

STATE OF NEW MEXICO
CITY OF ARTESIA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2014

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INTRODUCTORY SECTION

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**STATE OF NEW MEXICO
CITY OF ARTESIA**

Official Roster
June 30, 2014

City Council

Phillip Burch	Mayor
Manuel Madrid Jr.	City Councilor, District 1
Raul Rodriguez	City Councilor, District 1
Jose Aguilar	City Councilor, District 2
Nora Sanchez	City Councilor, District 2
Kent Bratcher	City Councilor, District 3
Jeff Youtsey	City Councilor, District 3
Terry Hill	City Councilor, District 4
Bill Rogers	City Councilor, District 4

Administrative Officials

Aubrey Hobson	City Clerk/Treasurer
Summer Galvan	Finance Director
Bill Thalman	Human Resources Director

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STATE OF NEW MEXICO
CITY OF ARTESIA
ANNUAL FINANCIAL REPORT
FOR THE YEAR ENDED JUNE 30, 2014
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**STATE OF NEW MEXICO
CITY OF ARTESIA**

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FINANCIAL SECTION

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Griego Professional Services, LLC

Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Hector Balderas
New Mexico State Auditor
City Council Members
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 comparisons for the general fund and major special revenue funds of City of Artesia, New Mexico (the "City"), as of and for the year ended June 30, 2014, which collectively comprise the City's basic financial statements as listed in the table of contents. We have also audited the financial statement of each for the City's nonmajor governmental, and the budgetary comparisons for the major capital project fund, debt service fund, enterprise fund, fiduciary funds, and all nonmajor funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2014, as listed in the table of contents. These financial statements are the responsibility of the City of Artesia, New Mexico's, management. Our responsibility is to express an opinion on these financial statements based on our audit.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principals generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation 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 misstatements.

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 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.

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Phone (505) 856-2741 - Fax (505) 856-7510

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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 City of Artesia, New Mexico, as of June 30, 2014, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the general fund and major special revenue funds 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 fiduciary fund of City of Artesia, New Mexico as of June 30, 2014, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the major capital project fund, debt service funds, enterprise funds and all nonmajor funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

Other matters

Required Supplementary Information

Management has omitted 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 this missing information.

Other Information

Our audit was conducted for the purpose of forming opinions on the City's financial statements and the combining and individual fund financial statements and budgetary comparisons. The schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governmental and Non-Profit Organizations, and the other schedules required by Section 2.2.2.NMAC* are presented for purposes of additional analysis and are not a required part of the basic financial statements.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 25, 2014 on our consideration of City of Artesia'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.

GRIEGO PROFESSIONAL SERVICES, LLC



Albuquerque, New Mexico
November 25, 2014

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**BASIC
FINANCIAL STATEMENTS**

STATE OF NEW MEXICO
CITY OF ARTESIA
STATEMENT OF NET POSITION
JUNE 30, 2014

Exhibit A-1

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets			
Cash and cash equivalents	\$ 19,689,771	\$ 7,539,908	\$ 27,229,679
Short term investments	13,315,633	1,462,905	14,778,538
Receivables			
Property taxes	-	71,338	71,338
Other taxes	3,931,351	-	3,931,351
Intergovernmental	662,076	-	662,076
Customers, net of allowance	-	-	-
Other accounts receivable	723,379	506,359	1,229,738
Inventory	-	76,626	76,626
Internal balances	(2,694)	2,694	-
Restricted cash and equivalents	1,084,213	-	1,084,213
Capital assets	86,985,518	61,570,363	148,555,881
Less: accumulated depreciation	(29,126,350)	(26,684,086)	(55,810,436)
Total Assets	97,262,897	44,546,107	141,809,004

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
CITY OF ARTESIA
STATEMENT OF NET POSITION
JUNE 30, 2014

Exhibit A-1

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Liabilities			
Accounts payable	\$ 2,612,965	\$ 165,432	\$ 2,778,397
Accrued payroll liabilities	436,267	61,527	497,794
Customer deposits payable	3,882	-	3,882
Other accrued liabilities	84,802	100,567	185,369
Accrued interest payable	96,463	-	96,463
Noncurrent Liabilities:			
Current portion of accrued compensated absences	399,546	63,975	463,521
Current portion of long term obligations	3,230,000	25,000	3,255,000
Bonds and Notes Payable	28,995,000	-	28,995,000
Notes & Capital Leases Payable	-	14,000	14,000
Landfill liability	-	48,750	48,750
Total Liabilities	35,858,925	479,251	36,338,176
Net Position			
Net investment in capital assets	25,634,168	34,798,527	60,432,695
Restricted for:			
Debt service	4,451,197	-	4,451,197
Capital projects	(4,682,755)	-	(4,682,755)
Special revenue funds/other purposes	10,108,046	-	10,108,046
Unrestricted	25,893,316	9,268,329	35,161,645
Total Net Position	61,403,972	44,066,856	105,470,828

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
CITY OF ARTESIA
STATEMENT OF ACTIVITIES
JUNE 30, 2014

	Program Revenues			
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Functions/Programs:				
Primary Government				
Governmental Activities:				
General government	\$ 1,913,030	\$ 544,346	\$ 1,057,418	\$ -
Public safety	6,285,619	501,879	241,664	-
Culture and recreation	2,598,495	67,026	-	-
Health and welfare	454,512	-	-	-
Public works	17,108,209	42,878	-	-
Interest on long-term debt	1,247,373	-	-	-
Total governmental activities	29,607,238	1,156,129	1,299,082	-
Business-type activities				
Airport	1,030,980	686,583	-	129,360
Water	2,295,132	3,204,406	-	-
Solid Waste	1,371,395	1,549,778	-	-
Cemetery	56,165	80,740	-	-
Waste Water	1,975,093	1,405,990	-	-
Total business-type activities	6,728,765	6,927,497	-	129,360
Total primary government	36,336,003	8,083,626	1,299,082	129,360

General Revenues:

Taxes
Property taxes
Gross receipts taxes
Other Tax
Interest income
Transfers in (out)
Gain (loss) on asset disposal
Miscellaneous income

Total General Revenues and Transfers

Change in net assets

Total net position - beginning of year
Restatement (Note 19)
Restated net position - beginning of year

Total net position - end of year

The accompanying notes are an integral part of these financial statements

Net (Expenses) Revenues and Changes in Net Position

<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
\$ (311,266)	\$ -	\$ (311,266)
(5,542,076)	-	(5,542,076)
(2,531,469)	-	(2,531,469)
(454,512)	-	(454,512)
(17,065,331)	-	(17,065,331)
(1,247,373)	-	(1,247,373)
<u>(27,152,027)</u>	<u>-</u>	<u>(27,152,027)</u>
-	(215,037)	(215,037)
-	909,274	909,274
-	178,383	178,383
-	24,575	24,575
-	(569,103)	(569,103)
<u>-</u>	<u>328,092</u>	<u>328,092</u>
		<u>(26,823,935)</u>
641,199	-	641,199
25,403,176	296,077	25,699,253
1,414,692	1,765,102	3,179,794
305,047	34,760	339,807
327,701	(327,701)	-
(737,579)	-	(737,579)
125,223	88,188	213,411
<u>27,479,459</u>	<u>1,856,426</u>	<u>29,335,885</u>
<u>327,432</u>	<u>2,184,518</u>	<u>2,511,950</u>
72,356,059	30,731,664	103,087,723
(11,279,519)	11,150,674	(128,845)
<u>61,076,540</u>	<u>41,882,338</u>	<u>102,958,878</u>
<u>\$ 61,403,972</u>	<u>\$ 44,066,856</u>	<u>\$ 105,470,828</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
CITY OF ARTESIA
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2014

	<u>General Fund</u>	<u>MGRT Infrastructure Fund</u>	<u>Capital Projects Fund</u>
Assets			
<i>Current:</i>			
Cash and cash equivalents	\$ 6,995,923	\$ 5,705,687	\$ 3,982,865
Short term investments	11,866,753	-	-
Accounts receivable			
Property taxes	-	-	-
Other taxes	3,931,351	-	-
Intergovernmental	319,710	-	327,749
Miscellaneous	319,264	259,497	-
Interfund receivable	21,605	-	-
Prepaid expenses	-	-	-
Interfund note receivable	-	-	-
<i>Total assets</i>	<u>\$ 23,454,606</u>	<u>\$ 5,965,184</u>	<u>\$ 4,310,614</u>
Liabilities and fund balances			
<i>Liabilities</i>			
Accounts payable	\$ 494,407	\$ 135,924	\$ 1,972,489
Accrued payroll liabilities	428,836	-	-
Customer deposits payable	3,882	-	-
Other accrued liabilities	3,483	-	20,877
Interfund payable	-	-	-
Deferred Revenue	-	-	-
<i>Total liabilities</i>	<u>930,608</u>	<u>135,924</u>	<u>1,993,366</u>
Fund balances			
Nonspendable	-	-	-
Restricted	-	5,829,260	2,317,248
Committed	-	-	-
Assigned	-	-	-
Unassigned	22,523,998	-	-
<i>Total fund balances</i>	<u>22,523,998</u>	<u>5,829,260</u>	<u>2,317,248</u>
<i>Total liabilities and fund balances</i>	<u>\$ 23,454,606</u>	<u>\$ 5,965,184</u>	<u>\$ 4,310,614</u>

The accompanying notes are an integral part of these financial statements

Debt Service Fund	Other Governmental Funds	Total
\$ 1,376,770	\$ 2,919,739	\$ 20,980,984
-	1,241,880	13,108,633
-	-	-
-	-	3,931,351
-	14,617	662,076
196	144,422	723,379
-	-	21,605
-	-	-
-	-	-
<u>\$ 1,376,966</u>	<u>\$ 4,320,658</u>	<u>\$ 39,428,028</u>
-	-	-
\$ -	\$ 10,145	\$ 2,612,965
-	7,431	436,267
-	-	3,882
60,442	-	84,802
-	24,299	24,299
-	-	-
<u>60,442</u>	<u>41,875</u>	<u>3,162,215</u>
-	-	-
1,316,524	4,308,179	13,771,211
-	-	-
-	-	-
-	(29,396)	22,494,602
<u>1,316,524</u>	<u>4,278,783</u>	<u>36,265,813</u>
<u>\$ 1,376,966</u>	<u>\$ 4,320,658</u>	<u>\$ 39,428,028</u>

The accompanying notes are an integral part of these financial statements

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STATE OF NEW MEXICO
CITY OF ARTESIA
RECONCILIATION OF THE BALANCE SHEET
TO THE STATEMENT OF NET POSITION
JUNE 30, 2014

Exhibit B-1
Page 2 of 2

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

Fund balances - total governmental funds	\$	36,265,813
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds		57,859,168
Other long-term assets are not available to pay for current-period expenditures and therefore, are deferred in the funds:		
Accrued interest		(96,463)
Current portion of accrued compensate absences		(399,546)
Long-term liabilities, including bonds payable, are not due and payable in the current period and, therefore, are not reported in the funds		
Noncurrent portion of accrued compensated absences		-
Bond issuance costs		-
Discounts on bonds payable		-
Bonds payable		<u>(32,225,000)</u>
Net positon-Governmental Activities	\$	<u><u>61,403,972</u></u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
CITY OF ARTESIA
STATEMENT OF REVENUES, EXPENDITURES, AND
CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
FOR THE YEAR ENDING JUNE 30, 2014

	General Fund	MGRT Infrastructure Fund	Capital Projects Fund
<i>Revenues:</i>			
Property taxes	\$ 654,553	\$ -	\$ -
Gross receipts taxes	21,379,155	1,425,277	2,078,804
Other taxes	654,796	-	-
State grants	977,668	-	-
Federal grants	-	-	-
Licenses and fees	128,999	-	-
Charges for services	961,750	-	-
Investment income	28,453	3,953	2,314
Miscellaneous	79,285	45,938	-
<i>Total Revenues</i>	<u>24,864,659</u>	<u>1,475,168</u>	<u>2,081,118</u>
<i>Expenditures:</i>			
<i>Current:</i>			
General Government	2,364,029	-	-
Public safety	8,910,677	-	-
Culture and recreation	1,316,661	-	-
Health and welfare	222,900	-	-
Public works	3,480,214	47,316	-
Capital Outlay	-	-	14,037,645
<i>Debt Service:</i>			
Principal	-	-	-
Interest	-	-	-
Bond issuance costs	-	-	-
<i>Total Expenditures</i>	<u>16,294,481</u>	<u>47,316</u>	<u>14,037,645</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>8,570,178</u>	<u>1,427,852</u>	<u>(11,956,527)</u>
<i>Other financing sources (uses)</i>			
Proceeds from note payable	-	-	7,000,000
Discount on bonds payable	-	-	-
Operating transfers in	-	715,510	4,672,445
Operating transfers (out)	(10,511,205)	-	-
<i>Total other financing sources (uses)</i>	<u>(10,511,205)</u>	<u>715,510</u>	<u>11,672,445</u>
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures</i>	(1,941,027)	2,143,362	(284,082)
<i>Fund balance - beginning of year</i>	24,465,025	3,685,898	2,601,330
<i>Fund balance - end of year</i>	<u>\$ 22,523,998</u>	<u>\$ 5,829,260</u>	<u>\$ 2,317,248</u>

The accompanying notes are an integral part of these financial statements

Debt Service Fund	Other Governmental Funds	Total
\$ -	\$ -	\$ 654,553
-	519,940	25,403,176
-	759,896	1,414,692
-	296,414	1,274,082
-	25,000	25,000
-	18,609	147,608
5,430	41,341	1,008,521
267,734	2,593	305,047
-	-	125,223
<u>273,164</u>	<u>1,663,793</u>	<u>30,357,902</u>
58,564	472,026	2,894,619
-	156,094	9,066,771
-	(1,655)	1,315,006
-	231,612	454,512
-	-	3,527,530
-	97,942	14,135,587
3,180,000	-	3,180,000
1,202,046	-	1,202,046
-	-	-
<u>4,440,610</u>	<u>956,019</u>	<u>35,776,071</u>
<u>(4,167,446)</u>	<u>707,774</u>	<u>(5,418,169)</u>
-	-	7,000,000
-	-	-
5,383,009	484,735	11,255,699
-	(416,793)	(10,927,998)
<u>5,383,009</u>	<u>67,942</u>	<u>7,327,701</u>
1,215,563	775,716	1,909,532
100,961	3,503,067	34,356,281
<u>\$ 1,316,524</u>	<u>\$ 4,278,783</u>	<u>\$ 36,265,813</u>

The accompanying notes are an integral part of these financial statements

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STATE OF NEW MEXICO

CITY OF ARTESIA

Exhibit B-2

Page 2 of 2

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES
IN FUND BALANCES OF THE GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDING JUNE 30, 2014

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

Net change in fund balances - total governmental funds	\$ 1,909,532
--	--------------

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	5,560,938
Depreciation expense	(2,639,315)
Loss on disposal of assets	(737,579)

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

Principal payments on bonds	3,180,000
Bond proceeds	(7,000,000)
Increase in deferred property tax	(13,354)
Decrease in compensated absences	112,537
Increase in accrued interest expense	<u>(45,327)</u>

Change in net position of governmental activities	<u><u>\$ 327,432</u></u>
---	--------------------------

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Exhibit C-1

CITY OF ARTESIA

GENERAL FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<i>Revenues:</i>				
Taxes	\$ 24,377,799	\$ 23,571,799	\$ 22,755,309	\$ (816,490)
Intergovernmental	1,295,321	1,617,374	664,958	(952,416)
Licenses and fees	112,000	124,000	151,008	27,008
Charges for services	1,057,099	1,157,099	961,750	(195,349)
Investment income	22,000	22,000	28,453	6,453
Miscellaneous	77,747	81,747	79,285	(2,462)
<i>Total revenues</i>	<u>26,941,966</u>	<u>26,574,019</u>	<u>24,640,763</u>	<u>(1,933,256)</u>
<i>Expenditures:</i>				
Current				
General Government	3,828,437	4,135,110	3,583,826	551,284
Public safety	8,949,244	9,266,117	9,127,065	139,052
Culture and recreation	1,500,145	1,492,592	1,316,661	175,931
Health and welfare	288,050	288,590	222,900	65,690
Public works	3,493,967	3,801,833	3,476,484	325,349
Education	-	-	-	-
Capital outlay	-	-	-	-
Debt service	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
Bond issuance costs	-	-	-	-
<i>Total expenditures</i>	<u>18,059,843</u>	<u>18,984,242</u>	<u>17,726,936</u>	<u>1,257,306</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>8,882,123</u>	<u>7,589,777</u>	<u>6,913,827</u>	<u>(675,950)</u>
<i>Other financing sources (uses):</i>				
Operating transfers in	-	-	-	-
Operating transfers (out)	(13,656,003)	(13,371,092)	(9,271,246)	4,099,846
Bond proceeds	-	-	-	-
Designated cash (budgeted increase in cash)	4,773,880	5,781,315	-	(5,781,315)
<i>Total other financing sources (uses)</i>	<u>(8,882,123)</u>	<u>(7,589,777)</u>	<u>(9,271,246)</u>	<u>(1,681,469)</u>
<i>Net change in fund balances</i>	-	-	(2,357,419)	(2,357,419)
<i>Fund balances - beginning of year</i>	-	-	21,241,700	21,241,700
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,884,281</u>	<u>\$ 18,884,281</u>
<i>Reconciliation to GAAP Basis:</i>				
Revenue accruals			223,896	
Expenditure accruals			192,496	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)				<u>\$ (1,941,027)</u>

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

STATE OF NEW MEXICO

Exhibit C-2

CITY OF ARTESIA

MRGT 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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ 1,425,277	\$ 1,425,277
Intergovernmental	-	-	-	-
Licenses and fees	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	3,953	3,953
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>1,429,230</u>	<u>1,429,230</u>
<i>Expenditures:</i>				
Current				
General Government	-	-	-	-
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Public works	-	-	-	-
Education	-	-	-	-
Capital outlay	-	-	-	-
Debt service	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
Bond issuance costs	-	-	-	-
<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>1,429,230</u>	<u>1,429,230</u>
<i>Other financing sources (uses):</i>				
Operating transfers in	-	-	715,510	715,510
Operating transfers (out)	-	-	-	-
Bond proceeds	-	-	-	-
Designated cash (budgeted increase in cash)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>715,510</u>	<u>715,510</u>
<i>Net change in fund balances</i>	-	-	2,144,740	2,144,740
<i>Fund balances - beginning of year</i>	-	-	3,560,947	3,560,947
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,705,687</u>	<u>\$ 5,705,687</u>
<i>Reconciliation to GAAP Basis:</i>				
Revenue accruals			45,938	
Expenditure accruals			(47,316)	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			<u>\$ 2,143,362</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, 2014

Assets	Airport	Water
Cash and investments	\$ 43,794	\$ 3,457,478
Receivables		
Taxes	-	-
Customers (net of allowance for uncollectibles)	61,410	331,064
Interfund receivables	-	2,694
Inventory	76,626	-
Prepaid insurance	-	-
Total current assets	181,830	3,791,236
Capital assets	5,709,074	19,083,253
Less: accumulated depreciation	(3,644,651)	(5,360,421)
Total noncurrent assets	2,064,423	13,722,832
Total assets	\$ 2,246,253	\$ 17,514,068
 Liabilities		
Current Liabilities:		
Accounts payable	\$ 28,228	\$ 45,261
Accrued payroll liabilities	5,210	23,806
Other accrued liabilities	-	100,567
Accrued interest expense	-	-
Deferred revenue - prepaid rent	-	-
Customer/tenant deposits	-	-
Current portion of accrued compensated absences	5,821	18,885
Current portion of bonds and notes payable	-	25,000
Total current liabilities	39,259	213,519
Noncurrent Liabilities:		
Noncurrent portion of accrued compensated absences	-	-
Noncurrent portion of bonds and notes payable	-	14,000
Noncurrent portion of landfill liability	-	-
Total non-current liabilities	-	14,000
Total liabilities	39,259	227,519
 Net Position		
Net investment in capital assets	2,064,423	13,683,832
Restricted	-	-
Unrestricted	142,571	3,602,717
Total net position	2,206,994	17,286,549

The accompanying notes are an integral part of these financial statements

<u>Solid Waste</u>	<u>Waste Water</u>	<u>Cemetery</u>	<u>Total</u>
\$ 1,983,204	\$ 3,157,817	\$ 360,520	\$ 9,002,813
71,338	-	-	71,338
58,531	55,354	-	506,359
-	-	-	2,694
-	-	-	76,626
-	-	-	-
<u>2,113,073</u>	<u>3,213,171</u>	<u>360,520</u>	<u>9,659,830</u>
4,661,194	31,782,452	334,390	61,570,363
(3,038,971)	(14,445,441)	(194,602)	(26,684,086)
<u>1,622,223</u>	<u>17,337,011</u>	<u>139,788</u>	<u>34,886,277</u>
<u>\$ 3,735,296</u>	<u>\$ 20,550,182</u>	<u>\$ 500,308</u>	<u>\$ 44,546,107</u>
\$ 27,682	\$ 63,553	\$ 708	\$ 165,432
18,460	14,051	-	61,527
-	-	-	100,567
-	-	-	-
-	-	-	-
-	-	-	-
18,548	12,848	7,873	63,975
-	-	-	25,000
<u>64,690</u>	<u>90,452</u>	<u>8,581</u>	<u>416,501</u>
-	-	-	-
-	-	-	14,000
<u>48,750</u>	<u>-</u>	<u>-</u>	<u>48,750</u>
<u>48,750</u>	<u>-</u>	<u>-</u>	<u>62,750</u>
<u>113,440</u>	<u>90,452</u>	<u>8,581</u>	<u>479,251</u>
1,622,223	17,337,011	139,788	34,847,277
-	-	-	-
<u>1,999,633</u>	<u>3,122,719</u>	<u>351,939</u>	<u>9,219,579</u>
<u>3,621,856</u>	<u>20,459,730</u>	<u>491,727</u>	<u>44,066,856</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
CITY OF ARTESIA
STATEMENT OF REVENUES, EXPENSES
AND CHANGES IN NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Airport	Water
<i>Operating revenues:</i>		
Charges for services	\$ 686,583	\$ 3,204,406
Total operating revenues	686,583	3,204,406
<i>Operating expenses:</i>		
General and administrative	-	-
Personnel services	175,092	930,921
Contractual services	-	54,211
Supplies and purchased power	594,690	-
Maintenance and materials	62,362	-
Utilities	15,224	430,993
Depreciation	130,089	744,213
Miscellaneous	53,523	134,794
Total operating expenses	1,030,980	2,295,132
Operating income (loss)	(344,397)	909,274
<i>Non-operating revenues (expenses):</i>		
Taxes	-	-
Interest income	-	30,226
Interest expense	-	-
Grant revenue	129,360	-
Miscellaneous	-	-
Total non-operating revenues	129,360	30,226
Transfers in	339,135	920,753
Transfers (out)	-	-
Total transfers	339,135	920,753
<i>Net Income</i>	124,098	1,860,253
<i>Total net position - beginning</i>	2,082,896	15,426,296
<i>Prior period adjustment</i>	-	-
<i>Total net position - restated</i>	2,082,896	15,426,296
<i>Total net position - ending</i>	\$ 2,206,994	\$ 17,286,549

The accompanying notes are an integral part of these financial statements

<u>Solid Waste</u>	<u>Waste Water</u>	<u>Cemetary</u>	<u>Total</u>
\$ 1,549,778	\$ 1,405,990	\$ 80,740	\$ 6,927,497
<u>1,549,778</u>	<u>1,405,990</u>	<u>80,740</u>	<u>6,927,497</u>
-	-	-	-
655,225	422,412	7,873	2,191,523
1,234	31,692	-	87,137
92,826	68,582	6,528	762,626
201,579	235,952	13,273	513,166
2,333	195,040	7,005	650,595
149,005	911,548	19,902	1,954,757
269,193	109,867	1,584	568,961
<u>1,371,395</u>	<u>1,975,093</u>	<u>56,165</u>	<u>6,728,765</u>
178,383	(569,103)	24,575	198,732
296,077	1,765,102	-	2,061,179
2,729	1,596	209	34,760
-	-	-	-
-	-	-	129,360
88,188	-	-	88,188
<u>386,994</u>	<u>1,766,698</u>	<u>209</u>	<u>2,313,487</u>
-	-	92,644	1,352,532
<u>(319,026)</u>	<u>(1,361,207)</u>	<u>-</u>	<u>(1,680,233)</u>
<u>(319,026)</u>	<u>(1,361,207)</u>	<u>92,644</u>	<u>(327,701)</u>
246,351	(163,612)	117,428	2,184,518
3,375,505	9,472,668	374,299	30,731,664
-	11,150,674	-	11,150,674
<u>3,375,505</u>	<u>20,623,342</u>	<u>374,299</u>	<u>41,882,338</u>
<u>\$ 3,621,856</u>	<u>\$ 20,459,730</u>	<u>\$ 491,727</u>	<u>\$ 44,066,856</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
CITY OF ARTESIA
PROPRIETARY FUNDS
STATEMENT OF CASH FLOWS
FOR THE YEAR ENDED JUNE 30, 2014

	Enterprise Funds	
	Airport Enterprise Fund	Water Enterprise Fund
Cash Flows From Operating Activities:		
Cash received from customers	\$ 668,395	\$ 2,976,812
Cash paid to suppliers and employees	(858,330)	(1,470,778)
Net Cash (Used) by Operating Activities	<u>(189,935)</u>	<u>1,506,034</u>
Cash Flows From Non-Capital Financing Activities		
Operating transfers	339,135	920,753
Gross receipts tax	-	-
Grant income	129,360	-
Housing assistance payments	-	-
Interest expense	-	-
Miscellaneous income	-	-
Net Cash (Used) by Non-Capital Financing Activities	<u>468,495</u>	<u>920,753</u>
Cash Flows From Capital Financing Activities		
(Purchase)/transfer of capital assets	(23,365)	(1,677,200)
Principal paid on capital debt	-	-
Prior period adjustment	-	-
Interest paid on capital debt	-	(1,333)
Net Cash (Used) by Capital Financing Activities	<u>(23,365)</u>	<u>(1,678,533)</u>
Cash Flows From Investing Activities:		
Interest income	-	30,226
Net Cash (Used) by Investing Activities	<u>-</u>	<u>30,226</u>
Net Increase/(Decrease) in Cash and Cash Equivalents	255,195	778,480
Cash and Cash Equivalents, Beginning of Year	<u>(211,401)</u>	<u>2,678,998</u>
Cash and Cash Equivalents, End of Year	<u>\$ 43,794</u>	<u>\$ 3,457,478</u>
Reconciliation of Operating (Loss) to Net Cash (Used) by Operating Activities:		
Operating income (loss)	\$ (344,397)	\$ 909,274
Adjustments to reconcile operating (loss) to net cash (used) by operating activities:		
Depreciation	427,153	744,213
(Increase)/decrease in accounts receivable	(18,188)	(224,900)
(Increase)/decrease in interfund balances	(211,401)	(2,694)
(Increase)/decrease in inventory	(28,285)	-
(Increase)/decrease in prepaid insurance	-	-
Increase/(decrease) in accounts payable	(13,257)	(7,811)
Increase/(decrease) in accrued liabilities	(946)	97,300
Increase/(decrease) deferred revenue	-	-
Increase/(decrease) in tenant security deposits	-	-
Increase/(decrease) in accrued compensated absences	(614)	(9,348)
Net Cash (Used) by Operating Activities	<u>\$ (189,935)</u>	<u>\$ 1,506,034</u>

Summary of Significant Noncash Activities:

No significant noncash transactions.

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

Enterprise Funds			
Soild Waste Enterprise Fund	Waste Water Enterprise Fund	Cemetary Fund	Total
\$ 1,533,510	\$ 1,443,597	\$ 80,740	\$ 6,703,054
(1,244,851)	(893,251)	(94,202)	(4,561,412)
<u>288,659</u>	<u>550,346</u>	<u>(13,462)</u>	<u>2,141,642</u>
319,026	1,361,207	-	2,940,121
296,077	1,765,102	-	2,061,179
-	-	-	129,360
-	-	-	-
-	-	-	-
88,188	-	-	88,188
<u>703,291</u>	<u>3,126,309</u>	<u>-</u>	<u>5,218,848</u>
(958,509)	-	148,403	(2,510,671)
10,260	-	-	10,260
-	(2,877,503)	-	(2,877,503)
-	-	-	(1,333)
<u>(948,249)</u>	<u>(2,877,503)</u>	<u>148,403</u>	<u>(5,527,650)</u>
2,729	1,596	-	34,551
<u>2,729</u>	<u>1,596</u>	<u>-</u>	<u>34,551</u>
46,430	800,748	134,941	1,867,391
<u>1,936,774</u>	<u>2,357,069</u>	<u>225,579</u>	<u>6,987,019</u>
<u>\$ 1,983,204</u>	<u>\$ 3,157,817</u>	<u>\$ 360,520</u>	<u>\$ 9,002,813</u>
\$ 178,383	\$ (569,103)	24,575	198,732
149,005	911,548	(19,902)	2,212,017
(16,268)	37,607	-	(221,749)
-	-	-	(214,095)
-	-	-	(28,285)
-	157,410	-	157,410
(20,515)	54,648	(10,262)	2,803
(3,174)	(35,914)	-	57,266
-	-	-	-
-	-	-	-
1,228	(5,850)	(7,873)	(22,457)
<u>\$ 288,659</u>	<u>\$ 550,346</u>	<u>\$ (13,462)</u>	<u>\$ 2,141,642</u>

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

STATE OF NEW MEXICO
CITY OF ARTESIA
AGENCY FUNDS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
JUNE 30, 2014

Exhibit E-1

	<u>Agency Funds</u>
ASSETS	
<i>Current Assets</i>	
Cash	159,125
Stock investments	2,317,051
Investments - LGIP	426,450
Interest receivable	<u>1,051</u>
<i>Total assets</i>	<u><u>2,903,677</u></u>
 LIABILITIES	
<i>Current Liabilities</i>	
Deposits held in trust for others	<u>2,903,677</u>
<i>Total liabilities</i>	<u><u>\$ 2,903,677</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, 2014

NOTE 1. Summary of Significant Accounting Policies

The City of Artesia (the “City”) operates under a Mayor-Council form of government and provides the following services as authorized by its charter: public safety (police, fire, emergency medical, etc.), highways and streets, public utilities (wastewater, water, solid waste, etc.), health and social services, culture-recreation, public improvements, 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 City and its inhabitants;
7. Preserve peace and order within the City; and
8. Establish rates for services provided by the City 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 the City’s Financial Statements. The financial statements and notes to the financial statements are the representation of the City’s management who is responsible for their integrity and objectivity.

The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to 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.

The more significant of the City’s accounting policies are described below.

A. *Financial Reporting Entity*

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

In evaluating how to define the City, for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statements No. 14 and 39. Blended component units, although legally separate entities, are in substance part of the government’s operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

STATE OF NEW MEXICO
CITY OF ARTESIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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.

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.

GASB No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, and GASB No. 65, *Items Previously Reported as Assets and Liabilities*, amend GASB No. 34, *Basic Financial Statements – and Management's Discussion and Analysis for State and Local Governments*, to incorporate deferred outflows of resources and deferred inflows of resources in the financial reporting model.

Deferred outflows of resources – a consumption of net assets by the government that is applicable to a future reporting period. It has a positive effect on net position, similar to assets.

Deferred inflows of resources – an acquisition of net assets by the government that is applicable to a future reporting period. It has a negative effect on net position, similar to liabilities.

Net position – the residual of the net effects of assets, deferred outflows of resources, liabilities, and deferred inflows of resources.

STATE OF NEW MEXICO
CITY OF ARTESIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1. Summary of Significant Accounting Policies (Continued)

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

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 are presented on a consolidated basis by column and are reported on a full accrual, economic resource basis, which recognizes all long-term assets and receivables as well as long-term debt obligations. The City's net position is reported in three parts – net investment in capital assets; restricted net position; and unrestricted net position.

The Statement of Activities demonstrates the degree to which the direct expenses of a given function or segment is 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 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 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. 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. 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.

STATE OF NEW MEXICO
CITY OF ARTESIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1. Summary of Significant Accounting Policies (Continued)

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

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.

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

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 *Capital Projects Funds* account for the acquisition of fixed assets or construction of major capital projects not being financed by proprietary or nonexpendable trust funds.
- The *Debt Service Funds* account for the services of general long-term debt not being financed by proprietary or nonexpendable trust funds.

STATE OF NEW MEXICO
CITY OF ARTESIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1. Summary of Significant Accounting Policies (Continued)

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

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.

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 for the various functions concerned as 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

Cash & Cash Equivalents: 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.

Investments: State statutes authorize the City to invest in Certificates of Deposit, obligations of the U.S. Government, and the State Treasurer's Local Government Investment Pool (LGIP).

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. The State Treasurer's Pool operates in accordance with appropriate state laws and regulations. The reported value of the pool is the same as the fair value of the pool shares.

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 funds 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.

STATE OF NEW MEXICO
CITY OF ARTESIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 1. Summary of Significant Accounting Policies (Continued)

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

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% collectable.

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 & Equipment (including vehicles)	5

Accrued Expenses: Accrued expenses are comprised of the payroll expenditures based on amounts earned by the employees through June 30, 2014, along with applicable PERA, FICA, Medicare, and Retiree Health Care contributions.

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
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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 statements 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 the straight line method if the difference from using the effective method 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, 2014, the City of Artesia did not have any nonspendable fund balance.

Restricted and Committed Fund Balance: At June 30, 2014, the City has presented restricted fund balance on the governmental funds balance sheet in the amount of \$9,463,032 for various City operations as restricted by enabling legislation.

STATE OF NEW MEXICO
CITY OF ARTESIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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 \$1,582,020 at June 30, 2014.

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
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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 at the fund level.

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, and Capital Projects.

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 a 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 in the United States of America (GAAP), a reconciliation of resultant basis, perspective, equity and timing differences in the excess (deficiency) of revenues and other sources of financial resources for the year ended June 30, 2014 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 fund budgetary statement.

STATE OF NEW MEXICO
CITY OF ARTESIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 3. Deposits & Investments

Cash & Cash Equivalents

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 I of 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.

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, 2014, \$31,586,581, of the City's bank balances of \$32,086,581 was exposed to custodial credit risk, \$19,040,708 was uninsured and collateralized by collateral held by the pledging bank's trust department, not in the City's name and \$12,545,873 of the City's deposits were uninsured and uncollateralized.

The schedule listed below discloses the State of New Mexico, Office of the State Auditor's requirements on reporting the insured portion of the City's deposits.

STATE OF NEW MEXICO
CITY OF ARTESIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 3. Deposits & Investments (Continued)

Cash & Cash Equivalents (Continued)

	First America Bank	Western Bank	Total
Amount of deposits	\$ 31,353,893	\$ 732,688	\$ 32,086,581
FDIC Coverage	<u>(250,000)</u>	<u>(250,000)</u>	<u>(500,000)</u>
Total uninsured public funds	31,103,893	482,688	31,586,581
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the City's name	<u>18,850,599</u>	<u>190,109</u>	<u>19,040,708</u>
Uninsured and unallocated	<u>\$ 12,253,294</u>	<u>\$ 292,579</u>	<u>\$ 12,545,873</u>
Collateral requirement (50% of uninsured funds)	\$ 15,551,947	\$ 241,344	\$ 15,793,291
Pledged Collateral	<u>18,850,599</u>	<u>190,109</u>	<u>19,040,708</u>
Over (Under) collateralized	<u>\$ 3,298,652</u>	<u>\$ (51,235)</u>	<u>\$ 3,247,417</u>

Investments

The City's investments at June 30, 2014 include the following:

<u>Investments</u>	<u>Rating</u>	<u>Western Average Maturity</u>	<u>Fair Value</u>
<i>New MexiGROW</i> LGIP	AAAm	59 Days	\$ 15,229,681
US Treasury Money Market Mutual Funds	AA+	>90 Days	1,001,892
Stock Investments*	NA	NA	<u>1,315,159</u>
			<u>\$ 17,546,732</u>

*Stock investments in the amount of \$1,315,159 are reported in the City's agency fund. Also a portion of the City's *New MexiGROW* LGIP investments in the amount of \$426,450 is also reported in the City's agency fund.

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, 2014, 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). The City's investments were rated AAA by Moody's Investors Services and S&P and have a weighted average days to maturity (WAM) of 27.5 days.

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).

STATE OF NEW MEXICO
CITY OF ARTESIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 3. Deposits & Investments (Continued)

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 \$2,317,051. This includes \$1,315,159 in stock investments and \$1,001,892 invested in the local growth investment pool.

NOTE 4. Receivables

Receivables as of June 30, 2014, are as follows:

	General Fund	Other Major Funds	Nonmajor Governmental Funds	Total
Other Taxes	3,931,351	0	0	3,931,351
Intergovernmental	319,710	327,749	14,617	662,076
Miscellaneous	319,264	259,693	144,356	723,313
Net Receivables	<u>\$ 4,570,325</u>	<u>\$ 587,442</u>	<u>\$ 158,973</u>	<u>\$ 5,316,740</u>

The above receivables are deemed 100% collectable.

Proprietary fund receivables as of June 30, 2014 are as follows:

	Airport	Water	Solid Waste	Waste Water	Total
Taxes	\$ 0	\$ 0	\$ 71,338	\$ 0	\$ 71,338
Customer Receivables	149,593	382,530	103,705	80,865	716,693
Allowance for doubtful accounts	<u>(88,183)</u>	<u>(51,466)</u>	<u>(45,174)</u>	<u>(25,511)</u>	<u>(210,334)</u>
Net Receivables	<u>\$ 61,410</u>	<u>\$ 331,064</u>	<u>\$ 129,869</u>	<u>\$ 55,354</u>	<u>\$ 577,697</u>

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. Internal balances have primarily been recorded when funds overdraw their share of pooled cash. The composition of interfund balances of June 30, 2014 is as follows:

	Due to Other Funds	Due from Other Funds
Major Funds		
General Fund	\$ —	\$ 6,955
Water Fund	—	2,694
Nonmajor Funds		
Commission on Aging Fund	5,384	—
RSVP Program Fund	4,265	—
Total	<u>\$ 9,649</u>	<u>\$ 9,649</u>

All interfund balances are short-term in nature.

STATE OF NEW MEXICO
CITY OF ARTESIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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

Transfers from the General Fund to:	
Airport Fund	\$ 235,343
Capital Projects Fund	5,507,912
Commission on Aging Fund	183,994
MGRT Infrastructure	1,900,369
Waste Water	1,239,959
Public Safety Complex Bond Fund	<u>1,443,628</u>
Total transfers from the General Fund	<u>\$ 10,511,205</u>
Transfers (to)from MGRT Infrastructure Fund:	
General Fund	\$ 1,900,369
Debt Service Fund	(962,463)
Capital Projects Fund	<u>(222,396)</u>
Total transfers from the Airport Fund	<u>\$ 715,510</u>
Transfers from Capital Projects Fund to:	
Debt Service Fund	<u>\$ 2,963,418</u>
Total transfers from the Airport Fund	<u>\$ 2,963,418</u>
Transfers to Debt Service Fund from:	
General Fund	\$ 1,443,628
MGRT Infrastructure	962,463
Water Fund	13,500
Capital Projects Fund	<u>2,963,418</u>
Total transfers from the Airport Fund	<u>\$ 5,383,009</u>
Transfers from non-major funds to:	
Fire Funds to Capital Projects Fund	\$ 45,525
Law Enforcement to Capital Projects Fund	34,369
Lodger's Tax to Lodger's Tax Promotional Fund	300,741
Gas Tax Capital Projects Fund	19,500
Industrial Park to Capital Projects Fund	<u>16,658</u>
Total transfers from non-major funds	<u>\$ 416,793</u>
Transfers to non-major funds from:	
General Fund to Commission on Aging	\$ 183,994
Lodger's Tax Promotional Fund to Lodger's Tax	<u>300,741</u>
Total transfers from non-major funds	<u>\$ 484,735</u>
Transfers (to)from the Water Fund to:	
Debt Service	\$ (13,500)
Capital Projects Fund	<u>934,253</u>
Total transfers from the Water Fund	<u>\$ 920,753</u>
Transfers from the Waste Water Fund to:	
General Fund	\$ 2,560
Capital Projects Fund	<u>1,358,647</u>
Total transfers from the Waste Water Fund	<u>\$ 1,361,207</u>

STATE OF NEW MEXICO
CITY OF ARTESIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

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

Transfers (to)from the Solid Waste Fund to:	
Wastewater Fund	\$ (2,560)
Capital Projects Fund	<u>321,586</u>
Total transfers from the Solid Waste Fund	<u>\$ 319,026</u>
Transfers to the Airport Fund from:	
General Fund	\$ 235,343
Capital Projects Fund	<u>103,792</u>
Total transfers from the Airport Fund	<u>\$ 339,135</u>
Transfers to the Cemetery Fund from:	
Capital Projects Fund	<u>\$ 92,644</u>
Total transfers from the Airport Fund	<u>\$ 92,644</u>

NOTE 6. Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2014 follows. Land and construction in progress are not subject to depreciation.

Capital Assets used in Governmental Activities:	<u>Balance June 30, 2013</u>	<u>Additions</u>	<u>Deletions</u>	<u>Transfers</u>	<u>Balance June 30, 2014</u>
Capital assets not depreciated					
Land	\$ 1,111,128	\$ —	\$ (357,986)	\$ —	\$ 753,142
Construction in Progress	<u>2,715,960</u>	<u>4,253,592</u>	<u>—</u>	<u>(1,444,129)</u>	<u>5,525,423</u>
Total not being depreciated	<u>\$ 3,827,088</u>	<u>\$ 4,253,592</u>	<u>\$ (357,986)</u>	<u>\$ (1,444,129)</u>	<u>\$ 6,278,565</u>
Capital assets being depreciated					
Buildings	\$ 30,621,084	\$ —	\$ (783,144)	\$ 1,249,985	\$ 31,087,925
Improvements	7,136,482	65,852	(2,541)	46,495	7,246,288
Infrastructure	33,118,684	—	—	147,649	33,266,333
Equipment	<u>8,507,696</u>	<u>1,241,494</u>	<u>(642,783)</u>	<u>—</u>	<u>9,106,407</u>
Total being depreciated	<u>\$ 79,383,946</u>	<u>\$ 1,307,346</u>	<u>\$ (1,428,468)</u>	<u>\$ 1,444,129</u>	<u>\$ 80,706,956</u>
Total capital assets	<u>\$ 83,211,034</u>	<u>\$ 5,560,938</u>	<u>\$ (1,786,454)</u>	<u>\$ —</u>	<u>\$ 86,985,518</u>
Less accumulated depreciation					
Buildings	\$ 4,591,665	\$ 765,046	\$ (471,944)	\$ —	\$ 4,884,767
Improvements	1,867,785	241,033	—	—	2,106,533
Infrastructure	15,603,481	999,235	(2,285)	—	16,602,716
Equipment	<u>5,472,979</u>	<u>634,001</u>	<u>(574,646)</u>	<u>—</u>	<u>5,532,334</u>
Total accumulated depreciation	<u>\$ 27,535,910</u>	<u>\$ 2,639,315</u>	<u>\$ (1,048,875)</u>	<u>\$ —</u>	<u>\$ 29,126,350</u>
Net capital assets	<u>\$ 55,675,124</u>	<u>\$ 2,921,623</u>	<u>\$ (737,579)</u>	<u>\$ —</u>	<u>\$ 57,859,168</u>

Depreciation expense for the year ended June 30, 2014 was charged to governmental activities as follows:

General Government	\$ 919,107
Public Safety	69,461
Public Works	367,258
Culture and Recreation	<u>1,283,488</u>
Total	<u>\$ 2,639,314</u>

STATE OF NEW MEXICO
CITY OF ARTESIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 6. Capital Assets (Continued)

Capital Assets used in Business-Type Activities:	Balance June 30, 2013	Additions	Deletions	Transfers	Balance June 30, 2014
Capital assets not depreciated					
Land	\$ 165,622	\$ —	—	\$ —	\$ 165,622
Construction in Progress	64,043	1,377,976	—	(317,637)	1,124,382
Total not being depreciated	<u>\$ 229,665</u>	<u>\$ 1,377,976</u>	<u>\$ —</u>	<u>\$ (317,637)</u>	<u>\$ 1,290,004</u>
Capital assets being depreciated					
Buildings	\$ 724,246	\$ —	\$ —	\$ —	\$ 724,246
Improvements	464,634	303,380	—	273,573	1,041,587
Utility System	48,557,811	—	—	44,064	48,601,875
Airport Infrastructure	4,402,150	—	—	—	4,402,150
Equipment	5,248,818	330,881	(69,198)	—	5,510,501
Total being depreciated	<u>\$ 59,397,659</u>	<u>\$ 634,261</u>	<u>\$ (69,198)</u>	<u>\$ 317,637</u>	<u>\$ 60,280,359</u>
Total capital assets	<u>\$ 59,627,324</u>	<u>\$ 2,012,237</u>	<u>\$ (69,198)</u>	<u>\$ —</u>	<u>\$ 61,570,363</u>
Less accumulated depreciation					
Buildings	\$ 412,542	\$ 16,225	\$ —	\$ —	\$ 428,767
Improvements	91,846	11,052	—	—	102,898
Utility System	17,754,721	1,532,423	—	—	19,287,144
Airport Infrastructure	2,863,816	104,845	—	—	2,968,661
Equipment	3,606,403	290,213	—	—	3,896,616
Total accumulated depreciation	<u>\$ 24,729,328</u>	<u>\$ 1,954,758</u>	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 26,684,086</u>
Net capital assets	<u>\$ 34,897,996</u>	<u>\$ 57,479</u>	<u>\$ (69,198)</u>	<u>\$ —</u>	<u>\$ 34,886,277</u>

Depreciation expense charged to business-type activities for the year ended June 30, 2014 was as follows:

Waste Water	\$ 911,548
Solid Waste	149,005
Water	744,213
Airport	130,089
Cemetery	19,903
Total	<u>\$ 1,954,758</u>

STATE OF NEW MEXICO
CITY OF ARTESIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 7. Long-term Debt

Governmental Activities

During the year ended June 30, 2014, the following changes occurred in the liabilities reported in the government-wide Statement of Net Position:

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014	Due Within One Year
Bonds Payable	\$ 28,405,000	\$ 7,000,000	\$ 3,180,000	\$ 32,225,000	\$ 3,230,000
Compensated Absences	512,083	540,940	653,477	399,546	399,546
Total Long-Term Debt	<u>\$ 28,917,083</u>	<u>\$ 7,540,940</u>	<u>\$ 3,833,477</u>	<u>\$ 32,624,546</u>	<u>\$ 3,629,546</u>

Interest expense paid on long-term debt for governmental activities totaled \$1,247,373 for the year ended June 30, 2014.

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.

On July 31, 2013, the City entered into a bond agreement to provide funds to defray the cost of street, sewer, sanitary sewer and storm drainage infrastructure replacements and improvements. 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.

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 from the net revenues of the City's water and wastewater system and the a designated amount of the sixth increment (0.25%) of municipal gross receipts tax revenues imposed by the City pursuant to Ordinance No. 772, Adopted on September 11, 2007 and Section 7-19D-1 through Section 7-19D-12 NMSA 1978. The revenue bonds are as follows:

Series	Original Issue	Final Maturity	Interest Rate	Outstanding
Revenue Bonds Series 2010	\$ 12,885,000	6/1/2029	2.000-4.250%	\$ 10,675,000
Revenue Bonds Series 2013	\$ 7,000,000	6/1/2028	2.660%	\$ 5,175,000
New Mexico Gross Receipts Tax	\$ 20,000,000	6/1/2029	2.750-4.625%	\$ 16,375,000

STATE OF NEW MEXICO
CITY OF ARTESIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 7. Long-term Debt (Continued)

The annual requirements to amortize the Bonds as of June 30, 2014, including interest payments, are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total Debt Service
2015	3,230,000	1,146,021	4,376,021
2016	1,695,000	1,055,377	2,750,377
2017	1,740,000	1,007,615	2,747,615
2018	1,775,000	951,691	2,726,691
2019	1,835,000	893,358	2,728,358
2020-2024	10,100,000	3,478,440	13,578,440
2025-2029	11,850,000	1,460,083	13,310,083
Total	<u>\$ 32,225,000</u>	<u>\$ 9,992,585</u>	<u>\$ 42,217,585</u>

Business-Type Activities

During the year ended June 30, 2014, the following changes occurred in the liabilities reported in the proprietary Statement of Net Position:

	Balance June 30, 2013	Additions	Deletions	Balance June 30, 2014	Due Within One Year
Bonds Payable	\$ 39,000	\$ —	\$ —	\$ 39,000	\$ 25,000
Landfill Closure	38,490	10,260	—	48,750	—
Compensated Absences	<u>70,686</u>	<u>83,791</u>	<u>90,502</u>	<u>63,975</u>	<u>63,975</u>
Total Long-Term Debt	<u>\$ 148,176</u>	<u>\$ 94,051</u>	<u>\$ 90,502</u>	<u>\$ 151,725</u>	<u>\$ 88,975</u>

Interest expense paid on long-term debt for business-type activities totaled \$0 for the year ended June 30, 2014.

Revenue Bonds

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

The annual requirements to amortize the Bonds as of June 30, 2014, including interest payments are as follows:

Fiscal Year Ending June 30	Principal	Interest	Total Debt Service
2015	\$ 25,000	\$ 1,250	\$ 26,250
2016	<u>14,000</u>	<u>700</u>	<u>14,700</u>
Total	<u>\$ 39,000</u>	<u>\$ 1,950</u>	<u>\$ 40,950</u>

STATE OF NEW MEXICO
CITY OF ARTESIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 7. Long-term Debt (Continued)

Landfill Closure and Post-Closure Care 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 \$48,750 as of June 30, 2014, 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, 2014. 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, 2014, 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 Positions 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, theft of, damage to, and destruction of assets; errors and omissions; injuries and natural disasters. The City participates in the New Mexico Self-Insurer's 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-Insurer's Fund assesses and estimates the potential for loss and handles all aspects of the claim. Insurance coverage has not changed significantly from prior years and coverage is expected to be continued.

At June 30, 2014, 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 City of Artesia.

New Mexico Self-Insurer's 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 prior fiscal year.

NOTE 9. PERA Pension Plan

Plan Description. Substantially all of 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 for the plan. 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 <http://www.pera.state.nm.us>

STATE OF NEW MEXICO
CITY OF ARTESIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 9. PERA Pension Plan (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, 2014, 2013, and 2012 were \$1,445,337, \$807,721, and \$778,935, 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, 2014, 2013, and 2012 were approximately \$401,652, \$403,543, and \$374,837, 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, 2014 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, 2014

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, 2014:

Commission on Aging Fund	\$	29,459
CDBG Rehab Fund		<u>3</u>
		<u>\$ 29,462</u>

- B. Excess of expenditures over appropriations. The following funds exceed approved budgetary authority for the year ended June 30, 2014:

Debt Service Fund	\$	<u>36,144</u>
		<u>\$ 36,144</u>

- C. Designated cash appropriations. The following funds had designated cash appropriations in excess of available balances for the year ended June 30, 2014:

None

NOTE 15. Subsequent Events

The date to which events occurring after June 30, 2014, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosures is November 25, 2014 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, 2014

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

NOTE 17. Restricted Net Position

The government-wide Statement of Net Position reports \$9,876,422 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.

STATE OF NEW MEXICO
CITY OF ARTESIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 18. Subsequent Pronouncements

In June 2012, the GASB issued Statement No. 68, *Accounting and Financial Reporting for Pensions*, which is effective for financial statement for periods beginning after June 15, 2014.

In January 2013, the GASB issued Statement No. 69, *Government Combinations and Disposal of Government Operations*, which is effective for financial statement for periods beginning after December 15, 2013.

In November 2013, the GASB issued Statement No. 71, *Pension Transition for Contributions Made Subsequent to the Measurement Date*, which is effective for financial statement for periods beginning after June 15, 2014.

NOTE 19 Prior Period Adjustment

Prior period adjustment within the governmental funds totaling (\$11,279,519) was required due to the implementation of GASB 65 by the District and due to reclassifications in bonds payable between governmental activities and business-type activities. GASB 65 required reclassification of bond issuance and premiums totaling \$187,867 and \$108,348 as can illustrated on the 2013 financial statements. Bonds payable were transferred between governmental and business-type activities totaled \$11,200,000.

Prior period adjustment within the proprietary funds totaling \$11,150,674 was required due to the implementation of GASB 65 by the District and due to reclassifications in bonds payable between governmental activities and business-type activities. GASB 65 required reclassification of bond issuance and premiums totaling \$157,410 and \$108,084 as can illustrated on the 2013 financial statements. Bonds payable were transferred between governmental and business-type activities totaled (\$11,200,000).

NOTE 20 Governmental Fund Balance

Fund Balance: In the fund financial statements, governmental funds are reported in classifications that comprise a hierarchy based primarily on the extent to which the government is bound to honor constraints on the specific purposes for which amounts in those funds can be spent. Some governments may not have policies or procedures that are comparable to those policies that underlie the classifications and therefore would not report amounts in all possible fund balance classifications.

In the governmental financial statements, fund balance is classified and is displayed in five components:

Nonspendable: Consists of amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Restricted: Consists of amounts that are restricted to specific purposes as a result of a) externally imposed by creditors (such as through debt covenants), grantors, contributors, or laws or regulations of other governments; or b) imposed by law through constitutional provisions or enabling legislation.

Committed: Consist of amounts that can only be used for specific purposes pursuant to constraints imposed by formal action of the government's highest level of decision-making authority. Those committed amounts cannot be used for any other purpose unless the government removes or changes the specified use by taking the same type of action (for example, legislation, resolution, ordinance) it employed to previously commit those amounts.

Assigned: Consist of amounts that are constrained by the government's *intent* to be used for specific purposes, but are neither restricted nor committed. Intent should be expressed by (a) the governing body itself or (b) a body (a budget or finance committee, for example) or official to which the governing body has delegated the authority to assign amounts to be used for specific purposes.

Unassigned: Represents fund balance that has not been assigned to other funds and that has not been restricted, committed, or assigned to specific purposes within the general fund.

STATE OF NEW MEXICO
CITY OF ARTESIA
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2014

NOTE 20 Governmental Fund Balance (Continued)

Detail relating to the fund balance classifications is displayed below:

	General Fund	Fire Districts Fund	Capital Projects Fund	Debt Service	Other Governmental Funds
Fund balances					
Nonspendable					
Prepaid Items	\$ -	\$ -	\$ -	\$ -	\$ -
Restricted					
Capital Projects	-	5,829,260	2,317,248	-	-
Debt Service	-		-	1,316,524	-
City Projects	-	-	-	-	2,782,923
Law Enforcement	-	-	-	-	17,021
Recreation	-	-	-	-	1,655
Emergency Services	-	-	-	-	813
Lodger's Tax	-	-	-	-	528,424
Gas Tax	-	-	-	-	964,504
Forfeitures	-	-	-	-	12,839
Committed	-	-	-	-	-
Assigned	-	-	-	-	-
Unassigned	22,523,998	-	-	-	(29,396)
Total fund balances	\$22,523,998	\$5,829,260	2,317,248	1,316,524	\$ 4,278,783

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SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

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 Forfeiture

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.

NONMAJOR GOVERNMENTAL FUNDS

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.

CAPITAL PROJECT 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.

STATE OF NEW MEXICO
CITY OF ARTESIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014

	Special Revenue		
	Municipal Court Fees	EMS Grant	Fire Fund
ASSETS			
Current:			
Cash and cash equivalents	\$ 71,012	\$ -	\$ -
Short term investments	200,000	-	-
Accounts receivable			
Other taxes	-	-	-
Intergovernmental	-	-	-
Other receivables	21,325	385	428
Interfund balances	-	-	-
Prepaid expenses	-	-	-
<i>Total current assets</i>	<u>\$ 292,337</u>	<u>\$ 385</u>	<u>\$ 428</u>
 LIABILITIES AND FUND BALANCE			
<i>Current Liabilities:</i>			
Accounts payable	\$ 7,355	\$ -	\$ -
Accrued payroll liabilities	-	-	-
Customer deposits payable	-	-	-
Other accrued liabilities	-	-	-
Interfund balances	-	-	-
Deferred revenue	-	-	-
Deferred revenue - property taxes	-	-	-
<i>Total current liabilities</i>	<u>7,355</u>	<u>-</u>	<u>-</u>
<i>Fund balance:</i>			
Nonspendable	-	-	-
Restricted	284,982	385	428
Committed	-	-	-
Assigned	-	-	-
Unassigned	-	-	-
<i>Total fund balance</i>	<u>284,982</u>	<u>385</u>	<u>428</u>
<i>Total liabilities and fund balance</i>	<u>\$ 292,337</u>	<u>\$ 385</u>	<u>\$ 428</u>

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

STATE OF NEW MEXICO
CITY OF ARTESIA
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
JUNE 30, 2014

	Special Revenue		
	Recreation Fund	2000 CDBG Fund	Commission on Aging Fund
ASSETS			
<i>Current:</i>			
Cash and cash equivalents	\$ -	\$ 20	\$ -
Short term investments	-	-	-
Accounts receivable			
Other taxes	-	-	-
Intergovernmental	-	-	-
Other receivables	1,655	-	-
Due from other funds	-	-	-
Prepaid expenses	-	-	-
<i>Total current assets</i>	<u>\$ 1,655</u>	<u>\$ 20</u>	<u>\$ -</u>
 LIABILITIES AND FUND BALANCE			
<i>Current Liabilities:</i>			
Accounts payable	\$ -	\$ -	\$ 2,790
Accrued payroll liabilities	-	-	6,572
Customer deposits payable	-	-	-
Other accrued liabilities	-	-	-
Due to other funds	-	-	20,031
Deferred revenue	-	-	-
Deferred revenue - property taxes	-	-	-
<i>Total current liabilities</i>	<u>-</u>	<u>-</u>	<u>29,393</u>
 <i>Fund balance:</i>			
Nonspendable	-	-	-
Restricted	1,655	20	-
Committed	-	-	-
Assigned	-	-	-
Unassigned	-	-	(29,393)
<i>Total fund balance</i>	<u>1,655</u>	<u>20</u>	<u>(29,393)</u>
 <i>Total liabilities and fund balance</i>	 <u>\$ 1,655</u>	 <u>\$ 20</u>	 <u>\$ -</u>

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

Federal Forfeitures Fund	State and Local Forfeitures Fund	Special Revenue			Capital Project		Total
		Industrial Park Fund	RSVP Program Fund	MGRT Economic Development	CDBG Grant Fund		
\$ 129	\$ 12,710	\$ 278,615	\$ -	\$ 1,106,888	\$ -	\$ 2,919,739	
-	-	206,000	-	767,813	-	1,241,880	
-	-	-	-	-	-	-	
-	-	-	14,617	-	-	14,617	
-	-	489	862	86,499	-	144,422	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
<u>\$ 129</u>	<u>\$ 12,710</u>	<u>\$ 485,104</u>	<u>\$ 15,479</u>	<u>\$ 1,961,200</u>	<u>\$ -</u>	<u>\$ 4,320,658</u>	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 10,145	
-	-	-	859	-	-	7,431	
-	-	-	-	-	-	-	
-	-	-	4,265	-	3	24,299	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
-	-	-	5,124	-	3	41,875	
-	-	-	-	-	-	-	
129	12,710	485,104	10,355	1,961,200	-	4,308,179	
-	-	-	-	-	-	-	
-	-	-	-	-	-	-	
-	-	-	-	-	(3)	(29,396)	
<u>129</u>	<u>12,710</u>	<u>485,104</u>	<u>10,355</u>	<u>1,961,200</u>	<u>(3)</u>	<u>4,278,783</u>	
<u>\$ 129</u>	<u>\$ 12,710</u>	<u>\$ 485,104</u>	<u>\$ 15,479</u>	<u>\$ 1,961,200</u>	<u>\$ -</u>	<u>\$ 4,320,658</u>	

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

STATE OF NEW MEXICO
CITY OF ARTESIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Special Revenue		
	Municipal Court Fees	EMS Grant	Fire Fund
<i>Revenues:</i>			
Property taxes	\$ -	\$ -	\$ -
Gross receipts taxes	-	-	-
Other taxes	-	-	-
State grants	-	15,992	186,472
Federal grants	-	-	-
Licenses and fees	18,609	-	-
Charges for services	41,341	-	-
Investment income	210	-	-
Miscellaneous	-	-	-
<i>Total revenues</i>	60,160	15,992	186,472
<i>Expenditures:</i>			
Current			
General Government	73,327	-	-
Public safety	-	15,607	140,487
Culture and recreation	-	-	-
Health and welfare	-	-	-
Public works	-	-	-
Capital outlay	-	-	-
Debt service			
Principal	-	-	-
Interest	-	-	-
<i>Total expenditures</i>	73,327	15,607	140,487
<i>Excess (deficiency) of revenues over expenditures</i>	(13,167)	385	45,985
<i>Other financing sources (uses):</i>			
Proceeds from note payable	-	-	-
Operating transfers in	-	-	-
Operating transfers (out)	-	-	(45,525)
<i>Total other financing sources (uses)</i>	-	-	(45,525)
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures</i>	(13,167)	385	460
<i>Fund balances - beginning of year</i>	298,149	-	(32)
<i>Fund balances - end of year</i>	\$ 284,982	\$ 385	\$ 428

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

Special Revenue				
Law Enforcement Fund	Leah Kennedy Fund	Lodger's Tax	Lodger's Tax Promotional Fund	Gas Tax Fund
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	366,889	-	393,007
39,200	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	21	-	-	29
-	-	-	-	-
<u>39,200</u>	<u>21</u>	<u>366,889</u>	<u>-</u>	<u>393,036</u>
-	1,200	-	288,918	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>-</u>	<u>1,200</u>	<u>-</u>	<u>288,918</u>	<u>-</u>
<u>39,200</u>	<u>(1,179)</u>	<u>366,889</u>	<u>(288,918)</u>	<u>393,036</u>
-	-	-	-	-
-	-	-	300,741	-
<u>(34,369)</u>	<u>-</u>	<u>(300,741)</u>	<u>-</u>	<u>(19,500)</u>
<u>(34,369)</u>	<u>-</u>	<u>(300,741)</u>	<u>300,741</u>	<u>(19,500)</u>
4,831	(1,179)	66,148	11,823	373,536
<u>12,190</u>	<u>42,441</u>	<u>(48,264)</u>	<u>498,717</u>	<u>590,968</u>
<u>\$ 17,021</u>	<u>\$ 41,262</u>	<u>\$ 17,884</u>	<u>\$ 510,540</u>	<u>\$ 964,504</u>

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

STATE OF NEW MEXICO
CITY OF ARTESIA
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Special Revenue		
	Recreation Fund	2000 CDBG Fund	Commission on Aging Fund
<i>Revenues:</i>			
Property taxes	\$ -	\$ -	\$ -
Gross receipts taxes	-	-	-
Other taxes	-	-	-
State grants	-	-	42,750
Federal grants	-	-	-
Licenses and fees	-	-	-
Charges for services	-	-	-
Investment income	-	-	-
Miscellaneous	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>42,750</u>
<i>Expenditures:</i>			
Current			
General Government	-	-	-
Public safety	-	-	-
Culture and recreation	(1,655)	-	-
Health and welfare	-	-	231,612
Public works	-	-	-
Capital outlay	-	-	-
Debt service			
Principal	-	-	-
Interest	-	-	-
<i>Total expenditures</i>	<u>(1,655)</u>	<u>-</u>	<u>231,612</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>1,655</u>	<u>-</u>	<u>(188,862)</u>
<i>Other financing sources (uses):</i>			
Proceeds from note payable	-	-	-
Operating transfers in (out)	-	-	183,994
Operating transfers in (out)	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>183,994</u>
<i>Excess (deficiency) of revenues and other sources (uses) over expenditures</i>	1,655	-	(4,868)
<i>Fund balances - beginning of year</i>	<u>-</u>	<u>20</u>	<u>(24,525)</u>
<i>Fund balances - end of year</i>	<u>\$ 1,655</u>	<u>\$ 20</u>	<u>\$ (29,393)</u>

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

Federal Forfeitures Fund	State and Local Forfeitures Fund	Special Revenue			Capital Project	Total
		Industrial Park Fund	RSVP Program Fund	MGRT Economic Development	CDBG Grant Fund	
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	519,940	-	519,940
-	-	-	-	-	-	759,896
-	-	-	-	12,000	-	296,414
-	-	25,000	-	-	-	25,000
-	-	-	-	-	-	18,609
-	-	-	-	-	-	41,341
-	-	287	-	2,046	-	2,593
-	-	-	-	-	-	-
-	-	25,287	-	533,986	-	1,663,793
-	-	-	83	108,498	-	472,026
-	-	-	-	-	-	156,094
-	-	-	-	-	-	(1,655)
-	-	-	-	-	-	231,612
-	-	-	-	-	-	-
-	-	(50,424)	-	148,366	-	97,942
-	-	-	-	-	-	-
-	-	-	-	-	-	-
-	-	(50,424)	83	256,864	-	956,019
-	-	75,711	(83)	277,122	-	707,774
-	-	-	-	-	-	-
-	-	-	-	-	-	484,735
-	-	(16,658)	-	-	-	(416,793)
-	-	(16,658)	-	-	-	67,942
-	-	59,053	(83)	277,122	-	775,716
129	12,710	426,051	10,438	1,684,078	(3)	3,503,067
\$ 129	\$ 12,710	\$ 485,104	\$ 10,355	\$ 1,961,200	\$ (3)	\$ 4,278,783

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

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SPECIAL REVENUE FUNDS

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STATE OF NEW MEXICO

Statement B-3

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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Licenses and fees	17,000	19,600	18,609	(991)
Charges for services	35,000	44,000	41,341	(2,659)
Investment income	350	350	210	(140)
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>52,350</u>	<u>63,950</u>	<u>60,160</u>	<u>(3,790)</u>
<i>Expenditures:</i>				
Current				
General Government	38,500	95,161	90,140	5,021
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Public works	-	-	-	-
Capital outlay	-	-	-	-
Debt service	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
Bond issuance costs	-	-	-	-
<i>Total expenditures</i>	<u>38,500</u>	<u>95,161</u>	<u>90,140</u>	<u>5,021</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>13,850</u>	<u>(31,211)</u>	<u>(29,980)</u>	<u>1,231</u>
<i>Other financing sources (uses):</i>				
Operating transfers in (out)	-	-	-	-
Bond proceeds	-	-	-	-
Designated cash (budgeted increase in cash)	(13,850)	31,211	-	(31,211)
<i>Total other financing sources (uses)</i>	<u>(13,850)</u>	<u>31,211</u>	<u>-</u>	<u>(31,211)</u>
<i>Net change in fund balances</i>	-	-	(29,980)	(29,980)
<i>Fund balances - beginning of year</i>	-	-	300,993	300,993
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 271,013</u>	<u>\$ 271,013</u>
<i>Reconciliation to GAAP Basis:</i>				
Revenue accruals			-	
Expenditure accruals			16,813	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			<u>\$ (13,167)</u>	

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

STATE OF NEW MEXICO

Statement B-4

CITY OF ARTESIA

EMS 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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	10,989	15,992	15,992	-
Licenses and fees	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>10,989</u>	<u>15,992</u>	<u>15,992</u>	<u>-</u>
<i>Expenditures:</i>				
Current				
General Government	-	-	-	-
Public safety	10,989	15,992	15,992	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Public works	-	-	-	-
Capital outlay	-	-	-	-
Debt service	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
Bond issuance costs	-	-	-	-
<i>Total expenditures</i>	<u>10,989</u>	<u>15,992</u>	<u>15,992</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>				
Operating transfers in (out)	-	-	-	-
Bond proceeds	-	-	-	-
Designated cash (budgeted increase in cash)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	-	-	-	-
<i>Fund balances - beginning of year</i>	-	-	-	-
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<i>Reconciliation to GAAP Basis:</i>				
Revenue accruals			-	
Expenditure accruals			385	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			<u>\$ 385</u>	

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

STATE OF NEW MEXICO

Statement B-5

CITY OF ARTESIA

FIRE 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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	153,074	186,475	186,472	(3)
Licenses and fees	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>153,074</u>	<u>186,475</u>	<u>186,472</u>	<u>(3)</u>
<i>Expenditures:</i>				
Current				
General Government	-	-	-	-
Public safety	153,074	140,949	140,948	1
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Public works	-	-	-	-
Capital outlay	-	-	-	-
Debt service	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
Bond issuance costs	-	-	-	-
<i>Total expenditures</i>	<u>153,074</u>	<u>140,949</u>	<u>140,948</u>	<u>1</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>45,526</u>	<u>45,524</u>	<u>(2)</u>
<i>Other financing sources (uses):</i>				
Operating transfers in (out)	-	(45,526)	(45,525)	1
Bond proceeds	-	-	-	-
Designated cash (budgeted increase in cash)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>(45,526)</u>	<u>(45,525)</u>	<u>1</u>
<i>Net change in fund balances</i>	-	-	(1)	(1)
<i>Fund balances - beginning of year</i>	-	-	-	-
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1)</u>	<u>\$ (1)</u>
<i>Reconciliation to GAAP Basis:</i>				
Revenue accruals			-	
Expenditure accruals			461	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			<u>\$ 460</u>	

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

STATE OF NEW MEXICO

Statement B-6

CITY OF ARTESIA

LAW ENFORCEMENT 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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	39,800	39,800	39,200	(600)
Licenses and fees	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>39,800</u>	<u>39,800</u>	<u>39,200</u>	<u>(600)</u>
<i>Expenditures:</i>				
Current				
General Government	-	-	-	-
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Public works	-	-	-	-
Capital outlay	-	-	-	-
Debt service	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
Bond issuance costs	-	-	-	-
<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>39,200</u>	<u>(600)</u>
<i>Other financing sources (uses):</i>				
Operating transfers in (out)	(51,990)	(34,370)	(34,369)	1
Bond proceeds	-	-	-	-
Designated cash (budgeted increase in cash)	12,190	(5,430)	-	5,430
<i>Total other financing sources (uses)</i>	<u>(39,800)</u>	<u>(39,800)</u>	<u>(34,369)</u>	<u>5,431</u>
<i>Net change in fund balances</i>	-	-	4,831	4,831
<i>Fund balances - beginning of year</i>	-	-	12,190	12,190
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,021</u>	<u>\$ 17,021</u>
<i>Reconciliation to GAAP Basis:</i>				
Revenue accruals			-	
Expenditure accruals			-	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			<u>\$ 4,831</u>	

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

STATE OF NEW MEXICO

Statement B-7

CITY OF ARTESIA

LEAH KENNEDY 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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Licenses and fees	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	25	21	(4)
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>25</u>	<u>21</u>	<u>(4)</u>
<i>Expenditures:</i>				
Current				
General Government	1,038	1,575	1,269	306
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Public works	-	-	-	-
Capital outlay	-	-	-	-
Debt service	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
Bond issuance costs	-	-	-	-
<i>Total expenditures</i>	<u>1,038</u>	<u>1,575</u>	<u>1,269</u>	<u>306</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(1,038)</u>	<u>(1,550)</u>	<u>(1,248)</u>	<u>302</u>
<i>Other financing sources (uses):</i>				
Operating transfers in (out)	-	-	-	-
Bond proceeds	-	-	-	-
Designated cash (budgeted increase in cash)	1,038	1,550	-	(1,550)
<i>Total other financing sources (uses)</i>	<u>1,038</u>	<u>1,550</u>	<u>-</u>	<u>(1,550)</u>
<i>Net change in fund balances</i>	-	-	(1,248)	(1,248)
<i>Fund balances - beginning of year</i>	-	-	42,491	42,491
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 41,243</u>	<u>\$ 41,243</u>
<i>Reconciliation to GAAP Basis:</i>				
Revenue accruals			-	
Expenditure accruals			69	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			<u>\$ (1,179)</u>	

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

STATE OF NEW MEXICO

Statement B-8

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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<i>Revenues:</i>				
Taxes	\$ 400,000	\$ 400,000	\$ 366,889	\$ (33,111)
Intergovernmental	-	-	-	-
Licenses and fees	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>400,000</u>	<u>400,000</u>	<u>366,889</u>	<u>(33,111)</u>
<i>Expenditures:</i>				
Current				
General Government	-	-	-	-
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Public works	-	-	-	-
Capital outlay	-	-	-	-
Debt service	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
Bond issuance costs	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>400,000</u>	<u>400,000</u>	<u>366,889</u>	<u>(33,111)</u>
<i>Other financing sources (uses):</i>				
Operating transfers in (out)	(339,976)	(339,976)	(300,741)	39,235
Bond proceeds	-	-	-	-
Designated cash (budgeted increase in cash)	(60,024)	(60,024)	-	60,024
<i>Total other financing sources (uses)</i>	<u>(400,000)</u>	<u>(400,000)</u>	<u>(300,741)</u>	<u>99,259</u>
<i>Net change in fund balances</i>	-	-	66,148	66,148
<i>Fund balances - beginning of year</i>	-	-	(48,264)	(48,264)
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 17,884</u>	<u>\$ 17,884</u>
<i>Reconciliation to GAAP Basis:</i>				
Revenue accruals			-	
Expenditure accruals			-	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			<u>\$ 66,148</u>	

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

STATE OF NEW MEXICO

Statement B-9

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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	0	-	0	-
Licenses and fees	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	-	-	-	-
<i>Expenditures:</i>				
Current				
General Government	385,000	385,000	288,918	96,082
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Public works	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Bond issuance costs	-	-	-	-
<i>Total expenditures</i>	385,000	385,000	288,918	96,082
<i>Excess (deficiency) of revenues over expenditures</i>	(385,000)	(385,000)	(288,918)	96,082
<i>Other financing sources (uses):</i>				
Operating transfers in (out)	237,976	(10,024)	300,741	310,765
Bond proceeds	-	-	-	-
Designated cash (budgeted increase in cash)	147,024	395,024	-	(395,024)
<i>Total other financing sources (uses)</i>	385,000	385,000	300,741	(84,259)
<i>Net change in fund balances</i>	-	-	11,823	11,823
<i>Fund balances - beginning of year</i>	-	-	498,717	498,717
<i>Fund balances - end of year</i>	\$ -	\$ -	\$ 510,540	\$ 510,540
<i>Reconciliation to GAAP Basis:</i>				
Revenue accruals			-	
Expenditure accruals			-	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			\$ 11,823	

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

STATE OF NEW MEXICO

Statement B-10

CITY OF ARTESIA

GAS 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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<i>Revenues:</i>				
Taxes	\$ 380,000	\$ 380,000	\$ 360,246	\$ (19,754)
Intergovernmental	-	-	-	-
Licenses and fees	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	29	29
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>380,000</u>	<u>380,000</u>	<u>360,275</u>	<u>(19,725)</u>
<i>Expenditures:</i>				
Current				
General Government	-	-	-	-
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Public works	-	-	-	-
Capital outlay	-	-	-	-
Debt service	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
Bond issuance costs	-	-	-	-
<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>360,275</u>	<u>(19,725)</u>
<i>Other financing sources (uses):</i>				
Operating transfers in (out)	(950,000)	(950,000)	(19,500)	930,500
Bond proceeds	-	-	-	-
Designated cash (budgeted increase in cash)	570,000	570,000	-	(570,000)
<i>Total other financing sources (uses)</i>	<u>(380,000)</u>	<u>(380,000)</u>	<u>(19,500)</u>	<u>360,500</u>
<i>Net change in fund balances</i>	-	-	340,775	340,775
<i>Fund balances - beginning of year</i>	-	-	590,968	590,968
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 931,743</u>	<u>\$ 931,743</u>
<i>Reconciliation to GAAP Basis:</i>				
Revenue accruals			32,761	
Expenditure accruals			-	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			<u>\$ 373,536</u>	

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

CITY OF ARTESIA

RECREATION 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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Licenses and fees	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures:</i>				
Current				
General Government	-	-	-	-
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Public works	-	-	-	-
Capital outlay	-	-	-	-
Debt service	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
Bond issuance costs	-	-	-	-
<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>				
Operating transfers in (out)	-	-	-	-
Bond proceeds	-	-	-	-
Designated cash (budgeted increase in cash)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	-	-	-	-
<i>Fund balances - beginning of year</i>	-	-	-	-
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<i>Reconciliation to GAAP Basis:</i>				
Revenue accruals			-	
Expenditure accruals			<u>1,655</u>	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			<u>\$ 1,655</u>	

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

STATE OF NEW MEXICO

Statement B-12

CITY OF ARTESIA

2000 CDBG 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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Licenses and fees	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures:</i>				
Current				
General Government	-	-	-	-
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Public works	-	-	-	-
Capital outlay	-	-	-	-
Debt service	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
Bond issuance costs	-	-	-	-
<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>				
Operating transfers in (out)	-	-	-	-
Bond proceeds	-	-	-	-
Designated cash (budgeted increase in cash)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	-	-	-	-
<i>Fund balances - beginning of year</i>	-	-	20	20
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 20</u>	<u>\$ 20</u>
<i>Reconciliation to GAAP Basis:</i>				
Revenue accruals			-	
Expenditure accruals			-	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			<u>\$ -</u>	

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

STATE OF NEW MEXICO

Statement B-13

CITY OF ARTESIA

COMMISSION ON AGING 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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	51,497	60,019	42,750	(17,269)
Licenses and fees	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>51,497</u>	<u>60,019</u>	<u>42,750</u>	<u>(17,269)</u>
<i>Expenditures:</i>				
Current				
General Government	-	-	-	-
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	205,425	227,099	222,996	4,103
Public works	-	-	-	-
Capital outlay	-	-	-	-
Debt service	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
Bond issuance costs	-	-	-	-
<i>Total expenditures</i>	<u>205,425</u>	<u>227,099</u>	<u>222,996</u>	<u>4,103</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(153,928)</u>	<u>(167,080)</u>	<u>(180,246)</u>	<u>(13,166)</u>
<i>Other financing sources (uses):</i>				
Operating transfers in (out)	162,356	183,994	183,994	-
Bond proceeds	-	-	-	-
Designated cash (budgeted increase in cash)	(8,428)	(16,914)	-	16,914
<i>Total other financing sources (uses)</i>	<u>153,928</u>	<u>167,080</u>	<u>183,994</u>	<u>16,914</u>
<i>Net change in fund balances</i>	-	-	3,748	3,748
<i>Fund balances - beginning of year</i>	-	-	(23,779)	(23,779)
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (20,031)</u>	<u>\$ (20,031)</u>
<i>Reconciliation to GAAP Basis:</i>				
Revenue accruals			-	
Expenditure accruals			(8,616)	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			<u>\$ (4,868)</u>	

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

STATE OF NEW MEXICO

Statement B-14

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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Licenses and fees	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures:</i>				
Current				
General Government	-	-	-	-
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Public works	-	-	-	-
Capital outlay	-	-	-	-
Debt service	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
Bond issuance costs	-	-	-	-
<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>				
Operating transfers in (out)	-	-	-	-
Bond proceeds	-	-	-	-
Designated cash (budgeted increase in cash)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	-	-	-	-
<i>Fund balances - beginning of year</i>	-	-	129	129
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 129</u>	<u>\$ 129</u>
<i>Reconciliation to GAAP Basis:</i>				
Revenue accruals			-	
Expenditure accruals			-	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			<u>\$ -</u>	

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

STATE OF NEW MEXICO

Statement B-15

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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Licenses and fees	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures:</i>				
Current				
General Government	165	165	-	165
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Public works	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Bond issuance costs	-	-	-	-
<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>-</u>	<u>165</u>
<i>Other financing sources (uses):</i>				
Operating transfers in (out)	-	-	-	-
Bond proceeds	-	-	-	-
Designated cash (budgeted increase in cash)	165	165	-	(165)
<i>Total other financing sources (uses)</i>	<u>165</u>	<u>165</u>	<u>-</u>	<u>(165)</u>
<i>Net change in fund balances</i>	-	-	-	-
<i>Fund balances - beginning of year</i>	-	-	12,710	12,710
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 12,710</u>	<u>\$ 12,710</u>
<i>Reconciliation to GAAP Basis:</i>				
Revenue accruals			-	
Expenditure accruals			-	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			<u>\$ -</u>	

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

STATE OF NEW MEXICO

Statement B-16

CITY OF ARTESIA

INDUSTRIAL PARK 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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Licenses and fees	-	-	-	-
Charges for services	89,000	65,667	25,000	(40,667)
Investment income	500	500	287	(213)
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>89,500</u>	<u>66,167</u>	<u>25,287</u>	<u>(40,880)</u>
<i>Expenditures:</i>				
Current				
General Government	-	-	-	-
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Public works	-	-	-	-
Capital outlay	-	-	-	-
Debt service	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
Bond issuance costs	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>89,500</u>	<u>66,167</u>	<u>25,287</u>	<u>(40,880)</u>
<i>Other financing sources (uses):</i>				
Operating transfers in (out)	(80,000)	(80,000)	(16,658)	63,342
Bond proceeds	-	-	-	-
Designated cash (budgeted increase in cash)	(9,500)	13,833	-	(13,833)
<i>Total other financing sources (uses)</i>	<u>(89,500)</u>	<u>(66,167)</u>	<u>(16,658)</u>	<u>49,509</u>
<i>Net change in fund balances</i>	-	-	8,629	8,629
<i>Fund balances - beginning of year</i>	-	-	12,710	12,710
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,339</u>	<u>\$ 21,339</u>
<i>Reconciliation to GAAP Basis:</i>				
Revenue accruals			-	
Expenditure accruals			50,424	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			<u>\$ 59,053</u>	

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

STATE OF NEW MEXICO

Statement B-17

CITY OF ARTESIA

RSVP 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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Licenses and fees	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures:</i>				
Current				
General Government	-	-	-	-
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Public works	-	-	-	-
Capital outlay	-	-	-	-
Debt service	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
Bond issuance costs	-	-	-	-
<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>				
Operating transfers in (out)	-	-	-	-
Bond proceeds	-	-	-	-
Designated cash (budgeted increase in cash)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	-	-	-	-
<i>Fund balances - beginning of year</i>	-	-	-	-
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
<i>Reconciliation to GAAP Basis:</i>				
Revenue accruals			-	
Expenditure accruals			(83)	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			<u>\$ (83)</u>	

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

STATE OF NEW MEXICO

Statement B-18

CITY OF ARTESIA

MGRT ECONOMIC DEVELOPMENT SPECIAL REVENUE FUND
 STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL
 FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ 475,092	\$ 475,092
Intergovernmental	-	-	12,000	12,000
Licenses and fees	-	-	-	-
Charges for services	-	-	-	-
Investment income	1,900	1,900	2,046	146
Miscellaneous	-	-	-	-
<i>Total revenues</i>	1,900	1,900	489,138	487,238
<i>Expenditures:</i>				
Current				
General Government	100,000	108,500	108,498	2
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Public works	-	-	-	-
Capital outlay	500,000	600,000	148,366	451,634
Debt service				-
Principal	-	-	-	-
Interest	-	-	-	-
Bond issuance costs	-	-	-	-
<i>Total expenditures</i>	600,000	708,500	256,864	451,636
<i>Excess (deficiency) of revenues over expenditures</i>	(598,100)	(706,600)	232,274	938,874
<i>Other financing sources (uses):</i>				
Operating transfers in (out)	-	-	-	-
Bond proceeds	-	-	-	-
Designated cash (budgeted increase in cash)	598,100	706,600	-	(706,600)
<i>Total other financing sources (uses)</i>	598,100	706,600	-	(706,600)
<i>Net change in fund balances</i>	-	-	232,274	232,274
<i>Fund balances - beginning of year</i>	-	-	1,642,427	1,642,427
<i>Fund balances - end of year</i>	\$ -	\$ -	\$ 1,874,701	\$ 1,874,701
<i>Reconciliation to GAAP Basis:</i>				
Revenue accruals			44,848	
Expenditure accruals			-	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			\$ 277,122	

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

CAPITAL PROJECT FUNDS

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STATE OF NEW MEXICO

Statement C-1

CITY OF ARTESIA

CAPITAL PROJECTS CAPITAL PROJECT FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<i>Revenues:</i>				
Taxes	\$ 2,000,000	\$ 2,000,000	\$ 1,885,297	\$ (114,703)
Intergovernmental	-	-	-	-
Licenses and fees	-	-	-	-
Charges for services	-	-	-	-
Investment income	3,500	3,500	2,314	(1,186)
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>2,003,500</u>	<u>2,003,500</u>	<u>1,887,611</u>	<u>(115,889)</u>
<i>Expenditures:</i>				
Current				
General Government	-	-	-	-
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Public works	-	-	-	-
Capital outlay	26,977,310	28,086,630	15,108,115	12,978,515
Debt service				
Principal	-	-	-	-
Interest	-	-	-	-
Bond issuance costs	-	-	-	-
<i>Total expenditures</i>	<u>26,977,310</u>	<u>28,086,630</u>	<u>15,108,115</u>	<u>12,978,515</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(24,973,810)</u>	<u>(26,083,130)</u>	<u>(13,220,504)</u>	<u>12,862,626</u>
<i>Other financing sources (uses):</i>				
Operating transfers in	16,937,282	19,004,130	4,672,445	(14,331,685)
Operating transfers (out)	-	-	-	-
Bond proceeds	(6,990,000)	6,990,000	7,000,000	10,000
Designated cash (budgeted increase in cash)	8,036,528	7,079,000	-	(7,079,000)
<i>Total other financing sources (uses)</i>	<u>17,983,810</u>	<u>33,073,130</u>	<u>11,672,445</u>	<u>(21,400,685)</u>
<i>Net change in fund balances</i>	(6,990,000)	6,990,000	(1,548,059)	(8,538,059)
<i>Fund balances - beginning of year</i>	-	-	5,530,924	5,530,924
<i>Fund balances - end of year</i>	<u>\$ (6,990,000)</u>	<u>\$ 6,990,000</u>	<u>\$ 3,982,865</u>	<u>\$ (3,007,135)</u>
<i>Reconciliation to GAAP Basis:</i>				
Revenue accruals			193,507	
Expenditure accruals			1,070,470	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			<u>\$ (284,082)</u>	

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

STATE OF NEW MEXICO

Statement C-2

CITY OF ARTESIA

CDBG GRANT CAPITAL PROJECT FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON - GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Licenses and fees	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures:</i>				
Current				
General Government	-	-	-	-
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Public works	-	-	-	-
Capital outlay	-	-	-	-
Debt service	-	-	-	-
Principal	-	-	-	-
Interest	-	-	-	-
Bond issuance costs	-	-	-	-
<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>				
Operating transfers in	-	-	-	-
Operating transfers (out)	-	-	-	-
Bond proceeds	-	-	-	-
Designated cash (budgeted increase in cash)	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	-	-	-	-
<i>Fund balances - beginning of year</i>	-	-	(3)	(3)
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (3)</u>	<u>\$ (3)</u>
<i>Reconciliation to GAAP Basis:</i>				
Revenue accruals			-	
Expenditure accruals			-	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			<u>\$ -</u>	

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

DEBT SERVICE FUNDS

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STATE OF NEW MEXICO

Statement D-1

CITY OF ARTESIA

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, 2014

	Budgeted Amounts		Actual Amounts	Variance with Final Budget- Positive (Negative)
	Original	Final		
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
Intergovernmental	-	-	-	-
Licenses and fees	-	-	-	-
Charges for services	6,000	6,000	5,430	(570)
Investment income	603	603	218	(385)
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>6,603</u>	<u>6,603</u>	<u>5,648</u>	<u>(955)</u>
<i>Expenditures:</i>				
Current				
General Government	1,339	2,141	58,564	(56,423)
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Public works	-	-	-	-
Capital outlay	-	-	-	-
Debt service				
Principal	3,192,000	3,192,000	3,180,000	12,000
Interest	1,210,325	1,210,325	1,202,046	8,279
Bond issuance costs	-	-	-	-
<i>Total expenditures</i>	<u>4,403,664</u>	<u>4,404,466</u>	<u>4,440,610</u>	<u>(36,144)</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(4,397,061)</u>	<u>(4,397,863)</u>	<u>(4,434,962)</u>	<u>(37,099)</u>
<i>Other financing sources (uses):</i>				
Operating transfers in	5,385,922	5,385,922	5,383,009	(2,913)
Operating transfers (out)	-	-	-	-
Bond proceeds	-	-	-	-
Designated cash (budgeted increase in cash)	(988,861)	(988,059)	-	988,059
<i>Total other financing sources (uses)</i>	<u>4,397,061</u>	<u>4,397,863</u>	<u>5,383,009</u>	<u>985,146</u>
<i>Net change in fund balances</i>	-	-	948,047	948,047
<i>Fund balances - beginning of year</i>	-	-	428,723	428,723
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,376,770</u>	<u>\$ 1,376,770</u>
<i>Reconciliation to GAAP Basis:</i>				
Revenue accruals			267,516	
Expenditure accruals			-	
Excess (deficiency) of revenues and other sources (uses) over expenditures (GAAP Basis)			<u>\$ 1,215,563</u>	

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

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SUPPORTING SCHEDULES

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STATE OF NEW MEXICO
CITY OF ARTESIA
SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY
FOR THE YEAR ENDED JUNE 30, 2014

Security Description	CUSIP Number	Fair Market Value	Maturity Date	Name and Location of Safekeeper
First American Bank				
Roswell NM 4.00%	778544CT1	410,050	8/1/2022	Fed Home Loan Bank
Roswell NM ISD ST AID 3.00%	778550HR7	1,331,013	8/1/2022	Fed Home Loan Bank
Ruidoso NM Mun Sch Dis 3.80%	781338GP7	527,485	8/1/2022	Fed Home Loan Bank
Ruidoso NM Muni Schd D 2.00%	781338JG4	1,082,686	8/1/2023	Fed Home Loan Bank
Torrance Etc Cnyts NM 2.00%	891400NL3	492,870	5/15/2024	Fed Home Loan Bank
MBS FNMA 15-yr 3.50%	3138E4YA3	1,590,727	2/1/2027	Fed Home Loan Bank
Alamogordo NM Assure 4.30%	011446GA3	674,129	8/1/2027	Fed Home Loan Bank
MBS GNMA I 3.50%	3622A2EK4	1,668,725	8/15/2027	Fed Home Loan Bank
MBS GNMA II Platinum 3.50%	3622A2EC2	1,358,120	10/20/2027	Fed Home Loan Bank
MBS GNMA II 1-yr Tsy ARM 3.00%	36179MHJ2	1,227,020	7/20/2042	Fed Home Loan Bank
Los Lunas NM Sch Dist 3.00%	545562PD6	214,164	7/15/2017	Fed Home Loan Bank
Dulce NM ISD 21-Assured 4.00%	264430KJ7	653,115	9/1/2017	Fed Home Loan Bank
Hobbs NM Sch Dist #16 3.75%	433866CP3	1,086,270	7/15/2018	Fed Home Loan Bank
Gallup McKinley NM SD 3.70%	364010NT1	431,080	8/1/2018	Fed Home Loan Bank
Roswell NM ISD ST AID 3.00%	778550HM8	402,836	8/1/2018	Fed Home Loan Bank
Roswell NM Isd Sch Dist 3.00%	778550HN6	674,263	8/1/2019	Fed Home Loan Bank
San Juan Cnty NM Cent 3.35%	798359HR9	953,235	8/1/2019	Fed Home Loan Bank
Clovis NM Nuni SD #001 3.55%	189414GN9	528,630	8/1/2020	Fed Home Loan Bank
Roswell NM 3.75%	778544CR5	377,939	8/1/2020	Fed Home Loan Bank
Albuquerque NM Muni 3.00%	013595QQ9	235,089	8/1/2021	Fed Home Loan Bank
Bernalillo NM Muni SD 2.00%	085279QZ3	398,620	8/1/2021	Fed Home Loan Bank
Hobbs NM Sch Dist #16 4.00%	433866DE7	1,563,450	4/15/2022	Fed Home Loan Bank
Los Lunas NM Sch Dist 3.63%	545562NW6	969,086	7/15/2022	Fed Home Loan Bank
Total - First American Bank		<u>\$ 18,850,599</u>		
Western Bank				
GNMA	189134DV8	182,049	9/20/2034	Western Bank, Artesia
FNMA Pool #190709	31368HYE7	8,060	3/1/2024	Western Bank, Artesia
Total - Western Bank		<u>\$ 190,109</u>		
Total		<u><u>\$ 19,040,708</u></u>		

The accompanying notes are an integral part of these financial statements

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STATE OF NEW MEXICO
CITY OF ARTESIA
SCHEDULE OF DEPOSITORES
FOR THE YEAR ENDED JUNE 30, 2014

Schedule II

<u>Bank Name/Account Name</u>	<u>Acct. Type</u>	<u>Bank Balance</u>	<u>Reconciling Items</u>	<u>Carrying Balance</u>
First American Bank				
General Operating Account	Checking	31,092,400	2,399,973	28,692,427
Payroll Account	Checking	101,288	(77,326)	178,614
Federal Forfeiture	Savings	129	-	129
State Forfeiture Account	Checking	12,715	-	12,715
Meter Checking Account	Savings	146,727	-	146,727
Cash Management Account	Checking	-	-	-
Public Library Account	Savings	634	-	634
Certificate of Deposit	CD	-	-	-
Western Bank				
Meter Fund	Checking	\$ 19,235	\$ -	\$ 19,235
City Fund Account	Checking	77,326	-	77,326
City of Artesia	Checking	220,845	-	220,845
City Fund Payroll	Checking	414,282	-	414,282
Certificate of Deposit	CD	1,000	-	1,000
State Treasurers				
LGIP	Investments	15,229,681	-	15,229,681
Helwig				
Investments	Investments	1,001,892	-	1,001,892
Total cash in bank		<u>\$ 48,318,154</u>	<u>\$ 2,322,647</u>	<u>\$ 45,995,507</u>
Petty Cash				<u>600</u>
Total Cash				<u>45,996,107</u>
Cash in Business-Type Activities Per Ex A-1				9,002,813
Cash in Governmental Activities Per Ex A-1				34,089,617
Cash in Governmental Activities Per Ex D-1				2,903,677

The accompanying notes are an integral part of these financial statements

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STATE OF NEW MEXICO
CITY OF ARTESIA
AGENCY FUNDS
SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
FOR THE YEAR ENDED JUNE 30, 2014

Schedule III

	Balance June 30, 2013	Additions	Adjustments	Deletions	Balance June 30, 2014
Sales Tax Agency Fund	\$ 21,161	309,790	-	311,522	\$ 19,429
DWI Court Test Fund	3,948	2,733	-	3,661	3,020
Meter Fund	256,121	60,965	-	46,879	270,207
Helwig Fund	<u>2,233,607</u>	<u>376,363</u>	<u>-</u>	<u>-</u>	<u>2,609,970</u>
 Total All Agency Funds	 <u>\$ 2,514,837</u>	 <u>\$ 749,851</u>	 <u>\$ -</u>	 <u>\$ 362,062</u>	 <u>\$ 2,902,626</u>

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

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COMPLIANCE SECTION

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**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 Auditor's Report

Hector Balderas
New Mexico State Auditor
City Council Members
City of Artesia
Artesia, New Mexico

We have audited, in accordance with the auditing standard generally accepted in the United States of America and the standards applicable to the 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 comparisons of the general fund and major special revenue funds, of the City of Artesia as for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City of Artesia's basic financial statements, and the combining and individual funds and related budgetary comparisons of City of Artesia, presented as supplementary information, and have issued our report thereon dated November 25, 2014.

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 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 misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. A *significant deficiency* is a deficiency, or 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.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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.

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Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests 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 2011-006, FS 2013-001, FS 2013-004, FS 2014-001, FS 2014-002, FS 2014-003 and FS 2014-004.

The 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 entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

GRIEGO PROFESSIONAL SERVICES, LLC

A handwritten signature in cursive script that reads "Griego Professional Services, LLC".

Albuquerque, New Mexico
November 25, 2014

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STATE OF NEW MEXICO
CITY OF ARTESIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2014

Schedule ~~KX~~

Section I – Summary of Audit Results

Financial Statements:

- | | | |
|---|--|------------|
| 1. Type of auditors’ report issued | | Unmodified |
| 2. Internal Control over Financial Reporting and on Compliance and Other Matters: | | |
| a. Material weakness identified? | | No |
| b. Significant deficiency identified not considered to be a material weaknesses? | | No |
| c. Noncompliance material to the financial statements noted? | | No |

Section II – Prior Year Audit Findings

FS2011-006 [FS-2011-06]	Stale Dated Transactions Not Canceled	Repeated and Revised
FS2013-001 [FS-2013-01]	Accounts Receivable Aging Report to Estimate Allowance	Repeated
FS2013-002 [FS-2013-02]	Approval of Journal Entries	Resolved
FS2013-003 [FS-2013-03]	Capital Assets Inventory Not Certified by Council	Resolved
FS2013-004 [FS-2013-04]	Uncollateralized Bank Deposits	Repeated

Section III – Current Year Audit Findings

FS2011-006 [FS-2011-06] Stale Dated Transactions – Compliance and Other Matter – Repeated and Revised

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 113 outstanding checks totaling (\$145,071.45) and 327 outstanding other items totaling \$78,580.99 that were dated over one year old at June 30, 2014.

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 and removed from the bank reconciliation. 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: We have contracted with an outside agency to take the time to look at how to clear these stale dated checks. Our software only allows current fiscal year adjustments and in order to correctly account for these funds, several GL postings had to be done. We have those entries and are working on clearing and accounting for those checks. When those items are caught up, we will be able to keep up with current year non-cleared checks.

STATE OF NEW MEXICO
CITY OF ARTESIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2014

Schedule IX

FS2013-001 [FS-2013-01] Review of Accounts Receivable Aging Report to Estimate Allowance – Compliance and Other Matter - Repeated

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 not adopted a policy for estimating uncollectable accounts receivable. I would like to discuss this with the auditor and determine if we should have an allowance for bad debts line item which is reflected in our balance sheets, or should we list it as a budgeted expenditure so it affects available cash.

FS2013-004 [FS-2013-04] Uncollateralized Bank Deposits - Compliance and Other Matter - Repeated

Condition: Deposits at Western Bank are under collateralized in accordance with State of New Mexico Statutes. The required collateral was \$241,344; however, the collateral provided by the bank was \$190,109, resulting in an under collateralization in the amount of \$51,235.

Criteria: Any bank designated as a depository of public money shall deliver pledged collateral with a value equal to one half 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 2.2.10 (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 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, investigate differences, and resolving discrepancies.

Agency's response: The City will address this issue with the financial institution and ensure it is not repeated.

STATE OF NEW MEXICO
CITY OF ARTESIA
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2014

Schedule IX

FS2014-001 – Disposition of Capital Assets – Compliance and Other Matter

Condition: The City of Artesia was unable to provide to the auditors evidence that the State Auditor’s Office had been properly notified of any dispositions of capital assets for the fiscal year ended June 30, 2014.

Criteria: The 2014 State Auditor Rule section 2.2.210 (V) and Sections 13-6-1 through 13-6-2 NMSA 1978 govern the disposition of obsolete, worn-out or unusable tangible personal property owned by state agencies, local public bodies, school districts, and state educational institutions. Written notification of the official finding and proposed disposition duly sworn and subscribed under oath by each member of the authority approving the action must be sent to the State Auditor at least thirty days prior to any disposition of property on the agency inventory list.

Cause: The City does not think that this Statute applies to municipalities.

Effect: The City is not in compliance with state statutes regarding the disposition of capital assets.

Auditors’ Recommendation: Policies and procedures should be established for the disposal of capital assets. Proper supporting documentation should be retained and provided during the annual audit.

Management’s Response: A policy for disposal of capital assets will be formulated per State Statute.

FS2014-002 – PERA Submissions – Compliance and Other Matter

Condition: For the year ended June 30, 2014 reports for PERA were not reconciling to the general ledger properly. As of the date of audit field work the City was working with PERA to resolve reconciling issues. We also noted the following items:

- The City is unable to provide a breakdown between law enforcement, fire, and regular employee for all PERA Contribution Remittance Forms filed for fiscal year 2014.
- The City is not retaining signed copies of PERA Contribution Remittance Forms.
- The City was not able to provide the auditors with PERA Contribution Remittance Forms for the entire fiscal year. Only copies for the last quarter of the fiscal year were available.

Criteria: 10-11-126-A NMSA 1978 states that PERA contributions and reports shall be remitted to PERA in accordance with the schedules established by the association.

Effect: PERA reports were not reconciled to the general ledger for the fiscal year ended June 30, 2014. The result of this is that there will be delays for PERA being able to properly credit employees for their contributions.

Cause: The City is experiencing difficulty with its accounting software in being able to extract the information needed to properly complete the PERA Contribution Remittance Forms.

Auditor Recommendation: The City must implement internal controls to ensure that PERA reports are calculated and recorded properly. The City should maintain signed copies of PERA Contribution Remittance Forms. The City should be able to provide a breakdown between law enforcement, fire, and regular employees.

Management’s Response: This fiscal year we were behind on our PERA reporting because of software issues. With the help of Sam Ojinaga and other Stare employees, we were able to get up to date with manual postings and adjustments. Due to the City requiring assistance, our contribution remittance paperwork was not in order. We intend to keep the required documents on file now that the City has caught up and does not require additional assistance from the state. We have attended training and are in contact with In-code in order to keep up to date on reporting requirements. The new e-file system which we began using is different in that the remittance forms are submitted online without signatures. There are now signed copies of the forms submitted with payments.

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FS 2014-003 — Over Expenditure of Budgets (Compliance)

Condition: The City’s expenditures exceeded budget in some funds:

Debt Service Fund	\$	36,144
Total	\$	36,144

Criteria: The Authority by which the City can spend money is the Commission and the Department of Finance and Administration approved budget (Section 6-6-6; NMSA 1978). Once adopted, any claims or warrants in excess of budget are a violation of New Mexico Statute 6-6-6, 1978 Compilation.

Effect: Per Section 6-6-6, NMSA 1978, it is binding upon officials and governing authorities, and no governing authority or official shall allow or approve claims in excess thereof, and no official shall pay any check or warrant in excess thereof, and the allowances or claims or checks or warrants so allowed or paid shall be a liability against the officials so allowing or paying those claims or checks or warrants, and recovery for the excess amounts so allowed or paid may be had against the bondsmen of those officials.

Cause: The City failed to obtain budget amendments for the funds that were over-expended or not budgeted for and the City budgeted for amounts in cash and/or fund balance that did not exist at the beginning of the fiscal year.

Auditors’ Recommendation: We recommend that the City establish policies and procedures to ensure all expenditures are budgeted for and funds are not over-expended. All future budgets should include all required funds. Greater attention should be given to the budget monitoring process.

Management’s Response: The City inadvertently missed the overage in this fund. As such, the City did not make a proper or timely Budget Adjustment Request (BAR). The City will be more thorough in the future to insure all BAR’s are submitted timely.

FS 2014-004 — Audit Report Submission to the New Mexico State Auditor (Compliance)

Condition: The City’s audit report for the year ended June 30, 2014 was not submitted to the State Auditor by the required due date, December 1, 2014. The City submitted the report on December 1, 2014, however; review comments required revisions which resulted in two additional findings and therefore rejection of timely submission.

Criteria: Audit reports rejected and not resubmitted before the due date are considered to be late submissions under 2.2.2.9.E of the State Audit Rule.

Effect: The result was the late submission of the City’s audit report for the year ended June 30, 2014.

Cause: Due to revisions the City’s audit report was not considered submitted to the State Auditor until after the December 1, 2014 deadline.

Auditors’ Recommendations: The City and auditor should ensure through thorough review that items are properly included on financial statements. This will be eased in the future with experience with the current auditor as well as audit scheduling which was affect in the current year by both the City and the auditor. In the future, scheduling should be planned to insure compliance and timely submission.

Management’s Response: The City will be more diligent in working with the auditor to insure timely submission in the future.

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Section V – Other Disclosures

Auditor Prepared Financials

Griego Professional Services, LLC assisted in the preparation of the financial statements presented in this report. The City's management has reviewed and approved the financial statements and related notes and they believe that their records adequately support the financial statements.

Exit Conference-Primary Government

The contents of this report were discussed on November 25, 2014. The following individuals were in attendance.

City of Tucumcari
Phillip Burch, Mayor
Bill Rogers, City Councilor
Aubrey Hobson, City Clerk/Treasurer

Griego Professional Services, LLC
J.J. Griego, CPA