



***State of New Mexico  
City of Artesia  
Annual Financial Report  
June 30, 2013***

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## **INTRODUCTORY SECTION**

**STATE OF NEW MEXICO**

City of Artesia  
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June 30, 2013

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STATE OF NEW MEXICO

City of Artesia

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**STATE OF NEW MEXICO**

City of Artesia

Official Roster

June 30, 2013

<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
Jeff Youtsey		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
Tina Torres		Community Development Director

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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

### **Report on Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities each major fund, the aggregate remaining fund information, and the budgetary comparison for the General Fund for City of Artesia, New Mexico (the City), as of and for the year ended June 30, 2013, and the related notes to the financial statements 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, nonmajor proprietary funds, and the budgetary comparisons for the major capital projects fund, the proprietary funds, and all nonmajor funds presented as supplementary information, as defined by the Governmental Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2013 as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

### **Auditor's Responsibility**

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *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 involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

## Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2013, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America. 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 of the City, as of June 30, 2013, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in accordance 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.

## Other Matters

### *Required Supplementary Information*

Management has omitted the Management's Discussion and Analysis that accounting principles generally accepted in the United States of America 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.

### *Other Information*

Our audit was conducted for the purpose of forming opinions on the City's financial statements, the combining and individual fund financial statements, and the budgetary comparisons. Supporting Schedules I through III required by 2.2.2 NMAC are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

Supporting Schedules I through III required by 2.2.2 NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, Supporting Schedules I through III required by 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

## Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 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* in considering the City's internal control over financial reporting and compliance.

*Accounting & Consulting Group, LLP*

Accounting & Consulting Group, LLP  
Albuquerque, New Mexico  
November 25, 2013

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**BASIC  
FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO**

City of Artesia

Statement of Net Position

June 30, 2013

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$ 15,002,392	\$ 4,549,010	\$ 19,551,402
Investments	16,055,243	2,657,569	18,712,812
Receivables:			
Property taxes	19,260	86,250	105,510
Other taxes	4,437,177	-	4,437,177
Other receivables	120,540	426,200	546,740
Less: allowance for uncollectable accounts		(156,502)	(156,502)
Inventory		48,341	48,341
Internal balances	211,401	(211,401)	-
Total current assets	<u>35,846,013</u>	<u>7,399,467</u>	<u>43,245,480</u>
Noncurrent assets			
Restricted cash and cash equivalents	100,158	1,841	101,999
Bond issuance costs	187,867	157,410	345,277
Capital assets	83,211,034	59,627,324	142,838,358
Less: accumulated depreciation	<u>(27,535,910)</u>	<u>(24,729,328)</u>	<u>(52,265,238)</u>
Total noncurrent assets	<u>55,963,149</u>	<u>35,057,247</u>	<u>91,020,396</u>
Total assets	<u>\$ 91,809,162</u>	<u>\$ 42,456,714</u>	<u>\$ 134,265,876</u>

The accompanying notes are an integral part of these financial statements

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Liabilities</b>			
Current liabilities			
Accounts payable	\$ 1,122,882	\$ 162,629	\$ 1,285,511
Accrued payroll	453,654	68,373	522,027
Accrued interest	51,136	37,788	88,924
Current portion of compensated absences	512,083	70,686	582,769
Current portion of bonds payable	830,000	538,000	1,368,000
Total current liabilities	<u>2,969,755</u>	<u>877,476</u>	<u>3,847,231</u>
Noncurrent liabilities			
Bonds payable	16,375,000	10,701,000	27,076,000
Bond premium	108,348	108,084	216,432
Landfill closure and post closure	-	38,490	38,490
Total noncurrent liabilities	<u>16,483,348</u>	<u>10,847,574</u>	<u>27,330,922</u>
Total liabilities	<u>19,453,103</u>	<u>11,725,050</u>	<u>31,178,153</u>
<b>Net Position</b>			
Net investment in capital assets	38,470,124	23,658,996	62,129,120
Restricted for:			
Debt service	100,158	1,841	101,999
Special revenue	1,455,323	-	1,455,323
Unrestricted	32,330,454	7,070,827	39,401,281
Total net position	<u>72,356,059</u>	<u>30,731,664</u>	<u>103,087,723</u>
Total liabilities and net position	<u>\$ 91,809,162</u>	<u>\$ 42,456,714</u>	<u>\$ 134,265,876</u>

**STATE OF NEW MEXICO**  
City of Artesia  
Statement of Activities  
For the Year Ended June 30, 2013

<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>
<b>Primary Government</b>				
<b>Governmental Activities:</b>				
General government	\$ 7,064,166	\$ 1,205,967	\$ 163,344	\$ 4,282
Public safety	9,864,746	52,718	196,421	-
Public works	2,822,711	-	-	-
Culture and recreation	533,869	7,504	-	-
Interest on long-term debt	632,132	-	-	-
<i>Total governmental activities</i>	<u>20,917,624</u>	<u>1,266,189</u>	<u>359,765</u>	<u>4,282</u>
<b>Business-type Activities:</b>				
Wastewater	2,260,959	1,028,447	-	-
Solid waste	1,755,321	1,628,205	-	-
Water	2,362,346	3,661,201	-	-
Airport	922,342	655,866	8,008	105,617
Cemetery	55,831	77,418	-	-
<i>Total business-type activities</i>	<u>7,356,799</u>	<u>7,051,137</u>	<u>8,008</u>	<u>105,617</u>
<i>Total primary government</i>	<u>\$ 28,274,423</u>	<u>\$ 8,317,326</u>	<u>\$ 367,773</u>	<u>\$ 109,899</u>

**General Revenues and Transfers:**

Taxes:

Property taxes, levied for general purposes

Gross receipts taxes

Gasoline and motor vehicle taxes

Other taxes

Interest income

Local sources

Miscellaneous income

Gain (loss) on sale of capital assets

Transfers of capital assets

Transfers

Total general revenues and transfers

Change in net position

Net position - as originally stated

Net position, ending

The accompanying notes are an integral part of these financial statements



**Net (Expense) Revenue and Changes in Net Position**

Governmental Activities	Business-Type Activities	Total
\$ (5,690,573)	\$ -	\$ (5,690,573)
(9,615,607)	-	(9,615,607)
(2,822,711)	-	(2,822,711)
(526,365)	-	(526,365)
(632,132)	-	(632,132)
(19,287,388)	-	(19,287,388)
-	(1,232,512)	(1,232,512)
-	(127,116)	(127,116)
-	1,298,855	1,298,855
-	(152,851)	(152,851)
-	21,587	21,587
-	(192,037)	(192,037)
(19,287,388)	(192,037)	(19,479,425)
737,617	-	737,617
25,840,674	506,719	26,347,393
392,828	-	392,828
827,217	-	827,217
39,075	11,779	50,854
703,091	-	703,091
616,933	198,850	815,783
(57,258)	(28,734)	(85,992)
-	-	-
100,600	(100,600)	-
29,200,777	588,014	29,788,791
9,913,389	395,977	10,309,366
62,442,670	30,335,687	92,778,357
\$ 72,356,059	\$ 30,731,664	\$ 103,087,723

**STATE OF NEW MEXICO**

City of Artesia  
Balance sheet  
Governmental Funds  
June 30, 2013

	<u>General Fund</u>	<u>Capital Improvements</u>	<u>Other Governmental Funds</u>
<i>Assets</i>			
Cash and cash equivalents	\$ 6,131,673	\$ 3,013,716	\$ 5,957,161
Investments	14,813,363	-	1,241,880
Receivables:			
Property taxes	19,260	-	-
Other taxes	3,934,437	336,138	166,602
Other receivables	116,268	-	4,272
Due from other funds	276,618	-	-
<i>Total assets</i>	<u>\$ 25,291,619</u>	<u>\$ 3,349,854</u>	<u>\$ 7,369,915</u>
<i>Liabilities</i>			
Accounts payable	\$ 367,160	\$ 748,524	\$ 7,198
Accrued payroll	446,079	-	7,575
Deferred revenue:			
Property taxes	13,355	-	-
Due to other funds	-	-	65,217
<i>Total liabilities</i>	<u>826,594</u>	<u>748,524</u>	<u>79,990</u>
<i>Spendable</i>			
Restricted for:			
Municipal court	-	-	298,149
Law enforcement	-	-	12,190
Library	-	-	42,441
Promotional activities	-	-	498,717
Road and capital projects	-	-	590,968
Community development	-	-	20
Forfeited assets	-	-	12,838
Debt service	-	-	100,961
Committed for:			
Land lease	-	-	426,051
Infrastructure revenues	-	2,601,330	3,685,898
Economic development	-	-	1,694,516
Minimum fund balance	1,644,114	-	-
Unassigned	22,820,911	-	(72,824)
<i>Total fund balances</i>	<u>24,465,025</u>	<u>2,601,330</u>	<u>7,289,925</u>
<i>Total liabilities and fund balances</i>	<u>\$ 25,291,619</u>	<u>\$ 3,349,854</u>	<u>\$ 7,369,915</u>

The accompanying notes are an integral part of these financial statements

<u>Total</u>	
\$	15,102,550
	16,055,243
	19,260
	4,437,177
	120,540
	276,618
\$	<u>36,011,388</u>

\$	1,122,882
	453,654
	13,355
	65,217
	<u>1,655,108</u>

	298,149
	12,190
	42,441
	498,717
	590,968
	20
	12,838
	100,961
	426,051
	6,287,228
	1,694,516
	1,644,114
	22,748,087
	<u>34,356,280</u>
\$	<u>36,011,388</u>

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**STATE OF NEW MEXICO**  
City of Artesia  
Governmental Funds  
Reconciliation of the Balance Sheet to the Statement of Net Position  
June 30, 2013

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

Fund balances - total governmental funds	\$ 34,356,280
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	55,675,124
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	13,355
Bond issuance costs reported as an asset in the statement of net position but not reported on the governmental funds balance sheet	187,867
Interest on long-term debt is not accrued in the fund financial statements unless it is due and payable:	
Accrued interest	(51,136)
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	(512,083)
Premium on bond payable	(108,348)
Bonds payable	(17,205,000)
	72,356,059
Total net position of governmental activities	\$ 72,356,059

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, 2013

	General Fund	Capital Improvement	Other Governmental Funds
<i>Revenues</i>			
Taxes:			
Property	\$ 739,560	\$ -	\$ -
Gross receipts	24,022,883	-	1,817,791
Gasoline and motor vehicle	67,396	-	325,432
Other	445,684	-	381,533
Intergovernmental income:			
Federal capital grants	4,282	-	-
State operating grants	127,839	-	231,926
Local sources	188,135	514,956	-
Charges for services	1,017,502	-	144,515
Licenses and fees	-	-	5,546
Fines and forfeitures	98,626	-	-
Investment income	34,441	-	4,634
Miscellaneous	399,711	-	217,222
<i>Total revenues</i>	<u>27,146,059</u>	<u>514,956</u>	<u>3,128,599</u>
<i>Expenditures</i>			
Current:			
General government	5,461,436	-	672,761
Public safety	8,433,085	-	133,007
Public works	2,451,112	-	-
Culture and recreation	449,424	-	14,163
Capital outlay	-	5,135,033	-
Debt service:			
Principal	-	-	815,000
Interest and fees	-	-	641,135
<i>Total expenditures</i>	<u>16,795,057</u>	<u>5,135,033</u>	<u>2,276,066</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>10,351,002</u>	<u>(4,620,077)</u>	<u>852,533</u>
<i>Other financing sources (uses)</i>			
Transfer in	1,065,232	8,241,631	5,053,916
Transfers (out)	(10,292,527)	(1,020,224)	(2,947,428)
<i>Total other financing sources (uses)</i>	<u>(9,227,295)</u>	<u>7,221,407</u>	<u>2,106,488</u>
<i>Net change in fund balances</i>	1,123,707	2,601,330	2,959,021
<i>Fund balances - beginning of year</i>	<u>23,341,318</u>	<u>-</u>	<u>4,330,904</u>
<i>Fund balances - end of year</i>	<u>\$ 24,465,025</u>	<u>\$ 2,601,330</u>	<u>\$ 7,289,925</u>

The accompanying notes are an integral part of these financial statements

Total

\$ 739,560  
25,840,674  
392,828  
827,217

4,282  
359,765  
703,091  
1,162,017  
5,546  
98,626  
39,075  
616,933  
30,789,614

6,134,197  
8,566,092  
2,451,112  
463,587  
5,135,033

815,000  
641,135  
24,206,156

6,583,458

14,360,779  
(14,260,179)  
100,600

6,684,058

27,672,222

\$ 34,356,280

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**STATE OF NEW MEXICO**  
City of Artesia  
Governmental Funds  
Reconciliation of the Statement of Revenues, Expenditures and Changes  
in Fund Balances of Governmental Funds to the Statement of Activities  
For the Year Ended June 30, 2013

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

Net change in fund balances - total governmental funds	\$ 6,684,058
--	--------------

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	5,135,033
Depreciation expense	(2,597,544)
Gain on disposal of capital assets	(57,258)

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	(1,943)
---	---------

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 position. 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	(61,159)
Decrease in accrued interest	2,197
Amortization of bond issuance costs	(11,801)
Amortization of bond premium	6,806
Principal payments on bonds payable	815,000

Change in net position of governmental activities	\$ 9,913,389
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The accompanying notes are an integral part of these financial statements

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## STATE OF NEW MEXICO

Exhibit C-1

City of Artesia

General Fund

Statement of Revenues, Expenditures and Changes in Fund Balance  
Budget (Non-GAAP Budgetary Basis) and Actual  
For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes:				
Property taxes	\$ 665,895	\$ 665,895	\$ 735,656	\$ 69,761
Gross receipts	23,200,000	22,713,000	23,931,439	1,218,439
Gasoline and motor vehicle	58,000	58,000	72,912	14,912
Other	576,000	576,000	502,757	(73,243)
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	28,000	28,000	4,282	(23,718)
State operating grants	167,092	197,092	121,449	(75,643)
State capital grants	497,729	497,729	-	(497,729)
Local sources	350,097	350,097	254,925	(95,172)
Charges for services	598,150	937,925	1,020,064	82,139
Fines and forfeitures	142,750	142,750	98,626	(44,124)
Investment income	45,000	45,000	34,441	(10,559)
Miscellaneous	441,700	452,800	13,680	(439,120)
<i>Total revenues</i>	<u>26,770,413</u>	<u>26,664,288</u>	<u>26,790,231</u>	<u>125,943</u>
<i>Expenditures</i>				
Current:				
General government	5,242,731	5,746,329	4,581,226	1,165,103
Public safety	10,564,221	10,646,343	8,478,991	2,167,352
Public works	2,923,740	2,730,434	2,449,006	281,428
Culture and recreation	609,901	606,264	500,483	105,781
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>19,340,593</u>	<u>19,729,370</u>	<u>16,009,706</u>	<u>3,719,664</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>7,429,820</u>	<u>6,934,918</u>	<u>10,780,525</u>	<u>3,845,607</u>
<i>Other financing sources (uses)</i>				
Designated cash	2,339,763	2,934,665	-	(2,934,665)
Proceeds from sale of equipment	377,952	377,952	361,031	(16,921)
Transfers in	44,992	44,992	45,008	16
Transfers (out)	(10,192,527)	(10,292,527)	(10,292,527)	-
<i>Total other financing sources (uses)</i>	<u>(7,429,820)</u>	<u>(6,934,918)</u>	<u>(9,886,488)</u>	<u>(2,951,570)</u>
<i>Net change in fund balance</i>	-	-	894,037	894,037
<i>Fund balances - beginning of year</i>	-	-	20,327,610	20,327,610
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,221,647</u>	<u>\$ 21,221,647</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ 894,037
Adjustments to revenues for taxes, fuel, federal and state operating grants and other revenues				1,015,028
Adjustments to expenditures for payroll, services, supplies and other expenditures				(785,358)
Net change in fund balance (GAAP basis)				<u>\$ 1,123,707</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**

City of Artesia

Statement of Net Position

Proprietary Funds

June 30, 2013

	<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	\$ 827,684	\$ 1,036,749	\$ 2,658,998
Investments	1,537,544	900,025	20,000
Receivables:			
Other taxes	43,125	43,125	-
Other receivables	83,383	130,171	169,424
Less: allowance for uncollectables	(33,547)	(59,695)	(63,260)
Inventory	-	-	-
<i>Total current assets</i>	<u>2,458,189</u>	<u>2,050,375</u>	<u>2,785,162</u>
<i>Noncurrent assets</i>			
Restricted cash and cash equivalents	1,841	-	-
Bond issuance costs	157,410	-	-
Capital assets	31,746,999	4,327,403	17,433,880
Less: accumulated depreciation	(13,506,119)	(2,876,632)	(4,644,035)
<i>Total noncurrent assets</i>	<u>18,400,131</u>	<u>1,450,771</u>	<u>12,789,845</u>
<i>Total assets</i>	<u>\$ 20,858,320</u>	<u>\$ 3,501,146</u>	<u>\$ 15,575,007</u>
<i>Liabilities and net position</i>			
<i>Liabilities:</i>			
<i>Current liabilities</i>			
Accounts payable	\$ 8,905	\$ 48,197	\$ 53,072
Accrued payroll	13,510	21,634	27,073
Accrued interest	36,455	-	1,333
Due to other funds	-	-	-
Current portion of compensated absences	18,698	17,320	28,233
Current portion of bonds payable	525,000	-	13,000
<i>Total current liabilities</i>	<u>602,568</u>	<u>87,151</u>	<u>122,711</u>
<i>Noncurrent liabilities</i>			
Bonds payable	10,675,000	-	26,000
Bond premium	108,084	-	-
Landfill closure and post closure	-	38,490	-
<i>Total noncurrent liabilities</i>	<u>10,783,084</u>	<u>38,490</u>	<u>26,000</u>
<i>Total liabilities</i>	<u>11,385,652</u>	<u>125,641</u>	<u>148,711</u>
<i>Net position:</i>			
Net investment in capital assets	7,040,880	1,450,771	12,750,845
Restricted for debt service	1,841	-	-
Unrestricted net position	2,429,947	1,924,734	2,675,451
<i>Total net position</i>	<u>9,472,668</u>	<u>3,375,505</u>	<u>15,426,296</u>
<i>Total liabilities and net position</i>	<u>\$ 20,858,320</u>	<u>\$ 3,501,146</u>	<u>\$ 15,575,007</u>

The accompanying notes are an integral part of these financial statements

Nonmajor Proprietary Funds	Total
\$ 25,579	\$ 4,549,010
200,000	2,657,569
-	86,250
43,222	426,200
-	(156,502)
48,341	48,341
<u>317,142</u>	<u>7,610,868</u>
-	1,841
-	157,410
6,119,042	59,627,324
(3,702,542)	(24,729,328)
<u>2,416,500</u>	<u>35,057,247</u>
<u>\$ 2,733,642</u>	<u>\$ 42,668,115</u>
\$ 52,455	\$ 162,629
6,156	68,373
-	37,788
211,401	211,401
6,435	70,686
-	538,000
<u>276,447</u>	<u>1,088,877</u>
-	10,701,000
-	108,084
-	38,490
-	10,847,574
<u>276,447</u>	<u>11,936,451</u>
2,416,500	23,658,996
-	1,841
40,695	7,070,827
<u>2,457,195</u>	<u>30,731,664</u>
<u>\$ 2,733,642</u>	<u>\$ 42,668,115</u>

**STATE OF NEW MEXICO**  
City of Artesia  
Statement of Revenues, Expenses, and Changes in Net Position  
Proprietary Funds  
For the Year Ended June 30, 2013

	Waste Water Fund	Solid Waste Fund	Water Fund
<i>Operating revenues:</i>			
Charges for services	\$ 1,028,447	\$ 1,628,205	\$ 3,661,201
<i>Total operating revenues</i>	1,028,447	1,628,205	3,661,201
<i>Operating expenses:</i>			
Personnel services	414,269	639,440	801,405
Contractual services	-	4,389	2,234
Supplies	74,702	15,697	83,407
Maintenance and materials	125,680	243,852	184,339
Utilities	134,692	-	258,716
Equipment	3,258	-	-
Depreciation	968,139	234,590	617,585
Miscellaneous	87,971	617,353	411,591
<i>Total operating expenses</i>	1,808,711	1,755,321	2,359,277
<i>Operating income (loss)</i>	(780,264)	(127,116)	1,301,924
<i>Non-operating revenues (expenses):</i>			
Interest expense	(442,360)	-	(3,069)
Interest income	5,567	2,611	3,292
Gross receipts taxes	249,523	257,196	-
Gain (loss) on sale of capital assets	-	-	(2,234)
Miscellaneous income	31,411	160,833	6,606
Amortization expense	(9,888)	-	-
<i>Total non-operating revenues (expenses)</i>	(165,747)	420,640	4,595
<i>Income (loss) before contributions and transfers</i>	(946,011)	293,524	1,306,519
Governmental contributions	-	-	-
Transfers in	963,929	78,560	-
Transfers (out)	(4,825)	(282,855)	(807,684)
<i>Grants and net transfers</i>	959,104	(204,295)	(807,684)
<i>Change in net position</i>	13,093	89,229	498,835
<i>Net position - beginning of year</i>	9,459,575	3,286,276	14,927,461
<i>Net position- end of year</i>	\$ 9,472,668	\$ 3,375,505	\$ 15,426,296

The accompanying notes are an integral part of these financial statements

Nonmajor Proprietary Funds	Total
\$ 733,284	\$ 7,051,137
<u>733,284</u>	<u>7,051,137</u>
158,214	2,013,328
2,787	9,410
2,759	176,565
44,127	597,998
24,379	417,787
-	3,258
140,092	1,960,406
605,815	1,722,730
<u>978,173</u>	<u>6,901,482</u>
<u>(244,889)</u>	<u>149,655</u>
-	(445,429)
308	11,778
-	506,719
(26,500)	(28,734)
-	198,850
-	(9,888)
<u>(26,192)</u>	<u>233,296</u>
<u>(271,081)</u>	<u>382,951</u>
113,626	113,626
152,053	1,194,542
(199,778)	(1,295,142)
<u>65,901</u>	<u>13,026</u>
(205,180)	395,977
<u>2,662,375</u>	<u>30,335,687</u>
<u>\$ 2,457,195</u>	<u>\$ 30,731,664</u>

**STATE OF NEW MEXICO**  
City of Artesia  
Statement of Cash Flows - Proprietary Funds  
For the Year Ended June 30, 2013

	<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	\$ 1,041,061	\$ 1,652,504	\$ 3,820,206
Cash payments to employees for services	(408,866)	(651,952)	(783,760)
Cash payments to suppliers for goods and services	(445,221)	(1,028,685)	(932,700)
<i>Net cash provided (used) by operating activities</i>	<u>186,974</u>	<u>(28,133)</u>	<u>2,103,746</u>
<i>Cash flows from noncapital financing activities:</i>			
Government contributions	-	-	-
Taxes received	249,523	257,196	-
Miscellaneous income	31,411	160,833	6,606
Internal cash transfers in (out)	959,104	(282,855)	(723,354)
<i>Net cash provided (used) by noncapital financing activities:</i>	<u>1,240,038</u>	<u>135,174</u>	<u>(716,748)</u>
<i>Cash flows from capital and related financing activities:</i>			
Acquisition of capital assets	(3,717)	(237,855)	(884,210)
Principal paid on capital debt	(510,000)	-	(12,000)
Interest paid on capital debt	(450,212)	-	(3,069)
<i>Net cash provided (used) by capital and related financing activities:</i>	<u>(963,929)</u>	<u>(237,855)</u>	<u>(899,279)</u>
<i>Cash flows from investing activities:</i>			
Investment purchases	(4,230)	-	-
Interest on investments	5,567	2,611	3,292
<i>Net cash provided (used) by investing activities</i>	<u>1,337</u>	<u>2,611</u>	<u>3,292</u>
<i>Net (decrease) increase in cash and cash equivalents</i>	464,420	(128,203)	491,011
<i>Cash and cash equivalents - beginning of year</i>	<u>365,105</u>	<u>1,164,952</u>	<u>2,167,987</u>
<i>Cash and cash equivalents - end of year</i>	<u>\$ 829,525</u>	<u>\$ 1,036,749</u>	<u>\$ 2,658,998</u>
<i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</i>			
Operating income (loss)	\$ (780,264)	\$ (127,116)	\$ 1,301,924
<i>Adjustments to reconcile operating (loss) to net cash (used) by operating activities:</i>			
Depreciation	968,139	234,590	617,585
Receivables	12,614	24,299	159,005
Inventory	-	-	-
Accounts payable	(18,918)	(144,764)	7,587
Accrued payroll expenses	3,257	(3,272)	9,665
Current accrued compensated absences	2,146	(9,240)	7,980
Landfill closure liability	-	(2,630)	-
<i>Net cash provided (used) by operating activities</i>	<u>\$ 186,974</u>	<u>\$ (28,133)</u>	<u>\$ 2,103,746</u>

The accompanying notes are an integral part of these financial statements



Nonmajor Proprietary Funds	Total
\$ 690,062	\$ 7,203,833
(171,557)	(2,016,135)
(642,028)	(3,048,634)
<u>(123,523)</u>	<u>2,139,064</u>
113,626	113,626
-	506,719
-	198,850
<u>161,623</u>	<u>114,518</u>
275,249	933,713
(298,799)	(1,424,581)
-	(522,000)
-	(453,281)
<u>(298,799)</u>	<u>(2,399,862)</u>
-	(4,230)
309	11,779
<u>309</u>	<u>7,549</u>
(146,764)	680,464
<u>172,343</u>	<u>3,870,387</u>
<u>\$ 25,579</u>	<u>\$ 4,550,851</u>
\$ (244,889)	\$ 149,655
140,092	1,960,406
(43,222)	152,696
(3,549)	(3,549)
41,388	(114,707)
(13,682)	(4,032)
339	1,225
-	(2,630)
<u>\$ (123,523)</u>	<u>\$ 2,139,064</u>

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**STATE OF NEW MEXICO**  
City of Artesia  
Statement of Fiduciary Assets and Liabilities  
Agency Funds  
June 30, 2013

Exhibit E-1

<i>Current Assets</i>	
Cash and cash equivalents	\$ 1,141,000
Stock investments	836,737
Investments-LGIP	516,450
Interest receivable	<u>20,650</u>
<i>Total assets</i>	<u><u>\$ 2,514,837</u></u>
 <i>Current Liabilities</i>	
Deposits held in trust for others	<u>\$ 2,514,837</u>
<i>Total liabilities</i>	<u><u>\$ 2,514,837</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, 2013

**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. During the year ended June 30, 2013, the City adopted GASB Statements No. 60 through 63. GASB Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements. The City does not have any Service Concession Arrangements. GASB Statement No. 61, The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34, modifies certain requirements for inclusion of component units in the financial reporting entity. GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in FASB and AICPA Pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources.

**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, 2013

**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.

In the prior year for financial reporting purposes the City of Artesia Public Housing Authority (Authority) was considered to be a discretely presented component unit of the City of Artesia. For fiscal year ending June 30, 2013, the Authority is not considered to be a component unit of the City of Artesia because it does not meet the requirements to be reported as a component unit of the City of Artesia as defined by Governmental Accounting Standards Board's (GASB) Statement 14 as amended by GASB Statement No. 61. The City appoints a voting majority of the Authority board members, but is not financially accountable for the Authority because it is not able to impose its will on the Authority as defined by GASB 14 paragraphs 25-26. With respect to the City of Artesia, the Authority is a related organization as defined by GASB 14 paragraph 68 and there is no other primary government accountable for it. Based on the criteria described above the City does not have any component units.

**B. *Government-wide and fund financial statements***

The government-wide financial statements (i.e., the Statement of Net Position and the Statement of Activities) report information on all of the 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 Position 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 Position, 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 Position is reported in three parts – net investment in capital assets, net of related debt; restricted net position; and unrestricted net position.

**STATE OF NEW MEXICO**  
City of Artesia  
Notes to Financial Statements  
June 30, 2013

**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, 2013

**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.

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

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, 2013

**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 Position or Equity***

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

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

Investments for the City are reported at fair value. 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  
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June 30, 2013

**NOTE 1. Summary of Significant Accounting Policies (continued)**

**D. Assets, Liabilities and Net Position 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, 2013, along with applicable PERA and Retiree Health Care.

**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.

**STATE OF NEW MEXICO**  
City of Artesia  
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**NOTE 1. Summary of Significant Accounting Policies (continued)**

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

**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 position.

**Long-term Obligations:** In the government-wide financial statements, and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. 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.

**Nonspendable Fund Balance:** At June 30, 2013, the City of Artesia did not have any nonspendable fund balance.

**Restricted and Committed Fund Balance:** At June 30, 2013, the City has presented restricted fund balance on the governmental funds balance sheet in the amount of \$1,556,284 for various City operations as restricted by enabling legislation. The City has also presented committed fund balances on the governmental fund balance sheet of \$10,051,909 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 62-63.

**STATE OF NEW MEXICO**  
City of Artesia  
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June 30, 2013

**NOTE 1. Summary of Significant Accounting Policies (continued)**

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

**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. This equals \$1,644,114 at June 30, 2013.

In the event that the Unassigned 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 Position and displayed in three components in the Government-wide Statements:

- a. Net investment in capital assets: Consist of 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 Position: Consist of 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 are for “special revenue, debt service, and capital projects” are described on pages 62-63.
- c. Unrestricted Net position: All other assets that do not meet the definition of “restricted” or “net investment in capital assets.”

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

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

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

**STATE OF NEW MEXICO**  
City of Artesia  
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June 30, 2013

**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, 2013 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, 2013

**NOTE 2. Stewardship, Compliance and Accountability (continued)**

*Budgetary Information (continued)*

	Excess (deficiency) of revenues over expenditures	
	Original	Final
	Budget	Budget
Budgeted Funds:		
Governmental Funds:		
General Fund	\$ 7,429,820	\$ 6,934,918
Capital Projects Fund	\$ (15,088,908)	\$ (17,843,306)
Other Governmental Funds	\$ 288,554	\$ 8,253
	Operating income (loss)	
	Original	Final
	Budget	Budget
Proprietary Funds:		
Waste Water Fund	\$ (78,066)	\$ (153,066)
Solid Waste Fund	\$ (127,506)	\$ (127,506)
Water Fund	\$ 1,405,880	\$ 1,179,880
Other Proprietary Funds	\$ (242,608)	\$ (224,536)

**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, 2013.

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.

By operation of federal law, beginning January 1, 2013, funds deposited in a noninterest-bearing transaction account (including an Interest on Lawyer Trust Account) no longer will receive unlimited deposit insurance coverage by the FDIC. Beginning January 1, 2013, all of the County's accounts at an insured depository institution, including all noninterest-bearing transaction accounts, will be insured by the FDIC up to the Standard Maximum Deposit Insurance Amount of \$250,000.

The collateral pledged is listed on Schedule III in this report. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, district or political subdivision of the State of New Mexico.

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**NOTE 3. Deposits and Investments (continued)**

*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, 2013, \$22,437,830, of the City’s bank balances of \$22,937,830 was exposed to custodial credit risk, \$11,186,415 was uninsured and collateralized by collateral held by the pledging bank’s trust department, not in the City’s name and \$11,251,415 of the City’s deposits were uninsured and uncollateralized.

	First American Bank	Western Bank	Total
	<u>                    </u>	<u>                    </u>	<u>                    </u>
Amount of deposits	\$ 22,296,415	\$ 641,415	\$ 22,937,830
FDIC Coverage	<u>(250,000)</u>	<u>(250,000)</u>	<u>(500,000)</u>
Total uninsured public funds	<u>22,046,415</u>	<u>391,415</u>	<u>22,437,830</u>
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the City's name	<u>10,795,000</u>	<u>391,415</u>	<u>11,186,415</u>
Uninsured and uncollateralized	<u><u>\$ 11,251,415</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 11,251,415</u></u>
Collateral requirement (50% of uninsured funds)	\$ 11,023,208	\$ 195,708	\$ 11,218,915
Pledged Collateral	<u>10,795,000</u>	<u>451,735</u>	<u>11,246,735</u>
Over (Under) collateralized	<u><u>\$ (228,208)</u></u>	<u><u>\$ 256,028</u></u>	<u><u>\$ 27,820</u></u>

**STATE OF NEW MEXICO**  
City of Artesia  
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**NOTE 3. Deposits and Investments (continued)**

Reconciliation to the Statement of Net Position

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

Cash and cash equivalents - Governmental Activities Exhibit A-1	\$	15,002,392
Cash and cash equivalents - Proprietary Funds Exhibit A-1		4,549,010
Restricted cash and cash equivalents - Governmental Activities Exhibit A-1		100,158
Restricted cash and cash equivalents - Proprietary Funds Exhibit A-1		1,841
Investments - Governmental Activities Exhibit A-1		16,055,243
Investments - Proprietary Funds Exhibit A-1		2,657,569
Cash - Statement of Fiduciary Assets and Liabilities - Exhibit E-1		1,141,000
Investments - Statement of Fiduciary Assets and Liabilities - Exhibit E-1		1,353,187
 Total cash, cash equivalents, and investments		 40,860,400
 Add: outstanding checks		 20,190,504
Less: deposits in transit		(18,043,740)
Less: investments held in NM State Treasurer's LGIP		(15,229,682)
Less: investments held in U.S. Treasury MM mutual fund		(3,999,580)
Less: stock investments		(836,737)
Less: petty cash		(3,335)
 Bank balance of deposits	 \$	 22,937,830

**Investments**

The City's investments at June 30, 2013 include the following:

<u>Investments</u>	<u>Rating</u>	<u>Weighted Average Maturity</u>	<u>Fair Value</u>
<i>New MexiGROW</i> LGIP	AAAm	59 Days	\$ 15,229,682
U.S Treasury Money Market Mutual Funds	AA+	>90 days	3,999,580
Stock Investments *	NA	NA	836,737
			\$ 20,065,999

\* Stock investments in the amount of \$836,737 are reported in the City's agency fund. Also a portion of the City's *New MexiGrow* LGIP investments in the amount of \$516,450 is also reported in the City's agency fund.

Total investments	\$	20,065,999
Less amounts reported in agency funds:		
Stock Investments		(836,737)
<i>New MexiGROW</i> LGIP		(516,450)
Total investments per Exhibit A-1		\$ 18,712,812

**STATE OF NEW MEXICO**  
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June 30, 2013

**NOTE 3. Deposits and Investments (continued)**

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, 2013, the City's investment in the State Treasurer Local Government Investment Pool was rated AAAM by Standard & Poor's.

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

*Concentration of Credit Risk – Investments.* For an investment, concentration credit risk is when any one issuer is 5% or more of the investment portfolio of the City. The investment in the U.S Treasury Money Market Mutual Funds represents 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 Position

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 \$1,353,187. This includes \$836,737 in stock investments and \$516,450 invested in the local growth investment pool



**STATE OF NEW MEXICO**  
City of Artesia  
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**NOTE 4. Receivables**

Governmental funds receivables as of June 30, 2013, are as follows:

	General Fund	Capital Improvements	Nonmajor Governmental Funds	Total
Property taxes	\$ 19,260	\$ -	\$ -	\$ 19,260
Other taxes:				
Gross receipts taxes	3,881,252	336,138	166,602	4,383,992
Franchise taxes	47,149	-	-	47,149
Gasoline & motor vehicle taxes	6,036	-	-	6,036
Other receivables:				
State sources	31,390	-	4,272	35,662
Local sources	84,878	-	-	84,878
Totals by category	<u>\$ 4,069,965</u>	<u>\$ 336,138</u>	<u>\$ 170,874</u>	<u>\$ 4,576,977</u>

The above receivables are deemed 100% collectible.

Proprietary fund receivables as of June 30, 2013, are as follows:

	Waste Water	Solid Waste	Water	Nonmajor Proprietary Funds	Total
Gross receipts taxes	\$ 43,125	\$ 43,125	\$ -	\$ -	\$ 86,250
Other receivables:					
Customer receivables	83,383	130,171	169,424	43,222	426,200
Allowance for doubtful accounts	(33,547)	(59,695)	(63,260)	-	(156,502)
Totals by category	<u>\$ 92,961</u>	<u>\$ 113,601</u>	<u>\$ 106,164</u>	<u>\$ 43,222</u>	<u>\$ 355,948</u>

**STATE OF NEW MEXICO**  
City of Artesia  
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June 30, 2013

**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, 2013 is as follows:

<b>Due from other funds</b>	<b>Due to other funds</b>	
General Fund	Airport Fund	\$ 211,401
General Fund	Lodgers Tax Fund	48,264
General Fund	Commission on Aging Fund	16,950
General Fund	CDBG Rehab Fund	3
		<u>\$ 276,618</u>

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

<b>Transfers out to other funds</b>	<b>Transfers in from other funds</b>	<b>Amount</b>
General Fund	Airport Fund	\$ 150,000
General Fund	Capital Improvement	6,516,466
General Fund	Commission on Aging Fund	181,065
General Fund	MGRT Infrastructure	1,988,059
General Fund	Public Safety Complex Bond Fund	1,456,937
Fire Fund	Capital Improvement	42,734
Law Enforcement Assistance	Capital Improvement	27,610
Lodger's Tax	Lodger's Tax Promotional	467,642
MGRT Infrastructure	Capital Improvement	489,009
MGRT Infrastructure	Public Safety Complex Bond Fund	960,213
Capital Improvement	General Fund	1,020,224
Public safety Complex Capital Projects Fund	General Fund	8
Public Safety Complex Bond	Waste Water Fund	960,212
Waste Water Fund	Capital Improvement	4,825
Solid Waste Fund	General Fund	45,000
Solid Waste Fund	Capital Improvement	237,855
Water Fund	Cemetery fund	2,053
Water Fund	Solid Waste Fund	78,560
Water Fund	Waste Water Fund	3,717
Water Fund	Capital Improvement	723,354
Airport Fund	Capital Improvement	197,777
Cemetery Fund	Capital Improvement	2,001
	<b>Total transfers</b>	<u><u>\$ 15,555,321</u></u>

**STATE OF NEW MEXICO**  
City of Artesia  
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June 30, 2013

**NOTE 6. Capital Assets**

A summary of capital assets and changes occurring during the year ended June 30, 2013, are as follows. Land and construction in progress are not subject to depreciation.

	<b>Balance June 30, 2012</b>	<b>Additions</b>	<b>Deletions</b>	<b>Balance June 30, 2013</b>
<b>Governmental activities:</b>				
Capital assets, not depreciated:				
Land	\$ 1,141,846	\$ -	\$ 30,718	\$ 1,111,128
Construction in progress	1,108,968	2,617,087	1,010,095	2,715,960
Total capital assets, not depreciated	<u>2,250,814</u>	<u>2,617,087</u>	<u>1,040,813</u>	<u>3,827,088</u>
Capital assets, depreciated:				
Buildings	30,534,756	86,328	-	30,621,084
Improvements	5,098,991	2,095,066	57,575	7,136,482
Infrastructure	32,517,256	601,428	-	33,118,684
Equipment	7,850,210	745,219	87,733	8,507,696
Total capital assets, depreciated	<u>76,001,213</u>	<u>3,528,041</u>	<u>145,308</u>	<u>79,383,946</u>
Less accumulated depreciation:				
Buildings	3,770,965	820,700	-	4,591,665
Improvements	1,715,006	187,690	34,911	1,867,785
Infrastructure	14,599,342	1,004,139	-	15,603,481
Equipment	4,971,821	585,015	83,857	5,472,979
Total accumulated depreciation	<u>25,057,134</u>	<u>2,597,544</u>	<u>118,768</u>	<u>27,535,910</u>
Net book value	<u>\$ 53,194,893</u>			<u>\$ 55,675,124</u>

Depreciation expense for the year ended June 30, 2013 was charged to governmental activities as follows:

General government	\$ 904,561
Culture and recreation	1,263,175
Public works	361,446
Public Safety	68,362
	<u>\$ 2,597,544</u>

**STATE OF NEW MEXICO**  
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**NOTE 6. Capital Assets (continued)**

	<b>Balance</b>			<b>Balance</b>
	<b>June 30, 2012</b>	<b>Additions</b>	<b>Deletions</b>	<b>June 30, 2013</b>
<b>Business-type activities:</b>				
Capital assets, not depreciated:				
Land	\$ 165,622	\$ -	\$ -	\$ 165,622
Construction in progress	87,853	3,834	27,644	64,043
<b>Total capital assets, not depreciated</b>	<b>253,475</b>	<b>3,834</b>	<b>27,644</b>	<b>229,665</b>
Capital assets, depreciated:				
Buildings	542,530	213,107	31,391	724,246
Improvements	457,364	7,270	-	464,634
Utility System	47,950,789	609,256	2,234	48,557,811
Airport Infrastructure	4,405,890	-	3,740	4,402,150
Equipment	4,640,368	615,041	6,591	5,248,818
<b>Total capital assets, depreciated</b>	<b>57,996,941</b>	<b>1,444,674</b>	<b>43,956</b>	<b>59,397,659</b>
Less accumulated depreciation:				
Buildings	405,064	12,369	4,891	412,542
Improvements	80,914	10,932	-	91,846
Utility System	16,231,576	1,523,145	-	17,754,721
Airport Infrastructure	2,762,710	104,846	3,740	2,863,816
Equipment	3,303,880	309,114	6,591	3,606,403
<b>Total accumulated depreciation</b>	<b>22,784,144</b>	<b>1,960,406</b>	<b>15,222</b>	<b>24,729,328</b>
<b>Net book value</b>	<b>\$ 35,466,272</b>			<b>\$ 34,897,996</b>

Depreciation expense for the year ended June 30, 2013 was charged to business-type activities as follows:

Waster Water	\$ 968,139
Solid Waste	234,590
Water	617,585
Airport	130,064
Cemetery	10,028
<b>Total</b>	<b>\$ 1,960,406</b>

**STATE OF NEW MEXICO**  
City of Artesia  
Notes to Financial Statements  
June 30, 2013

**NOTE 7. Long-term Debt**

**Governmental Activities**

During the year ended June 30, 2013, the following changes occurred in the liabilities reported in the government-wide Statement of Net Position:

	Balance June 30, 2012	Additions	Retirements	Balance June 30, 2013	Due Within One Year
Bonds	\$ 18,020,000	\$ -	\$ 815,000	\$ 17,205,000	\$ 830,000
Compensated Absences	450,924	1,259,583	1,198,424	512,083	512,083
<b>Total</b>	<b>\$ 18,470,924</b>	<b>\$ 1,259,583</b>	<b>\$ 2,013,424</b>	<b>\$ 17,717,083</b>	<b>\$ 1,342,083</b>

**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 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>\$ 17,205,000</u>

The annual requirements to amortize the revenue bonds as of June 30, 2013, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
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	925,000	511,216	1,436,216
2019-2023	5,145,000	2,096,274	7,241,274
2024-2028	6,260,000	1,068,700	7,328,700
2029	1,420,000	60,350	1,480,350
	<u>\$ 17,205,000</u>	<u>\$ 6,053,062</u>	<u>\$ 23,258,062</u>

**STATE OF NEW MEXICO**  
City of Artesia  
Notes to Financial Statements  
June 30, 2013

**NOTE 7. Long-term Debt (continued)**

**Business-type activities**

During the year ended June 30, 2013, the following changes occurred in the liabilities reported in the proprietary Statement of Net Position:

**Business type Activities:**

	Balance June 30, 2012	Retirements	Balance June 30, 2013	Due Within One Year
Bonds	\$ 11,761,000	\$ 522,000	\$ 11,239,000	\$ 538,000
Landfill Closure	41,120	2,630	38,490	-
Compensated Absences	69,491	156,428	70,686	70,686
<b>Total</b>	<b>\$ 11,871,611</b>	<b>\$ 681,058</b>	<b>\$ 11,348,176</b>	<b>\$ 608,686</b>

**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%	\$ 11,200,000
Drought Relief Bond	256,000	7/1/2017	5.000%	<u>39,000</u>
				<u><u>\$ 11,239,000</u></u>

The annual requirements to amortize the revenue bonds as of June 30, 2013, including interest payments, are as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2014	\$ 538,000	\$ 440,062	\$ 978,062
2015	553,000	423,712	976,712
2016	568,000	406,862	974,862
2017	575,000	388,862	963,862
2018	595,000	365,862	960,862
2019-2023	3,355,000	1,452,274	4,807,274
2024-2028	4,115,000	723,234	4,838,234
2029	940,000	39,950	979,950
	<u>\$ 11,239,000</u>	<u>\$ 4,240,818</u>	<u>\$ 15,479,818</u>

**STATE OF NEW MEXICO**  
City of Artesia  
Notes to Financial Statements  
June 30, 2013

**NOTE 7. Long-term Debt (continued)**

**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 \$38,490 as of June 30, 2013, 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, 2013. 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, 2013, 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 Position sufficient to cover the estimated remaining post-closure costs.

**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, 2013, 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](http://www.pera.state.nm.us).

**STATE OF NEW MEXICO**  
City of Artesia  
Notes to Financial Statements  
June 30, 2013

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

*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, 2013, 2012, and 2011 were \$807,721, \$778,935, and \$774,445, 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 has elected not to participate in the post employment health insurance plan.

**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, 2013, 2012, and 2011 were approximately \$403,543, \$374,837, and \$391,400, 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, 2013 is \$6,801,154.

**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.



**STATE OF NEW MEXICO**  
City of Artesia  
Notes to Financial Statements  
June 30, 2013

**NOTE 13. Contingent Liabilities**

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

The City is involved in various claims and lawsuits arising in the normal course of business. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City's legal counsel that resolution of these matters will not have a material adverse effect on the financial condition of the City.

**NOTE 14. Deficit Fund Balances and Budget Noncompliance Issues**

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

- A. Deficit fund balance of individual funds. The following funds reflected a deficit fund balance as of June 30, 2013:

Fire Fund	\$ (32)
Lodgers Tax Fund	(48,264)
Commission on Aging Fund	(24,525)
CDBG Rehab Fund	<u>(3)</u>
	<u><u>\$ (72,824)</u></u>

- B. Excess of expenditures over appropriations. The following funds exceeded approved budgetary authority for the year ended June 30, 2013:

None

- C. Designated cash appropriations. The following funds had designated cash appropriations in excess of available balances for the year ended June 30, 2013:

None

**NOTE 15. Subsequent Events**

The date to which events occurring after June 30, 2013, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosures is November 25, 2013 which is the date on which the financial statements were available to be issued. The City is not aware of any events requiring disclosure in the financial statements that took place subsequent to year-end.

**STATE OF NEW MEXICO**  
City of Artesia  
Notes to Financial Statements  
June 30, 2013

**NOTE 16. 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, 2013

**NOTE 16. 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.

**NOTE 17. Restricted Net Position**

The government-wide Statement of Net Position reports \$1,557,322 of restricted net position, all of which is restricted by enabling legislation. For descriptions of the related enabling legislation for special revenue, and debt service funds, see pages 62-63.

**NOTE 18. Subsequent Pronouncements**

In March 2012, GASB Statement No. 65 *Items Previously Reported as Assets and Liabilities*, Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged. The standard will be implemented during fiscal year June 30, 2014.

In June 2012, GASB Statement No. 67 *Financial Reporting for Pension Plans—an amendment of GASB Statement No. 25*, Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2013. Earlier application is encouraged. The City is current evaluating the potential impact on the City in upcoming years.

In June 2012, GASB Statement No. 68 *Accounting and Financial Reporting for Pensions—an amendment of GASB Statement No. 27*, Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014. Earlier application is encouraged. The City will implement this standard during the fiscal year June 30, 2016.

In January 2013, GASB Statement No. 69 *Government Combinations and Disposals of Government Operations*, Effective Date: The requirements of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013. Earlier application is encouraged. The provisions of this Statement generally are required to be applied prospectively. The City is still evaluating how this reporting standard will affect the City.

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**SUPPLEMENTARY INFORMATION**

**STATE OF NEW MEXICO**  
City of Artesia  
Nonmajor Fund Descriptions  
June 30, 2013

**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, NMSA, 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.

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.

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.

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.

**STATE OF NEW MEXICO**  
City of Artesia  
Nonmajor Fund Descriptions  
June 30, 2013

**Capital Projects Funds**

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, 2013

	Special Revenue		
	Municipal Court		
	Fees	EMS Grant	Fire Fund
<i>Assets</i>			
Cash and cash equivalents	\$ 100,993	\$ -	\$ -
Investments	200,000	-	-
Receivables:			
Other taxes	-	-	-
Other receivables	4,272	-	-
<i>Total assets</i>	\$ 305,265	\$ -	\$ -
<i>Liabilities</i>			
Accounts payable	\$ 7,116	\$ -	\$ 32
Accrued payroll	-	-	-
Due to other funds	-	-	-
<i>Total liabilities</i>	7,116	-	32
<i>Spendable</i>			
Restricted for:			
Municipal court	298,149	-	-
Law enforcement	-	-	-
Library	-	-	-
Promotional activities	-	-	-
Road projects	-	-	-
Community development	-	-	-
Forfeited assets	-	-	-
Debt service	-	-	-
Committed for:			
Land lease	-	-	-
Infrastructure revenues	-	-	-
Economic development	-	-	-
Unassigned	-	-	(32)
<i>Total fund balances</i>	298,149	-	(32)
<i>Total liabilities and fund balances</i>	\$ 305,265	\$ -	\$ -

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
\$ 12,190	\$ 1,491	\$ -	\$ 498,717	\$ 563,901	\$ -
-	41,000	-	-	27,067	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 12,190</u>	<u>\$ 42,491</u>	<u>\$ -</u>	<u>\$ 498,717</u>	<u>\$ 590,968</u>	<u>\$ -</u>
\$ -	\$ 50	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	48,264	-	-	-
-	<u>50</u>	<u>48,264</u>	-	-	-
-	-	-	-	-	-
12,190	-	-	-	-	-
-	42,441	-	-	-	-
-	-	-	498,717	-	-
-	-	-	-	590,968	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	(48,264)	-	-	-
<u>12,190</u>	<u>42,441</u>	<u>(48,264)</u>	<u>498,717</u>	<u>590,968</u>	<u>-</u>
<u>\$ 12,190</u>	<u>\$ 42,491</u>	<u>\$ -</u>	<u>\$ 498,717</u>	<u>\$ 590,968</u>	<u>\$ -</u>

**STATE OF NEW MEXICO**  
City of Artesia  
Nonmajor Governmental Funds  
Combining Balance Sheet  
June 30, 2013

	Special Revenue		
	2000 CDBG Grant	Commission on Aging Fund	Federal Forfeitures
<i>Assets</i>			
Cash and cash equivalents	\$ 20	\$ -	\$ 129
Investments	-	-	-
Receivables:			
Other taxes	-	-	-
Other receivables	-	-	-
<i>Total assets</i>	\$ 20	\$ -	\$ 129
<i>Liabilities</i>			
Accounts payable	\$ -	\$ -	\$ -
Accrued payroll	-	7,575	-
Due to other funds	-	16,950	-
<i>Total liabilities</i>	-	24,525	-
<i>Spendable</i>			
Restricted for:			
Municipal court	-	-	-
Law enforcement	-	-	-
Library	-	-	-
Promotional activities	-	-	-
Road projects	-	-	-
Community development	20	-	-
Forfeited assets	-	-	129
Debt service	-	-	-
Committed for:			
Land lease	-	-	-
Infrastructure revenues	-	-	-
Economic development	-	-	-
Unassigned	-	(24,525)	-
<i>Total fund balances</i>	20	(24,525)	129
<i>Total liabilities and fund balances</i>	\$ 20	\$ -	\$ 129

The accompanying notes are an integral part of these financial statements

Special Revenue					Capital Projects
State and Local Forfeitures	Industrial Park Fund	Annexation Assessment	MGRT Infrastructure	MGRT Economic Development	Public Safety Complex Capital Projects Fund
\$ 12,709	\$ 220,051	\$ 10,438	\$ 3,560,947	\$ 874,614	\$ -
-	206,000	-	-	767,813	-
-	-	-	124,951	41,651	-
-	-	-	-	-	-
<u>\$ 12,709</u>	<u>\$ 426,051</u>	<u>\$ 10,438</u>	<u>\$ 3,685,898</u>	<u>\$ 1,684,078</u>	<u>\$ -</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
12,709	-	-	-	-	-
-	-	-	-	-	-
-	426,051	-	-	-	-
-	-	-	3,685,898	-	-
-	-	10,438	-	1,684,078	-
-	-	-	-	-	-
<u>12,709</u>	<u>426,051</u>	<u>10,438</u>	<u>3,685,898</u>	<u>1,684,078</u>	<u>-</u>
<u>\$ 12,709</u>	<u>\$ 426,051</u>	<u>\$ 10,438</u>	<u>\$ 3,685,898</u>	<u>\$ 1,684,078</u>	<u>\$ -</u>

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**STATE OF NEW MEXICO**  
City of Artesia  
Nonmajor Governmental Funds  
Combining Balance Sheet  
June 30, 2013

	<u>Capital Projects</u>	<u>Debt Service</u>	
	CDBG Rehab Fund	Public Safety Complex Bond	Total Nonmajor Governmental Funds
<i>Assets</i>			
Cash and cash equivalents	\$ -	\$ 100,961	\$ 5,957,161
Investments	-	-	1,241,880
Receivables:			
Other taxes	-	-	166,602
Other receivables	-	-	4,272
<i>Total assets</i>	<u>\$ -</u>	<u>\$ 100,961</u>	<u>\$ 7,369,915</u>
<i>Liabilities</i>			
Accounts payable		\$ -	\$ 7,198
Accrued payroll	-	-	7,575
Due to other funds	3	-	65,217
<i>Total liabilities</i>	<u>3</u>	<u>-</u>	<u>79,990</u>
<i>Spendable</i>			
Restricted for:			
Municipal court	-	-	298,149
Law enforcement	-	-	12,190
Library	-	-	42,441
Promotional activities	-	-	498,717
Road and capital projects	-	-	590,968
Community development	-	-	20
Forfeited assets	-	-	12,838
Debt service	-	100,961	100,961
Committed for:			
Land lease	-	-	426,051
Infrastructure revenues	-	-	3,685,898
Economic development	-	-	1,694,516
Unassigned	(3)	-	(72,824)
<i>Total fund balances</i>	<u>(3)</u>	<u>100,961</u>	<u>7,289,925</u>
<i>Total liabilities and fund balances</i>	<u>\$ -</u>	<u>\$ 100,961</u>	<u>\$ 7,369,915</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
City of Artesia  
Nonmajor Governmental Funds  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
For the Year Ended June 30, 2013

	Special Revenue		
	Municipal Court Fees	EMS Grant	Fire Fund
<i>Revenues</i>			
Taxes:			
Gross receipts	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-
Other	-	-	-
Intergovernmental income:			
State operating grants	-	10,217	153,074
Local sources	-	-	-
Charges for services	52,718	-	-
Licenses and fees	-	-	-
Investment income (loss)	310	-	-
Miscellaneous	-	-	-
<i>Total revenues</i>	<u>53,028</u>	<u>10,217</u>	<u>153,074</u>
<i>Expenditures</i>			
Current:			
General government	64,624	-	-
Public safety	-	10,217	122,790
Culture and recreation	-	-	-
Capital outlay	-	-	-
Debt service:			
Principal	-	-	-
Interest and fees	-	-	-
<i>Total expenditures</i>	<u>64,624</u>	<u>10,217</u>	<u>122,790</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(11,596)</u>	<u>-</u>	<u>30,284</u>
<i>Other financing sources (uses)</i>			
Transfer in	-	-	-
Transfers (out)	-	-	(42,734)
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>(42,734)</u>
<i>Net change in fund balances</i>	(11,596)	-	(12,450)
<i>Fund balances - beginning of year</i>	<u>309,745</u>	<u>-</u>	<u>12,418</u>
<i>Fund balances - end of year</i>	<u>\$ 298,149</u>	<u>\$ -</u>	<u>\$ (32)</u>

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
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	325,432	-
-	-	381,533	-	-	-
33,130	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	7,504
-	-	-	-	-	-
-	31	-	-	42	-
6,670	-	-	-	-	-
<u>39,800</u>	<u>31</u>	<u>381,533</u>	<u>-</u>	<u>325,474</u>	<u>7,504</u>
-	1,482	-	199,792	-	-
-	-	-	-	-	-
-	-	-	-	-	14,163
-	-	-	-	-	-
-	-	-	-	-	-
-	<u>1,482</u>	<u>-</u>	<u>199,792</u>	<u>-</u>	<u>14,163</u>
<u>39,800</u>	<u>(1,451)</u>	<u>381,533</u>	<u>(199,792)</u>	<u>325,474</u>	<u>(6,659)</u>
-	-	-	467,642	-	-
<u>(27,610)</u>	<u>-</u>	<u>(467,642)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(27,610)</u>	<u>-</u>	<u>(467,642)</u>	<u>467,642</u>	<u>-</u>	<u>-</u>
12,190	(1,451)	(86,109)	267,850	325,474	(6,659)
-	43,892	37,845	230,867	265,494	6,659
<u>\$ 12,190</u>	<u>\$ 42,441</u>	<u>\$ (48,264)</u>	<u>\$ 498,717</u>	<u>\$ 590,968</u>	<u>\$ -</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, 2013

	Special Revenue		
	2000 CDBG Grant	Commission on Aging Fund	Federal Forfeitures
<i>Revenues</i>			
Taxes:			
Gross receipts	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-
Other	-	-	-
Intergovernmental income:			
State operating grants	-	23,272	-
Local sources	-	-	-
Charges for services	-	-	-
Licenses and fees	-	-	-
Investment income (loss)	-	-	-
Miscellaneous	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>23,272</u>	<u>-</u>
<i>Expenditures</i>			
Current:			
General government	-	228,862	-
Public safety	-	-	-
Culture and recreation	-	-	-
Capital outlay	-	-	-
Debt service:			
Principal	-	-	-
Interest and fees	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>228,862</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>(205,590)</u>	<u>-</u>
<i>Other financing sources (uses)</i>			
Transfer in	-	181,065	-
Transfers (out)	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>181,065</u>	<u>-</u>
<i>Net change in fund balances</i>	-	(24,525)	-
<i>Fund balances - beginning of year</i>	<u>20</u>	<u>-</u>	<u>129</u>
<i>Fund balances - end of year</i>	<u>\$ 20</u>	<u>\$ (24,525)</u>	<u>\$ 129</u>

The accompanying notes are an integral part of these financial statements



Special Revenue					Capital Projects
State and Local Forfeitures	Industrial Park Fund	Annexation Assessment	MGRT Infrastructure	MGRT Economic Development	Public safety Complex Capital Projects Fund
\$ -	\$ -	\$ -	\$ 1,363,343	\$ 454,448	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
2,233	-	-	-	10,000	-
-	-	-	-	-	-
-	84,293	-	-	-	-
-	-	5,546	-	-	-
-	491	-	1,854	1,906	-
-	-	-	210,552	-	-
<u>2,233</u>	<u>84,784</u>	<u>5,546</u>	<u>1,575,749</u>	<u>466,354</u>	<u>-</u>
-	-	-	-	177,998	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	177,998	-
<u>2,233</u>	<u>84,784</u>	<u>5,546</u>	<u>1,575,749</u>	<u>288,356</u>	<u>-</u>
-	-	-	1,988,059	-	-
-	-	-	(1,449,222)	-	(8)
-	-	-	538,837	-	(8)
2,233	84,784	5,546	2,114,586	288,356	(8)
<u>10,476</u>	<u>341,267</u>	<u>4,892</u>	<u>1,571,312</u>	<u>1,395,722</u>	<u>8</u>
<u>\$ 12,709</u>	<u>\$ 426,051</u>	<u>\$ 10,438</u>	<u>\$ 3,685,898</u>	<u>\$ 1,684,078</u>	<u>\$ -</u>

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**STATE OF NEW MEXICO**  
City of Artesia  
Nonmajor Governmental Funds  
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances  
For the Year Ended June 30, 2013

Statement A-2  
Page 3 of 3

	<u>Capital Projects</u>	<u>Debt Service</u>	<u>Total Nonmajor Governmental Funds</u>
	<u>CDBG Rehab Fund</u>	<u>Public Safety Complex Bond</u>	
<i>Revenues</i>			
Taxes:			
Gross receipts	\$ -	\$ -	\$ 1,817,791
Gasoline and motor vehicle	-	-	325,432
Other	-	-	381,533
Intergovernmental income:			
State operating grants	-	-	231,926
Local sources	-	-	-
Charges for services	-	-	144,515
Licenses and fees	-	-	5,546
Investment income (loss)	-	-	4,634
Miscellaneous	-	-	217,222
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>3,128,599</u>
<i>Expenditures</i>			
Current:			
General government	3	-	672,761
Public safety	-	-	133,007
Culture and recreation	-	-	14,163
Capital outlay	-	-	-
Debt service:			
Principal	-	815,000	815,000
Interest and fees	-	641,135	641,135
<i>Total expenditures</i>	<u>3</u>	<u>1,456,135</u>	<u>2,276,066</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(3)</u>	<u>(1,456,135)</u>	<u>852,533</u>
<i>Other financing sources (uses)</i>			
Transfer in	-	2,417,150	5,053,916
Transfers (out)	-	(960,212)	(2,947,428)
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>1,456,938</u>	<u>2,106,488</u>
<i>Net change in fund balances</i>	(3)	803	2,959,021
<i>Fund balances - beginning of year</i>	<u>-</u>	<u>100,158</u>	<u>4,330,904</u>
<i>Fund balances - end of year</i>	<u>\$ (3)</u>	<u>\$ 100,961</u>	<u>\$ 7,289,925</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO**  
City of Artesia  
Combining Statement of Net Position  
Nonmajor Proprietary Funds  
June 30, 2013

Statement B-1

	Airport Fund	Cemetery Fund	Total
<i>Assets</i>			
<i>Current assets</i>			
Cash and cash equivalents	\$ -	\$ 25,579	\$ 25,579
Investments	-	200,000	200,000
Receivables:			
Other	43,222	-	43,222
Inventory	48,341	-	48,341
<i>Total current assets</i>	91,563	225,579	317,142
 <i>Noncurrent assets</i>			
Capital assets	5,771,116	347,926	6,119,042
Less: accumulated depreciation	(3,514,306)	(188,236)	(3,702,542)
<i>Total noncurrent assets</i>	2,256,810	159,690	2,416,500
 <i>Total assets</i>	\$ 2,348,373	\$ 385,269	\$ 2,733,642
 <i>Liabilities and net position</i>			
<i>Liabilities:</i>			
<i>Current liabilities</i>			
Accounts payable	\$ 41,485	\$ 10,970	\$ 52,455
Accrued payroll	6,156	-	6,156
Due to other funds	211,401	-	211,401
Current portion of compensated absences	6,435	-	6,435
<i>Total current liabilities</i>	265,477	10,970	276,447
 <i>Total liabilities</i>	265,477	10,970	276,447
 <i>Net position:</i>			
Net investment in capital assets	2,256,810	159,690	2,416,500
Unrestricted net position	(173,914)	214,609	40,695
 <i>Total net position</i>	2,082,896	374,299	2,457,195
 <i>Total liabilities and net position</i>	\$ 2,348,373	\$ 385,269	\$ 2,733,642

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 Position  
 Nonmajor Proprietary Funds  
 For the Year Ended June 30, 2013

	Airport Fund	Cemetery Fund	Total
<i>Operating revenues:</i>			
Charges for services	\$ 655,866	\$ 77,418	\$ 733,284
<i>Total operating revenues</i>	<u>655,866</u>	<u>77,418</u>	<u>733,284</u>
<i>Operating expenses:</i>			
Personnel services	158,199	15	158,214
Contractual services	2,787	-	2,787
Supplies	834	1,925	2,759
Maintenance and materials	23,391	20,736	44,127
Utilities	7,922	16,457	24,379
Equipment	-	-	-
Depreciation	130,064	10,028	140,092
Miscellaneous	599,145	6,670	605,815
<i>Total operating expenses</i>	<u>922,342</u>	<u>55,831</u>	<u>978,173</u>
<i>Operating income (loss)</i>	<u>(266,476)</u>	<u>21,587</u>	<u>(244,889)</u>
<i>Non-operating revenues (expenses):</i>			
Gain (loss) on sale of capital assets	(26,500)	-	(26,500)
Interest income	-	308	308
<i>Total non-operating revenues (expenses)</i>	<u>(26,500)</u>	<u>308</u>	<u>(26,192)</u>
<i>Income (loss) before contributions and transfers</i>	<u>(292,976)</u>	<u>21,895</u>	<u>(271,081)</u>
Governmental contributions	113,626	-	113,626
Transfers in	150,000	2,053	152,053
Transfers (out)	(197,777)	(2,001)	(199,778)
<i>Grants and net transfers</i>	<u>65,849</u>	<u>52</u>	<u>65,901</u>
<i>Change in net position</i>	<u>(227,127)</u>	<u>21,947</u>	<u>(205,180)</u>
<i>Net position - beginning of year</i>	<u>2,310,023</u>	<u>352,352</u>	<u>2,662,375</u>
<i>Net position - end of year</i>	<u>\$ 2,082,896</u>	<u>\$ 374,299</u>	<u>\$ 2,457,195</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, 2013

	Airport Fund	Cemetery Fund	Total
<i>Cash flows from operating activities:</i>			
Cash received from user charges	\$ 612,644	\$ 77,418	\$ 690,062
Cash payments to employees for services	(171,542)	(15)	(171,557)
Cash payments to suppliers for goods and services	(605,020)	(37,008)	(642,028)
<i>Net cash provided (used) by operating activities</i>	<u>(163,918)</u>	<u>40,395</u>	<u>(123,523)</u>
<i>Cash flows from noncapital financing activities:</i>			
Governmental contributions	113,626	-	113,626
Internal transfers and loans	163,624	(2,001)	161,623
<i>Net cash provided (used) by noncapital financing activities:</i>	<u>277,250</u>	<u>(2,001)</u>	<u>275,249</u>
<i>Cash flows from capital and related financing activities:</i>			
Acquisition of capital assets	(214,940)	(83,859)	(298,799)
<i>Net cash provided (used) by capital and related financing activities:</i>	<u>-</u>	<u>(83,859)</u>	<u>(298,799)</u>
<i>Cash flows from investing activities:</i>			
Interest on investments	-	309	309
<i>Net cash provided by investing activities</i>	<u>-</u>	<u>309</u>	<u>309</u>
<i>Net decrease in cash and cash equivalents</i>	<u>(101,608)</u>	<u>(45,156)</u>	<u>(146,764)</u>
<i>Cash and cash equivalents - beginning of year</i>	<u>101,608</u>	<u>70,735</u>	<u>172,343</u>
<i>Cash and cash equivalents - end of year</i>	<u>\$ -</u>	<u>25,579</u>	<u>\$ 25,579</u>
<i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</i>			
Operating income (loss)	\$ (266,476)	\$ 21,587	\$ (244,889)
Adjustments to reconcile operating (loss) to net cash (used) by operating activities:			
Depreciation	130,064	10,028	140,092
Changes in assets and liabilities:			
Receivables	(43,222)	-	(43,222)
Inventory	(3,549)	-	(3,549)
Accounts payable	32,608	8,780	41,388
Accrued payroll expenses	(13,682)	-	(13,682)
Current accrued compensated absences	339	-	339
<i>Net cash provided (used) by operating activities</i>	<u>\$ (163,918)</u>	<u>\$ 40,395</u>	<u>\$ (123,523)</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, 2013

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-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	-	-	-	-
Charges for services	52,000	52,000	48,446	(3,554)
Fines and forfeitures	-	-	-	-
Investment income	350	350	310	(40)
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>52,350</u>	<u>52,350</u>	<u>48,756</u>	<u>(3,594)</u>
<i>Expenditures</i>				
Current:				
General government	112,000	112,000	57,508	54,492
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>112,000</u>	<u>112,000</u>	<u>57,508</u>	<u>54,492</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(59,650)</u>	<u>(59,650)</u>	<u>(8,752)</u>	<u>50,898</u>
<i>Other financing sources (uses)</i>				
Designated cash	59,650	59,650	-	(59,650)
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>59,650</u>	<u>59,650</u>	<u>-</u>	<u>(59,650)</u>
<i>Net change in fund balance</i>	-	-	(8,752)	(8,752)
<i>Fund balance - beginning of year</i>	-	-	309,744	309,744
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 300,992</u>	<u>\$ 300,992</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ (8,752)
Adjustments to revenues for receivables				4,272
Adjustments to expenditures for supplies and other expenditures				(7,116)
Net change in fund balance (GAAP basis)				<u>\$ (11,596)</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, 2013

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	16,100	12,978	10,989	(1,989)
State capital grants	-	-	-	-
Local sources	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>16,100</u>	<u>12,978</u>	<u>10,989</u>	<u>(1,989)</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	16,100	12,978	10,989	1,989
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>16,100</u>	<u>12,978</u>	<u>10,989</u>	<u>1,989</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	-	-	-	-
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>	<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				(772)
Adjustments to expenditures for vehicle maintenance				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, 2013

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	155,758	155,758	153,074	(2,684)
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>153,074</u>	<u>(2,684)</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	123,074	125,907	125,888	19
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>123,074</u>	<u>125,907</u>	<u>125,888</u>	<u>19</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>32,684</u>	<u>29,851</u>	<u>27,186</u>	<u>(2,665)</u>
<i>Other financing sources (uses)</i>				
Designated cash	12,862	12,883	-	(12,883)
Transfers in	-	-	-	-
Transfers (out)	(45,546)	(42,734)	(42,734)	-
<i>Total other financing sources (uses)</i>	<u>(32,684)</u>	<u>(29,851)</u>	<u>(42,734)</u>	<u>(12,883)</u>
<i>Net change in fund balance</i>	-	-	(15,548)	(15,548)
<i>Fund balance - beginning of year</i>	-	-	15,549	15,549
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1</u>	<u>\$ 1</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ (15,548)
No adjustments to revenues				-
Adjustments to expenditures for per diem and maintenance expenditures				3,098
Net change in fund balance (GAAP basis)				<u>\$ (12,450)</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, 2013

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	39,800	39,800	39,800	-
State capital grants	-	-	-	-
Local sources	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>39,800</u>	<u>39,800</u>	<u>39,800</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>39,800</u>	<u>39,800</u>	<u>39,800</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash	-	-	-	-
Transfers in	-	-	-	-
Transfers (out)	(39,800)	(39,800)	(27,610)	12,190
<i>Total other financing sources (uses)</i>	<u>(39,800)</u>	<u>(39,800)</u>	<u>(27,610)</u>	<u>12,190</u>
<i>Net change in fund balance</i>	-	-	12,190	12,190
<i>Fund balance - beginning of year</i>	-	-	-	-
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,190</u>	<u>\$ 12,190</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ 12,190
Adjustments to revenues for state grants				(6,670)
Adjustments to expenditures for miscellaneous expenditures				6,670
Net change in fund balance (GAAP basis)				<u>\$ 12,190</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, 2013

	Budgeted Amounts		Actual	Variences
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Local sources	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Investment income	100	100	31	(69)
Miscellaneous	500	500	-	(500)
<i>Total revenues</i>	<u>600</u>	<u>600</u>	<u>31</u>	<u>(569)</u>
<i>Expenditures</i>				
Current:				
General government	1,036	1,451	1,450	1
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>1,036</u>	<u>1,451</u>	<u>1,450</u>	<u>1</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(436)</u>	<u>(851)</u>	<u>(1,419)</u>	<u>(568)</u>
<i>Other financing sources (uses)</i>				
Designated cash	436	851	-	(851)
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>436</u>	<u>851</u>	<u>-</u>	<u>(851)</u>
<i>Net change in fund balance</i>	-	-	(1,419)	(1,419)
<i>Fund balance - beginning of year</i>	-	-	43,910	43,910
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,491</u>	<u>\$ 42,491</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ (1,419)
No adjustments to revenues				-
Adjustments to expenditures for library expenditures				(32)
Net change in fund balance (GAAP basis)				<u>\$ (1,451)</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, 2013

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	1,030,019	930,000	410,019	(519,981)
Intergovernmental income:				
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>1,030,219</u>	<u>930,200</u>	<u>410,019</u>	<u>(520,181)</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>1,030,219</u>	<u>930,200</u>	<u>410,019</u>	<u>(520,181)</u>
<i>Other financing sources (uses)</i>				
Designated cash	(425,719)	(152,557)	-	152,557
Transfers in	-	-	-	-
Transfers (out)	(604,500)	(777,643)	(467,642)	310,001
<i>Total other financing sources (uses)</i>	<u>(1,030,219)</u>	<u>(930,200)</u>	<u>(467,642)</u>	<u>462,558</u>
<i>Net change in fund balance</i>	-	-	(57,623)	(57,623)
<i>Fund balance - beginning of year</i>	-	-	9,359	9,359
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (48,264)</u>	<u>\$ (48,264)</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ (57,623)
Adjustments to revenues for lodgers tax revenues				(28,486)
No Adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ (86,109)</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, 2013

	Budgeted Amounts		Actual	Variations
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
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	299,500	310,000	199,792	110,208
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>299,500</u>	<u>310,000</u>	<u>199,792</u>	<u>110,208</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(299,500)</u>	<u>(310,000)</u>	<u>(199,792)</u>	<u>110,208</u>
<i>Other financing sources (uses)</i>				
Designated cash	(1,011,689)	(828,000)	-	828,000
Transfers in	1,413,189	1,240,000	467,642	(772,358)
Transfers (out)	(102,000)	(102,000)	-	102,000
<i>Total other financing sources (uses)</i>	<u>299,500</u>	<u>310,000</u>	<u>467,642</u>	<u>157,642</u>
<i>Net change in fund balance</i>	-	-	267,850	267,850
<i>Fund balance - beginning of year</i>	-	-	230,867	230,867
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 498,717</u>	<u>\$ 498,717</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ 267,850
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ 267,850</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, 2013

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	380,000	380,000	391,666	11,666
Other	-	-	-	-
Intergovernmental income:				
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Local sources	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Investment income	-	-	42	42
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>380,000</u>	<u>380,000</u>	<u>391,708</u>	<u>11,708</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>380,000</u>	<u>380,000</u>	<u>391,708</u>	<u>11,708</u>
<i>Other financing sources (uses)</i>				
Designated cash	(80,000)	(80,000)	-	80,000
Transfers in	-	-	-	-
Transfers (out)	(300,000)	(300,000)	-	300,000
<i>Total other financing sources (uses)</i>	<u>(380,000)</u>	<u>(380,000)</u>	<u>-</u>	<u>380,000</u>
<i>Net change in fund balance</i>	-	-	391,708	391,708
<i>Fund balance - beginning of year</i>	-	-	199,260	199,260
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 590,968</u>	<u>\$ 590,968</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ 391,708
Adjustments to revenues for gasoline tax				(66,234)
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ 325,474</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, 2013

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income:				
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	-	-	-	-
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>	<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 charges for services				(14,163)
Adjustments to expenditures for payroll and other expenditures				7,504
Net change in fund balance (GAAP basis)				<u>\$ (6,659)</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, 2013

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental income:				
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	-	-	-	-
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, 2013

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	48,457	48,457	33,687	(14,770)
State capital grants	-	-	-	-
Local sources	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>48,457</u>	<u>48,457</u>	<u>33,687</u>	<u>(14,770)</u>
<i>Expenditures</i>				
Current:				
General government	359,914	476,397	215,402	260,995
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	6,926	(6,926)
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>359,914</u>	<u>476,397</u>	<u>222,328</u>	<u>254,069</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(311,457)</u>	<u>(427,940)</u>	<u>(188,641)</u>	<u>239,299</u>
<i>Other financing sources (uses)</i>				
Designated cash	(71,908)	287,385	-	(287,385)
Transfers in	383,365	140,555	181,065	40,510
Transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>311,457</u>	<u>427,940</u>	<u>181,065</u>	<u>(246,875)</u>
<i>Net change in fund balance</i>	-	-	(7,576)	(7,576)
<i>Fund balance - beginning of year</i>	-	-	(9,375)	(9,375)
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (16,951)</u>	<u>\$ (16,951)</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ (7,576)
Adjustments to revenues for state grant revenues				(10,414)
Adjustments to expenditures for salaries, and other miscellaneous expenses				(6,535)
Net change in fund balance (GAAP basis)				<u>\$ (24,525)</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement C-12

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, 2013

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
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	-	-	-	-
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	-	-	-	-
<i>Fund balance - beginning of year</i>	-	-	129	129
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 129</u>	<u>\$ 129</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ -
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement C-13

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, 2013

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	(Unfavorable) Favorable Final to Actual
<i>Revenues</i>				
Taxes:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
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	-	-	2,233	2,233
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>2,233</u>	<u>2,233</u>
<i>Expenditures</i>				
Current:				
General government	165	165	-	165
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>165</u>	<u>165</u>	<u>-</u>	<u>165</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(165)</u>	<u>(165)</u>	<u>2,233</u>	<u>2,398</u>
<i>Other financing sources (uses)</i>				
Designated cash	165	165	-	(165)
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>165</u>	<u>165</u>	<u>-</u>	<u>(165)</u>
<i>Net change in fund balance</i>	-	-	2,233	2,233
<i>Fund balance - beginning of year</i>	-	-	10,476	10,476
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,709</u>	<u>\$ 12,709</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ 2,233
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ 2,233</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement C-14

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, 2013

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Local sources	-	-	-	-
Charges for services	77,500	77,500	84,293	6,793
Fines and forfeitures	-	-	-	-
Investment income	500	500	491	(9)
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>78,000</u>	<u>78,000</u>	<u>84,784</u>	<u>6,784</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>84,784</u>	<u>6,784</u>
<i>Other financing sources (uses)</i>				
Designated 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>	-	-	84,784	84,784
<i>Fund balance - beginning of year</i>	-	-	341,267	341,267
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 426,051</u>	<u>\$ 426,051</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ 84,784
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ 84,784</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement C-15

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, 2013

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Intergovernmental income:				
State operating grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	6,000	6,000	5,546	(454)
Fines and forfeitures	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>6,000</u>	<u>6,000</u>	<u>5,546</u>	<u>(454)</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>6,000</u>	<u>6,000</u>	<u>5,546</u>	<u>(454)</u>
<i>Other financing sources (uses)</i>				
Designated cash	(6,000)	(6,000)	-	6,000
Transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(6,000)</u>	<u>(6,000)</u>	<u>-</u>	<u>6,000</u>
<i>Net change in fund balance</i>	-	-	5,546	5,546
<i>Fund balance - beginning of year</i>	-	-	4,892	4,892
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,438</u>	<u>\$ 10,438</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ 5,546
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ 5,546</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement C-16

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, 2013

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	1,440,000	1,440,000	1,491,045	51,045
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Local sources	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Investment income	150	150	1,854	1,704
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>1,440,150</u>	<u>1,440,150</u>	<u>1,492,899</u>	<u>52,749</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>1,440,150</u>	<u>1,440,150</u>	<u>1,492,899</u>	<u>52,749</u>
<i>Other financing sources (uses)</i>				
Designated cash	259,887	600,623	-	(600,623)
Transfers in	3,888,880	3,882,940	1,988,059	(1,894,881)
Transfers (out)	(5,588,917)	(5,923,713)	(1,449,222)	4,474,491
<i>Total other financing sources (uses)</i>	<u>(1,440,150)</u>	<u>(1,440,150)</u>	<u>538,837</u>	<u>1,978,987</u>
<i>Net change in fund balance</i>	-	-	2,031,736	2,031,736
<i>Fund balance - beginning of year</i>	-	-	1,529,210	1,529,210
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,560,946</u>	<u>\$ 3,560,946</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ 2,031,736
Adjustments to revenues for infrastructure costs				(127,702)
Adjustments to expenditures for capital outlay				210,552
Net change in fund balance (GAAP basis)				<u>\$ 2,114,586</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement C-17

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, 2013

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	480,000	480,000	497,015	17,015
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	30,000	-	10,000	10,000
State capital grants	-	-	-	-
Local sources	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Investment income	1,500	1,500	1,906	406
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>511,500</u>	<u>481,500</u>	<u>508,921</u>	<u>27,421</u>
<i>Expenditures</i>				
Current:				
General government	141,441	142,998	142,998	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	35,000	35,000	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>141,441</u>	<u>177,998</u>	<u>177,998</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>370,059</u>	<u>303,502</u>	<u>330,923</u>	<u>27,421</u>
<i>Other financing sources (uses)</i>				
Designated cash	(370,059)	(303,502)	-	303,502
Transfers in	-	-	-	-
Transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(370,059)</u>	<u>(303,502)</u>	<u>-</u>	<u>303,502</u>
<i>Net change in fund balance</i>	-	-	330,923	330,923
<i>Fund balance - beginning of year</i>	-	-	1,311,504	1,311,504
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,642,427</u>	<u>\$ 1,642,427</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ 330,923
Adjustments to revenues for gross revenue tax				(42,567)
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ 288,356</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement C-18

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, 2013

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
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	-	8	-	(8)
Transfers in	-	-	-	-
Transfers (out)	-	(8)	(8)	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>(8)</u>	<u>(8)</u>
<i>Net change in fund balance</i>	-	-	(8)	(8)
<i>Fund balance - beginning of year</i>	-	-	8	8
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ (8)
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ (8)</u>

The accompanying notes are an integral part of these financial statements



## STATE OF NEW MEXICO

Statement C-19

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, 2013

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-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	-	-	-	-
Local sources	-	-	-	-
Charges for services	-	-	-	-
Fines and forfeitures	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	3	-	(3)
<i>Total revenues</i>	<u>-</u>	<u>3</u>	<u>-</u>	<u>(3)</u>
<i>Expenditures</i>				
Current:				
General government	-	3	3	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>3</u>	<u>3</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>(3)</u>	<u>(3)</u>
<i>Other financing sources (uses)</i>				
Designated 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>(3)</u>	<u>(3)</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>\$ (3)</u>	<u>\$ (3)</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ (3)
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ (3)</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement C-20

City of Artesia

Public Safety Complex 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, 2013

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Intergovernmental income:				
Federal 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	1,325,000	1,325,000	815,000	510,000
Interest	1,092,150	1,092,150	641,135	451,015
<i>Total expenditures</i>	<u>2,417,150</u>	<u>2,417,150</u>	<u>1,456,135</u>	<u>961,015</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(2,417,150)</u>	<u>(2,417,150)</u>	<u>(1,456,135)</u>	<u>961,015</u>
<i>Other financing sources (uses)</i>				
Designated cash	-	-	-	-
Transfers in	2,417,150	2,417,150	2,417,150	-
Transfers (out)	-	-	(960,212)	(960,212)
<i>Total other financing sources (uses)</i>	<u>2,417,150</u>	<u>2,417,150</u>	<u>1,456,938</u>	<u>(960,212)</u>
<i>Net change in fund balance</i>	-	-	803	803
<i>Fund balance - beginning of year</i>	-	-	100,158	100,158
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 100,961</u>	<u>\$ 100,961</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ 803
No adjustments to revenues				-
No adjustments to expenditures				-
Net change in fund balance (GAAP basis)				<u>\$ 803</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement C-21

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, 2013

	Budgeted Amounts		Actual	Variences
	Original	Final	(Non-GAAP Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes:				
Property taxes	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Other	-	-	-	-
Intergovernmental income:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Local sources	486,145	486,145	514,956	28,811
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>486,145</u>	<u>486,145</u>	<u>514,956</u>	<u>28,811</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	15,575,053	18,329,451	5,742,874	12,586,577
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>15,575,053</u>	<u>18,329,451</u>	<u>5,742,874</u>	<u>12,586,577</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(15,088,908)</u>	<u>(17,843,306)</u>	<u>(5,227,918)</u>	<u>12,615,388</u>
<i>Other financing sources (uses)</i>				
Designated cash	(8,956,232)	(3,458,210)	-	3,458,210
Bond proceeds	-	-	-	-
Proceeds from sale of equipment	-	-	-	-
Transfers in	24,045,140	21,301,516	8,241,631	(13,059,885)
Transfers (out)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>15,088,908</u>	<u>17,843,306</u>	<u>8,241,631</u>	<u>(9,601,675)</u>
<i>Net change in fund balance</i>	-	-	3,013,713	3,013,713
<i>Fund balance - beginning of year</i>	-	-	-	-
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,013,713</u>	<u>\$ 3,013,713</u>
Net change in fund balance (non-GAAP budgetary basis)				\$ 3,013,713
No adjustments to revenues				-
Adjustments to expenditures for capital improvement expenditures and transfers				(412,383)
Net change in fund balance (GAAP basis)				<u>\$ 2,601,330</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement C-22

City of Artesia

Waste Water Fund

Statement of Revenues, Expenses and Changes in Net position  
 Budget (Non-GAAP Budgetary Basis) and Actual-Proprietary Funds  
 For the Year Ended June 30, 2013

	Budget Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable)
<i>Operating revenues</i>				
Charges for services	\$ 980,754	\$ 980,754	\$ 1,044,451	\$ 63,697
<i>Total operating revenues</i>	<u>980,754</u>	<u>980,754</u>	<u>1,044,451</u>	<u>63,697</u>
<i>Operating expenses</i>				
Personnel services	492,749	577,401	409,512	167,889
Supplies	65,000	75,640	73,287	2,353
Maintenance and materials	207,000	212,029	130,751	81,278
Utilities	187,560	154,841	148,451	6,390
Equipment	3,000	3,000	3,258	(258)
Gross receipts taxes	-	-	-	-
Miscellaneous	103,511	110,909	88,831	22,078
<i>Total operating expenses</i>	<u>1,058,820</u>	<u>1,133,820</u>	<u>854,090</u>	<u>279,730</u>
<i>Operating income (loss)</i>	<u>(78,066)</u>	<u>(153,066)</u>	<u>190,361</u>	<u>343,427</u>
<i>Non-operating revenues (expenses)</i>				
Principal payments	(510,000)	(510,000)	(510,000)	-
Interest expense	(450,212)	(450,212)	(450,212)	-
Issuance costs	-	-	-	-
Interest income	5,359	1,119	5,567	4,448
Miscellaneous income	30,000	30,000	29,037	(963)
<i>Total non-operating revenues (expenses)</i>	<u>(924,853)</u>	<u>(929,093)</u>	<u>(925,608)</u>	<u>3,485</u>
<i>Other financing sources (uses)</i>				
Designated cash	1,080,919	1,235,159	-	(1,235,159)
Governmental contributions	240,000	240,000	248,507	8,507
Bond proceeds	-	-	-	-
Transfers in	-	-	960,212	960,212
Transfers (out)	(318,000)	(393,000)	(4,825)	388,175
<i>Total other financing sources</i>	<u>1,002,919</u>	<u>1,082,159</u>	<u>1,203,894</u>	<u>121,735</u>
<i>Change in Net position</i>	-	-	468,647	468,647
<i>Net position - beginning of year (restated)</i>	-	-	1,898,419	1,898,419
<i>Net position - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,367,066</u>	<u>\$ 2,367,066</u>
Net change in net position (non-GAAP basis)				\$ 468,647
Adjustments to revenues for utility revenues, tax revenue and miscellaneous expenses				(8,893)
Adjustments to expenses for salaries, maintenance, utilities, bond issuance cost, depreciation, and miscellaneous				(446,661)
Net change in net position (GAAP basis)				<u>\$ 13,093</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement C-23

City of Artesia

Solid Waste Fund

Statement of Revenues, Expenses and Changes in Net position  
 Budget (Non-GAAP Budgetary Basis) and Actual-Proprietary Funds  
 For the Year Ended June 30, 2013

	Budget Amounts		Actual	Variations
	Original	Final		Favorable (Unfavorable)
<i>Operating revenues</i>				
Charges for services	\$ 1,514,827	\$ 1,514,827	\$ 1,656,878	\$ 142,051
<i>Total operating revenues</i>	<u>1,514,827</u>	<u>1,514,827</u>	<u>1,656,878</u>	<u>142,051</u>
<i>Operating expenses</i>				
Personnel services	722,333	693,164	651,981	41,183
Contractual services	12,500	12,500	4,389	8,111
Supplies	15,000	15,935	15,935	-
Maintenance and materials	335,000	335,000	255,483	79,517
Utilities	-	-	-	-
Equipment	15,000	15,000	3,080	11,920
Gross receipts taxes	-	-	-	-
Miscellaneous	542,500	570,734	581,991	(11,257)
<i>Total operating expenses</i>	<u>1,642,333</u>	<u>1,642,333</u>	<u>1,512,859</u>	<u>129,474</u>
<i>Operating income (loss)</i>	<u>(127,506)</u>	<u>(127,506)</u>	<u>144,019</u>	<u>271,525</u>
<i>Non-operating revenues (expenses)</i>				
Capital Outlay	(237,855)	(237,855)	(237,855)	-
Principal payments	-	-	-	-
Interest expense	-	-	-	-
Interest income	1,325	1,325	2,611	1,286
<i>Total non-operating revenues (expenses)</i>	<u>(236,530)</u>	<u>(236,530)</u>	<u>(235,244)</u>	<u>1,286</u>
<i>Other financing sources (uses)</i>				
Designated cash	754,921	754,921	-	(754,921)
Governmental contributions	240,000	240,000	248,507	8,507
Bond proceeds	-	-	-	-
Proceeds from sale of equipment	-	-	-	-
Transfers in	970	970	970	-
Transfers (out)	(631,855)	(631,855)	(283,825)	348,030
<i>Total other financing sources</i>	<u>364,036</u>	<u>364,036</u>	<u>(34,348)</u>	<u>(398,384)</u>
<i>Change in Net position</i>	-	-	(125,573)	(125,573)
<i>Net position - beginning of year</i>	-	-	2,064,976	2,064,976
<i>Net position - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,939,403</u>	<u>\$ 1,939,403</u>
Net change in Net position (non-GAAP basis)				\$ (125,573)
Adjustments to revenues for gross receipt taxes, collection fees, and transfers in.				54,262
Adjustments to expenditures for payroll, depreciation, maintenance, supplies and other expenditures, and capital outlay				<u>160,540</u>
Net change in Net position (GAAP basis)				<u>\$ 89,229</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement C-24

City of Artesia

Water Fund

Statement of Revenues, Expenses and Changes in Net position  
 Budget (Non-GAAP Budgetary Basis) and Actual-Proprietary Funds  
 For the Year Ended June 30, 2013

	Budget Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable)
<i>Operating revenues</i>				
Charges for services	\$ 3,570,000	\$ 3,384,000	\$ 3,824,387	\$ 440,387
<i>Total operating revenues</i>	<u>3,570,000</u>	<u>3,384,000</u>	<u>3,824,387</u>	<u>440,387</u>
<i>Operating expenses</i>				
Personnel services	1,073,247	1,094,543	774,485	320,058
Contractual services	2,500	2,500	2,234	266
Supplies	57,000	86,907	86,817	90
Maintenance and materials	183,300	281,457	179,083	102,374
Utilities	325,000	325,000	265,981	325,000
Equipment	-	-	-	-
Gross receipts taxes	-	-	-	-
Miscellaneous	523,073	413,713	406,676	7,037
<i>Total operating expenses</i>	<u>2,164,120</u>	<u>2,204,120</u>	<u>1,715,276</u>	<u>754,825</u>
<i>Operating income (loss)</i>	<u>1,405,880</u>	<u>1,179,880</u>	<u>2,109,111</u>	<u>1,195,212</u>
<i>Non-operating revenues (expenses)</i>				
Capital outlay	(884,210)	(884,210)	(884,210)	-
Principal payments	(10,000)	(12,000)	(12,000)	-
Interest expense	(6,086)	(4,086)	(3,069)	1,017
Issuance costs	-	-	-	-
Interest income	600	600	3,292	2,692
Miscellaneous income	1,500	1,500	1,243	(257)
<i>Total non-operating revenues (expenses)</i>	<u>(898,196)</u>	<u>(898,196)</u>	<u>(894,744)</u>	<u>3,452</u>
<i>Other financing sources (uses)</i>				
Designated cash	215,670	441,670	-	(441,670)
Governmental contributions	-	-	-	-
Bond proceeds	-	-	-	-
Proceeds from sale of equipment	-	-	-	-
Transfers in	13,500	13,500	13,500	-
Transfers (out)	(736,854)	(736,854)	(736,854)	-
<i>Total other financing sources (uses)</i>	<u>(507,684)</u>	<u>(281,684)</u>	<u>(723,354)</u>	<u>(441,670)</u>
<i>Change in Net position</i>	-	-	491,013	756,994
<i>Net position - beginning of year</i>	-	-	2,187,987	2,187,987
<i>Net position - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,679,000</u>	<u>\$ 2,944,981</u>
Net change in Net position (non-GAAP basis)				\$ 491,013
Adjustments to revenues for water sales and miscellaneous revenues				(161,241)
Adjustments to expenses for transfers, salaries, maintenance, utilities, principal payments, depreciation, miscellaneous, and capital outlay				169,063
Net change in Net position (GAAP basis)				<u>\$ 498,835</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement C-25

City of Artesia

Airport Fund

Statement of Revenues, Expenses and Changes in Net position  
 Budget (Non-GAAP Budgetary Basis) and Actual-Proprietary Funds  
 For the Year Ended June 30, 2013

	Budget Amounts		Actual	Variations
	Original	Final		Favorable (Unfavorable)
<i>Operating revenues</i>				
Charges for services	\$ 595,406	\$ 612,903	\$ 612,644	\$ (259)
<i>Total operating revenues</i>	<u>595,406</u>	<u>612,903</u>	<u>612,644</u>	<u>(259)</u>
<i>Operating expenses</i>				
Personnel services	169,295	177,528	171,542	5,986
Contractual services	3,000	3,000	2,787	213
Supplies	1,350	1,350	834	516
Maintenance and materials	35,600	38,272	24,041	14,231
Utilities	12,500	12,500	15,844	(3,344)
Equipment	-	-	-	-
Gross receipts taxes	-	-	-	-
Miscellaneous	616,269	604,789	561,514	43,275
<i>Total operating expenses</i>	<u>838,014</u>	<u>837,439</u>	<u>776,562</u>	<u>60,877</u>
<i>Operating income (loss)</i>	<u>(242,608)</u>	<u>(224,536)</u>	<u>(163,918)</u>	<u>60,618</u>
<i>Non-operating revenues (expenses)</i>				
Capital outlay	(214,940)	(214,940)	(214,940)	-
Principal payments	-	-	-	-
Interest expense	-	-	-	-
Miscellaneous income	-	-	-	-
<i>Total non-operating revenues (expenses)</i>	<u>(214,940)</u>	<u>(214,940)</u>	<u>(214,940)</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash	(68,372)	44,587	-	(44,587)
Governmental contributions	367,697	236,666	113,626	(123,040)
Bond proceeds	-	-	-	-
Proceeds from sale of equipment	-	-	-	-
Transfers in	300,000	300,000	150,000	(150,000)
Transfers (out)	(141,777)	(141,777)	(197,777)	(56,000)
<i>Total other financing sources</i>	<u>457,548</u>	<u>439,476</u>	<u>65,849</u>	<u>(373,627)</u>
<i>Change in Net position</i>	-	-	(313,009)	(313,009)
<i>Net position - beginning of year</i>	-	-	101,608	101,608
<i>Net position - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (211,401)</u>	<u>\$ (211,401)</u>
Net change in Net position (non-GAAP basis)				\$ (313,009)
Adjustments to revenues for sales				43,222
Adjustments to expenditures for loss on sale of assets, maintenance, utilities, depreciation, payroll, capital outlay, and other expenditures				42,660
Net change in Net position (GAAP basis)				<u>\$ (227,127)</u>

The accompanying notes are an integral part of these financial statements

## STATE OF NEW MEXICO

Statement C-26

City of Artesia

Cemetery Fund

Statement of Revenues, Expenses and Changes in Net position  
 Budget (Non-GAAP Budgetary Basis) and Actual-Proprietary Funds  
 For the Year Ended June 30, 2013

	Budget Amounts		Actual	Variations
	Original	Final		Favorable (Unfavorable)
<i>Operating revenues</i>				
Charges for services	\$ 79,000	\$ 79,000	\$ 77,418	\$ (1,582)
<i>Total operating revenues</i>	<u>79,000</u>	<u>79,000</u>	<u>77,418</u>	<u>(1,582)</u>
<i>Operating expenses</i>				
Personnel services	-	850	15	835
Contractual services	-	-	-	-
Supplies	2,213	4,200	2,113	2,087
Maintenance and materials	37,829	46,636	22,427	24,209
Utilities	5,190	5,648	5,648	-
Equipment	-	-	-	-
Gross receipts taxes	-	-	-	-
Miscellaneous	7,498	9,550	6,820	2,730
<i>Total operating expenses</i>	<u>52,730</u>	<u>66,884</u>	<u>37,023</u>	<u>29,861</u>
<i>Operating income (loss)</i>	<u>26,270</u>	<u>12,116</u>	<u>40,395</u>	<u>28,279</u>
<i>Non-operating revenues (expenses)</i>				
Capital outlay	(83,858)	(83,858)	(83,858)	-
Principal payments	-	-	-	-
Interest expense	-	-	-	-
Issuance costs	-	-	-	-
Interest income	500	500	309	(191)
Miscellaneous income	-	-	-	-
<i>Total non-operating revenues (expenses)</i>	<u>(83,358)</u>	<u>(83,358)</u>	<u>(83,549)</u>	<u>(191)</u>
<i>Other financing sources (uses)</i>				
Designated cash	57,088	71,242	-	(71,242)
Governmental contributions	-	-	-	-
Bond proceeds	-	-	-	-
Proceeds from sale of equipment	-	-	-	-
Transfers in	-	-	-	-
Transfers (out)	-	-	(2,001)	(2,001)
<i>Total other financing sources</i>	<u>57,088</u>	<u>71,242</u>	<u>(2,001)</u>	<u>(73,243)</u>
<i>Change in Net position</i>	-	-	(45,155)	(45,155)
<i>Net position - beginning of year</i>	-	-	270,735	270,735
<i>Net position - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 225,580</u>	<u>\$ 225,580</u>
Net change in Net position (non-GAAP basis)				\$ (45,155)
Adjustments to revenues for transfers in				2,053.00
Adjustments to expenditures for utilities, depreciation, capital expenses and other expenditures				65,050
Net change in Net position (GAAP basis)				<u>\$ 21,948</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, 2013

Deposit Account Type	First American Bank	Western Bank	LGIP
City of Artesia Fund - Checking	21,986,799	\$ -	\$ -
Payroll - Checking	152,221	-	-
Federal Forfeiture - Checking	129	-	-
State Forfeiture - Checking	12,710	-	-
Meter Fund - Checking	144,556	-	-
Cash Management - U.S. Treasury money market mutual funds	987,664	-	-
Public Library Fund-U.S. Treasury money market mutual funds	3,011,916	-	-
Meter Fund - Checking	-	19,235	-
City Fund (CDBG Rehab) - Checking	-	(3)	-
City of Artesia Fund - Checking	-	220,453	-
City Fund (Payroll) - Checking	-	77,326	-
Chamber of Commerce - Checking	-	324,404	-
Local Government Investment Pool - Investment	-	-	15,229,682
Stock Investments	-	-	-
Total deposits and investments	<u>26,295,995</u>	<u>641,415</u>	<u>15,229,682</u>
Reconciling items	<u>(2,146,764)</u>	<u>-</u>	<u>-</u>
Reconciled balance June 30, 2013	<u>\$ 24,149,231</u>	<u>\$ 641,415</u>	<u>\$ 15,229,682</u>

Petty cash

- Less: investments - governmental activities - Exhibit A-1
- Less: investments - business-type activities - Exhibit A-1
- Less: Restricted cash - governmental activities - Exhibit A-1
- Less: Restricted cash - business type activities - Exhibit A-1
- Less: investments - fiduciary funds - Exhibit E-1
- Less: cash and cash equivalents - fiduciary funds - Exhibit E-1

Total cash and cash equivalents - Exhibit A-1

See independent auditors' report

Helwig	Totals
\$ -	\$ 21,986,799
-	152,221
-	129
-	12,710
-	144,556
-	987,664
-	3,011,916
-	19,235
-	(3)
-	220,453
-	77,326
-	324,404
-	15,229,682
<u>836,737</u>	<u>836,737</u>
836,737	43,003,829
-	<u>(2,146,764)</u>
<u>\$ 836,737</u>	40,857,065
	3,335
	(16,055,243)
	(2,657,569)
	(100,158)
	(1,841)
	(1,353,187)
	<u>(1,141,000)</u>
	<u>\$ 19,551,402</u>

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**STATE OF NEW MEXICO**  
City of Artesia  
Schedule of Collateral Pledged By Depository  
For Public Funds  
June 30, 2013

Schedule II

Name of Depository	Description of Pledged Collateral	Maturity	CUSIP Number	Value at June 30, 2013	Location of Safekeeper
<b>Western Bank</b>					
	GNMA	9/20/2034	189134DV8	450,000	Western Bank, Artesia, New Mexico
	FNMA POOL	3/1/2024	31368HYE7	<u>1,735</u>	Western Bank, Artesia, New Mexico
Total Western Bank				<u>451,735</u>	
<b>First American Bank</b>					
	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	189414GN9	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	500,000	** FEDERAL HOME LOAN BANK
	RUIDOSO NM MUNI SCH DIST	8/1/2023	781338JG4	1,100,000	** FEDERAL HOME LOAN BANK
	TORRENCE ETC CNTYS NM	5/15/2024	891400NL3	<u>500,000</u>	** FEDERAL HOME LOAN BANK
Total First American Bank				<u>10,795,000</u>	
Total Pledged Collateral				<u>\$ 11,246,735</u>	

\*\* As per 2.2.2.10 (N) (4) NMAC, 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, 2013

	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
<i>Sales Tax Agency Fund</i>				
Cash	\$ 136,791	\$ 319,272	\$ 455,420	\$ 643
Interest Receivable	-	20,518	-	20,518
<b>Total</b>	<b>\$ 136,791</b>	<b>\$ 339,790</b>	<b>\$ 455,420</b>	<b>\$ 21,161</b>
Deposits Held in Trust For Others				
	\$ 136,791	\$ 339,790	\$ 455,420	\$ 21,161
<b>Total</b>	<b>\$ 136,791</b>	<b>\$ 339,790</b>	<b>\$ 455,420</b>	<b>\$ 21,161</b>
<i>DWI Court Test Fund</i>				
Cash	\$ -	\$ 10,011	\$ 6,195	\$ 3,816
Interest Receivable	-	132	-	132
<b>Total</b>	<b>\$ -</b>	<b>\$ 10,143</b>	<b>\$ 6,195</b>	<b>\$ 3,948</b>
Deposits Held in Trust For Others				
	\$ -	\$ 10,143	\$ 6,195	\$ 3,948
<b>Total</b>	<b>\$ -</b>	<b>\$ 10,143</b>	<b>\$ 6,195</b>	<b>\$ 3,948</b>
<i>Meter Fund-Fiduciary</i>				
Cash	\$ 25,322	\$ 165,391	\$ 24,592	\$ 166,121
Investments LGIP	90,000	-	-	90,000
<b>Total</b>	<b>\$ 115,322</b>	<b>\$ 165,391</b>	<b>\$ 24,592</b>	<b>\$ 256,121</b>
Deposits Held in Trust For Others				
	\$ 115,322	\$ 165,391	\$ 24,592	\$ 256,121
<b>Total</b>	<b>\$ 115,322</b>	<b>\$ 165,391</b>	<b>\$ 24,592</b>	<b>\$ 256,121</b>
<i>Hellwig Fund</i>				
Cash	\$ 403,330	\$ 567,090	\$ -	\$ 970,420
Stock investments	1,078,937	-	242,200	836,737
Investments LGIP	426,450	185,703	185,703	426,450
<b>Total</b>	<b>\$ 1,908,717</b>	<b>\$ 752,793</b>	<b>\$ 427,903</b>	<b>\$ 2,233,607</b>
Deposits Held in Trust For Others				
	\$ 1,908,717	\$ 752,793	\$ 427,903	\$ 2,233,607
<b>Total</b>	<b>\$ 1,908,717</b>	<b>\$ 752,793</b>	<b>\$ 427,903</b>	<b>\$ 2,233,607</b>

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, 2013

<i>Total agency funds</i>	Balance July 1, 2012	Additions	Deductions	Balance June 30, 2013
<i>Assets</i>				
Cash	\$ 565,443	\$ 1,061,764	\$ 486,207	\$ 1,141,000
Stock investments	1,078,937	-	242,200	836,737
Investments LGIP	516,450	185,703	185,703	516,450
Interest receivable	-	20,650	-	20,650
<i>Total assets</i>	<u>\$ 2,160,830</u>	<u>\$ 1,268,117</u>	<u>\$ 914,110</u>	<u>\$ 2,514,837</u>
<i>Liabilities</i>				
Deposits Held in				
Trust For Others	<u>\$ 2,160,830</u>	<u>\$ 1,268,117</u>	<u>\$ 914,110</u>	<u>\$ 2,514,837</u>
<i>Total liabilities</i>	<u>\$ 2,160,830</u>	<u>\$ 1,268,117</u>	<u>\$ 914,110</u>	<u>\$ 2,514,837</u>

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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***

**INDEPENDENT AUDITORS' REPORT**

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

We have audited, 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, the financial statements of the governmental activities, the business type activities, each major fund, the aggregate remaining fund information and, the budgetary comparison of the General Fund of the City of Artesia (the "City") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and the combining and individual funds and related budgetary comparisons of the City, presented as supplemental information and have issued our report thereon dated November 25, 2013.

**Internal Control Over Financial Reporting**

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

*A deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the City's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

## **Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and responses as items FS 2011-06, FS 2013-001, FS 2013-002, FS 2013-003, and FS 2013-004.

## **City's Responses to Findings**

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and responses. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

## **Purpose of this Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Accounting & Consulting Group, LLP*

Accounting & Consulting Group, LLP  
Albuquerque, New Mexico  
November 25, 2013

**STATE OF NEW MEXICO**  
City of Artesia  
Schedule of Findings and Responses  
June 30, 2013

**Section I – Summary of Auditor’s Results**

*Financial Statements:*

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

**Section II – Prior Year Audit Findings**

**Primary Government**

<b>Financial Statement Findings</b>	<b>Disposition</b>
FS 2006-05      Late Submission of Audit Report	Resolved
FS 2011-01      Design Deficiencies in Internal Control over Financial Reporting	Resolved
FS 2011-06      Stale dated checks	Repeated and modified
FS 2012-01      Failure to Prepare Accounts Receivable Listing	Resolved
FS-2012-02      Misclassification of Payroll Expenses	Resolved
FS 2012-03      Bank reconciliations-State Forfeiture account	Resolved

**Section III – Findings - Financial Statement Audit**

**Primary Government**

**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 240 checks in the general fund that were dated over one year old at June 30, 2013. These checks totaled \$49,473. A total of 240 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.

**FS-2013-001 Review of Accounts Receivable Aging Report to Estimate Allowance-Other Matter**

**Condition:** During our audit of the utility accounts receivable and related allowance for uncollectible accounts we noted the City does not have an adequate process in place to estimate future uncollectible receivables at year-end.

**Criteria:** Good accounting practices require the City to periodically estimate allowance for uncollectible accounts to ensure the financial statements fairly state accounts receivable net of any applicable allowance.

**Effect:** Extensive reconciliations were required of management to fairly state the allowance for uncollectible accounts at June 30, 2013.

**Cause:** City personal do not review aging reports to establish a basis for estimating future uncollectible accounts. There is no written policy that requires the City to project future uncollectible accounts receivable.

**Auditors' Recommendation:** We recommend the City draft a policy the will provide the basis for estimating future uncollectible accounts receivable accounts. We further recommend the City review accounts receivable aging reports to identity old outstanding balances that may need to be included in the allowance for uncollectable accounts.

**Agency's response:** The City has never, to my knowledge, approved a bad debts resolution to take accounts receivables over 4 years old off the rolls. This is true not only in the utility department but also the ambulance receivables. I plan to bring a resolution to the Council for the accounts receivables over four years old to b declared bad debts and removed from the system. I will look to see what kind of policy other cities in New Mexico use to determine future uncollectable accounts in utilities and ambulance billing.

**FS 2013-002 Approval of Journal Entries- Other Matter**

**Condition:** During our review of internal controls surrounding approval of journal entries we noted the City Clerk's journal entries are not independently reviewed and approved.

**Criteria:** Good accounting practices require journal entries to be reviewed and approved by someone other than the person that prepared the journal entry.

**Effect:** Errors or fraud in journal entries could go undetected. Potential impacts could mean that fraud could be perpetrated and concealed due to one person recording and approving the journal entry.

**Cause:** Currently only the City Clerk has the ability to perform certain journal entries and there is not a second person capable of independently reviewing and approving those entries.

**Auditors' Recommendation:** We recommend the Clerk train and delegate responsibility to prepare journal entries to subordinates and institute a one over one review policy that requires journal entries to be independently reviewed.

**Agency's response:** In the past I would send requested journal entries to the finance director for posting. In the past year we did not have the employees to allow this. Now that we have a full staff I would like to go back to where I send journal entries to the finance director for posting. If this is not sufficient we do have another employee that can do another approval of the entries but training her to understand the accounting behind the transactions will take some time.

**FS 2013-003 Capital Asset Inventory Not Certified by City Council- Other Matter**

**Condition:** The City performed a physical inventory of capital assets for the year ended June 30, 2013; however, the City did not have the physical inventory of capital assets certified by the City's governing authority.

**Criteria:** 2.20.1.16.E NMAC states "The results of the physical inventory shall be recorded in a written inventory report, certified as to correctness and signed by the governing authority of the agency."

**Effect:** The City is not in compliance with 2.20.1.16.E NMAC regarding their annual capital asset certification. The outcome of the annual inventory (i.e. items missing, lost or not working) is not made known to the City's governing authority.

**Cause:** The City's procedures did not require the capital asset inventory to be certified by the City's governing authority.

**Auditors' Recommendation:** The City should amend current policy and implement procedures to have the annual capital asset inventory certify by City's governing authority annually in April of each year. The certification should be documented in the minutes.

**Agency's response:** This, to my knowledge, has not been brought up previously. This can be included in the process followed by the Purchasing Department when the annual inventory is completed by the asset custodians.



**FS-2013-004 Uncollateralized Bank Deposits – Other Matter**

**Condition:** Deposits at First American bank are under collateralized in accordance with State of New Mexico Statutes. The required collateral was \$11,023,208; however, the collateral provided by the bank was \$10,795,000, resulting in an under collateralization in the amount of \$228,208.

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

Also per 2.2.2.10 (N) (3) NMAC, 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.

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

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

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

**Agency's Response:** This is a repeated finding and we try to keep the collateralization at the correct amount. Variations in the balance we keep in the bank accounts can account for the fact that the bank doesn't provide the additional collateral in a timely manner. This translates into being under collateralized by 2%. The Finance Department will work with the bank to keep the correct collateral.

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**STATE OF NEW MEXICO**

City of Artesia  
Other Disclosures  
June 30, 2013

**OTHER DISCLOSURES**

**Exit Conference**

An exit conference was held on November 25, 2013. In attendance were the following:

**Representing the City of Artesia:**

Aubrey Hobson	Clerk-Treasurer
Summer Quinones	Finance Director
Phil Burch	Mayor

**Representing Accounting & Consulting Group, LLP:**

Cindy Bryan	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.