

Accounting & Consulting Group, LLP

Certified Public Accountants

STATE OF NEW MEXICO
CITY OF ARTESIA
ANNUAL FINANCIAL REPORT
JUNE 30, 2012



STATE OF NEW MEXICO
CITY OF ARTESIA
ANNUAL FINANCIAL REPORT
JUNE 30, 2012

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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, 2012

<u>Name</u>	<u>Elected Officials</u>	<u>Title</u>
Phillip Burch		Mayor
Manuel Madrid Jr.		City Councilor
Raul Rodriguez		City Councilor
Jose Aguilar		City Councilor
Nora Sanchez		City Councilor
Kent Bratcher		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
Bryon Landfair		Director of Infrastructure
Bill Thalman		Human Resources Director
John Caraway		City Attorney

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FINANCIAL SECTION



Accounting & Consulting Group, LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Hector H. Balderas
New Mexico State Auditor
To City Council
City of Artesia
Artesia, New Mexico

We have audited the accompanying financial statements of the governmental activities, the business-type activities, the discretely presented component unit, each major fund, the 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, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the City's nonmajor governmental funds, the nonmajor proprietary funds, the budgetary comparisons for the proprietary funds, and the respective budgetary comparisons for 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, 2012 as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement. An audit includes consideration of internal controls 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 agency's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, business-type activities, the discretely presented component unit, each major fund, and the aggregate remaining fund information of the City as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof, for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental and nonmajor proprietary fund as of June 30, 2012, and the respective changes in financial position and cash flows, where applicable, thereof, in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the budget comparisons referred to above present fairly, in all material respects, the respective budgetary comparisons for the year then ended in conformity with the budgetary basis of accounting as prescribed in the New Mexico Administrative Code, as more fully described in Note 2 to the financial statements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2013 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.

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

Our audit was conducted for the purpose of forming opinions on the basic financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The accompanying financial information listed as Supporting Schedules I through III in the table of contents is presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Accounting & Consulting Group, LLP

Accounting & Consulting Group, LLP
Albuquerque, NM
January 17, 2013

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**BASIC
FINANCIAL STATEMENTS**

STATE OF NEW MEXICO

City of Artesia

Statement of Net Assets

June 30, 2012

	Primary Government			Component Unit
	Governmental Activities	Business-type Activities	Total	Housing Authority
Assets				
Current assets				
Cash and cash equivalents	\$ 8,276,358	\$ 3,870,387	\$ 12,146,745	\$ 692,773
Investments	16,048,072	2,653,339	18,701,411	-
Receivables:				
Property taxes	17,299	-	17,299	-
Other taxes	4,337,174	84,218	4,421,392	-
Due from other governments	185,748	-	185,748	29,269
Other	-	579,414	579,414	5,784
Less: allowance for uncollectables	-	(154,988)	(154,988)	(946)
Inventory	-	44,792	44,792	-
Prepays	-	-	-	41,659
Total current assets	28,864,651	7,077,162	35,941,813	768,539
Noncurrent assets				
Restricted cash and cash equivalents	100,158	-	100,158	32,055
Bond issuance costs	199,668	167,298	366,966	-
Capital assets	78,252,027	58,250,416	136,502,443	7,113,346
Less: accumulated depreciation	(25,057,133)	(22,784,144)	(47,841,277)	(4,435,976)
Total noncurrent assets	53,494,720	35,633,570	89,128,290	2,709,425
Total assets	\$ 82,359,371	\$ 42,710,732	\$ 125,070,103	\$ 3,477,964

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	\$ 840,150	\$ 277,335	\$ 1,117,485	\$ 54,397
Accrued payroll	437,140	72,405	509,545	21,680
Accrued interest	53,333	38,851	92,184	-
Current portion of compensated absences	450,924	69,461	520,385	4,960
Tenant deposits	-	-	-	32,055
Current portion of bonds payable	815,000	522,000	1,337,000	-
Total current liabilities	<u>2,596,547</u>	<u>980,052</u>	<u>3,576,599</u>	<u>113,092</u>
Noncurrent liabilities				
Compensated absences	-	-	-	1,750
Bonds payable	17,205,000	11,239,000	28,444,000	-
Bond premium	115,154	114,873	230,027	-
Landfill closure and post closure	-	41,120	41,120	-
Total noncurrent liabilities	<u>17,320,154</u>	<u>11,394,993</u>	<u>28,715,147</u>	<u>1,750</u>
Total liabilities	<u>19,916,701</u>	<u>12,375,045</u>	<u>32,291,746</u>	<u>114,842</u>
Net Assets				
Invested in capital assets, net of related debt	35,174,894	23,705,272	58,880,166	2,677,370
Restricted for:				
Debt service	100,158	-	100,158	-
Capital projects	265,502	-	265,502	-
Special revenue	645,391	-	645,391	-
Unrestricted	26,256,725	6,630,415	32,887,140	685,752
Total net assets	<u>62,442,670</u>	<u>30,335,687</u>	<u>92,778,357</u>	<u>3,363,122</u>
Total liabilities and net assets	<u>\$ 82,359,371</u>	<u>\$ 42,710,732</u>	<u>\$ 125,070,103</u>	<u>\$ 3,477,964</u>

STATE OF NEW MEXICO
City of Artesia
Statement of Activities
For the Year Ended June 30, 2012

<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	\$ 6,117,913	\$ 866,996	\$ 121,649	\$ 185,421
Public safety	8,652,675	-	241,344	-
Public works	3,611,800	-	-	191,903
Culture and recreation	903,747	86,232	-	-
Interest on long-term debt	659,786	-	-	-
<i>Total governmental activities</i>	<u>19,945,921</u>	<u>953,228</u>	<u>362,993</u>	<u>377,324</u>
Business-type Activities:				
Wastewater	1,883,211	913,761	-	-
Solid waste	1,819,345	1,372,905	-	-
Water	2,478,197	3,139,500	-	-
Airport	964,085	643,630	36,848	-
Cemetary	49,826	71,135	-	-
<i>Total business-type activities</i>	<u>7,194,664</u>	<u>6,140,931</u>	<u>36,848</u>	<u>-</u>
<i>Total primary government</i>	<u>\$ 27,140,585</u>	<u>\$ 7,094,159</u>	<u>\$ 399,841</u>	<u>\$ 377,324</u>
Component Unit Activities:				
Housing Authority	<u>\$ 788,299</u>	<u>\$ 445,484</u>	<u>\$ 93,515</u>	<u>\$ 169,327</u>

General Revenues and Transfers:

Taxes:

Property taxes, levied for general purposes

Gross receipts taxes

Gasoline and motor vehicle taxes

Other taxes

Local sources

Fines and forfeitures

(Unrealized loss) investment income

Miscellaneous income

Loss on sale of land

Transfers 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
\$ (4,943,847)	\$ -	\$ (4,943,847)	\$ -
(8,411,331)	-	(8,411,331)	-
(3,419,897)	-	(3,419,897)	-
(817,515)	-	(817,515)	-
(659,786)	-	(659,786)	-
<u>(18,252,376)</u>	<u>-</u>	<u>(18,252,376)</u>	<u>-</u>
-	(969,450)	(969,450)	-
-	(446,440)	(446,440)	-
-	661,303	661,303	-
-	(283,607)	(283,607)	-
-	21,309	21,309	-
<u>-</u>	<u>(1,016,885)</u>	<u>(1,016,885)</u>	<u>-</u>
(18,252,376)	(1,016,885)	(19,269,261)	
-	-	-	(79,973)
667,434	-	667,434	-
24,064,733	493,298	24,558,031	-
519,319	-	519,319	-
844,757	-	844,757	-
357,926	-	357,926	-
93,708	-	93,708	-
(26,454)	6,828	(19,626)	2,492
51,742	182,933	234,675	8,995
(20,374)	-	(20,374)	-
(911,236)	911,236	-	-
<u>(1,387,341)</u>	<u>1,387,341</u>	<u>-</u>	<u>-</u>
<u>24,254,214</u>	<u>2,981,636</u>	<u>27,235,850</u>	<u>11,487</u>
6,001,838	1,964,751	7,966,589	(68,486)
69,729,089	29,366,917	99,096,006	3,431,608
<u>(13,288,257)</u>	<u>(995,981)</u>	<u>(14,284,238)</u>	<u>-</u>
<u>56,440,832</u>	<u>28,370,936</u>	<u>84,811,768</u>	<u>3,431,608</u>
<u>\$ 62,442,670</u>	<u>\$ 30,335,687</u>	<u>\$ 92,778,357</u>	<u>\$ 3,363,122</u>

STATE OF NEW MEXICO

City of Artesia
Balance sheet
Governmental Funds
June 30, 2012

	General Fund	Other Governmental Funds	Total
<i>Assets</i>			
Cash and cash equivalents	\$ 5,512,043	\$ 2,864,473	\$ 8,376,516
Investments	14,806,192	1,241,880	16,048,072
Receivables:			
Property taxes	17,299	-	17,299
Other taxes	3,905,582	431,592	4,337,174
Due from other governments	153,728	32,020	185,748
Due from other funds	9,378	3	9,381
<i>Total assets</i>	<u>\$ 24,404,222</u>	<u>\$ 4,569,968</u>	<u>\$ 28,974,190</u>
<i>Liabilities</i>			
Accounts payable	\$ 617,736	222,414	\$ 840,150
Accrued payroll	429,867	7,273	437,140
Deferred revenue-property taxes	15,298	-	15,298
Due to other funds	3	9,378	9,381
<i>Total liabilities</i>	<u>1,062,904</u>	<u>239,065</u>	<u>1,301,969</u>
<i>Fund balances</i>			
Spendable			
Restricted for:			
Municipal court	-	309,744	309,744
Fire departments	-	12,418	12,418
Library	-	43,892	43,892
Promotional activities	-	268,712	268,712
Road projects	-	265,502	265,502
Community development	-	20	20
Forfeited assets	-	10,605	10,605
Debt service	-	100,158	100,158
Committed for:			
Recreation	-	6,659	6,659
Land lease	-	341,267	341,267
Infrastructure revenues	-	1,571,312	1,571,312
Economic development	-	1,400,614	1,400,614
Minimum fund balance	1,896,574	-	1,896,574
Unassigned	21,444,744	-	21,444,744
<i>Total fund balances</i>	<u>23,341,318</u>	<u>4,330,903</u>	<u>27,672,221</u>
<i>Total liabilities and fund balances</i>	<u>\$ 24,404,222</u>	<u>\$ 4,569,968</u>	<u>\$ 28,974,190</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Artesia
Governmental Funds
Reconciliation of the Balance Sheet to the Statement of Net Assets
June 30, 2012

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

Fund balances - total governmental funds	\$ 27,672,221
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	53,194,894
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	15,298
Bond issuance costs reported as an asset in the statement of net assets but not reported on the governmental funds balance sheet	199,668
Interest on long-term debt is not accrued in the fund financial statements unless it is due and payable:	
Accrued interest	(53,333)
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	(450,924)
Premium on bond payable	(115,154)
Bonds payable	<u>(18,020,000)</u>
Total net assets of governmental activities	<u><u>\$ 62,442,670</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, 2012

	General Fund	Other Governmental Funds	Total
<i>Revenues</i>			
Taxes:			
Property	\$ 658,969	\$ -	\$ 658,969
Gross receipts	22,091,671	1,973,062	24,064,733
Gasoline and motor vehicle	77,604	441,715	519,319
Other	536,477	308,280	844,757
Intergovernmental income:			
Federal capital grants	5,952	363,699	369,651
State operating grants	27,570	335,423	362,993
State capital grants	-	7,673	7,673
Local sources	357,926	-	357,926
Charges for services	731,792	221,436	953,228
Fines and forfeitures	88,816	4,892	93,708
Investment income (unrealized loss)	(30,621)	4,167	(26,454)
Miscellaneous	27,680	24,062	51,742
<i>Total revenues</i>	<u>24,573,836</u>	<u>3,684,409</u>	<u>28,258,245</u>
<i>Expenditures</i>			
Current:			
General government	5,154,999	624,241	5,779,240
Public safety	8,066,957	231,934	8,298,891
Public works	2,154,344	191,903	2,346,247
Culture and recreation	736,871	118,564	855,435
Capital outlay	1,812,574	1,531,834	3,344,408
Debt service:			
Principal	-	800,000	800,000
Interest and fees	-	668,937	668,937
<i>Total expenditures</i>	<u>17,925,745</u>	<u>4,167,413</u>	<u>22,093,158</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>6,648,091</u>	<u>(483,004)</u>	<u>6,165,087</u>
<i>Other financing sources (uses)</i>			
Transfer in	143,931	4,844,634	4,988,565
Transfers (out)	(3,641,564)	(2,734,342)	(6,375,906)
<i>Total other financing sources (uses)</i>	<u>(3,497,633)</u>	<u>2,110,292</u>	<u>(1,387,341)</u>
<i>Net change in fund balances</i>	3,150,458	1,627,288	4,777,746
<i>Fund balances - beginning of year as previously stated</i>	<u>20,190,860</u>	<u>2,629,261</u>	<u>22,820,121</u>
<i>Fund balances - restatement (note 15)</i>	<u>-</u>	<u>74,354</u>	<u>74,354</u>
<i>Fund balances - as restated</i>	<u>20,190,860</u>	<u>2,703,615</u>	<u>22,894,475</u>
<i>Fund balances - end of year</i>	<u>\$ 23,341,318</u>	<u>\$ 4,330,903</u>	<u>\$ 27,672,221</u>

The accompanying notes are an integral part of these financial statements

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, 2012

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

Net change in fund balances - total governmental funds	\$ 4,777,746
--	--------------

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	3,344,408
Depreciation expense	(1,904,243)
Loss on disposal of capital assets	(20,374)
Transfer of capital assets to enterprise fund	(911,236)

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	8,465
---	-------

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	(90,278)
Decrease in accrued interest	2,345
Amortization of bond issuance costs	(11,801)
Amortization of bond premium	6,806
Principal payments on bonds payable	<u>800,000</u>

Change in net assets of governmental activities	<u><u>\$ 6,001,838</u></u>
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The accompanying notes are an integral part of these financial statements

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, 2012

	Budgeted Amounts		Actual (GAAP Basis)	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		
<i>Revenues</i>				
Taxes:				
Property taxes	\$ 630,140	\$ 630,140	\$ 664,149	\$ 34,009
Gross receipts	16,709,221	20,385,220	21,530,500	1,145,280
Gasoline and motor vehicle	56,000	58,000	71,881	13,881
Other	576,000	576,024	559,806	(16,218)
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	28,000	28,000	17,707	(10,293)
State operating grants	165,104	165,104	31,381	(133,723)
State capital grants	217,185	217,185	217,185	-
Local sources	275,010	275,010	206,258	(68,752)
Charges for services	598,040	400,040	727,728	327,688
Fines and forfeitures	203,750	142,750	88,816	(53,934)
Investment income	55,000	45,000	(30,621)	(75,621)
Miscellaneous	1,600	1,600	27,680	26,080
<i>Total revenues</i>	<u>19,515,050</u>	<u>22,924,073</u>	<u>24,112,470</u>	<u>1,188,397</u>
<i>Expenditures</i>				
Current:				
General government	4,578,989	4,726,315	4,621,232	105,083
Public safety	8,033,733	8,423,412	8,364,535	58,877
Public works	2,313,691	2,576,030	2,216,341	359,689
Culture and recreation	726,403	865,447	639,182	226,265
Health and welfare	-	-	-	-
Capital outlay	5,583,285	6,167,682	1,782,563	4,385,119
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>21,236,101</u>	<u>22,758,886</u>	<u>17,623,853</u>	<u>5,135,033</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(1,721,051)</u>	<u>165,187</u>	<u>6,488,617</u>	<u>6,323,430</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	4,781,337	3,157,337	-	(3,157,337)
Transfers in	136,086	136,086	143,931	7,845
Transfers (out)	(3,196,372)	(3,458,610)	(3,641,564)	(182,954)
<i>Total other financing sources (uses)</i>	<u>1,721,051</u>	<u>(165,187)</u>	<u>(3,497,633)</u>	<u>(3,332,446)</u>
<i>Net change in fund balance</i>	-	-	2,990,984	2,990,984
<i>Fund balances - beginning of year</i>	-	-	17,336,626	17,336,626
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20,327,610</u>	<u>\$ 20,327,610</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ 2,990,984
Adjustments to revenues for taxes, fuel, federal and state operating grants and other revenues				461,366
Adjustments to expenditures for payroll, services, supplies and other expenditures				(301,892)
Net change in fund balance (GAAP basis)				<u>\$ 3,150,458</u>

The accompanying notes are an integral part of these financial statements

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STATE OF NEW MEXICO

City of Artesia
Statement of Net Assets
Proprietary Funds
June 30, 2012

	<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	\$ 365,105	\$ 1,164,952	\$ 2,167,987
Investments	1,533,314	900,025	20,000
Receivables:			
Taxes	42,109	42,109	-
Other	96,937	154,796	327,681
Less: allowance for uncollectables	(33,471)	(59,005)	(62,512)
Inventory	-	-	-
<i>Total current assets</i>	<u>2,003,994</u>	<u>2,202,877</u>	<u>2,453,156</u>
<i>Noncurrent assets</i>			
Bond issuance costs	167,298	-	-
Capital assets	31,743,281	3,975,745	16,675,437
Less: accumulated depreciation	<u>(12,537,980)</u>	<u>(2,606,799)</u>	<u>(4,065,653)</u>
<i>Total noncurrent assets</i>	<u>19,372,599</u>	<u>1,368,946</u>	<u>12,609,784</u>
<i>Total assets</i>	<u>\$ 21,376,593</u>	<u>\$ 3,571,823</u>	<u>\$ 15,062,940</u>
<i>Liabilities and net assets</i>			
<i>Liabilities:</i>			
<i>Current liabilities</i>			
Accounts payable	\$ 27,822	\$ 192,961	\$ 45,485
Accrued payroll	10,253	24,906	17,408
Accrued interest	37,518	-	1,333
Current portion of compensated absences	16,552	26,560	20,253
Current portion of bonds payable	510,000	-	12,000
<i>Total current liabilities</i>	<u>602,145</u>	<u>244,427</u>	<u>96,479</u>
<i>Noncurrent liabilities</i>			
Bonds payable	11,200,000	-	39,000
Bond premium	114,873	-	-
Landfill closure and post closure	-	41,120	-
<i>Total noncurrent liabilities</i>	<u>11,314,873</u>	<u>41,120</u>	<u>39,000</u>
<i>Total liabilities</i>	<u>11,917,018</u>	<u>285,547</u>	<u>135,479</u>
<i>Net assets:</i>			
Invested in capital assets, net of related debt	7,495,301	1,368,946	12,558,784
Unrestricted net assets	<u>1,964,274</u>	<u>1,917,330</u>	<u>2,368,677</u>
<i>Total net assets</i>	<u>9,459,575</u>	<u>3,286,276</u>	<u>14,927,461</u>
<i>Total liabilities and net assets</i>	<u>\$ 21,376,593</u>	<u>\$ 3,571,823</u>	<u>\$ 15,062,940</u>

The accompanying notes are an integral part of these financial statements

Nonmajor Proprietary Funds	Total
\$ 172,343	\$ 3,870,387
200,000	2,653,339
-	84,218
-	579,414
-	(154,988)
44,792	44,792
<u>417,135</u>	<u>7,077,162</u>
-	167,298
5,855,953	58,250,416
(3,573,712)	(22,784,144)
<u>2,282,241</u>	<u>35,633,570</u>
<u>\$ 2,699,376</u>	<u>\$ 42,710,732</u>
\$ 11,067	\$ 277,335
19,838	72,405
-	38,851
6,096	69,461
-	522,000
<u>37,001</u>	<u>980,052</u>
-	11,239,000
-	114,873
-	41,120
<u>-</u>	<u>11,394,993</u>
<u>37,001</u>	<u>12,375,045</u>
2,282,241	23,705,272
<u>380,134</u>	<u>6,630,415</u>
<u>2,662,375</u>	<u>30,335,687</u>
<u>\$ 2,699,376</u>	<u>\$ 42,710,732</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, 2012

	<u>Waste Water Fund</u>	<u>Solid Waste Fund</u>	<u>Water Fund</u>
<i>Operating revenues:</i>			
Charges for services	\$ 913,761	\$ 1,372,905	\$ 3,139,500
<i>Total operating revenues</i>	<u>913,761</u>	<u>1,372,905</u>	<u>3,139,500</u>
<i>Operating expenses:</i>			
Personnel services	407,036	615,047	875,411
Contractual services	-	5,622	2,304
Supplies	72,242	11,043	70,950
Maintenance and materials	211,211	249,394	248,359
Utilities	160,711	-	244,568
Equipment	1,611	166,884	10,324
Depreciation	473,323	216,313	557,957
Miscellaneous	92,307	555,042	463,918
<i>Total operating expenses</i>	<u>1,418,441</u>	<u>1,819,345</u>	<u>2,473,791</u>
<i>Operating income (loss)</i>	<u>(504,680)</u>	<u>(446,440)</u>	<u>665,709</u>
<i>Non-operating revenues (expenses):</i>			
Interest expense	(464,770)	-	(4,406)
Interest income	3,137	2,923	294
Miscellaneous income	24,227	77,605	14,486
<i>Total non-operating revenues (expenses)</i>	<u>(437,406)</u>	<u>80,528</u>	<u>10,374</u>
Governmental contributions	-	-	-
Gross receipts taxes	123,869	369,429	-
Transfers of capital assets	-	-	911,236
Transfers in	1,274,101	-	100,913
Transfers (out)	(7,673)	(130,000)	-
<i>Grants and net transfers</i>	<u>1,390,297</u>	<u>239,429</u>	<u>1,012,149</u>
<i>Change in net assets</i>	448,211	(126,483)	1,688,232
<i>Net assets - beginning of year as previously stated</i>	<u>9,166,373</u>	<u>3,422,953</u>	<u>14,763,376</u>
<i>Net assets- restatements (see note 15)</i>	<u>(155,009)</u>	<u>(10,194)</u>	<u>(1,524,147)</u>
<i>Net assets- beginning of year restated</i>	<u>9,011,364</u>	<u>3,412,759</u>	<u>13,239,229</u>
<i>Net assets - end of year</i>	<u><u>\$ 9,459,575</u></u>	<u><u>\$ 3,286,276</u></u>	<u><u>\$ 14,927,461</u></u>

The accompanying notes are an integral part of these financial statements

Nonmajor Proprietary Funds	Total
\$ 714,765	\$ 6,140,931
<u>714,765</u>	<u>6,140,931</u>
181,318	2,078,812
-	7,926
3,768	158,003
50,966	759,930
21,987	427,266
-	178,819
147,455	1,395,048
608,417	1,719,684
<u>1,013,911</u>	<u>6,725,488</u>
<u>(299,146)</u>	<u>(584,557)</u>
-	(469,176)
474	6,828
66,615	182,933
<u>67,089</u>	<u>(279,415)</u>
36,848	36,848
-	493,298
-	911,236
150,000	1,525,014
-	(137,673)
<u>186,848</u>	<u>2,828,723</u>
(45,209)	1,964,751
<u>2,014,215</u>	<u>29,366,917</u>
<u>693,369</u>	<u>(995,981)</u>
<u>2,707,584</u>	<u>28,370,936</u>
<u>\$ 2,662,375</u>	<u>\$ 30,335,687</u>

STATE OF NEW MEXICO
City of Artesia
Statement of Cash Flows - Proprietary Funds
For the Year Ended June 30, 2012

	<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	\$ 925,343	\$ 1,486,535	\$ 3,406,308
Cash payments to employees for services	(413,287)	(597,819)	(878,517)
Cash payments to suppliers for goods and services	<u>(538,711)</u>	<u>(820,054)</u>	<u>(1,075,203)</u>
<i>Net cash provided (used) by operating activities</i>	<u>(26,655)</u>	<u>68,662</u>	<u>1,452,588</u>
<i>Cash flows from noncapital financing activities:</i>			
Government contributions		-	-
Taxes received	123,869	369,429	-
Miscellaneous income	24,227	77,605	14,486
Internal cash transfers in (out)	<u>1,266,428</u>	<u>(130,000)</u>	<u>-</u>
<i>Net cash provided (used) by noncapital financing activities:</i>	<u>1,414,524</u>	<u>317,034</u>	<u>14,486</u>
<i>Cash flows from capital and related financing activities:</i>			
Acquisition of capital assets	(462,529)	(8,695)	(393,355)
Principal paid on capital debt	(500,000)	-	(11,000)
Interest paid on capital debt	<u>(472,600)</u>	<u>-</u>	<u>(4,636)</u>
<i>Net cash provided (used) by capital and related financing activities:</i>	<u>(1,435,129)</u>	<u>(8,695)</u>	<u>(408,991)</u>
<i>Cash flows from investing activities:</i>			
Investment purchases	(983,434)	-	-
Interest on investments	3,137	2,923	294
<i>Net cash provided (used) by investing activities</i>	<u>(980,297)</u>	<u>2,923</u>	<u>294</u>
<i>Net (decrease) increase in cash and cash equivalents</i>	<u>(1,027,557)</u>	<u>379,924</u>	<u>1,058,377</u>
<i>Cash and cash equivalents - beginning of year</i>	<u>1,392,662</u>	<u>785,028</u>	<u>1,109,610</u>
<i>Cash and cash equivalents - end of year</i>	<u>\$ 365,105</u>	<u>\$ 1,164,952</u>	<u>\$ 2,167,987</u>
<i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</i>			
Operating income (loss)	\$ (504,680)	\$ (446,440)	\$ 665,709
Adjustments to reconcile operating (loss) to net cash (used) by operating activities:			
Depreciation	473,323	216,313	557,957
Amortization	9,888	-	-
Changes in assets and liabilities			
Receivables	11,582	113,630	266,808
Inventory	-	-	-
Accounts payable	(10,517)	167,931	(34,780)
Accrued payroll expenses	(4,718)	6,697	(5,616)
Current accrued compensated absences	<u>(1,533)</u>	<u>10,531</u>	<u>2,510</u>
<i>Net cash provided (used) by operating activities</i>	<u>\$ (26,655)</u>	<u>\$ 68,662</u>	<u>\$ 1,452,588</u>

Note 1: Noncash transactions include \$911,236 in capital assets transferred from governmental activities to the water fund.
In addition, \$100,913 in capital outlay expenditures were transferred from governmental funds to the water fund.

The accompanying notes are an integral part of these financial statements

Nonmajor Proprietary Funds	Total
\$ 714,765	\$ 6,532,951
(163,858)	(2,053,481)
(691,772)	(3,125,740)
<u>(140,865)</u>	<u>1,353,730</u>
36,848	36,848
-	493,298
66,615	182,933
<u>150,000</u>	<u>1,286,428</u>
<u>253,463</u>	<u>1,999,507</u>
(67,574)	(932,153)
-	(511,000)
-	(477,236)
<u>(67,574)</u>	<u>(1,920,389)</u>
-	(983,434)
474	6,828
<u>474</u>	<u>(976,606)</u>
<u>45,498</u>	<u>456,242</u>
<u>126,845</u>	<u>3,414,145</u>
<u>\$ 172,343</u>	<u>\$ 3,870,387</u>
\$ (299,146)	\$ (584,557)
147,455	1,395,048
-	9,888
-	392,020
14,761	14,761
(21,395)	101,239
15,002	11,365
<u>2,458</u>	<u>13,966</u>
<u>\$ (140,865)</u>	<u>\$ 1,353,730</u>

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STATE OF NEW MEXICO
City of Artesia
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2012

Exhibit E-1

<i>Current Assets</i>	
Cash and cash equivalents	\$ 565,444
Investments	<u>1,595,387</u>
<i>Total assets</i>	<u><u>\$ 2,160,831</u></u>
 <i>Current Liabilities</i>	
Held in trust for others	<u>\$ 2,160,831</u>
<i>Total liabilities</i>	<u><u>\$ 2,160,831</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, 2012

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, 2012

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.

The City appoints the Housing Authority's board of commissioners, and is able to impose its will on the Housing Authority. 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.

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

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, 2012

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, 2012

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 City reports the following 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.

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, 2012

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, unrealized and 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, 2012

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, 2012, along with applicable PERA and Retiree Health Care.

STATE OF NEW MEXICO
City of Artesia
Notes to Financial Statements
June 30, 2012

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, 2012

NOTE 1. Summary of Significant Accounting Policies (continued)

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

Nonspendable Fund Balance: At June 30, 2012, the City of Artesia did not have any nonspendable fund balance.

Restricted and Committed Fund Balance: At June 30, 2012, the City has presented restricted fund balance on the governmental funds balance sheet in the amount of \$1,011,051 for various City operations as restricted by enabling legislation. The City has also presented committed fund balances on the governmental fund balance sheet of \$5,126,426 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 page 18.

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 58-59.
- 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, 2012

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 prior year financial statements have been reclassified to conform to the current year presentation. All waste water funds have been consolidated into a single proprietary fund for financial statement presentation purposes.

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 a Non-GAAP cash budgetary 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 basis, perspective, equity and timing differences in the excess (deficiency) of revenues and other sources of financial resources for the year ended June 30, 2012 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, 2012

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	\$ (1,721,051)	\$ 165,187
Other Governmental Funds	\$ (2,782,388)	\$ (3,114,576)
	Operating income (loss)	
	Original Budget	Final Budget
Proprietary Funds:		
Waste Water Fund	\$ (254,335)	\$ (273,055)
Solid Waste Fund	\$ (381,841)	\$ (481,941)
Water Fund	\$ 292,236	\$ (13,594)
Other Proprietary Funds	\$ (304,338)	\$ (401,057)

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, 2012.

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, 2012

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, 2012 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, 2012, 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, 2012, \$13,921,718 of the City's bank balance of \$14,421,718 was subject to custodial credit risk. \$9,432,598 was uninsured and collateralized by collateral held by the pledging bank's trust department, not in the City's name. \$4,489,120 of the City's deposits were uninsured and uncollateralized at June 30, 2012.

	<u>First American Bank</u>	<u>Western Bank</u>	<u>Total</u>
Amount of deposits	\$ 13,934,120	\$ 487,598	\$ 14,421,718
FDIC Coverage	(250,000)	(250,000)	(500,000)
Total uninsured public funds	<u>13,684,120</u>	<u>237,598</u>	<u>13,921,718</u>
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the City's name	<u>9,195,000</u>	<u>237,598</u>	<u>9,432,598</u>
Uninsured and uncollateralized	<u>\$ 4,489,120</u>	<u>\$ -</u>	<u>\$ 4,489,120</u>
Collateral requirement (50% of uninsured funds)	\$ 6,842,060	\$ 118,799	\$ 6,960,859
Pledged Collateral	<u>9,195,000</u>	<u>423,966</u>	<u>9,618,966</u>
Over (Under) collateralized	<u>\$ 2,352,940</u>	<u>\$ 305,167</u>	<u>\$ 2,658,107</u>

STATE OF NEW MEXICO
City of Artesia
Notes to Financial Statements
June 30, 2012

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:

Reconciliation to the Statement of Net Assets:

Cash and cash equivalents - Governmental Activities Exhibit A-1	\$ 8,276,358
Cash and cash equivalents - Proprietary Funds Exhibit A-1	3,870,387
Restricted cash and cash equivalents - Governmental Activities Exhibit A-1	100,158
Investments - Governmental Activities Exhibit A-1	16,048,072
Investments - Proprietary Funds Exhibit A-1	2,653,339
Cash - Statement of Fiduciary Assets and Liabilities - Exhibit E-1	565,444
Investments - Statement of Fiduciary Assets and Liabilities - Exhibit E-1	<u>1,595,387</u>
 Total cash, cash equivalents, and investments	 <u>33,109,145</u>
 Add: outstanding checks	 1,655,288
Less: deposits in transit	(43,376)
Less: investments held in NM State Treasurer's LGIP	(15,229,682)
investments held in U.S. Treasury MM mutual fund	(3,990,120)
Less: stock investments	(1,078,937)
Less: petty cash	<u>(600)</u>
 Bank balance of deposits	 <u><u>\$ 14,421,718</u></u>

Investments

The City's investments at June 30, 2012 include the following:

<u>Investments</u>	<u>Rating</u>	<u>Weighted Average Maturity</u>	<u>Fair Value</u>
<i>New MexiGROW</i> LGIP	AAAm	>60 Days	\$ 14,711,291
U.S Treasury Money Market Mutual Funds	AA+	>90 days	<u>3,990,120</u>
			<u><u>\$ 18,701,411</u></u>

The City has presented 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, 2012, 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).

STATE OF NEW MEXICO
City of Artesia
Notes to Financial Statements
June 30, 2012

NOTE 3. Deposits and Investments (continued)

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 21% and the investment in the New Mexico State Treasurer Local Growth Investment pool is 79% 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).

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 \$1,595,387. This includes \$1,078,937 in stock investments and \$516,450 invested in the local growth investment pool

NOTE 4. Receivables

Governmental funds receivables as of June 30, 2012, are as follows:

	General Fund	Nonmajor Governmental Funds	Total
Property taxes	\$ 17,299	\$ -	\$ 17,299
Other taxes:			
Gross receipts taxes	3,789,809	336,871	4,126,680
Franchise taxes	104,221	-	104,221
Lodger's taxes	-	28,487	28,487
Gasoline & motor vehicle taxes	11,552	66,234	77,786
Due from other governments			
State sources	-	32,020	32,020
Local sources	153,728		153,728
Totals by category	\$ 4,076,609	\$ 463,612	\$ 4,540,221

The above receivables are deemed 100% collectible.

Proprietary fund receivables as of June 30, 2012, are as follows:

	Waste Water	Solid Waste	Water	Total
Other taxes:				
Gross receipts taxes	\$ 42,109	\$ 42,109	\$ -	\$ 84,218
Customer receivables	96,937	154,796	327,681	579,414
Allowance for doubtful accounts	(33,471)	(59,005)	(62,512)	(154,988)
Totals by category	\$ 105,575	\$ 137,900	\$ 265,169	\$ 508,644

STATE OF NEW MEXICO
City of Artesia
Notes to Financial Statements
June 30, 2012

NOTE 5. Interfund Receivables, Payables, and Transfers

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, 2012 is as follows:

Due from other funds	Due to other funds	
General fund	Commission on Aging Fund	\$ 9,375
CDBG Rehab	General Fund	3
General fund	CDBG Rehab	3
		<u>3</u>
		<u>\$ 9,381</u>

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

Transfers from other funds	Transfers to other funds	Amount
General Fund	Public Safety Complex	\$ 1,480,759
General Fund	MGRT Infrastructure	1,937,541
General Fund	Airport Fund	150,000
General Fund	Recreation	63,612
General Fund	Commission on Aging Fund	5,384
General Fund	CDBG Rehab Fund	3
General fund	RSVP Program	4,265
RSVP Program	General Fund	1,821
MGRT Infrastructure	Public Safety Complex	950,088
CDBG Rehab	General Fund	7,845
Waste water fund	Capital Project Fund	7,673
Debt service	Waste Water	962,712
MGRT Infrastructure	Waste Water	311,389
MGRT Infrastructure	Water	100,913
Lodgers Tax	Lodgers Tax Promotional	399,574
Solid Waste	General Fund	130,000
		<u>6,513,579</u>
		<u>\$ 6,513,579</u>
Transfer of Capital Assets		
Governmental activities	Water Fund	<u>\$ 911,236</u>

STATE OF NEW MEXICO
City of Artesia
Notes to Financial Statements
June 30, 2012

NOTE 6. Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2012, are as follows. Land and construction in progress are not subject to depreciation.

	<u>Balance June 30, 2011</u>	<u>Adjustments</u>	<u>Transfers</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2012</u>
Governmental activities:						
Capital assets, not depreciated:						
Land	\$ 1,163,620	\$ (1,400)	\$ -	\$ -	\$ 20,374	\$ 1,141,846
Construction in progress	35,905,648	(13,565,881)	-	2,035,768	23,266,567	1,108,968
Total capital assets, not depreciated	<u>37,069,268</u>	<u>(13,567,281)</u>	<u>-</u>	<u>2,035,768</u>	<u>23,286,941</u>	<u>2,250,814</u>
Capital assets, depreciated:						
Buildings	9,020,030	-	-	21,514,726	-	30,534,756
Improvements	5,110,558	-	-	-	11,567	5,098,991
Infrastructure	31,676,651	-	(911,236)	1,751,841	-	32,517,256
Equipment	7,814,168	18,005	(5,125)	1,308,640	1,285,478	7,850,210
Total capital assets, depreciated	<u>53,621,407</u>	<u>18,005</u>	<u>(916,361)</u>	<u>24,575,207</u>	<u>1,297,045</u>	<u>76,001,213</u>
Less accumulated depreciation:						
Buildings	3,795,794	(261,399)	-	236,570	-	3,770,965
Improvements	1,564,715	(3,892)	-	165,750	11,567	1,715,006
Infrastructure	13,658,939	-	-	940,403	-	14,599,342
Equipment	5,532,768	168,135	(5,125)	561,520	1,285,478	4,971,820
Total accumulated depreciation	<u>24,552,216</u>	<u>(97,156)</u>	<u>(5,125)</u>	<u>1,904,243</u>	<u>1,297,045</u>	<u>25,057,133</u>
Net book value	<u>\$ 66,138,459</u>					<u>\$ 53,194,894</u>

Depreciation expense for the year ended June 30, 2012 was charged to governmental activities as follows:

General government	\$ 236,594
Culture and recreation	48,312
Public works	1,265,553
Public safety	353,784
	<u>\$ 1,904,243</u>

STATE OF NEW MEXICO
City of Artesia
Notes to Financial Statements
June 30, 2012

NOTE 6. Capital Assets (continued)

	<u>Balance June 30, 2011</u>	<u>Adjustments</u>	<u>Transfers</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance June 30, 2012</u>
Business-type activities:						
Capital assets, not depreciated:						
Land	\$ 165,622	\$ -	\$ -	\$ -	\$ -	\$ 165,622
Construction in progress	14,540,942	(1,621,712)	-	1,017,005	13,848,382	87,853
Total capital assets, not depreciated	<u>14,706,564</u>	<u>(1,621,712)</u>	<u>-</u>	<u>1,017,005</u>	<u>13,848,382</u>	<u>253,475</u>
Capital assets, depreciated:						
Buildings	542,530	-	-	-	-	542,530
Improvements	457,364	-	-	-	-	457,364
Utility System	33,191,171	-	911,236	13,848,382	-	47,950,789
Airport Infrastructure	4,405,890	-	-	-	-	4,405,890
Equipment	4,950,561	(10,194)	5,125	16,061	321,185	4,640,368
Total capital assets, depreciated	<u>43,547,516</u>	<u>(10,194)</u>	<u>916,361</u>	<u>13,864,443</u>	<u>321,185</u>	<u>57,996,941</u>
Less accumulated depreciation:						
Buildings	495,980	(103,591)	-	12,675	-	405,064
Improvements	70,152	(1,517)	-	12,279	-	80,914
Utility System	15,117,674	161,421	-	952,481	-	16,231,576
Airport Infrastructure	3,249,130	(591,265)	-	104,845	-	2,762,710
Equipment	3,317,804	(10,632)	5,125	312,768	321,185	3,303,880
Total accumulated depreciation	<u>22,250,740</u>	<u>(545,584)</u>	<u>5,125</u>	<u>1,395,048</u>	<u>321,185</u>	<u>22,784,144</u>
Net book value	<u>\$ 36,003,340</u>					<u>\$ 35,466,272</u>

Depreciation expense for the year ended June 30, 2012 was charged to business-type activities as follows:

Waster Water	\$ 473,323
Solid Waste	216,313
Water	557,957
Airport	136,399
Cemetery	11,056
Total	<u>\$ 1,395,048</u>

STATE OF NEW MEXICO
City of Artesia
Notes to Financial Statements
June 30, 2012

NOTE 7. Long-term Debt

Governmental Activities

During the year ended June 30, 2012, the following changes occurred in the liabilities reported in the government-wide Statement of Net Assets:

	Balance June 30, 2011	Additions	Retirements	Balance June 30, 2012	Due Within One Year
Bonds	\$ 18,820,000	\$ -	\$ 800,000	\$ 18,020,000	\$ 815,000
Compensated Absences	360,646	1,104,897	1,014,619	450,924	450,924
Total	\$ 19,180,646	\$ 1,104,897	\$ 1,814,619	\$ 18,470,924	\$ 1,175,646

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%	<u>\$ 18,020,000</u>

The annual requirements to amortize the revenue bonds as of June 30, 2012, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2013	\$ 815,000	\$ 641,133	\$ 1,456,133
2014	830,000	613,628	1,443,628
2015	850,000	586,652	1,436,652
2016	875,000	561,152	1,436,152
2017	900,000	555,090	1,455,090
2018-2022	4,965,000	2,257,590	7,222,590
2023-2027	6,005,000	1,301,130	7,306,130
2028-2029	2,780,000	177,820	2,957,820
	<u>\$ 18,020,000</u>	<u>\$ 6,694,195</u>	<u>\$ 24,714,195</u>

STATE OF NEW MEXICO
City of Artesia
Notes to Financial Statements
June 30, 2012

NOTE 7. Long-term Debt (continued)

Business-type activities

During the year ended June 30, 2012, the following changes occurred in the liabilities reported in the proprietary Statement of Net Assets:

	Balance June 30, 2011	Restatement	Additions	Retirements	Balance June 30, 2012	Due Within One Year
Bonds	\$ 12,274,000	\$ (2,000)	\$ -	\$ 511,000	\$ 11,761,000	\$ 522,000
Landfill Closure	43,750	-	-	2,630	41,120	2,630
Compensated Absences	55,495	-	167,357	153,361	69,491	69,491
Total	\$ 12,373,245	\$ (2,000)	\$ 167,357	\$ 666,987	\$ 11,871,615	\$ 579,125

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%	\$ 11,710,000
Drought Relief Bond	256,000	7/1/2017	5.000%	51,000
				<u>\$ 11,761,000</u>

STATE OF NEW MEXICO
City of Artesia
Notes to Financial Statements
June 30, 2012

NOTE 7. Long-term Debt (continued)

Business-type activities

The annual requirements to amortize the revenue bonds as of June 30, 2012, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2013	\$ 522,000	\$ 451,812	\$ 973,812
2014	538,000	440,362	978,362
2015	553,000	424,012	977,012
2016	568,000	407,187	975,187
2017	575,000	389,537	964,537
2018-2022	3,225,000	1,581,310	4,806,310
2023-2027	3,945,000	882,074	4,827,074
2028-2029	1,835,000	117,936	1,952,936
	<u>\$ 11,761,000</u>	<u>\$ 4,694,230</u>	<u>\$ 16,455,230</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 \$41,120 as of June 30, 2012, 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, 2012. 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, 2012, 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, 2012

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, 2012, 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: 8.64% for law enforcement, 9.40% for fire protection employees and 4.85% for municipal employees. The City was required to contribute the following percentages of the gross covered salary: 26.16% for law enforcement plan members, 28.05% for fire protection plan members, and 13.73% 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, 2012, 2011, and 2010 were \$778,935, \$774,445, and \$770,395, respectively, which equal the required contributions for each fiscal year.

NOTE 10. Post Employment Benefits –State Retiree Health Care Plan

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, 2012

NOTE 11. Deferred Compensation

The City offers its employees a deferred compensation plan created in accordance with Internal Revenue Code Section 457. The plan is administered by Diversified Retirement Corporation (DRC). The assets and liabilities are held in trust by DRC.

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, 2012, 2011, and 2010 were approximately \$374,837, \$391,400, and \$390,063, 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, 2012 is \$4,763,252.

NOTE 12. Concentrations

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

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.

STATE OF NEW MEXICO
City of Artesia
Notes to Financial Statements
June 30, 2012

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, 2012:

None

- B. Excess of expenditures over appropriations. The following funds exceeded approved budgetary authority for the year ended June 30, 2012:

None

- C. Designated cash appropriations. The following funds had designated cash appropriations in excess of available balances for the year ended June 30, 2012:

None

NOTE 15. Fund Balance and Net Assets Restatement

Governmental activities

Prior period adjustments were recorded for governmental activities to decrease accumulated depreciation, land, and construction in progress in the amount of \$97,156, \$1,400, and \$13,565,881 respectively. A prior period adjustment was made to increase equipment and bond issuance costs in the amount of \$18,005, and \$89,509 respectively. A prior period adjustment in the amount of \$74,354 was recorded to decrease the prior year accounts payable balance in the Capital Improvement Fund. In total the net effect of prior period adjustments recorded to beginning equity for governmental activities was to decrease beginning equity by \$13,288,257.

Wastewater fund

Prior period adjustments were recorded for waste water to increase the bond issuance cost and decrease the bond premium in the amount \$177,186, and \$88,846 respectively. Prior period adjustments were recorded to increase the beginning construction in progress and accumulated depreciation in the amount of \$20,739, and \$264,087 respectively. In total the net effect of prior period adjustments recorded to beginning equity for the Wastewater fund was to decrease beginning equity by \$155,009.

Solid Waste fund

Prior period adjustments were recorded to decrease the amount of equipment in the amount of \$10,194.

Water fund

Prior period adjustment were recorded in the water fund to decrease the beginning accumulated depreciation construction in progress, and the drought relief loan balance in the amount of \$116,303, \$1,642,450, and \$2,000 respectively. In total the net effect of prior period adjustments recorded to beginning equity for the Water fund was to decrease beginning equity by \$1,524,147.

Airport fund

Prior period adjustments were recorded in the airport fund to decrease accumulated depreciation in the amount of \$694,856.

Cemetery fund

Prior period adjustments were recorded to increase accumulated depreciation in the amount of \$1,487.

STATE OF NEW MEXICO
City of Artesia
Notes to Financial Statements
June 30, 2012

NOTE 16. Subsequent Events

The date to which events occurring after June 30, 2012, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosures is January 17, 2013 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

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

Land Swap between Eddy County and the City of Artesia

Participants – City of Artesia
Eddy County

Responsible Party – All participants

Description – Exchange ownership of parcels of property to maximize the beneficial uses of the land to the citizens of Artesia and the county of Eddy.

Beginning Date – October 4, 2011

Ending Date – Until rescinded or terminated

Estimated amount of project – The County will bear the cost to demolish any existing structures on the land being delivered to the City of Artesia. The City of Artesia will bear the cost to demolish any structures on the land being delivered to the County.

Amount contributed - None

STATE OF NEW MEXICO
City of Artesia
Notes to Financial Statements
June 30, 2012

NOTE 17. Joint Powers Agreements and Memorandums of Understanding-(continued)

Library Property Development

Participants – City of Artesia
EHY Foundation
Jimmy Mason
Peyton Yates
The Heritage Inn
First American Bank

Responsible Party – All participants

Description – The EYA foundation has agreed to design and construct a new library in down town Artesia, and then donate the building to the City. The bank, Mason, Yates, The Inn, and the City all own parcels of land or control city streets that must be either sold, donated exchanged, or vacated to accomplish the site solution. All parties are willing to participate in the site solution.

Beginning Date – May 16, 2012

Ending Date – Until rescinded or terminated

Estimated amount of project – The City has pledged \$3,000,000 to the project, and to accept ownership of the library along with all related operating costs.

Navajo Refinery Extension

Participants – City of Artesia
Navajo Refinery

Responsible Party – All participants

Description – To extend the Memorandum of Understanding between the Navajo Refinery Site in Artesia, NM and the City of Artesia.

Beginning Date – May 22, 2012

Ending Date – May 21, 2013

NOTE 18. Restricted Net Assets

The government-wide statement of net assets reports \$1,011,051 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 58-59.

NOTE 19. Commitments

The city has total commitments relating to the purchase of capital improvements totaling \$13,260,142 and commitments relating to the purchase of equipment totaling \$3,282,520.

STATE OF NEW MEXICO
City of Artesia
Notes to Financial Statements
June 30, 2012

NOTE 20. 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.

SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
City of Artesia
Nonmajor Fund Descriptions
June 30, 2012

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.

Annexation Assessment – To account for revenues derived from fees associated with the outside water user's contracts. The City when providing utilities to outside customers, require them to sign a contract to not protest annexation or pay fees of \$15 per month to defray the costs of legal remedies. The fund is authorized by City Council.

STATE OF NEW MEXICO
City of Artesia
Nonmajor Fund Descriptions
June 30, 2012

Special Revenue Funds (continued)

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

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.

Public Safety Complex Capital Projects Fund-To account for financial resources to be used for the construction of the public safety complex building.

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, 2012

	Special Revenue		
	Municipal Court Fees	EMS Grant	Fire Fund
<i>Assets</i>			
Cash and cash equivalents	\$ 109,744	\$ -	\$ 15,549
Investments	200,000	-	-
Receivables:			
Other taxes	-	-	-
Due from other governments	-	772	-
Due from other funds	-	-	-
<i>Total assets</i>	\$ 309,744	\$ 772	\$ 15,549
<i>Liabilities</i>			
Accounts payable	\$ -	\$ 772	\$ 3,131
Accrued payroll	-	-	-
Due to other funds	-	-	-
<i>Total liabilities</i>	-	772	3,131
<i>Fund balances</i>			
Spendable			
Restricted for:			
Municipal court	309,744	-	-
Fire departments	-	-	12,418
Library	-	-	-
Promotional activities	-	-	-
Road projects	-	-	-
Community development	-	-	-
Forfeited assets	-	-	-
Debt service	-	-	-
Committed for:			
Recreation	-	-	-
Land lease	-	-	-
Infrastructure revenues	-	-	-
Economic development	-	-	-
<i>Total fund balances</i>	309,744	-	12,418
<i>Total liabilities and fund balances</i>	\$ 309,744	\$ 772	\$ 15,549

The accompanying notes are an integral part of these financial statements

Special Revenue

Law Enforcement Assistance	Leah Kennedy Library Trust	Lodger's Tax	Lodger's Tax Promotional	1 Cent Gasoline Tax	Recreation Fund
\$ -	\$ 2,910	\$ 9,359	\$ 230,867	\$ 172,193	\$ -
-	41,000	-	-	27,067	-
-	-	28,486	-	66,234	-
6,670	-	-	-	-	14,163
-	-	-	-	-	-
<u>\$ 6,670</u>	<u>\$ 43,910</u>	<u>\$ 37,845</u>	<u>\$ 230,867</u>	<u>\$ 265,494</u>	<u>\$ 14,163</u>
\$ 6,670	\$ 18	\$ -	\$ -	\$ -	\$ 231
-	-	-	-	-	7,273
-	-	-	-	-	-
<u>6,670</u>	<u>18</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>7,504</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	43,892	-	-	-	-
-	-	37,845	230,867	-	-
-	-	-	-	265,494	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	6,659
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>-</u>	<u>43,892</u>	<u>37,845</u>	<u>230,867</u>	<u>265,494</u>	<u>6,659</u>
<u>\$ 6,670</u>	<u>\$ 43,910</u>	<u>\$ 37,845</u>	<u>\$ 230,867</u>	<u>\$ 265,494</u>	<u>\$ 14,163</u>

STATE OF NEW MEXICO
City of Artesia
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2012

	Special Revenue		
	2000 CDBG Grant	Commission on Aging Fund	RSVP Program
<i>Assets</i>			
Cash and cash equivalents	\$ 20	\$ -	\$ -
Investments	-	-	-
Receivables:			
Other taxes	-	-	-
Due from other governments	-	10,415	-
Due from other funds	-	-	-
<i>Total assets</i>	\$ 20	\$ 10,415	\$ -
<i>Liabilities</i>			
Accounts payable	\$ -	\$ 1,040	\$ -
Accrued payroll	-	-	-
Due to other funds	-	9,375	-
<i>Total liabilities</i>	-	10,415	-
<i>Fund balances</i>			
Spendable			
Restricted for:			
Municipal court	-	-	-
Fire departments	-	-	-
Library	-	-	-
Promotional activities	-	-	-
Road projects	-	-	-
Community development	20	-	-
Forfeited assets	-	-	-
Debt service	-	-	-
Committed for:			
Recreation	-	-	-
Land lease	-	-	-
Infrastructure revenues	-	-	-
Economic development	-	-	-
<i>Total fund balances</i>	20	-	-
<i>Total liabilities and fund balances</i>	\$ 20	\$ 10,415	\$ -

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Artesia
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2012

	<u>Special Revenue</u>	<u>Capital Projects</u>	
	<u>MGRT Economic Development</u>	<u>Capital Improvements</u>	<u>Public safety Complex Capital Projects Fund</u>
<i>Assets</i>			
Cash and cash equivalents	\$ 543,691	\$ -	\$ 8
Investments	767,813	-	-
Receivables:			
Other taxes	84,218	-	-
Due from other governments	-	-	-
Due from other funds	-	-	-
<i>Total assets</i>	<u>\$ 1,395,722</u>	<u>\$ -</u>	<u>\$ 8</u>
<i>Liabilities</i>			
Accounts payable	\$ -	\$ -	\$ -
Accrued payroll	-	-	-
Due to other funds	-	-	-
<i>Total liabilities</i>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances</i>			
Spendable			
Restricted for:			
Municipal court	-	-	-
Fire departments	-	-	-
Library	-	-	-
Promotional activities	-	-	-
Road and capital projects	-	-	8
Community development	-	-	-
Forfeited assets	-	-	-
Debt service	-	-	-
Committed for:			
Recreation	-	-	-
Land lease	-	-	-
Infrastructure revenues	-	-	-
Economic development	1,395,722	-	-
<i>Total fund balances</i>	<u>1,395,722</u>	<u>-</u>	<u>8</u>
<i>Total liabilities and fund balances</i>	<u>\$ 1,395,722</u>	<u>\$ -</u>	<u>\$ 8</u>

The accompanying notes are an integral part of these financial statements

<u>Capital Projects</u>	<u>Debt Service</u>	
CDBG Rehab Fund	Public Safety Complex Bond	Total Nonmajor Governmental Funds
\$ -	\$ 100,158	\$ 2,864,473
-	-	1,241,880
-	-	431,592
-	-	32,020
3	-	3
<u>\$ 3</u>	<u>\$ 100,158</u>	<u>\$ 4,569,968</u>
\$ -	\$ -	\$ 222,414
-	-	7,273
3	-	9,378
<u>3</u>	<u>-</u>	<u>239,065</u>
-	-	309,744
-	-	12,418
-	-	43,892
-	-	268,712
-	-	265,502
-	-	20
-	-	10,605
-	100,158	100,158
-	-	6,659
-	-	341,267
-	-	1,571,312
-	-	1,400,614
<u>-</u>	<u>100,158</u>	<u>4,330,903</u>
<u>\$ 3</u>	<u>\$ 100,158</u>	<u>\$ 4,569,968</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, 2012

	Special Revenue		
	Municipal Court Fees	EMS Grant	Fire Fund
<i>Revenues</i>			
Taxes:			
Gross receipts	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-
Other	-	-	-
Intergovernmental income:			
Federal capital grants	-	-	-
State operating grants	-	40,316	155,758
State capital grants	-	-	-
Charges for services	46,587	-	-
Licenses and fees	-	-	-
Investment income (loss)	465	-	-
Miscellaneous	-	-	-
<i>Total revenues</i>	47,052	40,316	155,758
<i>Expenditures</i>			
Current:			
General government	49,556	-	-
Public safety	-	40,316	146,321
Public works	-	-	-
Culture and recreation	-	-	-
Capital outlay	-	-	-
Debt service:			
Principal	-	-	-
Interest and fees	-	-	-
<i>Total expenditures</i>	49,556	40,316	146,321
<i>Excess (deficiency) of revenues over expenditures</i>	(2,504)	-	9,437
<i>Other financing sources (uses)</i>			
Transfer in	-	-	-
Transfers (out)	-	-	-
<i>Total other financing sources (uses)</i>	-	-	-
<i>Net change in fund balances</i>	(2,504)	-	9,437
<i>Fund balances - beginning of year as previously stated</i>	312,248	-	2,981
<i>Fund balances - restatement (note 15)</i>	-	-	-
<i>Fund balances - as restated</i>	312,248	-	2,981
<i>Fund balances - end of year</i>	\$ 309,744	\$ -	\$ 12,418

The accompanying notes are an integral part of these financial statements

Special Revenue

Law Enforcement Assistance	Leah Kennedy Library Trust	Lodger's Tax	Lodger's Tax Promotional	1 Cent Gasoline Tax	Recreation Fund
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	441,715	-
-	-	308,279	-	-	1
-	-	-	-	-	-
45,270	-	-	-	54,806	-
-	-	-	-	-	-
-	-	-	-	-	86,232
-	-	-	-	-	-
-	55	-	-	2,390	-
-	-	24,062	-	-	-
<u>45,270</u>	<u>55</u>	<u>332,341</u>	<u>-</u>	<u>498,911</u>	<u>86,233</u>
-	1,363	-	206,600	-	-
45,270	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	118,564
-	-	-	-	423,373	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>45,270</u>	<u>1,363</u>	<u>-</u>	<u>206,600</u>	<u>423,373</u>	<u>118,564</u>
-	(1,308)	332,341	(206,600)	75,538	(32,331)
-	-	-	399,574	-	63,612
-	-	(399,574)	-	-	-
-	-	<u>(399,574)</u>	<u>399,574</u>	<u>-</u>	<u>63,612</u>
-	(1,308)	(67,233)	192,974	75,538	31,281
-	45,200	105,078	37,893	189,956	(24,622)
-	-	-	-	-	-
-	45,200	105,078	37,893	189,956	(24,622)
<u>\$ -</u>	<u>\$ 43,892</u>	<u>\$ 37,845</u>	<u>\$ 230,867</u>	<u>\$ 265,494</u>	<u>\$ 6,659</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, 2012

	Special Revenue		
	2000 CDBG Grant	Commission on Aging Fund	RSVP Program
<i>Revenues</i>			
Taxes:			
Gross receipts	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-
Other	-	-	-
Intergovernmental income:			
Federal capital grants	191,903	-	-
State operating grants	-	39,273	-
State capital grants	-	-	-
Charges for services	-	-	-
Licenses and fees	-	-	-
Investment income (loss)	-	-	-
Miscellaneous	-	-	-
<i>Total revenues</i>	191,903	39,273	-
<i>Expenditures</i>			
Current:			
General government	-	38,738	-
Public safety	-	-	-
Public works	191,903	-	-
Culture and recreation	-	-	-
Capital outlay	-	-	-
Debt service:			
Principal	-	-	-
Interest and fees	-	-	-
<i>Total expenditures</i>	191,903	38,738	-
<i>Excess (deficiency) of revenues over expenditures</i>	-	535	-
<i>Other financing sources (uses)</i>			
Transfer in	-	5,384	-
Transfers (out)	-	-	(1,821)
<i>Total other financing sources (uses)</i>	-	5,384	(1,821)
<i>Net change in fund balances</i>	-	5,919	(1,821)
<i>Fund balances - beginning of year as previously stated</i>	20	(5,919)	1,821
<i>Fund balances - restatement (note 15)</i>	-	-	-
<i>Fund balances - as restated</i>	20	(5,919)	1,821
<i>Fund balances - end of year</i>	\$ 20	\$ -	\$ -

The accompanying notes are an integral part of these financial statements

Special Revenue

Federal Forfeitures	State and Local Forfeitures	Economic Stimulus Fund	Industrial Park Fund	Annexation Assessment	MGRT Infrastructure
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,479,798
-	-	-	-	-	-
-	-	-	-	-	-
-	-	171,796	-	-	-
-	-	-	-	-	-
-	-	-	88,617	-	-
-	-	-	-	4,892	-
-	-	-	478	-	-
-	-	-	-	-	-
-	-	171,796	89,095	4,892	1,479,798
-	-	-	-	-	-
-	-	-	-	-	48,178
-	-	27	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	171,769	-	-	722,242
-	-	-	-	-	-
-	-	-	-	-	-
-	-	171,796	-	-	770,420
-	-	-	-	-	-
-	-	-	89,095	4,892	709,378
-	-	-	-	-	-
-	-	-	-	-	1,937,541
-	-	-	-	-	(1,362,390)
-	-	-	-	-	575,151
-	-	-	89,095	4,892	1,284,529
129	10,476	-	252,172	-	286,783
-	-	-	-	-	-
129	10,476	-	252,172	-	286,783
\$ 129	\$ 10,476	\$ -	\$ 341,267	\$ 4,892	\$ 1,571,312

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, 2012

	Special Revenue	Capital Projects	
	MGRT Economic Development	Capital Improvement	Public safety Complex Capital Projects Fund
<i>Revenues</i>			
Taxes:			
Gross receipts	\$ 493,264	\$ -	\$ -
Gasoline and motor vehicle	-	-	-
Other	-	-	-
Intergovernmental income:			
Federal capital grants	-	-	-
State operating grants	-	-	-
State capital grants	-	7,673	-
Charges for services	-	-	-
Licenses and fees	-	-	-
Investment income (loss)	1,783	-	(1,011)
Miscellaneous	-	-	-
<i>Total revenues</i>	<u>495,047</u>	<u>7,673</u>	<u>(1,011)</u>
<i>Expenditures</i>			
Current:			
General government	272,133	7,673	-
Public safety	-	-	-
Public works	-	-	-
Culture and recreation	-	-	-
Capital outlay	-	-	214,450
Debt service:			
Principal	-	-	-
Interest and fees	-	-	-
<i>Total expenditures</i>	<u>272,133</u>	<u>7,673</u>	<u>214,450</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>222,914</u>	<u>-</u>	<u>(215,461)</u>
<i>Other financing sources (uses)</i>			
Transfer in	-	7,673	-
Transfers (out)	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>7,673</u>	<u>-</u>
<i>Net change in fund balances</i>	222,914	7,673	(215,461)
<i>Fund balances - beginning of year as previously stated</i>	<u>1,172,808</u>	<u>(82,027)</u>	<u>215,469</u>
<i>Fund balances - restatement (note 15)</i>	<u>-</u>	<u>74,354</u>	<u>-</u>
<i>Fund balances - as restated</i>	<u>1,172,808</u>	<u>(7,673)</u>	<u>215,469</u>
<i>Fund balances - end of year</i>	<u>\$ 1,395,722</u>	<u>\$ -</u>	<u>\$ 8</u>

The accompanying notes are an integral part of these financial statements

<u>Capital Projects</u>		<u>Debt Service</u>		
<u>CDBG Rehab Fund</u>		<u>Public Safety Complex Bond</u>		<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ -	\$ -	\$ -	\$ 1,973,062
-	-	-	-	441,715
-	-	-	-	308,280
-	-	-	-	363,699
-	-	-	-	335,423
-	-	-	-	7,673
-	-	-	-	221,436
-	-	-	-	4,892
7	-	-	-	4,167
-	-	-	-	24,062
<u>7</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,684,409</u>
-	-	-	-	624,241
-	-	-	-	231,934
-	-	-	-	191,903
-	-	-	-	118,564
-	-	-	-	1,531,834
-	800,000	-	-	800,000
-	668,937	-	-	668,937
<u>-</u>	<u>1,468,937</u>	<u>-</u>	<u>-</u>	<u>4,167,413</u>
<u>7</u>	<u>(1,468,937)</u>	<u>-</u>	<u>-</u>	<u>(483,004)</u>
3	2,430,847	-	-	4,844,634
(7,845)	(962,712)	-	-	(2,734,342)
<u>(7,842)</u>	<u>1,468,135</u>	<u>-</u>	<u>-</u>	<u>2,110,292</u>
(7,835)	(802)	-	-	1,627,288
<u>7,835</u>	<u>100,960</u>	<u>-</u>	<u>-</u>	<u>2,629,261</u>
-	-	-	-	74,354
<u>7,835</u>	<u>100,960</u>	<u>-</u>	<u>-</u>	<u>2,703,615</u>
<u>\$ -</u>	<u>\$ 100,158</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,330,903</u>

STATE OF NEW MEXICO
City of Artesia
Combining Statement of Net Assets
Nonmajor Proprietary Funds
June 30, 2012

Statement B-1

	Airport Fund	Cemetery Fund	Total
<i>Assets</i>			
<i>Current assets</i>			
Cash and cash equivalents	\$ 101,608	\$ 70,735	\$ 172,343
Investments	-	200,000	200,000
Inventory	44,792	-	44,792
<i>Total current assets</i>	146,400	270,735	417,135
 <i>Noncurrent assets</i>			
Capital assets	5,592,207	263,746	5,855,953
Less: accumulated depreciation	(3,393,773)	(179,939)	(3,573,712)
<i>Total noncurrent assets</i>	2,198,434	83,807	2,282,241
 <i>Total assets</i>	\$ 2,344,834	\$ 354,542	\$ 2,699,376
 <i>Liabilities and net assets</i>			
<i>Liabilities:</i>			
<i>Current liabilities</i>			
Accounts payable	\$ 8,877	\$ 2,190	\$ 11,067
Accrued payroll	19,838	-	19,838
Current portion of compensated absences	6,096	-	6,096
<i>Total current liabilities</i>	34,811	2,190	37,001
 <i>Net assets:</i>			
Invested in capital assets, net of related debt	2,198,434	83,807	2,282,241
Unrestricted net assets	111,589	268,545	380,134
<i>Total net assets</i>	2,310,023	352,352	2,662,375
 <i>Total liabilities and net assets</i>	\$ 2,344,834	\$ 354,542	\$ 2,699,376

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, 2012

	<u>Airport Fund</u>	<u>Cemetery Fund</u>	<u>Total</u>
<i>Operating revenues:</i>			
Charges for services	\$ 643,630	\$ 71,135	\$ 714,765
<i>Total operating revenues</i>	<u>643,630</u>	<u>71,135</u>	<u>714,765</u>
<i>Operating expenses:</i>			
Personnel services	181,318	-	181,318
Supplies	1,178	2,590	3,768
Maintenance and materials	26,699	24,267	50,966
Utilities	16,949	5,038	21,987
Depreciation	136,399	11,056	147,455
Miscellaneous	601,542	6,875	608,417
<i>Total operating expenses</i>	<u>964,085</u>	<u>49,826</u>	<u>1,013,911</u>
<i>Operating income (loss)</i>	<u>(320,455)</u>	<u>21,309</u>	<u>(299,146)</u>
<i>Non-operating revenues (expenses):</i>			
Interest income	-	474	474
Miscellaneous income	66,615	-	66,615
<i>Total non-operating revenues (expenses)</i>	<u>66,615</u>	<u>474</u>	<u>67,089</u>
Governmental contributions	36,848	-	36,848
Transfers in	150,000	-	150,000
<i>Grants and net transfers</i>	<u>186,848</u>	<u>-</u>	<u>186,848</u>
<i>Change in net assets</i>	(66,992)	21,783	(45,209)
<i>Net assets - beginning of year as previously stated</i>	<u>1,682,159</u>	<u>332,056</u>	<u>2,014,215</u>
<i>Net assets-restatements (See note 15)</i>	<u>694,856</u>	<u>(1,487)</u>	<u>693,369</u>
<i>Net assets-beginning of year restated</i>	<u>2,377,015</u>	<u>330,569</u>	<u>2,707,584</u>
<i>Net assets - end of year</i>	<u>\$ 2,310,023</u>	<u>\$ 352,352</u>	<u>\$ 2,662,375</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, 2012

	Airport Fund	Cemetery Fund	Total
<i>Cash flows from operating activities:</i>			
Cash received from user charges	\$ 643,630	\$ 71,135	\$ 714,765
Cash payments to employees for services	(163,858)	-	(163,858)
Cash payments to suppliers for goods and services	(654,604)	(37,168)	(691,772)
<i>Net cash provided (used) by operating activities</i>	<u>(174,832)</u>	<u>33,967</u>	<u>(140,865)</u>
<i>Cash flows from noncapital financing activities:</i>			
Governmental contributions	36,848	-	36,848
Miscellaneous income	66,615	-	66,615
Internal transfers and loans	150,000	-	150,000
<i>Net cash provided (used) by noncapital financing activities:</i>	<u>253,463</u>	<u>-</u>	<u>253,463</u>
<i>Cash flows from capital and related financing activities:</i>			
Acquisition of capital assets	(60,209)	(7,365)	(67,574)
<i>Net cash provided (used) by capital and related financing activities:</i>	<u>-</u>	<u>(7,365)</u>	<u>(67,574)</u>
<i>Cash flows from investing activities:</i>			
Interest on investments	-	474	474
<i>Net cash provided by investing activities</i>	<u>-</u>	<u>474</u>	<u>474</u>
<i>Net increase in cash and cash equivalents</i>	<u>18,422</u>	<u>27,076</u>	<u>45,498</u>
<i>Cash and cash equivalents - beginning of year</i>	<u>83,186</u>	<u>43,659</u>	<u>126,845</u>
<i>Cash and cash equivalents - end of year</i>	<u>\$ 101,608</u>	<u>\$ 70,735</u>	<u>\$ 172,343</u>
<i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</i>			
Operating income (loss)	\$ (320,455)	\$ 21,309	\$ (299,146)
<i>Adjustments to reconcile operating (loss) to net cash (used) by operating activities:</i>			
Depreciation	136,399	11,056	147,455
<i>Changes in assets and liabilities</i>			
Inventory	14,761	-	14,761
Accounts payable	(22,997)	1,602	(21,395)
Accrued payroll expenses	15,002	-	15,002
Current accrued compensated absences	2,458	-	2,458
<i>Net cash provided by operating activities</i>	<u>\$ (174,832)</u>	<u>\$ 33,967</u>	<u>\$ (140,865)</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, 2012

	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	101,000	52,000	46,587	(5,413)
Fines and forfeitures	-	-	-	-
Investment income	300	300	465	165
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>101,300</u>	<u>52,300</u>	<u>47,052</u>	<u>(5,248)</u>
<i>Expenditures</i>				
Current:				
General government	141,000	127,000	55,135	71,865
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>141,000</u>	<u>127,000</u>	<u>55,135</u>	<u>71,865</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(39,700)</u>	<u>(74,700)</u>	<u>(8,083)</u>	<u>66,617</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	39,700	74,700	-	(74,700)
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>39,700</u>	<u>74,700</u>	<u>-</u>	<u>(74,700)</u>
<i>Net change in fund balance</i>	-	-	(8,083)	(8,083)
<i>Fund balance - beginning of year</i>	-	-	317,827	317,827
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 309,744</u>	<u>\$ 309,744</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ (8,083)
No adjustments to revenues				-
Adjustments to expenditures for supplies and other expenditures				5,579
Net change in fund balance (GAAP basis)				<u>\$ (2,504)</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, 2012

	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	39,554	39,544	(10)
State capital grants	-	-	-	-
Local sources	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>19,900</u>	<u>39,554</u>	<u>39,544</u>	<u>(10)</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	19,900	15,594	15,594	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	23,950	23,950	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>19,900</u>	<u>39,544</u>	<u>39,544</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>10</u>	<u>-</u>	<u>(10)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	(10)	-	10
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>(10)</u>	<u>-</u>	<u>10</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 state grants				772
Adjustments to expenditures for employee training expenditures				(772)
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-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, 2012

	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	155,758	155,758	155,758	-
State capital grants	-	-	-	-
Local sources	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>155,758</u>	<u>155,758</u>	<u>155,758</u>	<u>-</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	130,907	133,567	131,139	2,428
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	30,000	27,340	14,220	13,120
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>160,907</u>	<u>160,907</u>	<u>145,359</u>	<u>15,548</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(5,149)</u>	<u>(5,149)</u>	<u>10,399</u>	<u>15,548</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	5,149	5,149	-	(5,149)
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>5,149</u>	<u>5,149</u>	<u>-</u>	<u>(5,149)</u>
<i>Net change in fund balance</i>	-	-	10,399	10,399
<i>Fund balance - beginning of year</i>	-	-	5,150	5,150
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 15,549</u>	<u>\$ 15,549</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ 10,399
No adjustments to revenues				-
Adjustments to expenditures for per diem and maintenance expenditures				(962)
Net change in fund balance (GAAP basis)				<u>\$ 9,437</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, 2012

	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	37,400	38,600	38,600	-
State capital grants	-	-	-	-
Local sources	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>37,400</u>	<u>38,600</u>	<u>38,600</u>	<u>-</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	37,400	38,600	38,600	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>37,400</u>	<u>38,600</u>	<u>38,600</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>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</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>\$ -</u>	<u>\$ -</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ -
Adjustments to revenues for state grants				6,670
Adjustments to expenditures for miscellaneous expenditures				(6,670)
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, 2012

	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	300	300	55	(245)
Miscellaneous	600	600	-	(600)
<i>Total revenues</i>	<u>900</u>	<u>900</u>	<u>55</u>	<u>(845)</u>
<i>Expenditures</i>				
Current:				
General government	1,035	1,345	1,345	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>1,035</u>	<u>1,345</u>	<u>1,345</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(135)</u>	<u>(445)</u>	<u>(1,290)</u>	<u>(845)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	135	445	-	(445)
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>135</u>	<u>445</u>	<u>-</u>	<u>(445)</u>
<i>Net change in fund balance</i>	-	-	(1,290)	(1,290)
<i>Fund balance - beginning of year</i>	-	-	45,200	45,200
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 43,910</u>	<u>\$ 43,910</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ (1,290)
No adjustments to revenues				-
Adjustments to expenditures for library expenditures				(18)
Net change in fund balance (GAAP basis)				<u>\$ (1,308)</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, 2012

	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	303,000	303,000	306,660	3,660
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Local sources	-	-	-	-
Charges for services	200	200	-	(200)
Fines and forfeitures	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>303,200</u>	<u>303,200</u>	<u>306,660</u>	<u>3,460</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>303,200</u>	<u>303,200</u>	<u>306,660</u>	<u>3,460</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	96,374	96,374	-	(96,374)
Transfers in	-	-	-	-
Transfers (out)	(399,574)	(399,574)	(399,574)	-
<i>Total other financing sources (uses)</i>	<u>(303,200)</u>	<u>(303,200)</u>	<u>(399,574)</u>	<u>(96,374)</u>
<i>Net change in fund balance</i>	-	-	(92,914)	(92,914)
<i>Fund balance - beginning of year</i>	-	-	102,273	102,273
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 9,359</u>	<u>\$ 9,359</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ (92,914)
Adjustments to revenues for lodgers tax revenues				1,619
Adjustments to expenditures for miscellaneous expenditures				24,062
Net change in fund balance (GAAP basis)				<u>\$ (67,233)</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, 2012

	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	287,850	287,850	206,600	81,250
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>287,850</u>	<u>287,850</u>	<u>206,600</u>	<u>81,250</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(287,850)</u>	<u>(287,850)</u>	<u>(206,600)</u>	<u>81,250</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	(111,724)	(111,724)	-	111,724
Transfers in	399,574	399,574	399,574	-
Transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>287,850</u>	<u>287,850</u>	<u>399,574</u>	<u>111,724</u>
<i>Net change in fund balance</i>	-	-	192,974	192,974
<i>Fund balance - beginning of year</i>	-	-	37,893	37,893
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 230,867</u>	<u>\$ 230,867</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ 192,974
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ 192,974</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, 2012

	Budgeted Amounts		Actual (GAAP Basis)	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		
<i>Revenues</i>				
Taxes:				
Property taxes	\$ -	\$ -	\$ -	\$ 21,996
Gross receipts	-	-	-	-
Gasoline and motor vehicle	380,000	380,000	401,996	21,996
Other	-	-	-	-
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	54,816	54,816	54,806	(10)
State capital grants	-	-	-	-
Local sources	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Investment income	-	-	63	63
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>434,816</u>	<u>434,816</u>	<u>456,865</u>	<u>44,045</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	543,088	543,088	421,046	122,042
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>543,088</u>	<u>543,088</u>	<u>421,046</u>	<u>122,042</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(108,272)</u>	<u>(108,272)</u>	<u>35,819</u>	<u>166,087</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	108,272	108,272	-	(108,272)
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>108,272</u>	<u>108,272</u>	<u>-</u>	<u>(108,272)</u>
<i>Net change in fund balance</i>	-	-	35,819	57,815
<i>Fund balance - beginning of year</i>	-	-	163,441	163,441
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 199,260</u>	<u>\$ 221,256</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ 35,819
Adjustments to revenues for gasoline tax and interest income revenues				42,046
Adjustments to expenditures for infrastructure expenditures				(2,327)
Net change in fund balance (GAAP basis)				<u>\$ 75,538</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, 2012

	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	-	12	12	-
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Local sources	-	-	-	-
Charges for services	79,400	82,888	72,069	(10,819)
Fines and forfeitures	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	100	100	-	(100)
<i>Total revenues</i>	<u>79,500</u>	<u>83,000</u>	<u>72,081</u>	<u>(10,919)</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	140,615	143,615	135,693	7,922
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>140,615</u>	<u>143,615</u>	<u>135,693</u>	<u>7,922</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(61,115)</u>	<u>(60,615)</u>	<u>(63,612)</u>	<u>(2,997)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	(2,997)	-	2,997
Transfers in	61,115	63,612	63,612	-
Transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>61,115</u>	<u>60,615</u>	<u>63,612</u>	<u>2,997</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				14,152
Adjustments to expenditures for payroll and other expenditures				17,129
Net change in fund balance (GAAP basis)				<u>\$ 31,281</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, 2012

	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	-	191,903	191,903	-
Local sources	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>191,903</u>	<u>191,903</u>	<u>-</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	191,903	191,903	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>191,903</u>	<u>191,903</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>	-	-	20	20
<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)				\$ -
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-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, 2012

	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	36,875	39,288	28,858	(10,430)
State capital grants	-	-	-	-
Local sources	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>36,875</u>	<u>39,288</u>	<u>28,858</u>	<u>(10,430)</u>
<i>Expenditures</i>				
Current:				
General government	36,875	39,288	39,288	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>36,875</u>	<u>39,288</u>	<u>39,288</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>(10,430)</u>	<u>(10,430)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	-	-	-	-
Transfers in	-	-	5,384	5,384
Transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>5,384</u>	<u>5,384</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>(5,046)</u>	<u>(5,046)</u>
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>(4,329)</u>	<u>(4,329)</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (9,375)</u>	<u>\$ (9,375)</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ (5,046)
Adjustments to revenues for state grant revenues				10,415
Adjustments to expenditures for utilities, fuel and printing expenditures				550
Net change in fund balance (GAAP basis)				<u>\$ 5,919</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, 2012

	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)	1,821	1,821	-	(1,821)
Transfers in	-	-	-	-
Transfers (out)	(1,821)	(1,821)	(1,821)	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>(1,821)</u>	<u>(1,821)</u>
<i>Net change in fund balance</i>	-	-	(1,821)	(1,821)
<i>Fund balance - beginning of year</i>	-	-	1,821	1,821
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ (1,821)
No adjustments to revenues.				-
No adjustments to expenditures.				-
Net change in fund balance (GAAP basis)				<u>\$ (1,821)</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, 2012

	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	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures</i>				
Current:				
General government	115	115	-	115
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>115</u>	<u>115</u>	<u>-</u>	<u>115</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(115)</u>	<u>(115)</u>	<u>-</u>	<u>115</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	115	115	-	(115)
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>115</u>	<u>115</u>	<u>-</u>	<u>(115)</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, 2012

	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	-	-	-	-
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>	-	-	10,476	10,476
<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)				\$ -
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-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, 2012

	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	258,584	258,584	258,584	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Local sources	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>258,584</u>	<u>258,584</u>	<u>258,584</u>	<u>-</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	171,796	171,796	171,796	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>171,796</u>	<u>171,796</u>	<u>171,796</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>86,788</u>	<u>86,788</u>	<u>86,788</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	(86,788)	(86,788)	-	86,788
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(86,788)</u>	<u>(86,788)</u>	<u>-</u>	<u>86,788</u>
<i>Net change in fund balance</i>	-	-	86,788	86,788
<i>Fund balance - beginning of year</i>	-	-	(86,788)	(86,788)
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ 86,788
Adjustments to revenues for federal capital grants				(86,788)
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-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, 2012

	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	77,500	77,500	88,617	11,117
Fines and forfeitures	-	-	-	-
Investment income	500	500	478	(22)
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>78,000</u>	<u>78,000</u>	<u>89,095</u>	<u>11,095</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>78,000</u>	<u>78,000</u>	<u>89,095</u>	<u>11,095</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	(78,000)	(78,000)	-	78,000
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(78,000)</u>	<u>(78,000)</u>	<u>-</u>	<u>78,000</u>
<i>Net change in fund balance</i>	-	-	89,095	89,095
<i>Fund balance - beginning of year</i>	-	-	252,172	252,172
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 341,267</u>	<u>\$ 341,267</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ 89,095
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ 89,095</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement C-17

City of Artesia

Annexation Assessment 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, 2012

	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	-	-	-	-
Intergovernmental income:				
Federal operating grants	-	-	-	-
State operating grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	10,000	10,000	4,892	(5,108)
Fines and forfeitures	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>10,000</u>	<u>10,000</u>	<u>4,892</u>	<u>(5,108)</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
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>10,000</u>	<u>10,000</u>	<u>4,892</u>	<u>(5,108)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	(10,000)	(10,000)	-	10,000
Transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(10,000)</u>	<u>(10,000)</u>	<u>-</u>	<u>10,000</u>
<i>Net change in fund balance</i>	-	-	4,892	4,892
<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>\$ 4,892</u>	<u>\$ 4,892</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ 4,892
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ 4,892</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement C-18

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, 2012

	Budgeted Amounts		Actual	Variances
	Original	Final	(GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	1,130,728	1,376,597	1,444,790	68,193
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Local sources	-	-	-	-
Charges for services	1,090,000	1,090,000	-	(1,090,000)
Fines and forfeitures	-	-	-	-
Investment income	150	150	-	(150)
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>2,220,878</u>	<u>2,466,747</u>	<u>1,444,790</u>	<u>(1,021,957)</u>
<i>Expenditures</i>				
Current:				
General government	-	35,000	498	34,502
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	2,895,000	3,240,000	1,022,247	2,217,753
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>2,895,000</u>	<u>3,275,000</u>	<u>1,022,745</u>	<u>2,252,255</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(674,122)</u>	<u>(808,253)</u>	<u>422,045</u>	<u>1,230,298</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	119,712	(166,575)	-	166,575
Transfers in	1,517,123	1,937,541	1,937,541	-
Transfers (out)	(962,713)	(962,713)	(950,088)	12,625
<i>Total other financing sources (uses)</i>	<u>674,122</u>	<u>808,253</u>	<u>987,453</u>	<u>179,200</u>
<i>Net change in fund balance</i>	-	-	1,409,498	1,409,498
<i>Fund balance - beginning of year</i>	-	-	119,712	119,712
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,529,210</u>	<u>\$ 1,529,210</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ 1,409,498
Adjustments to revenues for infrastructure costs and interest income				35,008
Adjustments to expenditures and transfers for infrastructure expenditures and capital outlay				(159,977)
Net change in fund balance (GAAP basis)				<u>\$ 1,284,529</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement C-19

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, 2012

	Budgeted Amounts		Actual	Variances
	Original	Final	(GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	376,119	458,865	481,597	22,732
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	1,000	1,000	1,783	783
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>377,119</u>	<u>459,865</u>	<u>483,380</u>	<u>23,515</u>
<i>Expenditures</i>				
Current:				
General government	100,000	165,200	123,759	41,441
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	180,000	149,270	30,730
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>100,000</u>	<u>345,200</u>	<u>273,029</u>	<u>72,171</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>277,119</u>	<u>114,665</u>	<u>210,351</u>	<u>95,686</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	(277,119)	(114,665)	-	114,665
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(277,119)</u>	<u>(114,665)</u>	<u>-</u>	<u>114,665</u>
<i>Net change in fund balance</i>	-	-	210,351	210,351
<i>Fund balance - beginning of year</i>	-	-	1,101,153	1,101,153
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,311,504</u>	<u>\$ 1,311,504</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ 210,351
Adjustments to revenues for gross revenue tax and interest income revenues				11,667
Adjustments to expenditures for gross revenues tax expenditures				896
Net change in fund balance (GAAP basis)				<u>\$ 222,914</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement C-20

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, 2012

	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	105,112	105,112	105,113	1
Local sources	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>105,112</u>	<u>105,112</u>	<u>105,113</u>	<u>1</u>
<i>Expenditures</i>				
Current:				
General government	25,327	25,327	25,327	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>25,327</u>	<u>25,327</u>	<u>25,327</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>79,785</u>	<u>79,785</u>	<u>79,786</u>	<u>1</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	(79,785)	(79,785)	-	79,785
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(79,785)</u>	<u>(79,785)</u>	<u>-</u>	<u>79,785</u>
<i>Net change in fund balance</i>	-	-	79,786	79,786
<i>Fund balance - beginning of year</i>	-	-	(79,786)	(79,786)
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ 79,786
Adjustments to revenues and for capital improvement bond revenues				(97,440)
Adjustments to expenditures for capital improvement expenditures and transfers				<u>25,327</u>
Net change in fund balance (GAAP basis)				<u>\$ 7,673</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement C-21

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, 2012

	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	-	1,479	(1,011)	(2,490)
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>1,479</u>	<u>(1,011)</u>	<u>(2,490)</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	549,488	549,488	548,469	1,019
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>549,488</u>	<u>549,488</u>	<u>548,469</u>	<u>1,019</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(549,488)</u>	<u>(548,009)</u>	<u>(549,480)</u>	<u>(1,471)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	549,488	548,009	-	(548,009)
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>549,488</u>	<u>548,009</u>	<u>-</u>	<u>(548,009)</u>
<i>Net change in fund balance</i>	-	-	(549,480)	(549,480)
<i>Fund balance - beginning of year</i>	-	-	549,488	549,488
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 8</u>	<u>\$ 8</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ (549,480)
No adjustments to revenues				-
Adjustments to expenditures for capital purchase expenditures				334,019
Net change in fund balance (GAAP basis)				<u>\$ (215,461)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement C-22

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, 2012

	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	25	25	7	(18)
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>25</u>	<u>25</u>	<u>7</u>	<u>(18)</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>7</u>	<u>(18)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	(25)	(25)	-	25
Transfers in	-	-	3	3
Transfers (out)	-	-	(7,845)	(7,845)
<i>Total other financing sources (uses)</i>	<u>(25)</u>	<u>(25)</u>	<u>(7,842)</u>	<u>(7,817)</u>
<i>Net change in fund balance</i>	-	-	(7,835)	(7,835)
<i>Fund balance - beginning of year</i>	-	-	7,835	7,835
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ (7,835)
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ (7,835)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement C-23

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, 2012

	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	-	-	-	-
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	1,300,000	1,300,000	1,300,000	-
Interest	1,130,847	1,131,650	1,131,649	1
<i>Total expenditures</i>	<u>2,430,847</u>	<u>2,431,650</u>	<u>2,431,649</u>	<u>1</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(2,430,847)</u>	<u>(2,431,650)</u>	<u>(2,431,649)</u>	<u>1</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	4,861,694	803	-	(803)
Transfers in	(2,430,847)	2,430,847	2,430,847	-
Transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>2,430,847</u>	<u>2,431,650</u>	<u>2,430,847</u>	<u>(803)</u>
<i>Net change in fund balance</i>	-	-	(802)	(802)
<i>Fund balance - beginning of year</i>	-	-	100,960	100,960
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 100,158</u>	<u>\$ 100,158</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ (802)
No adjustments to revenues				-
Adjustments to expenditures for bond interest expenditures and transfers				-
Net change in fund balance (GAAP basis)				<u>\$ (802)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement C-24

City of Artesia

Waste Water Fund

Statement of Revenues, Expenses and Changes in Net Assets
 Budget (Non-GAAP Budgetary Basis) and Actual-Proprietary Funds
 For the Year Ended June 30, 2012

	Budget Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final		
<i>Operating revenues</i>				
Charges for services	\$ 980,754	\$ 980,754	\$ 970,476	\$ (10,278)
<i>Total operating revenues</i>	<u>980,754</u>	<u>980,754</u>	<u>970,476</u>	<u>(10,278)</u>
<i>Operating expenses</i>				
Personnel services	466,373	466,379	412,641	53,738
Contractual services	-	-	-	-
Supplies	67,000	72,434	71,127	1,307
Maintenance and materials	188,500	231,148	175,194	55,954
Utilities	198,060	166,655	164,094	2,561
Equipment	217,092	217,112	205,384	11,728
Miscellaneous	98,064	100,081	92,258	7,823
<i>Total operating expenses</i>	<u>1,235,089</u>	<u>1,253,809</u>	<u>1,120,698</u>	<u>133,111</u>
<i>Operating income (loss)</i>	<u>(254,335)</u>	<u>(273,055)</u>	<u>(150,222)</u>	<u>122,833</u>
<i>Non-operating revenues (expenses)</i>				
Principal payments	-	-	-	-
Interest expense	-	-	-	-
Issuance costs	-	-	-	-
Interest income	1,100	1,100	3,137	2,037
Miscellaneous income	30,000	30,000	21,203	(8,797)
<i>Total non-operating revenues (expenses)</i>	<u>31,100</u>	<u>31,100</u>	<u>24,340</u>	<u>(6,760)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	223,235	186,231	-	(186,231)
Governmental contributions	-	55,724	81,760	26,036
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<i>Total other financing sources</i>	<u>223,235</u>	<u>241,955</u>	<u>81,760</u>	<u>(160,195)</u>
<i>Change in net assets</i>	-	-	(44,122)	(44,122)
<i>Net assets - beginning of year (restated)</i>	<u>-</u>	<u>-</u>	<u>1,942,541</u>	<u>1,942,541</u>
<i>Net assets - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,898,419</u>	<u>\$ 1,898,419</u>
Net change in net assets (non-GAAP basis)				\$ (44,122)
Adjustments to revenues for utility and interest income revenues				(11,582)
Adjustments to transfers for debt service and capital assets				1,266,428
Adjustments to expenditures for depreciation, payroll and other expenditures				<u>(762,513)</u>
Net change in net assets (GAAP basis)				<u>\$ 448,211</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement C-25

City of Artesia
Solid Waste FundStatement of Revenues, Expenses and Changes in Net Assets
Budget (Non-GAAP Budgetary Basis) and Actual-Proprietary Funds
For the Year Ended June 30, 2012

	Budget Amounts		Actual	Variations
	Original	Final		Favorable (Unfavorable)
<i>Operating revenues</i>				
Charges for services	\$ 1,466,126	\$ 1,466,126	\$ 1,460,637	\$ (5,489)
<i>Total operating revenues</i>	<u>1,466,126</u>	<u>1,466,126</u>	<u>1,460,637</u>	<u>(5,489)</u>
<i>Operating expenses</i>				
Personnel services	684,623	685,335	598,103	87,232
Contractual services	15,000	15,000	5,622	9,378
Supplies	15,000	15,000	10,805	4,195
Maintenance and materials	329,000	401,315	262,915	138,400
Equipment	214,000	217,395	2,972	214,423
Gross receipts taxes	-	-	-	-
Miscellaneous	590,344	614,022	546,152	67,870
<i>Total operating expenses</i>	<u>1,847,967</u>	<u>1,948,067</u>	<u>1,426,569</u>	<u>521,498</u>
<i>Operating income (loss)</i>	<u>(381,841)</u>	<u>(481,941)</u>	<u>34,068</u>	<u>516,009</u>
<i>Non-operating revenues (expenses)</i>				
Interest expense	-	-	-	-
Issuance costs	-	-	-	-
Interest income	1,825	1,825	2,923	1,098
Miscellaneous income	85,000	85,000	73,039	(11,961)
<i>Total non-operating revenues (expenses)</i>	<u>86,825</u>	<u>86,825</u>	<u>75,962</u>	<u>(10,863)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	(211,166)	204,658	-	(204,658)
Governmental contributions	376,182	320,458	399,893	79,435
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>295,016</u>	<u>395,116</u>	<u>269,893</u>	<u>(125,223)</u>
<i>Change in net assets</i>	-	-	379,923	379,923
<i>Net assets - beginning of year</i>	-	-	1,685,053	1,685,053
<i>Net assets - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,064,976</u>	<u>\$ 2,064,976</u>
Net change in net assets (non-GAAP basis)				\$ 379,923
Adjustments to revenues for gross receipt taxes, collection fees and interest income revenues				(113,630)
Adjustments to expenditures for depreciation, maintenance, supplies and other expenditures				(392,776)
Net change in net assets (GAAP basis)				<u>\$ (126,483)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement C-26

City of Artesia

Water Fund

Statement of Revenues, Expenses and Changes in Net Assets
 Budget (Non-GAAP Budgetary Basis) and Actual-Proprietary Funds
 For the Year Ended June 30, 2012

	Budget Amounts		Actual	Variations
	Original	Final		Favorable (Unfavorable)
<i>Operating revenues</i>				
Charges for services	\$ 2,775,185	\$ 2,963,185	\$ 3,417,162	\$ 453,977
<i>Total operating revenues</i>	<u>2,775,185</u>	<u>2,963,185</u>	<u>3,417,162</u>	<u>453,977</u>
<i>Operating expenses</i>				
Personnel services	1,029,476	1,029,205	878,411	150,794
Contractual services	2,500	2,500	2,304	196
Supplies	33,500	68,324	67,265	1,059
Maintenance and materials	192,500	217,691	140,285	77,406
Utilities	325,000	325,000	255,935	69,065
Equipment	427,500	563,351	514,209	49,142
Gross receipts taxes	-	-	-	-
Miscellaneous	472,473	770,708	488,667	282,041
<i>Total operating expenses</i>	<u>2,482,949</u>	<u>2,976,779</u>	<u>2,347,076</u>	<u>629,703</u>
<i>Operating income (loss)</i>	<u>292,236</u>	<u>(13,594)</u>	<u>1,070,086</u>	<u>1,083,680</u>
<i>Non-operating revenues (expenses)</i>				
Principal payments	(10,000)	(10,000)	(10,000)	-
Interest expense	(6,086)	(6,086)	(4,636)	1,450
Interest income	1,300	1,300	294	(1,006)
Miscellaneous income	1,500	2,000	2,632	632
<i>Total non-operating revenues (expenses)</i>	<u>(13,286)</u>	<u>(12,786)</u>	<u>(11,710)</u>	<u>1,076</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	(278,950)	26,380	-	(26,380)
Transfers in	(13,500)	13,500	13,500	-
Transfers (out)	13,500	(13,500)	(13,500)	-
<i>Total other financing sources</i>	<u>(278,950)</u>	<u>26,380</u>	<u>-</u>	<u>(26,380)</u>
<i>Change in net assets</i>	-	-	1,058,376	1,058,376
<i>Net assets - beginning of year</i>	-	-	1,129,611	1,129,611
<i>Net assets - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,187,987</u>	<u>\$ 2,187,987</u>
Net change in net assets (non-GAAP basis)				\$ 1,058,376
Adjustments to revenues for water sales and interest income revenues				(265,808)
Adjustments to transfers for capital assets and capital outlay activity				1,012,149
Adjustments to expenditures for depreciation, payroll and other expenditures				<u>(116,485)</u>
Net change in net assets (GAAP basis)				<u>\$ 1,688,232</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement C-27

City of Artesia

Airport Fund

Statement of Revenues, Expenses and Changes in Net Assets
 Budget (Non-GAAP Budgetary Basis) and Actual-Proprietary Funds
 For the Year Ended June 30, 2012

	Budget Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final		
<i>Operating revenues</i>				
Charges for services	\$ 603,600	\$ 601,400	\$ 643,630	\$ 42,230
<i>Total operating revenues</i>	<u>603,600</u>	<u>601,400</u>	<u>643,630</u>	<u>42,230</u>
<i>Operating expenses</i>				
Personnel services	157,614	172,071	163,858	8,213
Contractual services	3,000	3,000	-	3,000
Supplies	1,700	1,700	1,178	522
Maintenance and materials	35,600	36,234	29,263	6,971
Utilities	12,500	12,500	10,144	2,356
Equipment	190,297	176,578	60,209	116,369
Gross receipts taxes	-	-	-	-
Miscellaneous	538,177	624,374	614,019	10,355
<i>Total operating expenses</i>	<u>938,888</u>	<u>1,026,457</u>	<u>878,671</u>	<u>147,786</u>
<i>Operating income (loss)</i>	<u>(335,288)</u>	<u>(425,057)</u>	<u>(235,041)</u>	<u>190,016</u>
<i>Non-operating revenues (expenses)</i>				
Principal payments	-	-	-	-
Interest expense	-	-	-	-
Miscellaneous income	-	66,615	66,615	-
<i>Total non-operating revenues (expenses)</i>	<u>-</u>	<u>66,615</u>	<u>66,615</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	50,758	30,777	-	(30,777)
Governmental contributions	134,530	177,665	36,848	(140,817)
Bond proceeds	-	-	-	-
Proceeds from sale of equipment	-	-	-	-
Transfers in	150,000	150,000	150,000	-
Transfers (out)	-	-	-	-
<i>Total other financing sources</i>	<u>335,288</u>	<u>358,442</u>	<u>186,848</u>	<u>(171,594)</u>
<i>Change in net assets</i>	-	-	18,422	18,422
<i>Net assets - beginning of year</i>	<u>-</u>	<u>-</u>	<u>83,186</u>	<u>83,186</u>
<i>Net assets - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 101,608</u>	<u>\$ 101,608</u>
Net change in net assets (non-GAAP basis)				\$ 18,422
No adjustments to revenues				-
Adjustments to expenditures for depreciation, payroll and other expenditures				(85,414)
Net change in net assets (GAAP basis)				<u>\$ (66,992)</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement C-28

City of Artesia

Cemetery Fund

Statement of Revenues, Expenses and Changes in Net Assets
 Budget (Non-GAAP Budgetary Basis) and Actual-Proprietary Funds
 For the Year Ended June 30, 2012

	Budget Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable)
<i>Operating revenues</i>				
Charges for services	\$ 74,000	\$ 79,000	\$ 71,135	\$ (7,865)
<i>Total operating revenues</i>	<u>74,000</u>	<u>79,000</u>	<u>71,135</u>	<u>(7,865)</u>
<i>Operating expenses</i>				
Personnel services	850	850	-	850
Contractual services	-	-	-	-
Supplies	3,000	4,400	2,402	1,998
Maintenance and materials	25,700	26,170	20,576	5,594
Utilities	4,600	5,191	5,190	1
Equipment	-	9,367	9,366	1
Gross receipts taxes	-	-	-	-
Miscellaneous	8,900	9,022	7,000	2,022
<i>Total operating expenses</i>	<u>43,050</u>	<u>55,000</u>	<u>44,534</u>	<u>10,466</u>
<i>Operating income (loss)</i>	<u>30,950</u>	<u>24,000</u>	<u>26,601</u>	<u>2,601</u>
<i>Non-operating revenues (expenses)</i>				
Principal payments	-	-	-	-
Interest expense	-	-	-	-
Issuance costs	-	-	-	-
Interest income	500	500	474	(26)
Miscellaneous income	-	-	-	-
<i>Total non-operating revenues (expenses)</i>	<u>500</u>	<u>500</u>	<u>474</u>	<u>(26)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted increase in cash)	(31,450)	(24,500)	-	24,500
Governmental contributions	-	-	-	-
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<i>Total other financing sources</i>	<u>(31,450)</u>	<u>(24,500)</u>	<u>-</u>	<u>24,500</u>
<i>Change in net assets</i>	-	-	27,075	27,075
<i>Net assets - beginning of year</i>	<u>-</u>	<u>-</u>	<u>243,660</u>	<u>243,660</u>
<i>Net assets - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 270,735</u>	<u>\$ 270,735</u>
Net change in net assets (non-GAAP basis)				\$ 27,075
No adjustments to revenues				-
Adjustments to expenditures for depreciation, capital expenses and other expenditures				(5,292)
Net change in net assets (GAAP basis)				<u>\$ 21,783</u>

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, 2012

Deposit Account Type	First American Bank	Western Bank	LGIP
City of Artesia Fund - Checking	\$ 13,410,785	\$ -	\$ -
Payroll - Checking	381,715	-	-
Federal Forfeiture - Checking	129	-	-
State Forfeiture - Checking	10,476	-	-
Meter Fund - Checking	131,015	-	-
Cash Management - U.S. Treasury money market mutual funds	985,275	-	-
Public Library Fund-U.S. Treasury money market mutual funds	3,004,845	-	-
Meter Fund - Checking	-	19,235	-
City Fund (CDBG Rehab) - Checking	-	(3)	-
City of Artesia Fund - Checking	-	220,187	-
City Fund (Payroll) - Checking	-	77,326	-
Community Development - Checking	-	20	-
Chamber of Commerce - Checking	-	170,833	-
Local Government Investment Pool - Investment	-	-	15,229,682
Stock Investments	-	-	-
Total deposits and investments	<u>17,924,240</u>	<u>487,598</u>	<u>15,229,682</u>
Reconciling items	<u>(1,653,347)</u>	<u>43,376</u>	<u>(1,941)</u>
Reconciled balance June 30, 2012	<u>\$ 16,270,893</u>	<u>\$ 530,974</u>	<u>\$ 15,227,741</u>

Petty cash

Less: investments - governmental activities - Exhibit A-1

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

Less: Restricted cash

Less: investments - fiduciary funds - Exhibit E-1

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

Total cash and cash equivalents - Exhibit A-1

See independent auditors' report

Helwig	Totals
\$ -	\$ 13,410,785
-	381,715
-	129
-	10,476
-	131,015
-	985,275
-	3,004,845
-	19,235
-	(3)
-	220,187
-	77,326
-	20
-	170,833
-	15,229,682
<u>1,078,937</u>	<u>1,078,937</u>
1,078,937	34,720,457
-	<u>(1,611,912)</u>
<u>\$ 1,078,937</u>	33,108,545
	600
	(16,048,072)
	(2,653,339)
	(100,158)
	(1,595,387)
	<u>(565,444)</u>
	<u>\$ 12,146,745</u>

STATE OF NEW MEXICO
City of Artesia
Schedule of Collateral Pledged By Depository
For Public Funds
June 30, 2012

Schedule II

Name of Depository	Description of Pledged Collateral	Maturity	CUSIP Number	Value at June 30, 2012	Location of Safekeeper
Western Bank					
	CLOUDCROFT MNU SCH	8/1/2015	189134DV8	\$ 409,066	** Western Bank, Artesia, New Mexico
	FNMA POOL	3/1/2024	31368HYE7	<u>14,900</u>	** Western Bank, Artesia, New Mexico
	Total Western Bank			<u>423,966</u>	
First American Bank					
	ALAMAGORDO NM ASSURE	8/1/2027	011446GA3	635,000	** FEDERAL HOME LOAN BANK
	LOS LUNAS NM SCH DIST	7/15/2017	545562PD6	200,000	** FEDERAL HOME LOAN BANK
	DULCE NM ISD 21-ASSURED	9/1/2017	264430KJ7	630,000	** FEDERAL HOME LOAN BANK
	GALLUP SCHOOL DISTRICT	8/1/2018	364010NT1	400,000	** FEDERAL HOME LOAN BANK
	ROSWELL NM ISD ST AID	8/1/2018	778550HM8	375,000	** FEDERAL HOME LOAN BANK
	ROSWELL NM ISD SCH DIS	8/1/2019	778550HN6	625,000	** FEDERAL HOME LOAN BANK
	SAN JUAN CNTY NM	8/1/2019	798359HR9	900,000	** FEDERAL HOME LOAN BANK
	CLOVIS NM MUNI	8/1/2020	18414GN9	500,000	** FEDERAL HOME LOAN BANK
	ROSWELL NM	8/1/2020	778544CR5	360,000	** 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	925,000	** FEDERAL HOME LOAN BANK
	ROSWELL NM	8/1/2022	778544CT1	395,000	** FEDERAL HOME LOAN BANK
	ROSWELL NM ISD ST AID	8/1/2022	778550HR7	1,250,000	** FEDERAL HOME LOAN BANK
	RUIDOSO NM MUNI SCH DIST	8/1/2022	781338GP7	<u>500,000</u>	** FEDERAL HOME LOAN BANK
	Total First American Bank			<u>9,195,000</u>	
	Total Pledged Collateral			<u>\$ 9,618,966</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 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, 2012

Schedule III

	Balance July 1, 2011	Additions	Deductions	Balance June 30, 2012
<i>Assets</i>				
Cash	\$ 505,068	\$ 412,151	\$ 351,775	\$ 565,444
Investments	1,749,390	82,219	236,222	1,595,387
Interest receivables	1,051	-	1,051	-
<i>Total assets</i>	<u>\$ 2,255,509</u>	<u>\$ 494,370</u>	<u>\$ 589,048</u>	<u>\$ 2,160,831</u>
 <i>Liabilities</i>				
Accounts payable	\$ 512	\$ 372,907	\$ 373,419	\$ -
Held in trust for others	2,254,997	121,463	215,629	2,160,831
<i>Total liabilities</i>	<u>\$ 2,255,509</u>	<u>\$ 494,370</u>	<u>\$ 589,048</u>	<u>\$ 2,160,831</u>

See independent auditors' report.

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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 have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component unit, each major fund, the aggregate remaining fund information, the budgetary comparison of the general fund and the combining and individual funds and related budgetary comparisons presented as supplemental information of the City as of and for the year ended June 30, 2012 and have issued our report thereon dated January 17, 2013. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to the financial audits contained in *Governmental auditing standards*, issued by the comptroller General of the United States.

Internal Control Over Financial Reporting

Management of the City is responsible for establishing and maintaining effective 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 responses, 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 responses as items FS- 2011-01 and CU FS 2012-01 to be material weaknesses.

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 also noted certain other 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 responses as items FS-2006-05, FS-2011-06, FS-2012-01, FS-2012-02, FS-2012-03, and CU FS 2011-03 .

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. We did not audit the City's 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
Albuquerque, New Mexico
January 17, 2013

STATE OF NEW MEXICO
City of Artesia
Schedule of Findings and Responses
June 30, 2012

Section I – Prior Year Audit Findings

Primary Government

Financial Statement Findings	Disposition
FS 2006-05 Late Submission of Audit Report	Repeated
FS 2010-01 Adequate Construction in Progress Records Not Maintained	Resolved
FS 2010-02 Uncollateralized Bank Deposits	Resolved
FS 2011-01 Design Deficiencies in Internal Control over Financial Reporting	Repeated
FS 2011-02 Preparation of Financial Statements	Resolved
FS 2011-03 Lack of internal controls over non-standard journal entries	Resolved
FS 2011-04 Trustee Responsibilities	Resolved
FS 2011-05 Internal Controls over Voided Checks	Resolved
FS 2011-06 Stale dated checks	Repeated
FS 2011-07 Capital Asset Additions, Repairs, & Maintenance	Resolved
FS 2011-08 Recording of Debt	Resolved
FS 2011-09 Landfill Post-closure Liability and Non-Compliance with the Environmental Protection Agency	Resolved
FS 2011-10 Accrued Compensated Absences Not Correctly Recorded	Resolved
FS 2011-11 PERA Reports and General Ledger	Resolved
FS 2011-12 Due To/From Not Properly Recorded	Resolved
FA-2011-01 Procurement Suspension and Debarment	Resolved
Component Unit	
CU FS-2010-01 Late Submission of Audit Report	Resolved
CU FS-2011-01 Preparation of Financial Statements	Resolved
CU FS-2011-02 Deficiencies in Internal Control Structure Design, Operation, and Oversight	Resolved
CU FS-2011-03 Internal Control Deviations-Disbursements	Repeated
CU FS-2011-04 Purchasing Act Compliance	Resolved
CU FS-2011-05 Expenditures in Excess of Budget	Resolved
CU FA-2011-01 Declaration of Trust	Resolved
CU FA-2011-02 A-133 Data Collection Form Submission to Federal Clearing House	Resolved

Section II – Findings - Financial Statement Audit

Primary Government

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

Condition: The City did not issue its 2012 audit report by the December 1, 2012 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, 2012 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. The City will work with external auditors to ensure schedules are submitted timely to ensure the audit report is submitted on time.

Section II – Findings - Financial Statement Audit (continued)

Primary Government (continued)

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

Condition: The City’s internal control structure is inadequate due to a deficiency in design of internal control within the Finance and Utilities Departments and ineffective controls within various other departments.

Within the Finance Department, the deficiency in design of internal controls has created the following *conditions*:

- Lack of segregation of duties in the payroll cycle
- Lack of controls to detect unusual payroll transactions
- Lack of internal controls to review changes to payroll system master file
- Lack of controls requiring prior approval for purchasing
- Lack of controls requiring review supporting documentation prior to the signing of checks
- Lack of controls surrounding the rejection of duplicate invoice numbers within the accounting system
- Lack of segregation of duties relating to bank reconciliations.
- Lack of control over posting of journal entries
- Lack of control over posting of capital outlay expenditures
- Lack of control over the appropriate review of departmental adherence to the approved budgets
- Lack of familiarity with the individualized controls of various departments
- Lack of appropriate review of monthly bank reconciliations
- Lack of periodic review of changes to the vendor master file

Within the Utilities Department, the deficiency in design of internal controls has created the following *conditions*:

- Lack of segregation of duties surrounding access to the cash vault
- Lack of controls to ensure the combination to the cash vault is changed periodically and when related employee attrition occurs
- Lack of controls surrounding the use and physical design of cash drawer keys
- Lack of control surrounding appropriate user access to the billing system
- Lack of control surrounding the end of day drawer balancing
- Lack of control surrounding daily cash deposits
- Lack of policies and procedures that specify the correct treatment and estimation of bad debt expense
- Lack of internal controls over the review of an aging of receivables

Actual instances of noncompliance with and/or failure of internal controls identified during our testwork are as follows:

Within the Utilities Department, internal controls over the receipting process are not operating effectively. Out of the 20 receipts we tested, we noted 1 instance where the daily reconciliation report did not match the deposit slip (receipt 473787). This indicates that there was not an effective comparison between the daily reconciliation report and the cash deposit at the time the deposit was prepared.

Within the Finance Department, internal controls are not operating effectively. We noted a payroll expenditure in the amount of \$2,193 that was miscoded from the Finance Department to the Executive Department. The error caused payroll expenses to be misstated at the departmental level and has no impact on the financial statements.

one instance where the invoice period and date on a payment voucher did not match the period and date on the vendor invoice (check 40269),

Section II – Findings - Financial Statement Audit (continued)

Primary Government (continued)

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

Within the Infrastructure Department, internal controls are not operating effectively. Out of the 11 items we tested, there were three instances where the Department was unable to provide monthly Departmental reconciliations (Checks 39776, 40949, 42645), three instances where the Department was unable to provide any supporting documentation, such as an invoice or bill, (Check 41327; PCard purchase Wastewater dept 9/2011 - \$962.38; PCard purchase Streets dept 8/2011 – \$235.36), two instances when the Department could not provide evidence of supervisor approval of the purchase (Check 41327 & 42645), two instances where the Department could not provide evidence that the purchase was approved by the Purchasing Department (PCard purchase Streets dept 8/2011 – \$235.36; PCard purchase Water dept 8/2011 \$600), one instance where an invoice was not signed by a supervisor (PCard purchase Water dept 8/2011 \$600), and one instance where the Department could not provide documented evidence of supervisor approval on the purchase receipt (PCard purchase Streets dept 1/2012 \$5400).

Within the Fire Department, internal controls over disbursements are not operating effectively. Out of the 16 items we tested, we noted two instances where the Department did not document supervisor approval of a purchase.

Within the Fire Department, internal controls of fuel card disbursements are not operating effectively. Out of the 5 items tested, we noted one instance where there were no receipts tying to the paid invoice. City policy requires that receipts be retained for fuel purchases.

Within the Police Department, internal controls are not operating effectively. Out of the 10 items we tested the department was unable to provide the approved internal requisition card for 1 transaction (Department photos and frame – September 2011 \$1092) and an approved purchase order for another transaction (Police Copier/BW De Lage Landed Financial Services - \$250 payment).

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: Management within the Finance, Infrastructure, Fire, and Police Departments are not adhering to designed internal controls.

High employee attrition within the Finance Department has created an environment where segregation of duties is impracticable based on the limited number of staff. Additionally, there exists a near total reliance on departmental internal controls that vilipends the Department's critical oversight function. This, coupled with design deficiencies of internal controls and an incomplete knowledge of the City's accounting software, comprise a material weakness by which the financial statements can become misstated.

Auditors' Recommendation: The City should ensure that a comprehensive internal control structure over financial information is designed, documented, and implemented. Management at all levels should follow the revised internal policies 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.

Section II – Findings - Financial Statement Audit (continued)

Primary Government (continued)

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

Agency's Response:

- Finance Department: I have read the issues you have found with the internal controls of the City of Artesia. Many of them have to do with segregation of duties that is difficult to implement in a small office setting. Taking them in groups:

- **Lack of segregation of duties in the payroll cycle, lack of controls to detect unusual payroll transactions, lack of internal controls to review changes to the payroll system master file.**

In last year's audit, we had the same problems cited and I agree there are some things that can be done. That being said, I am not sure that the changes we will need to make will result in an efficient administering of the payroll process. After receiving the audit last year we implemented a process whereby the employee making the changes to the payroll files would print out a report showing the changes and I would check the changes with the human resources department's payroll change sheet-this worked a couple of times but time constraints made this system cumbersome and it didn't get done. The loss of long time employees who were set in the way they did things, while disruptive, may give you an opportunity to revamp the procedures to make it a controlled and efficient process.

- **Lack of controls requiring prior approval for purchasing, lack of controls requiring review supporting documentation prior to the signing of the checks, lack of controls surrounding the rejection of duplicate invoice numbers within the accounting system.**

Prior approval for purchases has to be free enough so the operation of the City is not adversely affected by antiquated procedures for purchases, especially small ones. The City has a tiered purchasing policy that runs with the State Statutes. I have been lax in looking at the supporting documents for paying bills although, because I know pretty much what is being spent, I can look at the reports and catch some errors-we're never going to catch every error. I believe we need to look at our software to see if there are some improvements we can make so it will recognize duplicate invoices when entering them into the system.

- **Lack of segregation of duties relating to bank reconciliations.**

Before the changeover, the Assistant City Clerk/Treasurer did the bank reconciliations. She was not on the bank accounts as a signatory as an internal control. After she left the new person would do the reconciliation and I would initial that the account did in fact balance according to the software. With the turnover I have not been able to do any reconciliation except for the meter fund.

- **Lack of control over posting of journal entries, lack of control over posting of capital outlay expenditures.**

We are back to the segregation of duties-after the last audit I would have the Finance person do the journal entry and I would sign off on the posting sheet from the machine. This is not a fail safe system as the person could go back and reverse the posting and I would not know anything about it unless I spent extra hours researching the entries for the day. Capital outlay expenditures are processed like any other expenditure. For 2012-2013 however I have changed the way we account for capital outlay with every capital project and every capital expenditure having its own line item. This will allow us to track the projects through the year and will be able to distinguish CIP and completed projects.

Section II – Findings - Financial Statement Audit (continued)

Primary Government (continued)

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

- **Lack of control over the appropriate review of departmental adherence to the approved budgets.**

Each Department Head has access to his/her budget. The Department heads are always coming to me to discuss the budget, especially if there is an overrun. I think its important to know that DFA considers it acceptable to expend over your line item budget as long as the overall budget of the fund is within budgets.

- **Lack of familiarity with the individualized controls of the various departments.**

There is a problem with not being with the City from the inception of its departmental plans. I do know different departments have different policies and I think there is a need to look at all policies and try to find one that will work City wide.

- **Lack of appropriate review of monthly bank reconciliations.**

After the last audit I began signing off on the reconciliations-it was not an audit of the reconciliation just a check to see that the report balanced. I don't know how we could go any further and still be efficient.

- **Lack of periodic review of changes to the vendor master file.**

I agree this needs to be done-how it should be done and how often would need to be worked out. We do have internal control there in that no one here at the office can add a vendor-that is done through the purchasing department.

- **Utilities:**

All findings expressed concerning handling of cash is being addressed by the Utility Billing Supervisor. There have already been changes made on balancing of cash drawers, vault combinations, bank deposit verifications and the cash drawer keys. The existing employees have only known what the previous supervisor had required but are fully on board when looking at ways to protect the City's investment.

- **Lack of policies and procedures that specify the correct treatment and estimation of bad debt expense, lack of internal controls over the review of an aging of receivables.**

I believe the City of Artesia may have never done a bad debts resolution for their utility accounts or their ambulance accounts. In other cities I have done this declaring bad debts for all debts over 48 months old. This is one of the things I have been discussing with my Assistant Clerk as well as purging outstanding checks and turning those funds over to the State per State Statute. Once we had a bad debts resolution and we break down those by year, we can then make a better determination each year on an estimated bad debts expense.

Section II – Findings - Financial Statement Audit (continued)

Primary Government (continued)

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

I agree with the opinion that each Department seems to have its own system within the guidelines of the City's purchasing regulations, and they are not working as well as they need to. I intend to look at each department to see which system seems to be adaptable to every department and begin to formulate a City-wide system that allows more levels of scrutiny but at the same time does not adversely affect the operation of the departments. – Aubrey Hobson, City Clerk

- Infrastructure Department: I am glad of an independent look on how we conduct business. I will be glad to work with the finance department to work out a way to fix the short comings you have noted. – Byron Landfair, Infrastructure Director
- Fire Department: : The Fire Department is probably the best run department for tracking expenditures-there will be errors but the focus should be on a system that tries to prevent these errors and also allows us to identify the errors and correct them. The Chief has indicated they will be more diligent in approving expenses.
- Police Department: The Police Department also has policies in place to monitor expenditures closely. Again, errors will occur and we will work to bring their policies up to the level needed for good internal control.
- After the audit is completed, the Finance Department, along with Purchasing, will meet with the Department Heads to formulate the best plan for the City.

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

Condition: During our review of all bank reconciliations prepared by the City, we noted the City is in violation of state statutes regarding stale-dated checks. Out of all outstanding checks reviewed, the City maintained seventy-eight checks in the general fund that were dated over one year old at June 30, 2012. These checks totaled \$38,118. A total of 298 checks were reviewed and tested.

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 II – Findings - Financial Statement Audit (continued)

Primary Government (continued)

FS-2012-01 Failure to Prepare Accounts Receivable Listing – Other Matter

Condition: The City could not provide a utility accounts receivable and other accounts receivable listings for the year ended June 30, 2012.

Criteria: Good accounting practices require the City to produce an accurate accounts receivable listing as of the balance sheet date, timely, for review during fieldwork.

2.2.2.10 (I)(1) NMAC (New Mexico State Audit Rule) states, “Section 12-6-5 NMSA 1978 (Reports of Audits) states “each report shall set out in detail, in a separate section, any violation of law or good accounting practices found by the audit or examination.” Therefore, all such findings must be included in the annual financial audit report.

Effect: The City is not maintaining appropriate control over historical financial information.

Cause: The InCode accounting system does not allow historical accounts receivable reports to be generated.

Auditors’ Recommendation: The City should consult with the appropriate software providers to enhance the reporting capability of the InCode accounting system.

Agency Response: Because my finance and utility billing supervisors have taken care of this is the past I was not aware they had not run an accounts receivable at year end and the software would not allow running an historical report. I have suggested the utility supervisor run an accounts receivable for utilities at the end of each month and archive the reports.

FS-2012-02 Misclassification of Payroll Expenses – Other Matter

Condition: During our testwork of payroll expenses in all departments within the general fund, we noted one instance for one employee in the amount of \$2,214 in which the City misclassified payroll expenses to the Municipal Court department from the Police Department. 17 departments within the general fund with a corresponding 158 employees were reviewed and tested.

Criteria: Good accounting practices require the City to record payroll expenses in the correct account.

2.2.2.10 (I)(1) NMAC (New Mexico State Audit Rule) states, “Section 12-6-5 NMSA 1978 (Reports of Audits) states “each report shall set out in detail, in a separate section, any violation of law or good accounting practices found by the audit or examination.” Therefore, all such findings must be included in the annual financial audit report.

Effect: The City is not following good accounting practices. Departmental expenses are misstated but, when aggregated, there is no impact on the financial statements. Total payroll expense within the General Fund is unaffected

Cause: When an employee is transferred to a different department, the InCode accounting system assigns all payroll expense related to specific employee to the new department. The City does not have controls in place to ensure that payroll expenses for employees who are transferred to different departments are correctly recorded during the pay periods surrounding the change.

Auditors’ Recommendation: The City should implement internal controls surrounding payroll procedures for reassigned employees to respond to the risk created by accounting system limitations.

Section II – Findings - Financial Statement Audit (continued)

Primary Government (continued)

FS-2012-02 Misclassification of Payroll Expenses – Other Matter (continued)

Agency Response: The mistake cited was due to an anomaly of a long time policeman being elected as judge. There was a problem with his last paycheck and it was not corrected until he was already in the judicial department within INCODE- if we had caught it before the books were closed we could have made a journal entry to take care of it. As you stated it made had no impact on the financial statements.

FS 2012-03 Bank reconciliations-State Forfeiture account-Other Matter

Condition: During our audit of bank reconciliations, we noted the state forfeiture account with a general ledger balance at June 30, 2012 of \$10,476 was not reconciled to the bank balance of \$12,709.

Criteria: Good accounting practices required all bank accounts to be reconciled monthly.

2.2.2.10 (I)(1) NMAC (New Mexico State Audit Rule) states, “Section 12-6-5 NMSA 1978 (Reports of Audits) states “each report shall set out in detail, in a separate section, any violation of law or good accounting practices found by the audit or examination.” Therefore, all such findings must be included in the annual financial audit report.

Effect: The State Forfeiture account could be understated. Cash reported on the Statement of Net Assets could be understated by \$2,233

Cause: High turnover within the Finance Department allowed for the account to become unreconciled.

Auditors’ Recommendation: We recommend the Finance department designate responsibility for reconciling each bank account and investment account monthly.

Agency’s Response: Because these two bank accounts are not contained within the Pooled Cash Account there was no printout to approve for reconciliation. These will be reconciled monthly. The turnover has resulted in many things not being taken care of properly. I take responsibility in not monitoring the finance supervisor and utility billing supervisor more closely. The one positive that has come with the turnover is the realization that the Department Head needs to be more involved with the workings of the two departments. This realization opens the door for changes for the improvement of internal control.

Section II – Findings - Financial Statement Audit (continued)

Component Unit

CU FS 2012-01 Accounts Receivable Reconciliation-(Material Weakness)

Condition: During our accounts receivable testwork, we noted the accounts receivable balance reflected in the Authority's subsidiary ledger and general ledger in QuickBooks did not match the balances documented on the tenant ledger cards.

Criteria: Good internal control involves periodic reconciliation between the general ledger accounts receivable balance and the tenant ledger cards including all active and inactive tenants.

Effect: The accounts receivable balance had to be reduced \$15,839 via an audit adjustment to reflect the actual accounts receivable of \$5,784.

Cause: Management within the Authority is not adhering to internal controls requiring tenant ledger cards to be reconciled to the general ledger and Authority policy requiring accounts to be written off after 90 days.

Auditors' recommendation: The Authority should reconcile the total general ledger accounts receivable balance in QuickBooks to the tenant ledger cards on a monthly basis and perform an independent review of the monthly reconciliation.

Management's response: Management will reconcile tenant ledger cards with QuickBooks on a monthly basis. Management will follow write off procedures for removing uncollectable accounts receivable from both tenant ledger cards and QuickBooks on a monthly basis. Management will conduct an independent review of tenant balances to assure balances per tenant ledger cards and QuickBooks agree. Staff will be trained further in procedures.

CU FS 2011-03 Internal Control Deviations-Disbursements-(Other Matter)

Condition: During our internal control testing over the disbursement cycle, we noted 1 instance totaling \$677.87 out of 5 (check 7110) disbursements did not contain two signatures on the invoice for approval.

Criteria: Good internal controls require the Authority to follow internal control policies consistently to ensure all disbursements to vendors are valid and accurate.

Effect: Lack of sufficient invoice approvals increases the risk of unauthorized purchases.

Cause: The invoice was initialed by one person, but the second person responsible for approving the invoice forgot to sign the invoice.

Auditors' recommendation: We recommend the Authority be more diligent about evidencing approval on invoices and periodically check to ensure invoices are approved and signatory approval is evidenced prior to making the disbursement.

Management's response: Director did stamp the invoice for approval and payment although, did inadvertently overlook the initials.

STATE OF NEW MEXICO

City of Artesia
Other Disclosures
June 30, 2012

OTHER DISCLOSURES

Exit Conference

An exit conference was held on January 17, 2013. In attendance were the following:

Representing the City of Artesia:

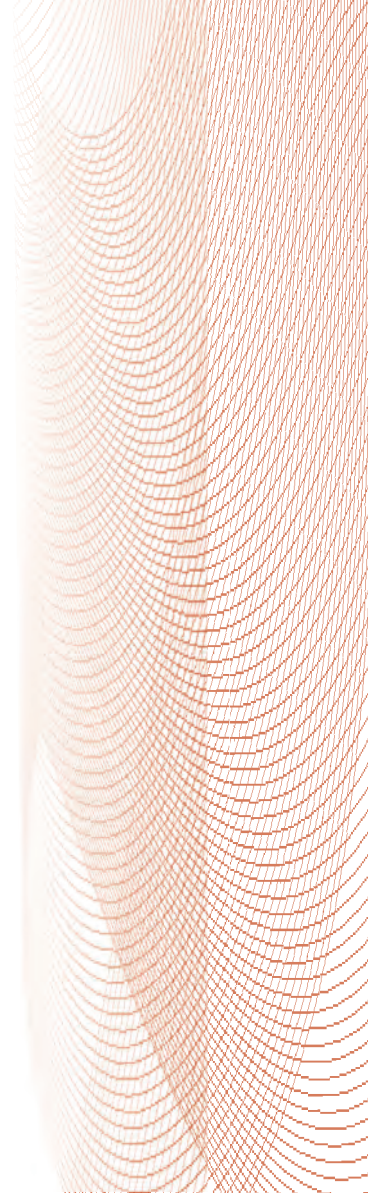
Aubrey Hobson	Clerk-Treasurer
Jose Luis Aguilar	Council Member
Bill Rogers	Council Member
Terry Hill	Mayor Pro Tem
Summer Quinones	Finance Director
Phil Burch	Mayor

Representing Accounting & Consulting Group, LLP:

Ray Roberts, CPA	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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