

**STATE OF NEW MEXICO**  
**CITY OF HOBBS**  
**ANNUAL FINANCIAL REPORT**  
**June 30, 2009**



**JOHNSON, MILLER & CO.**

*Certified Public Accountants  
A Professional Corporation*

---

*An Independent Member of BDO Seidman Alliance*

**INTRODUCTORY SECTION**

STATE OF NEW MEXICO  
CITY OF HOBBS

OFFICIAL ROSTER  
June 30, 2009

**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, 2009**

**TABLE OF CONTENTS**

|   | <u>Exhibit</u>                 | <u>Page</u> |
|---|--------------------------------|-------------|
| <b>INTRODUCTORY SECTION</b>   |                                |             |
| Official Roster   |                                | iii         |
| Table of Contents   |                                | iv          |
| <br><b>FINANCIAL SECTION</b>  |                                |             |
| Independent Auditors' Report  |                                | 3           |
| Management's Discussion and Analysis  |                                | 5           |
| Basic Financial Statements  |                                |             |
| Government-wide Financial Statements:   |                                |             |
| Statement of Net Assets   | A-1                            | 23          |
| Statement of Activities   | A-2                            | 25          |
| Fund Financial Statements:  |                                |             |
| Balance Sheet – Governmental Funds  | B-1                            | 27          |
| Reconciliation of the Balance Sheet to the Statement<br>of Net Assets   |                                | 29          |
| Statement of Revenues, Expenditures, and Changes in<br>Fund Balances – Governmental Funds   | B-2                            | 30          |
| Reconciliation of the Statement of Revenues,<br>Expenditures and Changes in Fund Balances of<br>Governmental Funds to the Statement of Activities |                                | 32          |
| Statement of Revenues, Expenditures, and Changes in<br>Fund Balances – Budget (Non-GAAP Budgetary Basis)<br>and Actual:                           |                                |             |
| General Fund  | C-1                            | 33          |
| Solid Waste Disposal  | C-2                            | 42          |
| Statement of Net Assets – Proprietary Funds   | D-1                            | 43          |
| Statement of Revenues, Expenses and Changes in<br>Fund Net Assets – Proprietary Funds   | D-2                            | 45          |
| Statement of Cash Flows – Proprietary Funds   | D-3                            | 46          |
| Statement of Fiduciary Assets and Liabilities –<br>Agency Funds   | E                              | 48          |
| Notes to the Financial Statements   |                                | 49          |
| <br><b>SUPPLEMENTARY INFORMATION</b>  |                                |             |
| Combining and Individual Fund Statements and Schedules:   | <u>Statement/<br/>Schedule</u> |             |
| Combining Balance Sheet – Nonmajor Governmental Funds   | A-1                            | 81          |
| Combining Statement of Revenues, Expenditures and<br>Changes in Fund Balances – Nonmajor Governmental<br>Funds                                    | A-2                            | 82          |
| Combining Balance Sheet – Nonmajor Special Revenue Funds  | B-1                            | 85          |
| Combining Statement of Revenues, Expenditures and Changes<br>In Fund Balances – Nonmajor Special Revenue Funds                                    | B-2                            | 92          |
| Schedule of Revenues, Expenditures and Changes in Fund<br>Balance – Budget (Non-GAAP Budgetary Basis) and Actual:                                 |                                |             |
| Local Government Corrections  | B-3                            | 99          |
| Police Protection   | B-4                            | 100         |
| Police Narcotics  | B-5                            | 101         |

**STATE OF NEW MEXICO  
CITY OF HOBBS**

|   | <u>Statement/<br/>Schedule</u> | <u>Page</u> |
|---|--------------------------------|-------------|
| Schedule of Revenues, Expenditures, and Changes in Fund<br>Balances – Budget (Non-GAAP Budgetary Basis) and Actual<br>(continued):  |                                |             |
| Lea County Drug Task Force  | B-6                            | 102         |
| Older American Act  | B-7                            | 103         |
| Golf  | B-8                            | 104         |
| Cemetery  | B-9                            | 105         |
| Airport   | B-10                           | 106         |
| Lodgers' Tax Promotional  | B-11                           | 107         |
| McAdams Park  | B-12                           | 108         |
| Public Transportation   | B-13                           | 109         |
| Fire Protection   | B-14                           | 110         |
| Emergency Medical Services  | B-15                           | 111         |
| Community Development   | B-16                           | 112         |
| Recreation Expendable Trust   | B-17                           | 113         |
| Library Expendable Trust  | B-18                           | 114         |
| Cemetery Expendable Trust   | B-19                           | 115         |
| Community Parks Expendable Trust  | B-20                           | 116         |
| Combining Balance Sheet – Nonmajor Capital Projects Funds   | C-1                            | 118         |
| Combining Statement of Revenues, Expenditures and Changes<br>In Fund Balances – Nonmajor Capital Projects Funds   | C-2                            | 120         |
| Schedule of Revenues, Expenditures and Changes in Fund<br>Balance – Budget (Non-GAAP Budgetary Basis) and Actual:   |                                |             |
| Industrial Park Construction  | C-3                            | 122         |
| Parks Improvement   | C-4                            | 123         |
| Vehicle Replacement   | C-5                            | 124         |
| Capital Projects  | C-6                            | 125         |
| Street Improvements   | C-7                            | 126         |
| Capital Improvements  | C-8                            | 127         |
| City Commission Improvement   | C-9                            | 128         |
| Schedule of Revenues, Expenditures and Changes in Fund<br>Balance – Budget (Non-GAAP Budgetary Basis) and Actual:   |                                |             |
| Joint Utility Enterprise Fund   | D-1                            | 129         |
| Risk Management Internal Service Fund   | D-2                            | 130         |
| <br><b>REQUIRED SUPPLEMENTARY INFORMATION</b>   |                                |             |
| Schedule of Funding Progress  | E-1                            | 131         |
| <br><b>OTHER SUPPLEMENTARY INFORMATION</b>  |                                |             |
| Schedule of Fiduciary Assets and Liabilities - Agency Funds   | F-1                            | 132         |
| Schedule of Collateral Pledged by Depository  | I                              | 135         |
| Schedule of Deposits and Temporary Investments by Depository<br>For Public Funds  | II                             | 136         |
| <br><b>COMPLIANCE SECTION</b>   |                                |             |
| Report on Internal Control over Financial Reporting and on Compliance<br>and Other Matters Based on an Audit of Financial Statements<br>Performed in Accordance with <i>Government Auditing Standards</i> |                                | 137         |

STATE OF NEW MEXICO  
CITY OF HOBBS

**FEDERAL FINANCIAL ASSISTANCE**

|   |     |     |
|---|-----|-----|
| Report on Compliance with Requirements Applicable to Each Major<br>Program and on Internal Control over Compliance in Accordance<br>with OMB Circular A-133 |     | 139 |
| Schedule of Expenditures of Federal Awards  | III | 141 |
| Notes to Schedule of Expenditures of Federal Awards   | III | 142 |
| Schedule of Findings and Questioned Costs   | IV  | 143 |

**FINANCIAL SECTION**



**JOHNSON, MILLER & CO.**  
Certified Public Accountants  
A Professional Corporation  

---

An Independent Member Of BDO Seidman Alliance

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, 2009, 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, 2009 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, 2009, 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, 2009, 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, 2009 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, 2009

**STATE OF NEW MEXICO**  
**CITY OF HOBBS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended June 30, 2009  
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, 2009. 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 \$1,991,360.
- The assets of the City of Hobbs exceeded its liabilities at June 30, 2009 by \$180,194,468.
- Restricted net assets totaled \$14,509,902 at June 30, 2009. Restricted net assets are subject to external restrictions on how they may be used.
- Unrestricted assets totaled \$40,721,352 at June 30, 2009.
- Gross receipts and State of New Mexico shared taxes decreased approximately 2% from \$44,442,404 for 2008 to \$43,595,084 for 2009. The decrease is related primarily to the decrease 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, 2009  
Unaudited

**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, 2009  
Unaudited

**Government-wide financial statements (continued)**

The City of Hobbs maintains two major governmental funds for financial reporting purposes—the General Fund and the Solid Waste Disposal Fund. The Solid Waste Disposal 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 non-major 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, 2009  
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 \$180,194,468 at June 30, 2009.

**Net Assets**

|   | June 30, 2009              |                             |                       |
|---|----------------------------|-----------------------------|-----------------------|
|   | Primary Government         |                             |                       |
|   | Governmental<br>Activities | Business-type<br>Activities | Total                 |
| <b>ASSETS</b>                                   |                            |                             |                       |
| Cash and cash equivalents                       | \$ 40,994,365              | \$ 8,126,372                | \$ 49,120,737         |
| Investments                                     | 1,692,338                  | -                           | 1,692,338             |
| Receivables                                     | 9,776,502                  | 1,641,237                   | 11,417,739            |
| Internal balances                               | (24,205)                   | 24,205                      | -                     |
| Inventories                                     | -                          | 510,054                     | 510,054               |
| Restricted cash and investments                 | 1,819,748                  | 1,570,585                   | 3,390,333             |
| Capital assets, net of depreciation             | 104,210,345                | 59,235,767                  | 163,446,112           |
| <b>Total assets</b>                             | <b>\$ 158,469,093</b>      | <b>\$ 71,108,220</b>        | <b>\$ 229,577,313</b> |
| <b>LIABILITIES AND NET ASSETS</b>               |                            |                             |                       |
| Current liabilities                             | \$ 4,140,581               | \$ 1,453,453                | \$ 5,594,034          |
| Customer deposits                               | -                          | 435,806                     | 435,806               |
| Long-term liabilities due within one year       | 326,615                    | 397,000                     | 723,615               |
| Long-term liabilities due in more than one year | 4,201,976                  | 38,427,414                  | 42,629,390            |
| <b>Total liabilities</b>                        | <b>8,669,172</b>           | <b>40,713,673</b>           | <b>49,382,845</b>     |
| Invested in capital assets, net of related debt | 104,210,345                | 20,752,869                  | 124,963,214           |
| Restricted for:                                 |                            |                             |                       |
| Capital projects                                | 12,007,772                 | 356,396                     | 12,364,168            |
| Public safety                                   | 1,265,969                  | -                           | 1,265,969             |
| Culture and recreation                          | 59,016                     | -                           | 59,016                |
| Health and welfare                              | 820,749                    | -                           | 820,749               |
| Unrestricted                                    | 31,436,070                 | 9,285,282                   | 40,721,352            |
| <b>Total net assets</b>                         | <b>149,799,921</b>         | <b>30,394,547</b>           | <b>180,194,468</b>    |
| <b>Total liabilities and net assets</b>         | <b>\$ 158,469,093</b>      | <b>\$ 71,108,220</b>        | <b>\$ 229,577,313</b> |

**STATE OF NEW MEXICO**  
**CITY OF HOBBS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended June 30, 2009  
Unaudited

**Government-wide Financial Analysis (continued)**

On June 30, 2008, assets exceeded liabilities by \$166,744,867. Significant reasons for the increase of \$13,449,601 follow the schedule below.

|   | June 30, 2008              |                             |                       |
|---|----------------------------|-----------------------------|-----------------------|
|   | Primary Government         |                             |                       |
|   | Governmental<br>Activities | Business-type<br>Activities | Total                 |
| <b>ASSETS</b>                                   |                            |                             |                       |
| 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           |
| <b>Total assets</b>                             | <b>\$ 143,756,992</b>      | <b>\$ 64,002,706</b>        | <b>\$ 207,759,698</b> |
| <b>LIABILITIES AND NET ASSETS</b>               |                            |                             |                       |
| 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            |
| <b>Total liabilities</b>                        | <b>7,741,351</b>           | <b>33,273,480</b>           | <b>41,014,831</b>     |
| 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            |
| <b>Total net assets</b>                         | <b>136,015,641</b>         | <b>30,729,226</b>           | <b>166,744,867</b>    |
| <b>Total liabilities and net assets</b>         | <b>\$ 143,756,992</b>      | <b>\$ 64,002,706</b>        | <b>\$ 207,759,698</b> |

**STATE OF NEW MEXICO**  
**CITY OF HOBBS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended June 30, 2009  
Unaudited

**Government-wide Financial Analysis (continued)**

By far the largest portion of the City of Hobbs' net assets (69%) 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 8% of the City of Hobbs' net assets are restricted subject to external restrictions on how they may be used, and 23% 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 and investments. The utilization of restricted cash for capital projects resulted in a decrease in restricted cash. Lower revenues at the end of the fiscal year led to lower receivable balances.
- 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 \$12 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 \$40 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:

**STATE OF NEW MEXICO**  
**CITY OF HOBBS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended June 30, 2009  
Unaudited

**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 otherwise 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, 2009, the City has begun work on the projects and has drawn down \$29,987,933 in loan proceeds.

The City's total revenues for the years ended June 30, 2009 and 2008, respectively, were \$77,610,389 and \$81,026,384. Total expenses were, respectively, \$64,193,086 and \$58,467,302. The effects of these and other changes to net assets can be seen in the following schedules.



**STATE OF NEW MEXICO**  
**CITY OF HOBBS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended June 30, 2009  
Unaudited

**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, 2009 and 2008. Reasons for significant changes follow the schedules.

| <u>Functions/Programs</u>   | <b>June 30, 2009</b>               |  |                        |
|---|------------------------------------|--|------------------------|
|   | <b>Primary Government</b>          |  |                        |
|   | <b>Governmental<br/>Activities</b> | <b>Business-<br/>type<br/>Activities</b> | <b>Total</b>           |
| <b>Primary government:</b>  |                                    |  |                        |
| General government  | \$ 12,857,047                      | \$ -                                     | \$ 12,857,047          |
| Public safety   | 19,776,973                         | -  | 19,776,973             |
| Public works  | 4,783,444                          | -  | 4,783,444              |
| Economic development  | 770,077                            | -  | 770,077                |
| Health and welfare  | 2,576,696                          | -  | 2,576,696              |
| Culture and recreation  | 6,374,076                          | -  | 6,374,076              |
| Sanitation  | 4,939,523                          | -  | 4,939,523              |
| Joint utility enterprise  | -                                  | 12,115,250                               | 12,115,250             |
| Less charges for services   | 10,024,962                         | 8,349,286                                | 18,374,248             |
| Less operating grants and contributions                                   | 2,944,370                          | -  | 2,944,370              |
| Less capital grants and contributions                                     | 6,434,775                          | 495,000                                  | 6,929,775              |
| <b>Total primary government</b>   | <b>\$ (32,673,729)</b>             | <b>\$ (3,270,964)</b>                    | <b>\$ (35,944,693)</b> |
| <b>General revenues:</b>  |                                    |  |                        |
| <b>Taxes:</b>   |                                    |  |                        |
| Property taxes - general purposes   | \$ 2,125,419                       | \$ -                                     | \$ 2,125,419           |
| State of New Mexico shared taxes  | 20,346,813                         | -  | 20,346,813             |
| Franchise taxes   | 2,465,929                          | -  | 2,465,929              |
| Municipal gross receipts taxes  | 22,253,826                         | 994,445                                  | 23,248,271             |
| Unrestricted investment earnings  | 550,207                            | 86,903                                   | 637,110                |
| Miscellaneous   | 538,454                            | -  | 538,454                |
| <b>Total general revenues</b>   | <b>48,280,648</b>                  | <b>1,081,348</b>                         | <b>49,361,996</b>      |
| Excess (deficiency) before contributions,<br>special items, and transfers | 15,606,919                         | (2,189,616)                              | 13,417,303             |
| <i>Special item</i> - gain (loss) on sale of asset                        | 40,198                             | (7,900)                                  | 32,298                 |
| Net operating transfers in (out)  | (1,849,314)                        | 1,849,314                                | -                      |
| Contributed capital   | (13,523)                           | 13,523                                   | -                      |
| <b>Total contributions, special items,<br/>and transfers</b>              | <b>(1,822,639)</b>                 | <b>1,854,937</b>                         | <b>32,298</b>          |
| <b>Change in net assets</b>   | <b>13,784,280</b>                  | <b>(334,679)</b>                         | <b>13,449,601</b>      |
| Net assets - beginning  | 136,015,641                        | 30,729,226                               | 166,744,867            |
| Net assets - ending   | \$ 149,799,921                     | \$ 30,394,547                            | \$ 180,194,468         |

**STATE OF NEW MEXICO**  
**CITY OF HOBBS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended June 30, 2009  
Unaudited

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

| <b>Functions/Programs</b>   | <b>June 30, 2008</b>               |                                     |                        |
|---|------------------------------------|-------------------------------------|------------------------|
|   | <b>Primary Government</b>          |                                     |                        |
|   | <b>Governmental<br/>Activities</b> | <b>Business-type<br/>Activities</b> | <b>Total</b>           |
| <b>Primary government:</b>  |                                    |                                     |                        |
| 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              |
| <b>Total primary government</b>   | <b>\$ (27,521,025)</b>             | <b>\$ (2,698,782)</b>               | <b>\$ (30,219,807)</b> |
| <b>General revenues:</b>  |                                    |                                     |                        |
| <b>Taxes:</b>   |                                    |                                     |                        |
| Property tax - general purpose  | \$ 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              |
| <b>Total general revenues</b>   | <b>51,419,352</b>                  | <b>1,359,537</b>                    | <b>52,778,889</b>      |
| Excess (deficiency) before contributions,<br>special items, and transfers | 23,898,327                         | (1,339,245)                         | 22,559,082             |
| <i>Special item</i> - gain 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                             | -                      |
| <b>Total contributions, special items,<br/>and transfers</b>              | <b>(2,847,128)</b>                 | <b>3,518,693</b>                    | <b>671,565</b>         |
| <b>Change in net assets</b>   | <b>21,051,199</b>                  | <b>2,179,448</b>                    | <b>23,230,647</b>      |
| Net assets - beginning  | 114,964,442                        | 28,549,778                          | 143,514,220            |
| <b>Net assets - ending</b>  | <b>\$ 136,015,641</b>              | <b>\$ 30,729,226</b>                | <b>\$ 166,744,867</b>  |

**STATE OF NEW MEXICO**  
**CITY OF HOBBS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended June 30, 2009  
Unaudited

**Governmental activities**

The governmental activities of the City of Hobbs attained an increase in net assets of \$13,784,280 in the year ended June 30, 2009. As can be seen from the schedules above, the governmental activities' increase in net assets for the year ended June 30, 2008, was \$21,051,199. Reasons for the lesser increase in governmental activities net assets for the year ended June 30, 2009 follow.

- A decrease in gross receipts tax and State of New Mexico shared taxes of \$847,320.
- Both operating results (charges for services, operating grants, and capital grants less program expenses) and general revenues in total declined between 2008 and 2009 due to economic conditions.
- 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 remained steady due to the economic conditions in the region. The oil industry that forms the backbone of the City of Hobbs' economy is remaining strong.

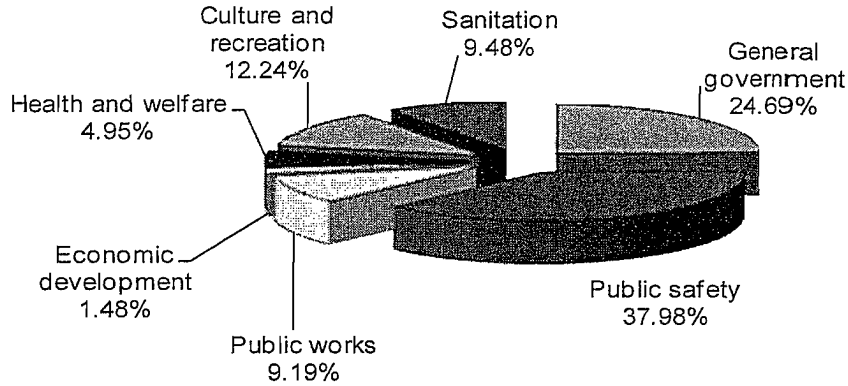
**Business-type activities**

The decrease in net assets contributed by the City's business-type activities was \$334,679 in the year ended June 30, 2009, compared to the increase of net assets of \$2,179,448 for the year ended June 30, 2008. The decrease this year was driven by a number of factors, including:

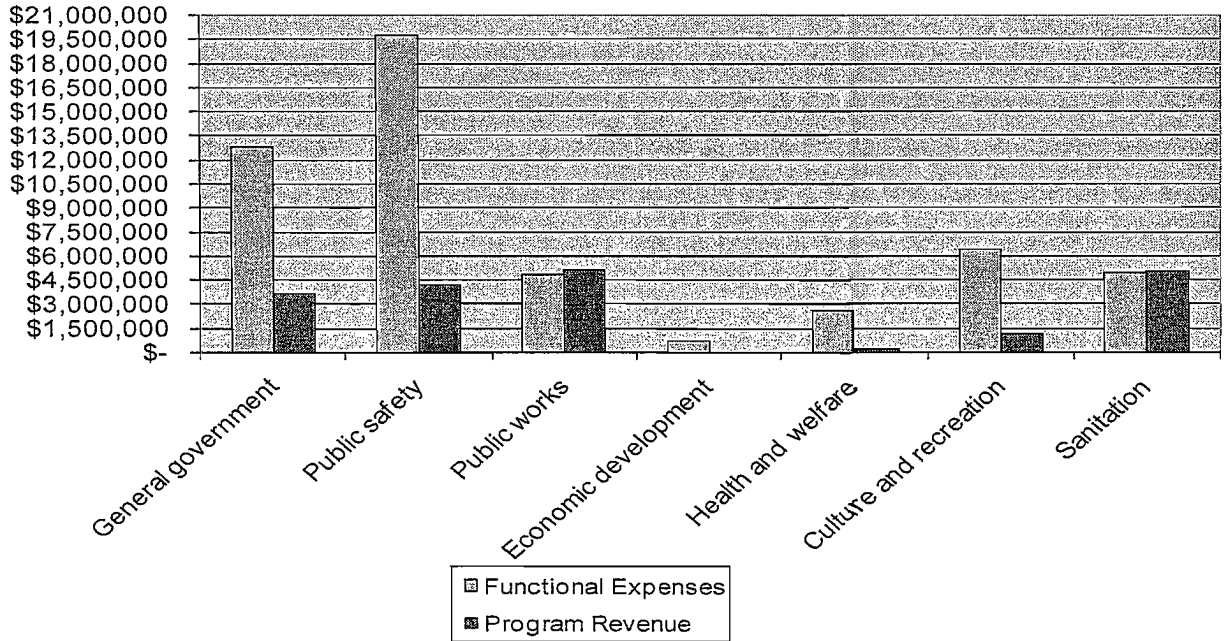
- Net transfers out of the Joint Utility as opposed to net transfers in from the General Fund in the prior year.
- Increases in charges for services, offset by a decline in grant revenues.
- Decreases in revenues from municipal gross receipts taxes for business-type activities and investment earnings.

STATE OF NEW MEXICO  
CITY OF HOBBS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2009  
Unaudited

**PROGRAM EXPENSES - GOVERNMENTAL ACTIVITIES**



**Program Revenue and Expense - Governmental Activities**

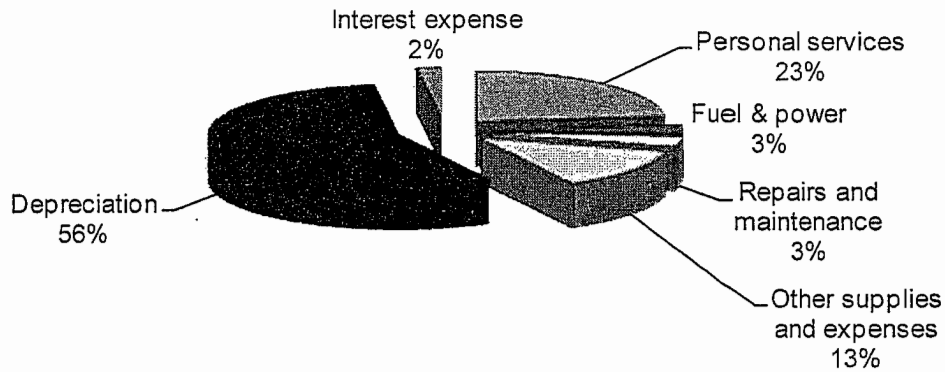


**STATE OF NEW MEXICO**  
**CITY OF HOBBS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended June 30, 2009  
Unaudited

**Business-type activities**

Business-type activities decreased the City of Hobbs' net assets by \$334,679 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, 2009  
Unaudited

**Governmental funds (continued)**

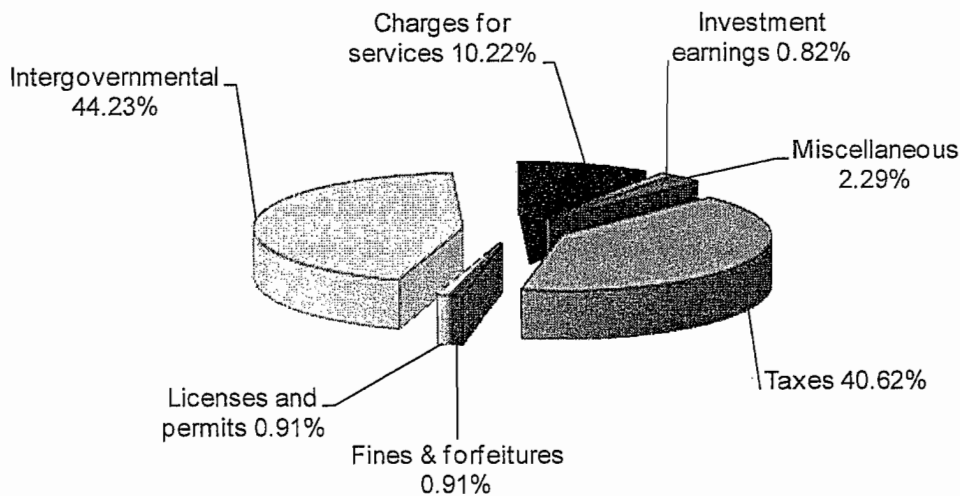
As of June 30, 2009, the City of Hobbs governmental funds reported combined ending fund balances of \$47,275,960, an increase of \$1,488,352. Approximately \$32,910,989 or 70% constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance 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 \$33,055,036. 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 73% of the total general fund expenditures.

The City's general fund balance increased by \$525,245 in the current fiscal year. Key factors in this increase are as follows:

- A decrease in tax receipts of \$146,198.
- Excess of revenues over expenditures totaled \$16,150,094 exclusive of capital outlay, special items, and operating transfers.

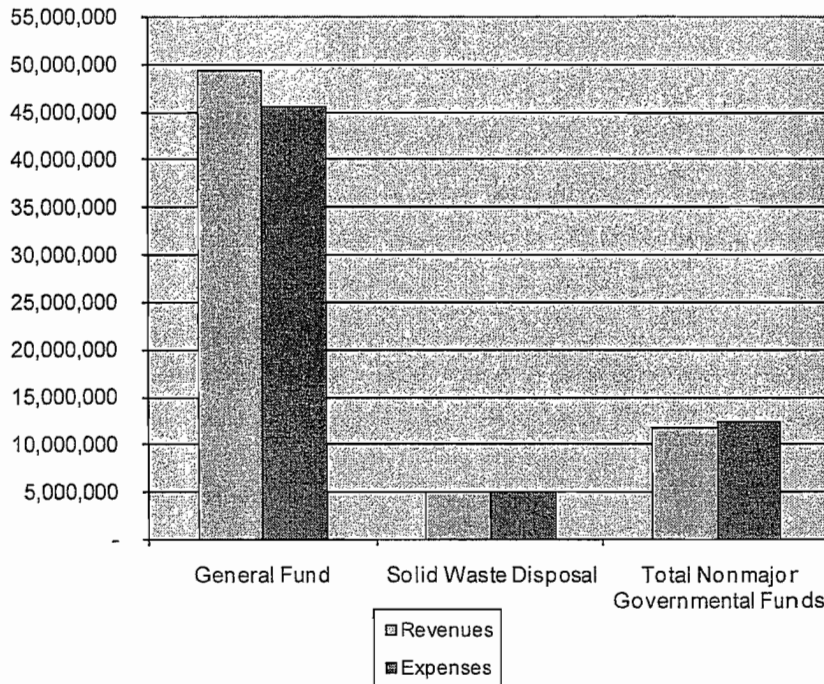
**Revenue by Source - Governmental Funds**



**STATE OF NEW MEXICO**  
**CITY OF HOBBS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended June 30, 2009  
Unaudited

- Taxes include 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.

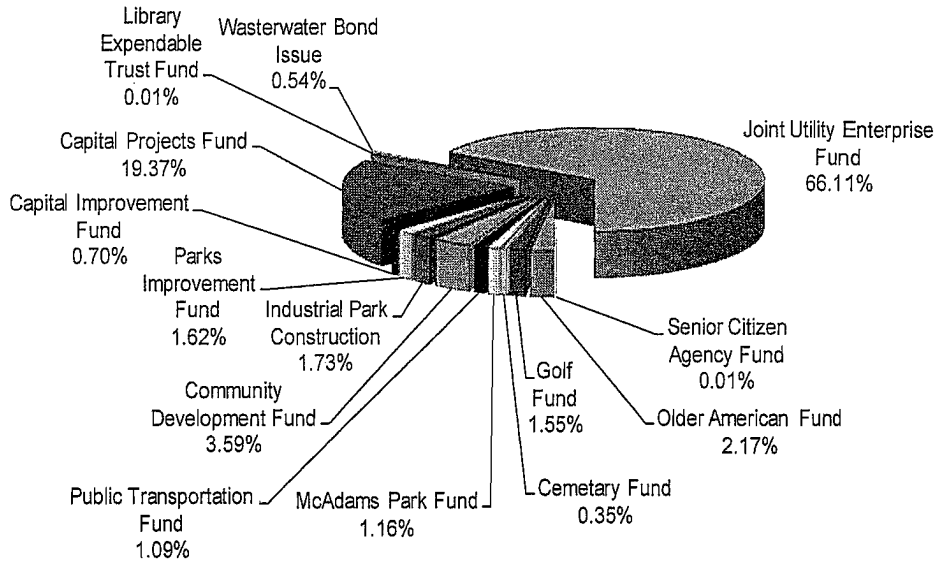
**Excess of Revenues Over Expenditures-Governmental Funds**



- 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, 2009  
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, 2009, unrestricted net assets totaled \$9,261,077 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**

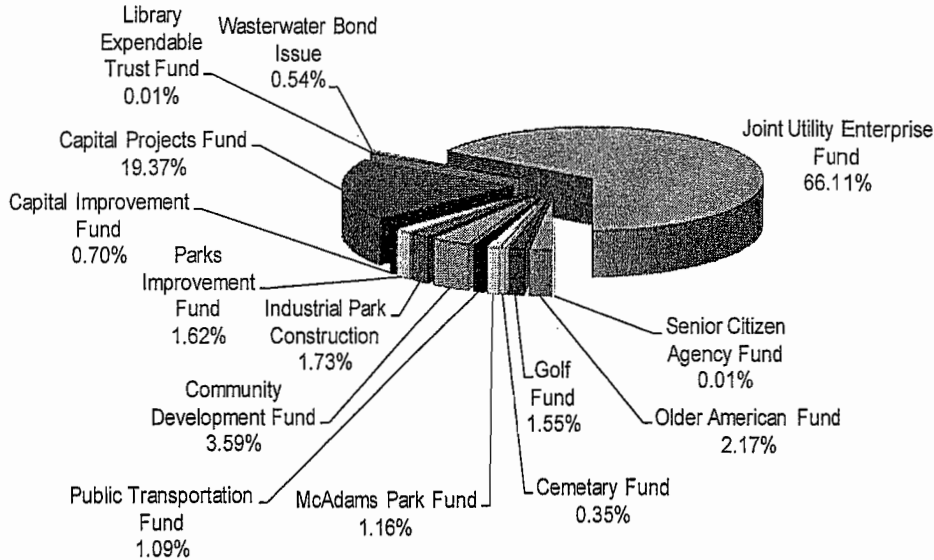
The appropriated budget for the year ended June 30, 2009 was amended by the City Commission throughout the year. These amendments resulted in the following changes:

|                                      | Excess (deficiency) of revenues over expenditures |              |              |
|--------------------------------------|---|--------------|--------------|
|                                      | Original Budget                                   | Final Budget | Actual       |
| Budgeted Funds:                      |   |              |              |
| General Fund                         | \$ (9,261,300)                                    | \$ 6,221,562 | \$ 6,221,562 |
| Solid Waste Disposal Special Revenue | -   | 81,267       | 81,267       |
| Nonmajor Governmental Funds          | (15,317,491)                                      | (747,113)    | (747,113)    |



**STATE OF NEW MEXICO**  
**CITY OF HOBBS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended June 30, 2009  
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, 2009, unrestricted net assets totaled \$9,261,077 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, 2009 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                         | \$ (9,261,300)                                    | \$ 6,221,562 | \$ 6,221,562 |
| Solid Waste Disposal Special Revenue | -   | 81,267       | 81,267       |
| Nonmajor Governmental Funds          | (15,317,235)                                      | (747,113)    | (747,113)    |

**STATE OF NEW MEXICO**  
**CITY OF HOBBS**  
**MANAGEMENT'S DISCUSSION AND ANALYSIS**  
For the Year Ended June 30, 2009  
Unaudited

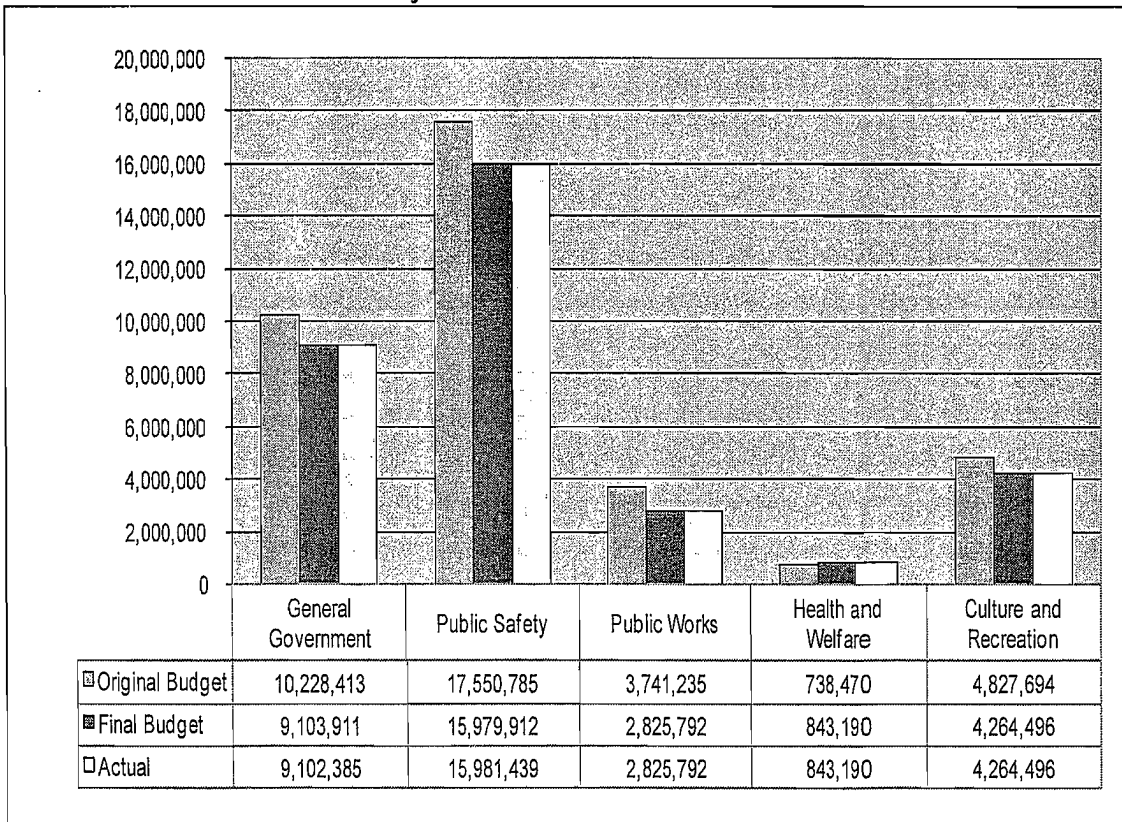
**Budgetary Comparisons (continued)**

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 Public Works functions. In these 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**



STATE OF NEW MEXICO  
CITY OF HOBBS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2009  
Unaudited

**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 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. Currently, Gross Receipts Tax revenue is trending approximately 30% lower in 2010 than 2009. It is also important to note that the City is projecting less grant revenue for capital projects due to the State of New Mexico revenue shortfalls.

Zia Park Race Track and Casino is now completing its fifth 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. The labor movement continues to be a 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 was performed in October, 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. During the year, approximately \$1.3 million was spent on sewer line replacement.

Transportation, utility, beautification, renovation and expansion projects are also in various stages of completion. These projects include water line and infrastructure improvements of \$6,408,186 million; beautification incentive projects of \$748 thousand; improvements to the Waste Water Treatment Plant and related infrastructure of \$8.3 million; General Fund infrastructure projects of 8 million. Portions of these projects will also reduce the City's unfunded liability pursuant to GASB 34.

**STATE OF NEW MEXICO**  
CITY OF HOBBS  
MANAGEMENT'S DISCUSSION AND ANALYSIS  
For the Year Ended June 30, 2009  
Unaudited

**City Contact Information**

This financial report is designed to provide our citizens, customers, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the funds it receives. Questions regarding this report or desiring additional information may be addressed to Toby Spears, Finance Director, City of Hobbs, New Mexico, 200 E. Broadway, Hobbs, NM 88250, or by phone at (575) 397-9235.

**BASIC FINANCIAL STATEMENTS**

STATE OF NEW MEXICO  
CITY OF HOBBS  
STATEMENT OF NET ASSETS  
June 30, 2009

|                                 | Primary Government         |                             | Total                 |
|---------------------------------|----------------------------|-----------------------------|-----------------------|
|                                 | Governmental<br>Activities | Business-type<br>Activities |                       |
| <b>ASSETS</b>                   |                            |                             |                       |
| Cash and cash equivalents       | \$ 40,994,365              | \$ 8,126,372                | \$ 49,120,737         |
| Investments                     | 1,692,338                  | -                           | 1,692,338             |
| Receivables                     |                            |                             |                       |
| Accounts receivable, net        | 1,961,525                  | 1,504,336                   | 3,465,861             |
| Due from other governments      | 7,814,977                  | 136,901                     | 7,951,878             |
| Internal balances               | (24,205)                   | 24,205                      | -                     |
| Inventories                     | -                          | 510,054                     | 510,054               |
| Restricted cash and investments | 1,819,748                  | 1,570,585                   | 3,390,333             |
| Capital assets                  |                            |                             |                       |
| Land and land improvements      | 20,175,940                 | -                           | 20,175,940            |
| Infrastructure                  | 52,768,531                 | -                           | 52,768,531            |
| Buildings                       | 31,737,737                 | -                           | 31,737,737            |
| Equipment and furniture         | 35,390,560                 | -                           | 35,390,560            |
| Utility system                  | -                          | 95,301,510                  | 95,301,510            |
| Less: accumulated depreciation  | (36,049,756)               | (36,093,085)                | (72,142,841)          |
| Intangible assets               | 188,184                    | 27,625                      | 215,809               |
| Less: accumulated amortization  | (851)                      | (283)                       | (1,134)               |
| <b>Total assets</b>             | <b>\$ 158,469,093</b>      | <b>\$ 71,108,220</b>        | <b>\$ 229,577,313</b> |

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

STATE OF NEW MEXICO  
CITY OF HOBBS  
STATEMENT OF NET ASSETS  
June 30, 2009

|   | Primary Government         |                             | Total                 |
|---|----------------------------|-----------------------------|-----------------------|
|   | Governmental<br>Activities | Business-type<br>Activities |                       |
| <b>LIABILITIES AND NET ASSETS</b>               |                            |                             |                       |
| Accounts payable                                | \$ 2,713,986               | \$ 1,338,850                | \$ 4,052,836          |
| Accrued salaries and related expenses           | 1,150,985                  | 114,603                     | 1,265,588             |
| Estimated claims payable                        | 275,610                    | -                           | 275,610               |
| Customer deposits                               | -                          | 435,806                     | 435,806               |
| Long-term liabilities                           |                            |                             |                       |
| Due within one year                             |                            |                             |                       |
| Notes payable                                   | 39,884                     | -                           | 39,884                |
| Bonds payable                                   | -                          | 365,000                     | 365,000               |
| Accrued interest                                | -                          | -                           | -                     |
| Compensated absences                            | 286,731                    | 32,000                      | 318,731               |
| Due in more than one year                       |                            |                             |                       |
| Notes payable                                   | 171,582                    | 35,007,898                  | 35,179,480            |
| Bonds payable                                   | -                          | 3,110,000                   | 3,110,000             |
| Compensated absences                            | 1,032,863                  | 96,414                      | 1,129,277             |
| Unfunded OPEB liability                         | 2,997,531                  | 213,102                     | 3,210,633             |
| Total liabilities                               | <u>8,669,172</u>           | <u>40,713,673</u>           | <u>49,382,845</u>     |
| Invested in capital assets, net of related debt | 104,210,345                | 20,752,869                  | 124,963,214           |
| Restricted for:                                 |                            |                             |                       |
| Capital projects                                | 12,007,772                 | 356,396                     | 12,364,168            |
| Public safety                                   | 1,265,969                  | -                           | 1,265,969             |
| Culture and recreation                          | 59,016                     | -                           | 59,016                |
| Health and welfare                              | 820,749                    | -                           | 820,749               |
| Unrestricted                                    | <u>31,436,070</u>          | <u>9,285,282</u>            | <u>40,721,352</u>     |
| Total net assets                                | <u>149,799,921</u>         | <u>30,394,547</u>           | <u>180,194,468</u>    |
| Total liabilities and net assets                | <u>\$ 158,469,093</u>      | <u>\$ 71,108,220</u>        | <u>\$ 229,577,313</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, 2009

| Functions/Programs               | Expenses             | Program Revenue      |                                    |                                  |
|----------------------------------|----------------------|----------------------|------------------------------------|----------------------------------|
|                                  |                      | Charges for Services | Operating Grants and Contributions | Capital Grants and Contributions |
| <b>Primary government:</b>       |                      |                      |                                    |                                  |
| <b>Governmental activities:</b>  |                      |                      |                                    |                                  |
| General government               | \$ 12,857,047        | \$ 2,504,993         | \$ 660,365                         | \$ 540,922                       |
| Public safety                    | 19,776,973           | 1,201,050            | 1,898,809                          | 1,144,650                        |
| Public works                     | 4,783,444            | 238,710              | 239,039                            | 4,648,966                        |
| Economic development             | 770,077              | -                    | -                                  | -                                |
| Health and welfare               | 2,576,696            | 203,469              | -                                  | -                                |
| Culture and recreation           | 6,374,076            | 880,416              | 146,157                            | 100,237                          |
| Sanitation                       | 4,939,523            | 4,996,324            | -                                  | -                                |
| Total governmental activities    | <u>52,077,836</u>    | <u>10,024,962</u>    | <u>2,944,370</u>                   | <u>6,434,775</u>                 |
| <b>Business-type activities:</b> |                      |                      |                                    |                                  |
| Joint utility enterprise         | <u>12,115,250</u>    | <u>8,349,286</u>     | <u>-</u>                           | <u>495,000</u>                   |
| Total business-type activities   | <u>12,115,250</u>    | <u>8,349,286</u>     | <u>-</u>                           | <u>495,000</u>                   |
| Total primary government         | <u>\$ 64,193,086</u> | <u>\$ 18,374,248</u> | <u>\$ 2,944,370</u>                | <u>\$ 6,929,775</u>              |

**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 Activities</u>                         | <u>Business-type Activities</u> | <u>Total</u>           |
| \$ (9,150,767)   | \$ -                            | \$ (9,150,767)         |
| (15,532,464)   | -                               | (15,532,464)           |
| 343,271  | -                               | 343,271                |
| (770,077)  | -                               | (770,077)              |
| (2,373,227)  | -                               | (2,373,227)            |
| (5,247,266)  | -                               | (5,247,266)            |
| 56,801   | -                               | 56,801                 |
| <u>(32,673,729)</u>                                    | <u>-</u>                        | <u>(32,673,729)</u>    |
| -  | (3,270,964)                     | (3,270,964)            |
| -  | (3,270,964)                     | (3,270,964)            |
| <u>\$ (32,673,729)</u>                                 | <u>\$ (3,270,964)</u>           | <u>\$ (35,944,693)</u> |
| <br>   |                                 |                        |
| \$ 2,125,419   | \$ -                            | \$ 2,125,419           |
| 20,346,813   | -                               | 20,346,813             |
| 2,465,929  | -                               | 2,465,929              |
| 22,253,826   | 994,445                         | 23,248,271             |
| 550,207  | 86,903                          | 637,110                |
| 538,454  | -                               | 538,454                |
| 40,198   | (7,900)                         | 32,298                 |
| (1,849,314)  | 1,849,314                       | -                      |
| (13,523)   | 13,523                          | -                      |
| <u>46,458,009</u>                                      | <u>2,936,285</u>                | <u>49,394,294</u>      |
| <u>13,784,280</u>                                      | <u>(334,679)</u>                | <u>13,449,601</u>      |
| <u>136,015,641</u>                                     | <u>30,729,226</u>               | <u>166,744,867</u>     |
| <u>\$ 149,799,921</u>                                  | <u>\$ 30,394,547</u>            | <u>\$ 180,194,468</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, 2009

|  | General Fund         | Solid Waste<br>Disposal |
|--|----------------------|-------------------------|
| <b>ASSETS</b>                              |                      |                         |
| Cash and cash equivalents                  | \$ 26,711,803        | \$ 294,310              |
| Investments                                | 1,692,338            | -                       |
| Restricted cash and investments            | -                    | -                       |
| Receivables:                               |                      |                         |
| Accounts receivable, net                   | 860,704              | 764,009                 |
| Due from other governments                 | 5,743,135            | -                       |
| Accrued interest receivable                | -                    | -                       |
| Due from other funds                       | 473,368              | -                       |
| <i>Total assets</i>                        | <b>\$ 35,481,348</b> | <b>\$ 1,058,319</b>     |
| <b>LIABILITIES AND FUND BALANCES</b>       |                      |                         |
| <i>Liabilities:</i>                        |                      |                         |
| Accounts payable                           | \$ 1,312,916         | \$ 438,357              |
| Due to other funds                         | -                    | -                       |
| Deferred revenue                           | 28,792               | 764,009                 |
| Accrued salaries and related expenses      | 1,084,604            | -                       |
| <i>Total liabilities</i>                   | 2,426,312            | 1,202,366               |
| <i>Fund balances:</i>                      |                      |                         |
| Unreserved                                 | 33,055,036           | (144,047)               |
| Unreserved, reported in non-major:         |                      |                         |
| Special revenue funds                      | -                    | -                       |
| Capital projects funds                     | -                    | -                       |
| <i>Total fund balances</i>                 | 33,055,036           | (144,047)               |
| <i>Total liabilities and fund balances</i> | <b>\$ 35,481,348</b> | <b>\$ 1,058,319</b>     |

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

| <u>Total Nonmajor<br/>Governmental Funds</u> | <u>Total Governmental<br/>Funds</u> |
|--|-------------------------------------|
| \$ 11,684,550                                | \$ 38,690,663                       |
| -  | 1,692,338                           |
| 1,819,748                                    | 1,819,748                           |
| 275,602                                      | 1,900,315                           |
| 2,071,842                                    | 7,814,977                           |
| -  | -                                   |
| -  | 473,368                             |
| <u>\$ 15,851,742</u>                         | <u>\$ 52,391,409</u>                |
|  |                                     |
| \$ 948,548                                   | \$ 2,699,821                        |
| 473,368                                      | 473,368                             |
| -  | 792,801                             |
| 64,855                                       | 1,149,459                           |
| <u>1,486,771</u>                             | <u>5,115,449</u>                    |
| -  | 32,910,989                          |
| 2,357,200                                    | 2,357,200                           |
| 12,007,771                                   | 12,007,771                          |
| <u>14,364,971</u>                            | <u>47,275,960</u>                   |
| <u>\$ 15,851,742</u>                         | <u>\$ 52,391,409</u>                |

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

STATE OF NEW MEXICO  
CITY OF HOBBS  
GOVERNMENTAL FUNDS  
RECONCILIATION OF THE BALANCE SHEET TO THE STATEMENT OF NET ASSETS  
June 30, 2009

Total fund balance, governmental funds \$ 47,275,960

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. 104,210,345

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

|   |    |         |         |
|---|----|---------|---------|
| Deferred revenues - Delinquent property taxes | \$ | 28,792  |         |
| Deferred revenues - Solid waste fund          |    | 764,009 |         |
|   |    |         | 792,801 |

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. 2,049,406

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           | \$ | (211,466)   |             |
| Unfunded OPEB liability |    | (2,997,531) |             |
| Compensated absences    |    | (1,319,594) |             |
|                         |    |             | (4,528,591) |

Net Assets of Governmental Activities in the Statement of Net Assets \$ 149,799,921

STATE OF NEW MEXICO  
CITY OF HOBBS  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
For the Year Ended June 30, 2009

|  | <u>General Fund</u>  | <u>Solid Waste<br/>Disposal</u> |
|--|----------------------|---------------------------------|
| <i>Revenues:</i>   |                      |                                 |
| Property, sales, and miscellaneous taxes                         | \$ 23,392,973        | \$ -                            |
| Fines & forfeitures  | 598,725              | -                               |
| Licenses and permits   | 603,193              | -                               |
| Intergovernmental  | 22,560,094           | -                               |
| Charges for services   | 1,233,136            | 4,937,225                       |
| Investment earnings  | 394,424              | -                               |
| Miscellaneous  | 530,045              | -                               |
|  | <u>49,312,590</u>    | <u>4,937,225</u>                |
| <i>Expenditures:</i>   |                      |                                 |
| Current:   |                      |                                 |
| General government   | 9,149,619            | -                               |
| Public safety  | 16,019,832           | -                               |
| Public works   | 2,871,597            | -                               |
| Health and welfare   | 884,536              | -                               |
| Culture and recreation   | 4,236,912            | -                               |
| Sanitation   | -                    | 4,939,522                       |
| Debt service:  |                      |                                 |
| Principal  | -                    | -                               |
| Interest and other charges                                       | -                    | -                               |
| Capital Outlay   | 12,413,724           | -                               |
|  | <u>45,576,220</u>    | <u>4,939,522</u>                |
| <i>Excess (deficiency) of revenues over (under) expenditures</i> | <u>3,736,370</u>     | <u>(2,297)</u>                  |
| <i>Other financing sources (uses):</i>                           |                      |                                 |
| Transfers in   | 2,325,668            | -                               |
| Transfers out  | (5,677,610)          | -                               |
| <i>Total other financing sources (uses)</i>                      | <u>(3,351,942)</u>   | <u>-</u>                        |
| <i>Special Items:</i>  |                      |                                 |
| Proceeds from sale of fixed assets                               | 140,817              | -                               |
| <i>Net change in fund balances</i>                               | 525,245              | (2,297)                         |
| <i>Fund balances - beginning</i>                                 | <u>32,529,791</u>    | <u>(141,750)</u>                |
| <i>Fund balances - ending</i>                                    | <u>\$ 33,055,036</u> | <u>\$ (144,047)</u>             |

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

| Total Nonmajor<br>Governmental Funds | Total Governmental<br>Funds |
|--------------------------------------|-----------------------------|
| \$ 3,449,651                         | \$ 26,842,624               |
| -                                    | 598,725                     |
| -                                    | 603,193                     |
| 6,662,944                            | 29,223,038                  |
| 581,802                              | 6,752,163                   |
| 147,997                              | 542,421                     |
| 985,227                              | 1,515,272                   |
| <u>11,827,621</u>                    | <u>66,077,436</u>           |
| 13,991                               | 9,163,610                   |
| 1,568,445                            | 17,588,277                  |
| 49,647                               | 2,921,244                   |
| 2,083,895                            | 2,968,431                   |
| 845,535                              | 5,082,447                   |
| -                                    | 4,939,522                   |
| 679,008                              | 679,008                     |
| 28,022                               | 28,022                      |
| <u>7,096,302</u>                     | <u>19,510,026</u>           |
| <u>12,364,845</u>                    | <u>62,880,587</u>           |
| <u>(537,224)</u>                     | <u>3,196,849</u>            |
| 5,779,929                            | 8,105,597                   |
| <u>(4,277,301)</u>                   | <u>(9,954,911)</u>          |
| <u>1,502,628</u>                     | <u>(1,849,314)</u>          |
| -                                    | 140,817                     |
| 965,404                              | 1,488,352                   |
| <u>13,399,567</u>                    | <u>45,787,608</u>           |
| <u>\$ 14,364,971</u>                 | <u>\$ 47,275,960</u>        |

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

STATE OF NEW MEXICO  
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, 2009

|   |             |               |
|---|-------------|---------------|
| Net change in fund balances - total governmental funds  |             | \$ 1,488,352  |
| <p>Amounts reported for Governmental Activities in the Statement of Activities are different because:</p>   |             |               |
| <p>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.</p>                |             |               |
| Capital outlay charged to expense in governmental funds   | 19,510,026  |               |
| Depreciation charged to expense at the government-wide level  | (6,724,319) |               |
| Capital outlay for non-capitalized assets (cost of less than \$5,000)   | (247,126)   | 12,538,581    |
| <p>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.</p> |             |               |
|   |             | (100,619)     |
| <p>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.</p>   |             |               |
|   |             | 408,412       |
| <p>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.</p>   |             |               |
|   |             | 13,523        |
| <p>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.</p>  |             |               |
| Solid Waste refuse removal charges  | 59,099      |               |
| Deferred revenues-delinquent property taxes   | 13,569      | 72,668        |
| <p>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.</p>    |             |               |
| Principal repayments on loans payable to New Mexico Finance Authority   |             | 679,008       |
| <p>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:</p>  |             |               |
| Expense for unfunded liability for OPEB under GASB 45   | (1,116,959) |               |
| Salaries expense associated with compensated absences   | (198,688)   | (1,315,647)   |
| Change in net assets of governmental activities   |             | \$ 13,784,280 |

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, 2009

|                            | Budgeted Amounts  |                   | Actual Amounts    | Variance with<br>Final Budget -<br>Favorable<br>(Unfavorable) |
|----------------------------|-------------------|-------------------|-------------------|---|
|                            | Original          | Final             |                   |   |
| <i>Revenues:</i>           |                   |                   |                   |   |
| Taxes                      | \$ 21,868,807     | \$ 24,727,439     | \$ 24,727,439     | \$ -  |
| Fines and forfeitures      | 486,000           | 598,725           | 598,725           | -   |
| Licenses and permits       | 533,500           | 603,193           | 603,193           | -   |
| Intergovernmental          | 21,507,500        | 23,281,416        | 23,281,416        | -   |
| Charges for services       | 943,800           | 1,158,519         | 1,158,519         | -   |
| Investment earnings        | 1,202,435         | 498,772           | 498,772           | -   |
| Miscellaneous              | 413,500           | 430,996           | 430,996           | -   |
| <i>Total revenues</i>      | <u>46,955,542</u> | <u>51,299,060</u> | <u>51,299,060</u> | <u>-</u>  |
| <i>Expenditures:</i>       |                   |                   |                   |   |
| <i>Current:</i>            |                   |                   |                   |   |
| <i>General Government:</i> |                   |                   |                   |   |
| <i>Legislative:</i>        |                   |                   |                   |   |
| Personnel services         | 710,619           | 429,009           | 429,009           | -   |
| Operating expenses         | 822,303           | 1,114,641         | 1,114,641         | -   |
| Capital outlay             | 1,195,000         | 67,234            | 67,234            | -   |
| <i>Total legislative</i>   | <u>2,727,922</u>  | <u>1,610,884</u>  | <u>1,610,884</u>  | <u>-</u>  |
| <i>Executive:</i>          |                   |                   |                   |   |
| Personnel services         | 242,568           | 250,312           | 250,312           | -   |
| Operating expenses         | 55,600            | 42,029            | 42,029            | -   |
| <i>Total executive</i>     | <u>298,168</u>    | <u>292,341</u>    | <u>292,341</u>    | <u>-</u>  |
| <i>Planning:</i>           |                   |                   |                   |   |
| Personnel services         | 305,653           | 268,073           | 268,073           | -   |
| Operating expenses         | 63,400            | 43,797            | 43,797            | -   |
| Capital outlay             | 173,000           | 64,816            | 64,816            | -   |
| <i>Total planning</i>      | <u>542,053</u>    | <u>376,686</u>    | <u>376,686</u>    | <u>-</u>  |
| <i>Mapping</i>             |                   |                   |                   |   |
| Personnel services         | 196,215           | 153,022           | 153,022           | -   |
| Operating expenses         | 35,700            | 27,081            | 27,081            | -   |
| Capital outlay             | 39,750            | 27,425            | 27,425            | -   |
| <i>Total mapping</i>       | <u>271,665</u>    | <u>207,528</u>    | <u>207,528</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, 2009

|                                       | Budgeted Amounts |                | Actual Amounts | Variance with<br>Final Budget -<br>Favorable<br>(Unfavorable) |
|---------------------------------------|------------------|----------------|----------------|---|
|                                       | Original         | Final          |                |   |
| <i>Expenditures: (continued)</i>      |                  |                |                |   |
| General Government: (continued)       |                  |                |                |   |
| City Clerk:                           |                  |                |                |   |
| Personnel services                    | 268,304          | 260,719        | 260,719        | -   |
| Operating expenses                    | 129,770          | 114,323        | 114,323        | -   |
| Capital outlay                        | 21,723           | 21,557         | 21,557         | -   |
| <b>Total city clerk</b>               | <b>419,797</b>   | <b>396,599</b> | <b>396,599</b> | <b>-</b>  |
| Elections:                            |                  |                |                |   |
| Personnel services                    | 3,800            | 2,336          | 2,336          | -   |
| Operating expenses                    | 20,000           | 18,890         | 18,890         | -   |
| <b>Total elections</b>                | <b>23,800</b>    | <b>21,226</b>  | <b>21,226</b>  | <b>-</b>  |
| Financing and Purchasing:             |                  |                |                |   |
| Personnel services                    | 426,296          | 433,205        | 433,205        | -   |
| Operating expenses                    | 93,146           | 162,905        | 162,905        | -   |
| Capital outlay                        | 399,356          | 267,756        | 267,756        | -   |
| <b>Total financing and purchasing</b> | <b>918,798</b>   | <b>863,866</b> | <b>863,866</b> | <b>-</b>  |
| Computer Operations:                  |                  |                |                |   |
| Personnel services                    | 412,753          | 428,199        | 428,199        | -   |
| Operating expenses                    | 113,950          | 105,294        | 105,294        | -   |
| Capital outlay                        | 115,153          | 87,022         | 87,022         | -   |
| <b>Total computer operations</b>      | <b>641,856</b>   | <b>620,515</b> | <b>620,515</b> | <b>-</b>  |
| Judicial:                             |                  |                |                |   |
| Personnel services                    | 385,755          | 370,254        | 370,254        | -   |
| Operating expenses                    | 61,965           | 52,579         | 52,579         | -   |
| Capital outlay                        | 15,000           | 1,322          | 1,322          | -   |
| <b>Total judicial</b>                 | <b>462,720</b>   | <b>424,155</b> | <b>424,155</b> | <b>-</b>  |
| Legal:                                |                  |                |                |   |
| Personnel services                    | 200,705          | 187,587        | 187,587        | -   |
| Operating expenses                    | 265,550          | 38,881         | 38,881         | -   |
| Capital outlay                        | 1,500            | 1,483          | 1,483          | -   |
| <b>Total legal</b>                    | <b>467,755</b>   | <b>227,951</b> | <b>227,951</b> | <b>-</b>  |

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, 2009

|                                  | <u>Budgeted Amounts</u> |                  | <u>Actual Amounts</u> | Variance with<br>Final Budget -<br>Favorable<br>(Unfavorable) |
|----------------------------------|-------------------------|------------------|-----------------------|---|
|                                  | <u>Original</u>         | <u>Final</u>     |                       |   |
| <i>Expenditures: (continued)</i> |                         |                  |                       |   |
| General Government: (continued)  |                         |                  |                       |   |
| Personnel Services:              |                         |                  |                       |   |
| Personnel services               | 334,263                 | 252,453          | 252,453               | -   |
| Operating expenses               | 297,658                 | 176,422          | 176,422               | -   |
| Capital outlay                   | 3,000                   | 4,665            | 4,665                 | -   |
| Total personnel services         | <u>634,921</u>          | <u>433,540</u>   | <u>433,540</u>        | -   |
| Risk Management:                 |                         |                  |                       |   |
| Operating expenses               | 46,950                  | 127              | 127                   | -   |
| Total risk management            | <u>46,950</u>           | <u>127</u>       | <u>127</u>            | -   |
| Insurance:                       |                         |                  |                       |   |
| Operating expenses               | 1,976,555               | 1,503,885        | 1,503,885             | -   |
| Total insurance                  | <u>1,976,555</u>        | <u>1,503,885</u> | <u>1,503,885</u>      | -   |
| Motor Vehicle:                   |                         |                  |                       |   |
| Personnel services               | 360,011                 | 274,243          | 274,243               | -   |
| Operating expenses               | 3,260                   | 20,044           | 20,044                | -   |
| Total motor vehicle              | <u>363,271</u>          | <u>294,287</u>   | <u>294,287</u>        | -   |
| Warehouse:                       |                         |                  |                       |   |
| Personnel services               | 132,917                 | 104,508          | 104,508               | -   |
| Operating expenses               | 12,155                  | 10,219           | 10,219                | -   |
| Total warehouse                  | <u>145,072</u>          | <u>114,727</u>   | <u>114,727</u>        | -   |
| Garage:                          |                         |                  |                       |   |
| Personnel services               | 533,607                 | 537,198          | 537,198               | -   |
| Operating expenses               | 881,575                 | 929,400          | 929,400               | -   |
| Capital outlay                   | 23,823                  | 23,289           | 23,289                | -   |
| Total garage                     | <u>1,439,005</u>        | <u>1,489,887</u> | <u>1,489,887</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, 2009

|  | <u>Budgeted Amounts</u> |                   | <u>Actual Amounts</u> | Variance with<br>Final Budget -<br>Favorable<br>(Unfavorable) |
|--|-------------------------|-------------------|-----------------------|---|
|  | <u>Original</u>         | <u>Final</u>      |                       |   |
| <i>Expenditures: (continued)</i>       |                         |                   |                       |   |
| <i>General Government: (continued)</i> |                         |                   |                       |   |
| <i>Building Maintenance:</i>           |                         |                   |                       |   |
| Personnel services                     | 452,310                 | 439,212           | 439,212               | -   |
| Operating expenses                     | 342,700                 | 316,253           | 316,253               | -   |
| Capital outlay                         | 8,879,339               | 6,859,202         | 6,859,202             | -   |
| <i>Total building maintenance</i>      | <u>9,674,349</u>        | <u>7,614,667</u>  | <u>7,614,667</u>      | -   |
| <i>Total General Government</i>        | <u>21,054,657</u>       | <u>16,492,871</u> | <u>16,492,871</u>     | -   |
| <i>Public Works:</i>                   |                         |                   |                       |   |
| <i>Engineering:</i>                    |                         |                   |                       |   |
| Personnel services                     | 683,035                 | 524,606           | 524,606               | -   |
| Operating expenses                     | 21,500                  | 19,219            | 19,219                | -   |
| Capital outlay                         | 37,073                  | 29,111            | 29,111                | -   |
| <i>Total engineering</i>               | <u>741,608</u>          | <u>572,936</u>    | <u>572,936</u>        | -   |
| <i>Highways and Streets:</i>           |                         |                   |                       |   |
| Personnel services                     | 1,328,750               | 1,218,073         | 1,218,073             | -   |
| Operating expenses                     | 1,252,100               | 608,799           | 608,799               | -   |
| Capital outlay                         | 795,393                 | 714,572           | 714,572               | -   |
| <i>Total highways and streets</i>      | <u>3,376,243</u>        | <u>2,541,444</u>  | <u>2,541,444</u>      | -   |
| <i>Street Lighting:</i>                |                         |                   |                       |   |
| Operating expenses                     | 450,000                 | 450,845           | 450,845               | -   |
| <i>Total street lighting</i>           | <u>450,000</u>          | <u>450,845</u>    | <u>450,845</u>        | -   |
| <i>Total Public Works</i>              | <u>4,567,851</u>        | <u>3,565,225</u>  | <u>3,565,225</u>      | -   |
| <i>Health and Welfare:</i>             |                         |                   |                       |   |
| <i>Environmental Services:</i>         |                         |                   |                       |   |
| Personnel services                     | 567,370                 | 480,240           | 480,240               | -   |
| Operating expenses                     | 130,100                 | 344,111           | 344,111               | -   |
| Capital outlay                         | 50,000                  | 48,953            | 48,953                | -   |
| <i>Total environmental services</i>    | <u>747,470</u>          | <u>873,304</u>    | <u>873,304</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 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, 2009

|                                  | <u>Budgeted Amounts</u> |                  | <u>Actual Amounts</u> | Variance with<br>Final Budget -<br>Favorable<br>(Unfavorable) |
|----------------------------------|-------------------------|------------------|-----------------------|---|
|                                  | <u>Original</u>         | <u>Final</u>     |                       |   |
| <i>Expenditures: (continued)</i> |                         |                  |                       |   |
| Health and Welfare (continued):  |                         |                  |                       |   |
| Public Information:              |                         |                  |                       |   |
| Operating expenses               | 23,700                  | 3,950            | 3,950                 | -   |
| Capital outlay                   | -                       | -                | -                     | -   |
| Total public information         | <u>23,700</u>           | <u>3,950</u>     | <u>3,950</u>          | -   |
| <i>Total Health and Welfare</i>  | <u>771,170</u>          | <u>877,254</u>   | <u>877,254</u>        | -   |
| Culture and Recreation:          |                         |                  |                       |   |
| Libraries:                       |                         |                  |                       |   |
| Personnel services               | 701,126                 | 585,165          | 585,165               | -   |
| Operating expenses               | 308,984                 | 302,019          | 302,019               | -   |
| Capital outlay                   | 16,200                  | 16,116           | 16,116                | -   |
| Total libraries                  | <u>1,026,310</u>        | <u>903,300</u>   | <u>903,300</u>        | -   |
| Parks:                           |                         |                  |                       |   |
| Personnel services               | 1,379,272               | 1,247,104        | 1,247,104             | -   |
| Operating expenses               | 504,930                 | 498,259          | 498,259               | -   |
| Capital outlay                   | 3,077,642               | 474,412          | 474,412               | -   |
| Total parks                      | <u>4,961,844</u>        | <u>2,219,775</u> | <u>2,219,775</u>      | -   |
| Sports Field:                    |                         |                  |                       |   |
| Personnel services               | 220,584                 | 214,221          | 214,221               | -   |
| Operating expenses               | 144,940                 | 92,101           | 92,101                | -   |
| Capital outlay                   | 35,276                  | 17,848           | 17,848                | -   |
| Total sports field               | <u>400,800</u>          | <u>324,170</u>   | <u>324,170</u>        | -   |
| Recreation:                      |                         |                  |                       |   |
| Personnel services               | 492,784                 | 435,169          | 435,169               | -   |
| Operating expenses               | 417,828                 | 289,277          | 289,277               | -   |
| Capital outlay                   | 93,199                  | 89,659           | 89,659                | -   |
| Total recreation                 | <u>1,003,811</u>        | <u>814,105</u>   | <u>814,105</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 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, 2009

|  | <u>Budgeted Amounts</u> |                  | <u>Actual Amounts</u> | Variance with<br>Final Budget -<br>Favorable<br>(Unfavorable) |
|--|-------------------------|------------------|-----------------------|---|
|  | <u>Original</u>         | <u>Final</u>     |                       |   |
| <i>Expenditures: (continued)</i>           |                         |                  |                       |   |
| <i>Culture and Recreation: (continued)</i> |                         |                  |                       |   |
| <i>Teen Center:</i>                        |                         |                  |                       |   |
| Personnel services                         | 192,083                 | 183,286          | 183,286               | -   |
| Operating expenses                         | 71,166                  | 56,240           | 56,240                | -   |
| Capital outlay                             | 517,731                 | 152,622          | 152,622               | -   |
| <b>Total teen center</b>                   | <b>780,980</b>          | <b>392,148</b>   | <b>392,148</b>        | <b>-</b>  |
| <i>Pools</i>                               |                         |                  |                       |   |
| Personnel services                         | 321,861                 | 252,468          | 252,468               | -   |
| Operating expenses                         | 122,740                 | 115,071          | 115,071               | -   |
| Capital outlay                             | 134,500                 | 671,738          | 671,738               | -   |
| <b>Total pools</b>                         | <b>579,101</b>          | <b>1,039,277</b> | <b>1,039,277</b>      | <b>-</b>  |
| <b>Total Culture and Recreation</b>        | <b>8,752,846</b>        | <b>5,692,775</b> | <b>5,692,775</b>      | <b>-</b>  |
| <i>Public Safety:</i>                      |                         |                  |                       |   |
| <i>Police Field Services:</i>              |                         |                  |                       |   |
| Personnel services                         | 985,564                 | 688,718          | 688,718               | -   |
| Operating expenses                         | 382,280                 | 362,849          | 362,849               | -   |
| Capital outlay                             | 66,500                  | 121,112          | 121,112               | -   |
| <b>Total police field services</b>         | <b>1,434,344</b>        | <b>1,172,679</b> | <b>1,172,679</b>      | <b>-</b>  |
| <i>Police CID:</i>                         |                         |                  |                       |   |
| Personnel services                         | 4,942,421               | 4,786,213        | 4,786,213             | -   |
| Operating expenses                         | 40,975                  | 27,742           | 27,742                | -   |
| Capital outlay                             | 434,306                 | 319,908          | 319,908               | -   |
| <b>Total police CID</b>                    | <b>5,417,702</b>        | <b>5,133,863</b> | <b>5,133,863</b>      | <b>-</b>  |
| <i>Police Technical Services:</i>          |                         |                  |                       |   |
| Personnel services                         | 1,312,314               | 1,228,073        | 1,228,073             | -   |
| Operating expenses                         | 56,000                  | 46,594           | 46,594                | -   |
| Capital outlay                             | 222,118                 | 45,538           | 45,538                | -   |
| <b>Total police technical services</b>     | <b>1,590,432</b>        | <b>1,320,205</b> | <b>1,320,205</b>      | <b>-</b>  |

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, 2009

|                                     | <u>Budgeted Amounts</u> |                  | <u>Actual Amounts</u> | Variance with<br>Final Budget -<br>Favorable<br>(Unfavorable) |
|-------------------------------------|-------------------------|------------------|-----------------------|---|
|                                     | <u>Original</u>         | <u>Final</u>     |                       |   |
| <i>Expenditures: (continued)</i>    |                         |                  |                       |   |
| Public Safety: (continued)          |                         |                  |                       |   |
| Police Support Services:            |                         |                  |                       |   |
| Personnel services                  | 656,700                 | 626,909          | 626,909               | -   |
| Operating expenses                  | 26,700                  | 21,269           | 21,269                | -   |
| Capital outlay                      | 232,251                 | -                | -                     | -   |
| Total police and support services   | <u>915,651</u>          | <u>648,178</u>   | <u>648,178</u>        | -   |
| Admin Services Certified:           |                         |                  |                       |   |
| Personnel services                  | 971,056                 | 979,149          | 979,149               | -   |
| Operating expenses                  | 214,350                 | 333,018          | 333,018               | -   |
| Capital outlay                      | 803,000                 | 695,502          | 695,502               | -   |
| Total admin services certified      | <u>1,988,406</u>        | <u>2,007,669</u> | <u>2,007,669</u>      | -   |
| Police CID Non-certified:           |                         |                  |                       |   |
| Personnel services                  | 691,659                 | 623,036          | 623,036               | -   |
| Operating expenses                  | 7,000                   | 4,101            | 4,101                 | -   |
| Capital outlay                      | 5,000                   | 4,906            | 4,906                 | -   |
| Total police CID non-certified      | <u>703,659</u>          | <u>632,043</u>   | <u>632,043</u>        | -   |
| Fire and Ambulance:                 |                         |                  |                       |   |
| Personnel services                  | 5,796,974               | 4,916,687        | 4,916,687             | -   |
| Operating expenses                  | 714,913                 | 645,232          | 645,232               | -   |
| Capital outlay                      | 1,663,067               | 1,186,717        | 1,186,717             | -   |
| Total fire and ambulance            | <u>8,174,954</u>        | <u>6,748,636</u> | <u>6,748,636</u>      | -   |
| Emergency Management:               |                         |                  |                       |   |
| Operating expenses                  | 19,275                  | 8,867            | 8,867                 | -   |
| Total emergency management          | <u>19,275</u>           | <u>8,867</u>     | <u>8,867</u>          | -   |
| Hazardous Materials Responses:      |                         |                  |                       |   |
| Operating expenses                  | 26,299                  | 100              | 100                   | -   |
| Total hazardous materials responses | <u>26,299</u>           | <u>100</u>       | <u>100</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, 2009

|  | <u>Budgeted Amounts</u> |                   | <u>Actual Amounts</u> | <u>Variance with<br/>Final Budget -<br/>Favorable<br/>(Unfavorable)</u> |
|--|-------------------------|-------------------|-----------------------|---|
|  | <u>Original</u>         | <u>Final</u>      |                       |   |
| <i>Expenditures: (continued)</i>                             |                         |                   |                       |   |
| <i>Public Safety: (continued)</i>                            |                         |                   |                       |   |
| <i>Traffic:</i>  |                         |                   |                       |   |
| Personnel services   | 227,367                 | 220,424           | 220,424               | -   |
| Operating expenses   | 194,560                 | 177,060           | 177,060               | -   |
| Capital outlay   | 82,568                  | 110,967           | 110,967               | -   |
| <i>Total traffic</i>   | <u>504,495</u>          | <u>508,451</u>    | <u>508,451</u>        | -   |
| <i>Code Enforcement:</i>                                     |                         |                   |                       |   |
| Personnel services   | 259,378                 | 237,246           | 237,246               | -   |
| Operating expenses   | 12,300                  | 9,322             | 9,322                 | -   |
| Capital outlay   | 23,423                  | 22,114            | 22,114                | -   |
| <i>Total code enforcement</i>                                | <u>295,101</u>          | <u>268,682</u>    | <u>268,682</u>        | -   |
| <i>Total Public Safety</i>                                   | <u>21,070,318</u>       | <u>18,449,373</u> | <u>18,449,373</u>     | -   |
| <i>Total expenditures</i>                                    | <u>56,216,842</u>       | <u>45,077,498</u> | <u>45,077,498</u>     | -   |
| <i>Excess (deficiency) of<br/>revenues over expenditures</i> | <u>(9,261,300)</u>      | <u>6,221,562</u>  | <u>6,221,562</u>      | -   |
| <i>Other financing sources:</i>                              |                         |                   |                       |   |
| <i>Operating transfers in:</i>                               |                         |                   |                       |   |
| Lodgers Tax Promotional Fund                                 | -                       | 105,668           | 105,668               | -   |
| City Commission Improvement Fund                             | -                       | 2,200,000         | 2,200,000             | -   |
| Fire Protection  | -                       | 20,000            | 20,000                | -   |
| <i>Total other financing sources</i>                         | <u>-</u>                | <u>2,325,668</u>  | <u>2,325,668</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 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, 2009

|   | Budgeted Amounts    |                      | Actual Amounts    | Variance with<br>Final Budget -<br>Favorable<br>(Unfavorable) |
|---|---------------------|----------------------|-------------------|---|
|   | Original            | Final                |                   |   |
| <i>Other financing uses:</i>                      |                     |                      |                   |   |
| Older American Fund                               | 578,000             | 362,398              | 362,398           | -   |
| Golf Fund   | 399,000             | 258,459              | 258,459           | -   |
| Cemetery Fund                                     | 94,000              | 59,255               | 59,255            | -   |
| McAdams Park Fund                                 | 186,000             | 194,066              | 194,066           | -   |
| Public Transportation Fund                        | 292,000             | 182,036              | 182,036           | -   |
| Community Development Fund                        | 84,000              | 600,000              | 600,000           | -   |
| Industrial Park Construction Fund                 | 718,500             | 288,497              | 288,497           | -   |
| Parks Improvement Fund                            | 270,500             | 270,500              | 270,500           | -   |
| Mortgage Revenue Bond Fund                        | 2,763,000           | 2,735,000            | 2,735,000         | -   |
| Capital Improvement Fund                          | (76,786)            | 117,500              | 117,500           | -   |
| Joint Utility Enterprise Fund                     | 350,000             | 480,579              | 480,579           | -   |
| Library Expendable Trust Fund                     | -                   | 1,216                | 1,216             | -   |
| Senior Citizen Agency Fund                        | -                   | 1,953                | 1,953             | -   |
| <i>Total other financing uses</i>                 | <u>5,658,214</u>    | <u>5,551,459</u>     | <u>5,551,459</u>  | <u>-</u>  |
| <i>Prior year cash balance</i>                    | <u>23,664,131</u>   | <u>23,664,131</u>    | <u>-</u>          |   |
| <i>Appropriated cash balance</i>                  | <u>\$ 8,744,617</u> | <u>\$ 26,659,902</u> | <u>2,995,771</u>  | <u>\$ -</u>   |
| <i>Reconciliation to GAAP Basis:</i>              |                     |                      |                   |   |
| Decrease in accounts receivable                   |                     |                      | 135,260           |   |
| Increase in due from other funds                  |                     |                      | 46,757            |   |
| Decrease in due from other governments            |                     |                      | (2,045,165)       |   |
| Decrease in accrued interest receivable           |                     |                      | (104,349)         |   |
| Increase in accounts payable                      |                     |                      | (423,877)         |   |
| Increase in accrued salaries and related expenses |                     |                      | (196,589)         |   |
| Donated infrastructure assets                     |                     |                      | 107,112           |   |
| Decrease in deferred revenue                      |                     |                      | 10,325            |   |
| <i>Net change in fund balance</i>                 |                     |                      | <u>\$ 525,245</u> |   |

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



STATE OF NEW MEXICO  
CITY OF HOBBS  
SOLID WASTE DISPOSAL

Exhibit C-2

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
For the year ended June 30, 2009

|  | Budgeted Amounts |                  | Actual Amounts    | Variance with<br>Final Budget -<br>Favorable<br>(Unfavorable) |
|--|------------------|------------------|-------------------|---|
|  | Original         | Final            |                   |   |
| <i>Revenues:</i>   |                  |                  |                   |   |
| Taxes  | \$ -             | \$ -             | \$ -              | \$ -  |
| Fines & forfeitures  | -                | -                | -                 | -   |
| Licenses and permits   | -                | -                | -                 | -   |
| Intergovernmental  | -                | -                | -                 | -   |
| Charges for services   | 3,975,000        | 4,938,433        | 4,938,433         | -   |
| Investment earnings  | -                | -                | -                 | -   |
| Miscellaneous  | -                | -                | -                 | -   |
| <i>Total revenues</i>  | <u>3,975,000</u> | <u>4,938,433</u> | <u>4,938,433</u>  | <u>-</u>  |
| <i>Expenditures:</i>   |                  |                  |                   |   |
| <i>Current:</i>  |                  |                  |                   |   |
| General government   | -                | -                | -                 | -   |
| Public safety  | -                | -                | -                 | -   |
| Health and welfare   | -                | -                | -                 | -   |
| Culture and recreation                                       | -                | -                | -                 | -   |
| Sanitation   | 3,975,000        | 4,857,166        | 4,857,166         | -   |
| <i>Debt service:</i>   |                  |                  |                   |   |
| Principal  | -                | -                | -                 | -   |
| Interest and other charges                                   | -                | -                | -                 | -   |
| Capital outlay   | -                | -                | -                 | -   |
| <i>Total expenditures</i>                                    | <u>3,975,000</u> | <u>4,857,166</u> | <u>4,857,166</u>  | <u>-</u>  |
| <i>Excess (deficiency) of revenues<br/>over expenditures</i> | <u>-</u>         | <u>81,267</u>    | <u>81,267</u>     | <u>-</u>  |
| <i>Other financing sources (uses):</i>                       |                  |                  |                   |   |
| Transfers in   | -                | -                | -                 | -   |
| Transfers out  | -                | -                | -                 | -   |
| <i>Total other financing sources<br/>(uses)</i>              | <u>-</u>         | <u>-</u>         | <u>-</u>          | <u>-</u>  |
| <i>Appropriated cash balance</i>                             | <u>\$ -</u>      | <u>\$ 81,267</u> | <u>81,267</u>     | <u>\$ -</u>   |
| <i>Reconciliation to GAAP Basis:</i>                         |                  |                  |                   |   |
| Increase in accounts payable                                 |                  |                  | (83,564)          |   |
| <i>Net change in fund balance</i>                            |                  |                  | <u>\$ (2,297)</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, 2009

|                                    | Business-type<br>Activities<br>Joint Utility<br>Enterprise Fund | Governmental<br>Activities<br>Risk Management<br>Internal Service Fund |
|------------------------------------|---|--|
| <b>ASSETS</b>                      |   |  |
| <i>Current assets:</i>             |   |  |
| Cash and cash equivalents          | \$ 8,126,372  | \$ 2,303,700   |
| Accounts receivable, net           | 1,504,336   | 43,628   |
| Receivables from other governments | 136,902   | -  |
| Inventories                        | 510,054   | -  |
|                                    | <u>10,277,664</u>   | <u>2,347,328</u>   |
| <i>Restricted assets:</i>          |   |  |
| Cash and investments               | 1,570,585   | -  |
| <i>Non-current assets:</i>         |   |  |
| <i>Capital assets:</i>             |   |  |
| <i>Water Plant:</i>                |   |  |
| Land                               | 135,950   | -  |
| Water system                       | 11,601,011  | -  |
| Equipment                          | 6,202,008   | -  |
| <i>Sewer Plant:</i>                |   |  |
| Land                               | 86,043  | -  |
| Sewer system                       | 14,143,554  | -  |
| Equipment                          | 1,375,379   | -  |
| Waste Water Plant                  | 52,037,735  | -  |
| Industrial Water Plant             | 9,719,829   | -  |
| Less accumulated depreciation      | (36,093,085)  | -  |
| Intangible assets                  | 27,625  | -  |
| Less accumulated amortization      | (283)   | -  |
|                                    | <u>59,235,766</u>   | <u>-</u>   |
| <i>Total non-current assets</i>    |   |  |
|                                    | <u>\$ 71,084,015</u>  | <u>\$ 2,347,328</u>  |
| <i>Total assets</i>                |   |  |
|                                    | <u>\$ 71,084,015</u>  | <u>\$ 2,347,328</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, 2009

Exhibit D-1

|  | Business-type<br>Activities<br>Joint Utility<br>Enterprise Fund | Governmental<br>Activities<br>Risk Management<br>Internal Service Fund |
|--|---|--|
| <b>LIABILITIES AND NET ASSETS</b>  |   |  |
| <i>Current Liabilities:</i>  |   |  |
| Accounts payable   | \$ 1,338,850  | \$ 14,164  |
| Accrued salaries and related expenses  | 114,603   | -  |
| Deferred revenue   | -   | -  |
| Estimated claims payable   | -   | 275,610  |
| Customer deposits  | 435,806   | -  |
| Compensated absences   | 32,000  | -  |
| Bonds payable current portion  | 365,000   | -  |
| <i>Total current liabilities</i>   | <i>2,286,259</i>  | <i>289,774</i>   |
| <i>Non-current liabilities:</i>  |   |  |
| Compensated absences   | 96,412  | -  |
| Accrued unfunded OPEB liability  | 213,103   | -  |
| Note payable   | 35,007,898  | -  |
| Bonds payable, less current portion  | 3,110,000   | -  |
| <i>Total non-current liabilities</i>   | <i>38,427,413</i>   | <i>-</i>   |
| <i>Total liabilities</i>   | <i>40,713,672</i>   | <i>289,774</i>   |
| <i>Net Assets</i>  |   |  |
| Invested in capital assets, net of related debt  | 20,752,869  | -  |
| Restricted for capital projects  | 356,397   | -  |
| Unrestricted   | 9,261,077   | 2,057,554  |
| <i>Total net assets</i>  | <i>30,370,343</i>   | <i>2,057,554</i>   |
| <i>Total liabilities and net assets</i>  | <i>\$ 71,084,015</i>  | <i>\$ 2,347,328</i>  |
| Total net assets, per above  | \$ 30,370,343   |  |
| Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds. | 24,204  |  |
| Net assets of business-type activities   | <u>\$ 30,394,547</u>  |  |

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, 2009

Exhibit D-2

|  | Business-type<br>Activities<br>Joint Utility<br>Enterprise Fund | Governmental<br>Activities<br>Risk Management<br>Internal Service Fund |
|--|---|--|
| <i>Operating revenues:</i>   |   |  |
| Charges for services   | \$ 8,349,286  | \$ 5,618,186   |
| Taxes  | 994,445   | -  |
| <i>Total operating revenues</i>  | 9,343,731   | 5,618,186  |
| <i>Operating expenses:</i>   |   |  |
| Personnel services   | 2,818,790   | -  |
| Fuel and power   | 362,673   | -  |
| Repairs and maintenance  | 370,409   | -  |
| Other supplies and expenses  | 1,570,115   | -  |
| Depreciation   | 6,762,631   | -  |
| Contractual services   | -   | 5,193,563  |
| <i>Total operating expenses</i>  | 11,884,618  | 5,193,563  |
| <i>Operating income (loss)</i>   | (2,540,887)   | 424,623  |
| <i>Nonoperating revenues (expenses):</i>   |   |  |
| Interest and investment revenue  | 86,903  | 7,787  |
| Capital grants and contributions   | 495,000   | -  |
| Interest expense   | (254,728)   | -  |
| <i>Total non-operating (expenses) revenue</i>  | 327,175   | 7,787  |
| <i>Income (loss) before contributions</i>  | (2,213,712)   | 432,410  |
| Capital contributions  | 13,523  | -  |
| Operating transfers in   | 1,880,579   | -  |
| Transfers out  | (31,265)  | -  |
| <i>Special item</i> - loss on disposal of assets   | (7,900)   | -  |
| <i>Change in net assets</i>  | (358,775)   | 432,410  |
| <i>Total net assets - beginning of year</i>  | 30,729,118  | 1,625,144  |
| <i>Total net assets - end of year</i>  | \$ 30,370,343   | \$ 2,057,554   |
| Change in net assets, per above  | \$ (358,775)  |  |
| Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds. | 24,096  |  |
| Change in net assets of business-type activities   | \$ (334,679)  |  |

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, 2009

Exhibit D-3

|  | Business-type<br>Activities      | Governmental<br>Activities               |
|--|----------------------------------|--|
|  | Joint Utility<br>Enterprise Fund | Risk Management<br>Internal Service Fund |
|  |                                  |  |
| Cash flows from operating activities:                            |                                  |  |
| Receipts from customers and users                                | \$ 9,567,862                     | \$ -                                     |
| Receipts from interfund services provided                        | -                                | 5,613,111                                |
| Payments to suppliers  | (3,301,039)                      | (5,437,879)                              |
| Payments to employees  | (2,653,363)                      | -  |
| <b>Cash provided by operating activities</b>                     | <b>3,613,460</b>                 | <b>175,232</b>                           |
| Cash flows from capital and related financing activities:        |                                  |  |
| Principal paid on bonds payable                                  | (345,000)                        | -  |
| Proceeds from notes payable                                      | 8,635,939                        | -  |
| Transfers from other funds                                       | 1,880,579                        | -  |
| Transfers to other funds   | (31,265)                         | -  |
| Interest paid on bonds payable                                   | (361,098)                        | -  |
| <b>Cash provided by capital and related financing activities</b> | <b>9,779,155</b>                 | <b>-</b>                                 |
| Cash flows from investing activities:                            |                                  |  |
| Grant income   | 495,000                          | -  |
| Purchase of fixed assets   | (13,216,888)                     | -  |
| Interest on investments  | 86,903                           | 7,787                                    |
| <b>Cash (used) provided by investing activities</b>              | <b>(12,634,985)</b>              | <b>7,787</b>                             |
| <b>Net increase in cash and cash equivalents</b>                 | <b>757,630</b>                   | <b>183,019</b>                           |
| <b>Cash and cash equivalents, beginning of year</b>              | <b>8,939,327</b>                 | <b>2,120,681</b>                         |
| <b>Cash and cash equivalents, end of year</b>                    | <b>\$ 9,696,957</b>              | <b>\$ 2,303,700</b>                      |
| Cash and cash equivalents are classified as:                     |                                  |  |
| Current assets   | \$ 8,126,372                     | \$ 2,303,700                             |
| Restricted assets  | 1,570,585                        | -  |
|  | <b>\$ 9,696,957</b>              | <b>\$ 2,303,700</b>                      |

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, 2009

Exhibit D-3

|   | Business-type<br>Activities      | Governmental<br>Activities               |
|---|----------------------------------|--|
|   | Joint Utility<br>Enterprise Fund | Risk Management<br>Internal Service Fund |
| Reconciliation of operating income to net cash provided<br>(used) by operating activities:        |                                  |  |
| Operating income (loss)   | \$ (2,540,887)                   | \$ 424,623                               |
| Adjustments to reconcile operating income to net cash<br>provided (used) by operating activities: |                                  |  |
| Depreciation expense  | 6,762,631                        | -  |
| (Increase) decrease in:   |                                  |  |
| Accounts receivable   | (96,103)                         | (5,075)                                  |
| Inventory   | (64,141)                         | -  |
| Due from other governments  | 296,342                          | -  |
| (Decrease) increase in:   |                                  |  |
| Trade accounts payable  | (933,701)                        |  |
| Accrued salaries and related expenses   | 22,879                           | 7,020                                    |
| Estimated claims payable  | -                                | (251,336)                                |
| Accumulated unpaid vacation   | 21,205                           | -  |
| OPEB liability  | 121,343                          |  |
| Customer deposits   | 23,892                           | -  |
| Net cash provided by operating activities   | \$ 3,613,460                     | \$ 175,232                               |

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, 2009

Exhibit E

|                                   | <u>Agency Funds</u> |
|-----------------------------------|---------------------|
| <b>Assets</b>                     |                     |
| Cash and cash equivalents         | \$ 331,774          |
| <b>Total Assets</b>               | <u>\$ 331,774</u>   |
| <b>Liabilities</b>                |                     |
| Accounts payable                  | \$ 7,650            |
| Deposits held in trust for others | <u>324,124</u>      |
| <b>Total Liabilities</b>          | <u>\$ 331,774</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, 2009

**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, 2009

**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, 2009

**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, 2009

**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.

Statutes 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 depositories 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, 2009 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, 2009.

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, 2009 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, 2009

**NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)**

7. *Prepaid Items*

Payments made to vendors that will benefit periods beyond June 30, 2009 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, 2009 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 2009. 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, 2009

**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, 2009

**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, 2009

**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, 2009 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                         | \$ (9,261,300)                                    | \$ 6,221,562 | \$ 6,221,562 |
| Solid Waste Disposal Special Revenue | -   | 81,267       | 81,267       |
| Non-major Governmental Funds         | (15,317,491)                                      | (747,113)    | (747,113)    |

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, 2009, 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, 2009

**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, 2009. The following individual funds had negative pooled cash account balances as of June 30, 2009:

|                               |                       |
|-------------------------------|-----------------------|
| General Fund                  | \$ (748,000)          |
| Special Revenue Funds         |                       |
| Solid Waste                   | (157,041)             |
| Lea County Drug Task Force    | <u>(142,779)</u>      |
| Total Special Revenue Funds   | (1,047,820)           |
| Joint Utility Enterprise Fund | <u>(989,022)</u>      |
|                               | <u>\$ (2,036,842)</u> |

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 \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution.

As of June 30, 2009, \$2,303,583 of the City's bank balance of \$3,907,128 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 | \$ 2,303,583 |
|---|--------------|

The City also had the following temporary investments and at June 30, 2009:

|  |               |
|--|---------------|
| Investments not required to be categorized:      |               |
| State Treasurer Local Government Investment Pool | \$ 49,984,113 |

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, 2009 is presented at Schedule I.



STATE OF NEW MEXICO  
CITY OF HOBBS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009

**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<br>State Bank | Lea County<br>State Bank | Western<br>Commerce<br>Bank | Bank of<br>America | Pioneer<br>Bank | Wells<br>Fargo<br>Bank | Wells Fargo<br>Bank | Total        |
|--|--------------------------|--------------------------|-----------------------------|--------------------|-----------------|------------------------|---------------------|--------------|
| Total Deposits   | \$ 945,962               | \$ -                     | \$ 241,779                  | \$ 434,013         | \$ 99,000       | \$ 66,803              | \$ -                | \$ 1,787,557 |
| Repurchase<br>Agreements   | -                        | 2,025,336                | -                           | -                  | -               | -                      | 94,234              | 2,119,570    |
| Less FDIC/FSLIC,<br>Insurance  | 945,962                  | -                        | 241,779                     | 250,000            | 99,000          | 66,803                 | -                   | 1,603,544    |
| Total uninsured public<br>funds  | \$ -                     | \$ 2,025,336             | \$ -                        | \$ 184,013         | \$ -            | \$ -                   | \$ 94,234           | \$ 2,303,583 |
| Pledged collateral:  |                          |                          |                             |                    |                 |                        |                     |              |
| Pledged collateral<br>held by pledging<br>bank's trust<br>department or agent<br>but not in the<br>agency's name | 1,135,000                | 2,065,843                | 148,405                     | 235,886            | -               | -                      | 96,118              | 3,681,252    |
| Uninsured and<br>uncollateralized  | \$ -                     | \$ -                     | \$ -                        | \$ -               | \$ -            | \$ -                   | \$ -                | \$ -         |
| Collateral requirement<br>50% of uninsured<br>public funds   | \$ -                     | \$ -                     | \$ -                        | \$ 92,007          | \$ -            | \$ -                   | \$ -                | \$ 92,007    |
| 102% of uninsured<br>public funds  | -                        | 2,065,843                | -                           | -                  | -               | -                      | 96,118              | 2,161,961    |
| Pledged securities   | 1,135,000                | 2,065,843                | 148,405                     | 235,886            | -               | -                      | 96,118              | 3,681,252    |
| Over (under) pledged   | \$ 1,135,000             | \$ -                     | \$ 148,405                  | \$ 143,879         | \$ -            | \$ -                   | \$ -                | \$ 1,427,284 |

STATE OF NEW MEXICO  
CITY OF HOBBS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009

**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, 2009 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                    | \$ 2,119,570         |
| State Treasurer Local Government Investment Pool (LGIP)                       | < 90 days                   | <u>49,984,113</u>    |
| Total investments included as cash and cash equivalents                       |                             | <u>52,103,683</u>    |
| Included as long term investments:  |                             |                      |
| Certificates of deposit   | October 2009 to June 2010   | 198,000              |
| U.S. Treasury notes   | July 2010 to September 2010 | <u>1,776,338</u>     |
| Total long term investments   |                             | <u>1,974,338</u>     |
| Total investments   |                             | <u>\$ 54,078,021</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 \$49,984,113 approximates the fair value of all investments at June 30, 2009. 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, 2009

**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, 2009 was 43 days.

**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, 2009**

**NOTE E - RECEIVABLES**

The amounts of accounts receivables and due from other governments at June 30, 2009 are composed of the following:

|                                     | General Fund      | Solid Waste Disposal | Nonmajor Governmental Funds | Internal Service Fund | Total Governmental Activities | Enterprise          |
|-------------------------------------|-------------------|----------------------|-----------------------------|-----------------------|-------------------------------|---------------------|
| <b>Accounts Receivable:</b>         |                   |                      |                             |                       |                               |                     |
| Ambulance                           | \$ 8,043,142      | \$ -                 | \$ -                        | \$ -                  | \$ 8,043,142                  | \$ -                |
| Municipal Court                     | 1,342,930         | -                    | -                           | -                     | 1,342,930                     | -                   |
| Mowing/Condemnation                 | 618,511           | -                    | -                           | -                     | 618,511                       | -                   |
| Franchise Taxes                     | 101,588           | -                    | -                           | -                     | 101,588                       | -                   |
| Accounts                            | -                 | 764,009              | 153,494                     | -                     | 917,503                       | 1,643,279           |
| Property Taxes                      | 104,730           | -                    | -                           | -                     | 104,730                       | -                   |
| Other                               | 121,244           | -                    | 275,602                     | 43,628                | 440,474                       | -                   |
|                                     | <u>10,332,145</u> | <u>764,009</u>       | <u>429,096</u>              | <u>43,628</u>         | <u>11,568,878</u>             | <u>1,643,279</u>    |
| Less: allowances for uncollectibles | 9,453,859         | -                    | 153,494                     | -                     | 9,607,353                     | 138,943             |
| Net receivables                     | <u>\$ 878,286</u> | <u>\$ 764,009</u>    | <u>\$ 275,602</u>           | <u>\$ 43,628</u>      | <u>\$ 1,961,525</u>           | <u>\$ 1,504,336</u> |

**Due From Other Governments:**

**Due from Federal Government**

|   |      |      |            |      |            |      |
|---|------|------|------------|------|------------|------|
| Department of Justice                     | \$ - | \$ - | \$ 698,765 | \$ - | \$ 698,765 | \$ - |
| Department of Housing & Urban Development | -    | -    | 17,999     | -    | 17,999     | -    |
| Department of Health & Human Services     | -    | -    | 15,108     | -    | 15,108     | -    |
| Department of Transportation              | -    | -    | 21,978     | -    | 21,978     | -    |
| Department of Homeland Security           | -    | -    | 5,309      | -    | 5,309      | -    |

**Due from State of New Mexico**

|                              |                     |             |                     |             |                     |                   |
|------------------------------|---------------------|-------------|---------------------|-------------|---------------------|-------------------|
| Taxation & Revenue           | 5,078,484           | -           | 249,404             | -           | 5,327,888           | 124,401           |
| Legislature                  | 653,541             | -           | 41,840              | -           | 695,381             | -                 |
| Department of Transportation | -                   | -           | 967,529             | -           | 967,529             | -                 |
| Department of Human Services | -                   | -           | 53,910              | -           | 53,910              | -                 |
| State Forestry Division      | -                   | -           | -                   | -           | -                   | -                 |
| Environment Department       | -                   | -           | -                   | -           | -                   | 12,500            |
| Department of Public Safety  | 11,110              | -           | -                   | -           | 11,110              | -                 |
|                              | <u>\$ 5,743,135</u> | <u>\$ -</u> | <u>\$ 2,071,842</u> | <u>\$ -</u> | <u>\$ 7,814,977</u> | <u>\$ 136,901</u> |

STATE OF NEW MEXICO  
CITY OF HOBBS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009

**NOTE F - COMPONENTS OF RESTRICTED ASSETS**

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

|      | City Commission<br>Improvement<br>Fund |
|------|--|
| Cash | \$ 1,819,748                           |
|      | \$ 1,819,748                           |

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

|             | Waste Water<br>Plan<br>Construction | Customer<br>Deposits | Totals       |
|-------------|-------------------------------------|----------------------|--------------|
| Cash        | \$ 1,134,779                        | \$ 153,806           | \$ 1,288,585 |
| Investments | -                                   | 282,000              | 282,000      |
|             | \$ 1,134,779                        | \$ 435,806           | \$ 1,570,585 |

**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<br>Date | Amount Issued | Amount<br>Outstanding<br>June 30, 2009 | Purpose                                 |
|---|---------------|--------------------|---------------|--|---|
| Evangelical<br>Lutheran Good<br>Samaritan Society | 1996          | 2026               | \$ 5,955,000  | \$ 4,410,000                           | Expansion of<br>Health Care<br>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, 2009

**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](http://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, 2009, 2008, and 2007 were \$2,360,905, \$2,318,149 and \$2,012,414, 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, 2009.

**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, 2009, 2008, and 2007 were \$0, \$0 and \$12,345, respectively.

**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. During the fiscal year ended June 30, 2009, the City Commission passed a resolution amending the Retiree Group Insurance Program. The Retiree Health Plan does not issue a publically available financial report.

The Retiree Health Plan has 112 retirees receiving benefits and a total of 405 active participants.

STATE OF NEW MEXICO  
CITY OF HOBBS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009

**NOTE J – RETIREE HEALTH PLAN (Continued)**

**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, 2009, 2008 and 2007 respectively, plan members' contributions totaled \$600,657, \$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 retirees eligible for benefits as of January 1, 2009. For employees becoming eligible for benefits after January 1, 2009, the City contributes 2% for each year of service, up to a maximum of 15 years of service or 30% of the cost of premiums. Employees who had accumulated a higher percentage subsidy at January 1, 2009, will receive the subsidy at that higher percentage rate. For the fiscal year ended June 30, 2009, 2008 and 2007 respectively, the City contributed \$429,092, \$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<br>Funds      | Enterprise<br>Funds      | Total                      |
|--|----------------------------|--------------------------|----------------------------|
| Annual Required Contribution (ARC)         | \$ 1,500,556               | \$ 163,016               | \$ 1,663,572               |
| Interest on net OPEB obligation            | 80,058                     | 8,697                    | 88,755                     |
| Adjustment to Annual Required Contribution | (76,610)                   | (8,323)                  | (84,933)                   |
| Annual OPEB cost (expense)                 | <u>1,504,004</u>           | <u>163,390</u>           | <u>1,667,394</u>           |
| Actual contribution                        | (387,045)                  | (42,048)                 | (429,093)                  |
| Increase in net OPEB obligation            | <u>1,116,959</u>           | <u>121,342</u>           | <u>1,238,301</u>           |
| Net OPEB obligation - beginning of year    | 1,880,572                  | 91,760                   | 1,972,332                  |
| <b>Net OPEB obligation - end of year</b>   | <b><u>\$ 2,997,531</u></b> | <b><u>\$ 213,102</u></b> | <b><u>\$ 3,210,633</u></b> |

STATE OF NEW MEXICO  
CITY OF HOBBS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009

**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, 2009 were as follows:

| Fiscal year ended | Annual OPEB cost | Actual employer contributions | Percentage contributed | Net OPEB obligation |
|-------------------|------------------|-------------------------------|------------------------|---------------------|
| 6/30/2009         | \$ 1,663,572     | \$ 429,093                    | 25.79%                 | \$ 3,210,633        |
| 6/30/2008         | \$ 1,318,966     | \$ 354,391                    | 26.87%                 | \$ 1,972,332        |
| 6/30/2007         | \$ 1,317,000     | \$ 309,243                    | 23.48%                 | \$ 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.

As of January 1, 2009, the actuarial accrued liability for benefits was \$19,814,591, all of which was unfunded. The covered payroll (the annual payroll of active employees covered by the plan) was \$20,379,985, and the unfunded actuarial accrued liability (UAAL) was 97.23 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, 2009 actuarial valuation the unit credit 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 11.0% was used; this rate is reduced by decrements to an ultimate rate of 5.0% after six 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.

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.



STATE OF NEW MEXICO  
CITY OF HOBBS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009

**NOTE J – RETIREE HEALTH PLAN (Continued)**

The change in the actuarial valuation method resulted from developments in the two years since the implementation of GASB Statements No. 43 and 45, wherein the unit credit cost valuation method has become the most widely used actuarial method.

**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.

Individual fund interfund receivables and payable balances at June 30, 2009, were as follows:

|  | Interfund<br>Receivables | Interfund<br>Payables |
|--|--------------------------|-----------------------|
| General Fund:                                      |                          |                       |
| Due from non-major governmental funds:             |                          |                       |
| Lea County Drug Task Force Special Revenue Fund    | \$ 189,392               | \$ -                  |
| Community Development Special Revenue Fund         | 237,466                  | -                     |
| Industrial Park Construction Capital Projects Fund | 46,510                   | -                     |
| Total General Funds                                | 473,368                  | -                     |
| Non-major Governmental Funds:                      |                          |                       |
| Due to general fund:                               |                          |                       |
| Lea County Drug Task Force Special Revenue Fund    | -                        | 189,392               |
| Community Development Special Revenue Fund         | -                        | 237,466               |
| Industrial Park Construction Capital Projects Fund | -                        | 46,510                |
| Total Nonmajor Governmental Funds                  | -                        | 473,368               |
|  | \$ 473,368               | \$ 473,368            |

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, 2009

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

Individual fund interfund transfers during the year ended June 30, 2009 were as follows:

|   | <u>Transfers From</u>             | <u>Transfers To</u>               |
|---|-----------------------------------|-----------------------------------|
| <b>General Fund</b>   |                                   |                                   |
| Nonmajor Governmental Funds:  |                                   |                                   |
| Older American Act Special Revenue Fund   | \$ -                              | \$ 362,398                        |
| Golf Special Revenue Fund   | -                                 | 258,459                           |
| Cemetery Special Revenue Fund   | -                                 | 59,255                            |
| Lodger's Tax Promotional Special Revenue Fund   | 105,668                           | -                                 |
| McAdams Park Special Revenue Fund   | -                                 | 194,066                           |
| Public Transportation Special Revenue Fund  | -                                 | 182,036                           |
| Fire Protection Special Revenue Fund  | 20,000                            | -                                 |
| Community Development Special Revenue Fund  | -                                 | 600,000                           |
| Library Expendable Trust Special Revenue Fund   | -                                 | 1,216                             |
| Industrial Park Construction Capital Projects Fund  | -                                 | 288,497                           |
| Parks Improvement Capital Projects Fund   | -                                 | 270,500                           |
| Capital Projects Fund   | -                                 | 2,735,000                         |
| Capital Improvements Capital Projects Fund  | -                                 | 117,500                           |
| Vehicle Replacement Capital Projects Fund   | -                                 | 128,104                           |
| City Commission Improvement Capital Projects Fund   | 2,200,000                         | -                                 |
| Joint Utility Enterprise Fund   | -                                 | 480,579                           |
|   | <u>2,325,668</u>                  | <u>5,677,610</u>                  |
| <b>Nonmajor Governmental Funds:</b>   |                                   |                                   |
| To Older American Act Special Revenue Fund from General Fund                              | 362,398                           | -                                 |
| To Golf Special Revenue Fund from General Fund  | 258,459                           | -                                 |
| To Cemetery Special Revenue Fund from General Fund  | 59,255                            | -                                 |
| To McAdams Park Special Revenue Fund from General Fund                                    | 194,066                           | -                                 |
| To General Fund from Lodger's Tax Special Revenue Fund                                    | -                                 | 105,668                           |
| To Capital Projects Fund from Lodger's Tax Promotional Special Revenue Fund               | 500,000                           | 500,000                           |
| To General Fund from Fire Protection Special Revenue Fund                                 | -                                 | 20,000                            |
| To General Fund from City Commission Improvement Capital Projects Fund                    | -                                 | 2,200,000                         |
| To Public Transportation Special Revenue Fund from General Fund                           | 182,036                           | -                                 |
| To Community Development Special Revenue Fund from General Fund                           | 600,000                           | -                                 |
| To Library Expendable Trust Special Revenue Fund from General Fund                        | 1,216                             | -                                 |
| To Industrial Park Construction Capital Projects Fund from General Fund                   | 288,497                           | -                                 |
| To Parks Improvement Capital Projects Fund from General Fund                              | 270,500                           | -                                 |
| To Capital Projects Fund from General Fund  | 2,735,000                         | -                                 |
| To Capital Improvements Capital Projects Fund from General Fund                           | 117,500                           | -                                 |
| To Vehicle Replacement Capital Projects Fund from General Fund                            | 128,104                           | -                                 |
| To Vehicle Replacement Capital Projects Fund from Older American Act Special Revenue Fund | 51,633                            | 51,633                            |
| To Vehicle Replacement Capital Projects Fund from Joint Utility Fund                      | 31,265                            | -                                 |
| To Joint Utility Enterprise Fund from City Commission Capital Projects Fund               | -                                 | 1,400,000                         |
|   | <u>5,779,929</u>                  | <u>4,277,301</u>                  |
| <b>Total transfers to/from governmental funds</b>   | <u><b>8,105,597</b></u>           | <u><b>9,954,911</b></u>           |
| <b>Joint Utility Enterprise Fund</b>  |                                   |                                   |
| From General Fund   | 480,579                           | -                                 |
| To Vehicle Replacement Capital Projects Fund  | -                                 | 31,265                            |
| From City Commission Capital Projects Fund  | 1,400,000                         | -                                 |
| <b>Total transfers to/from Joint Utility Enterprise Fund</b>                              | <u><b>1,880,579</b></u>           | <u><b>31,265</b></u>              |
| <b>Total transfers to/from</b>  | <u><u><b>\$ 9,986,176</b></u></u> | <u><u><b>\$ 9,986,176</b></u></u> |

STATE OF NEW MEXICO  
CITY OF HOBBS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009

**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, 2009. Land is not subject to depreciation.

|  | Balance<br>June 30, 2008 | Additions &<br>Transfers | Deletions &<br>Transfers | Balance<br>June 30, 2009 |
|--|--------------------------|--------------------------|--------------------------|--------------------------|
| Assets not subject to depreciation           |                          |                          |                          |                          |
| Land   | \$ 6,856,819             | \$ 593,884               | \$ -                     | \$ 7,450,703             |
| Total non-depreciable assets                 | 6,856,819                | 593,884                  | -                        | 7,450,703                |
| Assets subject to depreciation:              |                          |                          |                          |                          |
| Buildings                                    | 25,335,485               | 6,402,252                | -                        | 31,737,737               |
| Equipment                                    | 31,705,157               | 4,579,954                | 894,551                  | 35,390,560               |
| Land improvements                            | 10,552,447               | 2,172,790                | -                        | 12,725,237               |
| Infrastructure                               | 47,442,696               | 5,325,835                | -                        | 52,768,531               |
| Total depreciated assets                     | 115,035,785              | 18,480,831               | 894,551                  | 132,622,065              |
| Amortizable assets:                          |                          |                          |                          |                          |
| Intangible assets                            | -                        | 188,184                  | -                        | 188,184                  |
| Total amortizable assets                     | -                        | 188,184                  | -                        | 188,184                  |
| Total capital assets                         | 121,892,604              | 19,262,899               | 894,551                  | 140,260,952              |
| Less accumulated depreciation:               |                          |                          |                          |                          |
| Buildings                                    | 8,274,541                | 1,134,008                | -                        | 9,408,549                |
| Equipment                                    | 13,794,728               | 2,721,120                | 793,933                  | 15,721,915               |
| Land improvements                            | 3,626,212                | 317,616                  | -                        | 3,943,828                |
| Infrastructure                               | 4,424,740                | 2,550,724                | -                        | 6,975,464                |
| Total accumulated depreciation               | 30,120,221               | 6,723,468                | 793,933                  | 36,049,756               |
| Less accumulated amortization:               |                          |                          |                          |                          |
| Intangible assets                            | -                        | 851                      | -                        | 851                      |
| Total accumulated amortization               | -                        | 851                      | -                        | 851                      |
| Governmental activity capital assets,<br>net | \$ 91,772,383            | \$ 12,538,580            | \$ 100,618               | \$ 104,210,345           |

STATE OF NEW MEXICO  
CITY OF HOBBS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009

**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<br>June 30, 2008 | Additions &<br>Transfers | Deletions &<br>Transfers | Balance<br>June 30, 2009 |
|-------------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
| 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               | 19,962                   | -                        | 11,601,011               |
| Equipment                           | 6,266,181                | 97,325                   | 161,498                  | 6,202,008                |
| Sewer plant:                        |                          |                          |                          |                          |
| Sewer system                        | 14,143,554               | -                        | -                        | 14,143,554               |
| Equipment                           | 1,330,514                | 141,177                  | 96,312                   | 1,375,379                |
| Waste water plant                   | 43,048,955               | 8,988,780                | -                        | 52,037,735               |
| Industrial water plant              | 5,764,286                | 3,955,544                | -                        | 9,719,830                |
| Total depreciated assets            | 82,134,539               | 13,202,788               | 257,810                  | 95,079,517               |
| Amortizable assets:                 |                          |                          |                          |                          |
| Intangible assets                   | -                        | 27,625                   | -                        | 27,625                   |
| Total amortizable assets            | -                        | 27,625                   | -                        | 27,625                   |
| Total capital assets                | 82,356,532               | 13,230,413               | 257,810                  | 95,329,135               |
| Less accumulated depreciation:      |                          |                          |                          |                          |
| Water plant:                        |                          |                          |                          |                          |
| Water system                        | 12,707,909               | 10,040                   | -                        | 12,717,949               |
| Equipment                           | 2,025,449                | 161,837                  | 157,098                  | 2,030,188                |
| Sewer plant:                        |                          |                          |                          |                          |
| Sewer system                        | 5,810,812                | 434,362                  | -                        | 6,245,174                |
| Equipment                           | 611,547                  | 87,148                   | 92,813                   | 605,882                  |
| Waste water plant                   | 7,596,512                | 4,870,599                | -                        | 12,467,111               |
| Industrial water plant              | 828,419                  | 1,198,362                | -                        | 2,026,781                |
| Total accumulated depreciation      | 29,580,648               | 6,762,348                | 249,911                  | 36,093,085               |
| Less accumulated amortization:      |                          |                          |                          |                          |
| Intangible assets                   | -                        | 283                      | -                        | 283                      |
| Total accumulated amortization      | -                        | 283                      | -                        | 283                      |
| Net fixed assets                    | \$ 52,775,884            | \$ 6,467,782             | \$ 7,899                 | \$ 59,235,767            |

**STATE OF NEW MEXICO  
CITY OF HOBBS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE L – CAPITAL ASSETS (Continued)**

Depreciation expense for the year ended June 30, 2009 was charged to the following functions and funds:

|                               |                     |
|-------------------------------|---------------------|
| Governmental activities:      |                     |
| General government            | \$ 2,194,817        |
| Public safety                 | 1,346,963           |
| Public works                  | 1,728,517           |
| Health and welfare            | 295,691             |
| Culture and recreation        | <u>1,157,480</u>    |
| Total depreciation expense    | <u>\$ 6,723,468</u> |
| Amortization expense          | <u>\$ 851</u>       |
| Total amortization expense    | <u>\$ 851</u>       |
|                               |                     |
| Business type activities:     |                     |
| Joint Utility Enterprise Fund | <u>\$ 6,762,348</u> |
| Total depreciation expense    | <u>\$ 6,762,348</u> |
| Amortization expense          | <u>\$ 283</u>       |
| Total amortization expense    | <u>\$ 283</u>       |

**NOTE M – LONG-TERM DEBT**

During the year ended June 30, 2009, the following changes occurred in long term liability for governmental activities:

|   | Balance<br>July 1, 2008 | Additions           | Reductions          | Balance<br>June 30, 2009 | Due Within<br>One Year |
|---|-------------------------|---------------------|---------------------|--------------------------|------------------------|
| Compensated absences                                  | \$ 1,142,358            | \$ 1,392,776        | \$ 1,215,540        | \$ 1,319,594             | \$ 286,731             |
| Unfunded OPEB Liability                               | 1,880,572               | 1,504,003           | 387,044             | 2,997,531                | -                      |
| Note Payable - New Mexico Public<br>Finance Authority | 250,474                 | -                   | 39,008              | 211,466                  | 39,884                 |
| Note Payable - New Mexico Public<br>Finance Authority | 640,000                 | -                   | 640,000             | -                        | -                      |
|   | <u>\$ 3,913,404</u>     | <u>\$ 2,896,779</u> | <u>\$ 2,281,592</u> | <u>\$ 4,528,591</u>      | <u>\$ 326,615</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.

**STATE OF NEW MEXICO  
CITY OF HOBBS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE M – LONG-TERM DEBT (Continued)**

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 |
|----------------------------|-------------------|------------------|--------------------|
| 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             |
|                            | <b>\$ 211,466</b> | <b>\$ 21,678</b> | <b>\$ 233,144</b>  |

Interest expense for the year ended June 30, 2009 was charged to the following functions and funds:

|                               |                   |
|-------------------------------|-------------------|
| Governmental activities:      |                   |
| General government            | \$ 22,082         |
| Public safety                 | 5,940             |
|                               | <u>\$ 28,022</u>  |
| Business type activities:     |                   |
| Joint Utility Enterprise Fund | <u>\$ 254,728</u> |

During the year ended June 30, 2009, the following changes occurred in long term liabilities reported in the Joint Utility Enterprise Fund:

|   | Balance<br>July 1, 2008 | Increases           | Decreases         | Balance<br>June 30, 2009 | Due Within<br>One Year |
|---|-------------------------|---------------------|-------------------|--------------------------|------------------------|
| Compensated absences                                | \$ 107,209              | \$ 139,517          | \$ 118,313        | \$ 128,413               | \$ 32,000              |
| Unfunded OPEB liability                             | 91,760                  | 163,391             | 42,049            | 213,102                  | -                      |
| Bonds payable                                       | 3,820,000               | -                   | 345,000           | 3,475,000                | 365,000                |
| Note Payable - New Mexico<br>Environment Department | 21,351,994              | 8,635,939           | -                 | 29,987,933               | -                      |
| Note Payable - New Mexico<br>Finance Authority      | -                       | 90,000              | 90,000            | -                        | -                      |
| Note Payable - New Mexico<br>Finance Authority      | 5,019,965               | -                   | -                 | 5,019,965                | -                      |
|   | <b>\$ 30,390,928</b>    | <b>\$ 9,028,847</b> | <b>\$ 595,362</b> | <b>\$ 38,824,413</b>     | <b>\$ 397,000</b>      |

**STATE OF NEW MEXICO  
CITY OF HOBBS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009**

**NOTE M – LONG-TERM DEBT (Continued)**

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.

The annual debt service requirements to maturity, including principal and interest for the revenue bonds payable as of June 30, 2009, are as follows:

| Fiscal year ended June 30, | Principal           | Interest          | Total<br>Requirements |
|----------------------------|---------------------|-------------------|-----------------------|
| 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                       | 440,000             | 100,275           | 540,275               |
| 2015-2017                  | 1,470,000           | 156,975           | 1,626,975             |
|                            | <b>\$ 3,475,000</b> | <b>\$ 862,800</b> | <b>\$ 4,337,800</b>   |

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, 2009, 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 completion of the projects occurred in the fiscal year ended June 30, 2010.

| Fiscal year ended June 30, | Principal           | Interest            | Total<br>Requirements |
|----------------------------|---------------------|---------------------|-----------------------|
| 2011                       | \$ 215,009          | \$ 102,385          | \$ 317,394            |
| 2012                       | 219,319             | 98,042              | 317,361               |
| 2013                       | 223,717             | 93,611              | 317,328               |
| 2014                       | 228,202             | 89,092              | 317,294               |
| 2015-2019                  | 1,211,507           | 374,437             | 1,585,944             |
| 2020-2024                  | 1,337,931           | 247,064             | 1,584,995             |
| 2025-2029                  | 1,477,546           | 106,402             | 1,583,948             |
| 2030                       | 106,734             | 2,135               | 108,868               |
|                            | <b>\$ 5,019,965</b> | <b>\$ 1,113,168</b> | <b>\$ 6,133,132</b>   |

STATE OF NEW MEXICO  
CITY OF HOBBS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009

**NOTE M – LONG-TERM DEBT (Continued)**

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, 2009, 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. The annual debt service requirements to maturity, including principal and interest for the wastewater improvement loan payable as of June 30, 2009, are as follows:

| Fiscal year ended June 30, | Principal            | Interest            | Total<br>Requirements |
|----------------------------|----------------------|---------------------|-----------------------|
| 2011                       | \$ 1,234,205         | \$ 599,759          | \$ 1,833,964          |
| 2012                       | 1,258,889            | 575,075             | 1,833,964             |
| 2013                       | 1,284,067            | 549,897             | 1,833,964             |
| 2014                       | 1,309,748            | 524,216             | 1,833,964             |
| 2015-2019                  | 6,952,301            | 2,217,517           | 9,169,818             |
| 2020-2024                  | 7,675,903            | 1,493,915           | 9,169,818             |
| 2025-2029                  | 8,474,817            | 695,001             | 9,169,818             |
| 2030                       | 1,798,003            | 35,961              | 1,833,964             |
|                            | <b>\$ 29,987,933</b> | <b>\$ 6,691,341</b> | <b>\$ 36,679,274</b>  |

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

| Fiscal year ended June 30, | Principal            | Interest            | Total<br>Requirements |
|----------------------------|----------------------|---------------------|-----------------------|
| 2010                       | \$ 365,000           | \$ 179,575          | \$ 544,575            |
| 2011                       | 1,829,214            | 863,469             | 2,692,683             |
| 2012                       | 1,878,208            | 815,442             | 2,693,650             |
| 2013                       | 1,927,784            | 765,833             | 2,693,617             |
| 2014                       | 1,977,950            | 713,583             | 2,691,533             |
| 2015-2019                  | 9,633,808            | 2,748,929           | 12,382,737            |
| 2020-2024                  | 9,013,834            | 1,740,979           | 10,754,813            |
| 2025-2029                  | 9,952,363            | 801,403             | 10,753,766            |
| 2030                       | 1,904,737            | 38,096              | 1,942,833             |
|                            | <b>\$ 38,482,898</b> | <b>\$ 8,667,309</b> | <b>\$ 47,150,207</b>  |



STATE OF NEW MEXICO  
CITY OF HOBBS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009

**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.

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 \$1,448,008. For governmental activities, the liability for compensated absences in the statement of net assets totaled \$1,319,594. The amount of \$286,731 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 \$128,413, of which \$32,000 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, 2009, the City has an outstanding letter of credit for \$531,902. 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, 2009 and is

STATE OF NEW MEXICO  
CITY OF HOBBS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009

**NOTE O – CONTINGENT LIABILITIES (continued)**

***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.

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 \$468,615. Further estimated costs for this cleanup are approximately \$428,391. Total estimated cleanup costs are approximately \$897,006. 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, 2009.

***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, 2009, future minimum lease payments applicable to the operating leases are as follows:

|      |                   |
|------|-------------------|
|      | <u>Total</u>      |
| 2010 | 96,450            |
| 2011 | <u>39,002</u>     |
|      | <u>\$ 135,452</u> |

Rental expense for operating leases was \$96,450 in the fiscal year ended June 30, 2009.

STATE OF NEW MEXICO  
CITY OF HOBBS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009

**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 \$275,610 at June 30, 2009 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, 2009

**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 \$201,785 as of June 30, 2009. The capacity used to date as of June 30, 2009 is estimated to be 25% of total capacity. The City's share of the estimated current liability is \$105,937 as of June 30, 2009. 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.

STATE OF NEW MEXICO  
CITY OF HOBBS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009

**NOTE R – JOINT POWERS AGREEMENTS (Continued)**

***Hobbs Municipal Schools (continued)***

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.

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.

STATE OF NEW MEXICO  
CITY OF HOBBS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009

**NOTE R – JOINT POWERS AGREEMENTS (Continued)**

***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.

***Eddy-Lea Energy Alliance***

The City established a joint powers agreement with the Eddy-Lea Energy Alliance (ELEA) 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. During the year ended June 30, 2009, the City paid \$235,000 on behalf of ELEA to fund the purchase of land by ELEA.

***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 – 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, 2009:

Major Fund: Solid Waste Disposal – (\$144,047); Special Revenue Funds: Golf – (\$69,698), Cemetery – (\$9,311), McAdams Park – (\$13,495), Capital Projects Funds: Industrial Park Construction Fund – (\$251,328).

These funds do not have a deficit fund balance for Non-GAAP cash basis budgetary reporting. 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, 2009.

STATE OF NEW MEXICO  
CITY OF HOBBS  
NOTES TO FINANCIAL STATEMENTS  
JUNE 30, 2009

**NOTE T – 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, 2009 for water line and infrastructure projects of \$6.4 million; beautification incentive projects of \$748,000; the Waste Water Treatment Plant and infrastructure of \$8.3 million; and the General Fund infrastructure projects of \$8 million.

**SUPPLEMENTARY INFORMATION**



**NONMAJOR GOVERNMENTAL FUNDS**

STATE OF NEW MEXICO  
CITY OF HOBBS  
COMBINING BALANCE SHEET  
NONMAJOR GOVERNMENTAL FUNDS  
June 30, 2009

Statement A-1

|  | <u>Totals by Fund Type</u> |                         | <u>Total Nonmajor<br/>Governmental<br/>Funds</u> |
|--|----------------------------|-------------------------|--|
|  | <u>Special Revenue</u>     | <u>Capital Projects</u> |  |
| <b>ASSETS</b>                              |                            |                         |  |
| Cash and cash equivalents                  | \$ 2,438,551               | \$ 9,245,999            | \$ 11,684,550                                    |
| Investments                                | -                          | -                       | -  |
| Restricted cash and investments            | -                          | 1,819,748               | 1,819,748  |
| Receivables:                               |                            |                         |  |
| Accounts receivable, net                   | -                          | 275,602                 | 275,602  |
| Due from other governments                 | 795,070                    | 1,276,772               | 2,071,842  |
| Accrued interest receivable                | -                          | -                       | -  |
| Lease receivable                           | -                          | -                       | -  |
| Due from other funds                       | -                          | -                       | -  |
| <i>Total assets</i>                        | <u>\$ 3,233,621</u>        | <u>\$ 12,618,121</u>    | <u>\$ 15,851,742</u>                             |
| <b>LIABILITIES AND FUND BALANCES</b>       |                            |                         |  |
| <i>Liabilities:</i>                        |                            |                         |  |
| Accounts payable                           | \$ 384,708                 | \$ 563,840              | \$ 948,548                                       |
| Due to other funds                         | 426,858                    | 46,510                  | 473,368  |
| Deferred revenue                           | -                          | -                       | -  |
| Accrued salaries and related expenses      | 64,855                     | -                       | 64,855   |
| <i>Total liabilities</i>                   | <u>876,421</u>             | <u>610,350</u>          | <u>1,486,771</u>                                 |
| <i>Fund balances:</i>                      |                            |                         |  |
| Unreserved                                 | 2,357,200                  | 12,007,771              | 14,364,971                                       |
| Reserved:                                  |                            |                         |  |
| Debt service                               | -                          | -                       | -  |
| <i>Total fund balances</i>                 | <u>2,357,200</u>           | <u>12,007,771</u>       | <u>14,364,971</u>                                |
| <i>Total liabilities and fund balances</i> | <u>\$ 3,233,621</u>        | <u>\$ 12,618,121</u>    | <u>\$ 15,851,742</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, 2009

Statement A-2

|  | <u>Totals by Fund Type</u> |                         | <u>Total Nonmajor<br/>Governmental<br/>Funds</u> |
|--|----------------------------|-------------------------|--|
|  | <u>Special Revenue</u>     | <u>Capital Projects</u> |  |
| <i>Revenues:</i>   |                            |                         |  |
| Property, sales, and miscellaneous taxes                 | \$ 869,494                 | \$ 2,580,157            | \$ 3,449,651                                     |
| Fines and forfeitures                                    | -                          | -                       | -  |
| Licenses and permits                                     | -                          | -                       | -  |
| Intergovernmental  | 2,671,043                  | 3,991,901               | 6,662,944  |
| Charges for services                                     | 578,692                    | 3,110                   | 581,802  |
| Investment earnings                                      | 47,100                     | 100,897                 | 147,997  |
| Miscellaneous  | 709,574                    | 275,653                 | 985,227  |
| <i>Total revenues</i>                                    | <u>4,875,903</u>           | <u>6,951,718</u>        | <u>11,827,621</u>                                |
| <i>Expenditures:</i>                                     |                            |                         |  |
| <i>Current:</i>  |                            |                         |  |
| General Government                                       | 13,991                     | -                       | 13,991   |
| Public Safety  | 1,568,445                  | -                       | 1,568,445  |
| Public Works   | -                          | 49,647                  | 49,647   |
| Health and Welfare                                       | 2,083,895                  | -                       | 2,083,895  |
| Culture and Recreation                                   | 845,535                    | -                       | 845,535  |
| Sanitation   | -                          | -                       | -  |
| <i>Debt service:</i>                                     |                            |                         |  |
| Principal  | 39,008                     | 640,000                 | 679,008  |
| Interest and other charges                               | 5,940                      | 22,082                  | 28,022   |
| Capital Outlay   | 1,435,158                  | 5,661,144               | 7,096,302  |
| <i>Total expenditures</i>                                | <u>5,991,972</u>           | <u>6,372,873</u>        | <u>12,364,845</u>                                |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>(1,116,069)</u>         | <u>578,845</u>          | <u>(537,224)</u>                                 |
| <i>Other financing sources (uses):</i>                   |                            |                         |  |
| Transfers in   | 1,657,430                  | 4,122,499               | 5,779,929  |
| Transfers out  | (677,301)                  | (3,600,000)             | (4,277,301)                                      |
| <i>Total other financing sources (uses)</i>              | <u>980,129</u>             | <u>522,499</u>          | <u>1,502,628</u>                                 |
| <i>Special Items</i>                                     |                            |                         |  |
| Proceeds from sale of fixed assets                       | -                          | -                       | -  |
| Net change in fund balances                              | (135,940)                  | 1,101,344               | 965,404  |
| <i>Fund balances - beginning</i>                         | <u>2,493,140</u>           | <u>10,906,427</u>       | <u>13,399,567</u>                                |
| <i>Fund balances - ending</i>                            | <u>\$ 2,357,200</u>        | <u>\$ 12,007,771</u>    | <u>\$ 14,364,971</u>                             |

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.

## SPECIAL REVENUE FUNDS

**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, 2009

|  | Local<br>Government<br>Corrections | Police Protection           |
|--|------------------------------------|-----------------------------|
| <b>ASSETS</b>                              | <u>                    </u>        | <u>                    </u> |
| Cash and cash equivalents                  | \$ 777,207                         | \$ 732                      |
| 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>                    </u>        | <u>                    </u> |
| <i>Total assets</i>                        | <u>\$ 777,207</u>                  | <u>\$ 732</u>               |
| <br><b>LIABILITIES AND FUND BALANCES</b>   |                                    |                             |
| <i>Liabilities:</i>                        |                                    |                             |
| Accounts payable                           | \$ -                               | \$ 732                      |
| Due to other funds                         | -                                  | -                           |
| Deferred revenue                           | -                                  | -                           |
| Accrued salaries and related expenses      | -                                  | -                           |
|  | <u>                    </u>        | <u>                    </u> |
| <i>Total liabilities</i>                   | <u>-</u>                           | <u>732</u>                  |
| <i>Fund balances:</i>                      |                                    |                             |
| Unreserved                                 | <u>777,207</u>                     | <u>-</u>                    |
|  | <u>777,207</u>                     | <u>-</u>                    |
| <i>Total fund balances</i>                 | <u>777,207</u>                     | <u>-</u>                    |
|  | <u>\$ 777,207</u>                  | <u>\$ 732</u>               |
| <i>Total liabilities and fund balances</i> | <u>\$ 777,207</u>                  | <u>\$ 732</u>               |

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               | \$ -                              | \$ 1,000                  | \$ -            |
| -                       | -                                 | -                         | -               |
| -                       | -                                 | -                         | -               |
| -                       | 698,765                           | 69,018                    | -               |
| -                       | -                                 | -                         | -               |
| -                       | -                                 | -                         | -               |
| -                       | -                                 | -                         | -               |
| -                       | -                                 | -                         | -               |
| <u>\$ 10,896</u>        | <u>\$ 698,765</u>                 | <u>\$ 70,018</u>          | <u>\$ -</u>     |
| <br>                    |                                   |                           |                 |
| \$ -                    | \$ 249,037                        | \$ 16,532                 | \$ 54,184       |
| -                       | 189,392                           | -                         | -               |
| -                       | -                                 | -                         | -               |
| -                       | 3,917                             | 15,281                    | 15,514          |
| <u>-</u>                | <u>442,346</u>                    | <u>31,813</u>             | <u>69,698</u>   |
| <br>                    |                                   |                           |                 |
| 10,896                  | 256,419                           | 38,205                    | (69,698)        |
| <u>10,896</u>           | <u>256,419</u>                    | <u>38,205</u>             | <u>(69,698)</u> |
| <br>                    |                                   |                           |                 |
| <u>\$ 10,896</u>        | <u>\$ 698,765</u>                 | <u>\$ 70,018</u>          | <u>\$ -</u>     |

The accompanying notes are an integral part of these financial statements.  
86



STATE OF NEW MEXICO  
CITY OF HOBBS  
COMBINING BALANCE SHEET  
NONMAJOR SPECIAL REVENUE FUNDS  
June 30, 2009

| <b>ASSETS</b>                              | Cemetery | Airport    |
|--|----------|------------|
| Cash and cash equivalents                  | \$ 1,000 | \$ 137,362 |
| 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                     | -        | -          |
|  | \$ 1,000 | \$ 137,362 |
| <i>Total assets</i>                        | \$ 1,000 | \$ 137,362 |
| <b>LIABILITIES AND FUND BALANCES</b>       |          |            |
| <i>Liabilities:</i>                        |          |            |
| Accounts payable                           | \$ 4,865 | \$ 5,069   |
| Due to other funds                         | -        | -          |
| Deferred revenue                           | -        | -          |
| Accrued salaries and related expenses      | 5,446    | -          |
|  | 10,311   | 5,069      |
| <i>Total liabilities</i>                   | 10,311   | 5,069      |
| <i>Fund balances:</i>                      |          |            |
| Unreserved                                 | (9,311)  | 132,293    |
|  | (9,311)  | 132,293    |
| <i>Total fund balances</i>                 | (9,311)  | 132,293    |
| <i>Total liabilities and fund balances</i> | \$ 1,000 | \$ 137,362 |

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

| Lodgers' Tax<br>Promotional | McAdams Park    | Public<br>Transportation | Fire Protection   |
|-----------------------------|-----------------|--------------------------|-------------------|
| \$ 502,058                  | \$ -            | \$ 1,000                 | \$ 424,563        |
| -                           | -               | -                        | -                 |
| -                           | -               | -                        | -                 |
| -                           | -               | 21,978                   | 5,309             |
| -                           | -               | -                        | -                 |
| -                           | -               | -                        | -                 |
| -                           | -               | -                        | -                 |
| <u>\$ 502,058</u>           | <u>\$ -</u>     | <u>\$ 22,978</u>         | <u>\$ 429,872</u> |
| \$ 35,299                   | \$ 4,271        | \$ 149                   | \$ -              |
| -                           | -               | -                        | -                 |
| -                           | -               | -                        | -                 |
| -                           | 9,224           | 15,473                   | -                 |
| <u>35,299</u>               | <u>13,495</u>   | <u>15,622</u>            | <u>-</u>          |
| 466,759                     | (13,495)        | 7,356                    | 429,872           |
| <u>466,759</u>              | <u>(13,495)</u> | <u>7,356</u>             | <u>429,872</u>    |
| <u>\$ 502,058</u>           | <u>\$ -</u>     | <u>\$ 22,978</u>         | <u>\$ 429,872</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, 2009

|  | Emergency<br>Medical Services | Community<br>Development |
|--|-------------------------------|--------------------------|
| <b>ASSETS</b>                              |                               |                          |
| Cash and cash equivalents                  | \$ 9,882                      | \$ 557,682               |
| 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>\$ 9,882</u>               | <u>\$ 557,682</u>        |
| <br><b>LIABILITIES AND FUND BALANCES</b>   |                               |                          |
| <i>Liabilities:</i>                        |                               |                          |
| Accounts payable                           | \$ 6,841                      | \$ 7,729                 |
| Due to other funds                         | -                             | 237,466                  |
| Deferred revenue                           | -                             | -                        |
| Accrued salaries and related expenses      | -                             | -                        |
|  | <u>6,841</u>                  | <u>245,195</u>           |
| <i>Fund balances:</i>                      |                               |                          |
| Unreserved                                 | <u>3,041</u>                  | <u>312,487</u>           |
|  | <u>3,041</u>                  | <u>312,487</u>           |
| <i>Total liabilities and fund balances</i> | <u>\$ 9,882</u>               | <u>\$ 557,682</u>        |

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

| <u>Recreation</u><br><u>Expendable Trust</u> | <u>Library</u><br><u>Expendable Trust</u> | <u>Cemetery</u><br><u>Expendable Trust</u> | <u>Community</u><br><u>Parks</u><br><u>Expendable Trust</u> |
|--|---|--|---|
| \$ 8,510                                     | \$ -                                      | \$ 5,254                                   | \$ 1,405  |
| -  | -   | -  | -   |
| -  | -   | -  | -   |
| -  | -   | -  | -   |
| -  | -   | -  | -   |
| -  | -   | -  | -   |
| -  | -   | -  | -   |
| <u>\$ 8,510</u>                              | <u>\$ -</u>                               | <u>\$ 5,254</u>                            | <u>\$ 1,405</u>   |
| <br>   |   |  |   |
| \$ -   | \$ -                                      | \$ -                                       | \$ -  |
| -  | -   | -  | -   |
| -  | -   | -  | -   |
| -  | -   | -  | -   |
| -  | -   | -  | -   |
| <u>-</u>                                     | <u>-</u>                                  | <u>-</u>                                   | <u>-</u>  |
| <br>   |   |  |   |
| 8,510  | -   | 5,254                                      | 1,405   |
| <u>8,510</u>                                 | <u>-</u>                                  | <u>5,254</u>                               | <u>1,405</u>  |
| <u>\$ 8,510</u>                              | <u>\$ -</u>                               | <u>\$ 5,254</u>                            | <u>\$ 1,405</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, 2009

Statement B-1  
(Page 4 of 4)

| <b>ASSETS</b>                              | <u>Total Nonmajor<br/>Special Revenue<br/>Funds</u> |
|--|---|
| Cash and cash equivalents                  | \$ 2,438,551  |
| Investments                                | -   |
| Restricted cash and investments            | -   |
| Receivables:                               |   |
| Accounts receivable, net                   | -   |
| Due from other governments                 | 795,070   |
| Accrued interest receivable                | -   |
| Note receivable                            | -   |
| Lease receivable                           | -   |
| Due from other funds                       | -   |
| Assets held for resale                     | -   |
|  | <hr/>   |
| <i>Total assets</i>                        | <u><u>\$ 3,233,621</u></u>                          |
| <b>LIABILITIES AND FUND BALANCES</b>       |   |
| <i>Liabilities:</i>                        |   |
| Accounts payable                           | \$ 384,708  |
| Due to other funds                         | 426,858   |
| Deferred revenue                           | -   |
| Accrued salaries and related expenses      | 64,855  |
|  | <hr/>   |
| <i>Total liabilities</i>                   | <u>876,421</u>                                      |
| <i>Fund balances:</i>                      |   |
| Unreserved                                 | <u>2,357,200</u>                                    |
|  | <hr/>   |
| <i>Total fund balances</i>                 | <u>2,357,200</u>                                    |
|  | <hr/>   |
| <i>Total liabilities and fund balances</i> | <u><u>\$ 3,233,621</u></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, 2009

|  | Local<br>Government<br>Corrections | Police Protection |
|--|------------------------------------|-------------------|
| <i>Revenues:</i>   |                                    |                   |
| Property, sales, and miscellaneous taxes                 | \$ -                               | \$ -              |
| Fines and forfeitures                                    | -                                  | -                 |
| Licenses and permits                                     | -                                  | -                 |
| Intergovernmental  | -                                  | 69,467            |
| Charges for services                                     | -                                  | -                 |
| Investment earnings                                      | 13,671                             | -                 |
| Miscellaneous  | 220,417                            | -                 |
| <i>Total revenues</i>                                    | <u>234,088</u>                     | <u>69,467</u>     |
| <i>Expenditures:</i>                                     |                                    |                   |
| Current:   |                                    |                   |
| General government                                       | -                                  | 13,991            |
| Public safety  | 74,877                             | 40,067            |
| Public works   | -                                  | -                 |
| Health and welfare                                       | -                                  | -                 |
| Culture and recreation                                   | -                                  | -                 |
| Sanitation   | -                                  | -                 |
| Debt service:  |                                    |                   |
| Principal  | -                                  | -                 |
| Interest and other charges                               | -                                  | -                 |
| Capital Outlay   | 13,913                             | 15,409            |
| <i>Total expenditures</i>                                | <u>88,790</u>                      | <u>69,467</u>     |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>145,298</u>                     | <u>-</u>          |
| <i>Other financing sources (uses):</i>                   |                                    |                   |
| Transfers in   | -                                  | -                 |
| Transfers out  | -                                  | -                 |
| <i>Total other financing sources (uses)</i>              | <u>-</u>                           | <u>-</u>          |
| <i>Special Items</i>                                     |                                    |                   |
| Proceeds from sale of fixed assets                       | -                                  | -                 |
| <i>Net change in fund balances</i>                       | 145,298                            | -                 |
| <i>Fund balances - beginning</i>                         | <u>631,909</u>                     | <u>-</u>          |
| <i>Fund balances - ending</i>                            | <u>\$ 777,207</u>                  | <u>\$ -</u>       |

| Police Narcotics | Lea County Drug Task Force | Older American Act | Golf        |
|------------------|----------------------------|--------------------|-------------|
| \$ -             | \$ -                       | \$ -               | \$ -        |
| -                | -                          | -                  | -           |
| -                | -                          | -                  | -           |
| -                | 1,292,677                  | 169,943            | -           |
| -                | -                          | -                  | 294,014     |
| -                | -                          | -                  | -           |
| -                | -                          | 101,068            | 351,068     |
| -                | 1,292,677                  | 271,011            | 645,082     |
| -                | -                          | -                  | -           |
| -                | 1,390,330                  | -                  | -           |
| -                | -                          | -                  | -           |
| -                | -                          | 631,454            | -           |
| -                | -                          | -                  | 524,072     |
| -                | -                          | -                  | -           |
| -                | -                          | -                  | -           |
| -                | -                          | 58,351             | 439,491     |
| -                | 1,390,330                  | 689,805            | 963,563     |
| -                | (97,653)                   | (418,794)          | (318,481)   |
| -                | -                          | 362,398            | 258,459     |
| -                | -                          | (51,633)           | -           |
| -                | -                          | 310,765            | 258,459     |
| -                | -                          | -                  | -           |
| -                | (97,653)                   | (108,029)          | (60,022)    |
| 10,896           | 354,072                    | 146,234            | (9,676)     |
| \$ 10,896        | \$ 256,419                 | \$ 38,205          | \$ (69,698) |

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, 2009

|  | Cemetery          | Airport           |
|--|-------------------|-------------------|
| <i>Revenues:</i>   |                   |                   |
| Taxes  | \$ -              | \$ -              |
| Fines and forfeitures                                    | -                 | -                 |
| Licenses and permits                                     | -                 | -                 |
| Intergovernmental  | -                 | -                 |
| Charges for services                                     | 175,483           | -                 |
| Investment earnings                                      | -                 | 2,637             |
| Miscellaneous  | -                 | 24,255            |
| <i>Total revenues</i>                                    | <u>175,483</u>    | <u>26,892</u>     |
| <i>Expenditures:</i>                                     |                   |                   |
| Current:   |                   |                   |
| General government                                       | -                 | -                 |
| Public safety  | -                 | -                 |
| Public works   | -                 | -                 |
| Health and welfare                                       | 220,430           | -                 |
| Culture and recreation                                   | -                 | 37,724            |
| Sanitation   | -                 | -                 |
| Debt service:  |                   |                   |
| Principal  | -                 | -                 |
| Interest and other charges                               | -                 | -                 |
| Capital Outlay   | 20,385            | -                 |
| <i>Total expenditures</i>                                | <u>240,815</u>    | <u>37,724</u>     |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>(65,332)</u>   | <u>(10,832)</u>   |
| <i>Other financing sources (uses):</i>                   |                   |                   |
| Transfers in   | 59,255            | -                 |
| Transfers out  | -                 | -                 |
| <i>Total other financing sources (uses)</i>              | <u>59,255</u>     | <u>-</u>          |
| <i>Special Items</i>                                     |                   |                   |
| Proceeds from sale of fixed assets                       | -                 | -                 |
| <i>Net change in fund balances</i>                       | (6,077)           | (10,832)          |
| <i>Fund balances - beginning</i>                         | <u>(3,234)</u>    | <u>143,125</u>    |
| <i>Fund balances - ending</i>                            | <u>\$ (9,311)</u> | <u>\$ 132,293</u> |



| Lodgers' Tax Promotional | McAdams Park       | Public Transportation | Fire Protection   |
|--------------------------|--------------------|-----------------------|-------------------|
| \$ 869,494               | \$ -               | \$ -                  | \$ -              |
| -                        | -                  | -                     | -                 |
| -                        | -                  | -                     | -                 |
| -                        | -                  | 239,039               | 476,739           |
| -                        | 81,297             | 27,898                | -                 |
| 21,012                   | -                  | -                     | 9,642             |
| -                        | -                  | -                     | -                 |
| <u>890,506</u>           | <u>81,297</u>      | <u>266,937</u>        | <u>486,381</u>    |
| -                        | -                  | -                     | -                 |
| -                        | -                  | -                     | 44,012            |
| -                        | -                  | -                     | -                 |
| 770,077                  | -                  | 461,934               | -                 |
| -                        | 275,564            | -                     | -                 |
| -                        | -                  | -                     | -                 |
| -                        | -                  | -                     | 39,008            |
| -                        | -                  | -                     | 5,940             |
| -                        | 7,499              | 7,037                 | 173,657           |
| <u>770,077</u>           | <u>283,063</u>     | <u>468,971</u>        | <u>262,617</u>    |
| <u>120,429</u>           | <u>(201,766)</u>   | <u>(202,034)</u>      | <u>223,764</u>    |
| -                        | 194,066            | 182,036               | -                 |
| (605,668)                | -                  | -                     | (20,000)          |
| <u>(605,668)</u>         | <u>194,066</u>     | <u>182,036</u>        | <u>(20,000)</u>   |
| -                        | -                  | -                     | -                 |
| (485,239)                | (7,700)            | (19,998)              | 203,764           |
| <u>951,998</u>           | <u>(5,795)</u>     | <u>27,354</u>         | <u>226,108</u>    |
| <u>\$ 466,759</u>        | <u>\$ (13,495)</u> | <u>\$ 7,356</u>       | <u>\$ 429,872</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, 2009

|  | Emergency<br>Medical Services | Community<br>Development |
|--|-------------------------------|--------------------------|
| <i>Revenues:</i>   |                               |                          |
| Taxes  | \$ -                          | \$ -                     |
| Fines and forfeitures                                    | -                             | -                        |
| Licenses and permits                                     | -                             | -                        |
| Intergovernmental  | 19,159                        | 404,019                  |
| Charges for services                                     | -                             | -                        |
| Investment earnings                                      | -                             | -                        |
| Miscellaneous  | -                             | 600                      |
| <i>Total revenues</i>                                    | 19,159                        | 404,619                  |
| <i>Expenditures:</i>                                     |                               |                          |
| Current:   |                               |                          |
| General government                                       | -                             | -                        |
| Public safety  | 19,159                        | -                        |
| Public works   | -                             | -                        |
| Health and welfare                                       | -                             | -                        |
| Culture and recreation                                   | -                             | -                        |
| Sanitation   | -                             | -                        |
| Debt service:  |                               |                          |
| Principal  | -                             | -                        |
| Interest and other charges                               | -                             | -                        |
| Capital Outlay   | -                             | 692,851                  |
| <i>Total expenditures</i>                                | 19,159                        | 692,851                  |
| <i>Excess (deficiency) of revenues over expenditures</i> | -                             | (288,232)                |
| <i>Other financing sources (uses):</i>                   |                               |                          |
| Transfers in   | -                             | 600,000                  |
| Transfers out  | -                             | -                        |
| <i>Total other financing sources (uses)</i>              | -                             | 600,000                  |
| <i>Special Items</i>                                     |                               |                          |
| Proceeds from sale of fixed assets                       | -                             | -                        |
| <i>Net change in fund balances</i>                       | -                             | 311,768                  |
| <i>Fund balances - beginning</i>                         | 3,041                         | 719                      |
| <i>Fund balances - ending</i>                            | \$ 3,041                      | \$ 312,487               |

| Recreation<br>Expendable Trust | Library<br>Expendable Trust | Cemetery<br>Expendable Trust | Community<br>Parks<br>Expendable Trust |
|--------------------------------|-----------------------------|------------------------------|--|
| \$ -                           | \$ -                        | \$ -                         | \$ -                                   |
| -                              | -                           | -                            | -                                      |
| -                              | -                           | -                            | -                                      |
| -                              | -                           | -                            | -                                      |
| -                              | -                           | 126                          | 12                                     |
| 10,766                         | 1,400                       | -                            | -                                      |
| <u>10,766</u>                  | <u>1,400</u>                | <u>126</u>                   | <u>12</u>                              |
| -                              | -                           | -                            | -                                      |
| -                              | -                           | -                            | -                                      |
| -                              | -                           | -                            | -                                      |
| 8,175                          | -                           | -                            | -                                      |
| -                              | -                           | -                            | -                                      |
| -                              | -                           | -                            | -                                      |
| -                              | 6,565                       | -                            | -                                      |
| <u>8,175</u>                   | <u>6,565</u>                | <u>-</u>                     | <u>-</u>                               |
| <u>2,591</u>                   | <u>(5,165)</u>              | <u>126</u>                   | <u>12</u>                              |
| -                              | 1,216                       | -                            | -                                      |
| -                              | -                           | -                            | -                                      |
| -                              | 1,216                       | -                            | -                                      |
| <u>-</u>                       | <u>-</u>                    | <u>-</u>                     | <u>-</u>                               |
| 2,591                          | (3,949)                     | 126                          | 12                                     |
| <u>5,919</u>                   | <u>3,949</u>                | <u>5,128</u>                 | <u>1,393</u>                           |
| <u>\$ 8,510</u>                | <u>\$ -</u>                 | <u>\$ 5,254</u>              | <u>\$ 1,405</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, 2009

Statement B-2  
(Page 4 of 4)

|  | Total Nonmajor<br>Special Revenue<br>Funds |
|--|--|
|  |  |
| <i>Revenues:</i>   |  |
| Taxes  | \$ 869,494                                 |
| Fines and forfeitures  | -  |
| Licenses and permits   | -  |
| Intergovernmental  | 2,671,043                                  |
| Charges for services   | 578,692                                    |
| Investment earnings  | 47,100                                     |
| Miscellaneous  | 709,574                                    |
|  | 4,875,903                                  |
| <br><i>Total revenues</i>                                    |  |
| <br><i>Expenditures:</i>                                     |  |
| <i>Current:</i>  |  |
| General government   | 13,991                                     |
| Public safety  | 1,568,445                                  |
| Public works   | -  |
| Health and welfare   | 2,083,895                                  |
| Culture and recreation                                       | 845,535                                    |
| Sanitation   | -  |
| <i>Debt service:</i>   |  |
| Principal  | 39,008                                     |
| Interest and other charges                                   | 5,940                                      |
| Capital Outlay   | 1,435,158                                  |
|  | 5,991,972                                  |
| <br><i>Total expenditures</i>                                |  |
| <br><i>Excess (deficiency) of revenues over expenditures</i> |  |
|  | (1,116,069)                                |
| <br><i>Other financing sources (uses):</i>                   |  |
| Transfers in   | 1,657,430                                  |
| Transfers out  | (677,301)                                  |
|  | 980,129                                    |
| <br><i>Total other financing sources (uses)</i>              |  |
| <br><i>Special Items</i>                                     |  |
| Proceeds from sale of fixed assets                           | -  |
| <br><i>Net change in fund balances</i>                       |  |
|  | (135,940)                                  |
| <br><i>Fund balances - beginning</i>                         |  |
|  | 2,493,140                                  |
| <br><i>Fund balances - ending</i>                            |  |
|  | \$ 2,357,200                               |

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, 2009

Schedule B-3

|  | Budgeted Amounts  |                   | Actual Amounts    | Variance with<br>Final Budget -<br>Favorable<br>(Unfavorable) |
|--|-------------------|-------------------|-------------------|---|
|  | Original          | Final             |                   |   |
| <i>Revenues:</i>   |                   |                   |                   |   |
| Taxes  | \$ -              | \$ -              | \$ -              | \$ -  |
| Fines & forfeitures                                      | -                 | -                 | -                 | -   |
| Licenses and permits                                     | -                 | -                 | -                 | -   |
| Intergovernmental  | -                 | -                 | -                 | -   |
| Charges for services                                     | -                 | -                 | -                 | -   |
| Investment earnings                                      | 26,419            | 13,671            | 13,671            | -   |
| Miscellaneous  | 196,000           | 220,417           | 220,417           | -   |
| <i>Total revenues</i>                                    | <u>222,419</u>    | <u>234,088</u>    | <u>234,088</u>    | <u>-</u>  |
| <i>Expenditures:</i>                                     |                   |                   |                   |   |
| <i>Current:</i>  |                   |                   |                   |   |
| General government                                       | -                 | -                 | -                 | -   |
| Public Safety  | 91,428            | 74,877            | 74,877            | -   |
| Health and welfare                                       | -                 | -                 | -                 | -   |
| Culture and recreation                                   | -                 | -                 | -                 | -   |
| Sanitation   | -                 | -                 | -                 | -   |
| <i>Debt service:</i>                                     |                   |                   |                   |   |
| Principal  | -                 | -                 | -                 | -   |
| Interest and other charges                               | -                 | -                 | -                 | -   |
| Capital outlay   | -                 | 13,913            | 13,913            | -   |
| <i>Total expenditures</i>                                | <u>91,428</u>     | <u>88,790</u>     | <u>88,790</u>     | <u>-</u>  |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>130,991</u>    | <u>145,298</u>    | <u>145,298</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>\$ 130,991</u> | <u>\$ 145,298</u> | <u>145,298</u>    | <u>\$ -</u>   |
| <i>Reconciliation to GAAP Basis:</i>                     |                   |                   |                   |   |
| <i>Net change in fund balance</i>                        |                   |                   | <u>\$ 145,298</u> |   |

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

STATE OF NEW MEXICO  
CITY OF HOBBS  
POLICE PROTECTION

Schedule B-4

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
For the year ended June 30, 2009

|  | Budgeted Amounts |               | Actual Amounts | Variance with<br>Final Budget -<br>Favorable<br>(Unfavorable) |
|--|------------------|---------------|----------------|---|
|  | Original         | Final         |                |   |
| <i>Revenues:</i>   |                  |               |                |   |
| Taxes  | \$ -             | \$ -          | \$ -           | \$ -  |
| Fines & forfeitures                                      | -                | -             | -              | -   |
| Licenses and permits                                     | -                | -             | -              | -   |
| Intergovernmental  | 70,200           | 70,200        | 70,200         | -   |
| Charges for services                                     | -                | -             | -              | -   |
| Investment earnings                                      | -                | -             | -              | -   |
| Miscellaneous  | -                | -             | -              | -   |
| <i>Total revenues</i>                                    | <u>70,200</u>    | <u>70,200</u> | <u>70,200</u>  | <u>-</u>  |
| <i>Expenditures:</i>                                     |                  |               |                |   |
| <i>Current:</i>  |                  |               |                |   |
| General government                                       | -                | 13,991        | 13,991         | -   |
| Public Safety  | 40,200           | 40,067        | 40,067         | -   |
| Health and welfare                                       | -                | -             | -              | -   |
| Culture and recreation                                   | -                | -             | -              | -   |
| Sanitation   | -                | -             | -              | -   |
| <i>Debt service:</i>                                     |                  |               |                |   |
| Principal  | -                | -             | -              | -   |
| Interest and other charges                               | -                | -             | -              | -   |
| Capital outlay   | 30,000           | 15,409        | 15,409         | -   |
| <i>Total expenditures</i>                                | <u>70,200</u>    | <u>69,467</u> | <u>69,467</u>  | <u>-</u>  |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>-</u>         | <u>733</u>    | <u>733</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>\$ 733</u> | <u>733</u>     | <u>\$ -</u>   |
| <i>Reconciliation to GAAP Basis:</i>                     |                  |               |                |   |
| Increase in accounts payable                             |                  |               | <u>(733)</u>   |   |
| <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, 2009

|  | Budgeted Amounts |             | Actual Amounts | Variance with<br>Final Budget -<br>Favorable<br>(Unfavorable) |
|--|------------------|-------------|----------------|---|
|  | Original         | Final       |                |   |
| <i>Revenues:</i>   |                  |             |                |   |
| Taxes  | \$ -             | \$ -        | \$ -           | \$ -  |
| Fines & forfeitures                                      | 8,000            | -           | -              | -   |
| Licenses and permits                                     | -                | -           | -              | -   |
| Intergovernmental  | -                | -           | -              | -   |
| Charges for services                                     | -                | -           | -              | -   |
| Investment earnings                                      | -                | -           | -              | -   |
| Miscellaneous  | -                | -           | -              | -   |
| <i>Total revenues</i>                                    | <u>8,000</u>     | <u>-</u>    | <u>-</u>       | <u>-</u>  |
| <i>Expenditures:</i>                                     |                  |             |                |   |
| <i>Current:</i>  |                  |             |                |   |
| General government                                       | -                | -           | -              | -   |
| Public Safety  | 8,000            | -           | -              | -   |
| Health and welfare                                       | -                | -           | -              | -   |
| Culture and recreation                                   | -                | -           | -              | -   |
| Sanitation   | -                | -           | -              | -   |
| <i>Debt service:</i>                                     |                  |             |                |   |
| Principal  | -                | -           | -              | -   |
| Interest and other charges                               | -                | -           | -              | -   |
| Capital outlay   | -                | -           | -              | -   |
| <i>Total expenditures</i>                                | <u>8,000</u>     | <u>-</u>    | <u>-</u>       | <u>-</u>  |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>-</u>         | <u>-</u>    | <u>-</u>       | <u>-</u>  |
| <i>Other financing sources (uses):</i>                   |                  |             |                |   |
| 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>\$ -</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  
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, 2009

Schedule B-6

|  | Budgeted Amounts  |                   | Actual Amounts     | Variance with<br>Final Budget -<br>Favorable<br>(Unfavorable) |
|--|-------------------|-------------------|--------------------|---|
|  | Original          | Final             |                    |   |
| <i>Revenues:</i>   |                   |                   |                    |   |
| Taxes  | \$ -              | \$ -              | \$ -               | \$ -  |
| Fines & forfeitures                                      | -                 | -                 | -                  | -   |
| Licenses and permits                                     | -                 | -                 | -                  | -   |
| Intergovernmental  | 1,147,794         | 1,011,286         | 1,011,286          | -   |
| Charges for services                                     | -                 | -                 | -                  | -   |
| Investment earnings                                      | -                 | -                 | -                  | -   |
| Miscellaneous  | -                 | -                 | -                  | -   |
| <i>Total revenues</i>                                    | <u>1,147,794</u>  | <u>1,011,286</u>  | <u>1,011,286</u>   | <u>-</u>  |
| <i>Expenditures:</i>                                     |                   |                   |                    |   |
| <i>Current:</i>  |                   |                   |                    |   |
| General government                                       | -                 | -                 | -                  | -   |
| Highways and roads                                       | -                 | -                 | -                  | -   |
| Public Safety  | 1,147,794         | 1,142,890         | 1,142,890          | -   |
| Health and welfare                                       | -                 | -                 | -                  | -   |
| Culture and recreation                                   | -                 | -                 | -                  | -   |
| Sanitation   | -                 | -                 | -                  | -   |
| <i>Debt service:</i>                                     |                   |                   |                    |   |
| Principal  | -                 | -                 | -                  | -   |
| Interest and other charges                               | -                 | -                 | -                  | -   |
| Capital outlay   | -                 | -                 | -                  | -   |
| <i>Total expenditures</i>                                | <u>1,147,794</u>  | <u>1,142,890</u>  | <u>1,142,890</u>   | <u>-</u>  |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>-</u>          | <u>(131,604)</u>  | <u>(131,604)</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>Prior year federal grant receivable</i>               | <u>417,373</u>    | <u>417,373</u>    |                    |   |
| <i>Appropriated cash balance</i>                         | <u>\$ 417,373</u> | <u>\$ 285,769</u> | (131,604)          |   |
| <i>Reconciliation to GAAP Basis:</i>                     |                   |                   |                    |   |
| Increase in due from other governments                   |                   |                   | 281,392            |   |
| Increase in accounts payable                             |                   |                   | (247,142)          |   |
| Decrease in accrued salaries and related expenses        |                   |                   | <u>(299)</u>       |   |
| <i>Net change in fund balance</i>                        |                   |                   | <u>\$ (97,653)</u> |   |

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



## STATE OF NEW MEXICO

Schedule B-7

## 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, 2009

|  | Budgeted Amounts |                  | Actual Amounts      | Variance with<br>Final Budget -<br>Favorable<br>(Unfavorable) |
|--|------------------|------------------|---------------------|---|
|  | Original         | Final            |                     |   |
| <i>Revenues:</i>   |                  |                  |                     |   |
| Taxes  | \$ -             | \$ -             | \$ -                | \$ -  |
| Fines & forfeitures                                      | -                | -                | -                   | -   |
| Licenses and permits                                     | -                | -                | -                   | -   |
| Intergovernmental  | 161,507          | 272,215          | 272,215             | -   |
| Charges for services                                     | -                | -                | -                   | -   |
| Investment earnings                                      | -                | -                | -                   | -   |
| Miscellaneous  | 52,000           | 101,068          | 101,068             | -   |
| <i>Total revenues</i>                                    | <u>213,507</u>   | <u>373,283</u>   | <u>373,283</u>      | <u>-</u>  |
| <i>Expenditures:</i>                                     |                  |                  |                     |   |
| Current:   |                  |                  |                     |   |
| General government                                       | -                | -                | -                   | -   |
| Public Safety  | -                | -                | -                   | -   |
| Health and welfare                                       | 675,805          | 625,152          | 625,152             | -   |
| Culture and recreation                                   | -                | -                | -                   | -   |
| Sanitation   | -                | -                | -                   | -   |
| Debt service:  |                  |                  |                     |   |
| Principal  | -                | -                | -                   | -   |
| Interest and other charges                               | -                | -                | -                   | -   |
| Capital outlay   | 115,633          | 109,984          | 109,984             | -   |
| <i>Total expenditures</i>                                | <u>791,438</u>   | <u>735,136</u>   | <u>735,136</u>      | <u>-</u>  |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>(577,931)</u> | <u>(361,853)</u> | <u>(361,853)</u>    | <u>-</u>  |
| <i>Other financing sources (uses):</i>                   |                  |                  |                     |   |
| Transfers in   | 578,000          | 362,398          | 362,398             | -   |
| Transfers out  | -                | -                | -                   | -   |
| <i>Total other financing sources (uses)</i>              | <u>578,000</u>   | <u>362,398</u>   | <u>362,398</u>      | <u>-</u>  |
| <i>Appropriated cash balance</i>                         | <u>\$ 69</u>     | <u>\$ 545</u>    | <u>545</u>          | <u>\$ -</u>   |
| <i>Reconciliation to GAAP Basis:</i>                     |                  |                  |                     |   |
| Increase in due from other governments                   |                  |                  | (102,272)           |   |
| Increase in accounts payable                             |                  |                  | (3,984)             |   |
| Decrease in accrued salaries and related expenses        |                  |                  | (2,318)             |   |
| <i>Net change in fund balance</i>                        |                  |                  | <u>\$ (108,029)</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, 2009

|  | Budgeted Amounts |                  | Actual Amounts     | Variance with<br>Final Budget -<br>Favorable<br>(Unfavorable) |
|--|------------------|------------------|--------------------|---|
|  | Original         | Final            |                    |   |
| <i>Revenues:</i>   |                  |                  |                    |   |
| Taxes  | \$ -             | \$ -             | \$ -               | \$ -  |
| Fines & forfeitures                                      | -                | -                | -                  | -   |
| Licenses and permits                                     | -                | -                | -                  | -   |
| Intergovernmental  | -                | -                | -                  | -   |
| Charges for services                                     | 325,000          | 294,014          | 294,014            | -   |
| Investment earnings                                      | -                | -                | -                  | -   |
| Miscellaneous  | 495,000          | 351,068          | 351,068            | -   |
| <i>Total revenues</i>                                    | <u>820,000</u>   | <u>645,082</u>   | <u>645,082</u>     | <u>-</u>  |
| <i>Expenditures:</i>                                     |                  |                  |                    |   |
| <i>Current:</i>  |                  |                  |                    |   |
| General government                                       | -                | -                | -                  | -   |
| Public Safety  | -                | -                | -                  | -   |
| Health and welfare                                       | -                | -                | -                  | -   |
| Culture and recreation                                   | 657,575          | 504,840          | 504,840            | -   |
| Sanitation   | -                | -                | -                  | -   |
| <i>Debt service:</i>                                     |                  |                  |                    |   |
| Principal  | -                | -                | -                  | -   |
| Interest and other charges                               | -                | -                | -                  | -   |
| Capital outlay   | 561,364          | 399,392          | 399,392            | -   |
| <i>Total expenditures</i>                                | <u>1,218,939</u> | <u>904,232</u>   | <u>904,232</u>     | <u>-</u>  |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>(398,939)</u> | <u>(259,150)</u> | <u>(259,150)</u>   | <u>-</u>  |
| <i>Other financing sources (uses):</i>                   |                  |                  |                    |   |
| Transfers in   | 399,000          | 258,459          | 258,459            | -   |
| Transfers out  | -                | -                | -                  | -   |
| <i>Total other financing sources (uses)</i>              | <u>399,000</u>   | <u>258,459</u>   | <u>258,459</u>     | <u>\$ -</u>   |
| <i>Prior year cash balance</i>                           | <u>691</u>       | <u>691</u>       |                    |   |
| <i>Appropriated cash balance</i>                         | <u>\$ 752</u>    | <u>\$ -</u>      | (691)              |   |
| <i>Reconciliation to GAAP Basis:</i>                     |                  |                  |                    |   |
| Decrease in accounts payable                             |                  |                  | (54,184)           |   |
| Increase in accrued salaries and related expenses        |                  |                  | (5,147)            |   |
| <i>Net change in fund balance</i>                        |                  |                  | <u>\$ (60,022)</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, 2009

|  | Budgeted Amounts |          | Actual Amounts | Variance with<br>Final Budget -<br>Favorable<br>(Unfavorable) |
|--|------------------|----------|----------------|---|
|  | Original         | Final    |                |   |
| <i>Revenues:</i>   |                  |          |                |   |
| Taxes  | \$ -             | \$ -     | \$ -           | \$ -  |
| Fines & forfeitures                                      | -                | -        | -              | -   |
| Licenses and permits                                     | -                | -        | -              | -   |
| Intergovernmental  | -                | -        | -              | -   |
| Charges for services                                     | 162,000          | 175,483  | 175,483        | -   |
| Investment earnings                                      | -                | -        | -              | -   |
| Miscellaneous  | -                | -        | -              | -   |
| <i>Total revenues</i>                                    | 162,000          | 175,483  | 175,483        | -   |
| <i>Expenditures:</i>                                     |                  |          |                |   |
| <i>Current:</i>  |                  |          |                |   |
| General government                                       | -                | -        | -              | -   |
| Public Safety  | -                | -        | -              | -   |
| Health and welfare                                       | 226,553          | 214,218  | 214,218        | -   |
| Culture and recreation                                   | -                | -        | -              | -   |
| Sanitation   | -                | -        | -              | -   |
| <i>Debt service:</i>                                     |                  |          |                |   |
| Principal  | -                | -        | -              | -   |
| Interest and other charges                               | -                | -        | -              | -   |
| Capital outlay   | 29,853           | 20,385   | 20,385         | -   |
| <i>Total expenditures</i>                                | 256,406          | 234,603  | 234,603        | -   |
| <i>Excess (deficiency) of revenues over expenditures</i> | (94,406)         | (59,120) | (59,120)       | -   |
| <i>Other financing sources (uses):</i>                   |                  |          |                |   |
| Transfers in   | 94,000           | 59,255   | 59,255         | -   |
| Transfers out  | -                | -        | -              | -   |
| <i>Total other financing sources (uses)</i>              | 94,000           | 59,255   | 59,255         | \$ -  |
| <i>Prior year cash balance</i>                           | 865              | 865      |                |   |
| <i>Appropriated cash balance</i>                         | \$ 459           | \$ 1,000 | 135            |   |
| <i>Reconciliation to GAAP Basis:</i>                     |                  |          |                |   |
| Decrease in accounts payable                             |                  |          | (4,866)        |   |
| Increase in accrued salaries and related expenses        |                  |          | (1,346)        |   |
| <i>Net change in fund balance</i>                        |                  |          | \$ (6,077)     |   |

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, 2009

|  | Budgeted Amounts  |                   | Actual Amounts     | Variance with<br>Final Budget -<br>Favorable<br>(Unfavorable) |
|--|-------------------|-------------------|--------------------|---|
|  | Original          | Final             |                    |   |
| <i>Revenues:</i>   |                   |                   |                    |   |
| Taxes  | \$ -              | \$ -              | \$ -               | \$ -  |
| Fines & forfeitures                                      | -                 | -                 | -                  | -   |
| Licenses and permits                                     | -                 | -                 | -                  | -   |
| Intergovernmental  | -                 | -                 | -                  | -   |
| Charges for services                                     | -                 | -                 | -                  | -   |
| Investment earnings                                      | 8,171             | 2,637             | 2,637              | -   |
| Miscellaneous  | 17,000            | 24,255            | 24,255             | -   |
| <i>Total revenues</i>                                    | <u>25,171</u>     | <u>26,892</u>     | <u>26,892</u>      | <u>-</u>  |
| <i>Expenditures:</i>                                     |                   |                   |                    |   |
| <i>Current:</i>  |                   |                   |                    |   |
| General government                                       | -                 | -                 | -                  | -   |
| Public Safety  | -                 | -                 | -                  | -   |
| Health and welfare                                       | -                 | -                 | -                  | -   |
| Culture and recreation                                   | 63,000            | 32,656            | 32,656             | -   |
| Sanitation   | -                 | -                 | -                  | -   |
| <i>Debt service:</i>                                     |                   |                   |                    |   |
| Principal  | -                 | -                 | -                  | -   |
| Interest and other charges                               | -                 | -                 | -                  | -   |
| Capital outlay   | -                 | -                 | -                  | -   |
| <i>Total expenditures</i>                                | <u>63,000</u>     | <u>32,656</u>     | <u>32,656</u>      | <u>-</u>  |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>(37,829)</u>   | <u>(5,764)</u>    | <u>(5,764)</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>Prior year cash balance</i>                           | <u>143,125</u>    | <u>143,125</u>    |                    |   |
| <i>Appropriated cash balance</i>                         | <u>\$ 105,296</u> | <u>\$ 137,361</u> | (5,764)            |   |
| <i>Reconciliation to GAAP Basis:</i>                     |                   |                   |                    |   |
| Increase in accounts payable                             |                   |                   | <u>(5,068)</u>     |   |
| <i>Net change in fund balance</i>                        |                   |                   | <u>\$ (10,832)</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, 2009

Schedule B-11

|  | Budgeted Amounts    |                   | Actual Amounts      | Variance with<br>Final Budget -<br>Favorable<br>(Unfavorable) |
|--|---------------------|-------------------|---------------------|---|
|  | Original            | Final             |                     |   |
| <i>Revenues:</i>   |                     |                   |                     |   |
| Taxes  | \$ 750,000          | \$ 869,494        | \$ 869,494          | \$ -  |
| Fines & forfeitures                                      | -                   | -                 | -                   | -   |
| Licenses and permits                                     | -                   | -                 | -                   | -   |
| Intergovernmental  | -                   | -                 | -                   | -   |
| Charges for services                                     | -                   | -                 | -                   | -   |
| Investment earnings                                      | 47,408              | 21,012            | 21,012              | -   |
| Miscellaneous  | -                   | -                 | -                   | -   |
| <i>Total revenues</i>                                    | <u>797,408</u>      | <u>890,506</u>    | <u>890,506</u>      | <u>-</u>  |
| <i>Expenditures:</i>                                     |                     |                   |                     |   |
| <i>Current:</i>  |                     |                   |                     |   |
| General government                                       | -                   | -                 | -                   | -   |
| Public Safety  | -                   | -                 | -                   | -   |
| Health and welfare                                       | 750,000             | 811,504           | 811,504             | -   |
| Culture and recreation                                   | -                   | -                 | -                   | -   |
| Sanitation   | -                   | -                 | -                   | -   |
| <i>Debt service:</i>                                     |                     |                   |                     |   |
| Principal  | -                   | -                 | -                   | -   |
| Interest and other charges                               | -                   | -                 | -                   | -   |
| Capital outlay   | -                   | -                 | -                   | -   |
| <i>Total expenditures</i>                                | <u>750,000</u>      | <u>811,504</u>    | <u>811,504</u>      | <u>-</u>  |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>47,408</u>       | <u>79,002</u>     | <u>79,002</u>       | <u>-</u>  |
| <i>Other financing sources (uses):</i>                   |                     |                   |                     |   |
| Transfers in   | -                   | -                 | -                   | -   |
| Transfers out  | -                   | (605,668)         | (605,668)           | -   |
| <i>Total other financing sources (uses)</i>              | <u>-</u>            | <u>(605,668)</u>  | <u>(605,668)</u>    | <u>\$ -</u>   |
| <i>Prior year cash balance</i>                           | <u>1,028,724</u>    | <u>1,028,724</u>  |                     |   |
| <i>Appropriated cash balance</i>                         | <u>\$ 1,076,132</u> | <u>\$ 502,058</u> | (526,666)           |   |
| <i>Reconciliation to GAAP Basis:</i>                     |                     |                   |                     |   |
| Increase in accounts payable                             |                     |                   | 41,427              |   |
| <i>Net change in fund balance</i>                        |                     |                   | <u>\$ (485,239)</u> |   |

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

STATE OF NEW MEXICO  
CITY OF HOBBS  
MCADAMS PARK

Schedule B-12

SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
For the year ended June 30, 2009

|  | Budgeted Amounts |                  | Actual Amounts    | Variance with<br>Final Budget -<br>Favorable<br>(Unfavorable) |
|--|------------------|------------------|-------------------|---|
|  | Original         | Final            |                   |   |
| <i>Revenues:</i>   |                  |                  |                   |   |
| Taxes  | \$ -             | \$ -             | \$ -              | \$ -  |
| Fines & forfeitures                                      | -                | -                | -                 | -   |
| Licenses and permits                                     | -                | -                | -                 | -   |
| Intergovernmental  | -                | -                | -                 | -   |
| Charges for services                                     | 150,000          | 81,297           | 81,297            | -   |
| Investment earnings                                      | -                | -                | -                 | -   |
| Miscellaneous  | -                | -                | -                 | -   |
| <i>Total revenues</i>                                    | <u>150,000</u>   | <u>81,297</u>    | <u>81,297</u>     | <u>-</u>  |
| <i>Expenditures:</i>                                     |                  |                  |                   |   |
| <i>Current:</i>  |                  |                  |                   |   |
| General government                                       | -                | -                | -                 | -   |
| Public Safety  | -                | -                | -                 | -   |
| Health and welfare                                       | -                | -                | -                 | -   |
| Culture and recreation                                   | 321,149          | 268,051          | 268,051           | -   |
| Sanitation   | -                | -                | -                 | -   |
| <i>Debt service:</i>                                     |                  |                  |                   |   |
| Principal  | -                | -                | -                 | -   |
| Interest and other charges                               | -                | -                | -                 | -   |
| Capital outlay   | 14,000           | 7,499            | 7,499             | -   |
| <i>Total expenditures</i>                                | <u>335,149</u>   | <u>275,550</u>   | <u>275,550</u>    | <u>-</u>  |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>(185,149)</u> | <u>(194,253)</u> | <u>(194,253)</u>  | <u>-</u>  |
| <i>Other financing sources (uses):</i>                   |                  |                  |                   |   |
| Transfers in   | 186,000          | 194,066          | 194,066           | -   |
| <i>Total other financing sources (uses)</i>              | <u>186,000</u>   | <u>194,066</u>   | <u>194,066</u>    | <u>\$ -</u>   |
| <i>Prior year cash balance</i>                           | <u>187</u>       | <u>187</u>       |                   |   |
| <i>Appropriated cash balance</i>                         | <u>\$ 1,038</u>  | <u>\$ -</u>      | (187)             |   |
| <i>Reconciliation to GAAP Basis:</i>                     |                  |                  |                   |   |
| Increase in accounts payable                             |                  |                  | (4,271)           |   |
| Increase in accrued salaries and related expenses        |                  |                  | (3,242)           |   |
| <i>Net change in fund balance</i>                        |                  |                  | <u>\$ (7,700)</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, 2009

Schedule B-13

|  | Budgeted Amounts |                  | Actual Amounts     | Variance with<br>Final Budget -<br>Favorable<br>(Unfavorable) |
|--|------------------|------------------|--------------------|---|
|  | Original         | Final            |                    |   |
| <i>Revenues:</i>   |                  |                  |                    |   |
| Taxes  | \$ -             | \$ -             | \$ -               | \$ -  |
| Fines & forfeitures                                      | -                | -                | -                  | -   |
| Licenses and permits                                     | -                | -                | -                  | -   |
| Intergovernmental  | 310,000          | 255,049          | 255,049            | -   |
| Charges for services                                     | 27,500           | 27,898           | 27,898             | -   |
| Investment earnings                                      | -                | -                | -                  | -   |
| Miscellaneous  | -                | -                | -                  | -   |
| <i>Total revenues</i>                                    | <u>337,500</u>   | <u>282,947</u>   | <u>282,947</u>     | <u>-</u>  |
| <i>Expenditures:</i>                                     |                  |                  |                    |   |
| <i>Current:</i>  |                  |                  |                    |   |
| General government                                       | -                | -                | -                  | -   |
| Public Safety  | -                | -                | -                  | -   |
| Health and welfare                                       | 552,457          | 457,631          | 457,631            | -   |
| Culture and recreation                                   | -                | -                | -                  | -   |
| Sanitation   | -                | -                | -                  | -   |
| <i>Debt service:</i>                                     |                  |                  |                    |   |
| Principal  | -                | -                | -                  | -   |
| Interest and other charges                               | -                | -                | -                  | -   |
| Capital outlay   | 77,500           | 7,037            | 7,037              | -   |
| <i>Total expenditures</i>                                | <u>629,957</u>   | <u>464,668</u>   | <u>464,668</u>     | <u>-</u>  |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>(292,457)</u> | <u>(181,721)</u> | <u>(181,721)</u>   | <u>-</u>  |
| <i>Other financing sources (uses):</i>                   |                  |                  |                    |   |
| Transfers in   | 292,000          | 182,036          | 182,036            | -   |
| Transfers out  | -                | -                | -                  | -   |
| <i>Total other financing sources (uses)</i>              | <u>292,000</u>   | <u>182,036</u>   | <u>182,036</u>     | <u>\$ -</u>   |
| <i>Prior year federal grant receivable</i>               | <u>37,987</u>    | <u>37,987</u>    |                    |   |
| <i>Appropriated cash balance</i>                         | <u>\$ 37,530</u> | <u>\$ 38,302</u> | 315                |   |
| <i>Reconciliation to GAAP Basis:</i>                     |                  |                  |                    |   |
| Decrease in due from other governments                   |                  |                  | (16,009)           |   |
| Increase in due from other governments                   |                  |                  | (148)              |   |
| Increase in accrued salaries and related expenses        |                  |                  | (4,156)            |   |
| <i>Net change in fund balance</i>                        |                  |                  | <u>\$ (19,998)</u> |   |

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, 2009

|  | <u>Budgeted Amounts</u> |                   | <u>Actual Amounts</u> | <u>Variance with<br/>Final Budget -<br/>Favorable<br/>(Unfavorable)</u> |
|--|-------------------------|-------------------|-----------------------|---|
|  | <u>Original</u>         | <u>Final</u>      |                       |   |
| <i>Revenues:</i>   |                         |                   |                       |   |
| Taxes  | \$ -                    | \$ -              | \$ -                  | \$ -  |
| Fines & forfeitures  | -                       | -                 | -                     | -   |
| Licenses and permits   | -                       | -                 | -                     | -   |
| Intergovernmental  | 410,000                 | 471,431           | 471,431               | -   |
| Charges for services   | -                       | -                 | -                     | -   |
| Investment earnings  | 27,947                  | 9,642             | 9,642                 | -   |
| Miscellaneous  | 10,000                  | -                 | -                     | -   |
| <i>Total revenues</i>  | <u>447,947</u>          | <u>481,073</u>    | <u>481,073</u>        | <u>-</u>  |
| <i>Expenditures:</i>   |                         |                   |                       |   |
| Current:   |                         |                   |                       |   |
| General government   | -                       | -                 | -                     | -   |
| Public Safety  | 97,600                  | 44,012            | 44,012                | -   |
| Health and welfare   | -                       | -                 | -                     | -   |
| Culture and recreation                                       | -                       | -                 | -                     | -   |
| Sanitation   | -                       | -                 | -                     | -   |
| Debt service:  |                         |                   |                       |   |
| Principal  | 39,008                  | 39,008            | 39,008                | -   |
| Interest and other charges                                   | 6,987                   | 5,940             | 5,940                 | -   |
| Capital outlay   | 227,000                 | 173,657           | 173,657               | -   |
| <i>Total expenditures</i>                                    | <u>370,595</u>          | <u>262,617</u>    | <u>262,617</u>        | <u>-</u>  |
| <i>Excess (deficiency) of revenues over<br/>expenditures</i> | <u>77,352</u>           | <u>218,456</u>    | <u>218,456</u>        | <u>-</u>  |
| <i>Other financing sources (uses):</i>                       |                         |                   |                       |   |
| Transfers out  | -                       | (20,000)          | (20,000)              | -   |
| <i>Total other financing sources<br/>(uses)</i>              | <u>-</u>                | <u>(20,000)</u>   | <u>(20,000)</u>       | <u>-</u>  |
| <i>Appropriated cash balance</i>                             | <u>\$ 77,352</u>        | <u>\$ 198,456</u> | <u>198,456</u>        | <u>\$ -</u>   |
| <i>Reconciliation to GAAP Basis:</i>                         |                         |                   |                       |   |
| Increase in due from other governments                       |                         |                   | <u>5,308</u>          |   |
| <i>Net change in fund balance</i>                            |                         |                   | <u>\$ 203,764</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, 2009

Schedule B-15

|  | Budgeted Amounts |                 | Actual Amounts | Variance with<br>Final Budget -<br>Favorable<br>(Unfavorable) |
|--|------------------|-----------------|----------------|---|
|  | Original         | Final           |                |   |
| <i>Revenues:</i>   |                  |                 |                |   |
| Taxes  | \$ -             | \$ -            | \$ -           | \$ -  |
| Fines & forfeitures                                      | -                | -               | -              | -   |
| Licenses and permits                                     | -                | -               | -              | -   |
| Intergovernmental  | 26,000           | 26,000          | 26,000         | -   |
| Charges for services                                     | -                | -               | -              | -   |
| Investment earnings                                      | -                | -               | -              | -   |
| Miscellaneous  | -                | -               | -              | -   |
| <i>Total revenues</i>                                    | <u>26,000</u>    | <u>26,000</u>   | <u>26,000</u>  | <u>-</u>  |
| <i>Expenditures:</i>                                     |                  |                 |                |   |
| <i>Current:</i>  |                  |                 |                |   |
| General government                                       | -                | -               | -              | -   |
| Public Safety  | 26,000           | 19,159          | 19,159         | -   |
| Health and welfare                                       | -                | -               | -              | -   |
| Culture and recreation                                   | -                | -               | -              | -   |
| Sanitation   | -                | -               | -              | -   |
| <i>Debt service:</i>                                     |                  |                 |                |   |
| Principal  | -                | -               | -              | -   |
| Interest and other charges                               | -                | -               | -              | -   |
| Capital outlay   | -                | -               | -              | -   |
| <i>Total expenditures</i>                                | <u>26,000</u>    | <u>19,159</u>   | <u>19,159</u>  | <u>-</u>  |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>-</u>         | <u>6,841</u>    | <u>6,841</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>\$ 6,841</u> | <u>6,841</u>   | <u>\$ -</u>   |
| <i>Reconciliation to GAAP Basis:</i>                     |                  |                 |                |   |
| Increase in accounts payable                             |                  |                 | <u>(6,841)</u> |   |
| <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  
COMMUNITY DEVELOPMENT  
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
For the year ended June 30, 2009

Schedule B-16

|  | Budgeted Amounts |                   | Actual Amounts    | Variance with<br>Final Budget -<br>Favorable<br>(Unfavorable) |
|--|------------------|-------------------|-------------------|---|
|  | Original         | Final             |                   |   |
| <i>Revenues:</i>   |                  |                   |                   |   |
| Taxes  | \$ -             | \$ -              | \$ -              | \$ -  |
| Fines & forfeitures                                      | -                | -                 | -                 | -   |
| Licenses and permits                                     | -                | -                 | -                 | -   |
| Intergovernmental  | 715,000          | 704,019           | 704,019           | -   |
| Charges for services                                     | -                | -                 | -                 | -   |
| Investment earnings                                      | -                | -                 | -                 | -   |
| Miscellaneous  | -                | 600               | 600               | -   |
| <i>Total revenues</i>                                    | <u>715,000</u>   | <u>704,619</u>    | <u>704,619</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   | 798,267          | 746,937           | 746,937           | -   |
| <i>Total expenditures</i>                                | <u>798,267</u>   | <u>746,937</u>    | <u>746,937</u>    | <u>-</u>  |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>(83,267)</u>  | <u>(42,318)</u>   | <u>(42,318)</u>   | <u>-</u>  |
| <i>Other financing sources (uses):</i>                   |                  |                   |                   |   |
| Transfers in   | -                | 600,000           | 600,000           | -   |
| Transfers out  | 84,000           | -                 | -                 | -   |
| <i>Total other financing sources (uses)</i>              | <u>84,000</u>    | <u>600,000</u>    | <u>600,000</u>    | <u>-</u>  |
| <i>Appropriated cash balance</i>                         | <u>\$ 733</u>    | <u>\$ 557,682</u> | <u>557,682</u>    | <u>\$ -</u>   |
| <i>Reconciliation to GAAP Basis:</i>                     |                  |                   |                   |   |
| Decrease in due from other governments                   |                  |                   | (300,000)         |   |
| Decrease in accounts payable                             |                  |                   | 54,086            |   |
| <i>Net change in fund balance</i>                        |                  |                   | <u>\$ 311,768</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, 2009

Schedule B-17

|  | Budgeted Amounts |                 | Actual Amounts  | Variance with<br>Final Budget -<br>Favorable<br>(Unfavorable) |
|--|------------------|-----------------|-----------------|---|
|  | Original         | Final           |                 |   |
| <i>Revenues:</i>   |                  |                 |                 |   |
| Taxes  | \$ -             | \$ -            | \$ -            | \$ -  |
| Fines & forfeitures                                      | -                | -               | -               | -   |
| Licenses and permits                                     | -                | -               | -               | -   |
| Intergovernmental  | -                | -               | -               | -   |
| Charges for services                                     | -                | -               | -               | -   |
| Investment earnings                                      | -                | -               | -               | -   |
| Miscellaneous  | 10,000           | 10,766          | 10,766          | -   |
| <i>Total revenues</i>                                    | <u>10,000</u>    | <u>10,766</u>   | <u>10,766</u>   | <u>-</u>  |
| <i>Expenditures:</i>                                     |                  |                 |                 |   |
| <i>Current:</i>  |                  |                 |                 |   |
| General government                                       | -                | -               | -               | -   |
| Public Safety  | -                | -               | -               | -   |
| Health and welfare                                       | -                | -               | -               | -   |
| Culture and recreation                                   | 10,000           | 8,175           | 8,175           | -   |
| Sanitation   | -                | -               | -               | -   |
| <i>Debt service:</i>                                     |                  |                 |                 |   |
| Principal  | -                | -               | -               | -   |
| Interest and other charges                               | -                | -               | -               | -   |
| Capital outlay   | -                | -               | -               | -   |
| <i>Total expenditures</i>                                | <u>10,000</u>    | <u>8,175</u>    | <u>8,175</u>    | <u>-</u>  |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>-</u>         | <u>2,591</u>    | <u>2,591</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>\$ 2,591</u> | <u>2,591</u>    | <u>\$ -</u>   |
| <i>Reconciliation to GAAP Basis:</i>                     |                  |                 |                 |   |
| <i>Net change in fund balance</i>                        |                  |                 | <u>\$ 2,591</u> |   |

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, 2009

Schedule B-18

|  | Budgeted Amounts |                | Actual Amounts    | Variance with<br>Final Budget -<br>Favorable<br>(Unfavorable) |
|--|------------------|----------------|-------------------|---|
|  | Original         | Final          |                   |   |
| <i>Revenues:</i>   |                  |                |                   |   |
| Taxes  | \$ -             | \$ -           | \$ -              | \$ -  |
| Fines & forfeitures                                      | -                | -              | -                 | -   |
| Licenses and permits                                     | -                | -              | -                 | -   |
| Intergovernmental  | -                | -              | -                 | -   |
| Charges for services                                     | -                | -              | -                 | -   |
| Investment earnings                                      | -                | -              | -                 | -   |
| Miscellaneous  | 4,000            | 1,400          | 1,400             | -   |
| <i>Total revenues</i>                                    | <u>4,000</u>     | <u>1,400</u>   | <u>1,400</u>      | <u>-</u>  |
| <i>Expenditures:</i>                                     |                  |                |                   |   |
| <i>Current:</i>  |                  |                |                   |   |
| General government                                       | -                | -              | -                 | -   |
| Highways and roads                                       | -                | -              | -                 | -   |
| Public Safety  | -                | -              | -                 | -   |
| Health and welfare                                       | -                | -              | -                 | -   |
| Culture and recreation                                   | -                | -              | -                 | -   |
| Sanitation   | -                | -              | -                 | -   |
| <i>Debt service:</i>                                     |                  |                |                   |   |
| Principal  | -                | -              | -                 | -   |
| Interest and other charges                               | -                | -              | -                 | -   |
| Capital outlay   | 4,000            | 6,565          | 6,565             | -   |
| <i>Total expenditures</i>                                | <u>4,000</u>     | <u>6,565</u>   | <u>6,565</u>      | <u>-</u>  |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>-</u>         | <u>(5,165)</u> | <u>(5,165)</u>    | <u>-</u>  |
| <i>Other financing sources (uses):</i>                   |                  |                |                   |   |
| Transfers in   | -                | 1,216          | 1,216             | -   |
| Transfers out  | -                | -              | -                 | -   |
| <i>Total other financing sources (uses)</i>              | <u>-</u>         | <u>1,216</u>   | <u>1,216</u>      | <u>\$ -</u>   |
| <i>Prior year cash balance</i>                           | <u>3,949</u>     | <u>3,949</u>   |                   |   |
| <i>Appropriated cash balance</i>                         | <u>\$ 3,949</u>  | <u>\$ -</u>    | (3,949)           |   |
| <i>Reconciliation to GAAP Basis:</i>                     |                  |                |                   |   |
| <i>Net change in fund balance</i>                        |                  |                | <u>\$ (3,949)</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, 2009

Schedule B-19

|  | Budgeted Amounts |        | Actual Amounts | Variance with<br>Final Budget -<br>Favorable<br>(Unfavorable) |
|--|------------------|--------|----------------|---|
|  | Original         | Final  |                |   |
| <i>Revenues:</i>   |                  |        |                |   |
| Taxes  | \$ -             | \$ -   | \$ -           | \$ -  |
| Fines & forfeitures                                      | -                | -      | -              | -   |
| Licenses and permits                                     | -                | -      | -              | -   |
| Intergovernmental  | -                | -      | -              | -   |
| Charges for services                                     | -                | -      | -              | -   |
| Investment earnings                                      | 256              | 126    | 126            | -   |
| Miscellaneous  | -                | -      | -              | -   |
| <i>Total revenues</i>                                    | 256              | 126    | 126            | -   |
| <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>                                | -                | -      | -              | -   |
| <i>Excess (deficiency) of revenues over expenditures</i> | 256              | 126    | 126            | -   |
| <i>Other financing sources (uses):</i>                   |                  |        |                |   |
| Transfers in   | -                | -      | -              | -   |
| Transfers out  | -                | -      | -              | -   |
| <i>Total other financing sources (uses)</i>              | -                | -      | -              | -   |
| <i>Appropriated cash balance</i>                         | \$ 256           | \$ 126 | 126            | \$ -  |
| <i>Reconciliation to GAAP Basis:</i>                     |                  |        |                |   |
| <i>Net change in fund balance</i>                        |                  |        | \$ 126         |   |

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, 2009

Schedule B-20

|  | <u>Budgeted Amounts</u> |              |                       | Variance with<br>Final Budget -<br>Favorable<br>(Unfavorable) |
|--|-------------------------|--------------|-----------------------|---|
|  | <u>Original</u>         | <u>Final</u> | <u>Actual Amounts</u> |   |
| <i>Revenues:</i>   |                         |              |                       |   |
| Taxes  | \$ -                    | \$ -         | \$ -                  | \$ -  |
| Fines & forfeitures                                      | -                       | -            | -                     | -   |
| Licenses and permits                                     | -                       | -            | -                     | -   |
| Intergovernmental  | -                       | -            | -                     | -   |
| Charges for services                                     | -                       | -            | -                     | -   |
| Investment earnings                                      | 70                      | 12           | 12                    | -   |
| Miscellaneous  | -                       | -            | -                     | -   |
| <i>Total revenues</i>                                    | <u>70</u>               | <u>12</u>    | <u>12</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>70</u>               | <u>12</u>    | <u>12</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>\$ 70</u>            | <u>\$ 12</u> | <u>12</u>             | <u>\$ -</u>   |
| <i>Reconciliation to GAAP Basis:</i>                     |                         |              |                       |   |
| <i>Net change in fund balance</i>                        |                         |              | <u>\$ 12</u>          |   |

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

**CAPITAL PROJECTS FUNDS**

## 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, 2009

|  | <u>Industrial Park<br/>Construction</u> | <u>Parks<br/>Improvement</u> | <u>Vehicle<br/>Replacement</u> |
|--|---|------------------------------|--------------------------------|
| <b>ASSETS</b>                              |   |                              |                                |
| Cash and cash equivalents                  | \$ -                                    | \$ 1,719,145                 | \$ -                           |
| Investments                                | -                                       | -                            | -                              |
| Restricted cash and investments            | -                                       | -                            | -                              |
| Receivables:                               |   |                              |                                |
| Accounts receivable, net                   | -                                       | -                            | -                              |
| Due from other governments                 | 17,999                                  | -                            | -                              |
| Accrued interest receivable                | -                                       | -                            | -                              |
| Lease receivable                           | -                                       | -                            | -                              |
| Due from other funds                       | -                                       | -                            | -                              |
| Assets held for resale                     | -                                       | -                            | -                              |
| <i>Total assets</i>                        | <u>\$ 17,999</u>                        | <u>\$ 1,719,145</u>          | <u>\$ -</u>                    |
| <br><b>LIABILITIES AND FUND BALANCES</b>   |   |                              |                                |
| <i>Liabilities:</i>                        |   |                              |                                |
| Accounts payable                           | \$ 222,817                              | \$ 10,564                    | \$ -                           |
| Due to other funds                         | 46,510                                  | -                            | -                              |
| Deferred revenue                           | -                                       | -                            | -                              |
| Accrued salaries and related expenses      | -                                       | -                            | -                              |
| <i>Total liabilities</i>                   | <u>269,327</u>                          | <u>10,564</u>                | <u>-</u>                       |
| <br><i>Fund balances:</i>                  |   |                              |                                |
| Unreserved                                 | (251,328)                               | 1,708,581                    | -                              |
| Reserved:                                  |   |                              |                                |
| Debt service                               | -                                       | -                            | -                              |
| <i>Total fund balances</i>                 | <u>(251,328)</u>                        | <u>1,708,581</u>             | <u>-</u>                       |
| <i>Total liabilities and fund balances</i> | <u>\$ 17,999</u>                        | <u>\$ 1,719,145</u>          | <u>\$ -</u>                    |

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

| <u>Capital Projects</u> | <u>Street Improvement</u> | <u>Capital Improvements</u> | <u>City Commission Improvement</u> | <u>Total Nonmajor Capital Projects Funds</u> |
|-------------------------|---------------------------|-----------------------------|------------------------------------|--|
| \$ 5,042,783            | \$ 2,121,714              | \$ 362,357                  | \$ -                               | \$ 9,245,999                                 |
| -                       | -                         | -                           | -                                  | -  |
| -                       | -                         | -                           | 1,819,748                          | 1,819,748                                    |
| -                       | -                         | -                           | 275,602                            | 275,602                                      |
| 41,840                  | 967,529                   | -                           | 249,404                            | 1,276,772                                    |
| -                       | -                         | -                           | -                                  | -  |
| -                       | -                         | -                           | -                                  | -  |
| -                       | -                         | -                           | -                                  | -  |
| <u>\$ 5,084,623</u>     | <u>\$ 3,089,243</u>       | <u>\$ 362,357</u>           | <u>\$ 2,344,754</u>                | <u>\$ 12,618,121</u>                         |
| <br>                    |                           |                             |                                    |  |
| \$ 119,621              | \$ 169,199                | \$ 1,639                    | \$ 40,000                          | \$ 563,840                                   |
| -                       | -                         | -                           | -                                  | 46,510                                       |
| -                       | -                         | -                           | -                                  | -  |
| -                       | -                         | -                           | -                                  | -  |
| <u>119,621</u>          | <u>169,199</u>            | <u>1,639</u>                | <u>40,000</u>                      | <u>610,350</u>                               |
| <br>                    |                           |                             |                                    |  |
| 4,965,002               | 2,920,044                 | 360,718                     | 2,304,754                          | 12,007,771                                   |
| -                       | -                         | -                           | -                                  | -  |
| <u>4,965,002</u>        | <u>2,920,044</u>          | <u>360,718</u>              | <u>2,304,754</u>                   | <u>12,007,771</u>                            |
| <br>                    |                           |                             |                                    |  |
| <u>\$ 5,084,623</u>     | <u>\$ 3,089,243</u>       | <u>\$ 362,357</u>           | <u>\$ 2,344,754</u>                | <u>\$ 12,618,121</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, 2009

|  | Industrial<br>Park<br>Construction | Parks<br>Improvement | Vehicle<br>Replacement |
|--|------------------------------------|----------------------|------------------------|
| <i>Revenues:</i>   |                                    |                      |                        |
| Property, sales, and miscellaneous taxes                 | \$ -                               | \$ -                 | \$ -                   |
| Fines & forfeitures                                      | -                                  | -                    | -                      |
| Licenses and permits                                     | -                                  | -                    | -                      |
| Intergovernmental  | 628,285                            | -                    | -                      |
| Charges for services                                     | -                                  | -                    | -                      |
| Investment earnings                                      | -                                  | 30,146               | -                      |
| Miscellaneous  | -                                  | -                    | -                      |
| <i>Total revenues</i>                                    | <u>628,285</u>                     | <u>30,146</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   | 1,836,141                          | 47,097               | -                      |
| <i>Total expenditures</i>                                | <u>1,836,141</u>                   | <u>47,097</u>        | <u>-</u>               |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>(1,207,856)</u>                 | <u>(16,951)</u>      | <u>-</u>               |
| <i>Other financing sources (uses):</i>                   |                                    |                      |                        |
| Transfers in   | 288,497                            | 270,500              | 211,002                |
| Transfers out  | -                                  | -                    | -                      |
| <i>Total other financing sources (uses)</i>              | <u>288,497</u>                     | <u>270,500</u>       | <u>211,002</u>         |
| <i>Special Items</i>                                     |                                    |                      |                        |
| Proceeds from sale of fixed assets                       | -                                  | -                    | -                      |
| <i>Net change in fund balances</i>                       | (919,359)                          | 253,549              | 211,002                |
| <i>Fund balances - beginning</i>                         | <u>668,031</u>                     | <u>1,455,032</u>     | <u>(211,002)</u>       |
| <i>Fund balances - ending</i>                            | <u>\$ (251,328)</u>                | <u>\$ 1,708,581</u>  | <u>\$ -</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 |
|---------------------|---------------------|----------------------|-----------------------------|---------------------------------------|
| \$ -                | \$ 588,797          | \$ -                 | \$ 1,991,360                | \$ 2,580,157                          |
| -                   | -                   | -                    | -                           | -                                     |
| -                   | -                   | -                    | -                           | -                                     |
| 300,000             | 3,063,616           | -                    | -                           | 3,991,901                             |
| -                   | -                   | 3,110                | -                           | 3,110                                 |
| -                   | 31,414              | -                    | 39,337                      | 100,897                               |
| 51                  | -                   | -                    | 275,602                     | 275,653                               |
| <u>300,051</u>      | <u>3,683,827</u>    | <u>3,110</u>         | <u>2,306,299</u>            | <u>6,951,718</u>                      |
| -                   | -                   | -                    | -                           | -                                     |
| -                   | -                   | -                    | -                           | -                                     |
| -                   | -                   | 49,647               | -                           | 49,647                                |
| -                   | -                   | -                    | -                           | -                                     |
| -                   | -                   | -                    | -                           | -                                     |
| -                   | -                   | -                    | -                           | -                                     |
| -                   | -                   | -                    | 640,000                     | 640,000                               |
| -                   | -                   | -                    | 22,082                      | 22,082                                |
| 754,538             | 2,961,639           | 21,729               | 40,000                      | 5,661,144                             |
| <u>754,538</u>      | <u>2,961,639</u>    | <u>71,376</u>        | <u>702,082</u>              | <u>6,372,873</u>                      |
| <u>(454,487)</u>    | <u>722,188</u>      | <u>(68,266)</u>      | <u>1,604,217</u>            | <u>578,845</u>                        |
| 3,235,000           | -                   | 117,500              | -                           | 4,122,499                             |
| -                   | -                   | -                    | (3,600,000)                 | (3,600,000)                           |
| <u>3,235,000</u>    | <u>-</u>            | <u>117,500</u>       | <u>(3,600,000)</u>          | <u>522,499</u>                        |
| -                   | -                   | -                    | -                           | -                                     |
| <u>2,780,513</u>    | <u>722,188</u>      | <u>49,234</u>        | <u>(1,995,783)</u>          | <u>1,101,344</u>                      |
| <u>2,184,489</u>    | <u>2,197,856</u>    | <u>311,484</u>       | <u>4,300,537</u>            | <u>10,906,427</u>                     |
| <u>\$ 4,965,002</u> | <u>\$ 2,920,044</u> | <u>\$ 360,718</u>    | <u>\$ 2,304,754</u>         | <u>\$ 12,007,771</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, 2009

Schedule C-3

|  | Budgeted Amounts   |                  | Actual Amounts      | Variance with<br>Final Budget -<br>Favorable<br>(Unfavorable) |
|--|--------------------|------------------|---------------------|---|
|  | Original           | Final            |                     |   |
| <i>Revenues:</i>   |                    |                  |                     |   |
| Taxes  | \$ -               | \$ -             | \$ -                | \$ -  |
| Fines & forfeitures                                      | -                  | -                | -                   | -   |
| Licenses and permits                                     | -                  | -                | -                   | -   |
| Intergovernmental  | 1,490,951          | 789,912          | 789,912             | -   |
| Charges for services                                     | -                  | -                | -                   | -   |
| Investment earnings                                      | -                  | -                | -                   | -   |
| Miscellaneous  | -                  | -                | -                   | -   |
| <i>Total revenues</i>                                    | <u>1,490,951</u>   | <u>789,912</u>   | <u>789,912</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   | 2,750,337          | 1,620,102        | 1,620,102           | -   |
| <i>Total expenditures</i>                                | <u>2,750,337</u>   | <u>1,620,102</u> | <u>1,620,102</u>    | <u>-</u>  |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>(1,259,386)</u> | <u>(830,190)</u> | <u>(830,190)</u>    | <u>-</u>  |
| <i>Other financing sources (uses):</i>                   |                    |                  |                     |   |
| Transfers in   | 718,500            | 288,497          | 288,497             | -   |
| Transfers out  | -                  | -                | -                   | -   |
| <i>Total other financing sources (uses)</i>              | <u>718,500</u>     | <u>288,497</u>   | <u>288,497</u>      | <u>\$ -</u>   |
| <i>Prior year cash balance</i>                           | <u>541,693</u>     | <u>541,693</u>   |                     |   |
| <i>Appropriated cash balance</i>                         | <u>\$ 807</u>      | <u>\$ -</u>      | (541,693)           |   |
| <i>Reconciliation to GAAP Basis:</i>                     |                    |                  |                     |   |
| Decrease in due from other governments                   |                    |                  | (161,626)           |   |
| Increase in accounts payable                             |                    |                  | <u>(216,040)</u>    |   |
| <i>Net change in fund balance</i>                        |                    |                  | <u>\$ (919,359)</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, 2009

|  | Budgeted Amounts |              | Actual Amounts | Variance with<br>Final Budget -<br>Favorable<br>(Unfavorable) |
|--|------------------|--------------|----------------|---|
|  | Original         | Final        |                |   |
| <i>Revenues:</i>   |                  |              |                |   |
| Taxes  | \$ -             | \$ -         | \$ -           | \$ -  |
| Fines & forfeitures                                      | -                | -            | -              | -   |
| Licenses and permits                                     | -                | -            | -              | -   |
| Intergovernmental  | -                | -            | -              | -   |
| Charges for services                                     | -                | -            | -              | -   |
| Investment earnings                                      | 72,733           | 30,146       | 30,146         | -   |
| Miscellaneous  | -                | -            | -              | -   |
| <i>Total revenues</i>                                    | 72,733           | 30,146       | 30,146         | -   |
| <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   | 1,788,044        | 36,533       | 36,533         | -   |
| <i>Total expenditures</i>                                | 1,788,044        | 36,533       | 36,533         | -   |
| <i>Excess (deficiency) of revenues over expenditures</i> | (1,715,311)      | (6,387)      | (6,387)        | -   |
| <i>Other financing sources (uses):</i>                   |                  |              |                |   |
| Transfers in   | 270,500          | 270,500      | 270,500        | -   |
| Transfers out  | -                | -            | -              | -   |
| <i>Total other financing sources (uses)</i>              | 270,500          | 270,500      | 270,500        | \$ -  |
| <i>Prior year cash balance</i>                           | 1,455,032        | 1,455,032    |                |   |
| <i>Appropriated cash balance</i>                         | \$ 10,221        | \$ 1,719,145 | 264,113        |   |
| <i>Reconciliation to GAAP Basis:</i>                     |                  |              |                |   |
| Increase in accounts payable                             |                  |              | (10,564)       |   |
| <i>Net change in fund balance</i>                        |                  |              | \$ 253,549     |   |

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, 2009

Schedule C-5

|  | Budgeted Amounts |       | Actual Amounts | Variance with<br>Final Budget -<br>Favorable<br>(Unfavorable) |
|--|------------------|-------|----------------|---|
|  | Original         | Final |                |   |
| <i>Revenues:</i>   |                  |       |                |   |
| Taxes  | \$ -             | \$ -  | \$ -           | \$ -  |
| Fines & forfeitures                                      | -                | -     | -              | -   |
| Licenses and permits                                     | -                | -     | -              | -   |
| Intergovernmental  | -                | -     | -              | -   |
| Charges for services                                     | -                | -     | -              | -   |
| Investment earnings                                      | -                | -     | -              | -   |
| Miscellaneous  | -                | -     | -              | -   |
| <i>Total revenues</i>                                    | -                | -     | -              | -   |
| <i>Expenditures:</i>                                     |                  |       |                |   |
| Current:   |                  |       |                |   |
| General government                                       | -                | -     | -              | -   |
| Public Safety  | -                | -     | -              | -   |
| Health and welfare                                       | -                | -     | -              | -   |
| Culture and recreation                                   | -                | -     | -              | -   |
| Sanitation   | -                | -     | -              | -   |
| Debt service:  |                  |       |                |   |
| Principal  | -                | -     | -              | -   |
| Interest and other charges                               | -                | -     | -              | -   |
| Capital outlay   | -                | -     | -              | -   |
| <i>Total expenditures</i>                                | -                | -     | -              | -   |
| <i>Excess (deficiency) of revenues over expenditures</i> | -                | -     | -              | -   |
| <i>Other financing sources (uses):</i>                   |                  |       |                |   |
| Transfers in   | -                | -     | -              | -   |
| Transfers out  | -                | -     | -              | -   |
| <i>Total other financing sources (uses)</i>              | -                | -     | -              | -   |
| <i>Appropriated cash balance</i>                         | \$ -             | \$ -  | -              | \$ -  |
| <i>Reconciliation to GAAP Basis:</i>                     |                  |       |                |   |
| Capital outlay transferred                               |                  |       | 211,002        |   |
| <i>Net change in fund balance</i>                        |                  |       | \$ 211,002     |   |

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, 2009

|  | Budgeted Amounts   |                     | Actual Amounts      | Variance with<br>Final Budget -<br>Favorable<br>(Unfavorable) |
|--|--------------------|---------------------|---------------------|---|
|  | Original           | Final               |                     |   |
| <i>Revenues:</i>   |                    |                     |                     |   |
| Taxes  | \$ -               | \$ -                | \$ -                | \$ -  |
| Fines & forfeitures                                      | -                  | -                   | -                   | -   |
| Licenses and permits                                     | -                  | -                   | -                   | -   |
| Intergovernmental  | 9,985,000          | 618,160             | 618,160             | -   |
| Charges for services                                     | -                  | -                   | -                   | -   |
| Investment earnings                                      | -                  | -                   | -                   | -   |
| Miscellaneous  | -                  | -                   | -                   | -   |
| <i>Total revenues</i>                                    | <u>9,985,000</u>   | <u>618,160</u>      | <u>618,160</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   | 14,685,300         | 748,482             | 748,482             | -   |
| <i>Total expenditures</i>                                | <u>14,685,300</u>  | <u>748,482</u>      | <u>748,482</u>      | <u>-</u>  |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>(4,700,300)</u> | <u>(130,322)</u>    | <u>(130,322)</u>    | <u>-</u>  |
| <i>Other financing sources (uses):</i>                   |                    |                     |                     |   |
| Transfers in   | 2,763,000          | 3,235,000           | 3,235,000           | -   |
| Transfers out  | -                  | -                   | -                   | -   |
| <i>Total other financing sources (uses)</i>              | <u>2,763,000</u>   | <u>3,235,000</u>    | <u>3,235,000</u>    | <u>\$ -</u>   |
| <i>Prior year cash balance</i>                           | <u>1,938,105</u>   | <u>1,938,105</u>    |                     |   |
| <i>Appropriated cash balance</i>                         | <u>\$ 805</u>      | <u>\$ 5,042,783</u> | 3,104,678           |   |
| <i>Reconciliation to GAAP Basis:</i>                     |                    |                     |                     |   |
| Decrease in due from other governments                   |                    |                     | (318,160)           |   |
| Increase in accounts payable                             |                    |                     | <u>(6,005)</u>      |   |
| <i>Net change in fund balance</i>                        |                    |                     | <u>\$ 2,780,513</u> |   |

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



STATE OF NEW MEXICO  
CITY OF HOBBS  
STREET IMPROVEMENT

Schedule C-7

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

For the year ended June 30, 2009

|  | Budgeted Amounts   |                     | Actual Amounts    | Variance with<br>Final Budget -<br>Favorable<br>(Unfavorable) |
|--|--------------------|---------------------|-------------------|---|
|  | Original           | Final               |                   |   |
| <i>Revenues:</i>   |                    |                     |                   |   |
| Taxes  | \$ 630,000         | \$ 588,798          | \$ 588,798        | \$ -  |
| Fines & forfeitures                                      | -                  | -                   | -                 | -   |
| Licenses and permits                                     | -                  | -                   | -                 | -   |
| Intergovernmental  | 5,569,907          | 2,336,031           | 2,336,031         | -   |
| Charges for services                                     | -                  | -                   | -                 | -   |
| Investment earnings                                      | 231,129            | 31,414              | 31,414            | -   |
| Miscellaneous  | -                  | -                   | -                 | -   |
| <i>Total revenues</i>                                    | <u>6,431,036</u>   | <u>2,956,243</u>    | <u>2,956,243</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   | 8,590,280          | 3,346,622           | 3,346,622         | -   |
| <i>Total expenditures</i>                                | <u>8,590,280</u>   | <u>3,346,622</u>    | <u>3,346,622</u>  | <u>-</u>  |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>(2,159,244)</u> | <u>(390,379)</u>    | <u>(390,379)</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>Prior year cash balance</i>                           | <u>2,512,094</u>   | <u>2,512,094</u>    |                   |   |
| <i>Appropriated cash balance</i>                         | <u>\$ 352,850</u>  | <u>\$ 2,121,715</u> | (390,379)         |   |
| <i>Reconciliation to GAAP Basis:</i>                     |                    |                     |                   |   |
| Increase in due from other governments                   |                    |                     | 705,027           |   |
| Decrease in accounts payable                             |                    |                     | 407,540           |   |
| <i>Net change in fund balance</i>                        |                    |                     | <u>\$ 722,188</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, 2009

Schedule C-8

|  | Budgeted Amounts |                   | Actual Amounts   | Variance with<br>Final Budget -<br>Favorable<br>(Unfavorable) |
|--|------------------|-------------------|------------------|---|
|  | Original         | Final             |                  |   |
| <i>Revenues:</i>   |                  |                   |                  |   |
| Taxes  | \$ -             | \$ -              | \$ -             | \$ -  |
| Fines & forfeitures                                      | -                | -                 | -                | -   |
| Licenses and permits                                     | -                | -                 | -                | -   |
| Intergovernmental  | 20,000           | -                 | -                | -   |
| Charges for services                                     | -                | 3,110             | 3,110            | -   |
| Investment earnings                                      | -                | -                 | -                | -   |
| Miscellaneous  | -                | -                 | -                | -   |
| <i>Total revenues</i>                                    | <u>20,000</u>    | <u>3,110</u>      | <u>3,110</u>     | <u>-</u>  |
| <i>Expenditures:</i>                                     |                  |                   |                  |   |
| <i>Current:</i>  |                  |                   |                  |   |
| General government                                       | -                | -                 | -                | -   |
| Highways and roads                                       | 117,500          | 60,810            | 60,810           | -   |
| Public Safety  | -                | -                 | -                | -   |
| Health and welfare                                       | -                | -                 | -                | -   |
| Culture and recreation                                   | -                | -                 | -                | -   |
| Sanitation   | -                | -                 | -                | -   |
| <i>Debt service:</i>                                     |                  |                   |                  |   |
| Principal  | -                | -                 | -                | -   |
| Interest and other charges                               | -                | -                 | -                | -   |
| Capital outlay   | 150,000          | 21,729            | 21,729           | -   |
| <i>Total expenditures</i>                                | <u>267,500</u>   | <u>82,539</u>     | <u>82,539</u>    | <u>-</u>  |
| <i>Excess (deficiency) of revenues over expenditures</i> | <u>(247,500)</u> | <u>(79,429)</u>   | <u>(79,429)</u>  | <u>-</u>  |
| <i>Other financing sources (uses):</i>                   |                  |                   |                  |   |
| Transfers in   | -                | 117,500           | 117,500          | -   |
| Transfers out  | (76,786)         | -                 | -                | -   |
| <i>Total other financing sources (uses)</i>              | <u>(76,786)</u>  | <u>117,500</u>    | <u>117,500</u>   | <u>\$ -</u>   |
| <i>Prior year cash balance</i>                           | <u>324,286</u>   | <u>324,286</u>    |                  |   |
| <i>Appropriated cash balance</i>                         | <u>\$ -</u>      | <u>\$ 362,357</u> | 38,071           |   |
| <i>Reconciliation to GAAP Basis:</i>                     |                  |                   |                  |   |
| Decrease in accounts payable                             |                  |                   | <u>11,163</u>    |   |
| <i>Net change in fund balance</i>                        |                  |                   | <u>\$ 49,234</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, 2009

Schedule C-9

|  | <u>Budgeted Amounts</u> |                     | <u>Actual Amounts</u> | Variance with<br>Final Budget -<br>Favorable<br>(Unfavorable) |
|--|-------------------------|---------------------|-----------------------|---|
|  | <u>Original</u>         | <u>Final</u>        |                       |   |
| <i>Revenues:</i>   |                         |                     |                       |   |
| Taxes  | \$ 1,824,000            | \$ 2,109,179        | \$ 2,109,179          | \$ -  |
| Fines & forfeitures  | -                       | -                   | -                     | -   |
| Licenses and permits   | -                       | -                   | -                     | -   |
| Intergovernmental  | 200,000                 | -                   | -                     | -   |
| Charges for services   | -                       | -                   | -                     | -   |
| Investment earnings  | 54,407                  | 39,337              | 39,337                | -   |
| Miscellaneous  | -                       | -                   | -                     | -   |
| <i>Total revenues</i>  | <u>2,078,407</u>        | <u>2,148,516</u>    | <u>2,148,516</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  | 650,000                 | 640,000             | 640,000               | -   |
| Interest and other charges                                   | 150,000                 | 22,082              | 22,082                | -   |
| Capital outlay   | 5,100,000               | -                   | -                     | -   |
| <i>Total expenditures</i>                                    | <u>5,900,000</u>        | <u>662,082</u>      | <u>662,082</u>        | <u>-</u>  |
| <i>Excess (deficiency) of revenues<br/>over expenditures</i> | <u>(3,821,593)</u>      | <u>1,486,434</u>    | <u>1,486,434</u>      | <u>-</u>  |
| <i>Other financing sources (uses):</i>                       |                         |                     |                       |   |
| Proceeds from capital leases                                 | -                       | -                   | -                     | -   |
| Transfers in   | -                       | -                   | -                     | -   |
| Transfers out  | -                       | (3,600,000)         | (3,600,000)           | -   |
| <i>Total other financing sources<br/>(uses)</i>              | <u>-</u>                | <u>(3,600,000)</u>  | <u>(3,600,000)</u>    | <u>\$ -</u>   |
| <i>Prior year cash balance</i>                               | <u>3,933,314</u>        | <u>3,933,314</u>    |                       |   |
| <i>Appropriated cash balance</i>                             | <u>\$ 111,721</u>       | <u>\$ 1,819,748</u> | (2,113,566)           |   |
| <i>Reconciliation to GAAP Basis:</i>                         |                         |                     |                       |   |
| Increase in accounts receivable                              |                         |                     | 275,602               |   |
| Decrease in due from other governments                       |                         |                     | (117,819)             |   |
| Increase in accounts payable                                 |                         |                     | (40,000)              |   |
| <i>Net change in fund balance</i>                            |                         |                     | <u>\$ (1,995,783)</u> |   |

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

## STATE OF NEW MEXICO

Schedule D-1

CITY OF HOBBS

JOINT UTILITY

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN  
FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL  
For the year ended June 30, 2009

|  | Budgeted Amounts    |                     | Actual Amounts      | Variance with<br>Final Budget -<br>Favorable<br>(Unfavorable) |
|--|---------------------|---------------------|---------------------|---|
|  | Original            | Final               |                     |   |
| <i>Revenues:</i>   |                     |                     |                     |   |
| Taxes  | \$ 912,000          | \$ 1,053,290        | \$ 1,053,290        | \$ -  |
| Operating grants and contributions                           | 250,000             | 732,500             | 732,500             | -   |
| Licenses and permits   | -                   | -                   | -                   | -   |
| Intergovernmental  | -                   | -                   | -                   | -   |
| Charges for services   | 8,046,691           | 8,254,692           | 8,254,692           | -   |
| Investment earnings  | 165,069             | 86,903              | 86,903              | -   |
| Miscellaneous  | -                   | -                   | -                   | -   |
| <i>Total revenues</i>  | <u>9,373,760</u>    | <u>10,127,385</u>   | <u>10,127,385</u>   | <u>-</u>  |
| <i>Expenditures:</i>   |                     |                     |                     |   |
| Current:   |                     |                     |                     |   |
| Personnel services   | 3,113,763           | 2,653,218           | 2,653,218           | -   |
| Fuel and power   | 480,750             | 513,319             | 513,319             | -   |
| Repairs and maintenance                                      | 425,000             | 269,913             | 269,913             | -   |
| Other supplies and expenses                                  | 1,776,386           | 1,611,022           | 1,611,022           | -   |
| Depreciation   | -                   | -                   | -                   | -   |
| Contractual services   | -                   | -                   | -                   | -   |
| Debt service:  |                     |                     |                     |   |
| Principal  | 330,000             | 345,000             | 345,000             | -   |
| Interest and other charges                                   | 423,645             | 361,098             | 361,098             | -   |
| Capital outlay   | <u>17,207,000</u>   | <u>14,156,391</u>   | <u>14,156,391</u>   | <u>-</u>  |
| <i>Total expenditures</i>                                    | <u>23,756,544</u>   | <u>19,909,961</u>   | <u>19,909,961</u>   | <u>-</u>  |
| <i>Excess (deficiency) of revenues<br/>over expenditures</i> | <u>(14,382,784)</u> | <u>(9,782,576)</u>  | <u>(9,782,576)</u>  | <u>-</u>  |
| <i>Other financing sources (uses):</i>                       |                     |                     |                     |   |
| Bond proceeds  | 8,747,091           | 8,635,939           | 8,635,939           | -   |
| Transfers in   | 9,253,760           | 11,037,645          | 11,037,645          | -   |
| Transfers out  | <u>(8,903,760)</u>  | <u>(9,157,066)</u>  | <u>(9,157,066)</u>  | <u>-</u>  |
| <i>Total other financing sources<br/>(uses)</i>              | <u>9,097,091</u>    | <u>10,516,518</u>   | <u>10,516,518</u>   | <u>\$ -</u>   |
| <i>Prior year cash balance</i>                               | <u>8,939,327</u>    | <u>8,939,327</u>    |                     |   |
| <i>Appropriated cash balance</i>                             | <u>\$ 3,653,634</u> | <u>\$ 9,673,269</u> | 733,942             |   |
| <i>Reconciliation to GAAP Basis:</i>                         |                     |                     |                     |   |
| Increase in accounts receivable                              |                     |                     | 119,793             |   |
| Decrease in due from other governments                       |                     |                     | (296,345)           |   |
| Increase in inventory  |                     |                     | 64,141              |   |
| Decrease in accounts payable                                 |                     |                     | 933,701             |   |
| Decrease in interest payable                                 |                     |                     | 106,370             |   |
| Increase in accrued salaries                                 |                     |                     | (22,880)            |   |
| Proceeds from notes payable                                  |                     |                     | (8,635,939)         |   |
| Increase in customer deposits                                |                     |                     | (23,892)            |   |
| Increase in compensated absences                             |                     |                     | (21,205)            |   |
| Increase in accrued unfunded OPEB liability                  |                     |                     | (121,343)           |   |
| Payments on bonds payable                                    |                     |                     | 345,000             |   |
| Capital contributions  |                     |                     | 13,523              |   |
| Loss on disposal of assets                                   |                     |                     | (7,900)             |   |
| Capital outlay in excess of depreciation                     |                     |                     | 6,454,259           |   |
| <i>Change in net assets</i>                                  |                     |                     | <u>\$ (358,775)</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, 2009

Schedule D-2

|  | Budgeted Amounts |            | Actual Amounts | Variance with<br>Final Budget -<br>Favorable<br>(Unfavorable) |
|--|------------------|------------|----------------|---|
|  | Original         | Final      |                |   |
| <i>Revenues:</i>   |                  |            |                |   |
| Taxes  | \$ -             | \$ -       | \$ -           | \$ -  |
| Charges for services   | 5,590,768        | 5,618,186  | 5,618,186      | -   |
| Investment earnings  | 21,900           | 7,787      | 7,787          | -   |
| Miscellaneous  | -                | -          | -              | -   |
| <i>Total revenues</i>  | 5,612,668        | 5,625,973  | 5,625,973      | -   |
| <i>Expenditures:</i>   |                  |            |                |   |
| <i>Current:</i>  |                  |            |                |   |
| General government   | -                | -          | -              | -   |
| Public safety  | -                | -          | -              | -   |
| Highways and roads   | -                | -          | -              | -   |
| Health and welfare   | -                | -          | -              | -   |
| Culture and recreation                                       | -                | -          | -              | -   |
| Contractual services   | 5,590,768        | 5,437,878  | 5,437,878      | -   |
| <i>Debt service:</i>   |                  |            |                |   |
| Principal  | -                | -          | -              | -   |
| Interest and other charges                                   | -                | -          | -              | -   |
| Capital outlay   | -                | -          | -              | -   |
| <i>Total expenditures</i>                                    | 5,590,768        | 5,437,878  | 5,437,878      | -   |
| <i>Excess (deficiency) of revenues<br/>over expenditures</i> | 21,900           | 188,095    | 188,095        | -   |
| <i>Other financing sources (uses):</i>                       |                  |            |                |   |
| Proceeds from capital leases                                 | -                | -          | -              | -   |
| Transfers in   | -                | -          | -              | -   |
| Transfers out  | -                | -          | -              | -   |
| <i>Total other financing sources<br/>(uses)</i>              | -                | -          | -              | -   |
| <i>Special Item</i>  |                  |            |                |   |
| Proceeds from sale capital assets                            | -                | -          | -              | -   |
| <i>Appropriated cash balance</i>                             | \$ 21,900        | \$ 188,095 | 188,095        | \$ -  |
| <i>Reconciliation to GAAP Basis:</i>                         |                  |            |                |   |
| Increase in accounts receivable                              |                  |            | 5,075          |   |
| Increase in accounts payable                                 |                  |            | (12,097)       |   |
| Decrease in estimated claims payable                         |                  |            | 251,337        |   |
| <i>Change in net assets</i>                                  |                  |            | \$ 432,410     |   |

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, 2009

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, 2009            | \$ -                      | \$ 19,814,591                               | \$ 19,814,591                                  | \$ -         | \$ 20,379,985   | 97.23%                                  |
| June 30, 2008            | \$ -                      | \$ 16,992,757                               | \$ 16,992,757                                  | \$ -         | \$ 19,436,693   | 87.43%                                  |
| June 30, 2007            | \$ -                      | \$ 15,985,000                               | \$ 15,985,000                                  | \$ -         | \$ 16,715,294   | 95.63%                                  |

| Fiscal year ended | Annual OPEB Cost | Actual Employer Contributions | Percentage Contributed |
|-------------------|------------------|-------------------------------|------------------------|
| June 30, 2009     | \$ 1,663,572     | \$ 429,092                    | 25.8%                  |
| June 30, 2008     | \$ 1,318,966     | \$ 354,391                    | 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, 2009

|                                   | Balance<br>June 30, 2008 | Additions           | Deductions          | Balance<br>June 30, 2009 |
|-----------------------------------|--------------------------|---------------------|---------------------|--------------------------|
| <b><u>Motor Vehicle</u></b>       |                          |                     |                     |                          |
| <b>Assets</b>                     |                          |                     |                     |                          |
| Cash and cash equivalents         | \$ 93                    | \$ 4,655,234        | \$ 4,655,230        | \$ 97                    |
| <b>Total Assets</b>               | <b>\$ 93</b>             | <b>\$ 4,655,234</b> | <b>\$ 4,655,230</b> | <b>\$ 97</b>             |
| <b>Liabilities</b>                |                          |                     |                     |                          |
| Deposits held in trust for others | \$ 93                    | \$ 4,655,234        | \$ 4,655,230        | \$ 97                    |
| <b>Total Liabilities</b>          | <b>\$ 93</b>             | <b>\$ 4,655,234</b> | <b>\$ 4,655,230</b> | <b>\$ 97</b>             |
| <b><u>Municipal Judge</u></b>     |                          |                     |                     |                          |
| <b>Assets</b>                     |                          |                     |                     |                          |
| Cash and cash equivalents         | \$ 131,755               | \$ 124,237          | \$ 132,200          | \$ 123,792               |
| <b>Total Assets</b>               | <b>\$ 131,755</b>        | <b>\$ 124,237</b>   | <b>\$ 132,200</b>   | <b>\$ 123,792</b>        |
| <b>Liabilities</b>                |                          |                     |                     |                          |
| Deposits held in trust for others | \$ 131,755               | \$ 124,237          | \$ 132,200          | \$ 123,792               |
| <b>Total Liabilities</b>          | <b>\$ 131,755</b>        | <b>\$ 124,237</b>   | <b>\$ 132,200</b>   | <b>\$ 123,792</b>        |
| <b><u>Crime Lab</u></b>           |                          |                     |                     |                          |
| <b>Assets</b>                     |                          |                     |                     |                          |
| Cash and cash equivalents         | \$ 31,578                | \$ 117,332          | \$ 117,878          | \$ 31,032                |
| <b>Total Assets</b>               | <b>\$ 31,578</b>         | <b>\$ 117,332</b>   | <b>\$ 117,878</b>   | <b>\$ 31,032</b>         |
| <b>Liabilities</b>                |                          |                     |                     |                          |
| Accounts payable                  | \$ 6,894                 | \$ 7,650            | \$ 6,894            | \$ 7,650                 |
| Deposits held in trust for others | 24,684                   | 109,682             | 110,984             | 23,382                   |
| <b>Total Liabilities</b>          | <b>\$ 31,578</b>         | <b>\$ 117,332</b>   | <b>\$ 117,878</b>   | <b>\$ 31,032</b>         |
| <b><u>Senior Citizen</u></b>      |                          |                     |                     |                          |
| <b>Assets</b>                     |                          |                     |                     |                          |
| Cash and cash equivalents         | \$ 1,115                 | \$ 3,395            | \$ 4,510            | \$ 0                     |
| <b>Total Assets</b>               | <b>\$ 1,115</b>          | <b>\$ 3,395</b>     | <b>\$ 4,510</b>     | <b>\$ 0</b>              |
| <b>Liabilities</b>                |                          |                     |                     |                          |
| Deposits held in trust for others | \$ 1,115                 | \$ 3,395            | \$ 4,510            | \$ 0                     |
| <b>Total Liabilities</b>          | <b>\$ 1,115</b>          | <b>\$ 3,395</b>     | <b>\$ 4,510</b>     | <b>\$ 0</b>              |

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, 2009

|  | Balance<br>June 30, 2008 | Additions        | Deductions       | Balance<br>June 30, 2009 |
|--|--------------------------|------------------|------------------|--------------------------|
| <b><u>1980 Mortgage Revenue Bond</u></b> |                          |                  |                  |                          |
| <b>Assets</b>                            |                          |                  |                  |                          |
| Cash and cash equivalents                | \$ 69,863                | \$ 56,677        | \$ 56,677        | \$ 69,863                |
| <b>Total Assets</b>                      | <b>\$ 69,863</b>         | <b>\$ 56,677</b> | <b>\$ 56,677</b> | <b>\$ 69,863</b>         |
| <b>Liabilities</b>                       |                          |                  |                  |                          |
| Deposits held in trust for others        | \$ 69,863                | \$ 56,677        | \$ 56,677        | \$ 69,863                |
| <b>Total Liabilities</b>                 | <b>\$ 69,863</b>         | <b>\$ 56,677</b> | <b>\$ 56,677</b> | <b>\$ 69,863</b>         |
| <b><u>Hobbs Beautiful</u></b>            |                          |                  |                  |                          |
| <b>Assets</b>                            |                          |                  |                  |                          |
| Cash and cash equivalents                | \$ 58,326                | \$ 8,257         | \$ 30,407        | \$ 36,176                |
| <b>Total Assets</b>                      | <b>\$ 58,326</b>         | <b>\$ 8,257</b>  | <b>\$ 30,407</b> | <b>\$ 36,176</b>         |
| <b>Liabilities</b>                       |                          |                  |                  |                          |
| Deposits held in trust for others        | \$ 58,326                | \$ 8,257         | \$ 30,407        | \$ 36,176                |
| <b>Total Liabilities</b>                 | <b>\$ 58,326</b>         | <b>\$ 8,257</b>  | <b>\$ 30,407</b> | <b>\$ 36,176</b>         |
| <b><u>City Agency</u></b>                |                          |                  |                  |                          |
| <b>Assets</b>                            |                          |                  |                  |                          |
| Cash and cash equivalents                | \$ 7,663                 | \$ 1,076         | \$ 3,806         | \$ 4,933                 |
| <b>Total Assets</b>                      | <b>\$ 7,663</b>          | <b>\$ 1,076</b>  | <b>\$ 3,806</b>  | <b>\$ 4,933</b>          |
| <b>Liabilities</b>                       |                          |                  |                  |                          |
| Deposits held in trust for others        | \$ 7,663                 | \$ 1,076         | \$ 3,806         | \$ 4,933                 |
| <b>Total Liabilities</b>                 | <b>\$ 7,663</b>          | <b>\$ 1,076</b>  | <b>\$ 3,806</b>  | <b>\$ 4,933</b>          |
| <b><u>Evidence Fund</u></b>              |                          |                  |                  |                          |
| <b>Assets</b>                            |                          |                  |                  |                          |
| Cash and cash equivalents                | \$ 65,755                | \$ 126           | \$ -             | \$ 65,881                |
| <b>Total Assets</b>                      | <b>\$ 65,755</b>         | <b>\$ 126</b>    | <b>\$ -</b>      | <b>\$ 65,881</b>         |
| <b>Liabilities</b>                       |                          |                  |                  |                          |
| Deposits held in trust for others        | \$ 65,755                | \$ 126           | \$ -             | \$ 65,881                |
| <b>Total Liabilities</b>                 | <b>\$ 65,755</b>         | <b>\$ 126</b>    | <b>\$ -</b>      | <b>\$ 65,881</b>         |

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, 2009

|  | Balance<br>June 30, 2008 | Additions           | Deductions          | Balance<br>June 30, 2009 |
|--|--------------------------|---------------------|---------------------|--------------------------|
| <b><u>Total - All Agency Funds</u></b> |                          |                     |                     |                          |
| <b>Assets</b>                          |                          |                     |                     |                          |
| Cash and cash equivalents              | \$ 366,148               | \$ 4,966,334        | \$ 5,000,708        | \$ 331,774               |
| <b>Total Assets</b>                    | <b>\$ 366,148</b>        | <b>\$ 4,966,334</b> | <b>\$ 5,000,708</b> | <b>\$ 331,774</b>        |
| <b>Liabilities</b>                     |                          |                     |                     |                          |
| Accounts payable                       | \$ 6,894                 | \$ 7,650            | \$ 6,894            | \$ 7,650                 |
| Deposits held in trust for others      | 359,254                  | 4,958,685           | 4,993,815           | 324,124                  |
| <b>Total Liabilities</b>               | <b>\$ 366,148</b>        | <b>\$ 4,966,335</b> | <b>\$ 5,000,709</b> | <b>\$ 331,774</b>        |

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, 2009

Schedule I

| Name of Depository    | CUSIP     | Description                                     | Fair Market or<br>Par<br>Value   | Name and Location<br>of Safekeeper         |
|-----------------------|-----------|---|----------------------------------|--|
| Lea County State Bank | 912828FK1 | U. S. Treasury Bonds 5.25%<br>Due June 30, 2011 | \$ 2,065,843<br><u>2,065,843</u> | Lea County State Bank<br>Hobbs, NM         |
|                       | 011464FD1 | Alamogordo FD1 2.7%<br>Due August 1, 2010       | \$ 1,000,000                     | First Security Bank<br>Salt Lake City, UT  |
|                       | 388240CK7 | Grants & Cibola 4.5%<br>Due October 1, 2013     | 135,000<br><u>1,135,000</u>      | First Security Bank<br>Salt Lake City, UT  |
| Wells Fargo Bank      | 36225BG85 | GNSF #781123<br>Due December 15, 2029           | \$ 96,118<br><u>96,118</u>       | Wells Fargo Corporation<br>Minneapolis, MN |
| Western Commerce Bank | 36225CMM5 | GNMA ARM Pool 80363<br>Due January 20, 2030     | \$ 30,859                        | Federal Home Loan Bank<br>Dallas, TX       |
|                       | 31360QU58 | FNMA #13204<br>Due June 1, 2025                 | 52,330                           | Federal Home Loan Bank<br>Dallas, TX       |
|                       | 31292GTJ5 | FHLMC #C00553<br>Due September 1, 2027          | 65,216<br><u>148,405</u>         | Federal Home Loan Bank<br>Dallas, TX       |
| Bank of America       | 912810EG9 | US Treasury Bonds 8.75%<br>Due August 15, 2020  | \$ 235,886<br><u>235,886</u>     | Bank of America<br>Charlotte, NC           |
|                       |           |   | <u><u>\$ 3,681,252</u></u>       |  |

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



**COMPLIANCE SECTION**



**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, 2009, and have issued our report thereon dated December 1, 2009. 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.

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.

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 or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

### Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2008-1, 2009-1, 2009-2, and 2009-3.

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 are described in the accompanying schedule of findings and questioned costs as findings 2008-1, 2009-1 and 2009-3.

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, 2009



**FEDERAL FINANCIAL ASSISTANCE**



**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 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, 2009. 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, 2009.

Internal Control Over Compliance

The management of the City is responsible for establishing and maintaining effective internal control over compliance with the requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the City's internal control over compliance with 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, 2009

STATE OF NEW MEXICO  
CITY OF HOBBS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2009

Schedule III

| NAME OF AGENCY/PROGRAM  | CFDA NO                    | TOTAL AWARDS<br>EXPENDED |
|---|----------------------------|--------------------------|
| U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT(1)<br>EDI - Special Project (HIAP Remediation)   | 14.228                     | \$ 1,392,853 (1)         |
| EXECUTIVE OFFICE OF THE PRESIDENT<br>OFFICE OF NATIONAL DRUG CONTROL POLICY(1)<br>High Intensity Drug Trafficking Area Grant                              | 16.809                     | 1,362,222 (1)            |
| U.S. DEPARTMENT OF TRANSPORTATION(1)<br>Urban Mass Transit  | 20.509                     | 466,671 (1)              |
| U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT(1)<br>Passed through from NM Department of Finance and Administration<br>Community Development Block Grant | 06-C-NR-I-1-G-34<br>14.218 | 645,933 (1)              |
| U.S. DEPARTMENT OF JUSTICE<br>Law Enforcement Block Grant   | 16.592                     | 5,125                    |
| U.S. DEPARTMENT OF AGRICULTURE<br>Commodity   | 10.569                     | 63,106                   |
| U.S. DEPARTMENT OF HOMELAND SECURITY<br>Emergency Management  | 97.044                     | 149,856                  |
| FEDERAL HIGHWAY ADMINISTRATION<br>HIAP Infrastructure (TCSP)  | 20.205                     | 100,000                  |
|   |                            | <b>\$ 4,185,766</b>      |

(1) Major Program

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

STATE OF NEW MEXICO  
CITY OF HOBBS  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
For the Year Ended June 30, 2009

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.

## SCHEDULE OF FINDINGS AND QUESTIONED COSTS

### 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. No significant deficiencies were 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 four findings on other matters that did not rise to the level of significant deficiencies or material weaknesses. See findings 2008-1, 2009-1, 2009-2, and 2009-3.
5. There were no material weaknesses disclosed during the audit of the financial statements.
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: Economic Development Initiative (EDI) Special Project – HIAP Remediation, the 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 not determined to be a low-risk auditee.

## B. FINDINGS-FINANCIAL STATEMENT AUDIT

### 2008-1 Municipal Court Receipts Reconciliation

**Condition:**

The Municipal Court receivable trial balances do not reconcile to the general ledger by \$62,183.

**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 and effective 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:**

On November 2, 2009, an ordinance amending 2.12 of the Hobbs Municipal Code and Repealing Ordinance Number 1019 is currently being modified. According to section 2.12.030 D of the publicized ordinance, the Municipal Judge shall be responsible for providing the Finance Director a reconciliation of accounts receivable and bond payable accounts in the current court software system to the general ledger balance beginning the first month after system compatibility is resolved and the reconciliation is brought current.

Because the cost of a resolution to the court software system can be reimbursed by the Administrative Office of the Courts, the Municipal Court will begin to work with the current or a new software provider to present a reconciliation to the Finance Director as soon as possible.

### 2009-1 Petty Cash Authorization

**Condition:**

During testwork on petty cash at the Police Department, we identified two instances out of thirty-seven tested where only one employee's signature was included on the petty cash request, as opposed to the two signatures required by City policy. The disbursements with only one signature totaled \$42.90.

**Criteria:**

The City's internal control procedures should be followed at all times in order to remain effective.

**Effect of Condition:**

Noncompliance with the City's internal control procedures over cash can increase the likelihood of fraud or abuse.

**Cause of Condition:**

Only one employee signed off on the petty cash requests. Petty cash was disbursed without the required second signature.

**Recommendation:**

The City should ensure that all of its policies and procedures are followed consistently.

**Agency Response:**

The City will reiterate current City policies on petty cash to all employees. We also plan to perform random internal audit procedures to ensure policies are followed on an ongoing basis.



## C. COMPLIANCE AND OTHER MATTERS FINDINGS

### 2009-2 Inadequate Documentation of Receipts and Deposits Not Made Timely

#### Condition:

Documentation of cash receipts and revenues at the Harry McAdams Park office was inadequate. During testwork, we were unable to determine the amount of cash and checks received on a daily basis. In addition, we were unable to determine the length of time between the receipt and deposit of funds totaling \$11,155.50, including cash of \$5,139, checks of \$1,476.50, and funds of an unspecified type of \$4,540. Cash receipts at the Animal Adoption Center were not deposited daily throughout the fiscal year ended June 30, 2009. Out of total receipts tested of \$9,321, \$5,206 in cash and \$1,926 in checks were not deposited within one business day of receipt.

#### Criteria:

Per Section 6-10-3 NMSA 1978, it is required that a local government agency deposit all receipts within a 24-hour period after such receipts have been received by the agency, with allowance made for non-business days and bank holidays. Accurate, complete records of cash and other funds received are essential for sound internal controls and to assure that transactions are recorded properly.

#### Effect of Condition:

The City is not in compliance with Section 6-10-3 NMSA 1978, and financial records necessary to track cash receipts and revenues are not available.

#### Cause of Condition:

The records kept at the park office are designed to track the payment of space rentals and not to track the cash and checks received. Procedures prior to the fiscal year ended June 30, 2010, required the deposit of funds on a weekly basis.

#### Recommendation:

Establish reconciliation and recordkeeping procedures for all remote sites in accordance with applicable regulations and ensure that procedures requiring the deposit of funds received on the next business day are established and consistently followed.

#### Agency Response:

The City will establish procedures to ensure adequate documentation is kept at the initial location of cash collection. Internal audits of these sites will be performed randomly to ensure these procedures are consistently followed.

### 2009-3 Alleged Embezzlement

**Condition:**

The alleged embezzlement of \$21,972.84 in cash receipts at the Senior Center spanning several years was discovered by City staff after the fiscal year ended June 30, 2009.

**Criteria:**

The City is responsible for designing its system of internal controls to prevent and detect fraud, including protecting its assets from misappropriation.

**Effect of Condition:**

The City has allegedly lost revenues and assets to theft.

**Cause of Condition:**

Insufficient separation of duties gave a former employee the opportunity to allegedly misappropriate cash. Reconciliation discrepancies related to the cash receipts were not investigated fully.

**Recommendation:**

The City should establish and enforce procedures ensuring that separation of duties related to cash receipts are maintained, and that reconciliations of cash receipts and revenues are performed in a timely manner and followed up on by staff with the appropriate authority.

**Agency Response:**

Charges have been filed against the individual in the alleged embezzlement, and our insurance has covered the amount in full, less a \$1,000 deductible. To prevent future occurrences, we have informed staff to reconcile their records maintained on site to those kept in the City Clerk's office where the final receipt is provided for deposit. When possible, the person performing this reconciliation should not be responsible for taking monies to be receipted in the Clerk's office.

**D. FINDINGS-FEDERAL AWARDS**

None

**E. STATUS OF FINDINGS-PRIOR YEAR AUDIT**

2006-2: Related Party Policy – This finding was resolved and not repeated.

2008-1: Municipal Court Receipts Reconciliation – This finding was modified and repeated at 2008-1.

2008-2: Material Journal Entries – This finding was resolved and not repeated.

**F. PREPARATION OF FINANCIAL STATEMENTS**

The City's financial statements for the year ended June 30, 2009 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 30, 2009. 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  
Jonathan Sena, City Commissioner

Auditors

Mary Hinds, CPA

