

STATE OF NEW MEXICO
CITY OF HOBBS
ANNUAL FINANCIAL REPORT
JUNE 30, 2008



JOHNSON, MILLER & CO.

*Certified Public Accountants
A Professional Corporation*

An Independent Member of BDO Seidman Alliance

STATE OF NEW MEXICO
CITY OF HOBBS
ANNUAL FINANCIAL REPORT
JUNE 30, 2008

STATE OF NEW MEXICO
CITY OF HOBBS

OFFICIAL ROSTER
June 30, 2008

Name

City Council

Title

Gary Don Reagan

Mayor

Robert R. Wallach

Commissioner

Joseph D. Calderon

Commissioner

Hal Brunson

Commissioner

Jonathan Sena

Commissioner

Carl Mackey

Commissioner

John Boyd

Commissioner

City Officials

Eric Honeyfield

City Manager

Toby Spears

Finance Director

Sabrina Amador

Asst. Finance Director

STATE OF NEW MEXICO
CITY OF HOBBS
ANNUAL FINANCIAL REPORT
Year Ended June 30, 2008

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Hobbs, New Mexico
Midland, Texas
Odessa, Texas

INDEPENDENT AUDITORS' REPORT

Hector H. Balderas
New Mexico State Auditor
Mayor of Hobbs, Board of Commissioners and
Citizens of Hobbs
Hobbs, New Mexico

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hobbs, Hobbs, New Mexico, as of and for the year ended June 30, 2008, which collectively comprise the City's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the City's nonmajor governmental, internal service, and fiduciary funds presented as supplemental information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2008 as listed in the table of contents. These financial statements are the responsibility of the City's management. Our responsibility is to express opinions on these financial statements based on our audit.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information, of the City of Hobbs, New Mexico, as of June 30, 2008, 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 fund for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental, internal service, and fiduciary funds of the City of Hobbs as of June 30, 2008, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the nonmajor governmental, internal service, and enterprise funds for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with *Government Auditing Standards*, we have also issued our report dated December 1, 2008 on our consideration of City of Hobbs, New Mexico's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 5 through 22 and the Schedule of OPEB Funding Status and Costs are not required parts of the basic financial statements but are supplemental information required by the Governmental Accounting Standards Board. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplemental information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the basic financial statements and the combining and individual fund financial statements and budgetary comparisons. The accompanying Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations* and is not a required part of the basic financial statements. The additional schedules listed as "other supplementary information" in the table of contents, including the Schedule of Changes in Fiduciary Assets and Liabilities-Agency Funds, are presented for purposes of additional analysis and are not a required part of the basic financial statements of the City of Hobbs, Hobbs, New Mexico. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

Johnson, Miller & Co.

Hobbs, New Mexico
December 1, 2008

STATE OF NEW MEXICO
CITY OF HOBBS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2008
Unaudited

As management of the City of Hobbs, New Mexico, we offer readers of the City of Hobbs financial statements this narrative overview and analysis of the financial activities of the City of Hobbs for the fiscal year ended June 30, 2008. Please read in conjunction with the basic financial statements, which follow this section. The discussion and analysis includes comparative data for the prior year.

Financial Highlights

- Effective January 1, 2003, the gross receipts tax within the City of Hobbs was increased through the enactment of two 1/16% municipal infrastructure gross receipts tax increments. This tax is dedicated for projects designated by the City Commission. Collections in the current year totaled \$2,360,777.
- The assets of the City of Hobbs exceeded its liabilities at June 30, 2008 by \$166,744,867.
- Restricted net assets totaled \$17,417,108 at June 30, 2008. Restricted net assets are subject to external restrictions on how they may be used.
- Unrestricted assets totaled \$35,861,926 at June 30, 2008.
- Gross receipts and State of New Mexico shared taxes increased approximately 10% from \$40,421,097 for 2007 to \$44,442,404 for 2008. The increase is related primarily to the increase in the economic activity from construction and the oil and gas industry.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Hobbs basic financial statements. The City of Hobbs basic financial statements comprise three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements.

STATE OF NEW MEXICO
CITY OF HOBBS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2008
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Government-wide financial statements

The government-wide financial statements are designed to provide readers with a broad overview of the City of Hobbs finances, in a manner similar to a private-sector business.

The statement of net assets presents information on all of the City of Hobbs' assets and liabilities, with the difference between the two reported as net assets. Over time, increases and decreases in net assets may serve as a useful indicator of whether the financial position of the City of Hobbs is improving or deteriorating.

The statement of activities presents information showing how the government's net assets changed during the most recent fiscal year. All changes in net assets are reported as soon as the underlying event giving rise to the change occurs, regardless of the timing of related cash flows. Thus, revenues and expenses are reported in this statement for some items that will only result in cash flows in future fiscal periods (i.e., uncollected taxes and earned but unused vacation leave).

Both of the government-wide financial statements distinguish functions of the City of Hobbs that are principally supported by taxes and intergovernmental revenues (governmental activities) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (business-type activities). The governmental activities of the City of Hobbs include the general government, public safety, public works, and parks and recreation. The business-type activities of the City of Hobbs include the water and sewer joint utility.

The government-wide financial statements include only the City of Hobbs operations, and there are no component units required for separate presentation.

Fund financial statements

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

Governmental funds

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

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

STATE OF NEW MEXICO
CITY OF HOBBS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2008
Unaudited

Government-wide financial statements (continued)

The City of Hobbs maintains two major governmental funds for financial reporting purposes-the General Fund and the Street Improvements Capital Projects Fund. The Solid Waste Fund did not meet the requirements for separate presentation, but the City opted to include this fund as a major fund. All remaining funds are combined and reported in the column labeled nonmajor governmental funds. A combining schedule is provided within the financial statements containing the detail of these individual funds.

Proprietary funds

The City of Hobbs maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Hobbs uses enterprise funds to account for its water and sewer system. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City of Hobbs various functions. The City of Hobbs uses internal service funds to account for the health and workers compensation insurance activities. Because these services predominantly benefit the governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer joint utility, and the internal service funds.

Fiduciary funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City of Hobbs own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

STATE OF NEW MEXICO
CITY OF HOBBS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2008
Unaudited

Government-wide Financial Analysis

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. In the case of the City of Hobbs, assets exceeded liabilities by \$166,744,867 at June 30, 2008.

	Net Assets		
	June 30, 2008		
	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 34,917,187	\$ 7,516,707	\$ 42,433,894
Investments	1,676,657	-	1,676,657
Receivables	11,457,554	1,841,479	13,299,033
Internal balances	(103)	103	-
Inventories	-	445,913	445,913
Restricted cash and investments	3,933,314	1,422,620	5,355,934
Capital Assets, net of depreciation	91,772,383	52,775,884	144,548,267
Total assets	\$ 143,756,992	\$ 64,002,706	\$ 207,759,698
LIABILITIES AND NET ASSETS			
Current liabilities	\$ 3,827,947	\$ 2,364,268	\$ 6,192,215
Customer deposits	-	411,914	411,914
Long-term liabilities due within one year	375,079	489,072	864,151
Long-term liabilities due in more than one year	3,538,325	30,008,226	33,546,551
Total liabilities	7,741,351	33,273,480	41,014,831
Invested in capital assets, net of related debt	90,881,908	22,583,925	113,465,833
Restricted for:			
Capital projects	14,621,624	-	14,621,624
Public safety	1,226,025	-	1,226,025
Culture and recreation	148,592	-	148,592
Health and welfare	1,128,198	-	1,128,198
Debt service	292,669	-	292,669
Unrestricted	27,716,625	8,145,301	35,861,926
Total net assets	136,015,641	30,729,226	166,744,867
Total liabilities and net assets	\$ 143,756,992	\$ 64,002,706	\$ 207,759,698

STATE OF NEW MEXICO
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MANAGEMENT'S DISCUSSION AND ANALYSIS
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Government-wide Financial Analysis (continued)

On June 30, 2007, assets exceeded liabilities by \$143,514,220. Significant reasons for the increase of \$23,230,647 follow the schedule below.

	June 30, 2007		
	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 32,783,023	\$ 1,648,610	\$ 34,431,633
Investments	2,410,262	-	2,410,262
Receivables	10,321,847	1,279,819	11,601,666
Internal balances	(22,970)	22,970	-
Inventories	-	371,838	371,838
Restricted cash and investments	2,087,953	1,105,938	3,193,891
Capital Assets, net of depreciation	74,352,142	36,582,541	110,934,683
Total assets	\$ 121,932,257	\$ 41,011,716	\$ 162,943,973
LIABILITIES AND NET ASSETS			
Current liabilities	\$ 3,946,242	\$ 2,373,906	\$ 6,320,148
Customer deposits	-	368,156	368,156
Long-term liabilities due within one year	411,314	377,609	788,923
Long-term liabilities due in more than one year	2,610,259	9,342,267	11,952,526
Total liabilities	6,967,815	12,461,938	19,429,753
Invested in capital assets, net of related debt	73,258,373	26,949,853	100,208,226
Restricted for:			
Capital projects	12,030,431	-	12,030,431
Public safety	831,676	-	831,676
Culture and recreation	161,770	-	161,770
Health and welfare	1,143,370	-	1,143,370
Debt service	292,669	-	292,669
Unrestricted	27,246,153	1,599,925	28,846,078
Total net assets	114,964,442	28,549,778	143,514,220
Total liabilities and net assets	\$ 121,932,257	\$ 41,011,716	\$ 162,943,973

STATE OF NEW MEXICO
CITY OF HOBBS
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Government-wide Financial Analysis (continued)

By far the largest portion of the City of Hobbs' net assets (7%) reflects its investment in capital assets (e.g., land and land improvements, buildings, equipment and furniture, infrastructure, and utility system), less any related debt used to acquire those assets that are still outstanding. The City of Hobbs uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Hobbs' investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Additionally, approximately 10% of the City of Hobbs' net assets are restricted subject to external restrictions on how they may be used, and 22% of the City of Hobbs' net assets are available as unrestricted and available for any use the governing body may deem appropriate.

Governmental activities

- Increased revenues from taxes, grants, and charges for services led to higher balances for assets such as cash, restricted cash and investments, and receivables.
- This year's major capital asset additions for governmental activities included the purchase of various vehicles, equipment, and numerous street renovations. These additions contributed to an increase of over \$17 million in governmental activities capital assets.
- Long-term debt increased due to liabilities related to compensated absences and the City's post-employment benefit plan (OPEB). Details of long-term debt and of the City's unfunded OPEB liability may be found in the notes to the financial statements.

Business-type activities

- This year's major capital asset additions for business-type activities included payment for various water and sewer line replacement projects, the meter replacement project and costs associated with the wastewater treatment plant improvement project.
- Liability balances increased to over \$20 million. The majority of this increase was connected with additional borrowing within the City's business-type activities (primarily the drawdown of the WWTP construction loan). Principal payments on outstanding debt were made in accordance with applicable requirements in the business-type activities in the current year. Additional debt was incurred in the business-type activities in the current year as follows:

The City entered into a loan agreement with the New Mexico Finance Authority on May 13, 2005 for a total commitment of \$5,226,750. The loan has an interest rate of 1.75% with an administrative fee of 0.25%. The principal and interest is payable from the net system revenues of the City's joint water and wastewater system, and money derived from the City's state share gross receipts tax revenue. The proceeds will be used for the renovation and expansion of the City's water system including but not necessarily limited to repairs of its elevated storage tanks, construction of new storage tanks, and installation of an automated meter reading system. As of June 30, 2008, the City had started work on these projects and has drawn down a total of \$5,019,965 of the loan proceeds.

STATE OF NEW MEXICO
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MANAGEMENT'S DISCUSSION AND ANALYSIS
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Business-type activities (continued)

The City entered into a loan agreement with the New Mexico Environment Department on April 17, 2006. The purpose of the loan is to finance a project to acquire, construct, modify, and other improve the wastewater facilities of the City's joint water and sewer system. The loan has an interest rate of 2% and the principal amount of the loan is not to exceed \$35,000,000 as amended on January 10, 2008. The loan will be payable and collectible solely from the net revenues to be derived from the operation of the joint water and sewer system. As of June 30, 2008, the City has begun work on the projects and has drawn down \$21,351,994 in loan proceeds.

STATE OF NEW MEXICO
CITY OF HOBBS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2008
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Net (Expense) Revenue and Changes in Net Assets

The following schedules illustrate the items that comprised the changes in the City's net assets for the years ended June 30, 2008 and 2007. Reasons for significant changes follow the schedules.

<u>Functions/Programs</u>	June 30, 2008		
	Primary Government		
	Governmental Activities	Business- type Activities	Total
Primary government:			
General government	\$ 12,313,670	\$ -	\$ 12,313,670
Public safety	18,658,526	-	18,658,526
Public works	3,885,881	-	3,885,881
Economic development	703,029	-	703,029
Health and welfare	2,102,933	-	2,102,933
Culture and recreation	5,591,363	-	5,591,363
Sanitation	4,376,281	-	4,376,281
Joint utility enterprise	-	10,835,619	10,835,619
Less charges for services	9,208,599	7,328,242	16,536,841
Less operating grants and contributions	4,046,520	808,595	4,855,115
Less capital grants and contributions	6,855,539	-	6,855,539
	<u>\$ (27,521,025)</u>	<u>\$ (2,698,782)</u>	<u>\$ (30,219,807)</u>
General revenues:			
Taxes:			
Property taxes - general purposes	\$ 1,988,377	\$ -	\$ 1,988,377
State of New Mexico shared taxes	20,773,381	-	20,773,381
Franchise taxes	2,448,222	-	2,448,222
Municipal gross receipts taxes	22,491,191	1,177,832	23,669,023
Unrestricted investment earnings	1,621,374	181,705	1,803,079
Miscellaneous	2,096,807	-	2,096,807
	<u>51,419,352</u>	<u>1,359,537</u>	<u>52,778,889</u>
Excess (deficiency) before contributions, special items, and transfers	<u>23,898,327</u>	<u>(1,339,245)</u>	<u>22,559,082</u>
Special item - gain (loss) on sale of asset	681,252	(9,687)	671,565
Net operating transfers in (out)	(3,365,002)	3,365,002	-
Contributed capital	(163,378)	163,378	-
Total contributions, special items, and transfers	<u>(2,847,128)</u>	<u>3,518,693</u>	<u>671,565</u>
Change in net assets	<u>21,051,199</u>	<u>2,179,448</u>	<u>23,230,647</u>
Net assets - beginning	<u>114,964,442</u>	<u>28,549,778</u>	<u>143,514,220</u>
Net assets - ending	<u>\$ 136,015,641</u>	<u>\$ 30,729,226</u>	<u>\$ 166,744,867</u>

STATE OF NEW MEXICO
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MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2008
Unaudited

Net (Expense) Revenue and Changes in Net Assets (continued)

	June 30, 2007		
	Primary Government		
Functions/Programs	Governmental Activities	Business-type Activities	Total
Primary government:			
General government	\$ 10,542,229	\$ -	\$ 10,542,229
Public safety	16,033,763	-	16,033,763
Public works	3,869,767	-	3,869,767
Economic development	328,193	-	328,193
Health and welfare	1,776,923	-	1,776,923
Culture and recreation	4,603,259	-	4,603,259
Sanitation	3,977,990	-	3,977,990
Joint utility enterprise	-	6,187,407	6,187,407
Less charges for services	8,101,430	6,438,137	14,539,567
Less operating grants and contributions	632,241	791,218	1,423,459
Less capital grants and contributions	6,332,300	-	6,332,300
Total primary government	\$ (26,066,153)	\$ 1,041,948	\$ (25,024,205)
General revenues:			
Taxes:			
Property tax - general purpose	\$ 1,657,570	\$ -	\$ 1,657,570
State of New Mexico shared taxes	18,893,299	-	18,893,299
Franchise taxes	2,679,985	-	2,679,985
Municipal gross receipts taxes	20,626,520	901,278	21,527,798
Unrestricted investment earnings	1,756,785	77,751	1,834,536
Miscellaneous	1,083,351	-	1,083,351
Total general revenues	46,697,510	979,029	47,676,539
Excess (deficiency) before contributions, special items, and transfers	20,631,357	2,020,977	22,652,334
<i>Special item</i> - gain on sale of asset	(397,368)	(203,790)	(601,158)
Net operating transfers in (out)	195,619	(195,619)	-
Contributed capital	(1,669)	1,669	-
Total contributions, special items, and transfers	(203,418)	(397,740)	(601,158)
Change in net assets	20,427,939	1,623,237	22,051,176
Net assets - beginning	94,536,503	26,926,541	121,463,044
Net assets - ending	\$ 114,964,442	\$ 28,549,778	\$ 143,514,220

STATE OF NEW MEXICO
CITY OF HOBBS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2008
Unaudited

Governmental activities

The governmental activities of the City of Hobbs attained an increase in net assets of \$21,051,199 in the year ended June 30, 2008. As can be seen from the schedules above, the governmental activities' increase in net assets for the year ended June 30, 2007, was \$20,427,939. Reasons for the increase in governmental activities net assets for the year ended June 30, 2007 follow.

- An increase in gross receipts tax and State of New Mexico shared taxes of \$3,744,753.
- A slight decrease in the operating results (charges for services, operating grants, and capital grants less program expenses) was more than offset by increases in general revenues.
- Property tax revenues have continued to climb due to high demand for residential and business properties in the area, which continues to drive real estate values and prices higher.
- Municipal gross receipts taxes have increased due to increased prosperity and population in the region. The oil industry that forms the backbone of the City of Hobbs' economy is continuing to expand.

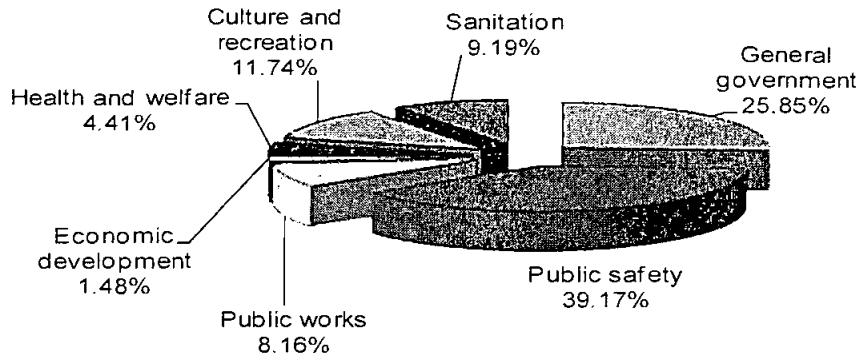
Business-type activities

The increase in net assets contributed by the City's business-type activities was \$2,179,448 in the year ended June 30, 2008, compared to the increase of net assets of \$1,623,237 for the year ended June 30, 2007. The larger increase this year was driven by a number of factors, including:

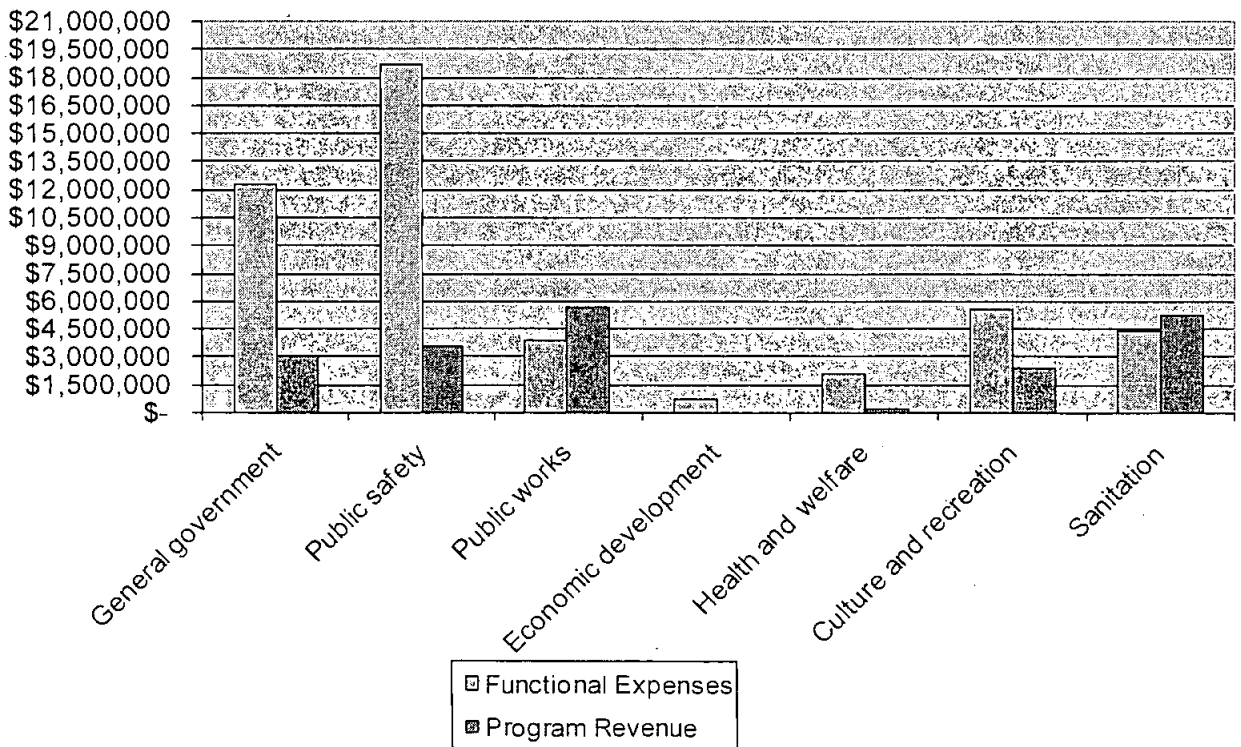
- Transfers in from General Fund for infrastructure joint utility projects.
- Increases in charges for services and operating grants and contributions.
- Increases in revenues from municipal gross receipts taxes for business-type activities and investment earnings.

STATE OF NEW MEXICO
 CITY OF HOBBS
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 For the Year Ended June 30, 2008
 Unaudited

PROGRAM EXPENSES - GOVERNMENTAL ACTIVITIES



Program Revenue and Expense - Governmental Activities

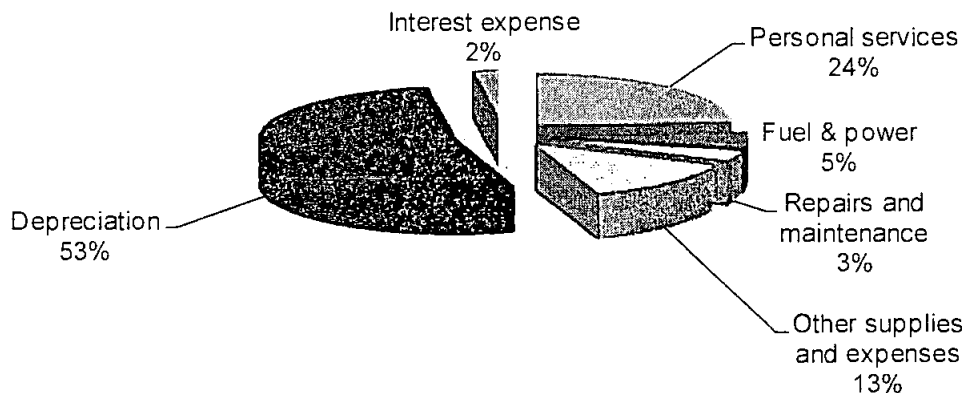


STATE OF NEW MEXICO
CITY OF HOBBS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2008
Unaudited

Business-type activities

Business-type activities increased the City of Hobbs' net assets by \$2,179,448 in the current year, and include the Water and Wastewater Joint Utility System. Revenues arise primarily from charges for services, and expenses from operational costs. The City of Hobbs maintains a rate structure and pricing policies that call for a periodic review and adjustment of the rates to occur annually. The proprietary fund statements show these activities in greater detail.

Business-Type Activities Expenses



Governmental Funds Financial Analysis

As noted earlier, the City of Hobbs uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds

The focus of the City of Hobbs governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Hobbs financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

STATE OF NEW MEXICO
CITY OF HOBBS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2008
Unaudited

Governmental funds (continued)

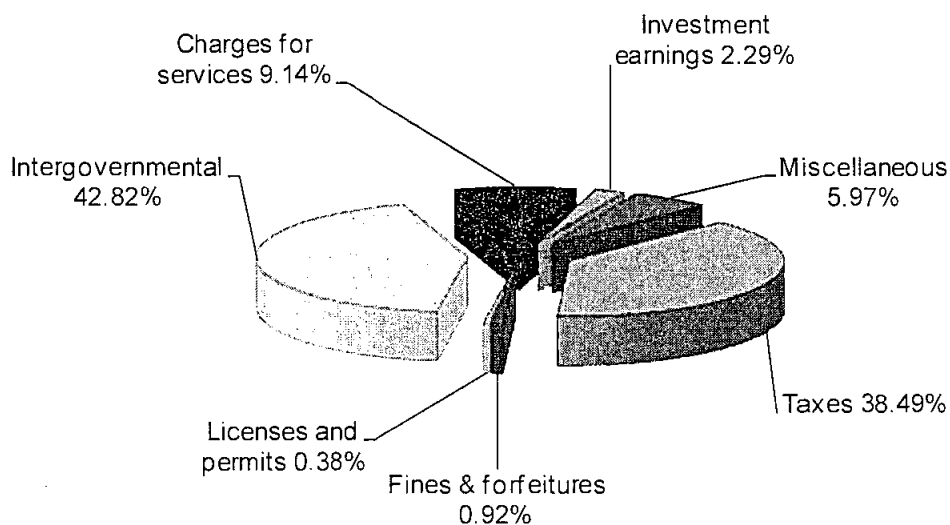
As of June 30, 2008, the City of Hobbs governmental funds reported combined ending fund balances of \$45,787,605, an increase of \$2,743,250. Approximately \$32,388,041 or 71% constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to satisfy third party restrictions as to the allowable use of these amounts.

The general fund is the chief operating fund of the City of Hobbs. At the end of the current fiscal year, unreserved fund balance of the general fund was \$32,529,791. As a measure of the general fund's liquidity, it may be useful to compare fund balance to total fund expenditures. Unreserved fund balance represents 81% of the total general fund expenditures.

The City's general fund balance increased by \$2,181,232 in the current fiscal year. Key factors in this increase are as follows:

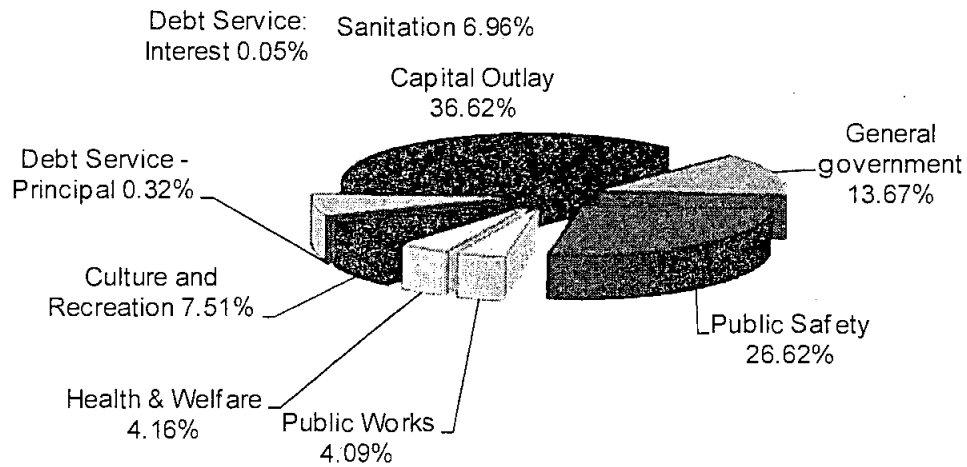
- An increase in tax receipts of \$1,312,423.
- Excess of revenues over expenditures totaled \$9,959,461 exclusive of capital outlay, special items, and operating transfers.

Revenue by Source - Governmental Funds



STATE OF NEW MEXICO
CITY OF HOBBS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2008
Unaudited

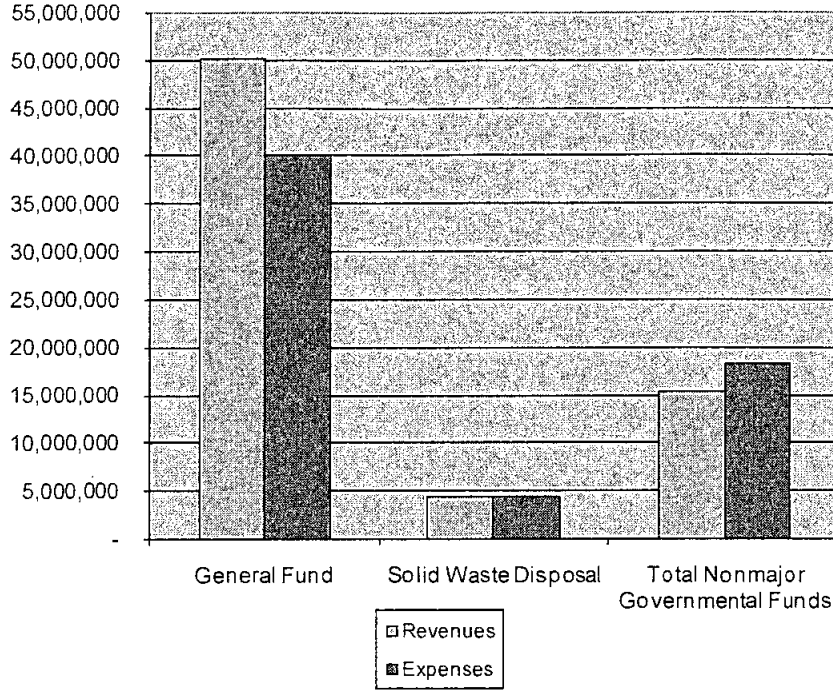
Expenditures - Governmental Funds



- Taxes includes property taxes, franchise taxes, and municipally-imposed gross receipts taxes.
- Intergovernmental includes grants and state-shared taxes, including a portion of gross receipts tax.
- Charges for services includes fees for services, and waste collection billing.
- Property tax rates remained unchanged in the current year.

STATE OF NEW MEXICO
 CITY OF HOBBS
 MANAGEMENT'S DISCUSSION AND ANALYSIS
 For the Year Ended June 30, 2008
 Unaudited

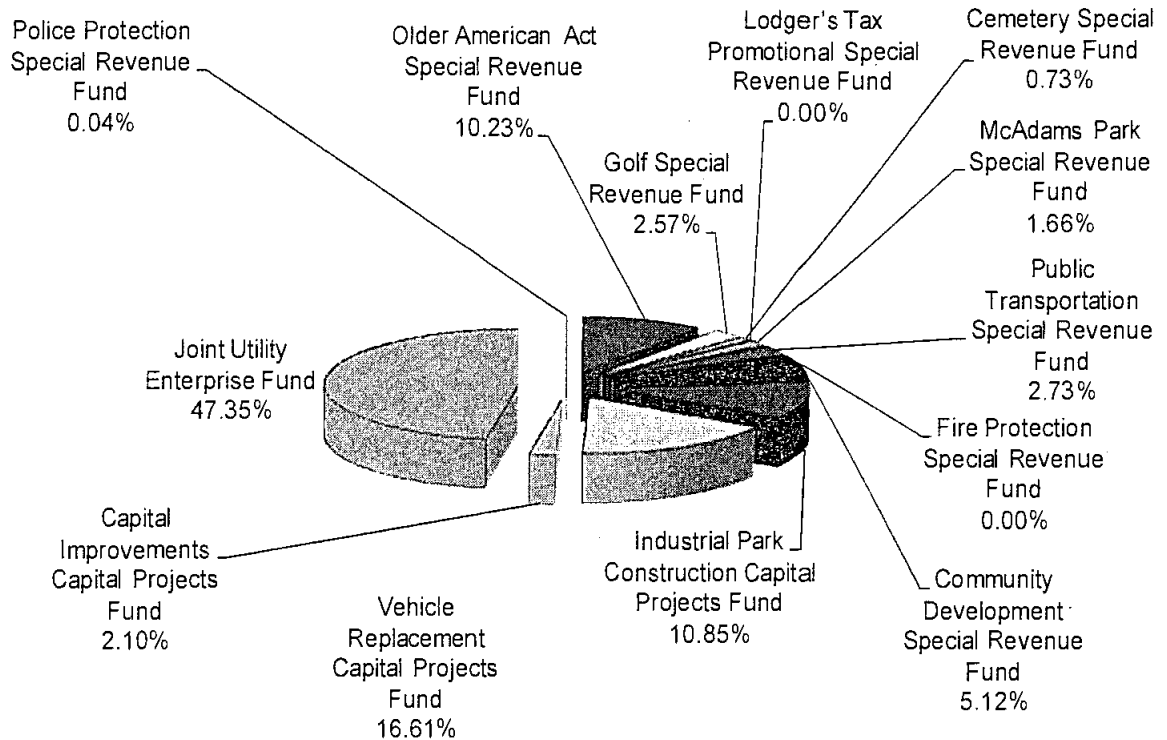
Excess of Revenues Over Expenditures-Governmental Funds



- Short-term deficiencies in revenues over expenditures are absorbed from cash balances accumulated over time within the individual funds.
- Long-term deficiencies in revenues over expenditures are corrected by operating transfers from the general fund.

STATE OF NEW MEXICO
CITY OF HOBBS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2008
Unaudited

Transfers to Funds



Proprietary funds

The City of Hobbs proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. At June 30, 2008, unrestricted net assets totaled \$6,949,408 in the joint utility fund. Factors concerning the finances of this fund have already been addressed in the discussion of the City of Hobbs business-type activities.

Budgetary Comparisons

The appropriated budget for the year ended June 30, 2008 was amended by the City Commission throughout the year. These amendments resulted in the following changes:

	Excess (deficiency) of revenues over expenditures		
	Original Budget	Final Budget	Actual
Budgeted Funds:			
General Fund	\$ (6,450,563)	\$ 10,337,565	\$ 10,337,565
Solid Waste Disposal Special Revenue	\$ -	\$ 18,165	\$ 18,165
Nonmajor Governmental Funds	\$ (4,539,071)	\$ (1,136,882)	\$ (1,136,882)

STATE OF NEW MEXICO
CITY OF HOBBS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2008
Unaudited

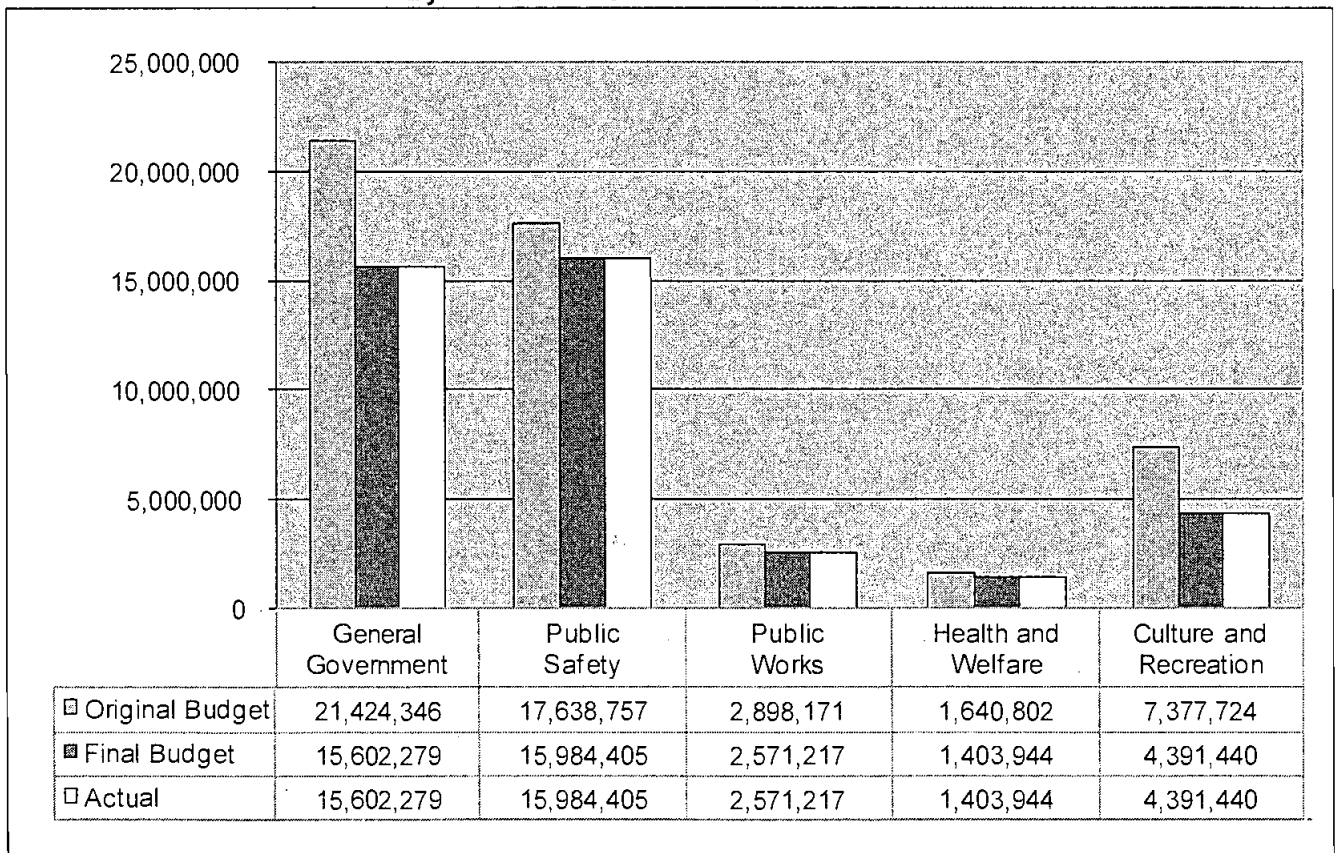
Budgetary Comparisons (continued)

As required by the Department of Finance and Administration, the City prepared its final budget so that the ending budgeted cash equaled the City's actual ending cash. The City reported no budget variances on the Statements and Schedules of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) as a result of preparing its final budget in this manner.

An analysis of significant differences between original and final budget amounts by function of government for the general fund follows.

The graph below displays the variances in the General Fund's functional expenses. As can be seen from this graph, the City experienced significant variances between original and final budget only in the General Government, Public Safety and the Culture and Recreation functions. In all cases, final budgeted expenses were less than anticipated originally. This is due to the difficulty in hiring qualified personnel for administrative, police, and firefighting positions.

**Original and Final Budgets Compared to Actual – General Fund
By Function of Government**



Current Facts and Future Trends

Since FY 2003, Services have replaced Retail Trade as the dominant Gross Receipts Tax category in the data supplied to the City by the New Mexico Taxation and Revenue Department. Oil and gas services revenue dominates the services category. Hobbs is more dependent than

STATE OF NEW MEXICO
CITY OF HOBBS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2008
Unaudited

any other New Mexico city on this Services Gross Receipts Tax Revenue. In other words, the local economy of Hobbs may be less diversified than any other New Mexico city. Due to this situation, Hobbs needs to maintain conservative General Fund reserves and monitor the oil and gas industry closely.

Zia Park Race Track and Casino is now completing its fourth racing season. The development of Zia Park is a small step in Hobbs' efforts to diversify the local economy. Zia Park is the closest gaming facility for approximately 1,000,000 Texas residents and is less than two hours away from a 600,000-population base. Staff estimates this facility may have a 1-2% positive impact in General Fund revenues. The National Enrichment Facility is a gas centrifuge uranium enrichment plant located south of Hobbs. This facility received its license from the Nuclear Regulatory Commission on June 28, 2006. The construction of this project is estimated in the \$1.5 - \$2.0 billion range and will have a significant impact on the local economy. The high average wage payroll would further diversify the local economy. The National Enrichment Facility also has potential as a magnet for related industries.

The General Fund revenue base is dominated by Gross Receipts Taxes, whereas General Fund expenditures are dominated by Wages and Benefits. The 2003 Legislature passed the Public Employee Bargaining Act. During the next few years, the labor movement will be a new factor in the financial planning challenges associated with the General Fund. Expenditures related to all three components of the City Insurance program (employee benefits, worker's compensations and liability) grew at more than double the growth rate of General Fund revenues for several years prior to FY 2008. A design change occurred in November, 2008. An actuarial study will be performed in May, 2009 to reflect these changes.

The dominant issue in Enterprise Fund financial planning is the renovation and expansion of the Waste Water Treatment Plant. The bid for this project was awarded at \$30.7 million dollars and will be funded through the 2%, 20-year wastewater construction loan program administered by the New Mexico Environment Department. On January 1, 2005 a new .0625% Environmental Gross Receipts Tax was implemented. The City Commission has dedicated the revenues from this tax to the Waste Water Treatment Plant project. **This will cover about 25% of the anticipated debt service for the Waste Water Treatment Plant project.** The City has completed \$4.6 million of capital renovation/replacement projects related to water storage tanks, water line replacement and water meter replacement. These projects will help reduce the unfunded liability of existing infrastructure replacement costs that are required by GASB 34. One potential liability is concrete sewer lines which will have an estimated cost of \$10 million that will have to be monitored in future budgets.

Transportation, utility, beautification, renovation and expansion projects are also in various stages of completion. These projects include water line and infrastructure improvements of \$1.1 million; beautification incentive projects of \$2.7 million; improvements to the Waste Water Treatment Plant and related infrastructure of \$1.7 million; the Navajo Utility project of \$1.6 million; improvements to the Public Safety Complex of \$1.2 million; a new animal shelter, for \$2 million; and the rehabilitation of SR18/Bender, for \$2.3 million. Portions of these projects will also reduce the City's unfunded liability pursuant to GASB 34.

BASIC FINANCIAL STATEMENTS

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STATE OF NEW MEXICO
CITY OF HOBBS
STATEMENT OF NET ASSETS
June 30, 2008

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 34,917,187	\$ 7,516,707	\$ 42,433,894
Investments	1,676,657	-	1,676,657
Receivables			
Accounts receivable, net	1,468,906	1,408,233	2,877,139
Due from other governments	9,884,299	433,246	10,317,545
Accrued interest receivable	104,349	-	104,349
Internal balances	(103)	103	-
Inventories	-	445,913	445,913
Restricted cash and investments	3,933,314	1,422,620	5,355,934
Capital assets			
Land and land improvements	17,409,266	-	17,409,266
Infrastructure	47,442,696	-	47,442,696
Buildings	25,335,485	-	25,335,485
Equipment and furniture	31,705,157	-	31,705,157
Utility system	-	82,356,532	82,356,532
Less: accumulated depreciation	(30,120,221)	(29,580,648)	(59,700,869)
Total assets	\$ 143,756,992	\$ 64,002,706	\$ 207,759,698

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

STATE OF NEW MEXICO
CITY OF HOBBS
STATEMENT OF NET ASSETS
June 30, 2008

	Primary Government		Total
	Governmental Activities	Business-type Activities	
LIABILITIES AND NET ASSETS			
Accounts payable	\$ 2,325,098	\$ 2,272,551	\$ 4,597,649
Accrued salaries and related expenses	975,902	91,717	1,067,619
Estimated claims payable	526,947	-	526,947
Customer deposits	-	411,914	411,914
Long-term liabilities			
Due within one year			
Notes payable	99,008	-	99,008
Bonds payable	-	345,000	345,000
Accrued interest	-	106,370	106,370
Compensated absences	276,071	37,702	313,773
Due in more than one year			
Notes payable	791,466	26,371,959	27,163,425
Bonds payable	-	3,475,000	3,475,000
Compensated absences	866,287	69,507	935,794
Unfunded OPEB liability	1,880,572	91,760	1,972,332
Total liabilities	<u>7,741,351</u>	<u>33,273,480</u>	<u>41,014,831</u>
Invested in capital assets, net of related debt	90,881,908	22,583,925	113,465,833
Restricted for:			
Capital projects	14,621,624	-	14,621,624
Public safety	1,226,025	-	1,226,025
Culture and recreation	148,592	-	148,592
Health and welfare	1,128,198	-	1,128,198
Debt service	292,669	-	292,669
Unrestricted	<u>27,716,625</u>	<u>8,145,301</u>	<u>35,861,926</u>
Total net assets	<u>136,015,641</u>	<u>30,729,226</u>	<u>166,744,867</u>
Total liabilities and net assets	<u>\$ 143,756,992</u>	<u>\$ 64,002,706</u>	<u>\$ 207,759,698</u>

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

STATE OF NEW MEXICO
CITY OF HOBBS
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2008

<u>Functions/Programs</u>	<u>Program Revenue</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary government:				
Governmental activities:				
General government	\$ 12,313,670	\$ 2,472,652	\$ 163,563	\$ 378,580
Public safety	18,658,526	1,291,181	1,883,560	347,257
Public works	3,885,881	174,411	207,111	5,281,857
Economic development	703,029	-	-	-
Health and welfare	2,102,933	204,890	-	-
Culture and recreation	5,591,363	563,686	1,792,286	47,845
Sanitation	4,376,281	4,501,779	-	800,000
Capital outlay	-	-	-	-
Infrastructure Outlay	-	-	-	-
Total governmental activities	47,631,683	9,208,599	4,046,520	6,855,539
Business-type activities:				
Joint utility enterprise	10,835,619	7,328,242	808,595	-
Total business-type activities	10,835,619	7,328,242	808,595	-
Total primary government	\$ 58,467,302	\$ 16,536,841	\$ 4,855,115	\$ 6,855,539

General revenues:

Taxes:

- Property taxes, levied for general purposes
- State of New Mexico shared taxes
- Franchise and miscellaneous taxes
- Municipal gross receipts taxes
- Unrestricted investment earnings
- Miscellaneous
- Special item* - gain (loss) on disposal of assets
- Net operating transfers in (out)
- Contributed capital

Total general revenues, special items, and transfers

Change in net assets

Net assets - beginning

Net assets - ending

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

<u>Net (Expense) Revenue and Changes in Net Assets</u>		
<u>Primary Government</u>		
<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>
<u>Activities</u>	<u>Activities</u>	
\$ (9,298,875)	\$ -	\$ (9,298,875)
(15,136,528)	-	(15,136,528)
1,777,498	-	1,777,498
(703,029)	-	(703,029)
(1,898,043)	-	(1,898,043)
(3,187,546)	-	(3,187,546)
925,498	-	925,498
-	-	-
-	-	-
<u>(27,521,025)</u>	<u>-</u>	<u>(27,521,025)</u>
-	(2,698,782)	(2,698,782)
-	(2,698,782)	(2,698,782)
<u>\$ (27,521,025)</u>	<u>\$ (2,698,782)</u>	<u>\$ (30,219,807)</u>
\$ 1,988,377	\$ -	\$ 1,988,377
20,773,381	-	20,773,381
2,448,222	-	2,448,222
22,491,191	1,177,832	23,669,023
1,621,374	181,705	1,803,079
2,096,807	-	2,096,807
681,252	(9,687)	671,565
(3,365,002)	3,365,002	-
(163,378)	163,378	-
<u>48,572,224</u>	<u>4,878,230</u>	<u>53,450,454</u>
<u>21,051,199</u>	<u>2,179,448</u>	<u>23,230,647</u>
<u>114,964,442</u>	<u>28,549,778</u>	<u>143,514,220</u>
<u>\$ 136,015,641</u>	<u>\$ 30,729,226</u>	<u>\$ 166,744,867</u>

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

STATE OF NEW MEXICO
CITY OF HOBBS
BALANCE SHEET
GOVERNMENTAL FUNDS
 June 30, 2008

ASSETS	General Fund	Solid Waste Disposal
Cash and cash equivalents	\$ 23,664,131	\$ 213,043
Investments	1,676,657	-
Restricted cash and investments	-	-
Receivables:		
Accounts receivable, net	725,444	704,910
Due from other governments	7,788,300	-
Accrued interest receivable	104,349	-
Due from other funds	426,611	-
<i>Total assets</i>	\$ 34,385,492	\$ 917,953
LIABILITIES AND FUND BALANCES		
<i>Liabilities:</i>		
Accounts payable	\$ 889,039	\$ 354,793
Due to other funds	-	-
Deferred revenue	39,117	704,910
Accrued salaries and related expenses	927,545	-
<i>Total liabilities</i>	1,855,701	1,059,703
<i>Fund balances:</i>		
Unreserved	32,529,791	(141,750)
Unreserved, reported in non-major:		
Special revenue funds	-	-
Capital projects funds	-	-
Reserved:		
Debt service	-	-
<i>Total fund balances</i>	32,529,791	(141,750)
<i>Total liabilities and fund balances</i>	\$ 34,385,492	\$ 917,953

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

<u>Total Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 8,919,334	\$ 32,796,508
-	1,676,657
3,933,315	3,933,315
-	1,430,354
2,095,999	9,884,299
-	104,349
-	426,611
<u>\$ 14,948,648</u>	<u>\$ 50,252,093</u>
\$ 1,074,128	\$ 2,317,960
426,611	426,611
-	744,027
48,345	975,890
<u>1,549,084</u>	<u>4,464,488</u>
-	32,388,041
2,493,140	2,493,140
10,613,755	10,613,755
<u>292,669</u>	<u>292,669</u>
<u>13,399,564</u>	<u>45,787,605</u>
<u>\$ 14,948,648</u>	<u>\$ 50,252,093</u>

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

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STATE OF NEW MEXICO
CITY OF HOBBS
GOVERNMENTAL FUNDS
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS
June 30, 2008

Exhibit B-1

Total fund balance, governmental funds \$ 45,787,605

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

Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets. 91,772,383

Assets not available to pay for current-period expenditures are deferred in the funds:

Deferred revenues - Delinquent property taxes	\$ 39,117	
Deferred revenues - Solid waste fund	704,910	
		744,027

Internal service funds are used by management to charge the costs of worker's compensation and health insurance to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the statement of net assets. 1,625,030

Long-term liabilities, (Notes Payable, Unfunded OPEB Liabilities, and Long-term Compensated Absences), are not due and payable in the current period and are not included in the fund financial statement, but are included in the governmental activities of the Statement of Net Assets.

Notes payable	\$ (890,474)	
Unfunded OPEB liability	(1,880,572)	
Compensated absences	(1,142,358)	
		(3,913,404)

Net Assets of Governmental Activities in the Statement of Net Assets \$ 136,015,641

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

STATE OF NEW MEXICO
CITY OF HOBBS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2008

	<u>General Fund</u>	<u>Solid Waste Disposal</u>
<i>Revenues:</i>		
Property, sales, and miscellaneous taxes	\$ 23,246,775	\$ -
Fines & forfeitures	637,434	-
Licenses and permits	262,593	-
Intergovernmental	22,895,205	-
Charges for services	1,400,168	4,382,442
Investment earnings	1,154,987	-
Miscellaneous	556,253	-
	<u>50,153,415</u>	<u>4,382,442</u>
<i>Expenditures:</i>		
Current:		
General government	8,594,020	-
Public safety	15,313,262	-
Public works	2,568,485	-
Health and welfare	765,640	-
Culture and recreation	4,008,034	-
Sanitation	-	4,376,280
Debt service:		
Principal	-	-
Interest and other charges	-	-
Capital Outlay	8,944,513	-
	<u>40,193,954</u>	<u>4,376,280</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>9,959,461</u>	<u>6,162</u>
<i>Other financing sources (uses):</i>		
Transfers in	347,000	-
Transfers out	(8,847,380)	-
<i>Total other financing sources (uses)</i>	<u>(8,500,380)</u>	<u>-</u>
<i>Special Items:</i>		
Proceeds from sale of fixed assets	722,151	-
<i>Net change in fund balances</i>	2,181,232	6,162
<i>Fund balances - beginning</i>	<u>30,348,559</u>	<u>(147,912)</u>
<i>Fund balances - ending</i>	<u>\$ 32,529,791</u>	<u>\$ (141,750)</u>

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

Total Nonmajor Governmental Funds	Total Governmental Funds
\$ 3,666,863	\$ 26,913,638
3,702	641,136
-	262,593
7,052,209	29,947,414
607,565	6,390,175
444,219	1,599,206
3,619,401	4,175,654
<u>15,393,959</u>	<u>69,929,816</u>
-	8,594,020
1,416,654	16,729,916
-	2,568,485
1,848,982	2,614,622
710,041	4,718,075
-	4,376,280
203,294	203,294
30,182	30,182
14,067,128	23,011,641
<u>18,276,281</u>	<u>62,846,515</u>
<u>(2,882,322)</u>	<u>7,083,301</u>
3,782,378	4,129,378
(347,000)	(9,194,380)
<u>3,435,378</u>	<u>(5,065,002)</u>
<u>2,800</u>	<u>724,951</u>
555,856	2,743,250
12,843,708	43,044,355
<u>\$ 13,399,564</u>	<u>\$ 45,787,605</u>

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

STATE OF NEW MEXICO

Exhibit B-2

CITY OF HOBBS

RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES AND CHANGES
IN FUND BALANCES OF GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES

For the Year Ended June 30, 2008

Net change in fund balances - total governmental funds \$ 2,743,250

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

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as an expenditure. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period.

Capital outlay charged to expense in governmental funds	23,011,641	
Depreciation charged to expense at the government-wide level	(4,933,178)	
Capital outlay for non-capitalized assets (cost of less than \$5,000)	(344,095)	
	17,734,368	

Less: Transfers included in Note L, page 68

17,734,368	
(80,134)	

17,654,234

Governmental funds report the entire net sales price (proceeds) from sale of an asset as revenue because it provides current financial resources. In contrast, the Statement of Activities reports only the gain on the sale of the assets. Thus, the change in net assets differs from the change in fund balance by the cost of the assets sold.

(43,699)

Internal service funds charge governmental funds an allocated portion of expenses or profits as a "look-back adjustment" so that the internal service fund breaks even. This is reported at the government-wide level, but not in the governmental funds statements.

1,621,090

The net value of capital assets transferred between governmental and business-type funds was not reported in the fund financial statements, but is reported in the government-wide financial statements.

(163,378)

Governmental funds do not present revenues that are not available to pay current obligations. In contrast, such revenues are reported in the Statement of Activities when earned.

Solid Waste refuse removal charges	119,335	
Deferred revenues-delinquent property taxes	14,151	
	133,486	

133,486

Governmental funds report loan proceeds as current financial resources. In contrast, the Statement of Activities treats such issuance of debt as a liability. Governmental funds report repayment of loan principal as an expenditure. In contrast, the Statement of Activities treats such repayments as a reduction of long-term liabilities.

Principal repayments on loans payable to New Mexico Finance Authority

203,294

Some expenses reported in the statement of activities do not require the use of current financial resources and these are not reported as expenditures in governmental funds:

Expense for unfunded liability for OPEB under GASB 45	(872,815)	
Salaries expense associated with compensated absences	(224,263)	
	(1,097,078)	

(1,097,078)

Change in net assets of governmental activities

\$ 21,051,199

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

STATE OF NEW MEXICO
CITY OF HOBBS
GENERAL FUND

Exhibit C-1
(Page 1 of 9)

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For the year ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<i>Revenues:</i>				
Taxes	\$ 20,430,000	\$ 23,213,642	\$ 23,213,642	\$ -
Fines and forfeitures	484,000	637,434	637,434	-
Licenses and permits	230,567	262,593	262,593	-
Intergovernmental	20,170,935	22,302,547	22,302,547	-
Charges for services	1,176,000	1,322,659	1,322,659	-
Investment earnings	1,029,000	1,217,106	1,217,106	-
Miscellaneous	1,008,735	1,334,869	1,334,869	-
<i>Total revenues</i>	<u>44,529,237</u>	<u>50,290,850</u>	<u>50,290,850</u>	<u>-</u>
<i>Expenditures:</i>				
<i>Current:</i>				
<i>General Government:</i>				
<i>Legislative:</i>				
Personnel services	92,550	121,504	121,504	-
Operating expenses	1,370,280	1,025,148	1,025,148	-
Capital outlay	-	24,465	24,465	-
<i>Total legislative</i>	<u>1,462,830</u>	<u>1,171,117</u>	<u>1,171,117</u>	<u>-</u>
<i>Executive:</i>				
Personnel services	304,938	305,176	305,176	-
Operating expenses	69,700	132,793	132,793	-
	3,000	-	-	-
<i>Total executive</i>	<u>377,638</u>	<u>437,969</u>	<u>437,969</u>	<u>-</u>
<i>Planning:</i>				
Personnel services	382,033	264,663	264,663	-
Operating expenses	78,700	74,218	74,218	-
Capital outlay	283,100	72,110	72,110	-
<i>Total planning</i>	<u>743,833</u>	<u>410,991</u>	<u>410,991</u>	<u>-</u>
<i>Mapping</i>				
Personnel services	178,417	120,180	120,180	-
Operating expenses	36,000	17,877	17,877	-
Capital outlay	63,700	50,436	50,436	-
<i>Total mapping</i>	<u>278,117</u>	<u>188,493</u>	<u>188,493</u>	<u>-</u>

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

STATE OF NEW MEXICO
CITY OF HOBBS
GENERAL FUND

Exhibit C-1
(Page 2 of 9)

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL

For the year ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<i>Expenditures: (continued)</i>				
General Government: (continued)				
City Clerk:				
Personnel services	\$ 213,556	\$ 224,630	\$ 224,630	\$ -
Operating expenses	80,195	81,898	81,898	-
Capital outlay	10,000	15,699	15,699	-
Total city clerk	<u>303,751</u>	<u>322,227</u>	<u>322,227</u>	<u>-</u>
Elections:				
Personnel services	\$ -	\$ 3,390	\$ 3,390	\$ -
Operating expenses	20,000	19,955	19,955	-
Total elections	<u>20,000</u>	<u>23,345</u>	<u>23,345</u>	<u>-</u>
Financing and Purchasing:				
Personnel services	395,769	389,677	389,677	-
Operating expenses	84,843	69,877	69,877	-
Capital outlay	803,000	436,504	436,504	-
Total financing and purchasing	<u>1,283,612</u>	<u>896,058</u>	<u>896,058</u>	<u>-</u>
Computer Operations:				
Personnel services	377,361	359,720	359,720	-
Operating expenses	112,510	106,719	106,719	-
Capital outlay	396,000	345,302	345,302	-
Total computer operations	<u>885,871</u>	<u>811,741</u>	<u>811,741</u>	<u>-</u>
Judicial:				
Personnel services	357,348	320,313	320,313	-
Operating expenses	48,315	65,619	65,619	-
Capital outlay	15,000	33,439	33,439	-
Total judicial	<u>420,663</u>	<u>419,371</u>	<u>419,371</u>	<u>-</u>
Legal:				
Personnel services	111,270	54,603	54,603	-
Operating expenses	175,966	101,087	101,087	-
Total legal	<u>287,236</u>	<u>155,690</u>	<u>155,690</u>	<u>-</u>

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

STATE OF NEW MEXICO
CITY OF HOBBS
GENERAL FUND

Exhibit C-1
(Page 3 of 9)

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For the year ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<i>Expenditures: (continued)</i>				
General Government: (continued)				
Personnel Services:				
Personnel services	\$ 224,907	\$ 240,611	\$ 240,611	\$ -
Operating expenses	316,680	198,034	198,034	-
Capital outlay	8,000	8,000	8,000	-
Total personnel services	<u>549,587</u>	<u>446,645</u>	<u>446,645</u>	<u>-</u>
Risk Management:				
Operating expenses	<u>52,750</u>	<u>253</u>	<u>253</u>	<u>-</u>
Total risk management	<u>52,750</u>	<u>253</u>	<u>253</u>	<u>-</u>
Insurance:				
Operating expenses	<u>1,678,741</u>	<u>1,614,476</u>	<u>1,614,476</u>	<u>-</u>
Total insurance	<u>1,678,741</u>	<u>1,614,476</u>	<u>1,614,476</u>	<u>-</u>
Motor Vehicle:				
Personnel services	370,218	331,908	331,908	-
Operating expenses	<u>3,500</u>	<u>2,849</u>	<u>2,849</u>	<u>-</u>
Total motor vehicle	<u>373,718</u>	<u>334,757</u>	<u>334,757</u>	<u>-</u>
Warehouse:				
Personnel services	100,155	99,206	99,206	-
Operating expenses	8,960	8,069	8,069	-
Capital outlay	<u>4,000</u>	<u>3,035</u>	<u>3,035</u>	<u>-</u>
Total warehouse	<u>113,115</u>	<u>110,310</u>	<u>110,310</u>	<u>-</u>
Garage:				
Personnel services	516,368	504,782	504,782	-
Operating expenses	<u>815,775</u>	<u>1,038,188</u>	<u>1,038,188</u>	<u>-</u>
Total garage	<u>1,332,143</u>	<u>1,542,970</u>	<u>1,542,970</u>	<u>-</u>

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

STATE OF NEW MEXICO
CITY OF HOBBS
GENERAL FUND

Exhibit C-1
(Page 4 of 9)

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For the year ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<i>Expenditures: (continued)</i>				
General Government: (continued)				
Building Maintenance:				
Personnel services	\$ 395,283	\$ 389,618	\$ 389,618	\$ -
Operating expenses	2,904,058	2,917,536	2,917,536	-
Capital outlay	7,961,400	3,408,712	3,408,712	-
Total building maintenance	11,260,741	6,715,866	6,715,866	-
<i>Total General Government</i>	21,424,346	15,602,279	15,602,279	-
Public Works:				
Engineering:				
Personnel services	525,583	429,652	429,652	-
Operating expenses	20,900	37,557	37,557	-
Capital outlay	12,300	10,939	10,939	-
Total engineering	558,783	478,148	478,148	-
Highways and Streets:				
Personnel services	1,135,088	1,077,297	1,077,297	-
Operating expenses	680,000	567,506	567,506	-
Capital outlay	24,300	22,316	22,316	-
Total highways and streets	1,839,388	1,667,119	1,667,119	-
Street Lighting:				
Operating expenses	500,000	425,950	425,950	-
Total street lighting	500,000	425,950	425,950	-
<i>Total Public Works</i>	2,898,171	2,571,217	2,571,217	-
Health and Welfare:				
Environmental Services:				
Personnel services	495,152	522,354	522,354	-
Operating expenses	358,200	175,223	175,223	-
Capital outlay	6,000	5,974	5,974	-
Total environmental services	859,352	703,551	703,551	-

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

STATE OF NEW MEXICO
CITY OF HOBBS
GENERAL FUND

Exhibit C-1
 (Page 5 of 9)

**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL**
 For the year ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<i>Expenditures: (continued)</i>				
Health and Welfare (continued):				
Recycling:				
Operating expenses	\$ -	\$ 3,579	\$ 3,579	\$ -
Capital outlay	590,000	543,488	543,488	-
Total recycling	590,000	547,067	547,067	-
Public Information:				
Operating expenses	91,450	69,520	69,520	-
Capital outlay	100,000	83,806	83,806	-
Total public information	191,450	153,326	153,326	-
<i>Total Health and Welfare</i>	1,640,802	1,403,944	1,403,944	-
Culture and Recreation:				
Libraries:				
Personnel services	670,315	650,008	650,008	-
Operating expenses	414,569	377,812	377,812	-
Capital outlay	22,300	20,940	20,940	-
Total libraries	1,107,184	1,048,760	1,048,760	-
Parks:				
Personnel services	1,142,234	994,270	994,270	-
Operating expenses	494,630	459,709	459,709	-
Capital outlay	2,225,500	236,698	236,698	-
Total parks	3,862,364	1,690,677	1,690,677	-
Sports Field:				
Personnel services	194,765	174,939	174,939	-
Operating expenses	129,200	91,144	91,144	-
Capital outlay	66,000	50,436	50,436	-
Total sports field	389,965	316,519	316,519	-

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

STATE OF NEW MEXICO
CITY OF HOBBS
GENERAL FUND

Exhibit C-1
(Page 6 of 9)

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For the year ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
<i>Expenditures: (continued)</i>				
Culture and Recreation: (continued)				
Recreation:				
Personnel services	\$ 471,167	\$ 367,653	\$ 367,653	\$ -
Operating expenses	479,600	256,115	256,115	-
Capital outlay	25,000	46,261	46,261	-
Total recreation	<u>975,767</u>	<u>670,029</u>	<u>670,029</u>	<u>-</u>
Teen Center:				
Personnel services	196,327	173,273	173,273	-
Operating expenses	79,600	72,610	72,610	-
Capital outlay	322,950	44,676	44,676	-
Total teen center	<u>598,877</u>	<u>290,559</u>	<u>290,559</u>	<u>-</u>
Pools				
Personnel services	294,967	240,686	240,686	-
Operating expenses	138,400	126,671	126,671	-
Capital outlay	10,200	7,539	7,539	-
Total pools	<u>443,567</u>	<u>374,896</u>	<u>374,896</u>	<u>-</u>
<i>Total Culture and Recreation</i>	<u>7,377,724</u>	<u>4,391,440</u>	<u>4,391,440</u>	<u>-</u>
Public Safety:				
Police Field Services:				
Personnel services	1,024,651	833,541	833,541	-
Operating expenses	259,660	199,584	199,584	-
Capital outlay	154,000	64,248	64,248	-
Total police field services	<u>1,438,311</u>	<u>1,097,373</u>	<u>1,097,373</u>	<u>-</u>
Police CID:				
Personnel services	4,234,604	4,797,011	4,797,011	-
Operating expenses	42,875	83,215	83,215	-
Capital outlay	114,570	129,783	129,783	-
Total police CID	<u>4,392,049</u>	<u>5,010,009</u>	<u>5,010,009</u>	<u>-</u>

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

STATE OF NEW MEXICO
CITY OF HOBBS
GENERAL FUND

Exhibit C-1
 (Page 7 of 9)

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
 FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
 For the year ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<i>Expenditures: (continued)</i>				
Public Safety: (continued)				
Police Technical Services:				
Personnel services	\$ 1,036,271	\$ 959,413	\$ 959,413	\$ -
Operating expenses	78,600	74,437	74,437	-
Capital outlay	1,400	1,432	1,432	-
Total police technical services	<u>1,116,271</u>	<u>1,035,282</u>	<u>1,035,282</u>	<u>-</u>
Police Support Services:				
Personnel services	596,315	625,971	625,971	-
Operating expenses	52,600	55,118	55,118	-
Capital outlay	114,500	-	-	-
Total police and support services	<u>763,415</u>	<u>681,089</u>	<u>681,089</u>	<u>-</u>
Admin Services Certified:				
Personnel services	857,007	901,184	901,184	-
Operating expenses	294,200	263,283	263,283	-
Capital outlay	124,250	91,849	91,849	-
Total admin services certified	<u>1,275,457</u>	<u>1,256,316</u>	<u>1,256,316</u>	<u>-</u>
Police CID Non-certified:				
Personnel services	614,093	578,876	578,876	-
Operating expenses	9,100	7,926	7,926	-
Capital outlay	-	62,818	62,818	-
Total police CID non-certified	<u>623,193</u>	<u>649,620</u>	<u>649,620</u>	<u>-</u>
Fire and Ambulance:				
Personnel services	5,523,407	4,800,142	4,800,142	-
Operating expenses	651,854	604,405	604,405	-
Capital outlay	1,160,974	298,261	298,261	-
Total fire and ambulance	<u>7,336,235</u>	<u>5,702,808</u>	<u>5,702,808</u>	<u>-</u>

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

STATE OF NEW MEXICO
CITY OF HOBBS
GENERAL FUND

Exhibit C-1
(Page 8 of 9)

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN

FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For the year ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<i>Expenditures: (continued)</i>				
Public Safety: (continued)				
Emergency Management:				
Operating expenses	\$ 26,425	\$ 12,720	\$ 12,720	\$ -
Total emergency management	26,425	12,720	12,720	-
Hazardous Materials Responses:				
Operating expenses	26,499	11,011	11,011	-
Total hazardous materials responses	26,499	11,011	11,011	-
Traffic:				
Personnel services	198,927	186,101	186,101	-
Operating expenses	165,160	124,375	124,375	-
Total traffic	364,087	310,476	310,476	-
Code Enforcement:				
Personnel services	227,705	188,723	188,723	-
Operating expenses	8,050	11,310	11,310	-
Capital outlay	41,060	17,668	17,668	-
Total code enforcement	276,815	217,701	217,701	-
<i>Total Public Safety</i>	17,638,757	15,984,405	15,984,405	-
<i>Total expenditures</i>	50,979,800	39,953,285	39,953,285	-
<i>Excess (deficiency) of revenues over expenditures</i>	(6,450,563)	10,337,565	10,337,565	-
<i>Other financing sources:</i>				
Operating transfers in:				
Lodgers Tax Promotional Fund	-	17,000	17,000	-
Fire Protection	300,000	330,000	330,000	-
<i>Total other financing sources</i>	300,000	347,000	347,000	-

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

STATE OF NEW MEXICO
CITY OF HOBBS
GENERAL FUND

Exhibit C-1
(Page 9 of 9)

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For the year ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<i>Other financing uses:</i>				
Police Protection Fund	\$ -	\$ 2,805	\$ 2,805	\$ -
Older American Fund	648,000	731,000	731,000	-
Golf Fund	224,000	184,000	184,000	-
Cemetary Fund	(140,000)	52,000	52,000	-
McAdams Park Fund	90,000	119,000	119,000	-
Public Transportation Fund	352,000	195,000	195,000	-
Community Development Fund	-	366,296	366,296	-
Industrial Park Construction Fund	552,000	775,697	775,697	-
Vehicle Replacement Fund	1,762,108	1,187,227	1,187,227	-
Capital Improvement Fund	150,000	150,000	150,000	-
Joint Utility Enterprise Fund	3,259,719	3,384,354	3,384,354	-
Retiree Health Insurance Fund	1,700,000	1,700,000	1,700,000	-
<i>Total other financing uses</i>	<u>8,597,827</u>	<u>8,847,379</u>	<u>8,847,379</u>	<u>-</u>
<i>Appropriated cash balance</i>	<u>\$ (14,748,390)</u>	<u>\$ 1,837,186</u>	<u>1,837,186</u>	<u>\$ -</u>
<i>Reconciliation to GAAP Basis:</i>				
Increase in accounts receivable			156,258	
Increase in due from other governments			542,457	
Decrease in accrued interest receivable			(62,017)	
Increase in accounts payable			(60,329)	
Increase in accrued salaries and related expenses			(239,345)	
Decrease in deferred revenue			7,022	
<i>Net change in fund balance</i>			<u>\$ 2,181,232</u>	

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

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STATE OF NEW MEXICO
CITY OF HOBBS
SOLID WASTE DISPOSAL
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For the year ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
Fines & forfeitures	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	3,750,000	4,382,443	4,382,443	-
Investment earnings	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>3,750,000</u>	<u>4,382,443</u>	<u>4,382,443</u>	<u>-</u>
<i>Expenditures:</i>				
<i>Current:</i>				
General government	-	-	-	-
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Sanitation	3,750,000	4,364,278	4,364,278	-
<i>Debt service:</i>				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	-	-	-	-
<i>Total expenditures</i>	<u>3,750,000</u>	<u>4,364,278</u>	<u>4,364,278</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>18,165</u>	<u>18,165</u>	<u>-</u>
<i>Other financing sources (uses):</i>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Appropriated cash balance</i>	<u>\$ -</u>	<u>\$ 18,165</u>	<u>18,165</u>	<u>\$ -</u>
<i>Reconciliation to GAAP Basis:</i>				
Increase in accounts payable			<u>(12,003)</u>	
<i>Net change in fund balance</i>			<u>\$ 6,162</u>	

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

STATE OF NEW MEXICO
CITY OF HOBBS
STATEMENTS OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2008

ASSETS	<u>Business-type Activities</u> Joint Utility Enterprise Fund	<u>Governmental Activities</u> Risk Management Internal Service Fund
<i>Current assets:</i>		
Cash and cash equivalents	\$ 7,516,707	\$ 2,120,681
Accounts receivable, net	1,408,233	38,553
Receivables from other governments	433,246	-
Inventories	<u>445,913</u>	<u>-</u>
<i>Total current assets</i>	<u>9,804,099</u>	<u>2,159,234</u>
<i>Restricted assets:</i>		
Cash and investments	1,422,620	-
<i>Non-current assets:</i>		
<i>Capital assets:</i>		
<i>Water Plant:</i>		
Land	135,950	-
Water system	11,581,049	-
Equipment	6,266,181	-
<i>Sewer Plant:</i>		
Land	86,043	-
Sewer system	14,143,554	-
Equipment	1,330,514	-
Waste Water Plant	43,048,955	-
Industrial Water Plant	5,764,286	-
Less accumulated depreciation	<u>(29,580,648)</u>	<u>-</u>
<i>Total non-current assets</i>	<u>52,775,884</u>	<u>-</u>
<i>Total assets</i>	<u>\$ 64,002,603</u>	<u>\$ 2,159,234</u>

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

STATE OF NEW MEXICO
CITY OF HOBBS
STATEMENTS OF NET ASSETS
PROPRIETARY FUNDS
June 30, 2008

Exhibit D-1

	Business-type Activities Joint Utility Enterprise Fund	Governmental Activities Risk Management Internal Service Fund
LIABILITIES AND NET ASSETS		
<i>Current Liabilities:</i>		
Accounts payable	\$ 2,272,551	\$ 7,142
Accrued salaries and related expenses	91,724	-
Accrued interest payable	106,370	-
Estimated claims payable	-	526,946
Customer deposits	411,914	-
Compensated absences	37,702	-
Bonds payable current portion	345,000	-
	3,265,261	534,088
<i>Non-current liabilities:</i>		
Compensated absences	69,507	-
Accrued unfunded OPEB liability	91,760	-
Note payable	26,371,959	-
Bonds payable, less current portion	3,475,000	-
	30,008,226	-
	33,273,487	534,088
<i>Net Assets</i>		
Invested in capital assets, net of related debt	22,477,555	-
Restricted for capital projects	1,302,153	-
Unrestricted	6,949,408	1,625,146
	30,729,116	1,625,146
	\$ 64,002,603	\$ 2,159,234
Total net assets, per above	\$ 30,729,116	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.	110	
	\$ 30,729,226	

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

STATE OF NEW MEXICO
CITY OF HOBBS
STATEMENTS OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
PROPRIETARY FUNDS
 For the Year Ended June 30, 2008

	Business-type Activities	Governmental Activities
Operating revenues:		
Charges for services	\$ 7,328,242	\$ 5,079,530
Taxes	1,177,832	-
Total operating revenues	8,506,074	5,079,530
Operating expenses:		
Personnel services	2,579,460	-
Fuel and power	520,776	-
Repairs and maintenance	329,799	-
Other supplies and expenses	1,398,267	-
Depreciation	5,690,558	-
Contractual services	-	5,203,470
Total operating expenses	10,518,860	5,203,470
Operating income (loss)	(2,012,786)	(123,940)
Nonoperating revenues (expenses):		
Interest and investment revenue	181,705	22,170
Operating grants and contributions	808,595	-
Interest expense	(293,898)	-
Total non-operating (expenses) revenue	696,402	22,170
Income (loss) before contributions	(1,316,384)	(101,770)
Capital contributions	163,378	-
Operating transfers in	3,384,354	1,700,000
Transfers out	(19,353)	-
Special item - loss on disposal of assets	(9,687)	-
Change in net assets	2,202,308	1,598,230
Total net assets - beginning of year	28,526,808	26,916
Total net assets - end of year	\$ 30,729,116	\$ 1,625,146
Change in net assets, per above	\$ 2,202,308	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.	(22,860)	
Change in net assets of business-type activities	\$ 2,179,448	

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

STATE OF NEW MEXICO
CITY OF HOBBS
STATEMENTS OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2008

Exhibit D-3

	Business-type Activities	Governmental Activities
	Joint Utility Enterprise Fund	Risk Management Internal Service Fund
Cash flows from operating activities:		
Receipts from customers and users	\$ 7,988,172	\$ -
Receipts from interfund services provided	-	5,040,977
Payments to suppliers	(2,351,419)	(5,076,815)
Payments to employees	(2,448,808)	-
Cash provided (used) by operating activities	3,187,945	(35,838)
Cash flows from capital and related financing activities:		
Principal paid on bonds payable	(330,000)	-
Proceeds from notes payable	20,910,848	-
Transfers from other funds	3,384,354	1,700,000
Transfers to other funds	(19,353)	-
Interest paid on bonds payable	(209,104)	-
Cash provided by capital and related financing activities	23,736,745	1,700,000
Cash flows from investing activities:		
Grant income	808,595	-
Purchase of fixed assets	(21,730,211)	-
Interest on investments	181,705	22,170
Cash (used) provided by investing activities	(20,739,911)	22,170
Net increase in cash and cash equivalents	6,184,779	1,686,332
Cash and cash equivalents, beginning of year	2,754,548	434,349
Cash and cash equivalents, end of year	\$ 8,939,327	\$ 2,120,681
Cash and cash equivalents are classified as:		
Current assets	\$ 7,516,707	\$ 2,120,681
Restricted assets	1,422,620	-
	\$ 8,939,327	\$ 2,120,681

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

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STATE OF NEW MEXICO
CITY OF HOBBS
STATEMENTS OF CASH FLOWS
PROPRIETARY FUNDS
For the Year Ended June 30, 2008

Exhibit D-3

	Business-type Activities	Governmental Activities
	Joint Utility Enterprise Fund	Risk Management Internal Service Fund
Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating income (loss)	\$ (2,012,786)	\$ (123,940)
Bond issue costs		
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	5,690,558	-
(Increase) decrease in:		
Accounts receivable	(128,415)	(38,553)
Inventory	(74,075)	-
Due from other governments	(433,246)	-
(Decrease) increase in:		
Trade accounts payable	(28,502)	
Accrued salaries and related expenses	18,871	7,142
Estimated claims payable	-	119,513
Accumulated unpaid vacation	20,022	-
OPEB liability	91,760	
Customer deposits	43,758	-
	<u>\$ 3,187,945</u>	<u>\$ (35,838)</u>
Net cash provided (used) by operating activities	<u>\$ 3,187,945</u>	<u>\$ (35,838)</u>

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

STATE OF NEW MEXICO
CITY OF HOBBS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2008

Exhibit E

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 366,147
Total Assets	<u>\$ 366,147</u>
Liabilities	
Accounts payable	\$ 6,894
Deposits held in trust for others	<u>359,253</u>
Total Liabilities	<u>\$ 366,147</u>

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

STATE OF NEW MEXICO
CITY OF HOBBS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The City of Hobbs, New Mexico, (the City) operates under a Commission-Manager form of government and provides the following services as authorized by its charter: public safety (police and fire), highways and streets, sanitation, health and social services, culture-recreation, public improvements, utilities, planning and zoning, and general administrative services.

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 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 government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The financial statements have incorporated all applicable GASB pronouncements as well as Financial Accounting Standards Board (FASB) Statements and Interpretations, Accounting Principles Board Opinions and Accounting Research Bulletins of the Committee on accounting procedures issued on or before November 30, 1989 unless those pronouncements conflict with or contradict GASB pronouncements.

The City has the option to apply all Financial Accounting Standards Board (FASB) pronouncements issued after November 30, 1989, unless FASB conflicts with GASB. The City has elected not to apply FASB pronouncements issued after the applicable date.

1. Reporting Entity

In evaluating how to define the government, for financial reporting purposes, management has considered all potential component units as required by GASB Statement No. 39, *Determining Whether Certain Organizations are Component Units* – an amendment of GASB Statement No. 14. A legally separate, tax-exempt organization should be reported as a component unit of the reporting entity if *all* of the following criteria are met: (1) the economic resources received or held by the separate organization are entirely or almost entirely for the direct benefit of the primary government, its component units, or its constituents, (2) the primary government, or its component units, is entitled to, or has the ability to otherwise access, a majority of the economic resources received or held by the separate organization, and (3) the economic resources received or held by an *individual organization* that the specific primary government, or its component units, is entitled to, or has the ability to otherwise access, are significant to that primary government. The City has assessed legally separate, tax-exempt organizations and determined, based on the above criteria, that the City does not have any component units.

2. Government-wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the non-fiduciary activities of the City. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function. *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 and 2) grants and contributions

STATE OF NEW MEXICO
CITY OF HOBBS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

2. *Government-wide and Fund Financial Statements (continued)*

that are restricted to meeting operational or capital requirements of a particular function. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

3. *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, net of estimated refunds and estimated uncollectible amounts, 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. Derived tax revenues, such as sales taxes, are recognized when the underlying exchange has occurred or when resources are received, whichever event occurs first.

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 related to compensated absences and claims and judgments, are recorded only when payment is due.

Revenues from local sources consist primarily of property taxes. Property tax revenues and revenues received from the State of New Mexico are recognized under the susceptible-to-accrual concept. Miscellaneous revenues are recorded as revenue when received in cash because they are generally not measurable until actually received. Investment earnings are recorded as earned, since they are both measurable and available.

Grant funds are considered earned to the extent of the expenditures made under the provisions of the grant. Accordingly, when such funds are received, they are recorded as deferred revenues until the related and authorized expenditures have been made. If balances have not been expended by the end of the project period, grantors sometimes require the City to refund all or part of the unused amounts.

The City reports the following major governmental funds:

The *General Fund* is the City's primary operating fund. It is used to account for all financial resources except those required to be accounted for in another fund.

The *Solid Waste Disposal Special Revenue Fund* is used to account for the cost of garbage disposal services provided by contract between the City and Waste Management - Southeast New Mexico. Financing is provided by user charges. The fund has been designated a special revenue fund by City resolution, and the revenues are restricted to payment of the charges for waste disposal.

STATE OF NEW MEXICO
CITY OF HOBBS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE A – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

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

The City reports the following major proprietary fund:

The *Joint Utility Fund* is used to account for the provision of water and sewer services to the residents of the City and some residents of the County. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration (Utility Director), operations, maintenance, financing and related debt service, billing and collection.

Additionally, the City reports the following fund types:

Nonmajor Special Revenue Funds are used to account for the proceeds of specific revenue sources, other than major capital projects, that are legally restricted to expenditures for specified purposes.

Nonmajor Capital Projects Funds are used to account for financial resources to be used for the acquisition, construction, or renovation of major capital facilities, as well as for maintenance of facilities.

The *Internal Service Fund* is used to account for employer and employee contributions to a minimum premium medical insurance program, employer contributions to a minimum premium worker's compensation insurance program, and employer and retiree contributions for retiree health care. The unexpended balance at the policy year end is retained in the fund to reduce subsequent year contributions.

Fiduciary Funds are used to account for monies held by the City in a capacity as an agent for various organizations and other outside parties. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Amounts reported as *program revenues* include 1) charges to customers or applicants for goods, services, or privileges provided, 2) operating grants and contributions, and 3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

Proprietary funds distinguish *operating* revenues and expenses from *nonoperating* items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the joint utility fund includes charges to customers for sales and services. Operating expenses for enterprise and internal service funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as nonoperating revenues and expenses.

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

STATE OF NEW MEXICO
CITY OF HOBBS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

4. *Cash and Investments*

Cash and cash equivalents in the financial statements, including the Statements of Cash Flows presented for proprietary and internal service funds, includes amounts of cash on hand, cash in banks, as well as certain investment securities with original maturities of 90 days or less.

States require collateral pledged for deposits in excess of the federal deposit insurance to be delivered, or a joint safekeeping receipt be issued, to the City for at least one half of the amount on deposit with the institution. Deposits in overnight repurchase agreements are required to be covered by pledged collateral equal to 102% of the deposit. All of the City's depositors were in compliance with the collateral requirements.

Investments are reported at market value. Securities traded on a national exchange are valued at the last reported sales price, and investments that do not have an established market are reported at estimated fair value. The composition of investments and fair values are presented in Note C.

5. *Receivables*

Revenues are recorded when received in cash except for the following items for which receivables have been recorded:

Ambulance accounts receivable for the most current 90 days billings are recognized as measurable and available and are reflected as income in the General Fund. An allowance has been provided for estimated uncollectible accounts.

Accounts receivable for solid waste services in the Special Revenue Solid Waste Fund are recognized as earned. An allowance has been provided for estimated uncollectible accounts.

Water and sewer service charges are recognized as earned when billed. An allowance has been provided for estimated uncollectible accounts. Estimated unbilled receivables are recorded at year end for reporting purposes in the Proprietary Funds.

Interest on investments is recorded as revenue for the year in which it is earned. This reporting method is used for all funds.

Gross receipts tax revenues are collected by the State of New Mexico on the City's behalf. Amounts held by the State on behalf of the City on June 30, 2008 are recognized as revenue because they are remitted in time to be used as resources for payment of obligations incurred during the year ended June 30, 2008.

The City receives monthly income from a tax levy in Lea County. The funds are collected by the County Treasurer and are remitted to the City the following month. Under the modified accrual method of accounting, the amount collected by Lea County Treasurer in June, 2008 but not received by the City, is considered "measurable and available" and, accordingly, is recorded as income.

6. *Inventories*

Inventory of the proprietary funds is stated at the lower of cost or market. Cost is determined primarily by the average cost method. The costs of governmental fund-type inventory items are recorded as expenditures when purchased and are not recorded as assets in these funds.

STATE OF NEW MEXICO
CITY OF HOBBS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

7. *Prepaid Items*

Payments made to vendors that will benefit periods beyond June 30, 2008 are recorded as prepaid expenses.

8. *Restricted Assets*

Certain cash and investment balances in the City Commission Capital Projects Fund are classified as restricted assets on the balance sheet because they are set aside for construction projects and debt service requirements. Certain cash and investment balances in the Joint Utility Enterprise Fund are classified as restricted assets on the balance sheet because they are set aside for construction projects and as a reserve for customer deposits.

9. *Capital Assets*

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. roads, bridges, sidewalks, and similar items), are reported in the applicable governmental or business-type activities column in the government-wide financial statements. Capital assets are defined by the government and by Section 12-6-10 NMSA 1978 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 purchased in the year ended June 30, 2008 are included as part of the governmental capital assets reported in the government wide financial statements. The retroactive reporting of infrastructure capital assets was completed in the year ending June 30, 2006. Donated fixed assets are valued at their estimated fair market value on the date of donation. Information technology equipment, including software, is being capitalized in accordance with NMAC 2.20.1.9 C (5). In the proprietary funds, interest incurred during the construction period will be capitalized. There was no capitalized interest in 2008. The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

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

Utility systems	30-50 years
Buildings	20-40 years
Building improvements	20-40 years
Equipment	5-15 years
System infrastructure	40 years
Vehicles	5-15 years
Office equipment	5 years
Computer equipment	3-5 years
Library books	10 years
Land Improvements	10-20 years
Infrastructure	30-50 years

10. *Deferred Revenues*

Accounting principles generally accepted in the United States of America require that grant revenue be recognized at the time the related expense is made if the expenditure of funds is the prime factor for determining eligibility for reimbursement; therefore, amounts received and not expended in the Special Revenue Funds are shown as deferred revenues.

STATE OF NEW MEXICO
CITY OF HOBBS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

11. Compensated Absences

In the government-wide statements and proprietary fund statements, vested or accumulated vacation leave and certain other compensating pay is recorded as a liability. Those amounts expected to be liquidated within the next twelve months with expendable available financial resources have been recorded as current liabilities of the governmental fund that will eventually liquidate the liability. In the governmental funds, the cost of compensated absences is recognized when payments are made to employees.

12. Long-Term Obligations

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

13. Net Assets and Fund Balances

Net assets are presented as invested in capital assets, net of related debt; restricted net assets; and unrestricted net assets. Net assets invested in capital assets, net of related debt 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. Restricted net assets have constraints place on net asset use that are either externally imposed by creditors, grantors, contributors or the laws or regulations of other governments; or imposed by law through constitutional provisions or enabling legislation. A further classification of restricted net assets exists for those assets included in permanent endowments or permanent fund principal amounts. These net assets are classified as either expendable or nonexpendable. Nonexpendable net assets are those that are required to be retained in perpetuity. Unrestricted net assets consist of net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt".

In the fund financial statements, governmental funds report reservations of fund balance that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans for future use of financial resources that are subject to change.

14. Estimates

In preparing financial statements in conformity with accounting principles generally accepted in the United States of America, management is required to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and revenues and expenses during the reporting period. Actual results could differ from those estimates.

STATE OF NEW MEXICO
CITY OF HOBBS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

15. *Interfund Transactions*

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

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

NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information

Budgets for General, Special Revenue, Capital Projects, and Proprietary Funds are prepared by management and are approved by the City Commission and the Department of Finance and Administration.

These budgets are prepared on the Non-GAAP cash basis, excluding encumbrances, and secure appropriations for only one year. Carryover funds must be re-appropriated in the budget of the subsequent fiscal year. Because the budget process in the State of New Mexico requires that beginning cash balance be appropriated in the budget of the subsequent fiscal year, such appropriated balance is legally restricted and is, therefore, presented as a designated portion of fund balance. However, it is not management's intended use for all of the resources as they consistently maintain carryover cash balances from year to year. These carryover cash balances are required to be budgeted but may or may not be spent on subsequent year's expenditures and are therefore presented as unreserved fund balances.

Actual expenditures may not exceed the budget on a fund level, i.e., each fund's actual expenditures must be within budgeted amounts for that fund. The City Commission is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Department of Finance and Administration.

The City follows these procedures in establishing the budgetary data reported in the financial statements:

1. Prior to June 30, the City Manager submits to the City Commission a proposed operating budget for the fiscal year commencing the following July 1.
2. Public hearings are conducted to obtain citizen comments. The New Mexico Department of Finance and Administration reviews, adjusts, and approves the budget.
3. Prior to June 30, the budget is legally enacted through passage of a resolution. The budget includes proposed expenditures and the means for financing the expenditures. If these expenditures exceed the revenues anticipated, sufficient cash balances are appropriated to cover the excess. Such occurrences are shown in the financial statements as "appropriated cash balances" and/or fund balances designated for subsequent year's expenditures. All appropriations lapse at the end of each fiscal year.

**STATE OF NEW MEXICO
CITY OF HOBBS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE B – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY (Continued)

4. The level at which expenditures may not legally exceed the amount appropriated is at the fund level. The City Commission is authorized to transfer budgeted amounts between departments within any fund; however, any revisions that alter the total expenditures of any fund must be approved by the Department of Finance and Administration.
5. Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Capital Projects Fund, and Proprietary Funds.
6. The budgets are prepared on the cash basis in compliance with the rules and regulations of the Department of Finance and Administration. The budget comparisons presented in the combined financial statements are reported on the cash basis to provide a meaningful comparison of actual results with budgeted amounts. The budgeted amounts reflected in the comparisons are reported as originally adopted or legally amended by the City.

The appropriated budget for the year ended June 30, 2008 was amended by the City Commission through the year. These amendments resulted in the following changes:

	Excess (deficiency) of revenues over expenditures		
	Original Budget	Final Budget	Actual
Budgeted Funds:			
General Fund	\$ (6,450,563)	\$ 10,337,565	\$ 10,337,565
Solid Waste Disposal Special Revenue	\$ -	\$ 18,165	\$ 18,165
Nonmajor Governmental Funds	\$ (4,539,071)	\$ (1,136,882)	\$ (1,136,882)

Reconciliations between the budgetary (cash) basis amounts and the financial statements on the GAAP basis are located on the individual fund Statements and Schedules of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis).

As required by the Department of Finance and Administration, the City prepared its final budget so that the ending budgeted cash equaled the City's actual ending cash. The City reported no budget variances on the Statements and Schedules of Revenues, Expenditures, and Changes in Fund Balance – Budget and Actual (Non-GAAP Budgetary Basis) as a result of preparing its final budget in this manner.

NOTE C - DEPOSITS AND INVESTMENTS

Cash and cash equivalents include cash on hand, cash in banks, and certificates of deposit with various financial institutions. Each City fund is credited with its appropriate share of cash and cash equivalents and any interest earned thereon. At June 30, 2008, the amount of cash and cash equivalents reported on the financial statements differs from the amount on deposit with the various financial institutions because of transactions in transit and outstanding checks.

The City utilizes pooled accounts for some of their programs and funds. The interest earnings on accounts are allocated on a monthly basis based on average balances.

STATE OF NEW MEXICO
CITY OF HOBBS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE C - DEPOSITS AND INVESTMENTS (Continued)

Negative cash account balances in certain individual funds that were part of the pooled account are netted against other bank account balances in that individual fund in the combined balance sheets as of June 30, 2008. The following individual funds had negative pooled cash account balances as of June 30, 2008:

General Fund		\$ (152,181)
Special Revenue Funds		
Solid Waste		(9,224)
Lea County Drug Task Force		(63,572)
Total Special Revenue Funds		(224,977)
Joint Utility Enterprise Fund		(618,968)
		\$ (843,945)

Custodial Credit Risk

Custodial credit risk is the risk that in the event of bank failure, the City's deposits may not be returned to it. According to the Federal Deposit Insurance Corporation, public unit deposits are funds owned by the public unit. Time deposits, savings deposits and interest bearing NOW accounts of a public unit in an institution in the same state will be insured up to \$100,000 in aggregate and separate from the \$100,000 coverage for public unit demand deposits at the same institution.

As of June 30, 2008, \$3,008,355 of the City's bank balance of \$3,575,032 was exposed to custodial credit risk as follows:

Collateralized by securities held by the pledging institution or by its trust department or agent in other than the City's name		\$ 3,008,355
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The City also had the following temporary investments and at June 30, 2008:

Investments not required to be categorized:		
State Treasurer Local Government Investment Pool		\$ 43,984,113

Section 6-10-17, New Mexico Statutes Annotated, 1978 Compilation requires that all depositories provide collateral equal to at least one-half of the amount of public monies on deposit. Deposits in overnight repurchase agreements are required to be covered by pledged collateral equal to 102% of the deposit. 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. The collateral pledged at June 30, 2008 is presented at Schedule I.

STATE OF NEW MEXICO
CITY OF HOBBS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE C - DEPOSITS AND INVESTMENTS (Continued)

Custodial Credit Risk (continued)

The schedule listed below will meet the State of New Mexico, Office of the State Auditor's requirements for reporting the insured portion of the deposits.

	Lea County State Bank	Lea County State Bank	Western Commerce Bank	Bank of America	Pioneer Bank	Wells Fargo Bank	Wells Fargo Bank	Total
Total Deposits	\$ 443,087	\$ -	\$ 247,417	\$ 439,430	\$ 99,000	\$ 68,677	\$ -	\$ 1,297,611
Repurchase Agreements	-	2,218,526	-	-	-	-	58,895	2,277,421
Less FDIC/FSLIC, Insurance	100,000	-	199,000	100,000	99,000	68,677	-	566,677
Total uninsured public funds	\$ 343,087	\$ 2,218,526	\$ 48,417	\$ 339,430	\$ -	\$ -	\$ 58,895	\$ 3,008,355
Pledged collateral:								
Pledged collateral held by pledging bank's trust department or agent but not in the agency's name	2,300,000	2,262,897	174,624	801,659	-	-	60,073	5,599,253
Uninsured and uncollateralized :	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Collateral requirement 50% of uninsured public funds	\$ 171,544	\$ -	\$ 24,209	\$ 169,715	\$ -	\$ -	\$ -	\$ 365,467
102% of uninsured public funds	-	2,262,897	-	-	-	-	60,073	2,322,970
Pledged securities	2,300,000	2,262,897	174,624	801,659	-	-	60,073	5,599,253
Over (under) pledged	\$ 2,128,456	\$ -	\$ 150,415	\$ 631,944	\$ -	\$ -	\$ -	\$ 2,910,817

**STATE OF NEW MEXICO
CITY OF HOBBS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE C - DEPOSITS AND INVESTMENTS (Continued)

Interest rate risk

Certificates of deposit are classified as investments where the original maturities are in excess of ninety days. The City's short term and long term investments as of June 30, 2008 are as follows:

Type of Investment	Maturities	Fair Value
Included in cash and cash equivalents with maturities of three months or less		
Repurchase agreements	< 1 days	\$ 2,277,421
State Treasurer Local Government Investment Pool (LGIP)	< 90 days	43,984,113
Total investments included as cash and cash equivalents		<u>46,261,534</u>
Included as long term investments:		
Certificates of deposit	July 2008 to November 2008	198,000
U.S. Treasury notes	July 2008 to September 2008	1,760,657
Total long term investments		<u>1,958,657</u>
Total investments		<u>\$ 48,220,191</u>

Credit Risk

New Mexico state statutes authorize the City to invest in direct obligations of the United States or securities that are backed by the full faith and credit of the United States Government or agencies guaranteed by the U. S. Government. State statute also authorizes the City to invest in bonds or negotiable securities of the U. S., the State of New Mexico, or any county, municipality or school district which has a taxable valuation of real property for the last preceding year of at least one million dollars and has not defaulted in the payment of any interest or sinking fund obligation or failed to meet any bonds at maturity at anytime within five years last preceding. The City does not have an additional investment policy that further limits its investments.

New Mexico State statute also authorizes the City to invest in the New Mexico Local Government Investment Pool (NMLGIP). All funds invested by the NMLGIP in overnight repurchase agreements are secured at 102% by U. S. Government securities pledged to the State of New Mexico. The State Treasurer Local Government Investment Pool is not SEC registered. Section 6-10-101, NMSA 1978, empowers the State Treasurer, with the advice and consent of the State Board of Finance, to invest money held in the short-term investment funds in securities that are issued by the United States government. The Local Government Investment Pool investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments. The Pool does not have unit shares; 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 amounts of the fund were invested. Any unrealized gain or loss on the portfolio is distributed through the investment yield on distribution dates. The carrying amount of \$48,220,191 approximates the fair value of all investments at June 30, 2008. The State of New Mexico is the regulatory oversight entity and participation in the pool is voluntary.

STATE OF NEW MEXICO
CITY OF HOBBS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE C - DEPOSITS AND INVESTMENTS (Continued)

Credit Risk (continued)

The State Treasurer Local Government Investment Pool is rated AAAM by Standard & Poor's; its WAM at June 30, 2008 was 46 days.

As of June 30, 2008, the City's investment in the State Treasurer Local Government Investment Pool was rated as follows:

<u>Investment Type</u>	<u>Rating</u>
U S Government Obligations	no rating
Commercial Paper	A-1, P-1 by 2 national rating services
Corporate Bonds	BBB+ or Baa1
Asset-Backed Obligations	AAA
Repurchase Agreements	no rating
Bank, Savings and Loan Association or Credit Union	
Deposits	no rating
Securities Lending	no rating
Variable Rate Notes	no rating
Tax Exempt Securities	A
Mutual Funds	no rating

NOTE D - PROPERTY TAXES

Property taxes are levied by Lea County, New Mexico, as of September 13 on property values assessed as of the same date. The County accounts for and collects all local taxes; information from the County Treasurer is used to report tax collections. The mill levy rates per \$1,000 for the City are as follows:

Operational - residential	4.931
Operational - non-residential	5.201

The tax levy is billed annually on November 1. Each property owner has the option of paying at least one-half of the bill by December 10 and the remainder by May 10. Amounts due and not received are considered delinquent on December 11 and May 11 respectively.

**STATE OF NEW MEXICO
CITY OF HOBBS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE E - RECEIVABLES

The amounts of accounts receivables and due from other governments at June 30, 2008 are composed of the following:

	General Fund	Solid Waste Disposal	Nonmajor Governmental Funds	Internal Service Fund	Total Governmental Activities	Enterprise
Accounts Receivable:						
Ambulance	\$ 7,104,292	\$ -	\$ -	\$ -	\$ 7,104,292	\$ -
Municipal Court	1,283,424	-	-	-	1,283,424	-
Mowing/Condemnation	961,152	-	-	-	961,152	-
Franchise Taxes	241,068	-	-	-	241,068	-
Accounts	-	704,910	154,694	-	859,604	1,547,946
Other	50,520	-	-	38,552	89,072	-
	<u>9,640,456</u>	<u>704,910</u>	<u>154,694</u>	<u>38,552</u>	<u>10,538,612</u>	<u>1,547,946</u>
Less: allowances for uncollectibles	8,915,012	-	154,694	-	9,069,706	139,713
Net receivables	\$ 725,444	\$ 704,910	\$ -	\$ 38,552	\$ 1,468,906	\$ 1,408,233
Due From Other Governments:						
Due from Federal Government						
Department of Justice	\$ -	\$ -	\$ 417,373	\$ -	\$ 417,373	\$ -
Department of Housing & Urban Development	-	-	179,626	-	179,626	-
Department of Health & Human Services	-	-	11,006	-	11,006	-
Department of Transportation	-	-	37,987	-	37,987	-
Due from State of New Mexico						
Taxation & Revenue	7,440,013	-	367,223	-	7,807,236	183,246
Legislature	196,976	-	360,000	-	556,976	-
Department of Transportation	-	-	562,500	-	562,500	-
Department of Human Services	-	-	160,284	-	160,284	-
State Forestry Division	3,535	-	-	-	3,535	-
Environment Department	-	-	-	-	-	250,000
Department of Public Safety	11,294	-	-	-	11,294	-
Due from Lea County, New Mexico	136,482	-	-	-	136,482	-
	<u>\$ 7,788,300</u>	<u>\$ -</u>	<u>\$ 2,095,999</u>	<u>\$ -</u>	<u>\$ 9,884,299</u>	<u>\$ 433,246</u>

STATE OF NEW MEXICO
CITY OF HOBBS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE F - COMPONENTS OF RESTRICTED ASSETS

Components of restricted assets for the governmental activities are as follows:

	City Commission Improvement Fund
Cash	\$ 3,933,314
	\$ 3,933,314

Components of restricted assets for the business-type activities are as follows:

	Waste Water Plan Construction		Customer Deposits		Totals
Cash	\$ 1,010,706	\$	129,914	\$	1,140,620
Investments	-		282,000		282,000
	\$ 1,010,706	\$	411,914	\$	1,422,620

NOTE G - CONDUIT DEBT OBLIGATIONS

From time to time, the City issues Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The Bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. The following outstanding industrial revenue bonds were issued in the City's name:

Recipient	Date of Issue	Retirement Date	Amount Issued	Amount Outstanding June 30, 2008	Purpose
Evangelical Lutheran Good Samaritan Society	1996	2026	\$ 5,955,000	\$ 4,605,000	Expansion of Health Care Facility

The Bonds do not constitute a debt of the City and do not give rise to any liability of the City or a charge against the City's general credit for taxing powers. Accordingly, no asset or liability has been recorded on the City's records.

**STATE OF NEW MEXICO
CITY OF HOBBS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE H - RETIREMENT PLAN

Plan Description

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

Funding Policy

Plan members are required to contribute from 9.15 to 16.30 percent of their gross salary. The City is required to contribute from 9.15 to 21.25 percent of the gross covered salary. The contribution requirements of plan members and the City are established under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by acts of the legislature. The City's contributions to PERA for the years ended June 30, 2008, 2007, and 2006 were \$2,318,149, \$2,012,414 and \$1,847,660, respectively, equal to the amount of the required contributions for each year.

NOTE I – GOVERNMENTAL MONEY PURCHASE PLAN

Plan Description

The City entered into a contract with Nationwide Retirement Solutions to offer certain specialized managerial/technical employees who have entered into a compensation arrangement an alternative to PERA effective July 1, 2003. Nationwide Retirement Solutions is the administrator of the plan. The plan is a retirement plan qualifying under Internal Revenue Code Section 401(a). Participating employees vest 20% per year after the first year, and are fully vested after completing five years of service. There were no participating employees in the fiscal year ended June 30, 2008.

Funding Policy

The City makes contributions to this plan on behalf of the participating employees in an amount equal to 15% of the participant's annual salary. The City's contributions to the plan for the years ended June 30, 2008, 2007, and 2006 were \$0, \$12,345 and \$19,250, respectively.

**STATE OF NEW MEXICO
CITY OF HOBBS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE J – RETIREE HEALTH PLAN

Plan Description

The City of Hobbs administers a single-employer defined benefit healthcare plan, the "Retiree Health Plan". The plan provides life, medical, and dental insurance benefits to participating retirees, spouses, children, and survivors. In a June 14, 1991 memorandum, the City Manager informed all city employees that the City Commission "unanimously approved" a Retiree Group Insurance Program during the annual budget process. The Retiree Health Plan does not issue a publically available financial report.

The Retiree Health Plan has 114 retirees receiving benefits and a total of 343 active participants.

Funding Policy

Changes to the Retiree Health Plan must be instigated through city commission resolution with the necessary budget adjustments. The City pays a service-based portion of the premium for the coverage, while retirees, spouses, and survivors pay the remainder of the premium for their coverage. In the fiscal years ended June 30, 2008 and 2007, respectively, plan members' contributions totaled \$456,347 and \$387,399. The City contributes 2% of premiums for each year of service, up to a maximum of 30 years of service or 60% of the cost of premiums. For the fiscal year ended June 30, 2008 and 2007, respectively, the City contributed \$354,391 and \$309,243 to the plan. The plan is financed on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation

The City's annual Other Post-Employment Benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City's annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City's net OPEB obligation for the Retiree Health Plan:

	Governmental Funds	Enterprise Funds	Total
Annual Required Contribution (ARC)	\$ 1,191,727	\$ 125,286	\$ 1,317,013
Interest on net OPEB obligation	41,035	4,314	45,349
Adjustment to Annual Required Contribution	(39,268)	(4,128)	(43,396)
Annual OPEB cost (expense)	1,193,494	125,472	1,318,966
Actual contribution	(320,679)	(33,712)	(354,391)
Increase in net OPEB obligation	872,815	91,760	964,575
Net OPEB obligation - beginning of year	1,007,757	-	1,007,757
Net OPEB obligation - end of year	\$ 1,880,572	\$ 91,760	\$ 1,972,332

**STATE OF NEW MEXICO
CITY OF HOBBS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE J – RETIREE HEALTH PLAN (Continued)

Funded Status and Funding Progress

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ended June 30, 2008 were as follows:

Fiscal year ended	Annual OPEB cost	Actual employer contributions	Percentage contributed	Net OPEB obligation
6/30/2008	\$ 1,318,966	\$ 354,391	26.9%	\$ 1,972,332
6/30/2007	\$ 1,317,000	\$ 309,243	23.5%	\$ 1,007,757

The fiscal year ended June 30, 2007 was the year of implementation for GASB Statements Nos. 43 and 45, and the City has elected to implement these statements prospectively. In future years, information for three fiscal year ends will be presented.

As of January 1, 2007, the actuarial accrued liability for benefits was \$16,992,757, all of which was unfunded. The covered payroll (the annual payroll of active employees covered by the plan) was \$13,928,390, and the unfunded actuarial accrued liability (UAAL) was 114.8 percent of the covered payroll.

The projection of future benefits for an ongoing plan involves estimates of the value of reported amounts and assumptions about the probability of the occurrence of future events. Amounts used in the determination of the funded status of a plan and the employer's annual required contributions are subject to continual revision as actual results are compared with past expectations and new estimates are made about the future. The schedule of funding progress presented as required supplementary information following the notes to the financial statements presents trend information indicating whether the actuarial value of plan assets is increasing over time relative to the actuarial accrued liabilities for benefits.

Actuarial Methods and Assumptions

Projections of benefits for financial reporting purposes are based on the substantive plan (the plan as understood by the employer and plan members) and include the types of benefits provided at the time of each valuation and the historical pattern of sharing of benefit costs between the employer and plan members to that point. The actuarial methods and assumptions used include techniques that are designed to reduce the effect of a short-term perspective on the calculations. The following simplifying assumptions were made:

In the January 1, 2007 actuarial valuation the entry age actuarial cost method was used. A discount rate of 4.50% was applied, and the plan was assumed to be unfunded. An annual initial healthcare cost trend rate of 10.0% was used; this rate is reduced by decrements to an ultimate rate of 5.0% after seven years. Additional actuarial assumptions included mortality rates, retirement rates, withdrawal rates, disability rates, age differences, medical plans, health care claims costs, spouse and child coverage, participation rates, retiree contributions, and trends in retiree costs.

NOTE K – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

Interfund receivables and payables consist of monies transferred between individual funds as needed to support federal and state funded reimbursement grants and other operating necessities. All interfund balances are expected to be repaid within one year.

STATE OF NEW MEXICO
CITY OF HOBBS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE K – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Continued)

Individual fund interfund receivables and payable balances at June 30, 2008, were as follows:

	Interfund Receivables	Interfund Payables
General Funds:		
Due from nonmajor governmental funds:		
Lea County Drug Task Force Special Revenue Fund	\$ 142,635	\$ -
Community Development Special Revenue Fund	237,466	-
Industrial Park Construction Capital Projects Fund	46,510	-
Total General Funds	426,611	-
Nonmajor Governmental Funds:		
Due to general fund:		
Lea County Drug Task Force Special Revenue Fund	-	142,635
Community Development Special Revenue Fund	-	237,466
Industrial Park Construction Capital Projects Fund	-	46,510
Total Nonmajor Governmental Funds	-	426,611
	\$ 426,611	\$ 426,611

Transfers from the General Fund to individual funds occur annually. Transfers from special revenue funds and capital projects funds to the General Fund are to reimburse the General Fund for expenditures incurred on the other funds' behalf.

Transfers from the General Fund to the other various funds are permanent transfers necessary to meet federal and state grant matching requirements or to supplement operating deficits in individual funds.

STATE OF NEW MEXICO
CITY OF HOBBS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE K – INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS (Continued)

Individual fund interfund transfers during the year ended June 30, 2008 were as follows:

	<u>Transfers From</u>	<u>Transfers To</u>
General Fund		
Nonmajor Governmental Funds:		
Police Protection Special Revenue Fund	\$ 2,805	\$ -
Older American Act Special Revenue Fund	731,000	-
Golf Special Revenue Fund	184,000	-
Cemetery Special Revenue Fund	52,000	-
Lodger's Tax Promotional Special Revenue Fund	-	17,000
McAdams Park Special Revenue Fund	119,000	-
Public Transportation Special Revenue Fund	195,000	-
Fire Protection Special Revenue Fund	-	330,000
Community Development Special Revenue Fund	366,296	-
Industrial Park Construction Capital Projects Fund	775,697	-
Vehicle Replacement Capital Projects Fund	1,187,227	-
Capital Improvements Capital Projects Fund	150,000	-
Risk Management Internal Service Fund	1,700,000	-
Joint Utility Enterprise Fund	3,384,354	-
	<u>8,847,379</u>	<u>347,000</u>
Nonmajor Governmental Funds:		
To Police Protection Special Revenue Fund from General Fund	-	2,805
To Older American Act Special Revenue Fund from General Fund	-	731,000
To Golf Special Revenue Fund from General Fund	-	184,000
To General Fund from Cemetery Special Revenue Fund	-	52,000
To General Fund from McAdams Park Special Revenue Fund	-	119,000
To General Fund from Lodger's Tax Promotional Special Revenue Fund	17,000	-
To General Fund from Fire Protection Special Revenue Fund	330,000	-
To Public Transportation Special Revenue Fund from General Fund	-	195,000
To Community Development Special Revenue Fund from General Fund	-	366,296
To Industrial Park Construction Capital Projects Fund from General Fund	-	775,697
To Vehicle Replacement Capital Projects Fund from General Fund	-	1,187,227
To Vehicle Replacement Capital Projects Fund from Joint Utility Fund	-	19,353
To Capital Improvements Capital Projects Fund from General Fund	-	150,000
	<u>347,000</u>	<u>3,782,378</u>
Total transfers to/from governmental funds	<u>9,194,379</u>	<u>4,129,378</u>
Risk Management Internal Service Fund		
To Risk Management Internal Service Fund from General Fund	-	1,700,000
Total transfers to/from Risk Management Internal Service Fund	<u>-</u>	<u>1,700,000</u>
Joint Utility Enterprise Fund		
From General Fund	-	3,384,354
To Vehicle Replacement Capital Projects Fund	19,353	-
Total transfers to/from Joint Utility Enterprise Fund	<u>19,353</u>	<u>3,384,354</u>
Total transfers to/from	<u>\$ 9,213,732</u>	<u>\$ 9,213,732</u>

**STATE OF NEW MEXICO
CITY OF HOBBS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE L – CAPITAL ASSETS

The following is a summary of capital assets used in governmental activities and changes occurring during the year ended June 30, 2008. Land is not subject to depreciation.

	Balance June 30, 2007	Additions & Transfers	Deletions & Transfers	Balance June 30, 2008
Assets not subject to depreciation				
Land	\$ 6,862,796	\$ -	\$ 5,977	\$ 6,856,819
Total non-depreciable assets	<u>6,862,796</u>	<u>-</u>	<u>5,977</u>	<u>6,856,819</u>
Assets subject to depreciation:				
Buildings	20,164,338	5,171,147	-	25,335,485
Equipment	26,932,462	5,489,588	716,893	31,705,157
Land improvements	8,397,380	2,155,067	-	10,552,447
Infrastructure	36,907,079	10,535,617	-	47,442,696
Total depreciated assets	<u>92,401,259</u>	<u>23,351,419</u>	<u>716,893</u>	<u>115,035,785</u>
Total capital assets	99,264,055	23,351,419	722,870	121,892,604
Less accumulated depreciation:				
Buildings	7,342,833	931,708	-	8,274,541
Equipment	11,578,773	2,624,699	408,744	13,794,728
Land improvements	1,727,150	1,899,062	-	3,626,212
Infrastructure	4,263,159	161,581	-	4,424,740
Total accumulated depreciation	<u>24,911,915</u>	<u>5,617,050</u>	<u>408,744</u>	<u>30,120,221</u>
Governmental activity capital assets, net	<u>\$ 74,352,140</u>	<u>\$ 17,734,369</u>	<u>\$ 314,126</u>	<u>\$ 91,772,383</u>

**STATE OF NEW MEXICO
CITY OF HOBBS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE L – CAPITAL ASSETS (Continued)

The following is a summary of changes and reclassifications in proprietary fund type property, plant and equipment used in business-type activities:

	Balance June 30, 2007	Additions & Transfers	Deletions & Transfers	Balance June 30, 2008
Assets not subject to depreciation:				
Land:				
Water plant	\$ 135,950	\$ -	\$ -	\$ 135,950
Sewer plant	86,043	-	-	86,043
Total non-depreciable assets:	221,993	-	-	221,993
Assets subject to depreciation:				
Water plant:				
Water system	11,581,049	-	-	11,581,049
Equipment	6,334,153	747,053	815,024	6,266,182
Sewer plant:				
Sewer system	14,143,554	-	-	14,143,554
Equipment	1,237,336	93,178	-	1,330,514
Waste water plant	23,822,518	19,226,437	-	43,048,955
Industrial water plant	3,779,682	1,984,603	-	5,764,285
Total depreciated assets	60,898,292	22,051,271	815,024	82,134,539
Total capital assets	61,120,285	22,051,271	815,024	82,356,532
Less accumulated depreciation:				
Water plant:				
Water system	12,266,966	440,943	-	12,707,909
Equipment	2,498,006	225,793	698,350	2,025,449
Sewer plant:				
Sewer system	5,810,812	-	-	5,810,812
Equipment	574,281	37,266	-	611,547
Waste water plant	3,288,706	4,307,806	-	7,596,512
Industrial water plant	99,036	729,383	-	828,419
	24,537,807	5,741,191	698,350	29,580,648
Net fixed assets	\$ 36,582,478	\$ 16,310,080	\$ 116,674	\$ 52,775,884

**STATE OF NEW MEXICO
CITY OF HOBBS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE L – CAPITAL ASSETS (Continued)

Depreciation expense for the year ended June 30, 2008 was charged to the following functions and funds:

Governmental activities:	
General government	\$ 1,631,418
Public safety	1,052,170
Public works	1,328,659
Health and welfare	165,249
Culture and recreation	755,682
	<u>\$ 4,933,178</u>
Business type activities:	
Joint Utility Enterprise Fund	\$ 5,690,558
	<u>\$ 5,690,558</u>

NOTE M – LONG-TERM DEBT

During the year ended June 30, 2008, the following changes occurred in long term liability for governmental activities:

	Balance July 1, 2007	Additions	Reductions	Balance June 30, 2008	Due Within One Year
Compensated absences	\$ 920,048	\$ 1,378,773	\$ 1,156,463	\$ 1,142,358	\$ 276,071
Unfunded OPEB Liability	1,007,757	1,193,494	320,679	1,880,572	-
Note Payable - New Mexico Public Finance Authority	288,768	-	38,294	250,474	39,008
Note Payable - New Mexico Public Finance Authority	805,000	-	165,000	640,000	60,000
	<u>\$ 3,021,573</u>	<u>\$ 2,572,267</u>	<u>\$ 1,680,436</u>	<u>\$ 3,913,404</u>	<u>\$ 375,079</u>

The General Fund has typically been used to liquidate compensated absence liabilities in prior years. The City plans to liquidate OPEB liabilities through the Risk Management Internal Service Fund.

The City entered into a loan agreement with the New Mexico Finance Authority on March 26, 2004. The loan has an interest rate ranging from .79% to 3.57% with a semi-annual admin fee of .25%. The principal and interest is payable solely from the first two increments of the City's Municipal Infrastructure gross receipts tax (.125%) revenue. This revenue is reserved in Fund 49 - City Commission Improvement Fund. The proceeds were be used for beautification projects, community signage project, parks improvement projects, roof replacements to public buildings, and water & sewer line extensions. The annual debt service requirements to maturity including principal and interest for this loan are as follows:

**STATE OF NEW MEXICO
CITY OF HOBBS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE M – LONG-TERM DEBT (Continued)

Fiscal year ended June 30,	Principal	Interest	Total Requirements
2009	60,000	22,082	82,082
2010	45,000	20,737	65,737
2011	40,000	19,572	59,572
2012	40,000	18,384	58,384
2013	40,000	17,088	57,088
2014-2016	415,000	42,200	457,200
	\$ 640,000	\$ 140,063	\$ 780,063

The City entered into a loan agreement with the New Mexico Finance Authority on June 25, 2004. The loan has an interest rate ranging from .79% to 3.34% with a semi annual admin fee of .25%. The principal and interest is payable solely from the distribution of fire protection fund revenues made annually by the State Treasurer. This revenue is recorded in Fund 28 - Fire Protection Fund. The proceeds were used for acquiring, constructing, designing, equipping and furnishing a fire protection facility and acquiring an aerial ladder fire truck for the City's Fire Department. The annual debt service requirements to maturity, including principal and interest for this loan are as follows:

Fiscal year ended June 30,	Principal	Interest	Total Requirements
2009	39,008	7,614	46,622
2010	39,884	6,739	46,623
2011	40,919	5,706	46,625
2012	42,137	4,491	46,628
2013	43,506	3,126	46,632
2014	45,020	1,616	46,636
	\$ 250,474	\$ 29,292	\$ 279,766

The combined annual debt service requirements to maturity, including principal and interest for governmental funds are as follows:

Fiscal year ended June 30,	Principal	Interest	Total Requirements
2009	\$ 99,008	\$ 29,696	\$ 128,704
2010	84,884	27,476	112,360
2011	80,919	25,278	106,197
2012	82,137	22,875	105,012
2013	83,506	20,214	103,720
2014-2016	460,020	43,816	503,836
	\$ 890,474	\$ 169,355	\$ 1,059,829

STATE OF NEW MEXICO
CITY OF HOBBS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE M – LONG-TERM DEBT (Continued)

Interest expense for the year ended June 30, 2008 was charged to the following functions and funds:

Governmental activities:	
General government	\$ 25,149
Public safety	<u>5,033</u>
	<u>\$ 30,182</u>
Business type activities:	
Joint Utility Enterprise Fund	<u>\$ 293,898</u>

During the year ended June 30, 2008, the following changes occurred in long term liabilities reported in the Joint Utility Enterprise Fund:

	Balance July 1, 2007	Increases	Decreases	Balance June 30, 2008	Due Within One Year
Compensated absences	\$ 87,188	\$ 20,021	\$ -	\$ 107,209	\$ 37,702
Unfunded OPEB liability	-	125,472	33,712	91,760	-
Bonds payable	4,150,000	-	330,000	3,820,000	345,000
Note Payable - New Mexico Environment Department	2,199,430	19,152,564	-	21,351,994	-
Finance Authority	3,261,681	1,758,284	-	5,019,965	-
	<u>\$ 9,698,299</u>	<u>\$ 21,056,341</u>	<u>\$ 363,712</u>	<u>\$ 30,390,928</u>	<u>\$ 382,702</u>

The City issued joint water and sewer system revenue improvement bonds during 1998. The bonds are not general obligations of the City and no pledge of the full faith and credit of the City or the general resources of the City is made. The bonds have interest rates ranging from 4.25% to 5.25% and are payable solely from the net revenues from the joint water and sewer system operations.

The bond ordinance contains requirements for the creation and administration of five funds to account for the bond payments and the related revenue used to make the payments. The City is in compliance with all significant requirements of the various bond covenants.

**STATE OF NEW MEXICO
CITY OF HOBBS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE M – LONG-TERM DEBT (Continued)

The annual debt service requirements to maturity, including principal and interest for the revenue bonds payable as of June 30, 2008, are as follows:

Fiscal year ended June 30,	Principal	Interest	Total Requirements
2009	\$ 345,000	\$ 196,653	\$ 541,653
2010	365,000	179,575	544,575
2011	380,000	161,325	541,325
2012	400,000	142,325	542,325
2013	420,000	122,325	542,325
2014-2017	1,910,000	257,250	2,167,250
	\$ 3,820,000	\$ 1,059,453	\$ 4,879,453

The City entered into a loan agreement with the New Mexico Finance Authority on May 13, 2005 for a total commitment of \$5,226,750. The loan has an interest rate of 1.75% with an administration fee of .25%. The principal and interest is payable from the net system revenues of the City's joint water and wastewater system, and money derived from the City's state share gross receipts tax revenue. The proceeds will be used for the renovation and expansion of the City's water system including but not necessarily limited to repairs of its elevated storage tanks, construction of new storage tanks, and installation of an automated meter reading system. As of June 30, 2008, the City has drawn down \$5,019,965 in loan proceeds. Payments for interest only are due and payable beginning with the first draw down of loan proceeds. The City will not make principal payments until such time as the projects are completed.

The City entered into a loan agreement with the New Mexico Environment Department on April 17, 2006, in order to obtain funds through the provisions of Section 74-6a-1 NMSA 1978, as amended and hereafter amended (The Wastewater Facility Construction Loan Act) and the New Mexico Quality Control Commission Regulations. The purpose of the loan is to finance a project to acquire, construct, modify, and other improve the wastewater facilities of the City's joint water and sewer system. The loan has an interest rate of 2% and the principal amount of the loan is not to exceed \$20,000,000. The loan agreement was amended on January 10, 2008, to increase the total available under the loan to \$35,000,000. As of June 30, 2008, the City has drawn down \$21,351,994 in loan proceeds. Principal and interest payments will not become due before the projects are completed. The loan will be payable and collectible solely from the net revenues to be derived from the operation of the joint water and sewer system.

NOTE N – COMPENSATED ABSENCES

The City's policy allows every regular full-time employee to earn and accumulate vacation leave based on years of service varying from 8 to 12 hours per month for regular employees, 15.33 to 19.33 for shift employees other than fire department shift personnel, and 21.75 to 27.40 hours per month for fire department shift personnel. Vacation leave can be accumulated to a maximum of 240 hours for regular employees, 328 for shift employees other than fire department shift personnel, and 492.59 hours for fire department shift personnel. Upon termination, employees with at least six months service are paid for unused vacation.

**STATE OF NEW MEXICO
CITY OF HOBBS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE N – COMPENSATED ABSENCES (continued)

Regular full-time employees accumulate sick leave at the rate of 8 hours per month and fire department shift personnel accumulate sick leave at the rate of 11.35 hours per month. There is not a maximum accrual for sick leave. Employees can convert sick leave to vacation at any time provided the employee has not reached the maximum vacation accrual amount for their designation. Employees other than fire department shift personnel may convert accumulated sick leave in excess of 520 hours to vacation at a rate of 3 to 1. Fire department shift personnel may convert accumulated sick leave in excess of 737.75 hours to vacation at a rate of 3 to 1. Employees will not be paid for unconverted sick leave upon termination; however, employees can convert sick to vacation at retirement even if the maximum vacation accrual will be exceeded. Retiring employees must have a minimum sick leave accrual of 264 hours for regular employees and 374 hours for fire employees.

When a non-exempt employee works on a day observed by the City as a holiday, the employee shall be given time off compensated at the regular rate for holiday time and regular rate for hours actually worked with time and a half for any hours that result in overtime. Fire personnel overtime is classified as any hours within 28 days that exceed 212 hours. Certified police officers overtime is classified as any hours within 28 days that exceed 171 hours. Regular full-time employees who work on a day designated as a holiday shall receive an alternate day off for the holiday. This is inclusive of shift work employees who were on their regular day off.

In accordance with the above criteria, the City has an accrued liability totaling \$1,249,567. For governmental activities, the liability for compensated absences in the statement of net assets totaled \$1,142,358. The amount of \$276,071 is recorded as due within one year since it is anticipated to be liquidated within the next twelve months. The liability for accrued vacation leave for proprietary fund types totaled \$107,209, of which \$37,702 is recorded as a current liability. The current portion of compensated absences is calculated based on estimated termination percentage and does not take into account inflows and outflows of vacation time.

NOTE O – CONTINGENT LIABILITIES

Federal and State Grants

Funds received from grantor agencies are subject to audit and adjustment by the grantors, principally the State and Federal governments. Any disallowed claims, including amounts already collected, may constitute liabilities of the applicable funds. The amounts, if any, which may be disallowed, are not determinable at this time; however, the City expects such amounts, if any, to be immaterial.

Risk Management Letter of Credit

At June 30, 2008, the City has an outstanding letter of credit for \$563,474. The letter of credit was established pursuant to requirements of the City's workers' compensation insurance which is recorded in the Risk Management Internal Service Fund. The letter of credit expires December 18, 2008 and is secured by certain City investments. As of June 30, 2008, no draws have been made against the letter of credit.

Environmental Remediation

The City of Hobbs is subject to laws and regulations relating to the protection of the environment. The City's policy is to accrue environmental and cleanup related costs when it is probable that the liability has been incurred and when the amount can be reasonably estimated.

STATE OF NEW MEXICO
CITY OF HOBBS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE O – CONTINGENT LIABILITIES (continued)

Environmental Remediation (continued)

The City is involved in cleaning up property known as the Hobbs Industrial Air Park (HIAP). The HIAP is located at the former Hobbs Army Air Base which was used by the army from 1942 until 1947 as a WWII airfield training base. The City staff began working on the environmental assessment in the summer of 2004. In January 2005, the City contracted an independent firm to complete additional work on the Phase I and Phase II Area Environmental Assessment. This included a variety of environmental and hazardous materials assessments and remedial activities. The first phase (Phase I) included the standard due diligence investigations outlined in the Phase I environmental site assessment (ESA) standard established by the American Society of Testing and Materials. In general, the Phase I ESA included the database searches, interviews, research and compilation of historical documentation to identify potential recognized environmental concerns (REC) associated with the former Army Air Base (or other surrounding facilities). The Phase II assessment activities included the sampling and laboratory analytical activities necessary to evaluate the potential impacts associated with the REC's identified during the Phase I records search. A multitude of recognized environmental conditions were found to exist at HIAP.

Many of the conditions were pre-existing from the former use as the Hobbs Army Airfield. The City incurred costs related to this cleanup in the amount of \$355,621. Further estimated costs for this cleanup are approximately \$440,249. Total estimated cleanup costs are approximately \$795,870. The City has secured grants from the U.S. Department of Housing and Urban Development and the U.S. Department of Energy Community Reuse Organization that will cover the expenses related to the cleanup, therefore no liability has been accrued as of June 30, 2008.

Litigation

Management represents there exists no pending tort litigation, threatened tort litigation or unasserted tort claims in which the City of Hobbs is a named defendant or could be a named defendant that is likely to result in a judgment over and beyond general insurance policy limits. The City's insurance carrier has not informed the City of any such claims.

NOTE P – OPERATING LEASES

The City leases ambulances under operating leases expiring during the next three years. Although renewal and purchase options are available on these leases, the City considers these operating leases as they contain a non-appropriation termination clause.

At June 30, 2008, future minimum lease payments applicable to the operating leases are as follows:

	<u>Total</u>
2009	96,450
2010	96,450
2011	<u>39,002</u>
	<u>\$ 231,902</u>

Rental expense for operating leases was \$96,450 in the fiscal year ended June 30, 2008.

STATE OF NEW MEXICO
CITY OF HOBBS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE Q – RISKS OF LOSS

United Healthcare has been retained as the City's medical insurer. Under the plan, the City is fully covered under a commercial health insurance policy. The City accounts for the medical plan in the Risk Management Internal Service Fund.

The City is exposed to various risks of loss related to torts; theft of, or damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The City maintains a large deductible workers' compensation policy, which is also accounted for in the Risk Management Internal Service Fund. Claims exceeding \$250,000 per occurrence up to \$1,000,000 annually are covered by commercial insurance. Claims are paid monthly as reported. An estimate for claims incurred but not paid is calculated by the third party administrator of the policy. This estimated liability was calculated to be \$526,947 at June 30, 2008 and is reported as a liability on the financial statements.

The City's risk management activities are accounted for in the Risk Management internal service fund, which includes health insurance, workers' compensation insurance, and retiree health insurance activities.

Insurance settlements have not exceeded insurance coverage for any of the past three fiscal years. There have been no significant reductions in insurance coverage from the prior year.

NOTE R - JOINT POWERS AGREEMENTS

Lea County Water Users

The City entered into a joint powers agreement on September 23, 1997 with all of the municipalities of Lea County to form the Lea County Water Users Association (Association). The Association shall have a term of two years beginning November 18, 1997, and shall be automatically renewed and extended for additional terms of two years. The purpose of the Association is for effectuating the rights and responsibilities between the parties and the State regarding water management. The County also serves as the fiscal agent for the Association and accounts for its receipts and disbursements in an agency fund. The audited financial report for the Authority may be obtained by writing to Lea County, 100 North Main, Suite 11, Lovington, NM 88260.

Estacado Library Information Network

The City entered into a joint powers agreement on December 1, 1997 with the City of Lovington, College of the Southwest, New Mexico Junior College, and the Jal Public Library Fund, all of which operate libraries in Lea County, New Mexico to form the Estacado Library Information Network (ELIN). The purpose of ELIN is to provide access to the combined collections of the participating libraries and to provide access to the emerging networked digital information world. The New Mexico Junior College services as fiscal agent.

Lea County Solid Waste Authority

The City entered into a joint powers agreement on March 6, 1995 with all of the municipalities in Lea County to form the Lea County Solid Waste Authority (Authority). It was the desire of the parties to form a solid waste disposal authority in order to collectively address the immediate and future solid waste disposal needs of the Citizens of Lea County.

**STATE OF NEW MEXICO
CITY OF HOBBS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE R – JOINT POWERS AGREEMENTS (Continued)

Lea County Solid Waste Authority (continued)

State and federal laws and regulations require that the Authority 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 Lea County Landfill. An expense provision and the related liability are being recognized based on the future closure and postclosure care costs that will be incurred near or after the date the landfill no longer accepts waste. Based upon the joint powers agreement between the members of the authority, the City of Hobbs will share in 52.2% of the closure and postclosure care costs. Total costs to close, monitor, and maintain the landfill are estimated to be \$799,150. Actual costs of closure and postclosure care may be higher due to inflation, changes in technology, or changes in state and federal landfill laws and regulations. The City's share of these costs is not to exceed \$765,000. The remaining useful life is estimated to be approximately 30 years. The estimated current liability based on capacity used as a percentage of total capacity is \$175,812 as of June 30, 2008. The capacity used to date as of June 30, 2008 is estimated to be 22% of total capacity. The City's share of the estimated current liability is \$91,773 as of June 30, 2008. This estimated liability is not recorded on the City's financial statements since closure and postclosure care costs are to be paid by charges for services which are ongoing. The members of the authority are required by the State of New Mexico Environmental Regulation Board to demonstrate financial assurance for the closure and postclosure costs.

Lea County (the County) serves as the fiscal agent for the Authority and accounts for the Authority's receipts and disbursements in an agency fund. The County also issues a separate, publicly available audited financial report for the Authority. The audited financial report for the Authority may be obtained by writing to Lea County, 100 North Main, Suite 11, Lovington, NM 88260.

Hobbs Municipal Schools

The City entered into a joint powers agreement on February 20, 1974 with the Hobbs Municipal Schools to provide for joint use of recreational facilities, such as an indoor swimming pool, gymnasium complex and handball courts owned by the Hobbs Municipal Schools. The purpose of the agreement is to promote the physical fitness of students and promote physical fitness and community recreational opportunities for all other residents in the community. During the time the City has use of the facilities it shall be opened and used for supervised swimming, gymnasium and handball purposes by persons other than students, and shall be under the supervision of the City. This agreement shall continue for a period of five years, and thereafter as mutually agreeable by both parties.

The City entered into a joint powers agreement on November 20, 1972 with the Hobbs Municipal Schools to erect two little league baseball fields at Jefferson Elementary. The fields will be used for sports activities sponsored by the Parks and Recreation Department, and furthering athletic and recreational programs in the Hobbs Municipal Schools. This agreement shall continue as mutually agreeable by both parties.

The City entered into a joint powers agreement on August 5, 1974 with the Hobbs Municipal Schools to unify their resources in the development of neighborhood parks on school land at Sanger, Mills, and Coronado Elementary schools to be used by the citizens of the City, both adults and students in enhancing community recreational programs. This agreement is to continue for 25 years, and thereafter as mutually agreeable by both parties.

The City entered into a joint powers agreement on April 21, 1986 with the Hobbs Municipal Schools to unify their resources in the development of neighborhood parks on school land at College Lane and Stone Elementary schools to be used by the citizens of the City, both adults and students in enhancing community recreational programs. This agreement is to continue for 25 years, and thereafter as mutually agreeable by both parties.

STATE OF NEW MEXICO
CITY OF HOBBS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008

NOTE R – JOINT POWERS AGREEMENTS (Continued)

Hobbs Municipal Schools (continued)

The City entered into a joint powers agreement on December 18, 1975 with the Hobbs Municipal Schools to jointly develop tennis courts on property owned by the School. The City will pay power costs for operating and maintaining lights adequate for illuminating the tennis courts for nighttime activities. The City and School will jointly and equally bear the expenses for maintaining the tennis courts. This agreement is to continue for 25 years, and thereafter as mutually agreeable by both parties.

New Mexico Energy, Minerals and Natural Resources Department

The City entered into a joint powers agreement on May 15, 2000 with the State of New Mexico Energy, Minerals and Natural Resources Department (EMNRD) to mutually establish, implement and maintain a Resource Mobilization Plan (RMP) and associated procedures for the mobilization of wildland fire protection resources. The RMP will establish 1) personnel and equipment standards for City resources that may be made available to EMNRD for wildfire suppression and management; 2) procedures by which EMNRD can request, mobilize, coordinate, and demobilize City resources used for wildfire protection and management; 3) rates, specific procedures, and administrative methods by which EMNRD will reimburse the City for the services of qualified and requested resources. This agreement may be terminated by either party upon 30 days written notice.

The City entered into a joint powers agreement on April 17, 2000 with the State of New Mexico Energy, Minerals and Natural Resources Department (EMNRD) for the control of timber, grass, and woodland fires in and adjacent to suburban areas to establish an effective fire control program. The City and EMNRD agree to maintain, in accordance with the Program, a fire protection system covering any or all private, County, non-municipal, and State lands within or adjacent to the City. This agreement may be terminated by either party upon 60 days written notice.

The City entered into an agreement with the State of New Mexico Energy, Minerals and Natural Resources Department (EMNRD) on January 9, 2007, for Wildland Fire Protection and Suppression. This agreement's purpose is to mutual wildland fire suppression and management assistance and cooperation. The agreement may be terminated by either party upon 90 days written notice.

On December 3, 2007, the City entered into an agreement with the State of New Mexico Energy, Minerals and Natural Resources Department (ENMRD) for Wildland Fire Protection and Suppression setting terms for reimbursements of expenses incurred while fighting wildland fires in the region. The agreement provides for up to \$10,000 in reimbursement per year. The agreement may be terminated by either party upon 90 days written notice.

Lea County Drug Task Force

The City entered into a joint powers agreement on July 18, 1997 with all of the municipalities in Lea County to undertake a joint controlled substances investigation project. The primary purpose, duties and responsibilities of the Task Force is 1) to perform thorough investigations of all reported violations of the New Mexico Controlled Substances Act and related laws including the collection, preservation and analysis of relevant physical evidence, 2) to investigate, arrest and prosecute persons accused of committing criminal violations with emphasis on drug trafficking and related crimes, organized criminal conspiracies and all aspects of organized crime, and 3) to provide such assistance to the District Attorney or U.S. Attorney as is necessary to pursue the prosecution of the accused to a successful conclusion. This agreement shall have a term of one year, and shall be automatically renewed and extended for additional terms of one year. The City of Hobbs serves as fiscal agent, and the revenues and disbursements are recorded in the Lea County Drug Task Force Special Revenue Fund.

**STATE OF NEW MEXICO
CITY OF HOBBS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2008**

NOTE R – JOINT POWERS AGREEMENTS (Continued)

Eddy-Lea Energy Alliance

The City established a joint powers agreement with the Eddy-Lea Energy Alliance on October 30, 2006. The goal of this agreement is to evaluate a site for use by the Global Nuclear Energy Partnership and the United States Department of energy. This is hoped to bring new, higher-wage jobs to the area and strengthen the economic base of the region. The agreement is perpetual, but may be terminated with the written consent of all voting members.

City of Lovington and Lea County

On June 18, 2007, the City of Hobbs entered into a joint powers agreement with the City of Lovington, New Mexico, and Lea County for the operation and maintenance of an EDACS radio system. The agreement may be terminated by any party with one year written notice.

NOTE S – ACCOUNTING STANDARDS

In June 2004, the Governmental Accounting Standards Board (GASB) issued GASB Statement No. 45, *Accounting and Financial Reporting by Employers for Postemployment Benefit Plans Other Than Pensions*, which is effective for phase 2 government financial statements for periods beginning after December 15, 2007. Early implementation of this statement is encouraged. This statement establishes standards for the measurement, recognition, and display of OBEP expense/expenditures and related liabilities (assets), note disclosures, and, if applicable, required supplementary information (RSI) in-the financial reports of state and local governmental employers. The City implemented GASB Statement No. 45 in the fiscal year ended June 30, 2007.

NOTE T – DEFICIT FUND BALANCE AND EXCESS OF EXPENDITURES OVER APPROPRIATIONS

Generally accepted accounting principles require disclosures as part of the Combined Statements of certain information concerning individual funds including:

- A. Deficit fund balance of individual funds: The following funds reflected such a balance as of June 30, 2008:

Major Fund: Solid Waste Disposal – (\$141,750); Special Revenue Funds: Golf – (\$9,675), Cemetery – (\$3,235), McAdams Park – (\$5,795), Capital Projects Funds: Vehicle Replacement Fund – (\$211,002).

These funds do not have a deficit fund balance for Non-GAAP cash basis budgetary reporting with the exception of the Vehicle Replacement Fund. The General Fund supports the operations of these activities through operating transfers and ensures that each fund will be financially solvent.

- B. Excess of expenditures over appropriations. No funds overspent their appropriations during the year ended June 30, 2008.

NOTE U – COMMITMENTS

On December 18, 2007, the City entered into an agreement with Lea County, New Mexico. The terms of this agreement include the payment of \$200,000 in Lodgers' Tax receipts from the City to the County every year for the next 5 years to support the operations and improvement of the Lea County Event Center.

The City had outstanding construction commitments at June 30, 2008 for water line and infrastructure projects of \$1.1 million; beautification incentive projects of \$2.7 million; the Waste Water Treatment Plant and infrastructure of \$1.7 million; the Navajo Utility project of \$1.6 million; the Public Safety Complex project of \$1.2 million; construction of a new animal shelter of \$2 million; and the SR18/Bender rehab project of \$2.3 million.

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SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
CITY OF HOBBS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2008

Statement A-1

	<u>Totals by Fund Type</u>		Total Nonmajor Governmental Funds
	<u>Special Revenue</u>	<u>Capital Projects</u>	
ASSETS			
Cash and cash equivalents	\$ 2,148,125	\$ 6,771,209	\$ 8,919,334
Investments	-	-	-
Restricted cash and investments	-	3,933,315	3,933,315
Receivables:			
Accounts receivable, net	-	-	-
Due from other governments	926,650	1,169,349	2,095,999
Accrued interest receivable	-	-	-
Lease receivable	-	-	-
Due from other funds	-	-	-
<i>Total assets</i>	<u>\$ 3,074,775</u>	<u>\$ 11,873,873</u>	<u>\$ 14,948,648</u>
LIABILITIES AND FUND BALANCES			
<i>Liabilities:</i>			
Accounts payable	\$ 153,189	\$ 920,939	\$ 1,074,128
Due to other funds	380,101	46,510	426,611
Deferred revenue	-	-	-
Accrued salaries and related expenses	48,345	-	48,345
<i>Total liabilities</i>	<u>581,635</u>	<u>967,449</u>	<u>1,549,084</u>
<i>Fund balances:</i>			
Unreserved	2,493,140	10,613,755	13,106,895
Reserved:			
Debt service		292,669	292,669
<i>Total fund balances</i>	<u>2,493,140</u>	<u>10,906,424</u>	<u>13,399,564</u>
<i>Total liabilities and fund balances</i>	<u>\$ 3,074,775</u>	<u>\$ 11,873,873</u>	<u>\$ 14,948,648</u>

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

STATE OF NEW MEXICO
CITY OF HOBBS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR GOVERNMENTAL FUNDS
For the Year Ended June 30, 2008

Statement A-2

	Totals by Fund Type		Total Nonmajor Governmental Funds
	Special Revenue	Capital Projects	
<i>Revenues:</i>			
Property, sales, and miscellaneous taxes	\$ 734,069	\$ 2,932,794	\$ 3,666,863
Fines and forfeitures	3,702	-	3,702
Licenses and permits	-	-	-
Intergovernmental	3,072,619	3,979,590	7,052,209
Charges for services	606,604	961	607,565
Investment earnings	109,746	334,473	444,219
Miscellaneous	327,115	3,292,286	3,619,401
<i>Total revenues</i>	4,853,855	10,540,104	15,393,959
<i>Expenditures:</i>			
<i>Current:</i>			
General Government	-	-	-
Public Safety	1,416,654	-	1,416,654
Public Works	-	-	-
Health and Welfare	1,848,982	-	1,848,982
Culture and Recreation	710,041	-	710,041
Sanitation	-	-	-
<i>Debt service:</i>			
Principal	38,294	165,000	203,294
Interest and other charges	5,033	25,149	30,182
Capital Outlay	1,963,506	12,103,622	14,067,128
<i>Total expenditures</i>	5,982,510	12,293,771	18,276,281
<i>Excess (deficiency) of revenues over expenditures</i>	(1,128,655)	(1,753,667)	(2,882,322)
<i>Other financing sources (uses):</i>			
Transfers in	1,650,101	2,132,277	3,782,378
Transfers out	(347,000)	-	(347,000)
<i>Total other financing sources (uses)</i>	1,303,101	2,132,277	3,435,378
<i>Special Items</i>			
Proceeds from sale of fixed assets	2,800	-	2,800
<i>Net change in fund balances</i>	177,246	378,610	555,856
<i>Fund balances - beginning</i>	2,315,894	10,527,814	12,843,708
<i>Fund balances - ending</i>	\$ 2,493,140	\$ 10,906,424	\$ 13,399,564

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

SPECIAL REVENUE FUNDS

Local Government Corrections - To account for the cost of constructing, operating or maintaining the municipal jail or for paying the cost of housing municipal prisoners in the County jail. Financing is provided by \$10 fees collected from any person violating a motor vehicle ordinance. The fund was authorized by State law which requires a special revenue fund.

Police Protection - To account for an annual grant issued by the State of New Mexico under the Law Enforcement Grant Act. This grant is used to purchase equipment and supplies not otherwise budgeted for police personnel protection. The fund was authorized by the State of New Mexico Law Enforcement Grant Act.

Police Narcotics - To account for the receipt of money through the drug enforcement program and to account for the distribution of funds directly related to education and enforcement of the drug program. The City has designated the fund as a special revenue fund by resolution.

Lea County Drug Task Force - To provide for education and local enforcement of the drug program. Financed by Federal grants for High Intensity Drug Trafficking Areas. The City has designated the fund as a special revenue fund by resolution.

Older American Act - To account for the operation of the Senior Center, the related meal program and "Meals on Wheels". The funding is primarily through the Area Agency on Aging Grants (both State and Federal), user donations and City funding designated specifically for senior citizen activities. The fund was authorized by City resolution.

Golf - To account for operations of the City's golf course. Financing is provided by fees charged to the users of the golf course facilities. The fund has been designated a special revenue fund by City resolution, and the revenues are restricted to golf course operations.

Cemetery - To account for operation and maintenance of the cemetery. The fund has been designated a special revenue fund by City resolution, and the revenues are restricted to operation and maintenance expenditures of the cemetery.

Airport - To account for operations and maintenance of City owned facilities at the Hobbs Industrial Airport Park. Financing is provided by rental of facilities at the industrial complex. The City by resolution has designated the fund a special revenue fund, and all revenues are restricted to airport operations.

Lodgers' Tax Promotional - To account for expenditures for advertising, publicizing and promoting certain recreational and tourist activities in the area. Financing is provided by a specific tax on taxable rent for lodging. The fund has been designated a special revenue fund by City ordinance.

McAdams Park - To account for the operation and maintenance of Harry McAdams State Park. Financing is provided by user charges and grant income from the New Mexico Energy, Minerals and Natural Resources Department. The City by resolution has designated the fund a special revenue fund, and all revenues are restricted to park operations.

Public Transportation - To account for expenditures of a public transportation system within the City. The City has designated the fund a special revenue fund by resolution, and all revenues are restricted to public transportation uses.

Fire Protection - To account for operations and maintenance of the Fire Department. Financing is provided by a State allotment. Also, to account for the proceeds and debt service for the loan from the New Mexico Finance Authority used to acquire, construct, design, equip and furnish a fire protection facility and to acquire an aerial ladder fire truck. The fund was authorized by State law and requires the allotment to be used only for fire related purposes.

Emergency Medical Services - To account for the annual grant under the EMS Fund Act distributed by the New Mexico Health and Environment Department, to provide educational opportunities and special equipment for the most modern and efficient statewide program available. EMS grant funds are to be used exclusively for the EMS/Ambulance programs. The fund balance may be carried over for qualified and approved projects only. The fund was authorized by the New Mexico Health and Environment Department EMS Fund Act.

Community Development - To account for expenditures of Federal and State community development funds. The grants are shown as a special revenue fund due to legal restriction of expenditures for specific purposes approved by the Department of Housing and Urban Development.

Expendable Trust Funds

Recreation - To account for contributions from private sources restricted to use by the City for recreation equipment. The fund was authorized by City resolution.

Library - To account for contributions from private sources restricted to use by the library for materials and projects. The fund was authorized by City resolution.

Cemetery - To account for contributions from private sources restricted to use by the City Cemetery for various projects. The fund was authorized by City resolution.

Community Parks - To account for contributions from private sources restricted to use by the City for parks improvements. The fund was authorized by City resolution.

STATE OF NEW MEXICO
CITY OF HOBBS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
 June 30, 2008

	Local Government Corrections	Police Protection
ASSETS		
Cash and cash equivalents	\$ 631,908	\$ -
Investments	-	-
Restricted cash and investments	-	-
Receivables:		
Accounts receivable, net	-	-
Due from other governments	-	-
Accrued interest receivable	-	-
Note receivable	-	-
Lease receivable	-	-
Due from other funds	-	-
Assets held for resale	-	-
	-	-
<i>Total assets</i>	\$ 631,908	\$ -
LIABILITIES AND FUND BALANCES		
<i>Liabilities:</i>		
Accounts payable	\$ -	\$ -
Due to other funds	-	-
Deferred revenue	-	-
Accrued salaries and related expenses	-	-
	-	-
<i>Total liabilities</i>	-	-
<i>Fund balances:</i>		
Unreserved	631,908	-
	631,908	-
<i>Total fund balances</i>	631,908	-
<i>Total liabilities and fund balances</i>	\$ 631,908	\$ -

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

<u>Police Narcotics</u>	<u>Lea County Drug Task Force</u>	<u>Older American Act</u>	<u>Golf</u>
\$ 10,896	\$ 84,846	\$ 659	\$ 691
-	-	-	-
-	-	-	-
-	417,373	171,290	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>\$ 10,896</u>	<u>\$ 502,219</u>	<u>\$ 171,949</u>	<u>\$ 691</u>
\$ -	\$ 1,895	\$ 12,752	\$ -
-	142,635	-	-
-	-	-	-
-	3,617	12,963	10,366
<u>-</u>	<u>148,147</u>	<u>25,715</u>	<u>10,366</u>
10,896	354,072	146,234	(9,675)
<u>10,896</u>	<u>354,072</u>	<u>146,234</u>	<u>(9,675)</u>
<u>\$ 10,896</u>	<u>\$ 502,219</u>	<u>\$ 171,949</u>	<u>\$ 691</u>

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

STATE OF NEW MEXICO
CITY OF HOBBS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2008

	Cemetery	Airport
ASSETS		
Cash and cash equivalents	\$ 865	\$ 143,125
Investments	-	-
Restricted cash and investments	-	-
Receivables:		
Accounts receivable, net	-	-
Due from other governments	-	-
Accrued interest receivable	-	-
Note receivable	-	-
Lease receivable	-	-
Due from other funds	-	-
Assets held for resale	-	-
	<u>\$ 865</u>	<u>\$ 143,125</u>
<i>Total assets</i>		
LIABILITIES AND FUND BALANCES		
<i>Liabilities:</i>		
Accounts payable	\$ -	\$ -
Due to other funds	-	-
Deferred revenue	-	-
Accrued salaries and related expenses	4,100	-
	<u>4,100</u>	<u>-</u>
<i>Total liabilities</i>		
<i>Fund balances:</i>		
Unreserved	(3,235)	143,125
	<u>(3,235)</u>	<u>143,125</u>
<i>Total fund balances</i>		
<i>Total liabilities and fund balances</i>	<u>\$ 865</u>	<u>\$ 143,125</u>

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

<u>Lodgers' Tax Promotional</u>	<u>McAdams Park</u>	<u>Public Transportation</u>	<u>Fire Protection</u>
\$ 1,028,724	\$ 187	\$ 685	\$ 226,108
-	-	-	-
-	-	-	-
-	-	-	-
-	-	37,987	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>\$ 1,028,724</u>	<u>\$ 187</u>	<u>\$ 38,672</u>	<u>\$ 226,108</u>
\$ 76,726	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	5,982	11,317	-
<u>76,726</u>	<u>5,982</u>	<u>11,317</u>	<u>-</u>
<u>951,998</u>	<u>(5,795)</u>	<u>27,355</u>	<u>226,108</u>
<u>951,998</u>	<u>(5,795)</u>	<u>27,355</u>	<u>226,108</u>
<u>\$ 1,028,724</u>	<u>\$ 187</u>	<u>\$ 38,672</u>	<u>\$ 226,108</u>

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

STATE OF NEW MEXICO
CITY OF HOBBS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
June 30, 2008

	Emergency Medical Services	Community Development
ASSETS		
Cash and cash equivalents	\$ 3,041	\$ -
Investments	-	-
Restricted cash and investments	-	-
Receivables:		
Accounts receivable, net	-	-
Due from other governments	-	300,000
Accrued interest receivable	-	-
Note receivable	-	-
Lease receivable	-	-
Due from other funds	-	-
Assets held for resale	-	-
	<u>\$ 3,041</u>	<u>\$ 300,000</u>
<i>Total assets</i>	<u>\$ 3,041</u>	<u>\$ 300,000</u>
LIABILITIES AND FUND BALANCES		
<i>Liabilities:</i>		
Accounts payable	\$ -	\$ 61,816
Due to other funds	-	237,466
Deferred revenue	-	-
Accrued salaries and related expenses	-	-
	<u>-</u>	<u>299,282</u>
<i>Total liabilities</i>	<u>-</u>	<u>299,282</u>
<i>Fund balances:</i>		
Unreserved	<u>3,041</u>	<u>718</u>
<i>Total fund balances</i>	<u>3,041</u>	<u>718</u>
<i>Total liabilities and fund balances</i>	<u>\$ 3,041</u>	<u>\$ 300,000</u>

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

<u>Recreation Expendable Trust</u>	<u>Library Expendable Trust</u>	<u>Cemetery Expendable Trust</u>	<u>Community Parks Expendable Trust</u>
\$ 5,919	\$ 3,949	\$ 5,128	\$ 1,394
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>\$ 5,919</u>	<u>\$ 3,949</u>	<u>\$ 5,128</u>	<u>\$ 1,394</u>
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>5,919</u>	<u>3,949</u>	<u>5,128</u>	<u>1,394</u>
<u>5,919</u>	<u>3,949</u>	<u>5,128</u>	<u>1,394</u>
<u>\$ 5,919</u>	<u>\$ 3,949</u>	<u>\$ 5,128</u>	<u>\$ 1,394</u>

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

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STATE OF NEW MEXICO
CITY OF HOBBS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
 June 30, 2008

Statement B-1
 (Page 4 of 4)

ASSETS	<u>Total Nonmajor Special Revenue Funds</u>
Cash and cash equivalents	\$ 2,148,125
Investments	-
Restricted cash and investments	-
Receivables:	
Accounts receivable, net	-
Due from other governments	926,650
Accrued interest receivable	-
Note receivable	-
Lease receivable	-
Due from other funds	-
Assets held for resale	-
	<hr/>
<i>Total assets</i>	<u>\$ 3,074,775</u>
LIABILITIES AND FUND BALANCES	
<i>Liabilities:</i>	
Accounts payable	\$ 153,189
Due to other funds	380,101
Deferred revenue	-
Accrued salaries and related expenses	48,345
	<hr/>
<i>Total liabilities</i>	<u>581,635</u>
<i>Fund balances:</i>	
Unreserved	<u>2,493,140</u>
<i>Total fund balances</i>	<u>2,493,140</u>
<i>Total liabilities and fund balances</i>	<u>\$ 3,074,775</u>

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

STATE OF NEW MEXICO
CITY OF HOBBS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2008

	Local Government Corrections	Police Protection
<i>Revenues:</i>		
Property, sales, and miscellaneous taxes	\$ -	\$ -
Fines and forfeitures	-	-
Licenses and permits	-	-
Intergovernmental	-	64,800
Charges for services	-	-
Investment earnings	28,267	-
Miscellaneous	243,288	-
<i>Total revenues</i>	<u>271,555</u>	<u>64,800</u>
<i>Expenditures:</i>		
Current:		
General government	-	-
Public safety	71,337	37,605
Public works	-	-
Health and welfare	-	-
Culture and recreation	-	-
Sanitation	-	-
Debt service:		
Principal	-	-
Interest and other charges	-	-
Capital Outlay	12,707	30,000
<i>Total expenditures</i>	<u>84,044</u>	<u>67,605</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>187,511</u>	<u>(2,805)</u>
<i>Other financing sources (uses):</i>		
Transfers in	-	2,805
Transfers out	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>2,805</u>
<i>Special Items</i>		
Proceeds from sale of fixed assets	-	-
<i>Net change in fund balances</i>	187,511	-
<i>Fund balances - beginning</i>	<u>444,397</u>	<u>-</u>
<i>Fund balances - ending</i>	<u>\$ 631,908</u>	<u>\$ -</u>

Police Narcotics	Lea County Drug Task Force	Older American Act	Golf
\$ -	\$ -	\$ -	\$ -
3,702	-	-	-
-	-	-	-
-	1,355,697	311,921	-
-	-	-	274,522
-	-	-	-
-	-	38,391	3,783
<u>3,702</u>	<u>1,355,697</u>	<u>350,312</u>	<u>278,305</u>
-	-	-	-
-	1,198,960	-	-
-	-	-	-
-	-	584,382	-
-	-	-	453,723
-	-	-	-
-	-	-	-
3,500	-	356,960	-
<u>3,500</u>	<u>1,198,960</u>	<u>941,342</u>	<u>453,723</u>
202	156,737	(591,030)	(175,418)
-	-	731,000	184,000
-	-	-	-
-	-	731,000	184,000
<u>2,800</u>	<u>-</u>	<u>-</u>	<u>-</u>
3,002	156,737	139,970	8,582
7,894	197,335	6,264	(18,257)
<u>\$ 10,896</u>	<u>\$ 354,072</u>	<u>\$ 146,234</u>	<u>\$ (9,675)</u>

STATE OF NEW MEXICO
CITY OF HOBBS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2008

	Cemetery	Airport
<i>Revenues:</i>		
Taxes	\$ -	\$ -
Fines and forfeitures	-	-
Licenses and permits	-	-
Intergovernmental	-	-
Charges for services	154,000	-
Investment earnings	-	8,094
Miscellaneous	-	22,094
	<u>154,000</u>	<u>30,188</u>
<i>Total revenues</i>		
<i>Expenditures:</i>		
Current:		
General government	-	-
Public safety	-	-
Public works	-	-
Health and welfare	176,733	-
Culture and recreation	-	48,688
Sanitation	-	-
Debt service:		
Principal	-	-
Interest and other charges	-	-
Capital Outlay	24,822	-
	<u>201,555</u>	<u>48,688</u>
<i>Total expenditures</i>		
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(47,555)</u>	<u>(18,500)</u>
<i>Other financing sources (uses):</i>		
Transfers in	52,000	-
Transfers out	-	-
	<u>52,000</u>	<u>-</u>
<i>Total other financing sources (uses)</i>		
<i>Special Items</i>		
Proceeds from sale of fixed assets	-	-
	<u>4,445</u>	<u>(18,500)</u>
<i>Net change in fund balances</i>		
<i>Fund balances - beginning</i>	<u>(7,680)</u>	<u>161,625</u>
<i>Fund balances - ending</i>	<u>\$ (3,235)</u>	<u>\$ 143,125</u>

Lodgers' Tax Promotional	McAdams Park	Public Transportation	Fire Protection
\$ 734,069	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	313,781	344,420
-	154,876	23,206	-
48,860	-	-	24,194
-	-	-	-
<u>782,929</u>	<u>154,876</u>	<u>336,987</u>	<u>368,614</u>
-	-	-	-
-	-	-	90,965
-	-	-	-
703,028	-	384,839	-
-	195,944	-	-
-	-	-	-
-	-	-	38,294
-	-	-	5,033
-	80,555	144,081	56,770
<u>703,028</u>	<u>276,499</u>	<u>528,920</u>	<u>191,062</u>
<u>79,901</u>	<u>(121,623)</u>	<u>(191,933)</u>	<u>177,552</u>
-	119,000	195,000	-
(17,000)	-	-	(330,000)
<u>(17,000)</u>	<u>119,000</u>	<u>195,000</u>	<u>(330,000)</u>
-	-	-	-
62,901	(2,623)	3,067	(152,448)
<u>889,097</u>	<u>(3,172)</u>	<u>24,288</u>	<u>378,556</u>
<u>\$ 951,998</u>	<u>\$ (5,795)</u>	<u>\$ 27,355</u>	<u>\$ 226,108</u>

STATE OF NEW MEXICO
CITY OF HOBBS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
 For the Year Ended June 30, 2008

	Emergency Services	Community Development
Revenues:		
Taxes	-	-
Fines and forfeitures	-	-
Licenses and permits	-	-
Intergovernmental	20,000	662,000
Charges for services	-	-
Investment earnings	-	-
Miscellaneous	-	-
Total revenues	20,000	662,000
Expenditures:		
Current:		
General government	-	-
Public safety	17,787	-
Public works	-	-
Health and welfare	-	-
Culture and recreation	-	-
Sanitation	-	-
Debt service:		
Principal	-	-
Interest and other charges	-	-
Capital Outlay	-	1,254,111
Total expenditures	17,787	1,254,111
Excess (deficiency) of revenues over expenditures	2,213	(592,111)
Other financing sources (uses):		
Transfers in	-	366,296
Transfers out	-	-
Total other financing sources (uses)	-	366,296
Special Items		
Proceeds from sale of fixed assets	-	-
Net change in fund balances	2,213	(225,815)
Fund balances - beginning	828	226,533
Fund balances - ending	\$ 3,041	\$ 718

<u>Recreation</u> <u>Expendable Trust</u>	<u>Library</u> <u>Expendable Trust</u>	<u>Cemetery</u> <u>Expendable Trust</u>	<u>Community</u> <u>Parks</u> <u>Expendable Trust</u>
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	260	71
<u>15,177</u>	<u>4,382</u>	<u>-</u>	<u>-</u>
<u>15,177</u>	<u>4,382</u>	<u>260</u>	<u>71</u>
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
9,258	2,428	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>9,258</u>	<u>2,428</u>	<u>-</u>	<u>-</u>
<u>5,919</u>	<u>1,954</u>	<u>260</u>	<u>71</u>
-	-	-	-
-	-	-	-
-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>5,919</u>	<u>1,954</u>	<u>260</u>	<u>71</u>
<u>-</u>	<u>1,995</u>	<u>4,868</u>	<u>1,323</u>
<u>\$ 5,919</u>	<u>\$ 3,949</u>	<u>\$ 5,128</u>	<u>\$ 1,394</u>

STATE OF NEW MEXICO
CITY OF HOBBS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR SPECIAL REVENUE FUNDS
For the Year Ended June 30, 2008

Statement B-2
(Page 4 of 4)

	Total Nonmajor Special Revenue Funds
<i>Revenues:</i>	
Taxes	\$ 734,069
Fines and forfeitures	3,702
Licenses and permits	-
Intergovernmental	3,072,619
Charges for services	606,604
Investment earnings	109,746
Miscellaneous	327,115
<i>Total revenues</i>	4,853,855
 <i>Expenditures:</i>	
Current:	
General government	-
Public safety	1,416,654
Public works	-
Health and welfare	1,848,982
Culture and recreation	710,041
Sanitation	-
Debt service:	
Principal	38,294
Interest and other charges	5,033
Capital Outlay	1,963,506
<i>Total expenditures</i>	5,982,510
 <i>Excess (deficiency) of revenues over expenditures</i>	(1,128,655)
 <i>Other financing sources (uses):</i>	
Transfers in	1,650,101
Transfers out	(347,000)
<i>Total other financing sources (uses)</i>	1,303,101
 <i>Special Items</i>	
Proceeds from sale of fixed assets	2,800
 <i>Net change in fund balances</i>	177,246
 <i>Fund balances - beginning</i>	2,315,894
 <i>Fund balances - ending</i>	\$ 2,493,140

STATE OF NEW MEXICO
CITY OF HOBBS
LOCAL GOVERNMENT CORRECTIONS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For the year ended June 30, 2008

Schedule B-3

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
Fines & Forfeitures	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Investment earnings	19,600	28,267	28,267	-
Miscellaneous	140,000	243,287	243,287	-
<i>Total revenues</i>	<u>159,600</u>	<u>271,554</u>	<u>271,554</u>	<u>-</u>
<i>Expenditures:</i>				
<i>Current:</i>				
General government	-	-	-	-
Public Safety	91,428	71,337	71,337	-
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Sanitation	-	-	-	-
<i>Debt service:</i>				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	15,500	12,706	12,706	-
<i>Total expenditures</i>	<u>106,928</u>	<u>84,043</u>	<u>84,043</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>52,672</u>	<u>187,511</u>	<u>187,511</u>	<u>-</u>
<i>Other financing sources (uses):</i>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Appropriated cash balance</i>	<u>\$ 52,672</u>	<u>\$ 187,511</u>	<u>187,511</u>	<u>\$ -</u>
<i>Reconciliation to GAAP Basis:</i>				
<i>Net change in fund balance</i>			<u>\$ 187,511</u>	

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

STATE OF NEW MEXICO

Schedule B-4

CITY OF HOBBS

POLICE PROTECTION

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL

For the year ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
Fines & Forfeitures	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	66,600	64,800	64,800	-
Charges for services	-	-	-	-
Investment earnings	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>66,600</u>	<u>64,800</u>	<u>64,800</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public Safety	36,600	37,605	37,605	-
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Sanitation	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	30,000	30,000	30,000	-
<i>Total expenditures</i>	<u>66,600</u>	<u>67,605</u>	<u>67,605</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>(2,805)</u>	<u>(2,805)</u>	<u>-</u>
<i>Other financing sources (uses):</i>				
Transfers in	-	2,805	2,805	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>2,805</u>	<u>2,805</u>	<u>-</u>
<i>Appropriated cash balance</i>	<u>\$ -</u>	<u>\$ -</u>	<u>-</u>	<u>\$ -</u>
<i>Reconciliation to GAAP Basis:</i>				
<i>Net change in fund balance</i>			<u>\$ -</u>	

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

**STATE OF NEW MEXICO
CITY OF HOBBS
POLICE NARCOTICS**

Schedule B-5

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For the year ended June 30, 2008**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
Fines & Forfeitures	-	3,702	3,702	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Investment earnings	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	-	3,702	3,702	-
<i>Expenditures:</i>				
<i>Current:</i>				
General government	-	-	-	-
Public Safety	-	-	-	-
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Sanitation	-	-	-	-
<i>Debt service:</i>				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	-	3,500	3,500	-
<i>Total expenditures</i>	-	3,500	3,500	-
<i>Excess (deficiency) of revenues over expenditures</i>	-	202	202	-
<i>Other financing sources (uses):</i>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	-	-	-	-
<i>Appropriated cash balance</i>	\$ -	\$ 3,002	3,002	\$ -
<i>Reconciliation to GAAP Basis:</i>				
<i>Net change in fund balance</i>			\$ 3,002	

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

STATE OF NEW MEXICO

Schedule B-6

CITY OF HOBBS

LEA COUNTY DRUG TASK FORCE

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL

For the year ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
Fines & Forfeitures	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	1,147,794	1,241,392	1,241,392	-
Charges for services	-	-	-	-
Investment earnings	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>1,147,794</u>	<u>1,241,392</u>	<u>1,241,392</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Highways and roads	-	-	-	-
Public Safety	1,190,528	1,198,248	1,198,248	-
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Sanitation	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	-	-	-	-
<i>Total expenditures</i>	<u>1,190,528</u>	<u>1,198,248</u>	<u>1,198,248</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(42,734)</u>	<u>43,144</u>	<u>43,144</u>	<u>-</u>
<i>Other financing sources (uses):</i>				
Proceeds from capital leases	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Special Item</i>				
Proceeds from sale capital assets	-	-	-	-
<i>Appropriated cash balance</i>	<u>\$ (42,734)</u>	<u>\$ 43,144</u>	<u>43,144</u>	<u>\$ -</u>
<i>Reconciliation to GAAP Basis:</i>				
Increase in due from other governments			114,305	
Increase in accounts payable			(1,700)	
Decrease in accrued salaries and related expenses			988	
<i>Net change in fund balance</i>			<u>\$ 156,737</u>	

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

STATE OF NEW MEXICO
CITY OF HOBBS
OLDER AMERICAN ACT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For the year ended June 30, 2008

Schedule B-7

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
Fines & Forfeitures	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	293,500	156,789	156,789	-
Charges for services	-	-	-	-
Investment earnings	-	-	-	-
Miscellaneous	55,000	49,687	49,687	-
<i>Total revenues</i>	<u>348,500</u>	<u>206,476</u>	<u>206,476</u>	<u>-</u>
<i>Expenditures:</i>				
<i>Current:</i>				
General government	-	-	-	-
Public Safety	-	-	-	-
Health and welfare	663,335	578,260	578,260	-
Culture and recreation	-	-	-	-
Sanitation	-	-	-	-
<i>Debt service:</i>				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	333,744	356,960	356,960	-
<i>Total expenditures</i>	<u>997,079</u>	<u>935,220</u>	<u>935,220</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(648,579)</u>	<u>(728,744)</u>	<u>(728,744)</u>	<u>-</u>
<i>Other financing sources (uses):</i>				
Transfers in	648,000	731,000	731,000	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>648,000</u>	<u>731,000</u>	<u>731,000</u>	<u>-</u>
<i>Appropriated cash balance</i>	<u>\$ (579)</u>	<u>\$ 2,256</u>	<u>2,256</u>	<u>\$ -</u>
<i>Reconciliation to GAAP Basis:</i>				
Increase in due from other governments			143,836	
Increase in accounts payable			(1,275)	
Increase in accrued salaries and related expenses			(4,847)	
<i>Net change in fund balance</i>			<u>\$ 139,970</u>	

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

STATE OF NEW MEXICO
CITY OF HOBBS
GOLF

Schedule B-8

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For the year ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
Fines & Forfeitures	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	325,000	274,522	274,522	-
Investment earnings	-	-	-	-
Miscellaneous	-	3,783	3,783	-
<i>Total revenues</i>	<u>325,000</u>	<u>278,305</u>	<u>278,305</u>	<u>-</u>
<i>Expenditures:</i>				
<i>Current:</i>				
General government	-	-	-	-
Public Safety	-	-	-	-
Health and welfare	-	-	-	-
Culture and recreation	528,017	460,155	460,155	-
Sanitation	-	-	-	-
<i>Debt service:</i>				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	20,000	-	-	-
<i>Total expenditures</i>	<u>548,017</u>	<u>460,155</u>	<u>460,155</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(223,017)</u>	<u>(181,850)</u>	<u>(181,850)</u>	<u>-</u>
<i>Other financing sources (uses):</i>				
Transfers in	224,000	184,000	184,000	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>224,000</u>	<u>184,000</u>	<u>184,000</u>	<u>-</u>
<i>Appropriated cash balance</i>	<u>\$ 983</u>	<u>\$ 2,150</u>	2,150	<u>\$ -</u>
<i>Reconciliation to GAAP Basis:</i>				
Decrease in accounts payable			10,284	
Increase in accrued salaries and related expenses			<u>(3,852)</u>	
<i>Net change in fund balance</i>			<u>\$ 8,582</u>	

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

STATE OF NEW MEXICO
CITY OF HOBBS
CEMETERY

Schedule B-9

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For the year ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
Fines & Forfeitures	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	347,080	154,001	154,001	-
Investment earnings	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>347,080</u>	<u>154,001</u>	<u>154,001</u>	<u>-</u>
<i>Expenditures:</i>				
<i>Current:</i>				
General government	-	-	-	-
Public Safety	-	-	-	-
Health and welfare	202,915	179,531	179,531	-
Culture and recreation	-	-	-	-
Sanitation	-	-	-	-
<i>Debt service:</i>				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	3,300	24,822	24,822	-
<i>Total expenditures</i>	<u>206,215</u>	<u>204,353</u>	<u>204,353</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>140,865</u>	<u>(50,352)</u>	<u>(50,352)</u>	<u>-</u>
<i>Other financing sources (uses):</i>				
Transfers in	-	52,000	52,000	-
Transfers out	(140,000)	-	-	-
<i>Total other financing sources (uses)</i>	<u>(140,000)</u>	<u>52,000</u>	<u>52,000</u>	<u>-</u>
<i>Appropriated cash balance</i>	<u>\$ 865</u>	<u>\$ 1,648</u>	<u>1,648</u>	<u>\$ -</u>
<i>Reconciliation to GAAP Basis:</i>				
Decrease in accounts payable			4,391	
Increase in accrued salaries and related expenses			(1,594)	
<i>Net change in fund balance</i>			<u>\$ 4,445</u>	

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

STATE OF NEW MEXICO
CITY OF HOBBS
AIRPORT

Schedule B-10

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For the year ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
Fines & Forfeitures	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Investment earnings	4,900	8,094	8,094	-
Miscellaneous	20,000	22,094	22,094	-
<i>Total revenues</i>	<u>24,900</u>	<u>30,188</u>	<u>30,188</u>	<u>-</u>
<i>Expenditures:</i>				
<i>Current:</i>				
General government	-	-	-	-
Public Safety	-	-	-	-
Health and welfare	-	-	-	-
Culture and recreation	63,500	48,688	48,688	-
Sanitation	-	-	-	-
<i>Debt service:</i>				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	-	-	-	-
<i>Total expenditures</i>	<u>63,500</u>	<u>48,688</u>	<u>48,688</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(38,600)</u>	<u>(18,500)</u>	<u>(18,500)</u>	<u>-</u>
<i>Other financing sources (uses):</i>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Appropriated cash balance</i>	<u>\$ (38,600)</u>	<u>\$ (18,500)</u>	<u>(18,500)</u>	<u>\$ -</u>
<i>Reconciliation to GAAP Basis:</i>				
<i>Net change in fund balance</i>			<u>\$ (18,500)</u>	

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

STATE OF NEW MEXICO
CITY OF HOBBS
LODGERS' TAX PROMOTIONAL
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For the year ended June 30, 2008

Schedule B-11

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<i>Revenues:</i>				
Taxes	\$ 600,000	\$ 734,069	\$ 734,069	\$ -
Fines & Forfeitures	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Investment earnings	34,300	48,860	48,860	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>634,300</u>	<u>782,929</u>	<u>782,929</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public Safety	-	-	-	-
Health and welfare	600,000	626,303	626,303	-
Culture and recreation	-	-	-	-
Sanitation	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	-	-	-	-
<i>Total expenditures</i>	<u>600,000</u>	<u>626,303</u>	<u>626,303</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>34,300</u>	<u>156,626</u>	<u>156,626</u>	<u>-</u>
<i>Other financing sources (uses):</i>				
Transfers in	-	-	-	-
Transfers out	-	(17,000)	(17,000)	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>(17,000)</u>	<u>(17,000)</u>	<u>-</u>
<i>Appropriated cash balance</i>	<u>\$ 34,300</u>	<u>\$ 139,626</u>	<u>139,626</u>	<u>\$ -</u>
<i>Reconciliation to GAAP Basis:</i>				
Increase in accounts payable			(76,725)	
<i>Net change in fund balance</i>			<u>\$ 62,901</u>	

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

STATE OF NEW MEXICO

Schedule B-12

CITY OF HOBBS
MCADAMS PARK

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL

For the year ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
Fines & Forfeitures	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	115,000	154,877	154,877	-
Investment earnings	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>115,000</u>	<u>154,877</u>	<u>154,877</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public Safety	-	-	-	-
Health and welfare	-	-	-	-
Culture and recreation	194,611	192,261	192,261	-
Sanitation	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	10,000	80,555	80,555	-
<i>Total expenditures</i>	<u>204,611</u>	<u>272,816</u>	<u>272,816</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(89,611)</u>	<u>(117,939)</u>	<u>(117,939)</u>	<u>-</u>
<i>Other financing sources (uses):</i>				
Transfers in	90,000	-	-	-
Transfers out	-	119,000	119,000	-
<i>Total other financing sources (uses)</i>	<u>90,000</u>	<u>119,000</u>	<u>119,000</u>	<u>-</u>
<i>Appropriated cash balance</i>	<u>\$ 389</u>	<u>\$ 1,061</u>	<u>1,061</u>	<u>\$ -</u>
<i>Reconciliation to GAAP Basis:</i>				
Increase in accrued salaries and related expenses			(3,684)	
<i>Net change in fund balance</i>			<u>\$ (2,623)</u>	

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

STATE OF NEW MEXICO
CITY OF HOBBS
PUBLIC TRANSPORTATION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For the year ended June 30, 2008

Schedule B-13

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
Fines & Forfeitures	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	310,000	307,627	307,627	-
Charges for services	25,000	23,206	23,206	-
Investment earnings	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	335,000	330,833	330,833	-
<i>Expenditures:</i>				
<i>Current:</i>				
General government	-	-	-	-
Public Safety	-	-	-	-
Health and welfare	493,856	380,062	380,062	-
Culture and recreation	-	-	-	-
Sanitation	-	-	-	-
<i>Debt service:</i>				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
<i>Capital outlay</i>	193,200	144,081	144,081	-
<i>Total expenditures</i>	687,056	524,143	524,143	-
<i>Excess (deficiency) of revenues over expenditures</i>	(352,056)	(193,310)	(193,310)	-
<i>Other financing sources (uses):</i>				
Transfers in	352,000	195,000	195,000	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	352,000	195,000	195,000	-
<i>Appropriated cash balance</i>	\$ (56)	\$ 1,690	1,690	\$ -
<i>Reconciliation to GAAP Basis:</i>				
Increase in due from other governments			6,154	
Increase in accrued salaries and related expenses			(4,777)	
<i>Net change in fund balance</i>			\$ 3,067	

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

STATE OF NEW MEXICO
CITY OF HOBBS
FIRE PROTECTION

Schedule B-14

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For the year ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
Fines & Forfeitures	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	419,840	344,420	344,420	-
Charges for services	-	-	-	-
Investment earnings	19,600	24,193	24,193	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>439,440</u>	<u>368,613</u>	<u>368,613</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public Safety	111,060	90,965	90,965	-
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Sanitation	-	-	-	-
Debt service:				
Principal	38,294	38,294	38,294	-
Interest and other charges	8,325	5,032	5,032	-
Capital outlay	249,631	56,770	56,770	-
<i>Total expenditures</i>	<u>407,310</u>	<u>191,061</u>	<u>191,061</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>32,130</u>	<u>177,552</u>	<u>177,552</u>	<u>-</u>
<i>Other financing sources (uses):</i>				
Transfers in	-	-	-	-
Transfers out	(300,000)	(330,000)	(330,000)	-
<i>Total other financing sources (uses)</i>	<u>(300,000)</u>	<u>(330,000)</u>	<u>(330,000)</u>	<u>-</u>
<i>Appropriated cash balance</i>	<u>\$ (267,870)</u>	<u>\$ (152,448)</u>	<u>(152,448)</u>	<u>\$ -</u>
<i>Reconciliation to GAAP Basis:</i>				
<i>Net change in fund balance</i>			<u>\$ (152,448)</u>	

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

STATE OF NEW MEXICO
CITY OF HOBBS
EMERGENCY MEDICAL SERVICES
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For the year ended June 30, 2008

Schedule B-15

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
Fines & Forfeitures	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	20,000	20,000	20,000	-
Charges for services	-	-	-	-
Investment earnings	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	20,000	20,000	20,000	-
<i>Expenditures:</i>				
<i>Current:</i>				
General government	-	-	-	-
Public Safety	20,000	17,787	17,787	-
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Sanitation	-	-	-	-
<i>Debt service:</i>				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	-	-	-	-
<i>Total expenditures</i>	20,000	17,787	17,787	-
<i>Excess (deficiency) of revenues over expenditures</i>	-	2,213	2,213	-
<i>Other financing sources (uses):</i>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	-	-	-	-
<i>Appropriated cash balance</i>	\$ -	\$ 2,213	2,213	\$ -
<i>Reconciliation to GAAP Basis:</i>				
<i>Net change in fund balance</i>			\$ 2,213	

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

STATE OF NEW MEXICO
CITY OF HOBBS

Schedule B-16

COMMUNITY DEVELOPMENT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For the year ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
Fines & Forfeitures	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	1,262,000	462,000	462,000	-
Charges for services	-	-	-	-
Investment earnings	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>1,262,000</u>	<u>462,000</u>	<u>462,000</u>	<u>-</u>
<i>Expenditures:</i>				
<i>Current:</i>				
General government	-	-	-	-
Public Safety	-	-	-	-
Health and welfare	75,000	-	-	-
Culture and recreation	-	-	-	-
Sanitation	-	-	-	-
<i>Debt service:</i>				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	1,469,500	1,313,390	1,313,390	-
<i>Total expenditures</i>	<u>1,544,500</u>	<u>1,313,390</u>	<u>1,313,390</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(282,500)</u>	<u>(851,390)</u>	<u>(851,390)</u>	<u>-</u>
<i>Other financing sources (uses):</i>				
Transfers in	-	366,296	366,296	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>366,296</u>	<u>366,296</u>	<u>-</u>
<i>Appropriated cash balance</i>	<u>\$ (282,500)</u>	<u>\$ (485,094)</u>	<u>(485,094)</u>	<u>\$ -</u>
<i>Reconciliation to GAAP Basis:</i>				
Increase in due from other government			200,000	
Decrease in accounts payable			59,279	
<i>Net change in fund balance</i>			<u>\$ (225,815)</u>	

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

STATE OF NEW MEXICO
CITY OF HOBBS
RECREATION EXPENDABLE TRUST
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For the year ended June 30, 2008

Schedule B-17

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
Fines & Forfeitures	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Investment earnings	-	-	-	-
Miscellaneous	10,000	15,177	15,177	-
<i>Total revenues</i>	10,000	15,177	15,177	-
<i>Expenditures:</i>				
<i>Current:</i>				
General government	-	-	-	-
Public Safety	-	-	-	-
Health and welfare	-	-	-	-
Culture and recreation	10,000	9,258	9,258	-
Sanitation	-	-	-	-
<i>Debt service:</i>				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	-	-	-	-
<i>Total expenditures</i>	10,000	9,258	9,258	-
<i>Excess (deficiency) of revenues over expenditures</i>	-	5,919	5,919	-
<i>Other financing sources (uses):</i>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	-	-	-	-
<i>Appropriated cash balance</i>	\$ -	\$ 5,919	5,919	\$ -
<i>Reconciliation to GAAP Basis:</i>				
<i>Net change in fund balance</i>			\$ 5,919	

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

STATE OF NEW MEXICO
CITY OF HOBBS
LIBRARY EXPENDABLE TRUST
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For the year ended June 30, 2008

Schedule B-18

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
Fines & Forfeitures	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Investment earnings	-	-	-	-
Miscellaneous	10,000	4,382	4,382	-
<i>Total revenues</i>	<u>10,000</u>	<u>4,382</u>	<u>4,382</u>	<u>-</u>
<i>Expenditures:</i>				
<i>Current:</i>				
General government	-	-	-	-
Highways and roads	-	-	-	-
Public Safety	-	-	-	-
Health and welfare	-	-	-	-
Culture and recreation	10,000	2,428	2,428	-
Sanitation	-	-	-	-
<i>Debt service:</i>				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	-	-	-	-
<i>Total expenditures</i>	<u>10,000</u>	<u>2,428</u>	<u>2,428</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>1,954</u>	<u>1,954</u>	<u>-</u>
<i>Other financing sources (uses):</i>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Appropriated cash balance</i>	<u>\$ -</u>	<u>\$ 1,954</u>	<u>1,954</u>	<u>\$ -</u>
<i>Reconciliation to GAAP Basis:</i>				
<i>Net change in fund balance</i>			<u>\$ 1,954</u>	

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

STATE OF NEW MEXICO
CITY OF HOBBS
CEMETERY EXPENDABLE TRUST
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For the year ended June 30, 2008

Schedule B-19

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
Fines & Forfeitures	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Investment earnings	196	260	260	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>196</u>	<u>260</u>	<u>260</u>	<u>-</u>
<i>Expenditures:</i>				
<i>Current:</i>				
General government	-	-	-	-
Public Safety	-	-	-	-
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Sanitation	-	-	-	-
<i>Debt service:</i>				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>196</u>	<u>260</u>	<u>260</u>	<u>-</u>
<i>Other financing sources (uses):</i>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Appropriated cash balance</i>	<u>\$ 196</u>	<u>\$ 260</u>	<u>260</u>	<u>\$ -</u>
<i>Reconciliation to GAAP Basis:</i>				
<i>Net change in fund balance</i>			<u>\$ 260</u>	

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

STATE OF NEW MEXICO
CITY OF HOBBS
COMMUNITY PARKS EXPENDABLE TRUST
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For the year ended June 30, 2008

Schedule B-20

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
Fines & Forfeitures	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Investment earnings	49	71	71	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>49</u>	<u>71</u>	<u>71</u>	<u>-</u>
<i>Expenditures:</i>				
<i>Current:</i>				
General government	-	-	-	-
Public Safety	-	-	-	-
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Sanitation	-	-	-	-
<i>Debt service:</i>				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>49</u>	<u>71</u>	<u>71</u>	<u>-</u>
<i>Other financing sources (uses):</i>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Appropriated cash balance</i>	<u>\$ 49</u>	<u>\$ 71</u>	<u>71</u>	<u>\$ -</u>
<i>Reconciliation to GAAP Basis:</i>				
<i>Net change in fund balance</i>			<u>\$ 71</u>	

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

CAPITAL PROJECTS FUNDS

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CAPITAL PROJECTS FUNDS

Industrial Park Construction Fund - To account for the financing and construction of facilities at the Hobbs Industrial Air Park. Financing is to be provided by state and federal grants.

Parks Improvement Fund - To account for the financing of land acquisitions and improvements of City park facilities. Financing is to be provided by proceeds from the sale of City owned property and earnings on those proceeds.

Vehicle Replacement Fund – To account for the financing of vehicles. Funding is to be provided by general fund, special revenue funds, and joint utility enterprise fund transfers.

Capital Projects Fund - To account for the financing of any capital project or street improvement project through transfers to those funds. Funding is provided by the proceeds from a mortgage revenue bond refunding.

Street Improvement Fund – To account for the financing of street improvements and expansions. Funding is to be provided by gasoline tax revenues, general fund transfers and federal and state participating funds.

Capital Improvements Fund - To account for the financing of construction of drainage systems, infrastructure improvements (other than streets) and engineering and design projects. Funding is to be provided by general fund transfers and federal and state participating funds.

City Commission Improvement Fund – To account for the gross receipts tax within the City of Hobbs collected through enactment of two 1/16% municipal gross receipts tax increments effective January 1, 2003. This tax is dedicated for projects designated by the City Commission. Also, to account for the proceeds and debt service for the loan from the New Mexico Finance Authority to be used for beautification projects, community signage project, parks improvement projects, roof replacements to public buildings, and water & sewer line extensions.

STATE OF NEW MEXICO
CITY OF HOBBS
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
June 30, 2008

	Industrial Park Construction	Parks Improvement	Vehicle Replacement
ASSETS			
Cash and cash equivalents	\$ 541,692	\$ 1,455,032	\$ -
Investments	-	-	-
Restricted cash and investments	-	-	-
Receivables:			
Accounts receivable, net	-	-	-
Due from other governments	179,626	-	-
Accrued interest receivable	-	-	-
Lease receivable	-	-	-
Due from other funds	-	-	-
Assets held for resale	-	-	-
	<u>\$ 721,318</u>	<u>\$ 1,455,032</u>	<u>\$ -</u>
 LIABILITIES AND FUND BALANCES			
<i>Liabilities:</i>			
Accounts payable	\$ 6,777	\$ -	\$ 211,002
Due to other funds	46,510	-	-
Deferred revenue	-	-	-
Accrued salaries and related expenses	-	-	-
	<u>53,287</u>	<u>-</u>	<u>211,002</u>
 <i>Fund balances:</i>			
Unreserved	668,031	1,455,032	(211,002)
Reserved:			
Debt service	-	-	-
	<u>668,031</u>	<u>1,455,032</u>	<u>(211,002)</u>
<i>Total liabilities and fund balances</i>	<u>\$ 721,318</u>	<u>\$ 1,455,032</u>	<u>\$ -</u>

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

Statement C-1

<u>Capital Projects</u>	<u>Street Improvement</u>	<u>Capital Improvements</u>	<u>City Commission Improvement</u>	<u>Total Nonmajor Capital Projects Funds</u>
\$ 1,938,105	\$ 2,512,094	\$ 324,286	\$ -	\$ 6,771,209
-	-	-	3,933,315	3,933,315
-	-	-	-	-
360,000	262,500	-	367,223	1,169,349
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>\$ 2,298,105</u>	<u>\$ 2,774,594</u>	<u>\$ 324,286</u>	<u>\$ 4,300,538</u>	<u>\$ 11,873,873</u>
\$ 113,616	\$ 576,742	\$ 12,802	\$ -	\$ 920,939
-	-	-	-	46,510
-	-	-	-	-
-	-	-	-	-
<u>113,616</u>	<u>576,742</u>	<u>12,802</u>	<u>-</u>	<u>967,449</u>
2,184,489	2,197,852	311,484	4,007,869	10,613,755
-	-	-	292,669	292,669
<u>2,184,489</u>	<u>2,197,852</u>	<u>311,484</u>	<u>4,300,538</u>	<u>10,906,424</u>
<u>\$ 2,298,105</u>	<u>\$ 2,774,594</u>	<u>\$ 324,286</u>	<u>\$ 4,300,538</u>	<u>\$ 11,873,873</u>

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

STATE OF NEW MEXICO
CITY OF HOBBS
COMBINING STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES
NONMAJOR CAPITAL PROJECTS FUNDS
For the Year Ended June 30, 2008

	Industrial Park Construction	Parks Improvement	Vehicle Replacement
<i>Revenues:</i>			
Property, sales, and miscellaneous taxes	\$ -	\$ -	\$ -
Fines & forfeitures	-	-	-
Licenses and permits	-	-	-
Intergovernmental	101,176	-	-
Charges for services	-	-	-
Investment earnings	-	73,759	-
Miscellaneous	-	-	-
<i>Total revenues</i>	<u>101,176</u>	<u>73,759</u>	<u>-</u>
<i>Expenditures:</i>			
Current:			
General government	-	-	-
Public safety	-	-	-
Public works	-	-	-
Health & welfare	-	-	-
Culture and recreation	-	-	-
Sanitation	-	-	-
Debt service:			
Principal	-	-	-
Interest and other charges	-	-	-
Capital Outlay	<u>335,138</u>	<u>-</u>	<u>1,516,541</u>
<i>Total expenditures</i>	<u>335,138</u>	<u>-</u>	<u>1,516,541</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(233,962)</u>	<u>73,759</u>	<u>(1,516,541)</u>
<i>Other financing sources (uses):</i>			
Transfers in	775,697	-	1,206,580
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total other financing sources (uses)</i>	<u>775,697</u>	<u>-</u>	<u>1,206,580</u>
<i>Special Items</i>			
Proceeds from sale of fixed assets	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	541,735	73,759	(309,961)
<i>Fund balances - beginning</i>	<u>126,296</u>	<u>1,381,273</u>	<u>98,959</u>
<i>Fund balances - ending</i>	<u>\$ 668,031</u>	<u>\$ 1,455,032</u>	<u>\$ (211,002)</u>

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

Statement C-2

Capital Projects	Street Improvement	Capital Improvements	City Commission Improvement	Total Nonmajor Capital Projects Funds
\$ -	\$ 572,018	\$ -	\$ 2,360,776	\$ 2,932,794
-	-	-	-	-
-	-	-	-	-
2,150,250	1,728,164	-	-	3,979,590
-	-	961	-	961
-	218,757	-	41,957	334,473
<u>3,292,286</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,292,286</u>
<u>5,442,536</u>	<u>2,518,939</u>	<u>961</u>	<u>2,402,733</u>	<u>10,540,104</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	165,000	165,000
-	-	-	25,149	25,149
<u>4,150,571</u>	<u>5,832,663</u>	<u>268,709</u>	<u>-</u>	<u>12,103,622</u>
<u>4,150,571</u>	<u>5,832,663</u>	<u>268,709</u>	<u>190,149</u>	<u>12,293,771</u>
<u>1,291,965</u>	<u>(3,313,724)</u>	<u>(267,748)</u>	<u>2,212,584</u>	<u>(1,753,667)</u>
-	-	150,000	-	2,132,277
-	-	-	-	-
-	-	150,000	-	2,132,277
-	-	-	-	-
<u>1,291,965</u>	<u>(3,313,724)</u>	<u>(117,748)</u>	<u>2,212,584</u>	<u>378,610</u>
<u>892,524</u>	<u>5,511,576</u>	<u>429,232</u>	<u>2,087,954</u>	<u>10,527,814</u>
<u>\$ 2,184,489</u>	<u>\$ 2,197,852</u>	<u>\$ 311,484</u>	<u>\$ 4,300,538</u>	<u>\$ 10,906,424</u>

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

STATE OF NEW MEXICO
CITY OF HOBBS
INDUSTRIAL PARK CONSTRUCTION
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For the year ended June 30, 2008

Schedule C-3

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
Fines & Forfeitures	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	1,545,870	-	-	-
Charges for services	-	-	-	-
Investment earnings	-	-	-	-
Miscellaneous	10,000	-	-	-
<i>Total revenues</i>	<u>1,555,870</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public Safety	-	-	-	-
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Sanitation	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	2,209,500	335,879	335,879	-
<i>Total expenditures</i>	<u>2,209,500</u>	<u>335,879</u>	<u>335,879</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(653,630)</u>	<u>(335,879)</u>	<u>(335,879)</u>	<u>-</u>
<i>Other financing sources (uses):</i>				
Transfers in	552,000	775,697	775,697	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>552,000</u>	<u>775,697</u>	<u>775,697</u>	<u>-</u>
<i>Appropriated cash balance</i>	<u>\$ (101,630)</u>	<u>\$ 439,818</u>	<u>439,818</u>	<u>\$ -</u>
<i>Reconciliation to GAAP Basis:</i>				
Increase in due from other governments			101,176	
Decrease in accounts payable			741	
<i>Net change in fund balance</i>			<u>\$ 541,735</u>	

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

STATE OF NEW MEXICO
CITY OF HOBBS
PARKS IMPROVEMENT

Schedule C-4

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For the year ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
Fines & Forfeitures	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Investment earnings	63,700	73,759	73,759	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>63,700</u>	<u>73,759</u>	<u>73,759</u>	<u>-</u>
<i>Expenditures:</i>				
<i>Current:</i>				
General government	-	-	-	-
Public Safety	-	-	-	-
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Sanitation	-	-	-	-
<i>Debt service:</i>				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	1,288,044	-	-	-
<i>Total expenditures</i>	<u>1,288,044</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(1,224,344)</u>	<u>73,759</u>	<u>73,759</u>	<u>-</u>
<i>Other financing sources (uses):</i>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Appropriated cash balance</i>	<u>\$ (1,224,344)</u>	<u>\$ 73,759</u>	<u>73,759</u>	<u>\$ -</u>
<i>Reconciliation to GAAP Basis:</i>				
<i>Net change in fund balance</i>			<u>\$ 73,759</u>	

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

STATE OF NEW MEXICO
CITY OF HOBBS
VEHICLE REPLACEMENT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For the year ended June 30, 2008

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
Fines & Forfeitures	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Investment earnings	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public Safety	-	-	-	-
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Sanitation	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	<u>2,015,076</u>	<u>1,305,539</u>	<u>1,305,539</u>	<u>-</u>
<i>Total expenditures</i>	<u>2,015,076</u>	<u>1,305,539</u>	<u>1,305,539</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(2,015,076)</u>	<u>(1,305,539)</u>	<u>(1,305,539)</u>	<u>-</u>
<i>Other financing sources (uses):</i>				
Transfers in	2,015,076	1,206,580	1,206,580	-
Transfers out	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total other financing sources (uses)</i>	<u>2,015,076</u>	<u>1,206,580</u>	<u>1,206,580</u>	<u>-</u>
<i>Appropriated cash balance</i>	<u>\$ -</u>	<u>\$ (98,959)</u>	<u>(98,959)</u>	<u>\$ -</u>
<i>Reconciliation to GAAP Basis:</i>				
Increase in accounts payable			<u>(211,002)</u>	
<i>Net change in fund balance</i>			<u>\$ (309,961)</u>	

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

STATE OF NEW MEXICO
CITY OF HOBBS
CAPITAL PROJECTS

Schedule C-6

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For the year ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
Fines & Forfeitures	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	2,525,250	2,040,250	2,040,250	-
Charges for services	-	-	-	-
Investment earnings	-	-	-	-
Miscellaneous	-	1,500,000	1,500,000	-
<i>Total revenues</i>	<u>2,525,250</u>	<u>3,540,250</u>	<u>3,540,250</u>	<u>-</u>
<i>Expenditures:</i>				
<i>Current:</i>				
General government	-	-	-	-
Public Safety	-	-	-	-
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Sanitation	-	-	-	-
<i>Debt service:</i>				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	3,609,574	2,750,117	2,750,117	-
<i>Total expenditures</i>	<u>3,609,574</u>	<u>2,750,117</u>	<u>2,750,117</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(1,084,324)</u>	<u>790,133</u>	<u>790,133</u>	<u>-</u>
<i>Other financing sources (uses):</i>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Appropriated cash balance</i>	<u>\$ (1,084,324)</u>	<u>\$ 790,133</u>	<u>790,133</u>	<u>\$ -</u>
<i>Reconciliation to GAAP Basis:</i>				
Increase in due from other governments			110,000	
Decrease in accounts payable			391,832	
<i>Net change in fund balance</i>			<u>\$ 1,291,965</u>	

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

STATE OF NEW MEXICO
CITY OF HOBBS
STREET IMPROVEMENT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For the year ended June 30, 2008

Schedule C-7

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<i>Revenues:</i>				
Taxes	\$ 630,000	\$ 572,019	\$ 572,019	\$ -
Fines & Forfeitures	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	4,241,813	2,354,913	2,354,913	-
Charges for services	-	-	-	-
Investment earnings	205,800	218,758	218,758	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>5,077,613</u>	<u>3,145,690</u>	<u>3,145,690</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public Safety	-	-	-	-
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Sanitation	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	10,002,290	5,669,918	5,669,918	-
<i>Total expenditures</i>	<u>10,002,290</u>	<u>5,669,918</u>	<u>5,669,918</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(4,924,677)</u>	<u>(2,524,228)</u>	<u>(2,524,228)</u>	<u>-</u>
<i>Other financing sources (uses):</i>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Appropriated cash balance</i>	<u>\$ (4,924,677)</u>	<u>\$ (2,524,228)</u>	<u>(2,524,228)</u>	<u>\$ -</u>
<i>Reconciliation to GAAP Basis:</i>				
Decrease in due from other governments			(701,749)	
Increase in accounts payable			(87,747)	
<i>Net change in fund balance</i>			<u>\$ (3,313,724)</u>	

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

STATE OF NEW MEXICO
CITY OF HOBBS
CAPITAL IMPROVEMENTS
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For the year ended June 30, 2008

Schedule C-8

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
Fines & Forfeitures	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	20,000	-	-	-
Charges for services	-	961	961	-
Investment earnings	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>20,000</u>	<u>961</u>	<u>961</u>	<u>-</u>
<i>Expenditures:</i>				
<i>Current:</i>				
General government	-	-	-	-
Public Safety	-	-	-	-
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Sanitation	-	-	-	-
<i>Debt service:</i>				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	668,000	324,861	324,861	-
<i>Total expenditures</i>	<u>668,000</u>	<u>324,861</u>	<u>324,861</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(648,000)</u>	<u>(323,900)</u>	<u>(323,900)</u>	<u>-</u>
<i>Other financing sources (uses):</i>				
Transfers in	150,000	150,000	150,000	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>150,000</u>	<u>150,000</u>	<u>150,000</u>	<u>-</u>
<i>Appropriated cash balance</i>	<u>\$ (498,000)</u>	<u>\$ (173,900)</u>	<u>(173,900)</u>	<u>\$ -</u>
<i>Reconciliation to GAAP Basis:</i>				
Decrease in accounts payable			<u>56,152</u>	
<i>Net change in fund balance</i>			<u>\$ (117,748)</u>	

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

STATE OF NEW MEXICO
CITY OF HOBBS
CITY COMMISSION IMPROVEMENT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For the year ended June 30, 2008

Schedule C-9

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<i>Revenues:</i>				
Taxes	\$ 1,700,000	\$ 1,993,556	\$ 1,993,556	\$ -
Fines and Forfeitures	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Investment earnings	102,597	41,957	41,957	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>1,802,597</u>	<u>2,035,513</u>	<u>2,035,513</u>	<u>-</u>
<i>Expenditures:</i>				
<i>Current:</i>				
General government	-	-	-	-
Public Safety	-	-	-	-
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Sanitation	-	-	-	-
<i>Debt service:</i>				
Principal	165,000	165,000	165,000	-
Interest and other charges	25,151	25,151	25,151	-
Capital outlay	-	-	-	-
<i>Total expenditures</i>	<u>190,151</u>	<u>190,151</u>	<u>190,151</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>1,612,446</u>	<u>1,845,362</u>	<u>1,845,362</u>	<u>-</u>
<i>Other financing sources (uses):</i>				
Proceeds from capital leases	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Appropriated cash balance</i>	<u>\$ 1,612,446</u>	<u>\$ 1,845,362</u>	<u>1,845,362</u>	<u>\$ -</u>
<i>Reconciliation to GAAP Basis:</i>				
Increase in due from other governments			<u>367,222</u>	
<i>Net change in fund balance</i>			<u>\$ 2,212,584</u>	

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

STATE OF NEW MEXICO
CITY OF HOBBS
JOINT UTILITY

Schedule D-1

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For the year ended June 30, 2008

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<i>Revenues:</i>				
Taxes	\$ 850,000	\$ 994,586	\$ 994,586	\$ -
Operating grants and contributions	1,045,000	558,595	558,595	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	7,064,598	7,213,344	7,213,344	-
Investment earnings	39,200	181,705	181,705	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>8,998,798</u>	<u>8,948,230</u>	<u>8,948,230</u>	<u>-</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Personnel services	2,812,150	2,435,164	2,435,164	-
Fuel and power	478,650	392,966	392,966	-
Repairs and maintenance	32,904,123	20,890,222	20,890,222	-
Other supplies and expenses	2,605,690	2,036,042	2,036,042	-
Depreciation	-	-	-	-
Contractual services	-	-	-	-
<i>Debt service:</i>				
Principal	330,000	330,000	330,000	-
Interest and other charges	315,125	187,528	187,528	-
Capital outlay	4,043,218	747,754	747,754	-
<i>Total expenditures</i>	<u>43,488,956</u>	<u>27,019,676</u>	<u>27,019,676</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(34,490,158)</u>	<u>(18,071,446)</u>	<u>(18,071,446)</u>	<u>-</u>
<i>Other financing sources (uses):</i>				
Bond Proceeds	28,956,241	19,152,564	19,152,564	-
Transfers in	10,993,517	11,484,638	11,484,638	-
Transfers out	(7,986,766)	(8,119,637)	(8,119,637)	-
<i>Total other financing sources (uses)</i>	<u>31,962,992</u>	<u>22,517,565</u>	<u>22,517,565</u>	<u>-</u>
<i>Appropriated cash balance</i>	<u>\$ (2,527,166)</u>	<u>\$ 4,446,119</u>	<u>4,446,119</u>	<u>\$ -</u>
<i>Reconciliation to GAAP Basis:</i>				
Increase in accounts receivable			128,414	
Increase in due from other governments			433,246	
Increase in inventory			74,075	
Decrease in accounts payable			28,502	
Decrease in accrued interest payable			(84,793)	
Increase in accrued salaries			(18,872)	
Increase in customer deposits			(43,758)	
Increase in compensated absences			(20,021)	
Increase in accrued unfunded OPEB liability			(91,760)	
Decrease in bonds payable			330,000	
Increase in notes payable			(19,152,564)	
Capital contributions			163,378	
Loss on disposal of assets			(9,687)	
Capital outlay in excess of depreciation			16,020,029	
<i>Change in net assets</i>			<u>\$ 2,202,308</u>	

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

STATE OF NEW MEXICO
CITY OF HOBBS
RISK MANAGEMENT INTERNAL SERVICE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For the year ended June 30, 2008

Schedule D-2

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges for services	4,675,381	5,079,530	5,079,530	-
Investment earnings	14,700	22,170	22,170	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	4,690,081	5,101,700	5,101,700	-
<i>Expenditures:</i>				
<i>Current:</i>				
General government	-	-	-	-
Public safety	-	-	-	-
Highways and roads	-	-	-	-
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Contractual services	4,595,381	5,107,040	5,107,040	-
<i>Debt service:</i>				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	-	-	-	-
<i>Total expenditures</i>	4,595,381	5,107,040	5,107,040	-
<i>Excess (deficiency) of revenues over expenditures</i>	94,700	(5,340)	(5,340)	-
<i>Other financing sources (uses):</i>				
Proceeds from capital leases	-	-	-	-
Transfers in	1,700,000	1,700,000	1,700,000	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	1,700,000	1,700,000	1,700,000	-
<i>Special Item</i>				
Proceeds from sale capital assets	-	-	-	-
<i>Appropriated cash balance</i>	\$ 1,794,700	\$ 1,694,660	1,694,660	\$ -
<i>Reconciliation to GAAP Basis:</i>				
Increase in accounts payable			(7,142)	
Increase in estimated claims payable			(89,288)	
<i>Change in net assets</i>			\$ 1,598,230	

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

REQUIRED SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
 CITY OF HOBBS
 SCHEDULE OF FUNDING PROGRESS
 June 30, 2007

Schedule E-1

Actuarial valuation date	Actuarial value of assets	Actuarial accrued liability AAL - Entry age	Unfunded actuarial accrued liability AAL- UAAL	Funded ratio	Covered payroll	UAAL as a percentage of covered payroll
	a	b	b-a	a/b	c	(b-a)/c
June 30, 2008	\$ -	\$ 15,985,000	\$ 15,985,000	\$ -	\$ 13,928,390	114.77%
June 30, 2007	\$ -	\$ 16,992,757	\$ 16,992,757	\$ -	\$ 19,436,693	87.43%

Fiscal year ended	Annual OPEB Cost	Actual Employer Contributions	Percentage Contributed
June 30, 2008	\$ 1,318,953	\$ 354,388	26.9%
June 30, 2007	\$ 1,317,000	\$ 309,243	23.5%

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

OTHER SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
CITY OF HOBBS
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
For the Year Ended June 30, 2008

	Balance June 30, 2007	Additions	Deductions	Balance June 30, 2008
<u>Motor Vehicle</u>				
Assets				
Cash and cash equivalents	\$ 93	\$ 5,901,037	\$ 5,901,037	\$ 93
Total Assets	\$ 93	\$ 5,901,037	\$ 5,901,037	\$ 93
Liabilities				
Deposits held in trust for others	\$ 93	\$ 5,901,037	\$ 5,901,037	\$ 93
Total Liabilities	\$ 93	\$ 5,901,037	\$ 5,901,037	\$ 93
<u>Municipal Judge</u>				
Assets				
Cash and cash equivalents	\$ 97,466	\$ 278,106	\$ 243,817	\$ 131,755
Total Assets	\$ 97,466	\$ 278,106	\$ 243,817	\$ 131,755
Liabilities				
Deposits held in trust for others	\$ 97,466	\$ 278,106	\$ 243,817	\$ 131,755
Total Liabilities	\$ 97,466	\$ 278,106	\$ 243,817	\$ 131,755
<u>Crime Lab</u>				
Assets				
Cash and cash equivalents	\$ 27,816	124,549	\$ 120,787	\$ 31,578
Total Assets	\$ 27,816	\$ 124,549	\$ 120,787	\$ 31,578
Liabilities				
Accounts payable	\$ 6,743	6,894	\$ 6,743	\$ 6,894
Deposits held in trust for others	\$ 21,073	\$ 117,655	\$ 114,044	\$ 24,684
Total Liabilities	\$ 27,816	\$ 124,549	\$ 120,787	\$ 31,578
<u>Senior Citizen</u>				
Assets				
Cash and cash equivalents	\$ 1,499	\$ 4,543	\$ 4,927	\$ 1,115
Total Assets	\$ 1,499	\$ 4,543	\$ 4,927	\$ 1,115
Liabilities				
Deposits held in trust for others	\$ 1,499	\$ 4,543	\$ 4,927	\$ 1,115
Total Liabilities	\$ 1,499	\$ 4,543	\$ 4,927	\$ 1,115

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

STATE OF NEW MEXICO
CITY OF HOBBS
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
For the Year Ended June 30, 2008

	Balance June 30, 2007	Additions	Deductions	Balance June 30, 2008
<u>1980 Mortgage Revenue Bond</u>				
Assets				
Cash and cash equivalents	\$ 69,863	\$ 56,677	\$ 56,677	\$ 69,863
Total Assets	\$ 69,863	\$ 56,677	\$ 56,677	\$ 69,863
Liabilities				
Deposits held in trust for others	\$ 69,863	\$ 56,677	\$ 56,677	\$ 69,863
Total Liabilities	\$ 69,863	\$ 56,677	\$ 56,677	\$ 69,863
<u>Hobbs Beautiful</u>				
Assets				
Cash and cash equivalents	\$ 87,051	\$ 6,636	\$ 35,362	\$ 58,325
Total Assets	\$ 87,051	\$ 6,636	\$ 35,362	\$ 58,325
Liabilities				
Deposits held in trust for others	\$ 87,051	\$ 6,636	\$ 35,362	\$ 58,325
Total Liabilities	\$ 87,051	\$ 6,636	\$ 35,362	\$ 58,325
<u>City Agency</u>				
Assets				
Cash and cash equivalents	\$ 10,677	\$ 393	\$ 3,407	\$ 7,663
Total Assets	\$ 10,677	\$ 393	\$ 3,407	\$ 7,663
Liabilities				
Deposits held in trust for others	\$ 10,677	\$ 393	\$ 3,407	\$ 7,663
Total Liabilities	\$ 10,677	\$ 393	\$ 3,407	\$ 7,663
<u>Evidence Fund</u>				
Assets				
Cash and cash equivalents	\$ -	\$ 65,755	\$ -	\$ 65,755
Total Assets	\$ -	\$ 65,755	\$ -	\$ 65,755
Liabilities				
Deposits held in trust for others	\$ -	\$ 65,755	\$ -	\$ 65,755
Total Liabilities	\$ -	\$ 65,755	\$ -	\$ 65,755

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

STATE OF NEW MEXICO
CITY OF HOBBS
COMBINING SCHEDULE OF CHANGES IN FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
For the Year Ended June 30, 2008

	Balance June 30, 2007	Additions	Deductions	Balance June 30, 2008
<u>Total - All Agency Funds</u>				
Assets				
Cash and cash equivalents	\$ 294,465	\$ 6,437,696	\$ 6,366,014	\$ 366,147
Total Assets	\$ 294,465	\$ 6,437,696	\$ 6,366,014	\$ 366,147
Liabilities				
Accounts payable	\$ 6,743	\$ 6,894	\$ 6,743	\$ 6,894
Deposits held in trust for others	\$ 287,722	\$ 6,430,802	\$ 6,359,271	\$ 359,253
Total Liabilities	\$ 294,465	\$ 6,437,696	\$ 6,366,014	\$ 366,147

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

STATE OF NEW MEXICO
CITY OF HOBBS
SCHEDULE OF COLLATERAL PLEDGED BY DEPOSITORY
For the Year Ended June 30, 2008

Schedule I

Name of Depository	CUSIP	Description	Fair Market or Par Value	Name and Location of Safekeeper
Lea County State Bank	912828FK1	U. S. Treasury Bonds 5.25% Due June 30, 2011	\$ 2,262,897	First Security Bank Salt Lake City, UT
	N/A	Santa Fe CMTY 3% Due August 1, 2008	1,000,000	First Security Bank Salt Lake City, UT
	N/A	Eunce Spl Hosp 2.75% Due August 1, 2008	165,000	First Security Bank Salt Lake City, UT
	N/A	Grants & Cibola 4.5% Due October 1, 2013	135,000	First Security Bank Salt Lake City, UT
	N/A	Bloomfield ISD #6 5.75% Due October 1, 2016	1,000,000	First Security Bank Salt Lake City, UT
			<u>\$ 4,562,897</u>	
Wells Fargo Bank	36225BBJ6	GNSF #780941 Due December 15, 2008	60,073	
			<u>\$ 60,073</u>	
Western Commerce Bank	36225CMM5	GNMA ARM Pool Due January 20, 2030	34,168	Federal Home Loan Bank Dallas, TX
	31360QU58	FNMA #13204 Due June 1, 2025	62,764	Federal Home Loan Bank Dallas, TX
	31292GTJ5	FHLMC #C00553 Due September 1, 2027	77,692	Federal Home Loan Bank Dallas, TX
			<u>\$ 174,624</u>	
Bank of America	912810EG9	US Treasury Bonds 8.75% Due August 15, 2020	801,659	Bank of America Charlotte, NC
			<u>\$ 801,659</u>	
			<u>\$ 5,599,253</u>	

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

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STATE OF NEW MEXICO
CITY OF HOBBS
SCHEDULE OF DEPOSITS AND TEMPORARY INVESTMENTS BY DEPOSITORY
FOR PUBLIC FUNDS
 June 30, 2008

Account name	Type	Lea County State Bank	Western Commerce Bank	Bank of America	Pioneer Bank	Wells Fargo Bank	NM State Treasurer	Bank of Albuquerque	Federal Reserve Bank Philadelphia	Total
HPD Crime Prevention	Repurch Agrmt	\$ -	\$ -	\$ -	\$ -	\$ 58,895	\$ -	\$ -	\$ -	\$ 58,895
City of Hobbs	Checking	-	-	-	-	2,922	-	-	-	2,922
City of Hobbs	Checking	-	-	-	-	65,755	-	-	-	65,755
City of Hobbs	Repurch Agrmt	2,218,526	-	-	-	-	-	-	-	2,218,526
City of Hobbs	Checking	1	-	-	-	-	-	-	-	1
City of Hobbs Investment Acct	Checking	152,905	-	-	-	-	-	-	-	152,905
City of Hobbs Mun. Judge Trust	Checking	132,598	-	-	-	-	-	-	-	132,598
City of Hobbs Motor Vehicle	Checking	139,620	-	-	-	-	-	-	-	139,620
Hobbs Police Dept - Inmate	Checking	17,623	-	-	-	-	-	-	-	17,623
Hobbs Police Dept - Special Op	Checking	340	-	-	-	-	-	-	-	340
LCDTF State Forfeiture Fund	Checking	-	86,550	-	-	-	-	-	-	86,550
Region VI Drug Task Force	Checking	-	612	-	-	-	-	-	-	612
Region VI DE Council Fund	Checking	-	2,357	-	-	-	-	-	-	2,357
LCDTF Justice Forfeiture	Checking	-	56,991	-	-	-	-	-	-	56,991
LCDTF - HIDTA Travel Fund	Checking	-	1,907	-	-	-	-	-	-	1,907
City of Hobbs	Checking	-	-	439,430	-	-	43,984,113	-	-	43,984,113
City of Hobbs	US Govt Funds	-	-	-	-	-	-	292,297	-	292,297
City of Hobbs	US Govt Funds	-	-	-	-	-	-	1,295,267	-	1,295,267
City of Hobbs	US Govt Funds	-	-	-	-	-	-	-	-	-
		<u>2,661,613</u>	<u>148,417</u>	<u>439,430</u>	<u>-</u>	<u>127,572</u>	<u>43,984,113</u>	<u>1,587,564</u>	<u>-</u>	<u>48,948,709</u>
Amounts on deposit										(1,064,464)
Outstanding items		(1,057,535)	-	(6,929)	-	-	-	-	-	7,730
Cash on hand		-	-	-	-	-	-	-	-	(17,963)
Investments held in trust		(17,963)	-	-	-	-	-	-	-	(35)
Other Cash Items		-	-	-	-	-	-	-	-	-
		<u>\$ 1,586,115</u>	<u>\$ 148,417</u>	<u>\$ 432,501</u>	<u>\$ -</u>	<u>\$ 127,572</u>	<u>\$ 43,984,113</u>	<u>\$ 1,587,564</u>	<u>\$ -</u>	<u>\$ 47,873,977</u>
										Unrestricted
										Fiduciary
										Restricted governmental type activities
										Restricted business-type activities
										<u>\$ 42,433,896</u>
										<u>366,147</u>
										<u>3,933,314</u>
										<u>1,140,620</u>
										<u>\$ 47,873,977</u>
City of Hobbs	CD	\$ -	\$ 99,000	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 99,000
City of Hobbs	US T-Bill	761,708	-	-	-	-	-	-	-	761,708
City of Hobbs	CD	-	-	-	99,000	-	-	-	-	99,000
City of Hobbs	US T-Bill	-	-	-	-	-	-	499,154	-	499,154
City of Hobbs	US T-Bill	-	-	-	-	-	-	499,795	-	499,795
City of Hobbs	US T-Bill	-	-	-	-	-	-	-	998,949	998,949
		<u>\$ 761,708</u>	<u>\$ 99,000</u>	<u>\$ -</u>	<u>\$ 99,000</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,958,657</u>
										Unrestricted - governmental type activities
										Restricted - business-type activities
										<u>\$ 1,676,657</u>
										<u>282,000</u>
										<u>\$ 1,958,657</u>

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

COMPLIANCE SECTION

FEDERAL FINANCIAL ASSISTANCE

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JOHNSON, MILLER & CO.

Certified Public Accountants

A Professional Corporation

An Independent Member Of BDO Seidman Alliance

Hobbs, New Mexico

Midland, Texas

Odessa, Texas

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

Hector H. Balderas
New Mexico State Auditor
Mayor of Hobbs, Board of Commissioners
and Citizens of Hobbs, New Mexico

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the financial statements of each nonmajor governmental, internal service, and fiduciary funds presented as supplemental information in the accompanying combining and individual fund financial statements of the City of Hobbs, Hobbs, New Mexico, as of and for the year ended June 30, 2008, and have issued our report thereon dated December 1, 2008. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financial Reporting

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

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. However, as discussed below, we identified a certain deficiency in internal control over financial reporting that we consider to be a significant deficiency.

A control deficiency 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 significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the agency's internal control. We consider the deficiency described as 2008-2 in the accompanying schedule of findings and questioned costs to be a significant deficiency in internal control over financial reporting.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the agency's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in the internal control that might be significant deficiencies and, accordingly, would not necessarily disclose all significant deficiencies that are considered to be material weaknesses. However, we consider the significant deficiency at 2008-2 to be a material weakness.

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 an instance of noncompliance or an "other matter" that is required to be reported under *Government Auditing Standards* and which is described in the accompanying schedule of findings and questioned costs as item 2008-1.

We noted certain matters that are required to be reported under *Government Auditing Standards* paragraph 5.14 and 5.16, and Section 12-6-5 NMSA 1978, which is described in the accompanying schedule of findings and questioned costs as findings 2006-2 and 2008-1.

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

This report is intended solely for the information and use of the City Commission, management, others within the organization, the New Mexico State Auditor, the New Mexico Legislature, the New Mexico Department of Finance Administration, and applicable federal grantors, and is not intended to be and should not be used by anyone other than these specified parties.

Johnson, Miller & Co.

Hobbs, New Mexico
December 1, 2008



JOHNSON, MILLER & CO.

Certified Public Accountants

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Hobbs, New Mexico

Midland, Texas

Odessa, Texas

REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Hector H. Balderas
New Mexico State Auditor
Mayor of Hobbs, Board of Commissioners
and Citizens of Hobbs, New Mexico

Compliance

We have audited the compliance of the City of Hobbs (the City) with the types of compliance requirements described in the *U. S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended June 30, 2008. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the City's management. Our responsibility is to express an opinion on the City's compliance based on our audit.

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

In our opinion, the City complied, in all material respects, with the types of compliance requirements that are applicable to each of its major federal programs for the year ended June 30, 2008.

Internal Control Over Compliance

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

A control deficiency in the City's internal control over compliance 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 noncompliance with a type of compliance requirement of a federal program on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the entity's ability to administer a federal program such that there is more than a remote likelihood that noncompliance with a type of compliance requirement of a federal program that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that material noncompliance with a type of compliance requirement of a federal program will not be prevented or detected by the entity's internal control.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above.

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

Johnson, Miller & Co.

Hobbs, New Mexico
December 1, 2008

STATE OF NEW MEXICO
CITY OF HOBBS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2008

Schedule III

NAME OF AGENCY/PROGRAM	CFDA NO	TOTAL AWARDS EXPENDED
EXECUTIVE OFFICE OF THE PRESIDENT		
OFFICE OF NATIONAL DRUG CONTROL POLICY(1)		
High Intensity Drug Trafficking Area Grant	16PSNP564	\$ 1,250,148 (1)
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		
Passed through from NM Department of Finance and Administration		
Community Development Block Grant	06-C-NR-I-1-G-26 14.218	300,000 (1)
U.S. DEPARTMENT OF TRANSPORTATION (1)		
Urban Mass Transit	20.509	524,143 (1)
U.S. DEPARTMENT OF JUSTICE		
Law Enforcement Block Grant	16.592	54,381
U.S. DEPARTMENT OF AGRICULTURE		
Commodity	10.569	63,567
U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT		
EDI - Special Project (HIAP Remediation)	14.228	100,149
		<u>\$ 2,292,388</u>

(1) Major Program

STATE OF NEW MEXICO
CITY OF HOBBS
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2008

Schedule III

NOTE 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Hobbs, Hobbs, New Mexico, and is presented on the modified accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the basic financial statements.

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

STATE OF NEW MEXICO
CITY OF HOBBS
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
Year Ended June 30, 2008

A. SUMMARY OF AUDIT RESULTS

1. The auditor's report expresses an unqualified opinion on the financial statements of the City of Hobbs, New Mexico.
2. One significant deficiency was disclosed during the audit of the financial statements.
3. There were no instances of noncompliance material to the financial statements of the City of Hobbs, New Mexico.
4. There were two findings on other matters that did not rise to the level of significant deficiencies or material weaknesses. See findings 2006-2 and 2008-1.
5. There was one material weaknesses related to internal control over financial reporting. See finding 2008-2.
6. No significant deficiencies in internal control over major programs were disclosed during the audit of the financial statements.
7. There were no material weaknesses related to internal control over major programs.
8. The auditor's report expresses an unqualified opinion on the report issued on compliance with major programs.
9. The audit did not disclose any audit findings required to be reported under 510(a) of Circular A-133.
10. The programs tested as major were: High Intensity Drug Trafficking Area Grant, Urban Mass Transit, and the Community Development Block Grant.
11. The threshold for distinguishing Type A and B programs was \$300,000.
12. The City of Hobbs was determined to be a low-risk auditee.

B. FINDINGS-FINANCIAL STATEMENT AUDIT

2006-2: Related Party Policy

Condition:

The City does not have necessary procedures in place to determine relationships resulting in related party transactions which should be disclosed in accordance with generally accepted accounting principles.

Criteria:

All entities should have policies and procedures in place to determine relationships which should be disclosed in their financial statements.

Effect of Condition:

Without adequate policies in place to recognize relationships, the City may fail to disclose all related party transactions required by generally accepted accounting principles.

Cause of Condition:

The apparent cause of this condition is historical lack of significant related party transactions required to be disclosed in the financial statements.

Recommendation:

The City should consider establishing procedures to assist it in identifying related party transactions in order to fully disclose those relationships, if any, in their financial statements.

Agency Response:

The City of Hobbs will devise annual surveys of all elected officials, management employees, and appointed board members that will be maintained in the City Manager's files that will disclose any potential related parties. We will develop internal policies in addition to those already incorporated within state statute regarding proper handling of transactions with these related parties. We will disclose these surveys annually to the auditors for potential financial statement disclosure.

2008-1 Municipal Court Receipts Reconciliation

Condition:

The Municipal Court receivable trial balances do not reconcile to the general ledger by \$44,423.

Criteria:

General ledger amounts should be supported by valid, accurate and adequate documentation.

Effect of Condition:

Municipal Court receivables are fully allowed for. There is no effect on net assets or on the change in net assets.

Cause of Condition:

The case-tracking software used by the Municipal Court, Full Court, is efficient in its tracking of court cases; however, reports generated from the program are not useful for accounting for receivables and payments.

Recommendation:

The City should develop procedures for the Municipal Court to provide accurate receivable reports which reconciled with the records of the Finance Department.

Agency Response:

Since Justice Systems, Inc. is the vendor for the Full Court program, Hobbs Municipal Courts are going to contact them to request that they design an accounts receivable report for a point in time that will not change depending on the date it is produced. The City will also contact the Administrative Office of the Courts for the State of New Mexico to see if they can assist in expediting the process. Currently, the only report that can be extracted from the system is an accounts receivable report that varies based on the day it is printed.

2008-2 Material Journal Entries

Condition:

The donation of \$1,792,286 in fixed assets by another governmental entity was not recorded in the accounting records of the City. During the preparation of the government-wide financial statements, an additional \$3,084,262 recorded as infrastructure expenditures was found that was not included in the fixed asset schedule.

Criteria:

The recording of every transaction is required in order to produce accurate and reliable accounting records and financial reports. For government-wide financial statements, in accordance with State Auditor Rule 2.2.2.10 Y, assets with a historical cost over \$5,000 should be capitalized.

Effect of Condition:

The financial records were materially misstated when provided to the auditors. The fixed asset listing was incomplete.

Cause of Condition:

The material non-cash donation transaction was not recorded and the assets were overlooked in the year-end preparation of fixed asset listings and reconciliations.

Recommendation:

The City should train personnel assigned to fixed assets in the proper recognition and recording of fixed assets.

Agency Response:

The City plans to do a better job of being apprised of non-cash items affecting the financial statements. To address the area of the unrecorded capital project item, with the implementation of the new accounting system, the City will have a better tracking mechanism in place from which capital outlay items will automatically upload into the City's fixed asset program. This will help ensure the completeness of fixed assets since we currently have to hand key all additions into a separate database.

C. COMPLIANCE AND OTHER MATTERS FINDING

None

D. FINDINGS-FEDERAL AWARDS

None

E. STATUS OF FINDINGS-PRIOR YEAR AUDIT

2006-2: Related Party Policy – This finding is repeated as 2006-2.

2007-1: Failure to Escheat Abandoned Checks – This finding was resolved and not repeated.

F. PREPARATION OF FINANCIAL STATEMENTS

The City's financial statements for the year ended June 30, 2008 have been prepared from the books of original entry and records by Johnson, Miller & Co., CPA's, Hobbs, New Mexico.

G. EXIT CONFERENCE

The contents of this report for the City of Hobbs were discussed on November 25, 2008. The following individuals were in attendance.

City of Hobbs

Gary Don Reagan, Mayor
Eric Honeyfield, City Manager
Toby Spears, Finance Director
Sabrina Amador, Asst. Finance Director

Auditors

Mary Hinds, CPA