5,302</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement C-4

City of Artesia

Law Enforcement Assistance Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (GAAP Basis)	Variances Favorable (Unfavorable)
	Original	Final		Final to Actual
<i>Revenues</i>				
Taxes:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	37,400	37,400	37,400	-
State capital grants	-	-	-	-
Local sources	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>37,400</u>	<u>37,400</u>	<u>37,400</u>	<u>-</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	37,400	37,400	37,400	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>37,400</u>	<u>37,400</u>	<u>37,400</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	-	-	-	-
<i>Fund balance - beginning of year</i>	-	-	-	-
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ -
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement C-5

City of Artesia

Leah Kennedy Library Trust Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (GAAP Basis)	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		
<i>Revenues</i>				
Taxes:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Local sources	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Investment income	300	300	45	(255)
Miscellaneous	600	600	374	(226)
<i>Total revenues</i>	<u>900</u>	<u>900</u>	<u>419</u>	<u>(481)</u>
<i>Expenditures</i>				
Current:				
General government	5,341	5,341	928	4,413
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>5,341</u>	<u>5,341</u>	<u>928</u>	<u>4,413</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(4,441)</u>	<u>(4,441)</u>	<u>(509)</u>	<u>3,932</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	4,441	4,441	-	(4,441)
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>4,441</u>	<u>4,441</u>	<u>-</u>	<u>(4,441)</u>
<i>Net change in fund balance</i>	-	-	(509)	(509)
<i>Fund balance - beginning of year</i>	-	-	45,709	45,709
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 45,200</u>	<u>\$ 45,200</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ (509)
Adjustments to revenues for interest income				(8)
Adjustments to expenditures for library expenditures				49
Net change in fund balance (GAAP basis)				<u>\$ (468)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement C-6

City of Artesia

Lodger's Tax Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (GAAP Basis)	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		
<i>Revenues</i>				
Taxes:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	250,000	302,364	302,364	-
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Local sources	-	-	-	-
Charges for services	-	200	200	-
Fines and forfeitures	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>250,000</u>	<u>302,564</u>	<u>302,564</u>	<u>-</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>250,000</u>	<u>302,564</u>	<u>302,564</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	(12,500)	(20,699)	-	20,699
Transfers in	-	-	-	-
Transfers (out)	(237,500)	(281,865)	(281,866)	(1)
<i>Total other financing sources (uses)</i>	<u>(250,000)</u>	<u>(302,564)</u>	<u>(281,866)</u>	<u>20,698</u>
<i>Net change in fund balance</i>	-	-	20,698	20,698
<i>Fund balance - beginning of year</i>	-	-	81,575	81,575
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 102,273</u>	<u>\$ 102,273</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ 20,698
Adjustments to revenues for lodgers tax revenues				2,047
No adjustments to expenditures				(24,062)
Net change in fund balance (GAAP basis)				<u>\$ (1,317)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement C-7

City of Artesia

Lodger's Tax Promotional Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final	(GAAP Basis)	Final to Actual
<i>Revenues</i>				
Taxes:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Local sources	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures</i>				
Current:				
General government	237,500	258,479	257,387	1,092
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>237,500</u>	<u>258,479</u>	<u>257,387</u>	<u>1,092</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(237,500)</u>	<u>(258,479)</u>	<u>(257,387)</u>	<u>1,092</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	(24,480)	-	24,480
Transfers in	237,500	282,959	281,866	(1,093)
Transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>237,500</u>	<u>258,479</u>	<u>281,866</u>	<u>23,387</u>
<i>Net change in fund balance</i>	-	-	24,479	24,479
<i>Fund balance - beginning of year</i>	-	-	13,414	13,414
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,893</u>	<u>\$ 37,893</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ 24,479
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ 24,479</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement C-8

City of Artesia

1 Cent Gasoline Tax Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (GAAP Basis)	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		
<i>Revenues</i>				
Taxes:				
Property taxes	\$ -	\$ -	\$ -	\$ (1)
Gross receipts	-	-	-	-
Gasoline and motor vehicle	380,000	382,616	382,615	(1)
Other	-	-	-	-
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	165,289	165,853	112,708	(53,145)
State capital grants	-	-	-	-
Local sources	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Investment income	-	148	147	(1)
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>545,289</u>	<u>548,617</u>	<u>495,470</u>	<u>(53,148)</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	429,186	429,186	359,104	70,082
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>429,186</u>	<u>429,186</u>	<u>359,104</u>	<u>70,082</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>116,103</u>	<u>119,431</u>	<u>136,366</u>	<u>16,934</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	(116,103)	(119,431)	-	119,431
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(116,103)</u>	<u>(119,431)</u>	<u>-</u>	<u>119,431</u>
<i>Net change in fund balance</i>	-	-	136,366	136,365
<i>Fund balance - beginning of year</i>	-	-	27,076	27,076
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 163,442</u>	<u>\$ 163,441</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ 136,366
Adjustments to revenues for gasoline tax and interest income revenues				(6,975)
Adjustments to expenditures for infrastructure expenditures				105,070
Net change in fund balance (GAAP basis)				<u>\$ 234,461</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement C-9

City of Artesia

Recreation Fund Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final	(GAAP Basis)	Final to Actual
<i>Revenues</i>				
Taxes:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	2,500	2,642	2,641	(1)
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Local sources	-	-	-	-
Charges for services	83,864	90,719	89,004	(1,715)
Fines and forfeitures	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	100	100	-	(100)
<i>Total revenues</i>	<u>86,464</u>	<u>93,461</u>	<u>91,645</u>	<u>(1,816)</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	171,135	171,135	141,012	30,123
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>171,135</u>	<u>171,135</u>	<u>141,012</u>	<u>30,123</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(84,671)</u>	<u>(77,674)</u>	<u>(49,367)</u>	<u>28,307</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	30,000	(6,997)	-	6,997
Transfers in	54,671	84,671	49,367	(35,304)
Transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>84,671</u>	<u>77,674</u>	<u>49,367</u>	<u>(28,307)</u>
<i>Net change in fund balance</i>	-	-	-	-
<i>Fund balance - beginning of year</i>	-	-	-	-
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ -
Adjustments to revenues for cigarette tax revenues				(1,284)
Adjustments to expenditures for payroll and other expenditures				(21,075)
Net change in fund balance (GAAP basis)				<u>\$ (22,359)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement C-10

City of Artesia

2000 CDBG Grant Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (GAAP Basis)	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		
<i>Revenues</i>				
Taxes:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	350,000	350,000	158,097	(191,903)
Local sources	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>350,000</u>	<u>350,000</u>	<u>158,097</u>	<u>(191,903)</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	350,000	350,000	158,087	191,913
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>350,000</u>	<u>350,000</u>	<u>158,087</u>	<u>191,913</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>10</u>	<u>10</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	-	-	10	10
<i>Fund balance - beginning of year</i>	-	-	10	10
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20</u>	<u>\$ 20</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ 10
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ 10</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement C-11

City of Artesia

Commission on Aging Fund Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final	(GAAP Basis)	Final to Actual
<i>Revenues</i>				
Taxes:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	37,470	37,470	32,819	(4,651)
State capital grants	-	-	-	-
Local sources	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>37,470</u>	<u>37,470</u>	<u>32,819</u>	<u>(4,651)</u>
<i>Expenditures</i>				
Current:				
General government	37,470	37,470	36,874	596
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>37,470</u>	<u>37,470</u>	<u>36,874</u>	<u>596</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>(4,055)</u>	<u>(4,055)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	-	-	(4,055)	(4,055)
<i>Fund balance - beginning of year</i>	-	-	(274)	(274)
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (4,329)</u>	<u>\$ (4,329)</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ (4,055)
Adjustments to revenues for state grant revenues				(3,676)
Adjustments to expenditures for utilities, fuel and printing expenditures				(662)
Net change in fund balance (GAAP basis)				<u>\$ (8,393)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement C-12

City of Artesia

RSVP Program Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variances
	Original	Final	(GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	12,980	12,980	12,980	-
State capital grants	-	-	-	-
Local sources	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>12,980</u>	<u>12,980</u>	<u>12,980</u>	<u>-</u>
<i>Expenditures</i>				
Current:				
General government	941	941	939	2
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>941</u>	<u>941</u>	<u>939</u>	<u>2</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>12,039</u>	<u>12,039</u>	<u>12,041</u>	<u>2</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	(12,039)	(12,039)	-	12,039
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(12,039)</u>	<u>(12,039)</u>	<u>-</u>	<u>12,039</u>
<i>Net change in fund balance</i>	-	-	12,041	12,041
<i>Fund balance - beginning of year</i>	-	-	(10,220)	(10,220)
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,821</u>	<u>\$ 1,821</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ 12,041
Adjustments to revenues for program revenues				(12,980)
Adjustments to expenditures for payroll expenditures				(7,262)
Net change in fund balance (GAAP basis)				<u>\$ (8,201)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement C-13

City of Artesia

Federal Forfeitures Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variances
	Original	Final	(GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Local sources	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	-	-	-	-
<i>Fund balance - beginning of year</i>	-	-	129	129
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 129</u>	<u>\$ 129</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ -
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement C-14

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
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variances
	Original	Final	(GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	787	786	(1)
State capital grants	-	-	-	-
Local sources	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>787</u>	<u>786</u>	<u>(1)</u>
<i>Expenditures</i>				
Current:				
General government	165	341	340	1
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>165</u>	<u>341</u>	<u>340</u>	<u>1</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(165)</u>	<u>446</u>	<u>446</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	165	(446)	-	446
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>165</u>	<u>(446)</u>	<u>-</u>	<u>446</u>
<i>Net change in fund balance</i>	-	-	446	446
<i>Fund balance - beginning of year</i>	-	-	10,030	10,030
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,476</u>	<u>\$ 10,476</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ 446
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ 446</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement C-15

City of Artesia

Economic Stimulus Fund Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final	(GAAP Basis)	Final to Actual
<i>Revenues</i>				
Taxes:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income:				
Federal operating grants	17,684	17,684	17,684	-
Federal capital grants	831,489	831,489	572,905	(258,584)
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Local sources	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>849,173</u>	<u>849,173</u>	<u>590,589</u>	<u>(258,584)</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	831,489	831,489	659,693	171,796
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>831,489</u>	<u>831,489</u>	<u>659,693</u>	<u>171,796</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>17,684</u>	<u>17,684</u>	<u>(69,104)</u>	<u>(86,788)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	(17,684)	(17,684)	-	17,684
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(17,684)</u>	<u>(17,684)</u>	<u>-</u>	<u>17,684</u>
<i>Net change in fund balance</i>	-	-	(69,104)	(69,104)
<i>Fund balance - beginning of year</i>	-	-	(17,684)	(17,684)
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (86,788)</u>	<u>\$ (86,788)</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ (69,104)
Adjustments to revenues for federal capital grants				86,788
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ 17,684</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement C-16

City of Artesia

Industrial Park Fund Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (GAAP Basis)	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		
<i>Revenues</i>				
Taxes:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Local sources	-	-	-	-
Charges for services	75,000	112,687	112,687	-
Fines and forfeitures	-	-	-	-
Investment income	4,200	4,200	468	(3,732)
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>79,200</u>	<u>116,887</u>	<u>113,155</u>	<u>(3,732)</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>79,200</u>	<u>116,887</u>	<u>113,155</u>	<u>(3,732)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	120,800	83,113	-	(83,113)
Transfers in	-	-	-	-
Transfers (out)	(200,000)	(200,000)	(200,000)	-
<i>Total other financing sources (uses)</i>	<u>(79,200)</u>	<u>(116,887)</u>	<u>(200,000)</u>	<u>(83,113)</u>
<i>Net change in fund balance</i>	-	-	(86,845)	(86,845)
<i>Fund balance - beginning of year</i>	-	-	339,017	339,017
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 252,172</u>	<u>\$ 252,172</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ (86,845)
Adjustments to revenues for interest income				(76)
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ (86,921)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement C-17

City of Artesia

MGRT Infrastructure Special Revenue Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (GAAP Basis)	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		
<i>Revenues</i>				
Taxes:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	1,050,000	1,128,359	1,128,358	(1)
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Local sources	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Investment income	1,500	1,500	204	(1,296)
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>1,051,500</u>	<u>1,129,859</u>	<u>1,128,562</u>	<u>(1,297)</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	2,520,907	2,595,383	2,595,380	3
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>2,520,907</u>	<u>2,595,383</u>	<u>2,595,380</u>	<u>3</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(1,469,407)</u>	<u>(1,465,524)</u>	<u>(1,466,818)</u>	<u>(1,294)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	834,370	713,363	-	(713,363)
Transfers in	1,600,000	1,717,124	1,717,123	(1)
Transfers (out)	(964,963)	(964,963)	(964,963)	-
<i>Total other financing sources (uses)</i>	<u>1,469,407</u>	<u>1,465,524</u>	<u>752,160</u>	<u>(713,364)</u>
<i>Net change in fund balance</i>	-	-	(714,658)	(714,658)
<i>Fund balance - beginning of year</i>	-	-	834,370	834,370
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 119,712</u>	<u>\$ 119,712</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ (714,658)
Adjustments to revenues for infrastructure costs and interest income				49,469
Adjustments to expenditures for infrastructure expenditures				264,698
Net change in fund balance (GAAP basis)				<u>\$ (400,491)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement C-18

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
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (GAAP Basis)	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		
<i>Revenues</i>				
Taxes:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	350,000	376,120	376,119	(1)
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Local sources	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Investment income	750	969	969	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>350,750</u>	<u>377,089</u>	<u>377,088</u>	<u>(1)</u>
<i>Expenditures</i>				
Current:				
General government	114,000	114,000	43,797	70,203
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>114,000</u>	<u>114,000</u>	<u>43,797</u>	<u>70,203</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>236,750</u>	<u>263,089</u>	<u>333,291</u>	<u>70,202</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	(236,750)	(263,089)	-	263,089
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(236,750)</u>	<u>(263,089)</u>	<u>-</u>	<u>263,089</u>
<i>Net change in fund balance</i>	-	-	333,291	333,291
<i>Fund balance - beginning of year</i>	-	-	767,862	767,862
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,101,153</u>	<u>\$ 1,101,153</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ 333,291
Adjustments to revenues for gross revenue tax and interest income revenues				16,266
Adjustments to expenditures for gross revenues tax expenditures				(896)
Net change in fund balance (GAAP basis)				<u>\$ 348,661</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement C-19

City of Artesia

Capital Improvements Capital Projects Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final	(GAAP Basis)	Final to Actual
<i>Revenues</i>				
Taxes:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	374,127	449,713	948,810	499,097
Local sources	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>374,127</u>	<u>449,713</u>	<u>948,810</u>	<u>499,097</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	240,118	240,705	-	240,705
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>240,118</u>	<u>240,705</u>	<u>-</u>	<u>240,705</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>134,009</u>	<u>209,008</u>	<u>948,810</u>	<u>739,802</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	(134,009)	(209,008)	-	209,008
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(134,009)</u>	<u>(209,008)</u>	<u>-</u>	<u>209,008</u>
<i>Net change in fund balance</i>	-	-	948,810	948,810
<i>Fund balance - beginning of year</i>	-	-	(1,028,596)	(1,028,596)
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (79,786)</u>	<u>\$ (79,786)</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ 948,810
Adjustments to revenues for capital improvement bond revenues				(398,901)
Adjustments to expenditures for capital improvement expenditures				(85,145)
Net change in fund balance (GAAP basis)				<u>\$ 464,764</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement C-20

City of Artesia

Public Safety Complex Capital Projects Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variances
	Original	Final	(GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Local sources	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Investment income	77,967	77,967	75,468	(2,499)
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>77,967</u>	<u>77,967</u>	<u>75,468</u>	<u>(2,499)</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	14,413,161	14,413,161	13,889,141	524,020
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>14,413,161</u>	<u>14,413,161</u>	<u>13,889,141</u>	<u>524,020</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(14,335,194)</u>	<u>(14,335,194)</u>	<u>(13,813,673)</u>	<u>521,521</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	14,335,194	14,335,194	-	(14,335,194)
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>14,335,194</u>	<u>14,335,194</u>	<u>-</u>	<u>(14,335,194)</u>
<i>Net change in fund balance</i>	-	-	(13,813,673)	(13,813,673)
<i>Fund balance - beginning of year</i>	-	-	14,363,161	14,363,161
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 549,488</u>	<u>\$ 549,488</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ (13,813,673)
No adjustments to revenues				-
Adjustments to expenditures for capital purchase expenditures				(334,019)
Net change in fund balance (GAAP basis)				<u>\$ (14,147,692)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement C-21

City of Artesia

CDBG Rehab Fund Capital Projects Fund

Statement of Revenues, Expenditures and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual (GAAP Basis)	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		
<i>Revenues</i>				
Taxes:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Local sources	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Investment income	25	25	19	(6)
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>25</u>	<u>25</u>	<u>19</u>	<u>(6)</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>25</u>	<u>25</u>	<u>19</u>	<u>(6)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	(25)	(25)	-	25
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(25)</u>	<u>(25)</u>	<u>-</u>	<u>25</u>
<i>Net change in fund balance</i>	-	-	19	19
<i>Fund balance - beginning of year</i>	-	-	7,816	7,816
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 7,835</u>	<u>\$ 7,835</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ 19
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ 19</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement C-22

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

For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final	(GAAP Basis)	Final to Actual
<i>Revenues</i>				
Taxes:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Local sources	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	1,280,000	1,280,000	790,000	490,000
Interest	1,172,722	1,175,115	700,151	474,964
<i>Total expenditures</i>	<u>2,452,722</u>	<u>2,455,115</u>	<u>1,490,151</u>	<u>964,964</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(2,452,722)</u>	<u>(2,455,115)</u>	<u>(1,490,151)</u>	<u>964,964</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	2,393	-	(2,393)
Transfers in	2,452,722	2,452,722	2,452,812	90
Transfers (out)	-	-	(964,963)	(964,963)
<i>Total other financing sources (uses)</i>	<u>2,452,722</u>	<u>2,455,115</u>	<u>1,487,849</u>	<u>(967,266)</u>
<i>Net change in fund balance</i>	-	-	(2,302)	(2,302)
<i>Fund balance - beginning of year</i>	-	-	103,262	103,262
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 100,960</u>	<u>\$ 100,960</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ (2,302)
No adjustments to revenues				-
Adjustments to expenditures for bond interest expenditures				60,441
Net change in fund balance (GAAP basis)				<u>\$ 58,139</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement C-23

City of Artesia

Waste Water Fund

Statement of Revenues, Expenses and Changes in Net Assets

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2011

	Budget Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable)
<i>Operating revenues</i>				
Charges for services	\$ 962,700	\$ 970,282	\$ 934,815	\$ (35,467)
<i>Total operating revenues</i>	<u>962,700</u>	<u>970,282</u>	<u>934,815</u>	<u>(35,467)</u>
<i>Operating expenses</i>				
Personnel services	446,128	445,408	433,233	12,175
Contractual services	-	-	-	-
Supplies	65,000	69,844	68,704	1,140
Maintenance and materials	194,500	222,999	219,588	3,411
Utilities	198,060	156,853	136,309	20,544
Equipment	1,600	2,230	2,229	1
Gross receipts taxes	-	-	-	-
Miscellaneous	84,389	92,343	82,130	10,213
<i>Total operating expenses</i>	<u>989,677</u>	<u>989,677</u>	<u>942,193</u>	<u>47,484</u>
<i>Operating income (loss)</i>	<u>(26,977)</u>	<u>(19,395)</u>	<u>(7,378)</u>	<u>12,017</u>
<i>Non-operating revenues (expenses)</i>				
Principal payments	-	-	-	-
Interest expense	-	-	-	-
Issuance costs	-	-	-	-
Interest income	1,400	1,498	1,159	(339)
Miscellaneous income	30,000	30,000	27,984	(2,016)
<i>Total non-operating revenues (expenses)</i>	<u>31,400</u>	<u>31,498</u>	<u>29,143</u>	<u>(2,355)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	(4,423)	(12,103)	-	12,103
Governmental contributions	-	-	-	-
Bond proceeds	-	-	-	-
Proceeds from sale of equipment	-	-	-	-
Transfers in	2,560	2,560	2,560	-
Transfers (out)	(2,560)	(2,560)	(2,560)	-
<i>Total other financing sources</i>	<u>(4,423)</u>	<u>(12,103)</u>	<u>-</u>	<u>12,103</u>
<i>Change in net assets</i>	-	-	21,765	21,765
<i>Net assets - beginning of year</i>	<u>-</u>	<u>-</u>	<u>755,605</u>	<u>755,605</u>
<i>Net assets - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 777,370</u>	<u>\$ 777,370</u>
Net change in net assets (non-GAAP basis)				\$ 21,765
Adjustments to revenues for utility and interest income revenues				(128,740)
Adjustments to expenditures for depreciation, payroll and other expenditures				(498,427)
Net change in net assets (GAAP basis)				<u>\$ (605,402)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement C-24

City of Artesia
Solid Waste FundStatement of Revenues, Expenses and Changes in Net Assets
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2011

	Budget Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable)
<i>Operating revenues</i>				
Charges for services	\$ 1,438,435	\$ 1,446,247	\$ 1,436,216	\$ (10,031)
<i>Total operating revenues</i>	<u>1,438,435</u>	<u>1,446,247</u>	<u>1,436,216</u>	<u>(10,031)</u>
<i>Operating expenses</i>				
Personnel services	664,466	631,547	618,078	13,469
Contractual services	40,000	48,859	48,859	-
Supplies	15,000	15,000	6,298	8,702
Maintenance and materials	287,300	279,225	200,051	79,174
Utilities	-	-	-	-
Equipment	328,521	328,521	304,603	23,918
Gross receipts taxes	-	-	-	-
Miscellaneous	582,044	560,294	525,274	35,020
<i>Total operating expenses</i>	<u>1,917,331</u>	<u>1,863,446</u>	<u>1,703,163</u>	<u>160,283</u>
<i>Operating income (loss)</i>	<u>(478,896)</u>	<u>(417,199)</u>	<u>(266,947)</u>	<u>150,252</u>
<i>Non-operating revenues (expenses)</i>				
Principal payments	-	-	-	-
Interest expense	-	-	-	-
Issuance costs	-	-	-	-
Interest income	4,051	4,642	2,047	(2,595)
Miscellaneous income	68,500	87,799	82,942	(4,857)
<i>Total non-operating revenues (expenses)</i>	<u>72,551</u>	<u>92,441</u>	<u>84,989</u>	<u>(7,452)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	186,345	78,575	-	(78,575)
Governmental contributions	350,000	376,183	376,182	(1)
Bond proceeds	-	-	-	-
Proceeds from sale of equipment	-	-	-	-
Transfers in	970	970	970	-
Transfers (out)	(130,970)	(130,970)	(130,970)	-
<i>Total other financing sources</i>	<u>406,345</u>	<u>324,758</u>	<u>246,182</u>	<u>(78,576)</u>
<i>Change in net assets</i>	-	-	64,224	64,224
<i>Net assets - beginning of year</i>	-	-	1,620,829	1,620,829
<i>Net assets - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,685,053</u>	<u>\$ 1,685,053</u>
Net change in net assets (non-GAAP basis)				\$ 64,224
Adjustments to revenues for gross receipt taxes, collection fees and interest income revenues				(628,711)
Adjustments to expenditures for depreciation, maintenance, supplies and other expenditures				(54,594)
Net change in net assets (GAAP basis)				<u>\$ (619,081)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement C-25

City of Artesia

Water Fund

Statement of Revenues, Expenses and Changes in Net Assets
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2011

	Budget Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable)
<i>Operating revenues</i>				
Charges for services	\$ 3,045,930	\$ 3,424,268	\$ 3,207,101	\$ (217,167)
<i>Total operating revenues</i>	<u>3,045,930</u>	<u>3,424,268</u>	<u>3,207,101</u>	<u>(217,167)</u>
<i>Operating expenses</i>				
Personnel services	1,055,697	1,043,190	887,300	155,890
Contractual services	2,500	2,666	2,665	1
Supplies	33,500	51,327	51,636	(309)
Maintenance and materials	206,000	208,789	190,740	18,049
Utilities	355,000	221,178	221,178	-
Equipment	1,412,000	1,525,088	1,525,087	1
Gross receipts taxes	-	-	-	-
Miscellaneous	459,973	472,432	399,008	73,424
<i>Total operating expenses</i>	<u>3,524,670</u>	<u>3,524,670</u>	<u>3,277,614</u>	<u>247,056</u>
<i>Operating income (loss)</i>	<u>(478,740)</u>	<u>(100,402)</u>	<u>(70,513)</u>	<u>29,889</u>
<i>Non-operating revenues (expenses)</i>				
Principal payments	(10,000)	(11,000)	(11,000)	-
Interest expense	(6,086)	(6,086)	(4,187)	1,899
Issuance costs	-	-	-	-
Interest income	2,300	2,300	881	(1,419)
Miscellaneous income	6,500	6,500	1,209	(5,291)
<i>Total non-operating revenues (expenses)</i>	<u>(7,286)</u>	<u>(8,286)</u>	<u>(13,097)</u>	<u>(4,811)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	136,026	(241,312)	-	241,312
Governmental contributions	-	-	-	-
Bond proceeds	-	-	-	-
Proceeds from sale of equipment	-	-	-	-
Transfers in	363,500	363,500	13,500	(350,000)
Transfers (out)	(13,500)	(13,500)	(13,500)	-
<i>Total other financing sources</i>	<u>486,026</u>	<u>108,688</u>	<u>-</u>	<u>(108,688)</u>
<i>Change in net assets</i>	-	-	(83,610)	(83,610)
<i>Net assets - beginning of year</i>	-	-	1,213,220	1,213,220
<i>Net assets - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,129,610</u>	<u>\$ 1,129,610</u>
Net change in net assets (non-GAAP basis)				\$ (83,610)
Adjustments to revenues for water sales and interest income revenues				(349,538)
Adjustments to expenditures for depreciation, payroll and other expenditures				426,733
Net change in net assets (GAAP basis)				<u>\$ (6,415)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement C-26

City of Artesia

Airport Fund

Statement of Revenues, Expenses and Changes in Net Assets
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2011

	Budget Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final		
<i>Operating revenues</i>				
Charges for services	\$ 569,625	\$ 633,772	\$ 622,754	\$ (11,018)
<i>Total operating revenues</i>	<u>569,625</u>	<u>633,772</u>	<u>622,754</u>	<u>(11,018)</u>
<i>Operating expenses</i>				
Personnel services	195,181	195,181	181,859	13,322
Contractual services	3,000	3,000	2,096	904
Supplies	1,700	1,700	1,150	550
Maintenance and materials	51,600	52,138	2,998	49,140
Utilities	15,000	15,000	9,312	5,688
Equipment	256,565	167,482	71,268	96,214
Gross receipts taxes	-	-	-	-
Miscellaneous	489,622	578,167	567,524	10,643
<i>Total operating expenses</i>	<u>1,012,668</u>	<u>1,012,668</u>	<u>836,207</u>	<u>176,461</u>
<i>Operating income (loss)</i>	<u>(443,043)</u>	<u>(378,896)</u>	<u>(213,453)</u>	<u>165,443</u>
<i>Non-operating revenues (expenses)</i>				
Principal payments	-	-	-	-
Interest expense	-	-	-	-
Issuance costs	-	-	-	-
Interest income	-	-	-	-
Miscellaneous income	-	-	-	-
<i>Total non-operating revenues (expenses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	99,891	35,744	-	(35,744)
Governmental contributions	193,152	193,152	56,920	(136,232)
Bond proceeds	-	-	-	-
Proceeds from sale of equipment	-	-	-	-
Transfers in	150,000	150,000	150,000	-
Transfers (out)	-	-	-	-
<i>Total other financing sources</i>	<u>443,043</u>	<u>378,896</u>	<u>206,920</u>	<u>(171,976)</u>
<i>Change in net assets</i>	-	-	(6,533)	(6,533)
<i>Net assets - beginning of year</i>	<u>-</u>	<u>-</u>	<u>89,719</u>	<u>89,719</u>
<i>Net assets - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 83,186</u>	<u>\$ 83,186</u>
Net change in net assets (non-GAAP basis)				\$ (6,533)
Adjustments to revenues for fuel revenues				(150,937)
Adjustments to expenditures for depreciation, payroll and other expenditures				(61,104)
Net change in net assets (GAAP basis)				<u>\$ (218,574)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement C-27

City of Artesia

Cemetery Fund

Statement of Revenues, Expenses and Changes in Net Assets

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2011

	Budget Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable)
<i>Operating revenues</i>				
Charges for services	\$ 74,000	\$ 74,440	\$ 66,550	\$ (7,890)
<i>Total operating revenues</i>	<u>74,000</u>	<u>74,440</u>	<u>66,550</u>	<u>(7,890)</u>
<i>Operating expenses</i>				
Personnel services	850	850	-	850
Contractual services	-	-	-	-
Supplies	2,900	2,900	2,095	805
Maintenance and materials	25,600	26,001	21,576	4,425
Utilities	4,600	4,600	4,199	401
Equipment	26,006	24,903	20,377	4,526
Gross receipts taxes	-	-	-	-
Miscellaneous	7,300	9,602	7,995	1,607
<i>Total operating expenses</i>	<u>67,256</u>	<u>68,856</u>	<u>56,242</u>	<u>12,614</u>
<i>Operating income (loss)</i>	<u>6,744</u>	<u>5,584</u>	<u>10,308</u>	<u>4,724</u>
<i>Non-operating revenues (expenses)</i>				
Principal payments	-	-	-	-
Interest expense	-	-	-	-
Issuance costs	-	-	-	-
Interest income	3,500	3,500	436	(3,064)
Miscellaneous income	-	-	-	-
<i>Total non-operating revenues (expenses)</i>	<u>3,500</u>	<u>3,500</u>	<u>436</u>	<u>(3,064)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	(10,244)	(9,084)	-	9,084
Governmental contributions	-	-	-	-
Bond proceeds	-	-	-	-
Proceeds from sale of equipment	-	-	-	-
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<i>Total other financing sources</i>	<u>(10,244)</u>	<u>(9,084)</u>	<u>-</u>	<u>9,084</u>
<i>Change in net assets</i>	-	-	10,744	10,744
<i>Net assets - beginning of year</i>	<u>-</u>	<u>-</u>	<u>232,915</u>	<u>232,915</u>
<i>Net assets - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 243,659</u>	<u>\$ 243,659</u>
Net change in net assets (non-GAAP basis)				\$ 10,744
Adjustments to revenues for loss on disposal of capital assets and other revenues				(2,286)
Adjustments to expenditures for depreciation, capital expenses and other expenditures				(7,800)
Net change in net assets (GAAP basis)				<u>\$ 658</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement C-28

City of Artesia

Waste Water Improvements Fund

Statement of Revenues, Expenses and Changes in Net Assets

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2011

	Budget Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final		
<i>Operating revenues</i>				
Charges for services	\$ -	\$ -	\$ -	\$ -
<i>Total operating revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Operating expenses</i>				
Personnel services	-	-	-	-
Contractual services	-	-	-	-
Supplies	-	-	-	-
Maintenance and materials	-	-	-	-
Utilities	-	-	-	-
Equipment	8,926,322	8,926,322	8,761,876	164,446
Gross receipts taxes	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total operating expenses</i>	<u>8,926,322</u>	<u>8,926,322</u>	<u>8,761,876</u>	<u>164,446</u>
<i>Operating income (loss)</i>	<u>(8,926,322)</u>	<u>(8,926,322)</u>	<u>(8,761,876)</u>	<u>164,446</u>
<i>Non-operating revenues (expenses)</i>				
Principal payments	-	-	(490,000)	(490,000)
Interest expense	-	-	(474,963)	(474,963)
Issuance costs	-	-	-	-
Interest income	(12,000)	12,020	22,539	10,519
Miscellaneous income	-	-	-	-
<i>Total non-operating revenues (expenses)</i>	<u>(12,000)</u>	<u>12,020</u>	<u>(942,424)</u>	<u>(954,444)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	8,938,322	8,914,302	-	(8,914,302)
Governmental contributions	-	-	-	-
Bond proceeds	-	-	-	-
Proceeds from sale of equipment	-	-	-	-
Transfers in	-	-	964,963	964,963
Transfers (out)	-	-	-	-
<i>Total other financing sources</i>	<u>8,938,322</u>	<u>8,914,302</u>	<u>964,963</u>	<u>(7,949,339)</u>
<i>Change in net assets</i>	-	-	(8,739,337)	(8,739,337)
<i>Net assets - beginning of year</i>	<u>-</u>	<u>-</u>	<u>9,904,509</u>	<u>9,904,509</u>
<i>Net assets - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,165,172</u>	<u>\$ 1,165,172</u>
Net change in net assets (non-GAAP basis)				\$ (8,739,337)
Adjustments to revenues for interest income				(4)
Adjustments to expenditures for capital purchases and long term debt expenditures				9,241,195
Net change in net assets (GAAP basis)				<u>\$ 501,854</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Artesia Public Housing Authority
A Component Unit of the City of Artesia
Statement of Net Assets
June 30, 2011

Statement D-1

	Low Rent Public Housing Program	Public Housing Capital Fund Program	Formula Capital Fund Stimulus Grant	Total
ASSETS				
<i>Current assets</i>				
Cash and cash equivalents	\$ 734,948	\$ -	\$ -	\$ 734,948
Accounts receivable - tenants, net of allowance for doubtful accounts of \$4,127	1,608	-	-	1,608
Accounts receivable-grants	37,951	-	-	37,951
Prepaid expenses	41,266	-	-	41,266
<i>Total current assets</i>	<u>815,773</u>	<u>-</u>	<u>-</u>	<u>815,773</u>
<i>Noncurrent Assets</i>				
Restricted cash and cash equivalents	28,799	-	-	28,799
Capital assets	6,944,019	-	-	6,944,019
Accumulated depreciation	(4,210,141)	-	-	(4,210,141)
<i>Total assets</i>	<u>\$ 3,578,450</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,578,450</u>
LIABILITIES AND NET ASSETS				
<i>Current liabilities</i>				
Accounts payable	\$ 89,343	\$ -	\$ -	\$ 89,343
Accrued payroll	20,264	-	-	20,264
Compensated absences, current portion	5,416	-	-	5,416
<i>Total current liabilities</i>	<u>115,023</u>	<u>-</u>	<u>-</u>	<u>115,023</u>
<i>Current liabilities (payable from restricted assets)</i>				
Tenant deposits	28,799	-	-	28,799
<i>Total current liabilities (payable from restricted assets)</i>	<u>28,799</u>	<u>-</u>	<u>-</u>	<u>28,799</u>
<i>Non-current liabilities</i>				
Compensated absences, long term portion	3,020	-	-	3,020
<i>Total non-current liabilities</i>	<u>3,020</u>	<u>-</u>	<u>-</u>	<u>3,020</u>
<i>Total liabilities</i>	<u>146,842</u>	<u>-</u>	<u>-</u>	<u>146,842</u>
<i>Net assets</i>				
Invested in capital assets, net of related debt	2,733,878	-	-	2,733,878
Restricted for tenant deposits	-	-	-	-
Unrestricted	697,730	-	-	697,730
<i>Total net assets</i>	<u>3,431,608</u>	<u>-</u>	<u>-</u>	<u>3,431,608</u>
<i>Total liabilities and net assets</i>	<u>\$ 3,578,450</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,578,450</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Artesia Public Housing Authority
A Component Unit of the City of Artesia
Statement of Revenues, Expenses, and Changes in Net Assets
For the Year Ended June 30, 2011

Statement D-2

	Low Rent Public Housing Program	Public Housing Capital Fund Program	Formula Capital Fund Stimulus Grant	Total
<i>Operating revenues</i>				
Rental revenue	\$ 430,500	\$ -	\$ -	\$ 430,500
Other tenant revenue	5,068	-	-	5,068
<i>Total operating revenues</i>	<u>435,568</u>	<u>-</u>	<u>-</u>	<u>435,568</u>
<i>Operating expenses</i>				
Personnel services	265,205	-	-	265,205
Contractual services	48,164	-	-	48,164
General and administrative	83,555	-	-	83,555
Bad Debt	24,113	-	-	24,113
Maintenance and materials	40,310	-	-	40,310
Utilities	140,656	-	-	140,656
Depreciation	205,088	10,381	-	215,469
<i>Total operating expenses</i>	<u>807,091</u>	<u>10,381</u>	<u>-</u>	<u>817,472</u>
<i>Operating income (loss)</i>	<u>(371,523)</u>	<u>(10,381)</u>	<u>-</u>	<u>(381,904)</u>
<i>Non-operating revenues (expenses)</i>				
Operating Grants	257,260	9,346	-	266,606
Capital grants	350,000	180,673	50,264	580,937
Interest income	5,266	-	-	5,266
Miscellaneous income	15,064	-	-	15,064
Transfers in	9,346	-	-	9,346
Transfers (out)	-	(9,346)	-	(9,346)
<i>Total non-operating revenues (expenses)</i>	<u>636,936</u>	<u>180,673</u>	<u>50,264</u>	<u>867,873</u>
<i>Change in net assets</i>	<u>265,413</u>	<u>170,292</u>	<u>50,264</u>	<u>485,969</u>
<i>Total net assets - beginning of year</i>	2,945,639	-	-	2,945,639
<i>Equity transfer in (out)</i>	<u>220,556</u>	<u>(170,292)</u>	<u>(50,264)</u>	<u>-</u>
<i>Total net assets - end of year</i>	<u>\$ 3,431,608</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,431,608</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Artesia Public Housing Authority
A Component Unit of the City of Artesia
Statement of Cash Flows
For the Year Ended June 30, 2011

	Low Rent Public Housing Program	Public Housing Capital Fund Program	Formula Capital Fund Stimulus Grant	Total
<i>Cash flows from operating activities:</i>				
Cash received from tenant rents	\$ 447,500	\$ -	\$ -	\$ 447,500
Cash payments to employees for services	(261,718)	-	-	(261,718)
Cash payments to suppliers for goods and services	(279,580)	-	-	(279,580)
<i>Net cash provided (used) by operating activities</i>	<u>(93,798)</u>	<u>-</u>	<u>-</u>	<u>(93,798)</u>
<i>Cash flows from noncapital financing activities:</i>				
Operating grants	257,260	9,346	-	266,606
Miscellaneous income	15,064	-	-	15,064
Transfers	9,346	(9,346)	-	-
<i>Net cash provided (used) by noncapital financing activities</i>	<u>281,670</u>	<u>-</u>	<u>-</u>	<u>281,670</u>
<i>Cash flows from capital and related financing activities:</i>				
Capital grants	312,050	180,673	50,264	542,987
Acquisition of capital assets	(420,090)	(180,673)	(50,264)	(651,027)
<i>Net cash provided (used) by capital and related financing activities</i>	<u>(108,040)</u>	<u>-</u>	<u>-</u>	<u>(108,040)</u>
<i>Cash flows from investing activities:</i>				
Interest on investments	5,266	-	-	5,266
<i>Net cash provided (used) by from investing activities</i>	<u>5,266</u>	<u>-</u>	<u>-</u>	<u>5,266</u>
<i>Net increase (decrease) in cash and cash equivalents</i>	85,098	-	-	85,098
<i>Cash and cash equivalents - beginning of year</i>	678,649	-	-	678,649
<i>Cash and cash equivalents - end of year</i>	<u>\$ 763,747</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 763,747</u>

The accompanying notes are an integral part of these financial statements

	Low Rent Public Housing Program	Public Housing Capital Fund Program	Formula Capital Fund Stimulus Grant	Total
<i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</i>				
Operating income (loss)	\$ (371,523)	\$ (10,381)	\$ -	\$ (381,904)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation	205,088	10,381	-	215,469
Changes in assets and liabilities				
Accounts receivables	(778)	-	-	(778)
Inventory	-	-	-	-
Prepaid expenses	(1,003)	-	-	(1,003)
Accounts payable	58,221	-	-	58,221
Accrued payroll expenses	1,284	-	-	1,284
Prepaid expenses	-	-	-	-
Accrued compensated absences	2,203	-	-	2,203
Tenant deposits	12,710	-	-	12,710
<i>Net cash provided (used) by operating activities</i>	<u>\$ (93,798)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (93,798)</u>

STATE OF NEW MEXICO

Statement D-4

City of Artesia Public Housing Authority
A Component Unit of the City of Artesia
Statement of Revenues, Expenses, and Changes in
Net Assets - Budget (Non-GAAP Budgetary Basis) and Actual
Low Rent Public Housing Program
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<i>Operating revenues</i>				
Charges for services	\$ 412,100	\$ 412,100	\$ 435,568	\$ 23,468
<i>Total operating revenues</i>	412,100	412,100	435,568	23,468
<i>Operating expenses</i>				
Personnel services	274,930	274,930	265,205	9,725
Contractual services	42,000	42,000	48,164	(6,164)
General and administrative	92,500	92,500	83,555	8,945
Bad debt	2,000	2,000	24,113	(22,113)
Maintenance and materials	34,000	34,000	40,310	(6,310)
Utilities	149,000	149,000	140,656	8,344
<i>Total operating expenses</i>	594,430	594,430	602,003	(7,573)
<i>Operating income (loss)</i>	(182,330)	(182,330)	(166,435)	15,895
<i>Non-operating revenues (expenses)</i>				
Operating grants	270,000	270,000	257,260	(12,740)
Interest income	6,000	6,000	5,266	(734)
Miscellaneous income	-	-	15,064	15,064
<i>Total non-operating revenues (expenses)</i>	276,000	276,000	277,590	1,590
Capital grants	-	-	350,000	350,000
Transfers in	-	-	9,346	9,346
Transfers (out)	-	-	-	-
<i>Capital grants and net transfers</i>	-	-	359,346	359,346
<i>Change in net assets before GAAP Adjustment</i>	93,670	93,670	470,501	376,831
<i>(Expenses) not budgeted</i>				
Depreciation	-	-	205,088	(205,088)
Designated cash (Budgeted increase in cash)	(93,670)	(93,670)	-	(93,670)
<i>Total net assets, beginning of year</i>	-	-	2,945,639	2,945,639
<i>Equity transfer in (out)</i>	-	-	220,556	470,764
<i>Total net assets, end of year</i>	\$ -	\$ -	\$ 3,431,608	\$ 3,211,052
Change in net assets, above			\$ 470,501	
No adjustments to revenues			-	
Adjustments for depreciation			(205,088)	
Change in net assets (Statement D-2)			\$ 265,413	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement D-5

City of Artesia Public Housing Authority
A Component Unit of the City of Artesia
Statement of Revenues, Expenses, and Changes in
Net Assets - Budget (Non-GAAP Budgetary Basis) and Actual
Public Housing Capital Fund Program
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<i>Operating revenues</i>				
Charges for services	\$ -	\$ -	\$ -	\$ -
<i>Total operating revenues</i>	-	-	-	-
<i>Operating expenses</i>				
Personnel services	-	-	-	-
Contractual services	-	-	-	-
General and administrative	-	-	-	-
Bad debt	-	-	-	-
Maintenance and materials	-	-	-	-
Utilities	-	-	-	-
<i>Total operating expenses</i>	-	-	-	-
<i>Operating income (loss)</i>	-	-	-	-
<i>Non-operating revenues (expenses)</i>				
Operating grants	9,346	9,346	9,346	-
Interest income	-	-	-	-
Miscellaneous income	-	-	-	-
<i>Total non-operating revenues (expenses)</i>	9,346	9,346	9,346	-
Capital grants	180,673	180,673	180,673	-
Transfers in	-	-	-	-
Transfers (out)	-	-	(9,346)	9,346
<i>Capital grants and net transfers</i>	180,673	180,673	171,327	9,346
<i>Change in net assets before GAAP Adjustment</i>	190,019	190,019	180,673	9,346
<i>(Expenses) not budgeted</i>				
Depreciation	-	-	(10,381)	10,381
Designated cash (Budgeted increase in cash)	(190,019)	(190,019)	-	(190,019)
<i>Total net assets, beginning of year</i>	-	-	-	-
<i>Equity transfer in (out)</i>	-	-	(170,292)	(191,054)
<i>Total net assets, end of year</i>	\$ -	\$ -	\$ -	\$ 209,746
Change in net assets, above			\$ 180,673	
No adjustments to revenues			-	
Adjustments for depreciation			(10,381)	
Change in net assets (Statement D-2)			\$ 170,292	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement D-6

Artesia Housing Authority
City of Artesia Public Housing Authority
Statement of Revenues, Expenses, and Changes in
Net Assets - Budget (Non-GAAP Budgetary Basis) and Actual
Formula Capital Fund Stimulus Grant
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<i>Operating revenues</i>				
Charges for services	\$ -	\$ -	\$ -	\$ -
<i>Total operating revenues</i>	-	-	-	-
<i>Operating expenses</i>				
Personnel services	-	-	-	-
Contractual services	-	-	-	-
General and administrative	-	-	-	-
Bad debt	-	-	-	-
Maintenance and materials	-	-	-	-
Utilities	-	-	-	-
<i>Total operating expenses</i>	-	-	-	-
<i>Operating income (loss)</i>	-	-	-	-
<i>Non-operating revenues (expenses)</i>				
Operating grants	-	-	-	-
Interest income	-	-	-	-
Miscellaneous income	-	-	-	-
<i>Total non-operating revenues (expenses)</i>	-	-	-	-
Capital grants	50,264	50,264	50,264	-
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<i>Capital grants and net transfers</i>	50,264	50,264	50,264	-
<i>Change in net assets before GAAP Adjustment</i>	50,264	50,264	50,264	-
<i>(Expenses) not budgeted</i>				
Depreciation	-	-	-	-
Designated cash (Budgeted increase in cash)	(50,264)	(50,264)	-	(50,264)
<i>Total net assets, beginning of year</i>	-	-	-	-
<i>Equity transfer in (out)</i>	-	-	(50,264)	(50,264)
<i>Total net assets, end of year</i>	\$ -	\$ -	\$ -	\$ 50,264
Change in net assets, above			\$ 50,264	
No adjustments to revenues			-	
No adjustments to expenditures			-	
Change in net assets (Statement D-2)			\$ 50,264	

The accompanying notes are an integral part of these financial statements

SUPPORTING SCHEDULES

STATE OF NEW MEXICO
City of Artesia
Schedule of Deposit and Investment Accounts
June 30, 2011

Primary Government

Deposit Account Type	First American Bank	Western Bank	Artesia Credit Union
City of Artesia Fund - Checking	\$ 6,171,816	\$ -	\$ -
Payroll - Checking	435,791	-	-
Federal Forfeiture - Checking	129	-	-
State Forfeiture - Checking	10,476	-	-
Meter Fund - Checking	120,293	-	-
Cash Management - Checking	983,424	-	-
Wastewater Treatment Plant CD	171,492	-	-
Muni Building CD	549,488	-	-
Public Library Fund CD	3,000,000	-	-
Library Trust Account	21,205	-	-
Meter Fund - Checking	-	19,234	-
City Fund (CDBG Rehab) - Checking	-	7,835	-
City of Artesia Fund - Checking	-	219,844	-
City Fund (Payroll) - Checking	-	77,326	-
Community Development - Checking	-	10	-
Chamber of Commerce - Checking	-	51,522	-
Certificate of Deposit	-	1,000	-
Certificate of Deposit	-	-	250,000
Local Government Investment Pool - Investment	-	-	-
Reserve Contingencies Fund - Investment	-	-	-
Stock Investments	-	-	-
Total deposits and investments	<u>11,464,114</u>	<u>376,771</u>	<u>250,000</u>
Reconciling items	<u>(1,512,450)</u>	<u>(20,070)</u>	<u>-</u>
Reconciled balance June 30, 2011	<u>\$ 9,951,664</u>	<u>\$ 356,701</u>	<u>\$ 250,000</u>

Petty cash

Less: investments - governmental activities - Exhibit A-1

Less: restricted cash and cash equivalents - governmental activities - Exhibit A-1

Less: investments - business-type activities - Exhibit A-1

Less: restricted cash and cash equivalents - business-type activities - Exhibit A-1

Less: investments - fiduciary funds - Exhibit E-1

Less: cash and cash equivalents - fiduciary funds - Exhibit E-1

Total cash cash and cash equivalents - Exhibit A-1

See accompanying independent auditors' report

LGIP	Helwig	Totals
\$ -	\$ -	\$ 6,171,816
-	-	435,791
-	-	129
-	-	10,476
-	-	120,293
-	-	983,424
-	-	171,492
-	-	549,488
-	-	3,000,000
-	-	21,205
-	-	19,234
-	-	7,835
-	-	219,844
-	-	77,326
-	-	10
-	-	51,522
-	-	1,000
-	-	250,000
15,218,299	-	15,218,299
66,731	-	66,731
-	1,232,940	1,232,940
15,285,030	1,232,940	28,608,855
-	-	(1,532,520)
<u>\$ 15,285,030</u>	<u>\$ 1,232,940</u>	\$ 27,076,335
		600
		(13,358,175)
		(3,562,193)
		(1,669,905)
		(1,154,916)
		(1,749,390)
		(505,068)
		<u>\$ 5,077,288</u>

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STATE OF NEW MEXICO
 City of Artesia
 Schedule of Deposit and Investment Accounts
 June 30, 2011

Component Unit

Deposit Account Type	First American Bank
Money Market	\$ 519,547
Operating - Checking	109,881
Payroll - Checking	135,698
Tenant Deposit - Checking	28,799
Total on deposit	793,925
Reconciling items	(30,198)
Reconciled balance June 30, 2011	763,727
Petty cash	20
Less: housing authority restricted cash and cash equivalents - Exhibit A-1	(28,799)
Total housing authority unrestricted cash and cash equivalents - Exhibit A-1	\$ 734,948

See accompanying independent auditors' report

STATE OF NEW MEXICO
City of Artesia
Schedule of Collateral Pledged By Depository
For Public Funds
June 30, 2011

Schedule II

Name of Depository	Description of Pledged Collateral	Maturity	CUSIP Number	Fair Market Value at June 30, 2011	Location of Safekeeper
Primary Government					
First American Bank					
	CURRY COUNTY NM**	8/1/2011	231327AZO	\$ 375,000	FEDERAL HOME LOAN BANK
	FHLB 1 TIME CALL 9/8/11	9/8/2016	3133XGSE5	101,055	FEDERAL HOME LOAN BANK
	FHLB 1 TIME CALL 9/8/11	9/8/2016	3133XGSE5	202,110	FEDERAL HOME LOAN BANK
	SAN JUAN COUNTY NM**	8/1/2019	798359HR9	900,000	FEDERAL HOME LOAN BANK
	CLOVIS NM MUNI SD #001**	8/1/2020	189414GN9	500,000	FEDERAL HOME LOAN BANK
	HOBBS NM SCH DIST #16**	4/15/2022	433866DE7	1,500,000	FEDERAL HOME LOAN BANK
	LOS LUNAS NM SCH DIST**	7/15/2022	545562NW6	<u>925,000</u>	FEDERAL HOME LOAN BANK
	Total First American Bank			<u>4,503,165</u>	
Western Bank					
	CLOUDCROFT MNU SCH**	8/1/2015	189134DV8	400,000	FEDERAL HOME LOAN BANK
	FNMA POOL	3/1/2024	31368HYE7	<u>15,236</u>	FEDERAL HOME LOAN BANK
	Total Western Bank			<u>415,236</u>	
	Total Pledged Collateral			<u><u>\$ 4,918,401</u></u>	
Component Unit					
First American Bank					
	SANTA FE NM FGIC INSD**	8/1/2011	801891EF5	\$ 50,000	FEDERAL HOME LOAN BANK
	SANTA FE NM FGIC INSD**	8/1/2011	801891EF5	25,000	FEDERAL HOME LOAN BANK
	BELEN NM CONS SCH DIST**	8/1/2020	077581MQ6	175,000	FEDERAL HOME LOAN BANK
	TAOS NM MUNI SD #001 ST**	9/1/2020	876014FF3	195,000	FEDERAL HOME LOAN BANK
	ESTANCIA NM MUN SCH DIST**	6/15/2023	297326EH9	<u>150,000</u>	FEDERAL HOME LOAN BANK
	Total First American Bank			<u>595,000</u>	
	Total Pledged Collateral for Component Unit			<u><u>\$ 595,000</u></u>	

** As per NMSA 2.2.2.10 (N) (4), the value of collateral consisting of obligations of the State of New Mexico, its agencies, institutions, counties, municipalities or other subdivisions shall be par value.

See accompanying independent auditors' report.

STATE OF NEW MEXICO
City of Artesia
Schedule of Changes in Fiduciary Assets and Liabilities - Agency Funds
For the Year Ended June 30, 2011

Schedule III

	Balance July 1, 2010	Additions	Deductions	Balance June 30, 2011
<i>Assets</i>				
Cash	\$ 416,762	\$ 97,021	\$ 8,715	\$ 505,068
Investments	1,539,673	209,717	-	1,749,390
Interest receivables	286	1,051	286	1,051
<i>Total assets</i>	<u>\$ 1,956,721</u>	<u>\$ 307,789</u>	<u>\$ 9,001</u>	<u>\$ 2,255,509</u>
<i>Liabilities</i>				
Accounts payable	\$ -	\$ 512	\$ -	\$ 512
Held in trust for others	1,956,721	307,277	9,001	2,254,997
<i>Total liabilities</i>	<u>\$ 1,956,721</u>	<u>\$ 307,789</u>	<u>\$ 9,001</u>	<u>\$ 2,255,509</u>

See accompanying independent auditors' report

STATE OF NEW MEXICO
City of Artesia Public Housing Authority
A Component Unit of the City of Artesia
Financial Data Schedule
June 30, 2011

Line Item Number	Description	Low Rent Public Housing Program 14.850	Public Housing Capital Fund Program 14.872
111	Cash - Unrestricted	\$ 734,948	\$ -
114	Cash - Tenant Security Deposits	28,799	-
100	Total Cash	763,747	-
121	Accounts Receivable - PHA projects	37,951	-
126	Accounts Receivable - Tenants	5,735	-
126.1	Allowance for Doubtful Accounts - Tenants	(4,127)	-
120	Total Receivables, Net of Allowance for Doubtful Accounts	39,559	-
131	Investments - Unrestricted	-	-
130	Total Investments	-	-
142	Prepaid Expenses and Other Assets	41,266	-
150	Total Current Assets	844,572	-
161	Land	102,969	-
162	Buildings	5,257,286	-
163	Furniture, Equipment & Machinery - Dwellings	141,721	-
164	Furniture, Equipment & Machinery - Administration	29,695	-
165	Leasehold Improvements	1,412,348	-
166	Accumulated Depreciation	(4,210,141)	-
160	Total Capital Assets, Net of Accumulated Depreciation	2,733,878	-
180	Total Non-Current Assets	2,733,878	-
190	Total Assets	\$ 3,578,450	\$ -

See independent auditors' report

Formula Capital Fund Stimulus Grant 14.885	Total
\$ -	\$ 734,948
-	28,799
-	763,747
-	37,951
-	5,735
-	(4,127)
-	39,559
-	-
-	-
-	41,266
-	844,572
-	102,969
-	5,257,286
-	141,721
-	29,695
-	1,412,348
-	(4,210,141)
-	2,733,878
-	2,733,878
\$ -	\$ 3,578,450

STATE OF NEW MEXICO
City of Artesia Public Housing Authority
A Component Unit of the City of Artesia
Financial Data Schedule
June 30, 2011

Line Item Number	Description	Low Rent Public Housing Program 14,850	Public Housing Capital Fund Program 14,872
312	Accounts Payable <= 90 Days	\$ 89,343	\$ -
321	Accrued Wage/Payroll Taxes Payable	20,264	-
322	Accrued Compensated Absences - Current Portion	5,416	-
341	Tenant Security Deposits	28,799	-
310	Total Current Liabilities	<u>143,822</u>	<u>-</u>
354	Accrued Compensated Absences - Non Current	3,020	-
350	Total Non-Current Liabilities	<u>3,020</u>	<u>-</u>
300	Total Liabilities	<u>146,842</u>	<u>-</u>
508.1	Invested in Capital Assets, Net of Related Debt	2,733,878	-
512.1	Unrestricted Net Assets	697,730	-
513	Total Equity/Net Assets	<u>3,431,608</u>	<u>-</u>
600	Total Liabilities and Equity/Net Assets	<u>\$ 3,578,450</u>	<u>\$ -</u>

See independent auditors' report

Formula Capital Fund Stimulus Grant 14.885	Total
\$ -	\$ 89,343
-	20,264
-	5,416
-	28,799
-	143,822
-	3,020
-	-
-	3,020
-	146,842
-	2,733,878
-	697,730
-	3,431,608
\$ -	\$ 3,578,450

STATE OF NEW MEXICO
City of Artesia Public Housing Authority
A Component Unit of the City of Artesia
Financial Data Schedule
June 30, 2011

Line Item Number	Description	Low Rent Public Housing Program 14.850	Public Housing Capital Fund Program 14.872
70300	Net Tenant Rental Revenue	\$ 430,500	\$ -
70400	Tenant Revenue - Other	5,068	-
70500	Total Tenant Revenue	<u>435,568</u>	<u>-</u>
70600	HUD PHA Operating Grants	257,260	9,346
70610	Capital Grants	-	180,673
70800	Other Government Grants	350,000	-
71100	Investment Income - Unrestricted	5,266	-
71500	Other Revenue	15,064	-
70000	Total Revenue	<u>1,063,158</u>	<u>190,019</u>
91100	Administrative Salaries	99,595	-
91200	Auditing Fees	5,359	-
91500	Employee Benefit Contributions - Administrative	26,272	-
91600	Office Expenses	36,579	-
91800	Travel	825	-
91900	Other	8,732	-
91000	Total Operating - Administrative	<u>177,362</u>	<u>-</u>
93100	Water	54,503	-
93200	Electricity	42,996	-
93300	Gas	28,889	-
93600	Sewer	14,268	-
93000	Total Utilities	<u>140,656</u>	<u>-</u>
94100	Ordinary Maintenance & Operation - Labor	96,916	-
94200	Ordinary Maintenance & Operation - Materials & Other	40,310	-
94300-010	Garbage and Trash Removal Contracts	21,220	-
94300-020	Heating & Cooling Contracts	737	-
94300-080	Plumbing Contracts	7,766	-
94300-110	Routine Maintenance Contracts	2,350	-
94300-120	Miscellaneous Contracts	2,000	-
94500	Employee Benefit Contributions - Ordinary Maintenance	42,422	-
94000	Total Maintenance	<u>213,721</u>	<u>-</u>
96110	Property Insurance	34,053	-
96120	Liability Insurance	7,872	-
96130	Workmen's Compensation	1,709	-
96140	All Other Insurance	2,517	-
96100	Total Insurance Premiums	<u>46,151</u>	<u>-</u>
96400	Bad Debt - Tenant Rents	24,113	-
96000	Total Other General	<u>24,113</u>	<u>-</u>

See independent auditors' report

Formula Capital Fund Stimulus Grant 14.885	Total
\$ -	\$ 430,500
-	5,068
-	435,568
-	266,606
50,264	230,937
-	350,000
-	5,266
-	15,064
50,264	1,303,441
-	99,595
-	5,359
-	26,272
-	36,579
-	825
-	8,732
-	177,362
-	54,503
-	42,996
-	28,889
-	14,268
-	140,656
-	96,916
-	40,310
-	21,220
-	737
-	7,766
-	2,350
-	2,000
-	42,422
-	213,721
-	34,053
-	7,872
-	1,709
-	2,517
-	46,151
-	24,113
-	24,113

STATE OF NEW MEXICO
City of Artesia Public Housing Authority
A Component Unit of the City of Artesia
Financial Data Schedule
June 30, 2011

Line Item Number	Description	Low Rent Public Housing Program 14.850	Public Housing Capital Fund Program 14.872
96900	Total Operating Expenses	602,003	-
97000	Excess Operating Revenue Over Operating Expenses	461,155	190,019
97400	Depreciation Expense	205,088	10,381
90000	Total Expenses	<u>\$ 807,091</u>	<u>\$ 10,381</u>
10010	Operating Transfers In	\$ 9,346	\$ -
10020	Operating Transfers Out	<u>-</u>	<u>(9,346)</u>
10100	Total Other Financing Sources (Uses)	<u>9,346</u>	<u>(9,346)</u>
10000	Excess (Deficiency) of Operating Revenue Over (Under) Total	265,413	170,292
11030	Beginning Equity	<u>2,945,639</u>	<u>-</u>
11040-070	Equity Transfers - In (Out) from (to) CFP Grants	170,292	(170,292)
11040-080	Equity Transfers - In (Out) from (to) Stimulus Grant	<u>50,264</u>	<u>-</u>
11040	Prior period Adjustments, Equity Transfers and Correction of Errors	<u>220,556</u>	<u>(170,292)</u>
	Ending Equity (deficit)	<u>\$ 3,431,608</u>	<u>\$ -</u>
11190	Unit Months Available	<u>1,656</u>	<u>-</u>
11210	Number of Unit Months Leased	<u>1,432</u>	<u>-</u>
11270	Excess Cash	<u>\$ 615,943</u>	<u>\$ -</u>
11620	Building Purchases	<u>\$ -</u>	<u>\$ -</u>
11630	Furniture & Equipment - Dwelling Purchases	<u>\$ 5,470</u>	<u>\$ 65,452</u>
11640	Furniture & Equipment - Administrative Purchases	<u>\$ -</u>	<u>\$ 14,570</u>
11650	Leasehold Improvements Purchases	<u>\$ 464,884</u>	<u>\$ 100,651</u>

See independent auditors' report

Formula Capital Fund Stimulus Grant 14.885	Total
-	602,003
50,264	701,438
-	215,469
\$ -	\$ 817,472
\$ -	\$ 9,346
-	(9,346)
-	-
50,264	485,969
-	2,945,639
-	-
(50,264)	-
(50,264)	-
\$ -	\$ 3,431,608
-	1,656
-	1,432
\$ -	\$ 615,943
\$ -	\$ -
\$ -	\$ 70,922
\$ -	\$ 14,570
\$ -	\$ 565,535

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COMPLIANCE SECTION



Accounting & Consulting Group, LLP
Certified Public Accountants

**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 Balderas
New Mexico State Auditor
City of Artesia
Artesia, New Mexico

We were engaged to audit the financial statements of the governmental activities, the business-type activities, the component unit, each major fund, the budgetary comparison for the general fund, and the aggregate remaining fund information of the City of Artesia, New Mexico, (the City) as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents, and have issued our report thereon dated March 21, 2012. We were also engaged to audit the financial statements of each of the City's nonmajor governmental funds, the budgetary comparisons for the proprietary funds, and the respective budgetary comparisons for the major capital projects fund, and the remaining nonmajor governmental funds, presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2011 as listed in the table of contents. We disclaimed our opinion because material weaknesses in internal controls caused significant doubt that all possible material misstatements could be detected by audit procedures. Except as discussed above, 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, and the standards applicable to financial statement audits contained in the New Mexico State Audit Rule 2.2.2 NMAC.

We have audited the accompanying financial statements of the business-type activities of the Artesia Housing Authority, a component unit of the City of Artesia, New Mexico, as of and for the year ended June 30, 2011, which collectively comprise the component unit's basic financial statements as listed in the table of contents. We have also audited the budgetary comparisons of the component unit for the year ended June 30, 2011 listed as supplementary information in the table of contents. 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, and the standards applicable to financial statement audits contained in the New Mexico State Audit Rule 2.2.2 NMAC.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the City's 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 internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over financial reporting.

Our consideration of the internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in the internal control over financial reporting that might be significant deficiencies or material weaknesses and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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 combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items FS-2010-01, FS-2011-01, FS-2011-02, FS-2011-03, FS 2011-04, FS-2011-05, FS 2011-07, FS-2011-08, FS-2011-09, FS-2011-11, FS-2011-12, CU FS-2011-01, and CU FS-2011-02, to be material weaknesses.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items FS-2011-10 and CU FS 2011-03 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests did not disclose any instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that are required to be reported under Government Auditing Standards January 2007 Revision paragraphs 5.14 and 5.16, and section 12-6-5, NMSA 1978, which are described in the accompanying schedule of findings and questioned costs as items FS-2006-05, FS 2010-02, FS 2011-06, CU FS 2010-01, CU FS-2011-04, and CU FS-2011-05.

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

This report is intended solely for the information and use of the audit committee, management, others within the organization, City Council, the Office of the State Auditor, the New Mexico State Legislature, Department of Finance and Administration, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Accounting & Consulting Group, LLP

Accounting & Consulting Group, LLP
Roswell, New Mexico
March 21, 2012

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FEDERAL FINANCIAL ASSISTANCE



Accounting & Consulting Group, LLP
Certified Public Accountants

REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Hector Balderas
New Mexico State Auditor
The United States Office of Management and Budget and
City of Artesia
Artesia, New Mexico

Compliance

We have audited the compliance of City of Artesia, New Mexico (City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) Circular A-133 *Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2011. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination of the City's compliance with those requirements.

In our opinion, the City complied, in all material respects, with the compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with the requirements that could have a direct and material effect on a major federal program to determine the auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

A *deficiency in internal control over compliance* exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with type of compliance requirement of a federal program will not be prevented, or detected and corrected, on timely basis.

Our consideration of internal control over compliance 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 compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above. However, we identified certain deficiencies in internal control over compliance that we consider to be significant deficiencies as described in the accompanying schedule of findings and questioned costs as items FA-2011-01, CU FA-2011-01, and CU FA-2011-02. A *significant deficiency in internal control over compliance* is a deficiency or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance

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

This report is intended solely for the information and use of the audit committee management, others within the organization, City Council, the Office of the State Auditor, New Mexico Legislature, the New Mexico Department of Finance and Administration, federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

Accounting & Consulting Group, LLP

Accounting & Consulting Group, LLP
Albuquerque, NM
March 21, 2011

STATE OF NEW MEXICO
City of Artesia
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

Funding Source/Grant or Contact Name	CFDA Number	Federal Grantors Number	Expenditures
Primary Government			
Department of Transportation			
ARRA Highway Planning and Construction	20.205	ES21340	\$ 659,693 *
Total Department of Transportation			<u>659,693</u>
Department of Housing and Urban Development			
Community Development Block Grants	14.228	09-C-NM-I-02-G-	350,000 *
Total Department of Housing and Urban Development			<u>350,000</u>
Federal Aviation Administration			
Airport Improvement Program	20.106	3-35-0005-012-	68,332
Total Federal Aviation Administration			<u>68,332</u>
Total Federal Financial Assistance - Primary Government			<u>1,078,025</u>
Component Unit			
Department of Housing and Urban Development			
Public Housing Capital Fund	14.872	NM02P021501-10 (1)	57,547
Public Housing Capital Fund	14.872	NM02S021501-09 (1)	130,483
Public Housing Capital Fund	14.872	NM02S021501-08 (1)	20,489
Public Housing Capital Fund	14.872	NM02S021501-07 (1)	4,480
Public Housing Capital Fund Stimulus (Recovery Act	14.885	NM02S021501-09 (1)	50,264
Public and Indian Housing	14.850	NM021-00000111D	257,260 *
Community Development Block Grant	14.228	09 C NR 102 634	350,000 *
Total Department of Housing and Urban Development			<u>870,523</u>
Total Federal Financial Assistance - Component Unit			<u>870,523</u>
Total Federal Financial Assistance			<u>\$ 1,948,548</u>

* Major Program
() Cluster Program

See accompanying independent auditors' report.

Primary Government**Notes to Schedule of Expenditures of Federal Awards****1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of the City of Artesia (the City) and is presented on the accrual basis of accounting, which is the same basis as was used to prepare the fund financial statements except for the proprietary funds. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations* .

2. Subrecipients

Of the federal expenditures presented in the schedule, The City of Artesia provided federal awards to subrecipients as follows:

<u>Funding Source/Grant or Contact Name</u>	<u>Number</u>	<u>Amount</u>
Community Development Block Grants	14.228	\$ 350,000

Component Unit**Notes to Schedule of Expenditures of Federal Awards****1. Basis of Presentation**

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of the City of Artesia Public Housing Authority (the Housing Authority) and is presented on the accrual basis of accounting, which is the same basis as was used to prepare the fund financial statements except for the proprietary funds. The information in this Schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments and Non-Profit*

2. Subrecipients

The Housing Authority did not provide any federal awards to subrecipients during the year.

Primary Government and Component Unit**Reconciliation of Schedule of Expenditures of Federal Awards to Financial Statements**

Total federal awards expended per Schedule of Expenditures of Federal Awards	\$ 1,948,548
Total expenditures funded by other sources	<u>43,501,698</u>
Total expenditures	<u><u>\$ 45,450,246</u></u>

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STATE OF NEW MEXICO
City of Artesia
Schedule of Findings and Questioned Costs
June 30, 2011

Section I – Summary of Audit Results

Financial Statements:

- | | |
|--|------------|
| 1. Type of auditors’ report issued | Disclaimer |
| 2. Internal control over financial reporting: | |
| a. Material weaknesses identified? | Yes |
| b. Significant deficiencies identified not considered to be material weaknesses? | Yes |
| c. Noncompliance material to the financial statements noted? | No |

Federal Awards:

- | 1. Internal control over major programs: | | | | | | | | | |
|---|--|-----------------|--------|--|--------|------------------------------------|--------|---------------------------|--|
| a. Material weaknesses identified? | No | | | | | | | | |
| b. Significant deficiencies identified not considered to be material weaknesses? | Yes | | | | | | | | |
| 2. Type of auditors’ report issued on compliance for major programs | Unqualified | | | | | | | | |
| 3. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? | Yes | | | | | | | | |
| 4. Identification of major programs: | | | | | | | | | |
| <table style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="text-align: center; border-bottom: 1px solid black;">CFDA
Number</th> <th style="text-align: center; border-bottom: 1px solid black;">Federal Program</th> </tr> </thead> <tbody> <tr> <td style="text-align: center;">20.205</td> <td style="text-align: center;">ARRA – Highway Planning and Construction</td> </tr> <tr> <td style="text-align: center;">14.228</td> <td style="text-align: center;">Community Development Block Grants</td> </tr> <tr> <td style="text-align: center;">14.850</td> <td style="text-align: center;">Public and Indian Housing</td> </tr> </tbody> </table> | CFDA
Number | Federal Program | 20.205 | ARRA – Highway Planning and Construction | 14.228 | Community Development Block Grants | 14.850 | Public and Indian Housing | |
| CFDA
Number | Federal Program | | | | | | | | |
| 20.205 | ARRA – Highway Planning and Construction | | | | | | | | |
| 14.228 | Community Development Block Grants | | | | | | | | |
| 14.850 | Public and Indian Housing | | | | | | | | |
| 5. Dollar threshold used to distinguish between type A and type B programs: | \$300,000 | | | | | | | | |
| 6. Auditee qualified as low-risk auditee? | No | | | | | | | | |

Section II – Prior Year Audit Findings

Primary Government

Financial Statement Findings	Disposition
FS 2006-05 Late Submission of Audit Report	Repeated
FS 2009-01 Designated Cash Exceeded Available Balance and Legal Compliance with Budget	Resolved
FS 2010-01 Adequate Construction in Progress Records Not Maintained	Repeated/ Modified
FS 2010-02 Uncollateralized Bank Deposits	Repeated/ Modified

Component Unit

CU FS 2010-01 Audit Report Submission to the New Mexico State Auditor	Repeated
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Section III – Findings - Financial Statement Audit

Primary Government

FS-2006-05 Late Submission of Audit Report (Repeated) – Other Matter

Condition: The City did not issue its 2011 audit report by the December 1, 2011 as required by the Office of the State Auditor.

Criteria: The City is required to submit their audit reports for the year ended June 30, on or before December 1 subsequent to the entities' fiscal year end in accordance with State Statute (Chapter 12, Section 6: NMSA 1978) and Section 2.2.2.9.A (1) of NMAC.

Effect: The audit report has not been issued in compliance with 2.2.2.9 NMAC. The users of the financial statements such as legislators, creditors, bondholders, state and federal grantors, etc. do not have timely audit reports and financial statements for their review. Late audit reports could have an effect on state and federal funding.

Cause: The City was unable to submit the June 30, 2011 audit report on timely bases due to the City needing additional time to submit required documentation to the auditors to support the accuracy of the information reported in the financial statements.

Auditors' Recommendation: The City must ensure that all future audit reports are filed in a timely manner.

Agency's Response: The City agrees that the audit report should be on time. As City Clerk/Treasurer I feel there were problems with the Audit firm possibly not scheduling enough time to conduct the field work. This may have been caused by the previous auditor's information provided. I believe anytime a new auditor is contracted, there will be an adjustment period in determining what information is being requested.

Section III – Findings - Financial Statement Audit (continued)

Primary Government (continued)

FS-2010-01 Adequate Construction in Progress Records Not Maintained (Repeated/Modified) – Material Weakness

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

Criteria: The City is required to implement a systematic and well documented system for accounting of capital assets in accordance with The New Mexico State Administrative Code. 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: Because the construction in progress records are inadequate it is difficult to determine the total cost related to construction in progress activity. The City is unable to generate the data necessary for financial statement purposes without a significant amount of manipulation. Thus, the City could materially misstate the value of construction in progress which could materially misstate the financial statements.

Cause: The City was unable to provide a correct rollforward which included all construction in progress activity. All construction in progress activity is comingled in various general ledger accounts which consists of independent projects that are not related. The City does not maintain subsidiary reports that accurately account for the activity of each project.

Auditors' Recommendation: The City should implement a systematic process to capture capital expenditures for construction in progress activity at the project level. Such a process should allow the City to ensure that the correct dollar amount is capitalized throughout the life of the project until its completion.

Agency's Response: I am working on a different way to account for capital projects. The City of Artesia has several capital projects and each one is funded through several different funds. This causes some confusion especially when we are having the same contractor on several of the projects. I have started trying to list every project in a separate line item. For 11-12, I would like to place all capital projects in the Capital Projects Funds with separate line items for each project as well as each project's engineering costs and transfer the proper amounts from each fund.

Section III – Findings - Financial Statement Audit (continued)

Primary Government (continued)

FS-2010-02 Uncollateralized Bank Deposits (Repeated/ Modified) – Other Matter

Condition: Deposits at First American bank are under collateralized in accordance with State of New Mexico Statutes. The required collateral was \$5,198,713; however, the collateral provided by the bank was \$4,503,165, resulting in an under collateralization in the amount of \$695,548.

Criteria: Any bank designated a deposit of public money shall deliver pledged collateral with a value equal to one half the amount of the public money in excess of insurance, to a custodial bank and a joint safekeeping receipt issued by the custodial bank to the City (Section 6-10-17 NMSA 1978). Monitoring collateralization of the City's funds is essential in ensuring compliance with State of New Mexico Statutes.

Effect: Lack of proper monitoring of pledged collateral could result in excessive loss of City's funds if the financial institutions encounter financial difficulties.

Cause: The amounts on deposit were not adequately monitored to ensure that balances were sufficiently collateralized.

Auditors' Recommendation: As part of a formal policy implemented by the City, an individual should be assigned the responsibilities of reviewing the monthly collateral reports, investigating differences, and resolving discrepancies.

Agency's Response: Since this has not been discussed, I don't know what month we are talking about or which bank-I am assuming First American. The Assistant treasurer took care of that and I should have checked it also. I will have both the Finance Director and myself sign off on collateralization reports from the bank.

Auditors' Rebuttal: We agree that, as the auditor, we should have been timelier in informing the auditee of this finding, but we have discussed this matter in detail with the City, both, before and at the exit conference. The auditee has agreed to take corrective action in order to be properly collateralized.

Section III – Findings - Financial Statement Audit (continued)

Primary Government (continued)

FS-2011-01 Design Deficiencies in Internal Control over Financial Reporting – Material Weakness

Condition: The City’s internal control structure is inadequate due to a lack of segregation of duties. The Assistant City Clerk is responsible for nearly all areas of accounting and finance including bank statement reconciliations, utilities receivable, accounts payable and payroll.

- Lack of segregation of duties in the payroll cycle.
- Lack of internal controls in the disbursements cycle including the lack of prior approval and review of the support prior to signing checks.
- Lack of segregation of duties relating to bank reconciliations.
- Lack of ability to provide support to trace long term debt payments.
- Lack of control over posting of journal entries
- Lack of control over posting of capital outlay expenditures
- Lack of review of financial statements resulting in a prior period restatement in the fund financials for incorrectly posted accounts payable in the prior year in the amount of \$2,647,226.
- The City is not obtaining sufficient pre-approval on purchases.
- All employees are issued a P-Card which allows any employee to make purchases without preapproval.

Criteria: The COSO Internal Control Integrated Framework consists of five critical elements that must be present in carrying out the achievement objectives of an organization. These elements are known as the control environment, risk assessment, control activities, information and communication and monitoring. With these elements in place, the City can maximize its potential for achieving its performance targets and reduce the risk of loss of resources.

Effect: Without all of the five elements of the COSO Internal Control Integrated Framework present, the City is exposing itself to the risk of misappropriation of assets and does not have set processes in place to maximize the resources of the City to achieve the goals set forth by the City.

Cause: The City’s City Clerk/Treasurer has numerous responsibilities outside of that of Treasurer. This creates the need for the Assistant City Clerk to oversee more accounting areas.

Auditors’ Recommendation: The City should ensure that a comprehensive internal control structure over financial information is designed, documented, and implemented. Management should follow and ensure that all staff follows the City’s documented internal control procedures. The City Council is charged with governance and should provide effective oversight of the internal control and financial reporting process.

Agency’s Response: Since these findings have not been discussed with me, it is difficult to determine where the conditions cited came from.

“Lack of segregation of duties in the payroll cycle” Since one person is responsible for preparing payroll; I do not understand which duties could be segregated. With the retirement of Jan Briggs, we have hired a person for accounting who will be responsible for payroll. We have a small staff so separation of duties may not be readily available.

“Lack of internal controls in the disbursements cycle including the lack of prior approval and review of the support prior to signing checks.” The Council is given an opportunity to look at accounts payable invoices at each Council meeting. We require invoices to be signed by the Department Head or Supervisor and I will sign off in addition to their signatures. I feel this is sufficient checks and balances for the disbursement cycle.

Section III – Findings - Financial Statement Audit (continued)

Primary Government (continued)

FS-2011-01 Design Deficiencies in Internal Control over Financial Reporting – Material Weakness (continued)

“Lack of segregation of duties relating to bank reconciliation” We segregate the bank reconciliations by having someone who is *not* on the signatory cards reconcile the statements. Having someone else check the bank reconciliation who is not an accounting person does not seem to be the most efficient way to do business.

“Lack of ability to provide support to trace long term debt payments.” I provided all documents for payment of long term debt and interest including copies of the ACH payments and invoices.

Auditors’ Rebuttal: We agree that, as the auditor, we should have been timelier in informing the auditee of this finding, but we have discussed this matter in detail with the City, both, before and at the exit conference. The auditee has agreed to take corrective action in order to properly implement effective internal controls.

FS-2011-02 Preparation of Financial Statements – Material Weakness

Condition: The City does not have adequate internal controls in place to prepare its financial statements and related disclosures.

Criteria: According to the American Institute of Certified Public Accountants’ Statement on Auditing Standards No. 115, a system of internal control over financial reporting does not stop at the general ledger. Well designed systems include controls over financial statement preparation, including footnote disclosures.

Effect: When sufficient controls over the preparation of financial statements and related disclosures are not designed, implemented and operating effectively, an entity’s ability to prevent, detect, and correct misstatements in its financial statements is limited.

Cause: The City’s personnel did not have the time and have not been adequately trained in understanding the elements of external financial reporting, including the preparation of financial statements and related footnote disclosures.

Auditors’ Recommendation: We recommend the City management and personnel receive training on understanding the requirements of external financial reporting.

The training should include, but not be limited to:

- Selection of appropriate accounting policies:
 - Governmental Accounting Standards Board (GASB)
 - Generally Accepted Accounting Principles (specifically as applied to governmental units)
 - Financial Accounting Standards Board (FASB)
- Understanding the financial reporting entity
- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements
- Required supplementary information
 - Management’s discussion and analysis
- Supplementary information required by the Office of the State Auditor

In addition, we recommend that the City develop and implement policies and procedures designed to prevent or detect possible misstatements in its financial statements and related footnote disclosures.

Section III – Findings - Financial Statement Audit (continued)

Primary Government (continued)

FS-2011-02 Preparation of Financial Statements – Material Weakness (continued)

Agency's Response: I am continuing to attend GFOA classes to better understand the preparation of financial statements. The Finance Supervisor and I just returned from Phoenix where we attended the 20 hour courses of intermediate and advanced governmental financial reporting. The Supervisor has experience in the private sector but is very interested in becoming able to prepare the statements in the future. We are also working to become members of the Albuquerque Chapter of the Association of Government Accountants.

FS-2011-03 Lack of Internal Controls Over Non-Standard Journal Entries – Material Weakness

Condition: During the 2011 fiscal year, the City did not have procedures in place for authorization and review of manual journal entries and the following items were noted:

- Multiple journal entries were posted to various accounts without any supporting documentation to substantiate the purpose, reason, or accuracy of the journal entry
- The City posts journal entries to remove revenues and expenses which resulted in incorrect postings. The City posted journal entries to remove expenditures which left an account with negative expenditures in the amount of \$819,532.

Criteria: Good accounting practices require that non-standard journal entries be supported by adequate documentation and understanding of the journal entry and authorized and reviewed by someone other than the person initiating the adjusting entry.

Effect: Improper adjustments could result in balances being materially misstated. Also, the risk of misappropriation acts increases without proper internal controls.

Cause: The City was unaware of the significance of internal controls needed for manual journal entries.

Auditors' Recommendation: We recommend that the City implement internal controls to insure non-standard journal entries are reviewed, approved and supported.

Agency's Response: This looks like another case of the City not being large enough to have the segregation of duties. I look over the budget report periodically and make adjustments when things have been posted wrong or if there needs to be an adjustment made. Those are sent to accounting on a spreadsheet and the assistant treasurer would make the changes. Again, there are no other employees in our hierarchy that would know that those adjustments should be made so a review would not be feasible.

Section III – Findings - Financial Statement Audit (continued)

Primary Government (continued)

FS-2011-04 Trustee Responsibilities – Material Weakness

Condition: During our testing of cash and investments we noted the following items:

- Stocks held in trust by the City (referred to as the Helwig Trust) were overstated on the general ledger due to several of the stocks no longer having any value as the companies had ceased to exist, been acquired by a private entity or had just declined in value.
- Additionally, the City is not exercising an appropriate level of oversight over funds held in trust on behalf of the Chamber of Commerce; rather the Chamber of Commerce is making these decisions independently without the necessary board approval.

Criteria: The fiduciary responsibilities of a trustee require (among other duties) that the trustee prudently invest trust assets, account for actions and keep beneficiaries informed and administer in the best interest of the beneficiaries. Chapter 2, Ordinance 586, 8-13-1996, requires that the mayor appoints a five member advisory board that shall advise the governing body on expenditure of funds authorized under the ordinance for use in advertising, publicizing and promoting tourist attractions and facilities in the city and surrounding area.

Effect: When sufficient monitoring of the cash and investments is not conducted, it is possible that the trust may inadvertently lose value or that funds are inappropriately managed and maintained.

Cause: The City does not have the necessary personnel on staff to properly manage trustee accounts.

Auditors' Recommendation: We recommend that the City maintain their cash and investments with a financial institution that has the ability to provide quality and timely financial advice and prudent oversight of the assets in accordance with Helwig Trus and that the governing body of the City of Artesia should ensure that proper oversight is implemented for all trustee funds.

Agency's Response: I have discussed this with our financial services provider before and he said they were interested. I will contact him again and see if they can maintain the portfolio for us.

Section III – Findings - Financial Statement Audit (continued)

Primary Government (continued)

FS-2011-05 Internal Controls over Voided Checks – Material Weakness

Condition: During our internal control evaluation over cash, we noted the following:

- There are insufficient internal controls over voided checks. When a check is voided the original copy is kept by the City but the check is not defaced nor signatures removed.

Criteria: NMAC 6.20.2.14 states that a public entity shall establish and maintain a cash management program to safeguard cash and provide prompt and accurate reporting that adheres to cash management requirements of the Office of Management and Budget (OMB) Circular 102, and applicable state and federal laws and regulations.

Effect: This can increase the risk of fraudulent checks being written in the City's name.

Cause: The City has not implemented proper internal controls and procedures to track, manage and cancel voided checks. Also, the City has not implemented proper internal controls to review the voided check.

Auditors' Recommendation: We recommend that the City review cash management procedures with the responsible individuals annually to ensure that all areas of cash have sufficient internal controls, including reviewing and defacing of voided checks.

Agency's Response: Because of the way our accounting system writes checks, any checks that have multiple line items that are more than the number of lines on the check will print subsequent checks and will void the number. I am working with INCODE to see if those extra details can be run after the check run on plain paper to alleviate the need for 950 voided checks through the year. We will work on removing the signature blocks on these that have been signed.

Section III – Findings - Financial Statement Audit (continued)

Primary Government (continued)

FS-2011-06 Stale Dated Transactions Not Cancelled – Other Matter

Condition: The City is in violation of state statutes regarding stale-dated checks. The City maintained sixty six checks in the general fund that were dated over one year old at June 30, 2011. These checks totaled \$7,629.01.

Criteria: Chapter 7 Article 8A, NMSA 1978, and related regulations require that the City provide information about the payees and the related funds to Unclaimed Property Division of the New Mexico Taxation and Revenue Department for outstanding checks that were distributed but not cashed within one year.

Effect: Carrying numerous bank reconciling items could result in a misstatement in the accounting records or related misappropriation of funds.

Cause: The City has not implemented an internal control policy to account for stale dated outstanding checks and did not clear these checks on a timely basis.

Auditors' Recommendation: We recommend that the City implement a procedure to review the outstanding check listings for all bank accounts and track stale-dated checks. If checks on the outstanding check listings are greater than one year old we recommend these checks be voided. Also, we recommend that the City provide the information to the Property Division of the New Mexico Taxation and Revenue Department as required.

Agency's Response: I was also surprised to see the amount of outstanding checks both in the City Fund and the Meter Fund. We are working to conform to the State Unclaimed Property Law.

Section III – Findings - Financial Statement Audit (continued)

Primary Government (continued)

FS-2011-07 Capital Assets Additions, Repairs, & Maintenance – Material Weakness

Condition: The City is not accurately maintaining their capital asset inventory. Through review of the capital outlay expenditures, it was noted that the City had reported \$7,629,828 less in governmental capital outlay expenditures than had they had listed capital asset additions. They had also recorded \$9,460,622 more in equipment expenditures in their business-type funds than had listed as capital asset additions. The City also recorded an additional \$66,469 in capital asset additions as repairs and maintenance expenditures in the governmental activities. The City is not properly recording the capital asset additions to the capital asset inventory.

Criteria: Per section 2.20.1.10 of NMAC, capital assets acquired through purchase shall be recorded at cost. Capital assets include assets constructed by agency personnel. Per Section 2.20.1.14 of NMAC, repairs and maintenance on capital assets which are routine and necessary for continued, safe, and productive operation, should be charged to maintenance expense in the period in which they occur. GASB 34 paragraph 20 requires capital assets to be reported, net of accumulated depreciation, in the statement of net assets. Section 12-6-10, NMSA 1978, requires all agencies to conduct a physical inventory of their capital assets inventory at the end of each fiscal year. Section 12-6-10, NMSA 1978 also changed the capitalization threshold to items that cost more than \$5,000, effective June 17, 2005.

Effect: The City could misstate the value of their capital assets which could materially misstate the financial statements. The City could also expense capital assets instead of account for the assets and track depreciation as required by GASB 34.

Cause: The City does not have adequate internal controls to verify that capital assets are being accounted for and capitalized accurately.

Auditors' Recommendation: The City should implement internal controls to verify that all capital assets are added to the capital asset inventory correctly

Agency's Response: The individual Department Property Custodian's document any tangible personal property (item) by completing and submitting an additions form to the Purchasing Department.

The Construction in Progress dollar amounts, as well as, the total dollar amounts for a completed project is received for implementation via e-mail from the Finance Department.

Section III – Findings - Financial Statement Audit (continued)

Primary Government (continued)

FS-2011-08 Recording of Debt – Material Weakness

Condition: During our audit, we noted that the City has not properly recorded the issuance costs and premiums of two bonds. The City had not recorded \$423,111 of bond issuance costs and \$225,882 of bond premiums for the bonds.

Criteria: Accounting and audit guide for state and local governments paragraph 8.78 and Accounting Principles Board opinion No. 21 requires deferral and amortization of bond premiums and bond issuance costs.

Effect: The City had understated their assets and debt balance at year end.

Cause: The City relied on the prior year auditor to set up the balances for the bonds when the prior year audit was in process rather than recording the balances when they occurred.

Auditors' Recommendation: The City should ensure that all bond issuance costs and bond premiums are recorded and ensure that all statements are received in a timely fashion.

Agency's Response: The bonding company sold bonds in an amount whereby the issuance costs and premiums were deducted from the bonds and we received net proceeds so there would not be an entry since we did not receive cash.

Section III – Findings - Financial Statement Audit (continued)

Primary Government (continued)

FS-2011-09 Landfill Post-closure Liability and Non-Compliance with the Environmental Protection Agency – Material Weakness

Condition: The City originally obtained an engineering study for the closure of the landfill, however there has been no recent study conducted to update the estimated landfill liability as of June 30, 2011. The City incurred additional post-closure fees in 2010 because the North landfill was not closed correctly initially. The City remains uncertain as to the requirements that it should follow for post closure procedures (including the cost to perform such procedures) and has looked (without success) to the State of New Mexico for guidance.

Criteria: *We considered the following criteria:*

- GASB Statement No. 18 requires the landfill liability to be evaluated and estimated annually
- Title 40: Protection of the Environment, Section 264.112(a) requires the owner or operator of a hazardous waste management facility to have a written closure plan. Section 264.113 addresses corrective action on the part of the owner or operator which states that during a period of corrective action, the owner or operator shall provide annual reports to the Regional Administrator describing the progress and/or effectiveness of the corrective action.

Effect: The landfill post-closure liability could be understated or overstated. The City is uncertain as to the requirements that it should follow for post closure procedures (including the cost to perform such procedures), which could ultimately lead to an undetermined amount of fines and penalties imposed by the EPA.

Cause: The City has not performed an engineering study or considered the effect of inflation and changes in estimate in order to properly estimate their landfill liability.

Auditors' Recommendation: The City should hire a firm to conduct an engineering study related to the estimated landfill post-closure liability and annually update the estimate based on costs incurred, the effect of inflation and deflation, and any other changes. The City should also locate a point of contact within the Environmental Protection Agency and obtain written documentation as to their compliance requirements.

Agency's Response: The landfill closure monitoring plan required us to place \$970 per year in a liability fund and after the expiration of that requirement I decided to keep putting \$970 per year for landfill closure liability. Jimmy Bustamante, Solid Waste Supervisor, provides annual reports on the landfill post closure responsibilities. The State has not contacted us on any further reporting requirements. I am under the impression that Smith Engineering has already provided a study on the closure and post closure estimated costs.

Section III – Findings - Financial Statement Audit (continued)

Primary Government (continued)

FS-2011-10 Accrued Compensated Absences Not Correctly Recorded – Significant Deficiency

Condition: During our audit, we noted that the City had not properly recorded accrued compensated absences due to the City not properly including FICA and Medicare into the total accrued compensated absences balance.

Criteria: GASB 16 paragraph 11 requires salary related payment including the employer share of FICA and Medicare associated with compensated absences to be accrued as a liability.

Effect: The City may understate accrued liabilities due to not including FICA and Medicare into the accrued compensated absences balance.

Cause: The City relied on the software system to properly include FICA and Medicare liabilities along with accrued compensated absences. The City does not have an adequate process in place that would require a review of accrued compensated absences to be completed.

Auditors' Recommendation: We recommend that the City implement a policy for review of the accrued compensated absences to ensure that the City is correctly including the proper compensated absences liabilities in the balance.

Agency's Response: We provided the information retrievable from the INCODE system-we will discuss the options for reports with INCODE at their annual conference in April.

Section III – Findings - Financial Statement Audit (continued)

Primary Government (continued)

FS-2011-11 PERA Reports and General Ledger – Material Weakness

Condition: The amount in the general ledger for employer's contribution to the Public Employee Retirement Association (PERA) does not agree to the amount reported to PERA. The total amount contributed by the employer for the employee retirement and reported to PERA should be \$496,455; however the general ledger indicated a total amount of \$1,094,104, which includes the \$390,063 that was paid on the deferred compensation plan held by the City under IRS Code Section 457, leaving \$207,586 incorrectly recorded as expenses. It appears that some of this amount is including the employee withholding amounts of PERA and the deferred compensation.

Criteria: Per NMAC 2.80.500.8 each state agency or affiliated public employer shall be responsible for deducting the applicable contribution from the salary or wages paid to each member for each payroll period.

Effect: The amount of PERA that is reported by the City may not be correctly recorded in the general ledger and may not be detected due to the lack of the reconciliation process. The City could ultimately be overstating expenses.

Cause: The City is improperly recording the employee withholding to PERA as expenses. The City does not have a reconciliation process for balancing the amount paid to what is reported to PERA.

Auditors' Recommendation: We recommend that the City implement a process for reconciling amounts sent to PERA and amounts recorded in the general ledger. Also, it is recommended that the City implement a process to ensure that PERA is being correctly withheld and that payroll is being completed properly.

Agency's Response: This response is difficult since this was never discussed. There is no way we are off this much in PERA. Further discussion needs to take place to find out what the discrepancy is.

Auditors' Rebuttal: We agree that, as the auditor, we should have been timelier in informing the auditee of this finding, but we have discussed this matter in detail with the City, both, before and at the exit conference. The auditee has agreed to take corrective action in order to properly reconcile and record their retirement contributions.

Section III – Findings - Financial Statement Audit (continued)

Primary Government (continued)

FS-2011-12 Due To/From Not Properly Reconciled – Material Weakness

Condition: The City is not properly reconciling interfund loans (due to and due from transactions). The City's interfund loans balance is not correctly balancing by \$242,847.

Criteria: Proper governmental fund accounting requires for interfund loans to be equal at all times.

Effect: The due to and due froms are not being properly reconciled to properly state interfund activity.

Cause: The City is not properly recording interfund loans to the proper accounts. Expense and revenue accounts were utilized in the accounting of the interfund loans thus causing the balance to be out of balance.

Auditors' Recommendation: We recommend that the City implement a process for reconciling interfund loans to ensure they are in balance at all times as required by governmental fund accounting.

Agency's Response: The discrepancies may be from the way the accounting system was set up with pooled cash. After Jan left, looking at the system, it is different from other pooled cash systems. I would like to have recommendations on how to change the way the system is set up to make it work better.

Section III – Findings - Financial Statement Audit (continued)

Component Unit

CU FS-2010-01 Late Submission of Audit Report (Repeated/Modified) – Other Matter

Condition: The Authority did not issue its 2011 audit report by the December 1, 2011 as required by the Office of the State Auditor.

Criteria: The Authority is required to submit their audit reports for the year ended June 30, on or before December 1 subsequent to the entities' fiscal year end in accordance with State Statute (Chapter 12, Section 6: NMSA 1978) and Section 2.2.2.9.A (1) of NMAC.

Effect: The audit report has not been issued in compliance with 2.2.2.9 NMAC. The users of the financial statements such as legislators, creditors, bondholders, state and federal grantors, etc. do not have timely audit reports and financial statements for their review. Late audit reports could have an effect on state and federal funding.

Cause: The Authority was unable to submit the June 30, 2011 audit report on timely bases due to the Authority needing additional time to submit required documentation to the auditors to support the accuracy of the information reported in the financial statements.

Auditors' Recommendation: The Authority must ensure that all future audit reports are filed in a timely manner.

Agency's Response: In the current year the Audit report was blended in the financial statements of the City. Due to the audit of the City not being submitted in a timely manner, this caused the audit report of the Authority to also be late.

Section III – Findings - Financial Statement Audit (continued)

Component Unit (continued)

CU FS-2011-01 Preparation of Financial Statements – Material Weakness

Condition: Financial statements and related footnote disclosures were not prepared by the Authority.

Criteria: According to the American Institute of Certified Public Accountants' Statement on Auditing Standards No. 115, a system of internal control over financial reporting does not stop at the general ledger. Well designed systems should be implemented and should include controls over financial statement preparation, footnote disclosure preparation, and should give the entity the ability to catch material errors that may affect the financial statements.

Effect: When sufficient controls over the preparation of financial statements and related disclosures are not designed, implemented and operating effectively, an entity's ability to prevent or detect a misstatement in its financial statements is limited.

Cause: Authority personnel do not have the time to prepare the Authority's financial statements, or adequate training to understand the elements of external financial reporting including the preparation of financial statements, the preparation of the related footnote disclosures, or the ability to recognize material errors.

Auditors' Recommendation: We recommend the Authority's management and personnel receive training on understanding the requirements of external financial reporting. The training should include, but not be limited to:

- Selection of appropriate accounting policies:
 - Governmental Accounting Standards Board (GASB)
 - Generally Accepted Accounting Principles (specifically as applied to governmental units)
 - Financial Accounting Standards Board (FASB)
- Understanding the financial reporting entity
- Government-wide financial statements
- Fund financial statements
- Notes to the financial statements
- Required supplementary information, including Management's discussion and analysis
- Supplementary information required by the Office of the State Auditor and the U.S. Department of Housing and Urban Development

In addition, we recommend that the Authority develop and implement policies and procedures designed to prevent or detect possible misstatements in its financial statements and related footnote disclosures.

Agency's Response: The Artesia Housing Authority contract with a fee accountant to prepare monthly financial statements. The fee accountant prepares year end financials and reviews all financial statements with the Executive Director. Auditors are provided an accrual based trial balance to begin the audit. Management agrees that a good system of internal control over financial reporting does not stop at the general ledger and that is why Management has contracted with a fee accountant.

Section III – Findings - Financial Statement Audit (continued)

Component Unit (continued)

CU FS-2011-02 Deficiencies in Internal Control Structure Design, Operation, and Oversight – Material Weakness

Condition: The Authority does not have a comprehensive documented internal control structure to ensure effective design, operation and oversight. We noted the following areas in which the Authority does not have sufficient key internal controls in place:

- There is not a risk assessment done at the Authority.
- The operation of key internal controls are not monitored regularly and as a part of an ongoing evaluation of the Authority's control systems.
- There are no formal written accounting policies.
- There is no formal rent abatement policy.
- There is no prior approval policy for disbursements.
- There is inadequate segregation of duties.

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

The SAS No. 115 Appendix lists the following circumstances as possible control deficiency, significant deficiency, or material weakness, "inadequate documentation of the components of internal control." SAS 115 paragraph 15 states that ineffective oversight of the agency's financial reporting and internal control by those charged with governance should be regarded as at least a significant deficiency and a strong indicator of a potential material weakness in internal control.

Effect: Because the internal control structure is inadequate and not documented, management and staff are unsure about what procedures and processes to follow or what key controls are in place to properly safeguard assets. Adequate controls are not in place to prevent or detect intentional misstatements of accounting information.

Cause: For the current fiscal year management did not have a documented policy in place to follow to ensure internal controls were in place and working properly. Also, the governing body was not familiar with the requirements under SAS 115 to provide effective oversight of internal control and the financial reporting process.

Section III – Findings - Financial Statement Audit (continued)

Component Unit (continued)

CU FS-2011-02 Deficiencies in Internal Control Structure Design, Operation, and Oversight – Material Weakness (continued)

Auditors' Recommendation: The Authority should ensure that a comprehensive internal control structure is designed, documented, and implemented. The body charged with governance should provide effective oversight of the internal control and financial reporting process.

Agency's Response: Management does have several documents and will continue to develop a complete documented guide detailing the components of the Authority's internal control.

The administrative staff is composed of three employees. An appointed official(s) and the Executive Director review all checks, payroll and accounts payable. No one employee has access to the entire transaction. The segregation of duties has been in place for several years to avoid any accounting errors. Due to the number of personnel in the office, it is virtually impossible to have complete segregation.

Section III – Findings - Financial Statement Audit (continued)

Component Unit (continued)

CU FS-2011-03 Internal Control Deviations – Disbursements – Significant Deficiency

Condition: During our review of internal controls over cash disbursements, we noted two instances for \$34.04 and \$3,194 out of five randomly selected disbursements where the payments were made without proper signature indicating approval.

Criteria: Good internal controls and sound business practice requires that the Authority adhere to its established policies and procedures for internal controls over disbursements. The Authority, having established the practice of marking its disbursements with Finance Director and Occupancy Specialist approval, should ensure that all disbursements have been marked to show approval.

Effect: Internal controls over disbursements are not sufficiently monitored and maintained to prevent or detect accidental or intentional misappropriation of the Authority's assets. This may result in many issues, including but not limited to, purchase of unauthorized or unnecessary items. Furthermore, in the case of improperly posted transactions, this could result in incorrect balances being reflected that could adversely affect decision making and in this specific case of tenant security deposit, an incorrect reflection of a tenant's security deposit balance.

Cause: The Authority has failed to adhere to its own established policies and procedures over the internal control structure over disbursements.

Auditors' Recommendation: The Authority should always follow its established policies and procedures to ensure that the proper internal controls are in place over its disbursements. Additionally, the Authority should ensure that all supporting documentation is adequately maintained and available for inspection. Lastly, the Authority should review all postings to the general ledger on a regular basis to ensure all postings are reasonable and accurate.

Agency's Response: The Authority follows its internal procedures although the two instances noted did not contain initials but was not an oversight and were approved. All supporting documentation is attached to all invoices.

Section III – Findings - Financial Statement Audit (continued)

Component Unit (continued)

CU FS-2011-04 Purchasing Act Compliance – Other Matter

Condition: During our testwork of compliance with state procurement requirements, it was noted the Housing Authority made two purchases of tangible personal property having a values of \$23,015.00 and \$42,436.99 that were not procured through a competitive sealed bid process.

Criteria: According to NMAC 1.4.1.1 state procurement code, procurement shall be achieved by competitive sealed bids for tangible personal property purchases of a value greater than \$20,000.

Effect: The Housing Authority could be making purchases that do not support competition.

Cause: The Housing Authority was not aware of the \$20,000.00 threshold for tangible personal property bid compliance.

Auditors' Recommendation: We recommend the Authority implement a procedure to include tangible personal property of value greater than \$20,000.00 in their sealed bid process.

Agency's Response: The HA solicited twelve written requests for quotes/proposals to twelve vendors in New Mexico. There was one responsive, therefore the purchase was made.

Section III – Findings - Financial Statement Audit (continued)

Component Unit (continued)

CU FS-2011-05 Expenditures in Excess of Budget – Other Matter

Condition: City of Artesia Public Housing Authority exceeded the budgeted expenditures in the following funds:

Low Rent Public Housing Program	\$ 7,573
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Criteria: 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 prohibits any payments in excess of the approved budget. The Authority's officials and governing authorities have the obligation to follow applicable state statutes.

Effect: Noncompliance with New Mexico state statutes could subject officials and employees to penalties and fines required by state statutes.

Cause: Inadequate monitoring of budgeting procedures at year end.

Auditors' Recommendation: We recommend that the Authority increase monitoring of its budget to actual comparisons and use budget adjustments to avoid having expenditures exceed the budget.

Agency's Response: The Housing Authority Budget is monitored on a monthly basis. Criteria used by the Authority to determine the need for a budget revision is as follows: Budget revisions are required if it is determined that actual expenditures may exceed budgeted expenditures by 3% or more. The Authority had recorded total operating expenditures of \$594,432 and total budgeted expenditures of \$594,430, a difference of \$2. The audit increased total operating expenditures by \$7,573.

The Authority reports to and is guided by HUD, not the State of New Mexico Department of Finance and Administration. Second, the Authority closely monitors their budget requiring budget revisions be submitted and approved prior to year end when expenditures are anticipated to exceed budget by 3% or more. The Authority was within \$2 of the budgeted expenditures as of year end.

Section IV – Federal Award Findings

Primary Government

FA-2011-01 Procurement Suspension and Debarment – Significant Deficiency

Federal program information:

Funding agency:	All funding agencies
Title:	All major programs
CFDA number:	All major programs

Condition: During our review of the procurement process for all major programs tested, it was noted the City does not reference the Excluded Parties List System for contracts of goods or services in which more than \$25,000 is expended.

Criteria: The OMB A-133 stipulates that non-federal entities are prohibited from contracting with or making sub-awards under covered transactions to parties that are suspended or debarred or whose principals are suspended or debarred. “Covered Transactions” include those procurement contracts for goods and services awarded under a non-procurement transaction that is expected to equal or exceed \$25,000 or meet other certain specified criteria.

Questioned Costs: None

Effect: The City could be contracting with vendors for services or goods that are included on the suspension and debarment listing which potentially decrease federal funding received since this is considered non-compliance.

Cause: The Housing Authority was unaware of how to access the Excluded Parties List System and was unaware of the Procurement Suspension and Debarment compliance requirement.

Auditors’ Recommendation: We recommend that the City implement procedures to ensure all vendors for services and goods over \$25,000 be verified that they do not exist on the suspension and debarment listing.

Agency’s Response: I was not aware of this list. The only majority of the federal bid awards are for Airport or CDBG. I will discuss this with the purchasing agent, engineer and the contractor that oversee our CDBG projects.

Section IV – Federal Award Findings (continued)

Component Unit

CU FA-2011-01 Declaration of Trust – Significant Deficiency

Federal program information:

Funding agency:	Housing and Urban Development
Title:	Public and Indian Housing
CFDA#	14.850
Award period:	July 1, 2010 to June 30, 2011

Condition: During our review of the Authority's Declaration of Trust filing, it was noted that the Housing Authority does not have a current Declaration of Trust filed.

Criteria: The OMB A-133 Compliance Supplement Part 3-Compliance Requirements N.11- Recording of Declarations of Trust Against Public Housing Property stipulates. A current Declaration of Trust (DOT), in a form acceptable to HUD, must be recorded against all public housing property owned by PHAs (or private entities for public housing developed under 24 CFR part 941, subpart F) that has been acquired, developed, maintained, or assisted with funds from the US Housing Act of 1937.

Questioned Costs: None

Effect: The Housing Authority could be at risk of reduced federal funding due to non-compliance.

Cause: The Housing Authority was unaware of the Declaration of Trust renewal requirement every twenty years.

Auditor's Recommendation: We recommend that the Housing Authority implement oversight procedures to ensure compliance with the Declaration of Trust filing requirement.

Agency's Response: Management contacted the HA Attorney and in turn received verification from the Albuquerque Field Office that due to the Authority neither selling property nor building additional units nothing further needs to be filed at this time. Copy of the email was given to Auditor.

Section IV – Federal Award Findings (continued)

Component Unit (continued)

CU FA-2011-02 A-133 Data Collection Form Submission to Federal Clearing House – Significant Deficiency

Federal program information:

Funding agency:	Housing and Urban Development
Title:	Public and Indian Housing
CFDA#	14.850
Award period:	July 1, 2009 to June 30, 2010

Condition: In our OMB Circular A-133 risk assessment we found no evidence that the 2010 Data Collection form had been filed with the Federal Clearing house.

Criteria: Per OMB Circular A-133 the single audit data collection form was to be submitted no later than 9 months after the end of the fiscal year.

Questioned Costs: None

Effect: Noncompliance with OMB Circular A-133. Late audit reports and financial statements could also impact funding from federal and state sources.

Cause: The Housing Authority believed that REAC submission to HUD satisfied this requirement.

Auditors' Recommendation: The Housing Authority should submit the audit report each year on a timely basis.

Agency's Response: Management has and will continue to file the required information with the Federal Clearing House.

STATE OF NEW MEXICO

City of Artesia
Other Disclosures
June 30, 2011

OTHER DISCLOSURES

Exit Conference

An exit conference was held on March 28, 2012. In attendance were the following:

Representing the City of Artesia:

Aubrey Hobson	Clerk-Treasurer
Jose Luis Aguilar	Council Member
Lance Towle	Finance Supervisor
Bill Rogers	Council Member

Representing the City of Artesia Public Housing Authority:

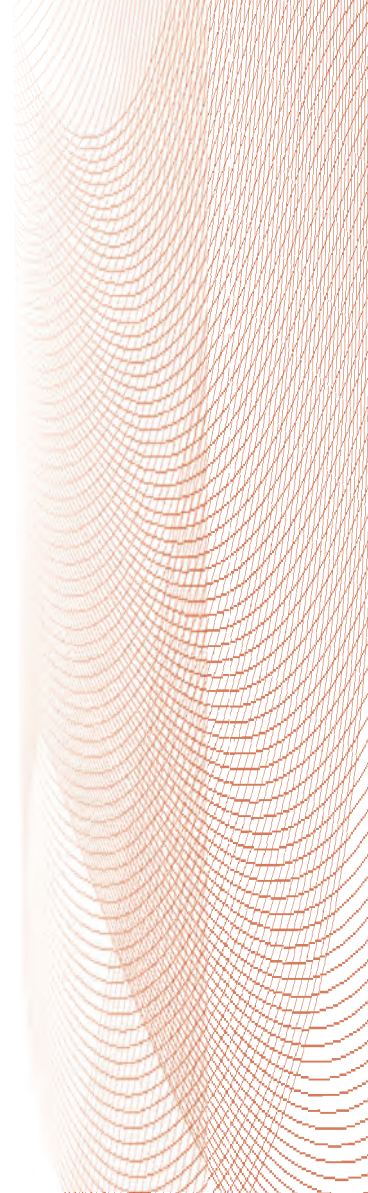
Louisa Madrid	Executive Director
Veral Lo d'Entremont	Vice-Chair Commissioner

Representing Accounting & Consulting Group, LLP:

Jeff McWhorter	Partner
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Auditor Prepared Financial Statements

Accounting and Consulting Group, LLP prepared the GAAP-basis financial statements and footnotes of the City of Artesia from the original books and records provided to them by the management of the City. The responsibility for the financial statements remains with the City.



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