

STATE OF NEW MEXICO
CITY OF HOBBS
ANNUAL FINANCIAL REPORT
June 30, 2010



JOHNSON, MILLER & CO.

*Certified Public Accountants
A Professional Corporation*

An Independent Member of BDO Seidman Alliance

STATE OF NEW MEXICO
CITY OF HOBBS
ANNUAL FINANCIAL REPORT
June 30, 2010

INTRODUCTORY SECTION

STATE OF NEW MEXICO
CITY OF HOBBS

OFFICIAL ROSTER
June 30, 2010

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, 2010

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CITY OF HOBBS**

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FINANCIAL SECTION



JOHNSON, MILLER & CO.
Certified Public Accountants
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Hobbs, New Mexico
Midland, Texas
Odessa, Texas

INDEPENDENT AUDITORS' REPORT

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

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hobbs, Hobbs, New Mexico, (the City) as of and for the year ended June 30, 2010, 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, 2010 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, as of June 30, 2010, 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 as of June 30, 2010, 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, 2010 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

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, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

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. 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, 2010

STATE OF NEW MEXICO
CITY OF HOBBS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2010
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, 2010. 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 \$1,642,003.
- The assets of the City of Hobbs exceeded its liabilities at June 30, 2010 by \$182,031,197.
- Restricted net assets totaled \$14,026,802 at June 30, 2010. Restricted net assets are subject to external restrictions on how they may be used.
- Unrestricted assets totaled \$39,676,797 at June 30, 2010.
- Gross receipts and State of New Mexico shared taxes decreased approximately 13% from \$43,595,084 for 2009 to \$37,915,395 for 2010. 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 are comprised of 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, 2010
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, 2010
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 fund financial statements 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, 2010
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 \$182,031,197 at June 30, 2010.

Net Assets

	June 30, 2010		
	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 36,282,012	\$ 10,327,106	\$ 46,609,118
Investments	1,697,719	-	1,697,719
Receivables	11,142,150	1,389,390	12,531,540
Internal balances	20,817	(20,817)	-
Inventories	-	377,695	377,695
Restricted cash and investments	2,111,752	1,260,235	3,371,987
Capital assets, net of depreciation	112,053,215	55,788,943	167,842,158
	\$ 163,307,665	\$ 69,122,552	\$ 232,430,217
LIABILITIES AND NET ASSETS			
Current liabilities	\$ 3,842,333	\$ 406,604	\$ 4,248,937
Customer deposits	-	450,803	450,803
Long-term liabilities due within one year	278,248	4,751,031	5,029,279
Long-term liabilities due in more than one year	5,408,467	35,261,534	40,670,001
	9,529,048	40,869,972	50,399,020
Invested in capital assets, net of related debt	112,053,215	16,274,383	128,327,598
Restricted for:			
Capital projects	10,953,855	857,277	11,811,132
Public safety	612,743	-	612,743
Culture and recreation	137,812	-	137,812
Health and welfare	1,465,115	-	1,465,115
Unrestricted	28,555,877	11,120,920	39,676,797
Total net assets	153,778,617	28,252,580	182,031,197
	\$ 163,307,665	\$ 69,122,552	\$ 232,430,217

STATE OF NEW MEXICO
CITY OF HOBBS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2010
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Government-wide Financial Analysis (continued)

On June 30, 2009, assets exceeded liabilities by \$180,194,468. Significant reasons for the increase of \$1,836,729 follow the schedule below.

	June 30, 2009		
	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
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
Total assets	\$ 158,469,093	\$ 71,108,220	\$ 229,577,313
LIABILITIES AND NET ASSETS			
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
Total liabilities	8,669,172	40,713,673	49,382,845
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
Debt service	-	-	-
Unrestricted	31,436,070	9,285,282	40,721,352
Total net assets	149,799,921	30,394,547	180,194,468
Total liabilities and net assets	\$ 158,469,093	\$ 71,108,220	\$ 229,577,313

STATE OF NEW MEXICO
CITY OF HOBBS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2010
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

- Decreased revenues from taxes, grants, and charges for services led to lower balances for assets such as cash and investments. The utilization of restricted cash for capital projects resulted in a decrease in restricted cash.
- This year's major capital asset additions for governmental activities included the purchase of various vehicles, buildings, equipment, and numerous street renovations. These additions contributed to an increase of over \$7.8 million in governmental activities capital assets.
- Long-term debt decreased due to liabilities related to the 1997 Bond Issue. The City elected to pay off the remaining balance within the fiscal year ending June 30, 2011.

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. Current liabilities increased due to the anticipating payoff of the 1997 Bond Issue within the fiscal year ending June 30, 2011.

STATE OF NEW MEXICO
CITY OF HOBBS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2010
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, 2010, 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, 2010 and 2009, respectively, were \$67,823,509 and \$77,610,390. Total expenses were, respectively, \$65,127,425 and \$64,193,086. The effects of these and other changes to net assets can be seen in the following schedules.

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, 2010 and 2009. Reasons for significant changes follow the schedules.

STATE OF NEW MEXICO
CITY OF HOBBS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2010
Unaudited

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

<u>Functions/Programs</u>	<u>June 30, 2010</u>		
	<u>Primary Government</u>		
	<u>Governmental</u>	<u>Business-</u>	<u>Total</u>
<u>Activities</u>	<u>type</u>		
	<u>Activities</u>	<u>Activities</u>	
Primary government:			
General government	\$ 11,825,022	\$ -	\$ 11,825,022
Public safety	19,384,445	-	19,384,445
Public works	4,174,930	-	4,174,930
Economic development	485,905	-	485,905
Health and welfare	3,986,418	-	3,986,418
Culture and recreation	5,887,048	-	5,887,048
Sanitation	4,867,259	-	4,867,259
Capital Outlay	766,591	-	766,591
Joint utility enterprise	-	13,749,807	13,749,807
Less charges for services	8,780,715	9,639,874	18,420,589
Less operating grants and contributions	1,987,857	-	1,987,857
Less capital grants and contributions	3,605,536	297,403	3,902,939
	<u>\$ (37,003,510)</u>	<u>\$ (3,812,530)</u>	<u>\$ (40,816,040)</u>
General revenues:			
Taxes:			
Property taxes - general purposes	\$ 2,209,323	\$ -	\$ 2,209,323
State of New Mexico shared taxes	17,689,497	-	17,689,497
Franchise taxes	2,092,340	-	2,092,340
Municipal gross receipts taxes	19,363,387	862,511	20,225,898
Unrestricted investment earnings	93,523	15,305	108,828
Miscellaneous	1,186,238	-	1,186,238
	<u>42,634,308</u>	<u>877,816</u>	<u>43,512,124</u>
Excess (deficiency) before contributions, special items, and transfers	<u>5,630,798</u>	<u>(2,934,714)</u>	<u>2,696,084</u>
<i>Special item</i> - gain (loss) on sale of asset	(56,562)	(18,350)	(74,912)
Net operating transfers in (out)	(1,595,540)	1,608,000	12,460
Contributed capital	-	-	-
Total contributions, special items, and transfers	<u>(1,652,102)</u>	<u>1,589,650</u>	<u>(62,452)</u>
Change in net assets	<u>3,978,696</u>	<u>(1,345,064)</u>	<u>2,633,632</u>
Net assets - beginning	149,799,921	30,394,547	180,194,468
Prior period adjustment	-	(796,903)	(796,903)
Net assets - ending	<u>\$ 153,778,617</u>	<u>\$ 28,252,580</u>	<u>\$ 182,031,197</u>

STATE OF NEW MEXICO
CITY OF HOBBS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2010
Unaudited

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

<u>Functions/Programs</u>	<u>June 30, 2009</u>		
	<u>Primary Government</u>		
	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>
	<u>Activities</u>	<u>Activities</u>	
Primary government:			
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
Capital Outlay	-	-	-
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	2,331,742	-	2,331,742
Less capital grants and contributions	6,434,775	495,000	6,929,775
	<u>\$ (33,286,357)</u>	<u>\$ (3,270,964)</u>	<u>\$ (36,557,321)</u>
General revenues:			
Taxes:			
Property tax - general purpose	\$ 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	1,151,083	-	1,151,083
	<u>48,893,277</u>	<u>1,081,348</u>	<u>49,974,625</u>
Excess (deficiency) before contributions, special items, and transfers	<u>15,606,920</u>	<u>(2,189,616)</u>	<u>13,417,304</u>
<i>Special item</i> - gain on sale of asset	40,198	(7,900)	32,298
Net operating transfers in (out)	(1,851,267)	1,849,314	(1,953)
Contributed capital	(13,523)	13,523	-
Total contributions, special items, and transfers	<u>(1,824,592)</u>	<u>1,854,937</u>	<u>30,345</u>
Change in net assets	<u>13,782,328</u>	<u>(334,679)</u>	<u>13,447,649</u>
Net assets - beginning	136,015,641	30,729,226	166,744,867
Prior period adjustment	-	-	-
Net assets - ending	<u>\$ 149,797,969</u>	<u>\$ 30,394,547</u>	<u>\$ 180,192,516</u>

STATE OF NEW MEXICO
CITY OF HOBBS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2010
Unaudited

Governmental activities

The governmental activities of the City of Hobbs attained an increase in net assets of \$3,978,696 in the year ended June 30, 2010. As can be seen from the schedules above, the governmental activities' increase in net assets for the year ended June 30, 2009, was \$13,782,328. Reasons for the lesser increase in governmental activities net assets for the year ended June 30, 2010 follow.

- A decrease in gross receipts tax and State of New Mexico shared taxes of \$5,679,689.
- Both operating results (charges for services, operating grants, and capital grants less program expenses) and general revenues in total declined between 2009 and 2010 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 decreased \$3,022,373 due to the oil industry which still tends to be highly volatile during the fiscal year 2010.

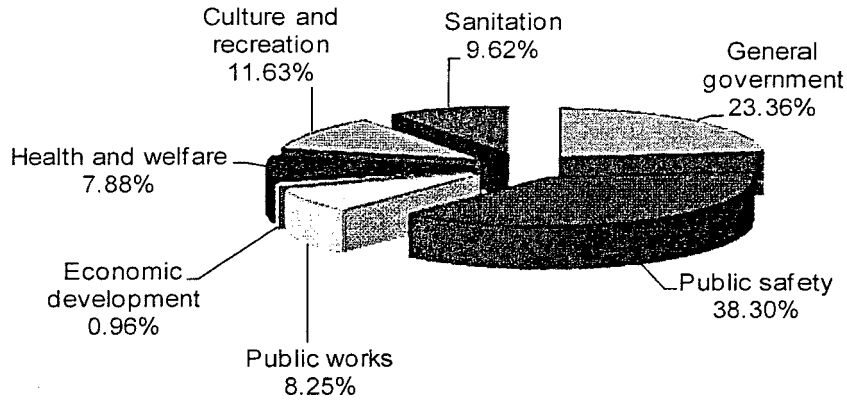
Business-type activities

The decrease in net assets contributed by the City's business-type activities was \$1,345,064 in the year ended June 30, 2010, compared to the decrease of net assets of \$334,679 for the year ended June 30, 2009. The decrease this year was driven by a number of factors, including:

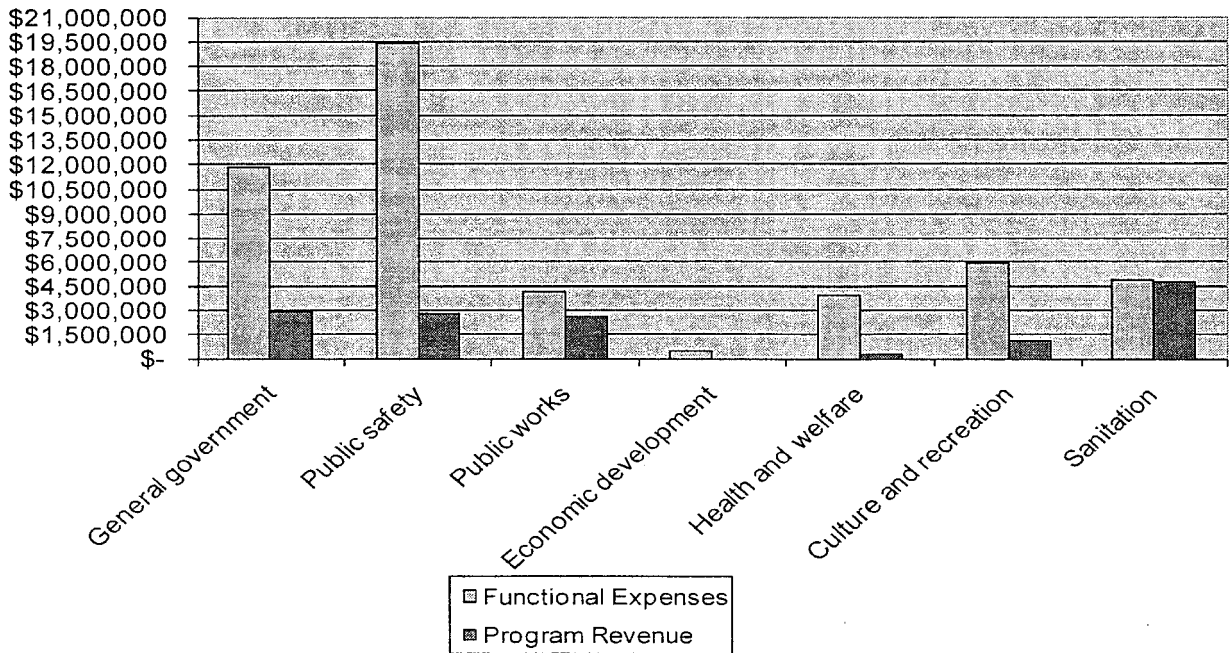
- Increases in charges for services, offset by a decline in grant revenues.
- Decreases in revenues from municipal gross receipts taxes for business-type activities and investment earnings.

STATE OF NEW MEXICO
CITY OF HOBBS
MANAGEMENT'S DISCUSSION AND ANALYSIS
 For the Year Ended June 30, 2010
 Unaudited

PROGRAM EXPENSES - GOVERNMENTAL ACTIVITIES



Program Revenue and Expense - Governmental Activities

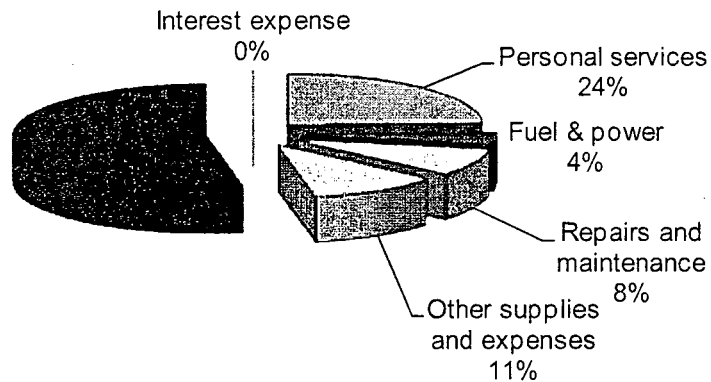


STATE OF NEW MEXICO
CITY OF HOBBS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2010
Unaudited

Business-type activities

Business-type activities decreased the City of Hobbs' net assets by \$1,345,064 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, 2010
Unaudited

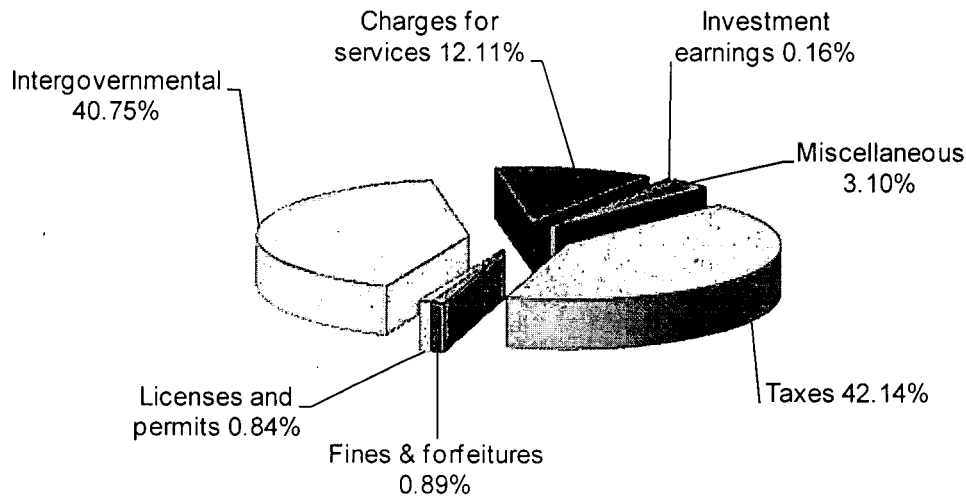
Governmental funds (continued)

As of June 30, 2010, the City of Hobbs governmental funds reported combined ending fund balances of \$45,120,829, a decrease of \$2,155,131. Approximately \$32,489,608 or 71% constitutes unreserved fund balance, which is available for spending at the government's discretion. The remainder of fund balance is reserved to indicate that it is not available for new spending because it has already been committed to satisfy third party restrictions as to the allowable use of these amounts.

The general fund is the chief operating fund of the City of Hobbs. At the end of the current fiscal year, unreserved fund balance of the general fund was \$32,494,246. 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 71% of the total general fund expenditures.

The City's general fund balance decreased by \$560,790 in the current fiscal year. The key factor in this decrease is a decrease in tax receipts of \$2,715,584.

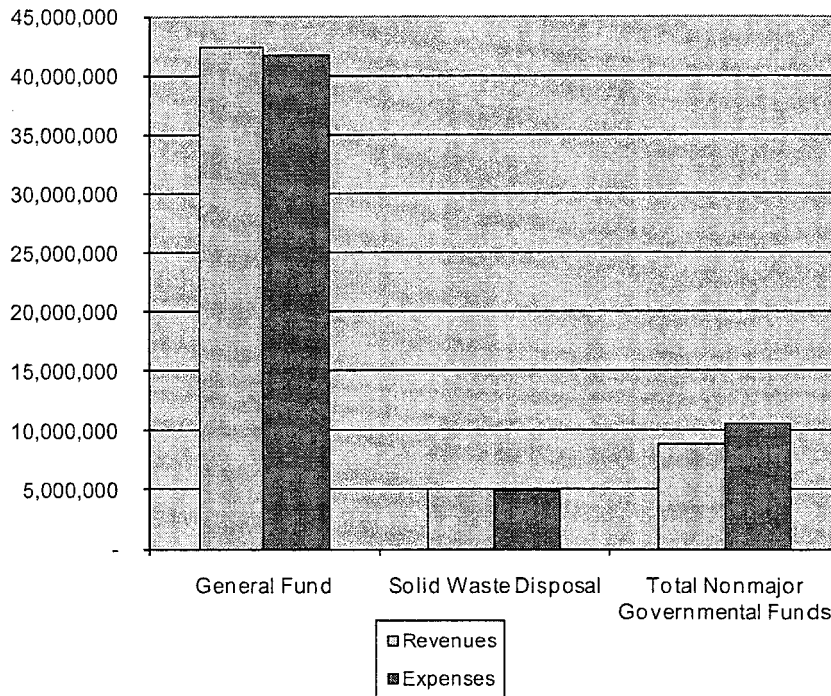
Revenue by Source - Governmental Funds



STATE OF NEW MEXICO
CITY OF HOBBS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2010
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 include fees for services and waste collection billing.
- Property tax rates remained unchanged in the current year.

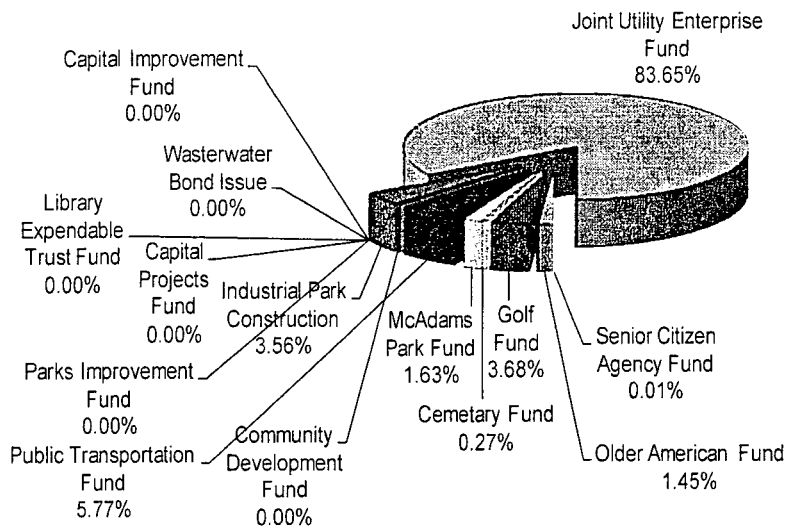
Excess of Revenues Over Expenditures-Governmental Funds



- 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, 2010
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, 2010, unrestricted net assets totaled \$11,403,264 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, 2010 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	\$ (12,661,979)	\$ (969,376)	\$ (969,376)
Solid Waste Disposal Special Revenue	-	474,582	474,582
Nonmajor Governmental Funds	(8,974,851)	(1,538,436)	(1,538,436)

STATE OF NEW MEXICO
CITY OF HOBBS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2010
Unaudited

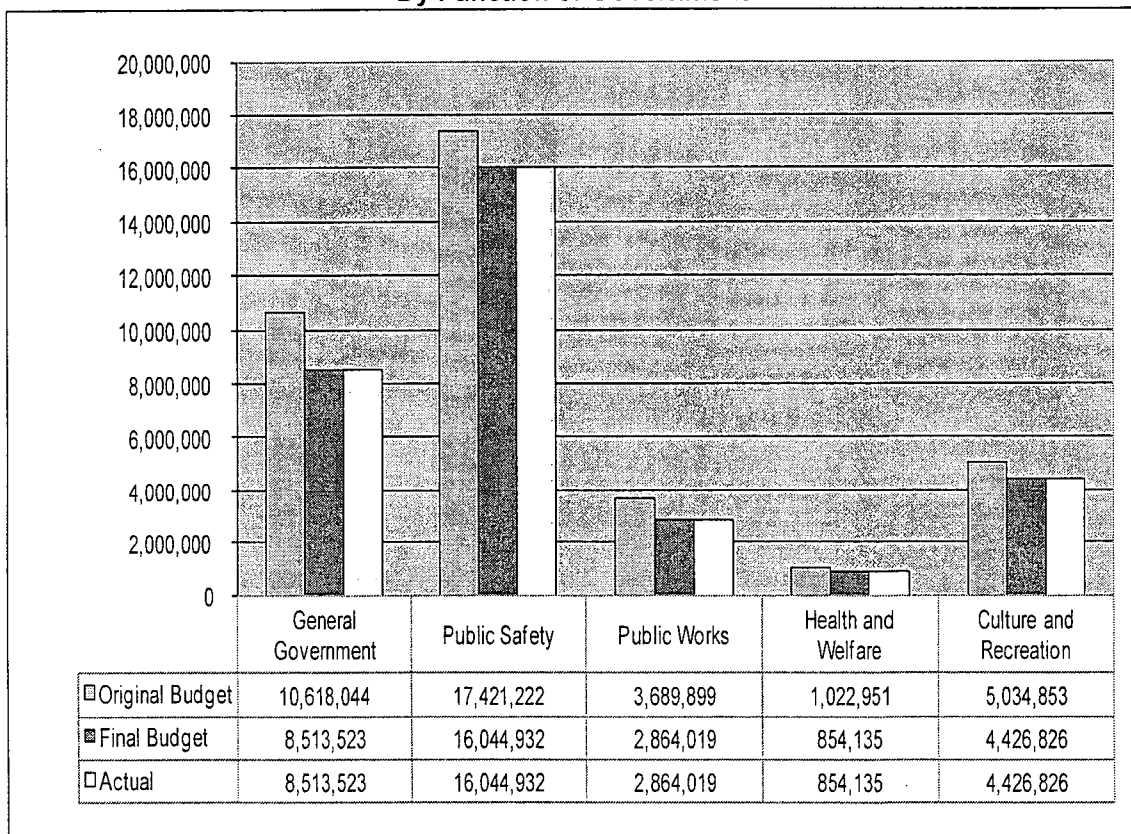
Budgetary Comparisons (continued)

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, 2010
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, 2010
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, 2010

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents (Note C)	\$ 36,282,012	\$ 10,327,106	\$ 46,609,118
Investments (Note C)	1,697,719	-	1,697,719
Receivables (Note E)			
Accounts receivable, net	2,643,712	1,181,906	3,825,618
Due from other governments	8,498,438	207,484	8,705,922
Internal balances	20,817	(20,817)	-
Inventories	-	377,695	377,695
Restricted cash and investments (Note F)	2,111,752	1,260,235	3,371,987
Capital assets (Note L)			
Land and land improvements	15,871,627	-	15,871,627
Infrastructure	57,331,184	-	57,331,184
Buildings	28,812,449	-	28,812,449
Equipment and furniture	31,465,189	-	31,465,189
Utility system	-	82,127,460	82,127,460
Less: accumulated depreciation	(42,101,242)	(42,877,637)	(84,978,879)
Construction in progress	19,315,619	16,513,478	35,829,097
Intangible assets	1,473,864	27,625	1,501,489
Less: accumulated amortization	(115,475)	(1,983)	(117,458)
Total assets	\$ 163,307,665	\$ 69,122,552	\$ 232,430,217

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

STATE OF NEW MEXICO
CITY OF HOBBS
STATEMENT OF NET ASSETS
June 30, 2010

	Primary Government		Total
	Governmental Activities	Business-type Activities	
LIABILITIES AND NET ASSETS			
Accounts payable	\$ 2,373,468	\$ 282,200	\$ 2,655,668
Accrued salaries and related expenses	1,158,621	124,404	1,283,025
Estimated claims payable (Note Q)	310,244	-	310,244
Customer deposits	-	450,803	450,803
Long-term liabilities			
Due within one year (Note M)			
Notes payable	40,919	206,605	247,524
Bonds payable	-	3,110,000	3,110,000
Accrued interest	-	1,396,662	1,396,662
Compensated absences	237,329	37,764	275,093
Due in more than one year (Note M)			
Notes payable	130,663	34,801,293	34,931,956
Bonds payable	-	-	-
Compensated absences	1,162,317	117,598	1,279,915
Unfunded OPEB liability	4,115,487	342,643	4,458,130
Total liabilities	9,529,048	40,869,972	50,399,020
Invested in capital assets, net of related debt	112,053,215	16,274,383	128,327,598
Restricted for:			
Capital projects	10,953,855	857,277	11,811,132
Public safety	612,743	-	612,743
Culture and recreation	137,812	-	137,812
Health and welfare	1,465,115	-	1,465,115
Unrestricted	28,555,877	11,120,920	39,676,797
Total net assets	153,778,617	28,252,580	182,031,197
Total liabilities and net assets	\$ 163,307,665	\$ 69,122,552	\$ 232,430,217

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, 2010

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenue</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary government:				
Governmental activities:				
General government	\$ 11,825,022	\$ 1,895,511	\$ 328,227	\$ 632,143
Public safety	19,384,445	1,160,004	1,486,881	151,133
Public works	4,174,930	106,899	-	2,507,797
Economic development	485,905	-	-	-
Health and welfare	3,986,418	230,078	-	-
Culture and recreation	5,887,048	583,357	172,749	314,463
Sanitation	4,867,259	4,804,866	-	-
Capital outlay	766,591	-	-	-
Total governmental activities	<u>51,377,618</u>	<u>8,780,715</u>	<u>1,987,857</u>	<u>3,605,536</u>
Business-type activities:				
Joint utility enterprise	<u>13,749,807</u>	<u>9,639,874</u>	<u>-</u>	<u>297,403</u>
Total business-type activities	<u>13,749,807</u>	<u>9,639,874</u>	<u>-</u>	<u>297,403</u>
Total primary government	<u>\$ 65,127,425</u>	<u>\$ 18,420,589</u>	<u>\$ 1,987,857</u>	<u>\$ 3,902,939</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)

Total general revenues, special items, and transfers

Change in net assets

Net assets - beginning

Prior period restatement (Note V)

Net assets - beginning, as restated

Net assets - ending

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

Net (Expense) Revenue and Changes in Net Assets		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (8,969,141)	\$ -	\$ (8,969,141)
(16,586,427)	-	(16,586,427)
(1,560,234)	-	(1,560,234)
(485,905)	-	(485,905)
(3,756,340)	-	(3,756,340)
(4,816,479)	-	(4,816,479)
(62,393)	-	(62,393)
(766,591)	-	(766,591)
<u>(37,003,510)</u>	<u>-</u>	<u>(37,003,510)</u>
-	(3,812,530)	(3,812,530)
-	(3,812,530)	(3,812,530)
<u>(37,003,510)</u>	<u>(3,812,530)</u>	<u>(40,816,040)</u>
2,209,323	-	2,209,323
17,689,497	-	17,689,497
2,092,340	-	2,092,340
19,363,387	862,511	20,225,898
93,523	15,305	108,828
1,186,238	-	1,186,238
(56,562)	(18,350)	(74,912)
(1,595,540)	1,608,000	12,460
<u>40,982,206</u>	<u>2,467,466</u>	<u>43,449,672</u>
<u>3,978,696</u>	<u>(1,345,064)</u>	<u>2,633,632</u>
149,799,921	30,394,547	180,194,468
	(796,903)	(796,903)
<u>149,799,921</u>	<u>29,597,644</u>	<u>179,397,565</u>
<u>\$ 153,778,617</u>	<u>\$ 28,252,580</u>	<u>\$ 182,031,197</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, 2010

ASSETS	<u>General Fund</u>	<u>Solid Waste Disposal</u>
Cash and cash equivalents	\$ 24,388,233	\$ 768,892
Investments	1,697,719	-
Restricted cash and investments	-	-
Receivables:		
Accounts receivable, net	791,957	562,208
Due from other governments	6,794,062	-
Due from other funds	<u>505,197</u>	<u>-</u>
<i>Total assets</i>	<u><u>\$ 34,177,168</u></u>	<u><u>\$ 1,331,100</u></u>
LIABILITIES AND FUND BALANCES		
<i>Liabilities:</i>		
Accounts payable	\$ 551,118	\$ 773,530
Due to other funds	-	-
Deferred revenue	36,934	562,208
Accrued salaries and related expenses	<u>1,094,870</u>	<u>-</u>
<i>Total liabilities</i>	<u>1,682,922</u>	<u>1,335,738</u>
<i>Fund balances:</i>		
Unreserved	32,494,246	(4,638)
Unreserved, reported in non-major:		
Special revenue funds	-	-
Capital projects funds	<u>-</u>	<u>-</u>
<i>Total fund balances</i>	<u>32,494,246</u>	<u>(4,638)</u>
<i>Total liabilities and fund balances</i>	<u><u>\$ 34,177,168</u></u>	<u><u>\$ 1,331,100</u></u>

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

<u>Total Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 9,887,542	\$ 35,044,667
-	1,697,719
2,111,752	2,111,752
1,255,221	2,609,386
1,704,376	8,498,438
-	505,197
<u>\$ 14,958,891</u>	<u>\$ 50,467,159</u>
\$ 1,048,830	\$ 2,373,478
505,197	505,197
-	599,142
63,760	1,158,630
<u>1,617,787</u>	<u>4,636,447</u>
-	32,489,608
2,387,254	2,387,254
10,953,850	10,953,850
<u>13,341,104</u>	<u>45,830,712</u>
<u>\$ 14,958,891</u>	<u>\$ 50,467,159</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, 2010

Total fund balance, governmental funds \$ 45,830,712

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. 112,053,215

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

Deferred revenues - Delinquent property taxes	\$ 28,810	
Deferred revenues - Solid waste fund	<u>562,208</u>	
		591,018

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. 990,387

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	\$ (171,582)	
Unfunded OPEB liability	(4,115,487)	
Compensated absences	<u>(1,399,646)</u>	
		<u>(5,686,715)</u>

Net Assets of Governmental Activities in the Statement of Net Assets \$ 153,778,617

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

STATE OF NEW MEXICO
CITY OF HOBBS
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2010

	<u>General Fund</u>	<u>Solid Waste Disposal</u>
<i>Revenues:</i>		
Property, sales, and miscellaneous taxes	\$ 20,677,389	\$ -
Fines & forfeitures	498,476	-
Licenses and permits	471,863	-
Intergovernmental	18,981,730	-
Charges for services	1,268,018	5,006,667
Investment earnings	70,465	-
Miscellaneous	407,931	-
	<u>42,375,872</u>	<u>5,006,667</u>
<i>Expenditures:</i>		
Current:		
General government	8,425,548	-
Public safety	16,026,860	-
Public works	2,814,425	-
Health and welfare	852,579	-
Culture and recreation	4,384,552	-
Sanitation	-	4,867,258
Debt service:		
Principal	-	-
Interest and other charges	-	-
Capital outlay	9,182,637	-
	<u>41,686,601</u>	<u>4,867,258</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>689,271</u>	<u>139,409</u>
<i>Other financing sources (uses):</i>		
Transfers in	2,647,374	-
Transfers out	(3,954,380)	-
<i>Total other financing sources (uses)</i>	<u>(1,307,006)</u>	<u>-</u>
<i>Special Items:</i>		
Proceeds from sale of fixed assets	56,945	-
<i>Net change in fund balances</i>	(560,790)	139,409
<i>Fund balances - beginning</i>	<u>33,055,036</u>	<u>(144,047)</u>
<i>Fund balances - ending</i>	<u>\$ 32,494,246</u>	<u>\$ (4,638)</u>

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

<u>Total Nonmajor Governmental Funds</u>	<u>Total Governmental Funds</u>
\$ 2,987,660	\$ 23,665,049
-	498,476
-	471,863
3,902,791	22,884,521
525,719	6,800,404
21,507	91,972
<u>1,334,768</u>	<u>1,742,699</u>
<u>8,772,445</u>	<u>56,154,984</u>
(652)	8,424,896
1,145,398	17,172,258
43,529	2,857,954
2,424,539	3,277,118
849,023	5,233,575
-	4,867,258
39,884	39,884
6,281	6,281
<u>5,999,775</u>	<u>15,182,412</u>
<u>10,507,777</u>	<u>57,061,636</u>
<u>(1,735,332)</u>	<u>(906,652)</u>
3,645,652	6,293,026
<u>(2,934,187)</u>	<u>(6,888,567)</u>
<u>711,465</u>	<u>(595,541)</u>
-	<u>56,945</u>
(1,023,867)	(1,445,248)
<u>14,364,971</u>	<u>47,275,960</u>
<u>\$ 13,341,104</u>	<u>\$ 45,830,712</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, 2010

Net change in fund balances - total governmental funds	\$ (1,445,248)
<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>	
Excess of capital outlay over depreciation	7,940,763
<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>	
	(113,505)
<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>	
	(1,042,663)
<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	(201,801)
<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	39,884
<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	(1,117,956)
Salaries expense associated with compensated absences	(80,778)
	(1,198,734)
Change in net assets of governmental activities	\$ 3,978,696

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, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
<i>Revenues:</i>				
Taxes	\$ 17,980,847	\$ 19,784,265	\$ 19,784,265	\$ -
Fines and forfeitures	484,200	498,476	498,476	-
Licenses and permits	537,800	471,863	471,863	-
Intergovernmental	17,096,910	18,919,840	18,919,840	-
Charges for services	743,338	1,174,388	1,174,388	-
Investment earnings	267,262	70,465	70,465	-
Miscellaneous	392,500	236,453	236,453	-
<i>Total revenues</i>	<u>37,502,857</u>	<u>41,155,750</u>	<u>41,155,750</u>	<u>-</u>
<i>Expenditures:</i>				
<i>Current:</i>				
<i>General Government:</i>				
<i>Legislative:</i>				
Personnel services	404,284	240,369	240,369	-
Operating expenses	786,927	746,924	746,924	-
Capital outlay	300,000	64,271	64,271	-
<i>Total legislative</i>	<u>1,491,211</u>	<u>1,051,564</u>	<u>1,051,564</u>	<u>-</u>
<i>Executive:</i>				
Personnel services	269,449	264,382	264,382	-
Operating expenses	55,600	20,774	20,774	-
<i>Total executive</i>	<u>325,049</u>	<u>285,156</u>	<u>285,156</u>	<u>-</u>
<i>Planning:</i>				
Personnel services	323,838	271,614	271,614	-
Operating expenses	66,800	34,672	34,672	-
Capital outlay	118,459	62,147	62,147	-
<i>Total planning</i>	<u>509,097</u>	<u>368,433</u>	<u>368,433</u>	<u>-</u>
<i>Mapping</i>				
Personnel services	209,578	193,775	193,775	-
Operating expenses	35,060	40,966	40,966	-
Capital outlay	27,953	18,802	18,802	-
<i>Total mapping</i>	<u>272,591</u>	<u>253,543</u>	<u>253,543</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, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<i>Expenditures: (continued)</i>				
General Government: (continued)				
City Clerk:				
Personnel services	286,404	269,970	269,970	-
Operating expenses	137,970	100,304	100,304	-
Capital outlay	2,300	1,399	1,399	-
Total city clerk	<u>426,674</u>	<u>371,673</u>	<u>371,673</u>	-
Elections:				
Personnel services	3,800	-	-	-
Operating expenses	20,000	17,210	17,210	-
Total elections	<u>23,800</u>	<u>17,210</u>	<u>17,210</u>	-
Financing and Purchasing:				
Personnel services	454,960	435,790	435,790	-
Operating expenses	149,865	154,492	154,492	-
Capital outlay	43,000	19,940	19,940	-
Total financing and purchasing	<u>647,825</u>	<u>610,222</u>	<u>610,222</u>	-
Computer Operations:				
Personnel services	449,879	438,209	438,209	-
Operating expenses	166,950	140,553	140,553	-
Capital outlay	37,477	26,563	26,563	-
Total computer operations	<u>654,306</u>	<u>605,325</u>	<u>605,325</u>	-
Judicial:				
Personnel services	416,888	379,441	379,441	-
Operating expenses	61,365	57,328	57,328	-
Capital outlay	15,000	20,714	20,714	-
Total judicial	<u>493,253</u>	<u>457,483</u>	<u>457,483</u>	-
Legal:				
Personnel services	214,029	216,576	216,576	-
Operating expenses	233,350	48,971	48,971	-
Capital outlay	1,500	1,297	1,297	-
Total legal	<u>448,879</u>	<u>266,844</u>	<u>266,844</u>	-

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

STATE OF NEW MEXICO
CITY OF HOBBS
GENERAL FUND

Exhibit C-1
(Page 3 of 9)

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For the year ended June 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
<i>Expenditures: (continued)</i>				
General Government: (continued)				
Personnel Services:				
Personnel services	292,471	250,628	250,628	-
Operating expenses	258,150	114,130	114,130	-
Capital outlay	4,800	3,891	3,891	-
Total personnel services	<u>555,421</u>	<u>368,649</u>	<u>368,649</u>	-
Risk Management:				
Operating expenses	46,950	3,065	3,065	-
Total risk management	<u>46,950</u>	<u>3,065</u>	<u>3,065</u>	-
Insurance:				
Operating expenses	2,211,707	1,316,275	1,316,275	-
Total insurance	<u>2,211,707</u>	<u>1,316,275</u>	<u>1,316,275</u>	-
Motor Vehicle:				
Personnel services	323,483	319,783	319,783	-
Operating expenses	3,500	9,226	9,226	-
Total motor vehicle	<u>326,983</u>	<u>329,009</u>	<u>329,009</u>	-
Warehouse:				
Personnel services	139,913	112,302	112,302	-
Operating expenses	12,115	10,124	10,124	-
Total warehouse	<u>152,028</u>	<u>122,426</u>	<u>122,426</u>	-
Garage:				
Personnel services	568,896	565,755	565,755	-
Operating expenses	1,106,525	926,139	926,139	-
Capital outlay	49,000	40,981	40,981	-
Total garage	<u>1,724,421</u>	<u>1,532,875</u>	<u>1,532,875</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, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
<i>Expenditures: (continued)</i>				
General Government: (continued)				
Building Maintenance:				
Personnel services	489,318	489,696	489,696	-
Operating expenses	490,520	341,205	341,205	-
Capital outlay	8,843,331	6,977,741	6,977,741	-
Total building maintenance	<u>9,823,169</u>	<u>7,808,642</u>	<u>7,808,642</u>	-
<i>Total General Government</i>	<u>20,133,364</u>	<u>15,768,394</u>	<u>15,768,394</u>	-
Public Works:				
Engineering:				
Personnel services	611,311	539,838	539,838	-
Operating expenses	23,260	15,053	15,053	-
Capital outlay	33,950	33,160	33,160	-
Total engineering	<u>668,521</u>	<u>588,051</u>	<u>588,051</u>	-
Highways and Streets:				
Personnel services	1,338,978	1,257,337	1,257,337	-
Operating expenses	1,258,000	668,614	668,614	-
Capital outlay	394,500	392,688	392,688	-
Total highways and streets	<u>2,991,478</u>	<u>2,318,639</u>	<u>2,318,639</u>	-
Street Lighting:				
Operating expenses	450,000	375,597	375,597	-
Total street lighting	<u>450,000</u>	<u>375,597</u>	<u>375,597</u>	-
<i>Total Public Works</i>	<u>4,109,999</u>	<u>3,282,287</u>	<u>3,282,287</u>	-
Health and Welfare:				
Environmental Services:				
Personnel services	573,851	532,276	532,276	-
Operating expenses	408,100	313,066	313,066	-
Capital outlay	21,300	18,766	18,766	-
Total environmental services	<u>1,003,251</u>	<u>864,108</u>	<u>864,108</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, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<i>Expenditures: (continued)</i>				
Health and Welfare (continued):				
Public Information:				
Operating expenses	23,700	2,911	2,911	-
Capital outlay	-	-	-	-
Total public information	<u>23,700</u>	<u>2,911</u>	<u>2,911</u>	<u>-</u>
<i>Total Health and Welfare</i>	<u>1,026,951</u>	<u>867,019</u>	<u>867,019</u>	<u>-</u>
Culture and Recreation:				
Libraries:				
Personnel services	672,604	612,921	612,921	-
Operating expenses	379,670	320,855	320,855	-
Capital outlay	-	-	-	-
Total libraries	<u>1,052,274</u>	<u>933,776</u>	<u>933,776</u>	<u>-</u>
Parks:				
Personnel services	1,389,372	1,328,369	1,328,369	-
Operating expenses	543,830	435,779	435,779	-
Capital outlay	1,237,886	778,451	778,451	-
Total parks	<u>3,171,088</u>	<u>2,542,599</u>	<u>2,542,599</u>	<u>-</u>
Sports Field:				
Personnel services	235,160	243,505	243,505	-
Operating expenses	147,440	89,500	89,500	-
Capital outlay	-	-	-	-
Total sports field	<u>382,600</u>	<u>333,005</u>	<u>333,005</u>	<u>-</u>
Recreation:				
Personnel services	529,871	451,956	451,956	-
Operating expenses	533,628	373,001	373,001	-
Capital outlay	42,309	29,358	29,358	-
Total recreation	<u>1,105,808</u>	<u>854,315</u>	<u>854,315</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 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, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<i>Expenditures: (continued)</i>				
Culture and Recreation: (continued)				
Teen Center:				
Personnel services	190,678	188,572	188,572	-
Operating expenses	71,666	63,281	63,281	-
Capital outlay	67,700	42,464	42,464	-
Total teen center	330,044	294,317	294,317	-
Pools:				
Personnel services	347,325	307,079	307,079	-
Operating expenses	130,000	119,341	119,341	-
Capital outlay	139,884	106,787	106,787	-
Total pools	617,209	533,207	533,207	-
<i>Total Culture and Recreation</i>	6,659,023	5,491,219	5,491,219	-
Public Safety:				
Police Field Services:				
Personnel services	731,437	613,559	613,559	-
Operating expenses	384,700	287,729	287,729	-
Capital outlay	3,000	5,076	5,076	-
Total police field services	1,119,137	906,364	906,364	-
Police CID:				
Personnel services	4,775,998	4,613,647	4,613,647	-
Operating expenses	82,575	223,478	223,478	-
Capital outlay	455,742	430,628	430,628	-
Total police CID	5,314,315	5,267,753	5,267,753	-
Police Technical Services:				
Personnel services	1,449,746	1,413,958	1,413,958	-
Operating expenses	33,500	26,865	26,865	-
Capital outlay	-	-	-	-
Total police technical services	1,483,246	1,440,823	1,440,823	-

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, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
<i>Expenditures: (continued)</i>				
Public Safety: (continued)				
Police Support Services:				
Personnel services	659,144	604,315	604,315	-
Operating expenses	-	2,712	2,712	-
Capital outlay	200,000	-	-	-
Total police and support services	859,144	607,027	607,027	-
Admin Services Certified:				
Personnel services	1,059,640	1,014,219	1,014,219	-
Operating expenses	371,350	346,517	346,517	-
Capital outlay	53,305	12,148	12,148	-
Total admin services certified	1,484,295	1,372,884	1,372,884	-
Police CID Non-certified:				
Personnel services	652,500	613,461	613,461	-
Operating expenses	-	435	435	-
Capital outlay	-	-	-	-
Total police CID non-certified	652,500	613,896	613,896	-
Fire and Ambulance:				
Personnel services	5,832,765	5,232,466	5,232,466	-
Operating expenses	755,279	695,251	695,251	-
Capital outlay	54,430	14,325	14,325	-
Total fire and ambulance	6,642,474	5,942,042	5,942,042	-
Emergency Management:				
Operating expenses	19,275	3,549	3,549	-
Total emergency management	19,275	3,549	3,549	-
Hazardous Materials Responses:				
Operating expenses	26,299	6,985	6,985	-
Total hazardous materials responses	26,299	6,985	6,985	-

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, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
<i>Expenditures: (continued)</i>				
<i>Public Safety: (continued)</i>				
<i>Traffic:</i>				
Personnel services	239,886	228,398	228,398	-
Operating expenses	226,620	156,150	156,150	-
Capital outlay	3,300	19,739	19,739	-
<i>Total traffic</i>	<u>469,806</u>	<u>404,287</u>	<u>404,287</u>	-
<i>Code Enforcement:</i>				
Personnel services	153,708	143,886	143,886	-
Operating expenses	11,300	6,711	6,711	-
Capital outlay	-	-	-	-
<i>Total code enforcement</i>	<u>165,008</u>	<u>150,597</u>	<u>150,597</u>	-
<i>Total Public Safety</i>	<u>18,235,499</u>	<u>16,716,207</u>	<u>16,716,207</u>	-
<i>Total expenditures</i>	<u>50,164,836</u>	<u>42,125,126</u>	<u>42,125,126</u>	-
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(12,661,979)</u>	<u>(969,376)</u>	<u>(969,376)</u>	-
<i>Other financing sources:</i>				
<i>Operating transfers in:</i>				
Lodgers Tax Promotional Fund	-	84,187	84,187	-
Local Government Corrections	700,000	700,000	700,000	-
Capital Projects Fund	230,805	-	-	-
Street Improvement Fund	850,000	850,000	850,000	-
Retiree Health Insurance Fund	1,000,000	1,000,000	1,000,000	-
1980 Mortgage Revenue Bond	-	13,187	13,187	-
<i>Total other financing sources</i>	<u>2,780,805</u>	<u>2,647,374</u>	<u>2,647,374</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, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<i>Other financing uses:</i>				
Older American Fund	466,881	207,351	207,351	-
Golf Fund	575,987	527,434	527,434	-
Cemetery Fund	117,117	38,094	38,094	-
McAdams Park Fund	168,900	234,243	234,243	-
Public Transportation Fund	292,040	827,547	827,547	-
Industrial Park Construction Fund	715,194	510,983	510,983	-
Capital Improvement Fund	132,000	-	-	-
Joint Utility Enterprise Fund	1,608,000	1,608,000	1,608,000	-
Senior Citizen Agency Fund	-	727	727	-
<i>Total other financing uses</i>	4,076,119	3,954,379	3,954,379	\$ -
 <i>Prior year cash balance</i>	 26,711,803	 26,711,803	 -	
 <i>Appropriated cash balance</i>	 \$ 12,754,510	 \$ 24,435,422	 (2,276,381)	
 <i>Reconciliation to GAAP Basis:</i>				
Decrease in accounts receivable			(68,747)	
Increase in due from other funds			31,829	
Increase in due from other governments			1,050,927	
Decrease in accounts payable			761,799	
Increase in accrued salaries and related expenses			(52,075)	
Increase in deferred revenue			(8,142)	
 <i>Net change in fund balance</i>			 \$ (560,790)	

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, 2010

	<u>Business-type Activities</u>	<u>Governmental Activities</u>
ASSETS	<u>Joint Utility Enterprise Fund</u>	<u>Risk Management Internal Service Fund</u>
<i>Current assets:</i>		
Cash and cash equivalents	\$ 10,327,106	\$ 1,237,345
Accounts receivable, net	1,181,906	42,467
Receivables from other governments	207,485	-
Inventories	377,695	-
	<hr/>	<hr/>
<i>Total current assets</i>	<u>12,094,192</u>	<u>1,279,812</u>
<i>Restricted assets:</i>		
Cash and investments	1,260,235	-
<i>Non-current assets:</i>		
<i>Capital assets:</i>		
<i>Water Plant:</i>		
Land	135,950	-
Water system	11,567,525	-
Equipment	6,290,482	-
<i>Sewer Plant:</i>		
Land	86,043	-
Sewer system	14,143,554	-
Equipment	1,438,028	-
Waste Water Plant	41,801,816	-
Industrial Water Plant	6,664,062	-
Less accumulated depreciation	(42,877,637)	-
Construction in progress	16,513,478	-
Intangible assets	27,625	-
Less accumulated amortization	(1,983)	-
	<hr/>	<hr/>
<i>Total non-current assets</i>	<u>55,788,943</u>	<u>-</u>
<i>Total assets</i>	<u><u>\$ 69,143,370</u></u>	<u><u>\$ 1,279,812</u></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, 2010**

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
Fines & forfeitures	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	3,975,000	5,005,459	5,005,459	-
Investment earnings	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>3,975,000</u>	<u>5,005,459</u>	<u>5,005,459</u>	<u>-</u>
<i>Expenditures:</i>				
<i>Current:</i>				
General government	-	-	-	-
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Sanitation	3,975,000	4,530,877	4,530,877	-
<i>Debt service:</i>				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	-	-	-	-
<i>Total expenditures</i>	<u>3,975,000</u>	<u>4,530,877</u>	<u>4,530,877</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>474,582</u>	<u>474,582</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>-</u>	<u>-</u>		
<i>Appropriated cash balance</i>	<u>\$ -</u>	<u>\$ 474,582</u>	<u>474,582</u>	
<i>Reconciliation to GAAP Basis:</i>				
Increase in accounts payable			<u>(335,173)</u>	
<i>Net change in fund balance</i>			<u>\$ 139,409</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, 2010

	Business-type Activities Joint Utility Enterprise Fund	Governmental Activities Risk Management Internal Service Fund
LIABILITIES AND NET ASSETS		
<i>Current Liabilities:</i>		
Accounts payable	\$ 282,198	\$ -
Accrued salaries and related expenses	124,404	-
Accrued interest payable	1,396,662	-
Deferred revenue	-	-
Estimated claims payable	-	310,244
Customer deposits	450,803	-
Compensated absences	37,764	-
Notes payable current portion	206,605	-
Bonds payable current portion	3,110,000	-
	<u>5,608,436</u>	<u>310,244</u>
<i>Non-current liabilities:</i>		
Compensated absences	117,596	-
Accrued unfunded OPEB liability	342,644	-
Notes payable, less current portion	34,801,293	-
	<u>35,261,533</u>	<u>-</u>
<i>Total liabilities</i>	<u>40,869,969</u>	<u>310,244</u>
<i>Net Assets</i>		
Invested in capital assets, net of related debt	16,012,860	-
Restricted for capital projects	857,277	-
Unrestricted	11,403,264	969,568
	<u>28,273,401</u>	<u>969,568</u>
<i>Total liabilities and net assets</i>	<u>\$ 69,143,370</u>	<u>\$ 1,279,812</u>
Total net assets, per above	\$ 28,273,401	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.	(20,821)	
Net assets of business-type activities	<u>\$ 28,252,580</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, 2010

	Business-type Activities	Governmental Activities
	Joint Utility Enterprise Fund	Risk Management Internal Service Fund
<i>Operating revenues:</i>		
Charges for services	\$ 9,639,874	\$ 5,898,394
Taxes	862,511	-
<i>Total operating revenues</i>	<u>10,502,385</u>	<u>5,898,394</u>
<i>Operating expenses:</i>		
Personnel services	3,128,856	-
Fuel and power	473,248	-
Repairs and maintenance	1,045,980	-
Other supplies and expenses	1,357,403	-
Depreciation	6,795,704	-
Contractual services	-	5,987,931
<i>Total operating expenses</i>	<u>12,801,191</u>	<u>5,987,931</u>
<i>Operating income (loss)</i>	<u>(2,298,806)</u>	<u>(89,537)</u>
<i>Nonoperating revenues (expenses):</i>		
Interest and investment revenue	15,305	1,551
Capital grants and contributions	297,403	-
Interest expense	(903,591)	-
<i>Total non-operating (expenses) revenue</i>	<u>(590,883)</u>	<u>1,551</u>
<i>Income (loss) before contributions</i>	<u>(2,889,689)</u>	<u>(87,986)</u>
Capital contributions	-	-
Operating transfers in	11,998,234	-
Transfers out	(10,390,234)	(1,000,000)
<i>Special item - loss on disposal of assets</i>	<u>(18,350)</u>	<u>-</u>
<i>Change in net assets</i>	<u>(1,300,039)</u>	<u>(1,087,986)</u>
<i>Total net assets - beginning of year</i>	30,370,343	2,057,554
<i>Prior period restatement</i>	<u>(796,903)</u>	<u>-</u>
<i>Total net assets - beginning of year, as restated</i>	29,573,440	2,057,554
<i>Total net assets - end of year</i>	<u>\$ 28,273,401</u>	<u>\$ 969,568</u>
Change in net assets, per above	\$ (1,300,039)	
Adjustment to reflect the consolidation of internal service fund activities related to enterprise funds.	<u>(45,025)</u>	
Change in net assets of business-type activities	<u>\$ (1,345,064)</u>	

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, 2010

	Business-type Activities	Governmental Activities
	Joint Utility Enterprise Fund	Risk Management Internal Service Fund
Cash flows from operating activities:		
Receipts from customers and users	\$ 10,769,231	\$ -
Receipts from interfund services provided	-	5,897,233
Payments to suppliers	(3,800,924)	(5,965,139)
Payments to employees	(2,962,568)	-
Cash provided (used) by operating activities	4,005,739	(67,906)
Cash flows from capital and related financing activities:		
Principal paid on bonds payable	(365,000)	-
Proceeds from notes payable	-	-
Transfers from other funds	11,998,234	-
Transfers to other funds	(10,390,234)	(1,000,000)
Interest paid on bonds payable	(179,575)	-
Interest paid on notes payable	(124,257)	-
Cash provided (used) by capital and related financing activities	939,168	(1,000,000)
Cash flows from investing activities:		
Grant income	297,403	-
Purchase of fixed assets	(3,367,231)	-
Interest on investments	15,305	1,551
Cash (used) provided by investing activities	(3,054,523)	1,551
Net increase (decrease) in cash and cash equivalents	1,890,384	(1,066,355)
Cash and cash equivalents, beginning of year	9,696,957	2,303,700
Cash and cash equivalents, end of year	\$ 11,587,341	\$ 1,237,345
Cash and cash equivalents are classified as:		
Current assets	\$ 10,327,106	\$ 1,237,345
Restricted assets	1,260,235	-
	\$ 11,587,341	\$ 1,237,345

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, 2010

	Business-type Activities	Governmental Activities
	Joint Utility Enterprise Fund	Risk Management Internal Service Fund
Reconciliation of operating income to net cash provided (used) by operating activities:		
Operating income (loss)	\$ (2,298,806)	\$ (89,537)
Adjustments to reconcile operating income to net cash provided (used) by operating activities:		
Depreciation expense	6,795,704	-
(Increase) decrease in:		
Accounts receivable	322,430	1,161
Due from other governments	(70,581)	-
Inventory	132,359	-
(Decrease) increase in:		
Trade accounts payable	(1,056,652)	(14,164)
Accrued salaries and related expenses	9,801	-
Estimated claims payable	-	34,634
Accumulated unpaid vacation	26,946	-
OPEB liability	129,541	-
Customer deposits	14,997	-
Net cash provided (used) by operating activities	<u>\$ 4,005,739</u>	<u>\$ (67,906)</u>

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

STATE OF NEW MEXICO
CITY OF HOBBS
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES
AGENCY FUNDS
June 30, 2010

Exhibit E

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 253,235
Total Assets	<u>\$ 253,235</u>
Liabilities	
Accounts payable	\$ 6,859
Deposits held in trust for others	<u>246,376</u>
Total Liabilities	<u>\$ 253,235</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, 2010

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, 2010

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, 2010

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 workers' 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, 2010**

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, 2010 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, 2010.

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, 2010 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, 2010

NOTE A - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

7. *Prepaid Items*

Payments made to vendors that will benefit periods beyond June 30, 2010 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, 2010 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 2010. 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, 2010**

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, 2010**

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.

16. Reclassifications

Certain June 30, 2009 amounts have been reclassified to conform with the June 30, 2010 financial statement presentation.

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.

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, 2010**

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, 2010 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	\$ (12,661,979)	\$ (969,376)	\$ (969,376)
Solid Waste Disposal Special Revenue	-	474,582	474,582
Non-major Governmental Funds	(8,974,851)	(1,538,436)	(1,538,436)

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, 2010, 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, 2010

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, 2010. The following individual funds had negative pooled cash account balances as of June 30, 2010:

General Fund	\$	(747,102)
Special Revenue Funds		
Local Government Corrections		(8,759)
Total		(755,861)
 Joint Utility Enterprise Fund		 (1,391,043)
	\$	(2,146,904)

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, 2010, \$2,350,827 of the City's bank balance of \$3,243,026 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	\$	2,350,827
---	----	-----------

The City also had the following temporary investments and at June 30, 2010:

Investments not required to be categorized:		
State Treasurer Local Government Investment Pool	\$	47,484,113

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, 2010 is presented at Schedule I.

**STATE OF NEW MEXICO
CITY OF HOBBS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE C - DEPOSITS AND INVESTMENTS (Continued)

Custodial Credit Risk (continued)

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

	Lea County State Bank	Lea County State Bank	Western Commerce Bank	Bank of America	Pioneer Bank	Wells Fargo Bank	Wells Fargo Bank	Total
Total Deposits	\$ 378,530	\$ -	\$ 99,000	\$ 532,109	\$ 99,000	\$ 65,670	\$ -	\$ 1,174,309
Repurchase Agreements	-	1,953,294	-	-	-	-	115,424	2,068,718
Less FDIC/FSLIC, Insurance	378,530	-	99,000	250,000	99,000	65,670	-	892,200
Total uninsured public funds	\$ -	\$ 1,953,294	\$ -	\$ 282,109	\$ -	\$ -	\$ 115,424	\$ 2,350,827
Pledged collateral:								
Pledged collateral held by pledging bank's trust department or agent but not in the agency's name	1,145,926	1,992,360	122,367	563,212	-	-	117,732	3,941,597
Uninsured and uncollateralized	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Collateral requirement 50% of uninsured public funds	\$ -	\$ -	\$ -	\$ 141,055	\$ -	\$ -	\$ -	\$ 141,055
102% of uninsured public funds	-	1,992,360	-	-	-	-	117,732	2,110,092
Pledged securities	1,145,926	1,992,360	122,367	563,212	-	-	117,732	3,941,597
Over (under) pledged	\$ 1,145,926	\$ -	\$ 122,367	\$ 422,157	\$ -	\$ -	\$ -	\$ 1,690,450

**STATE OF NEW MEXICO
CITY OF HOBBS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

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, 2010 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	\$ 2,068,718
State Treasurer Local Government Investment Pool (LGIP)	< 90 days	47,484,113
Total investments included as cash and cash equivalents		<u>49,552,831</u>
Included as long term investments:		
Certificates of deposit	June 2010 to October 2010	198,000
U.S. Treasury notes	July 2010 to December 2010	1,781,719
Total long term investments		<u>1,979,719</u>
Total investments		<u>\$ 51,532,550</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 \$47,484,113 approximates the fair value of all investments at June 30, 2010. 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, 2010

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, 2010 was 50 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	4.535
Operational - non-residential	4.769

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, 2010**

NOTE E - RECEIVABLES

The amounts of accounts receivables and due from other governments at June 30, 2010 are composed of the following:

	General Fund	Solid Waste Disposal	Nonmajor Governmental Funds	Internal Service Fund	Total Governmental Activities	Enterprise
Accounts Receivable:						
Ambulance	\$ 9,195,036	\$ -	\$ -	\$ -	\$ 9,195,036	\$ -
Municipal Court	1,245,481	-	-	-	1,245,481	-
Mowing/Condemnation	549,184	-	-	-	549,184	-
Franchise Taxes	105,665	-	-	-	105,665	-
Accounts	-	562,208	12,870	-	575,078	1,345,268
Property Taxes	147,431	-	-	-	147,431	-
Other	41,011	-	1,255,222	42,467	1,338,700	-
	<u>11,283,808</u>	<u>562,208</u>	<u>1,268,092</u>	<u>42,467</u>	<u>13,156,575</u>	<u>1,345,268</u>
Less: allowances for uncollectibles	10,499,993	-	12,870	-	10,512,863	163,362
Net receivables	\$ 783,815	\$ 562,208	\$ 1,255,222	\$ 42,467	\$ 2,643,712	\$ 1,181,906
Due From Other Governments:						
Due from Federal Government						
Department of Justice	\$ 6,125	\$ -	\$ 353,491	\$ -	\$ 359,616	\$ -
Department of Housing & Urban Development	-	-	84,260	-	84,260	-
Department of Health & Human Services	-	-	10,055	-	10,055	-
Department of Transportation	-	-	632,143	-	632,143	-
Department of Homeland Security	-	-	5,309	-	5,309	-
Due from State of New Mexico						
Taxation & Revenue	6,770,716	-	332,298	-	7,103,014	166,124
Legislature	16,650	-	-	-	16,650	-
Department of Transportation	-	-	82,206	-	82,206	-
Department of Human Services	-	-	204,614	-	204,614	-
State Forestry Division	-	-	-	-	-	-
Environment Department	-	-	-	-	-	41,360
Department of Public Safety	571	-	-	-	571	-
	<u>\$ 6,794,062</u>	<u>\$ -</u>	<u>\$ 1,704,376</u>	<u>\$ -</u>	<u>\$ 8,498,438</u>	<u>\$ 207,484</u>

**STATE OF NEW MEXICO
CITY OF HOBBS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE F - COMPONENTS OF RESTRICTED ASSETS

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

	City Commission Improvement Fund
Cash	\$ 2,111,752
	\$ 2,111,752

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

	Waste Water Plan Construction	Customer Deposits	Totals
Cash	\$ 809,432	\$ 168,803	\$ 978,235
Investments	-	282,000	282,000
	\$ 809,432	\$ 450,803	\$ 1,260,235

NOTE G - CONDUIT DEBT OBLIGATIONS

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

Recipient	Date of Issue	Retirement Date	Amount Issued	Amount Outstanding June 30, 2010	Purpose
Evangelical Lutheran Good Samaritan Society	1996	2026	\$ 5,955,000	\$ 4,205,000	Expansion of Health Care Facility

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

**STATE OF NEW MEXICO
CITY OF HOBBS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE H - RETIREMENT PLAN

Plan Description

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

Funding Policy

Plan members are required to contribute from 9.15 to 16.30 percent of their gross salary. The City is required to contribute from 9.15 to 23.50 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, 2010, 2009, and 2008 were \$2,485,672, \$2,360,905 and \$2,318,149, 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 Trust Company to offer certain specialized managerial/technical employees who have entered into a compensation arrangement an alternative to PERA effective July 1, 2003. Nationwide 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 two participating employees in the fiscal year ended June 30, 2010.

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, 2010, 2009, and 2008 were \$31,799, \$29,452 and \$16,460, 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 financial report available to the public.

The Retiree Health Plan has 112 retirees receiving benefits and a total of 346 active participants.

**STATE OF NEW MEXICO
CITY OF HOBBS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

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, 2010, 2009 and 2008 respectively, plan members' contributions totaled \$576,229, \$600,657 and \$456,347. 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, 2010, 2009 and 2008 respectively, the City contributed \$422,298, \$429,092 and \$354,391 to the plan. The plan is financed on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation

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

	Governmental Funds	Enterprise Funds	Total
Annual Required Contribution (ARC)	\$ 1,490,826	\$ 172,746	\$ 1,663,572
Interest on net OPEB obligation	129,476	15,004	144,480
Adjustment to Annual Required Contribution	(123,900)	(14,357)	(138,257)
Annual OPEB cost (expense)	<u>1,496,402</u>	<u>173,393</u>	<u>1,669,795</u>
Actual contribution	(378,446)	(43,852)	(422,298)
Increase in net OPEB obligation	<u>1,117,956</u>	<u>129,541</u>	<u>1,247,497</u>
Net OPEB obligation - beginning of year	2,997,531	213,102	3,210,633
Net OPEB obligation - end of year	<u>\$ 4,115,487</u>	<u>\$ 342,643</u>	<u>\$ 4,458,130</u>

**STATE OF NEW MEXICO
CITY OF HOBBS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

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, 2010 were as follows:

Fiscal year ended	Annual OPEB cost	Actual employer contributions	Percentage contributed	Net OPEB obligation
06/30/10	\$ 1,669,795	\$ 422,297	25.29%	\$ 4,458,131
06/30/09	\$ 1,663,572	\$ 429,093	25.79%	\$ 3,210,633
06/30/08	\$ 1,318,966	\$ 354,391	26.87%	\$ 1,972,332

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 \$20,761,342, and the unfunded actuarial accrued liability (UAAL) was 95.44 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, 2010**

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, 2010, were as follows:

	Interfund Receivables	Interfund Payables
General Fund:		
Due from non-major governmental funds:		
Lea County Drug Task Force Special Revenue Fund	\$ 221,221	\$ -
Community Development Special Revenue Fund	237,466	-
Industrial Park Construction Capital Projects Fund	46,510	-
Total General Funds	505,197	-
Non-major Governmental Funds:		
Due to general fund:		
Lea County Drug Task Force Special Revenue Fund	-	221,221
Community Development Special Revenue Fund	-	237,466
Industrial Park Construction Capital Projects Fund	-	46,510
Total Nonmajor Governmental Funds	-	505,197
	\$ 505,197	\$ 505,197

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, 2010**

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

Individual fund interfund transfers during the year ended June 30, 2010 were as follows:

	Transfers From	Transfers To
General Fund		
Nonmajor Governmental Funds:		
Local Government Corrections Special Revenue Fund	\$ 700,000	\$ -
Older American Act Special Revenue Fund	-	207,351
Golf Special Revenue Fund	-	527,434
Cemetery Special Revenue Fund	-	38,094
Lodger's Tax Promotional Special Revenue Fund	84,187	-
McAdams Park Special Revenue Fund	-	234,243
Public Transportation Special Revenue Fund	-	827,547
Industrial Park Construction Capital Projects Fund	-	510,983
Street Improvements Capital Projects Fund	850,000	-
Agency Funds:		
1980 Mortgage Revenue Bond Agency Fund	13,187	-
Senior Citizen Agency Fund	-	728
Risk Management Internal Service Fund	1,000,000	-
Joint Utility Enterprise Fund	-	1,608,000
	2,647,374	3,954,380
Nonmajor Governmental Funds:		
To General Fund from Local Government Corrections Special Revenue Fund	-	700,000
To Older American Act Special Revenue Fund from General Fund	207,351	-
To Older American Act Special Revenue Fund from City Commission Improvement Fund	700,000	700,000
To Golf Special Revenue Fund from General Fund	527,434	-
To Cemetery Special Revenue Fund from General Fund	38,094	-
To McAdams Park Special Revenue Fund from General Fund	234,243	-
To General Fund from Lodger's Tax Special Revenue Fund	-	84,187
To General Fund from Street Improvements Capital Projects Fund	-	850,000
To General Fund from 1980 Mortgage Revenue Bond Agency Fund	-	-
To Public Transportation Special Revenue Fund from General Fund	827,547	-
To Industrial Park Construction Capital Projects Fund from General Fund	510,983	-
To Capital Projects Fund from City Commission Improvement Capital Projects Fund	600,000	-
To City Commission Improvement Capital Projects Fund from Capital Projects Fund	-	600,000
	3,645,652	2,934,187
Total transfers to/from governmental funds	6,293,026	6,888,567
Joint Utility Enterprise Fund		
From General Fund	11,998,234	10,390,234
Total transfers to/from Joint Utility Enterprise Fund	11,998,234	10,390,234
Risk Management Internal Service Fund		
From General Fund	-	1,000,000
Total transfers to/from Risk Management Internal Service Fund	-	1,000,000
Agency Funds		
To General Fund from 1980 Mortgage Revenue Bond Agency Fund	-	13,187
To Senior Citizen Agency Fund from General Fund	728	-
Total transfers to/from Agency Funds	728	13,187
Total transfers to/from	\$ 18,291,988	\$ 18,291,988

**STATE OF NEW MEXICO
CITY OF HOBBS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

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, 2010. Land is not subject to depreciation.

	Balance June 30, 2009	Additions	Transfers	Deletions	Balance June 30, 2010
Assets not subject to depreciation					
Construction in progress	\$ 15,853,168	\$10,355,700	\$ (6,893,249)	\$ -	\$ 19,315,619
Land	3,939,144	413,989	14,347	-	4,367,480
Total non-depreciable assets	19,792,312	10,769,689	(6,878,902)	-	23,683,099
Assets subject to depreciation:					
Buildings	24,760,278	1,479,221	2,575,325	(2,375)	28,812,449
Equipment	30,009,030	1,166,517	1,238,279	(948,637)	31,465,189
Land improvements	10,870,647	552,436	81,064	-	11,504,147
Infrastructure	53,397,938	966,290	2,966,956	-	57,331,184
Total depreciated assets	119,037,893	4,164,464	6,861,624	(951,012)	129,112,969
Amortizable assets:					
Intangible assets	1,446,362	10,224	17,278	-	1,473,864
Total amortizable assets	1,446,362	10,224	17,278	-	1,473,864
Total capital assets	140,276,567	14,944,377	-	(951,012)	154,269,932
Less accumulated depreciation:					
Buildings	9,408,549	1,152,986	-	-	10,561,535
Equipment	15,721,915	2,786,819	-	(837,505)	17,671,229
Land improvements	3,943,828	387,694	-	-	4,331,522
Infrastructure	6,975,464	2,561,492	-	-	9,536,956
Total accumulated depreciation	36,049,756	6,888,991	-	(837,505)	42,101,242
Less accumulated amortization:					
Intangible assets	851	114,624	-	-	115,475
Total accumulated amortization	851	114,624	-	-	115,475
Governmental activity capital assets, net	\$ 104,225,960	\$ 7,940,762	\$ -	\$ (113,507)	\$ 112,053,215

**STATE OF NEW MEXICO
CITY OF HOBBS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE L – CAPITAL ASSETS (Continued)

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

	Balance June 30, 2009	Additions	Transfers	Deletions	Balance June 30, 2010
Assets not subject to depreciation:					
Construction in progress	\$ 13,601,727	\$ 2,950,628	\$ (38,877)	\$ -	\$ 16,513,478
Land:					
Water plant	135,950	-	-	-	135,950
Sewer plant	86,043	-	-	-	86,043
Total non-depreciable assets:	13,823,720	2,950,628	(38,877)	-	16,735,471
Assets subject to depreciation:					
Water plant:					
Water system	11,567,525	-	-	-	11,567,525
Equipment	6,202,008	134,350	-	(45,876)	6,290,482
Sewer plant:					
Sewer system	14,143,554	-	-	-	14,143,554
Equipment	1,375,379	62,649	-	-	1,438,028
Waste water plant	41,569,592	193,347	38,877	-	41,801,816
Industrial water plant	6,250,736	413,326	-	-	6,664,062
Total depreciated assets	81,108,794	803,672	38,877	(45,876)	81,905,467
Amortizable assets:					
Intangible assets	27,625	-	-	-	27,625
Total amortizable assets	27,625	-	-	-	27,625
Total capital assets	94,960,139	3,754,300	-	(45,876)	98,668,563
Less accumulated depreciation:					
Water plant:					
Water system	12,717,949	-	-	-	12,717,949
Equipment	2,030,188	184,274	-	(27,526)	2,186,936
Sewer plant:					
Sewer system	6,245,174	-	-	-	6,245,174
Equipment	605,883	525,767	-	-	1,131,650
Waste water plant	12,467,111	4,857,742	-	-	17,324,853
Industrial water plant	2,026,781	1,244,294	-	-	3,271,075
Total accumulated depreciation	36,093,086	6,812,077	-	(27,526)	42,877,637
Less accumulated amortization:					
Intangible assets	283	1,700	-	-	1,983
Total accumulated amortization	283	1,700	-	-	1,983
Net fixed assets	\$ 58,866,770	\$ (3,059,477)	\$ -	\$ (18,350)	\$ 55,788,943

**STATE OF NEW MEXICO
CITY OF HOBBS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE L – CAPITAL ASSETS (Continued)

Depreciation expense for the year ended June 30, 2010 was charged to the following functions and funds:

Governmental activities:	
General government	\$ 2,181,031
Public safety	1,391,709
Public works	1,226,692
Health and welfare	1,764,962
Culture and recreation	<u>324,597</u>
Total depreciation expense	<u>\$ 6,888,991</u>
Amortization expense	<u>\$ 114,624</u>
Total amortization expense	<u>\$ 114,624</u>
Business type activities:	
Joint Utility Enterprise Fund	<u>\$ 6,812,077</u>
Total depreciation expense	<u>\$ 6,812,077</u>
Amortization expense	<u>\$ 1,700</u>
Total amortization expense	<u>\$ 1,700</u>

NOTE M – LONG-TERM DEBT

During the year ended June 30, 2010, the following changes occurred in long-term liabilities for governmental activities:

	Balance July 1, 2009	Additions	Reductions	Balance June 30, 2010	Due Within One Year
Compensated absences	\$ 1,319,594	\$ 1,341,555	\$ 1,261,504	\$ 1,399,645	\$ 237,329
Unfunded OPEB Liability	2,997,531	1,496,402	378,446	4,115,487	-
Note Payable - New Mexico Public Finance Authority	<u>211,466</u>	<u>-</u>	<u>39,884</u>	<u>171,582</u>	<u>40,919</u>
	<u>\$ 4,528,591</u>	<u>\$ 2,837,957</u>	<u>\$ 1,679,834</u>	<u>\$ 5,686,714</u>	<u>\$ 278,248</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, 2010**

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 ending June 30,	Principal	Interest	Total Requirements
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
	\$ 171,582	\$ 14,939	\$ 186,521

Interest expense for the year ended June 30, 2010 was charged to the following functions and funds:

Governmental activities:	
Public safety	<u>\$ 6,281</u>
Business type activities:	
Joint Utility Enterprise Fund	<u>\$ 903,591</u>

During the year ended June 30, 2010, the following changes occurred in long term liabilities reported in the Joint Utility Enterprise Fund:

	Balance July 1, 2009	Increases	Decreases	Balance June 30, 2010	Due Within One Year
Compensated absences	\$ 128,413	\$ 166,960	\$ 140,013	\$ 155,360	\$ 37,764
Unfunded OPEB liability	213,102	173,393	43,851	342,644	-
Bonds payable	3,475,000	-	365,000	3,110,000	3,110,000
Note Payable - New Mexico Environment Department	29,987,933	-	-	29,987,933	-
Note Payable - New Mexico Finance Authority	5,019,965	-	-	5,019,965	206,605
	\$ 38,824,413	\$ 340,353	\$ 548,864	\$ 38,615,902	\$ 3,354,369

**STATE OF NEW MEXICO
CITY OF HOBBS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

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, 2010, are as follows:

	Principal	Interest	Total Requirements
Fiscal year ending June 30, 2011	\$ 3,110,000	\$ 161,325	\$ 3,271,325
	\$ 3,110,000	\$ 161,325	\$ 3,271,325

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, 2010, 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.

	Principal	Interest	Total Requirements
Fiscal year ending June 30, 2011	\$ 206,605	\$ 110,789	\$ 317,394
2012	219,319	98,042	317,361
2013	223,717	93,611	317,328
2014	228,202	89,092	317,294
2015	232,778	84,482	317,260
2016-2020	1,235,798	349,964	1,585,762
2021-2025	1,364,756	220,037	1,584,793
2026-2030	1,308,790	75,723	1,384,513
	\$ 5,019,965	\$ 1,121,740	\$ 6,141,705

**STATE OF NEW MEXICO
CITY OF HOBBS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

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, 2010, the City has drawn down \$29,987,933 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, 2010, are as follows:

Fiscal year ending June 30,	Principal	Interest	Total Requirements
2011	\$ -	\$ -	\$ -
2012	1,234,205	599,759	1,833,964
2013	1,258,889	575,075	1,833,964
2014	1,284,067	549,897	1,833,964
2015	1,309,748	524,215	1,833,963
2016-2020	6,952,301	2,217,516	9,169,817
2021-2025	7,675,903	1,493,915	9,169,818
2026-2030	8,474,817	695,001	9,169,818
2031	1,798,003	35,960	1,833,963
	\$ 29,987,933	\$ 6,691,338	\$ 36,679,271

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

Fiscal year ending June 30,	Principal	Interest	Total Requirements
2011	\$ 3,316,605	\$ 272,114	\$ 3,588,719
2012	1,453,524	697,801	2,151,325
2013	1,482,606	668,686	2,151,292
2014	1,512,269	638,989	2,151,258
2015	1,542,526	608,697	2,151,223
2016-2020	8,188,099	2,567,480	10,755,579
2021-2025	9,040,659	1,713,952	10,754,611
2026-2030	9,783,607	770,724	10,554,331
2031	1,798,003	35,960	1,833,963
	\$ 38,117,898	\$ 7,974,403	\$ 46,092,301

**STATE OF NEW MEXICO
CITY OF HOBBS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

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 work on their regular day off.

In accordance with the above criteria, the City has an accrued liability totaling \$1,555,005. For governmental activities, the liability for compensated absences in the statement of net assets totaled \$1,399,646. The amount of \$237,329 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 \$155,360, of which \$37,764 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, 2010, the City has an outstanding letter of credit for \$634,355. 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, 2010 and is secured by certain City investments. As of June 30, 2010, no draws have been made against the letter of credit.

STATE OF NEW MEXICO
CITY OF HOBBS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010

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 \$567,669. Further estimated costs for this cleanup are approximately \$729,337. Total estimated cleanup costs are approximately \$1,297,006. 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, 2010.

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, 2010, future minimum lease payments applicable to the operating leases are as follows:

	Total
2011	\$ 125,383
2012	86,381
2013	86,381
2014	36,565
	<u>\$ 334,710</u>

Rental expense for operating leases was \$182,831 in the fiscal year ended June 30, 2010.

**STATE OF NEW MEXICO
CITY OF HOBBS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE Q – RISKS OF LOSS

Blue Cross Blue Shield of New Mexico 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 \$310,244 at June 30, 2010 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 (the 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 the 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, 2010**

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 \$219,937 as of June 30, 2010. The capacity used to date as of June 30, 2010 is estimated to be 27.5% of total capacity. The City's share of the estimated current liability is \$114,807 as of June 30, 2010. 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, 2010**

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 Hobbs Municipal Schools. The City will pay power costs for operating and maintaining lights adequate for illuminating the tennis courts for nighttime activities. The City and the Hobbs Municipal Schools 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 promote 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, 2010**

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 the 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.

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.

Lea County-Emergency Operations Center

On July 13, 2009, the City of Hobbs entered into a joint powers agreement with all of the municipalities in Lea County to establish an emergency communications district and to operate an emergency dispatch center for Lea County. The facility will also house a Lea County Sheriff's Substation and Hobbs Fire Department Station. The City is providing real property located at 3710 W. College Land for an Emergency Operations Center ("EOC"), a Lea County Sheriff's Substation, and a four bay Hobbs Fire Department Station. The City and County will share equally in the costs of the architecture, planning and construction of the EOC. The County will pay its prorated costs for the design and construction of the Fire Department Facility. The City will receive a fifty percent credit for the cost of the real property and its acquisition cost. The joint powers agreement provides for the creation of an Authority, managed by a Board of Directors. The City and County will each provide fifty percent of the funds necessary for administrative and operational expenses of the Authority and the EOC. The County will act as the fiscal agent for the Authority and all employees of the EOC will be county employees.

NOTE S – MEMORANDUMS OF UNDERSTANDING

Consulting Services of Vikki Bell Cooper and Lyle Marketing, Inc.

On September 21, 2009, the City of Hobbs entered into a memorandum of understanding with all of the municipalities in Lea County to participate in an agreement between Lea County and Vikki Bell Cooper and Lyle Marketing, Inc., a consultant experienced in assisting local governments by providing public policy consulting services, including advice, guidance, and representation regarding U.S. Government policy development, application, and impact on local government strategies concerning their business with the U.S. Government. The Central Purchasing Office for the Parties shall be Lea County. This agreement is effective from August 1, 2009 to July 31, 2010 unless extended by the Parties. The City's prorated share per month is \$4,000. Total annual payout is \$48,000.

**STATE OF NEW MEXICO
CITY OF HOBBS
NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2010**

NOTE S – MEMORANDUMS OF UNDERSTANDING (Continued)

New Mexico Mainstreet / Hobbs Mainstreet Program

On October 19, 2009, the City of Hobbs entered into a memorandum of understanding with Hobbs Mainstreet / New Mexico Mainstreet to support the vision, principles and values of comprehensive commercial center revitalization by providing a minimum support of \$35,000 per year. This MOU covers a period of two years beginning September 2009. During the year ended June 30, 2010, the City contributed \$20,000 in the form of a professional services contract and \$80,000 was contributed to the Hobbs August Nites program.

Lea County Sheriff's Department for JAG Funds

The Hobbs Police Department and Lea County Sheriff's Department are eligible annually to jointly receive federal grant funds through the Edward Byrne Memorial Justice Assistance Grant Program (JAG). On August 3, 2009, the Hobbs Police Department and Lea County Sheriff's Department entered into a memorandum of understanding to allocate the available funds of \$55,140. For the current fiscal year, the Hobbs Police Department will receive 60% of the available funds in the amount of \$33,084 while the Lea County Sheriff's Department will receive 40% of the available funds in the amount of \$22,056. The entire grant award amount of \$55,140 will be shown as additional income for budget year '09-'10. The City acted as the fiscal agent for the expenditure of the funds.

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

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

- A. Deficit fund balance of individual funds: The following funds reflected such a balance as of June 30, 2010:

Major Fund: Solid Waste Disposal – (\$4,638); Special Revenue Funds: Lea County Drug Task Force – (\$53,342), Golf – (\$17,118), Cemetery – (\$3,926), McAdams Park – (\$9,690), Emergency Medical Services – (\$7,918).

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, 2010.

NOTE U – COMMITMENTS

On December 18, 2007, the City entered into an agreement with Lea County, New Mexico. The terms of this agreement include the payment of \$200,000 in Lodgers' Tax receipts from the City to the County every year for the next 5 years to support the operations and improvement of the Lea County Event Center. The term of this agreement is in its 3rd year.

The City had outstanding construction commitments at June 30, 2010 for water line and infrastructure projects of \$1.3 million; beautification incentive projects of \$4.5 million; and the General Fund infrastructure projects of \$12.8 million.

NOTE V – PRIOR PERIOD RESTATEMENT

During the fiscal year ended June 30, 2010, it was discovered that accrued interest and interest expense were understated in the June 30, 2009 financial statements. An adjustment of \$796,903 was needed to bring the beginning net assets balance to actual.

SUPPLEMENTARY INFORMATION

NONMAJOR GOVERNMENTAL FUNDS

STATE OF NEW MEXICO
CITY OF HOBBS
COMBINING BALANCE SHEET
NONMAJOR GOVERNMENTAL FUNDS
June 30, 2010

	<u>Totals by Fund Type</u>		<u>Total Nonmajor Governmental Funds</u>
	<u>Special Revenue</u>	<u>Capital Projects</u>	
ASSETS			
Cash and cash equivalents	\$ 2,031,290	\$ 7,856,252	\$ 9,887,542
Investments	-	-	-
Restricted cash and investments	-	2,111,752	2,111,752
Receivables:			
Accounts receivable, net	-	1,255,221	1,255,221
Due from other governments	1,205,612	498,764	1,704,376
Accrued interest receivable	-	-	-
Lease receivable	-	-	-
Due from other funds	-	-	-
<i>Total assets</i>	<u>\$ 3,236,902</u>	<u>\$ 11,721,989</u>	<u>\$ 14,958,891</u>
LIABILITIES AND FUND BALANCES			
<i>Liabilities:</i>			
Accounts payable	\$ 327,201	\$ 721,629	\$ 1,048,830
Due to other funds	458,687	46,510	505,197
Deferred revenue	-	-	-
Accrued salaries and related expenses	63,760	-	63,760
<i>Total liabilities</i>	<u>849,648</u>	<u>768,139</u>	<u>1,617,787</u>
<i>Fund balances:</i>			
Unreserved	2,387,254	10,953,850	13,341,104
Reserved:			
Debt service	-	-	-
<i>Total fund balances</i>	<u>2,387,254</u>	<u>10,953,850</u>	<u>13,341,104</u>
<i>Total liabilities and fund balances</i>	<u>\$ 3,236,902</u>	<u>\$ 11,721,989</u>	<u>\$ 14,958,891</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, 2010

	Totals by Fund Type		Total Nonmajor Governmental Funds
	Special Revenue	Capital Projects	
<i>Revenues:</i>			
Property, sales, and miscellaneous taxes	\$ 668,262	\$ 2,319,398	\$ 2,987,660
Fines and forfeitures	-	-	-
Licenses and permits	-	-	-
Intergovernmental	2,835,240	1,067,551	3,902,791
Charges for services	516,607	9,112	525,719
Investment earnings	7,804	13,703	21,507
Miscellaneous	354,768	980,000	1,334,768
<i>Total revenues</i>	<u>4,382,681</u>	<u>4,389,764</u>	<u>8,772,445</u>
<i>Expenditures:</i>			
<i>Current:</i>			
General government	(652)	-	(652)
Public safety	1,145,398	-	1,145,398
Public works	-	43,529	43,529
Health and welfare	2,424,539	-	2,424,539
Culture and recreation	849,023	-	849,023
Sanitation	-	-	-
<i>Debt service:</i>			
Principal	39,884	-	39,884
Interest and other charges	6,281	-	6,281
Capital outlay	1,638,636	4,361,139	5,999,775
<i>Total expenditures</i>	<u>6,103,109</u>	<u>4,404,668</u>	<u>10,507,777</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(1,720,428)</u>	<u>(14,904)</u>	<u>(1,735,332)</u>
<i>Other financing sources (uses):</i>			
Transfers in	2,534,669	1,110,983	3,645,652
Transfers out	(784,187)	(2,150,000)	(2,934,187)
<i>Total other financing sources (uses)</i>	<u>1,750,482</u>	<u>(1,039,017)</u>	<u>711,465</u>
<i>Special Items</i>			
Proceeds from sale of fixed assets	-	-	-
<i>Net change in fund balances</i>	<u>30,054</u>	<u>(1,053,921)</u>	<u>(1,023,867)</u>
<i>Fund balances - beginning</i>	<u>2,357,200</u>	<u>12,007,771</u>	<u>14,364,971</u>
<i>Fund balances - ending</i>	<u>\$ 2,387,254</u>	<u>\$ 10,953,850</u>	<u>\$ 13,341,104</u>

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

STATE OF NEW MEXICO
CITY OF HOBBS
SPECIAL REVENUE FUNDS

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

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

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

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

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

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

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

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

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

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

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

STATE OF NEW MEXICO
CITY OF HOBBS
SPECIAL REVENUE FUNDS

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, 2010

ASSETS	Local Government Corrections	Police Protection
	<u> </u>	<u> </u>
Cash and cash equivalents	\$ 176,242	\$ 1,590
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>\$ 176,242</u>	<u>\$ 1,590</u>
LIABILITIES AND FUND BALANCES		
<i>Liabilities:</i>		
Accounts payable	\$ -	\$ 1,590
Due to other funds	-	-
Deferred revenue	-	-
Accrued salaries and related expenses	-	-
	<u> </u>	<u> </u>
<i>Total liabilities</i>	<u>-</u>	<u>1,590</u>
<i>Fund balances:</i>		
Unreserved	<u>176,242</u>	<u>-</u>
	<u> </u>	<u> </u>
<i>Total fund balances</i>	<u>176,242</u>	<u>-</u>
<i>Total liabilities and fund balances</i>	<u>\$ 176,242</u>	<u>\$ 1,590</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	\$ 1,000
-	-	-	-
-	-	-	-
-	353,491	214,669	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>\$ 10,896</u>	<u>\$ 353,491</u>	<u>\$ 215,669</u>	<u>\$ 1,000</u>
\$ -	\$ 185,612	\$ 77,180	\$ 2,340
-	221,221	-	-
-	-	-	-
-	-	17,189	15,778
<u>-</u>	<u>406,833</u>	<u>94,369</u>	<u>18,118</u>
<u>10,896</u>	<u>(53,342)</u>	<u>121,300</u>	<u>(17,118)</u>
<u>10,896</u>	<u>(53,342)</u>	<u>121,300</u>	<u>(17,118)</u>
<u>\$ 10,896</u>	<u>\$ 353,491</u>	<u>\$ 215,669</u>	<u>\$ 1,000</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, 2010

ASSETS	Cemetery	Airport
Cash and cash equivalents	\$ 1,000	\$ 140,639
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>\$ 1,000</u>	<u>\$ 140,639</u>
LIABILITIES AND FUND BALANCES		
<i>Liabilities:</i>		
Accounts payable	\$ 403	\$ 2,340
Due to other funds	-	-
Deferred revenue	-	-
Accrued salaries and related expenses	4,523	-
	<u> </u>	<u> </u>
<i>Total liabilities</i>	<u>4,926</u>	<u>2,340</u>
<i>Fund balances:</i>		
Unreserved	(3,926)	138,299
<i>Total fund balances</i>	<u>(3,926)</u>	<u>138,299</u>
<i>Total liabilities and fund balances</i>	<u>\$ 1,000</u>	<u>\$ 140,639</u>

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

<u>Lodgers' Tax Promotional</u>	<u>McAdams Park</u>	<u>Public Transportation</u>	<u>Fire Protection</u>
\$ 608,093	\$ 1,000	\$ 1,000	\$ 653,139
-	-	-	-
-	-	-	-
-	-	632,143	5,309
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>\$ 608,093</u>	<u>\$ 1,000</u>	<u>\$ 633,143</u>	<u>\$ 658,448</u>
\$ 41,423	\$ 48	\$ 749	\$ -
-	-	-	-
-	10,642	15,628	-
<u>41,423</u>	<u>10,690</u>	<u>16,377</u>	<u>-</u>
<u>566,670</u>	<u>(9,690)</u>	<u>616,766</u>	<u>658,448</u>
<u>566,670</u>	<u>(9,690)</u>	<u>616,766</u>	<u>658,448</u>
<u>\$ 608,093</u>	<u>\$ 1,000</u>	<u>\$ 633,143</u>	<u>\$ 658,448</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, 2010

ASSETS	<u>Emergency Medical Services</u>	<u>Community Development</u>
Cash and cash equivalents	\$ 882	\$ 403,216
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	-	-
	<hr/>	<hr/>
<i>Total assets</i>	<u>\$ 882</u>	<u>\$ 403,216</u>
 LIABILITIES AND FUND BALANCES		
<i>Liabilities:</i>		
Accounts payable	\$ 8,800	\$ 6,716
Due to other funds	-	237,466
Deferred revenue	-	-
Accrued salaries and related expenses	-	-
	<hr/>	<hr/>
<i>Total liabilities</i>	<u>8,800</u>	<u>244,182</u>
<i>Fund balances:</i>		
Unreserved	<u>(7,918)</u>	<u>159,034</u>
	<hr/>	<hr/>
<i>Total fund balances</i>	<u>(7,918)</u>	<u>159,034</u>
	<hr/>	<hr/>
<i>Total liabilities and fund balances</i>	<u>\$ 882</u>	<u>\$ 403,216</u>

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

<u>Recreation Expendable Trust</u>	<u>Library Expendable Trust</u>	<u>Cemetery Expendable Trust</u>	<u>Community Parks Expendable Trust</u>
\$ 23,660	\$ 1,250	\$ 5,273	\$ 1,410
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
-	-	-	-
<u>\$ 23,660</u>	<u>\$ 1,250</u>	<u>\$ 5,273</u>	<u>\$ 1,410</u>
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>23,660</u>	<u>1,250</u>	<u>5,273</u>	<u>1,410</u>
<u>23,660</u>	<u>1,250</u>	<u>5,273</u>	<u>1,410</u>
<u>\$ 23,660</u>	<u>\$ 1,250</u>	<u>\$ 5,273</u>	<u>\$ 1,410</u>

STATE OF NEW MEXICO
CITY OF HOBBS
COMBINING BALANCE SHEET
NONMAJOR SPECIAL REVENUE FUNDS
 June 30, 2010

Statement B-1
 (Page 4 of 4)

ASSETS	<u>Total Nonmajor Special Revenue Funds</u>
Cash and cash equivalents	\$ 2,031,290
Investments	-
Restricted cash and investments	-
Receivables:	
Accounts receivable, net	-
Due from other governments	1,205,612
Accrued interest receivable	-
Note receivable	-
Lease receivable	-
Due from other funds	-
Assets held for resale	-
	<hr/>
<i>Total assets</i>	<u><u>\$ 3,236,902</u></u>
LIABILITIES AND FUND BALANCES	
<i>Liabilities:</i>	
Accounts payable	\$ 327,201
Due to other funds	458,687
Deferred revenue	-
Accrued salaries and related expenses	63,760
	<hr/>
<i>Total liabilities</i>	<u>849,648</u>
<i>Fund balances:</i>	
Unreserved	<u>2,387,254</u>
	<hr/>
<i>Total fund balances</i>	<u>2,387,254</u>
	<hr/>
<i>Total liabilities and fund balances</i>	<u><u>\$ 3,236,902</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, 2010

	Local Government Corrections	Police Protection
<i>Revenues:</i>		
Property, sales, and miscellaneous taxes	\$ -	\$ -
Fines and forfeitures	-	-
Licenses and permits	-	-
Intergovernmental	-	70,411
Charges for services	-	-
Investment earnings	2,918	-
Miscellaneous	155,393	-
<i>Total revenues</i>	<u>158,311</u>	<u>70,411</u>
<i>Expenditures:</i>		
Current:		
General government	-	(652)
Public safety	59,276	36,825
Public works	-	-
Health and welfare	-	-
Culture and recreation	-	-
Sanitation	-	-
Debt service:		
Principal	-	-
Interest and other charges	-	-
Capital outlay	-	34,238
<i>Total expenditures</i>	<u>59,276</u>	<u>70,411</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>99,035</u>	<u>-</u>
<i>Other financing sources (uses):</i>		
Transfers in	-	-
Transfers out	(700,000)	-
<i>Total other financing sources (uses)</i>	<u>(700,000)</u>	<u>-</u>
<i>Special Items</i>		
Proceeds from sale of fixed assets	-	-
<i>Net change in fund balances</i>	(600,965)	-
<i>Fund balances - beginning</i>	<u>777,207</u>	<u>-</u>
<i>Fund balances - ending</i>	<u>\$ 176,242</u>	<u>\$ -</u>

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

Police Narcotics	Lea County Drug Task Force	Older American Act	Golf
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	557,184	366,049	-
-	-	-	281,140
-	-	-	-
-	-	52,688	99,794
-	557,184	418,737	380,934
-	-	-	-
-	866,945	-	-
-	-	-	-
-	-	1,242,993	-
-	-	-	562,067
-	-	-	-
-	-	-	-
-	-	-	293,721
-	866,945	1,242,993	855,788
-	(309,761)	(824,256)	(474,854)
-	-	907,351	527,434
-	-	-	-
-	-	907,351	527,434
-	-	-	-
-	(309,761)	83,095	52,580
10,896	256,419	38,205	(69,698)
<u>\$ 10,896</u>	<u>\$ (53,342)</u>	<u>\$ 121,300</u>	<u>\$ (17,118)</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, 2010

	Cemetery	Airport
<i>Revenues:</i>		
Taxes	\$ -	\$ -
Fines and forfeitures	-	-
Licenses and permits	-	-
Intergovernmental	-	-
Charges for services	170,401	-
Investment earnings	-	472
Miscellaneous	-	28,852
	<u>170,401</u>	<u>29,324</u>
<i>Total revenues</i>	<u>170,401</u>	<u>29,324</u>
<i>Expenditures:</i>		
Current:		
General government	-	-
Public safety	-	-
Public works	-	-
Health and welfare	203,110	-
Culture and recreation	-	23,318
Sanitation	-	-
Debt service:		
Principal	-	-
Interest and other charges	-	-
Capital outlay	-	-
	<u>203,110</u>	<u>23,318</u>
<i>Total expenditures</i>	<u>203,110</u>	<u>23,318</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(32,709)</u>	<u>6,006</u>
<i>Other financing sources (uses):</i>		
Transfers in	38,094	-
Transfers out	-	-
	<u>38,094</u>	<u>-</u>
<i>Total other financing sources (uses)</i>	<u>38,094</u>	<u>-</u>
<i>Special Items</i>		
Proceeds from sale of fixed assets	-	-
	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	<u>5,385</u>	<u>6,006</u>
<i>Fund balances - beginning</i>	<u>(9,311)</u>	<u>132,293</u>
<i>Fund balances - ending</i>	<u>\$ (3,926)</u>	<u>\$ 138,299</u>

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

Lodgers' Tax Promotional	McAdams Park	Public Transportation	Fire Protection
\$ 668,262	\$ -	\$ -	\$ -
-	-	-	-
-	-	892,656	407,644
-	40,231	24,835	-
1,741	-	-	2,649
-	-	-	-
<u>670,003</u>	<u>40,231</u>	<u>917,491</u>	<u>410,293</u>
-	-	-	-
-	-	-	135,552
-	-	-	-
485,905	-	492,531	-
-	261,997	-	-
-	-	-	-
-	-	-	39,884
-	-	-	6,281
-	8,672	643,097	-
<u>485,905</u>	<u>270,669</u>	<u>1,135,628</u>	<u>181,717</u>
<u>184,098</u>	<u>(230,438)</u>	<u>(218,137)</u>	<u>228,576</u>
-	234,243	827,547	-
<u>(84,187)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>(84,187)</u>	<u>234,243</u>	<u>827,547</u>	<u>-</u>
-	-	-	-
99,911	3,805	609,410	228,576
<u>466,759</u>	<u>(13,495)</u>	<u>7,356</u>	<u>429,872</u>
<u>\$ 566,670</u>	<u>\$ (9,690)</u>	<u>\$ 616,766</u>	<u>\$ 658,448</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, 2010

	<u>Emergency Medical Services</u>	<u>Community Development</u>
<i>Revenues:</i>		
Taxes	\$ -	\$ -
Fines and forfeitures	-	-
Licenses and permits	-	-
Intergovernmental	35,841	505,455
Charges for services	-	-
Investment earnings	-	-
Miscellaneous	-	-
	<hr/>	<hr/>
<i>Total revenues</i>	<u>35,841</u>	<u>505,455</u>
<i>Expenditures:</i>		
Current:		
General government	-	-
Public safety	46,800	-
Public works	-	-
Health and welfare	-	-
Culture and recreation	-	-
Sanitation	-	-
Debt service:		
Principal	-	-
Interest and other charges	-	-
Capital outlay	-	658,908
	<hr/>	<hr/>
<i>Total expenditures</i>	<u>46,800</u>	<u>658,908</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(10,959)</u>	<u>(153,453)</u>
<i>Other financing sources (uses):</i>		
Transfers in	-	-
Transfers out	-	-
	<hr/>	<hr/>
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>
<i>Special Items</i>		
Proceeds from sale of fixed assets	-	-
	<hr/>	<hr/>
<i>Net change in fund balances</i>	(10,959)	(153,453)
<i>Fund balances - beginning</i>	<u>3,041</u>	<u>312,487</u>
<i>Fund balances - ending</i>	<u>\$ (7,918)</u>	<u>\$ 159,034</u>

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

Recreation Expendable Trust	Library Expendable Trust	Cemetery Expendable Trust	Community Parks Expendable
\$ -	\$ -	\$ -	\$ -
-	-	-	-
-	-	-	-
-	-	-	-
-	-	19	5
16,150	1,891	-	-
<u>16,150</u>	<u>1,891</u>	<u>19</u>	<u>5</u>
-	-	-	-
-	-	-	-
-	-	-	-
1,000	641	-	-
-	-	-	-
-	-	-	-
-	-	-	-
1,000	641	-	-
<u>15,150</u>	<u>1,250</u>	<u>19</u>	<u>5</u>
-	-	-	-
-	-	-	-
-	-	-	-
15,150	1,250	19	5
8,510	-	5,254	1,405
<u>\$ 23,660</u>	<u>\$ 1,250</u>	<u>\$ 5,273</u>	<u>\$ 1,410</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, 2010

Statement B-2
(Page 4 of 4)

	<u>Total Nonmajor Special Revenue Funds</u>
<i>Revenues:</i>	
Taxes	\$ 668,262
Fines and forfeitures	-
Licenses and permits	-
Intergovernmental	2,835,240
Charges for services	516,607
Investment earnings	7,804
Miscellaneous	<u>354,768</u>
<i>Total revenues</i>	<u>4,382,681</u>
<i>Expenditures:</i>	
Current:	
General government	(652)
Public safety	1,145,398
Public works	-
Health and welfare	2,424,539
Culture and recreation	849,023
Sanitation	-
Debt service:	
Principal	39,884
Interest and other charges	6,281
Capital outlay	<u>1,638,636</u>
<i>Total expenditures</i>	<u>6,103,109</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(1,720,428)</u>
<i>Other financing sources (uses):</i>	
Transfers in	2,534,669
Transfers out	<u>(784,187)</u>
<i>Total other financing sources (uses)</i>	<u>1,750,482</u>
<i>Special Items</i>	
Proceeds from sale of fixed assets	<u>-</u>
<i>Net change in fund balances</i>	30,054
<i>Fund balances - beginning</i>	<u>2,357,200</u>
<i>Fund balances - ending</i>	<u>\$ 2,387,254</u>

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

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, 2010

Schedule B-3

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Investment earnings	-	2,918	2,918	-
Miscellaneous	196,000	155,393	155,393	-
<i>Total revenues</i>	<u>196,000</u>	<u>158,311</u>	<u>158,311</u>	<u>-</u>
<i>Expenditures:</i>				
<i>Current:</i>				
General government	-	-	-	-
Public safety	68,500	59,276	59,276	-
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Sanitation	-	-	-	-
<i>Debt service:</i>				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	-	-	-	-
<i>Total expenditures</i>	<u>68,500</u>	<u>59,276</u>	<u>59,276</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>127,500</u>	<u>99,035</u>	<u>99,035</u>	<u>-</u>
<i>Other financing sources (uses):</i>				
Transfers in	-	-	-	-
Transfers out	(700,000)	(700,000)	(700,000)	-
<i>Total other financing sources (uses)</i>	<u>(700,000)</u>	<u>(700,000)</u>	<u>(700,000)</u>	<u>\$ -</u>
<i>Prior year cash balance</i>	<u>777,207</u>	<u>777,207</u>		
<i>Appropriated cash balance</i>	<u>\$ 204,707</u>	<u>\$ 176,242</u>	(600,965)	
<i>Reconciliation to GAAP Basis:</i>				
<i>Net change in fund balance</i>			<u>\$ (600,965)</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, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	72,000	72,000	72,000	-
Charges for services	-	-	-	-
Investment earnings	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>72,000</u>	<u>72,000</u>	<u>72,000</u>	<u>-</u>
<i>Expenditures:</i>				
<i>Current:</i>				
General government	-	80	80	-
Public safety	42,000	36,825	36,825	-
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Sanitation	-	-	-	-
<i>Debt service:</i>				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	30,000	34,238	34,238	-
<i>Total expenditures</i>	<u>72,000</u>	<u>71,143</u>	<u>71,143</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>857</u>	<u>857</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>732</u>	<u>732</u>		
<i>Appropriated cash balance</i>	<u>\$ -</u>	<u>\$ 857</u>	<u>857</u>	
<i>Reconciliation to GAAP Basis:</i>				
Increase in accounts payable			<u>(857)</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, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Investment earnings	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	-	-	-	-
<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>	8,000	-	-	-
<i>Excess (deficiency) of revenues over expenditures</i>	(8,000)	-	-	-
<i>Other financing sources (uses):</i>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	-	-	-	\$ -
<i>Prior year cash balance</i>	10,896	10,896		
<i>Appropriated cash balance</i>	\$ 2,896	\$ 10,896	-	
<i>Reconciliation to GAAP Basis:</i>				
<i>Net change in fund balance</i>			\$ -	

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

STATE OF NEW MEXICO

Schedule B-6

CITY OF HOBBS

LEA COUNTY DRUG TASK FORCE

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

For the year ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	1,215,882	902,458	902,458	-
Charges for services	-	-	-	-
Investment earnings	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>1,215,882</u>	<u>902,458</u>	<u>902,458</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Highways and roads	-	-	-	-
Public safety	1,215,882	934,288	934,288	-
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Sanitation	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	-	-	-	-
<i>Total expenditures</i>	<u>1,215,882</u>	<u>934,288</u>	<u>934,288</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>(31,830)</u>	<u>(31,830)</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>698,765</u>	<u>698,765</u>		
<i>Appropriated cash balance</i>	<u>\$ 698,765</u>	<u>\$ 666,935</u>	(31,830)	
<i>Reconciliation to GAAP Basis:</i>				
Decrease in due from other governments			(345,274)	
Decrease in accounts payable			63,426	
Decrease in accrued salaries and related expenses			3,917	
<i>Net change in fund balance</i>			<u>\$ (309,761)</u>	

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

STATE OF NEW MEXICO
CITY OF HOBBS
OLDER AMERICAN ACT
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For the year ended June 30, 2010

Schedule B-7

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	360,627	220,398	220,398	-
Charges for services	-	-	-	-
Investment earnings	-	-	-	-
Miscellaneous	53,000	52,688	52,688	-
<i>Total revenues</i>	<u>413,627</u>	<u>273,086</u>	<u>273,086</u>	<u>-</u>
<i>Expenditures:</i>				
<i>Current:</i>				
General government	-	-	-	-
Public safety	-	-	-	-
Health and welfare	1,580,612	1,180,437	1,180,437	-
Culture and recreation	-	-	-	-
Sanitation	-	-	-	-
<i>Debt service:</i>				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	-	-	-	-
<i>Total expenditures</i>	<u>1,580,612</u>	<u>1,180,437</u>	<u>1,180,437</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(1,166,985)</u>	<u>(907,351)</u>	<u>(907,351)</u>	<u>-</u>
<i>Other financing sources (uses):</i>				
Transfers in	1,166,881	907,351	907,351	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>1,166,881</u>	<u>907,351</u>	<u>907,351</u>	<u>\$ -</u>
<i>Prior year cash balance</i>	<u>1,000</u>	<u>1,000</u>		
<i>Appropriated cash balance</i>	<u>\$ 896</u>	<u>\$ 1,000</u>	-	
<i>Reconciliation to GAAP Basis:</i>				
Increase in due from other governments			145,651	
Increase in accounts payable			(60,648)	
Increase in accrued salaries and related expenses			(1,908)	
<i>Net change in fund balance</i>			<u>\$ 83,095</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, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	325,000	281,140	281,140	-
Investment earnings	-	-	-	-
Miscellaneous	148,663	99,794	99,794	-
	<u>473,663</u>	<u>380,934</u>	<u>380,934</u>	<u>-</u>
<i>Total revenues</i>				
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Culture and recreation	694,906	573,547	573,547	-
Sanitation	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	354,744	333,821	333,821	-
	<u>1,049,650</u>	<u>907,368</u>	<u>907,368</u>	<u>-</u>
<i>Total expenditures</i>				
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(575,987)</u>	<u>(526,434)</u>	<u>(526,434)</u>	<u>-</u>
<i>Other financing sources (uses):</i>				
Transfers in	575,987	527,434	527,434	-
Transfers out	-	-	-	-
	<u>575,987</u>	<u>527,434</u>	<u>527,434</u>	<u>-</u>
<i>Total other financing sources (uses)</i>				
	<u>575,987</u>	<u>527,434</u>	<u>527,434</u>	<u>\$ -</u>
<i>Prior year cash balance</i>	<u>-</u>	<u>-</u>		
<i>Appropriated cash balance</i>	<u>\$ -</u>	<u>\$ 1,000</u>	1,000	
<i>Reconciliation to GAAP Basis:</i>				
Decrease in accounts payable			51,844	
Increase in accrued salaries and related expenses			<u>(264)</u>	
<i>Net change in fund balance</i>			<u>\$ 52,580</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, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	146,250	170,401	170,401	-
Investment earnings	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	146,250	170,401	170,401	-
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Health and welfare	256,506	208,495	208,495	-
Culture and recreation	-	-	-	-
Sanitation	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	7,000	-	-	-
<i>Total expenditures</i>	263,506	208,495	208,495	-
<i>Excess (deficiency) of revenues over expenditures</i>	(117,256)	(38,094)	(38,094)	-
<i>Other financing sources (uses):</i>				
Transfers in	117,117	38,094	38,094	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	117,117	38,094	38,094	\$ -
<i>Prior year cash balance</i>	1,000	1,000		
<i>Appropriated cash balance</i>	\$ 861	\$ 1,000	-	
<i>Reconciliation to GAAP Basis:</i>				
Decrease in accounts payable			4,462	
Decrease in accrued salaries and related expenses			923	
<i>Net change in fund balance</i>			\$ 5,385	

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, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Investment earnings	1,454	472	472	-
Miscellaneous	17,000	28,852	28,852	-
<i>Total revenues</i>	18,454	29,324	29,324	-
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Culture and recreation	63,000	26,046	26,046	-
Sanitation	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	-	-	-	-
<i>Total expenditures</i>	63,000	26,046	26,046	-
<i>Excess (deficiency) of revenues over expenditures</i>	(44,546)	3,278	3,278	-
<i>Other financing sources (uses):</i>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	-	-	-	\$ -
<i>Prior year cash balance</i>	137,362	137,362		
<i>Appropriated cash balance</i>	\$ 92,816	\$ 140,640	3,278	
<i>Reconciliation to GAAP Basis:</i>				
Decrease in accounts payable			2,728	
<i>Net change in fund balance</i>			\$ 6,006	

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

STATE OF NEW MEXICO

Schedule B-11

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, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<i>Revenues:</i>				
Taxes	\$ 600,000	\$ 668,262	\$ 668,262	\$ -
Fines and forfeitures	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Investment earnings	11,703	1,741	1,741	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>611,703</u>	<u>670,003</u>	<u>670,003</u>	<u>-</u>
<i>Expenditures:</i>				
<i>Current:</i>				
General government	-	-	-	-
Public safety	-	-	-	-
Health and welfare	935,000	479,781	479,781	-
Culture and recreation	-	-	-	-
Sanitation	-	-	-	-
<i>Debt service:</i>				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	-	-	-	-
<i>Total expenditures</i>	<u>935,000</u>	<u>479,781</u>	<u>479,781</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(323,297)</u>	<u>190,222</u>	<u>190,222</u>	<u>-</u>
<i>Other financing sources (uses):</i>				
Transfers in	-	-	-	-
Transfers out	-	(84,187)	(84,187)	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>(84,187)</u>	<u>(84,187)</u>	<u>\$ -</u>
<i>Prior year cash balance</i>	<u>502,058</u>	<u>502,058</u>		
<i>Appropriated cash balance</i>	<u>\$ 178,761</u>	<u>\$ 608,093</u>	106,035	
<i>Reconciliation to GAAP Basis:</i>				
Increase in accounts payable			<u>(6,124)</u>	
<i>Net change in fund balance</i>			<u>\$ 99,911</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, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	150,000	40,231	40,231	-
Investment earnings	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>150,000</u>	<u>40,231</u>	<u>40,231</u>	<u>-</u>
<i>Expenditures:</i>				
<i>Current:</i>				
General government	-	-	-	-
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Culture and recreation	304,843	264,802	264,802	-
Sanitation	-	-	-	-
<i>Debt service:</i>				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	14,001	8,672	8,672	-
<i>Total expenditures</i>	<u>318,844</u>	<u>273,474</u>	<u>273,474</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(168,844)</u>	<u>(233,243)</u>	<u>(233,243)</u>	<u>-</u>
<i>Other financing sources (uses):</i>				
Transfers in	168,900	234,243	234,243	-
<i>Total other financing sources (uses)</i>	<u>168,900</u>	<u>234,243</u>	<u>234,243</u>	<u>\$ -</u>
<i>Prior year cash balance</i>	<u>-</u>	<u>-</u>		
<i>Appropriated cash balance</i>	<u>\$ 56</u>	<u>\$ 1,000</u>	1,000	
<i>Reconciliation to GAAP Basis:</i>				
Decrease in accounts payable			4,223	
Increase in accrued salaries and related expenses			<u>(1,418)</u>	
<i>Net change in fund balance</i>			<u>\$ 3,805</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, 2010

Schedule B-13

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	980,179	282,491	282,491	-
Charges for services	25,000	24,835	24,835	-
Investment earnings	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>1,005,179</u>	<u>307,326</u>	<u>307,326</u>	<u>-</u>
<i>Expenditures:</i>				
<i>Current:</i>				
General government	-	-	-	-
Public safety	-	-	-	-
Health and welfare	550,110	491,776	491,776	-
Culture and recreation	-	-	-	-
Sanitation	-	-	-	-
<i>Debt service:</i>				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	<u>747,129</u>	<u>643,097</u>	<u>643,097</u>	<u>-</u>
<i>Total expenditures</i>	<u>1,297,239</u>	<u>1,134,873</u>	<u>1,134,873</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(292,060)</u>	<u>(827,547)</u>	<u>(827,547)</u>	<u>-</u>
<i>Other financing sources (uses):</i>				
Transfers in	292,040	827,547	827,547	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>292,040</u>	<u>827,547</u>	<u>827,547</u>	<u>\$ -</u>
<i>Prior year federal grant receivable</i>	<u>21,978</u>	<u>21,978</u>		
<i>Appropriated cash balance</i>	<u>\$ 21,958</u>	<u>\$ 21,978</u>	-	
<i>Reconciliation to GAAP Basis:</i>				
Increase in due from other governments			610,165	
Increase in accounts payable			(600)	
Increase in accrued salaries and related expenses			<u>(155)</u>	
<i>Net change in fund balance</i>			<u>\$ 609,410</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, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	270,000	407,644	407,644	-
Charges for services	-	-	-	-
Investment earnings	5,356	2,649	2,649	-
Miscellaneous	10,000	-	-	-
<i>Total revenues</i>	<u>285,356</u>	<u>410,293</u>	<u>410,293</u>	<u>-</u>
<i>Expenditures:</i>				
<i>Current:</i>				
General government	-	-	-	-
Public safety	183,300	135,552	135,552	-
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Sanitation	-	-	-	-
<i>Debt service:</i>				
Principal	39,884	39,884	39,884	-
Interest and other charges	6,739	6,281	6,281	-
Capital outlay	70,707	-	-	-
<i>Total expenditures</i>	<u>300,630</u>	<u>181,717</u>	<u>181,717</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(15,274)</u>	<u>228,576</u>	<u>228,576</u>	<u>-</u>
<i>Other financing sources (uses):</i>				
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>\$ -</u>
<i>Prior year cash balance</i>	<u>424,563</u>	<u>424,563</u>		
<i>Appropriated cash balance</i>	<u>\$ 409,289</u>	<u>\$ 653,139</u>	228,576	
<i>Reconciliation to GAAP Basis:</i>				
<i>Net change in fund balance</i>			<u>\$ 228,576</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, 2010

Schedule B-15

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	20,000	29,000	29,000	-
Charges for services	-	-	-	-
Investment earnings	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>20,000</u>	<u>29,000</u>	<u>29,000</u>	<u>-</u>
<i>Expenditures:</i>				
<i>Current:</i>				
General government	-	-	-	-
Public safety	20,000	38,000	38,000	-
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Sanitation	-	-	-	-
<i>Debt service:</i>				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	-	-	-	-
<i>Total expenditures</i>	<u>20,000</u>	<u>38,000</u>	<u>38,000</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>(9,000)</u>	<u>(9,000)</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>9,882</u>	<u>9,882</u>		
<i>Appropriated cash balance</i>	<u>\$ 9,882</u>	<u>\$ 882</u>	<u>(9,000)</u>	
<i>Reconciliation to GAAP Basis:</i>				
Increase in accounts payable			<u>(1,959)</u>	
<i>Net change in fund balance</i>			<u>\$ (10,959)</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, 2010

Schedule B-16

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	628,000	505,455	505,455	-
Charges for services	-	-	-	-
Investment earnings	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	628,000	505,455	505,455	-
<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	891,407	659,921	659,921	-
<i>Total expenditures</i>	891,407	659,921	659,921	-
<i>Excess (deficiency) of revenues over expenditures</i>	(263,407)	(154,466)	(154,466)	-
<i>Other financing sources (uses):</i>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	-	-	-	\$ -
<i>Prior year cash balance</i>	557,682	557,682		
<i>Appropriated cash balance</i>	\$ 294,275	\$ 403,216	(154,466)	
<i>Reconciliation to GAAP Basis:</i>				
Decrease in accounts payable			1,013	
<i>Net change in fund balance</i>			\$ (153,453)	

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, 2010

Schedule B-17

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Investment earnings	-	-	-	-
Miscellaneous	10,000	16,150	16,150	-
<i>Total revenues</i>	<u>10,000</u>	<u>16,150</u>	<u>16,150</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Culture and recreation	10,000	1,000	1,000	-
Sanitation	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	-	-	-	-
<i>Total expenditures</i>	<u>10,000</u>	<u>1,000</u>	<u>1,000</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>15,150</u>	<u>15,150</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>8,510</u>	<u>8,510</u>		
<i>Appropriated cash balance</i>	<u>\$ 8,510</u>	<u>\$ 23,660</u>	15,150	
<i>Reconciliation to GAAP Basis:</i>				
<i>Net change in fund balance</i>			<u>\$ 15,150</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, 2010

Schedule B-18

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Investment earnings	-	-	-	-
Miscellaneous	2,000	1,891	1,891	-
<i>Total revenues</i>	<u>2,000</u>	<u>1,891</u>	<u>1,891</u>	<u>-</u>
<i>Expenditures:</i>				
<i>Current:</i>				
General government	-	-	-	-
Highways and roads	-	-	-	-
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Culture and recreation	2,000	640	640	-
Sanitation	-	-	-	-
<i>Debt service:</i>				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	-	1	1	-
<i>Total expenditures</i>	<u>2,000</u>	<u>641</u>	<u>641</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>1,250</u>	<u>1,250</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>-</u>	<u>-</u>		
<i>Appropriated cash balance</i>	<u>\$ -</u>	<u>\$ 1,250</u>	1,250	
<i>Reconciliation to GAAP Basis:</i>				
<i>Net change in fund balance</i>			<u>\$ 1,250</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, 2010

Schedule B-19

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Investment earnings	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures:</i>				
<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>-</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>Prior year cash balance</i>	<u>5,254</u>	<u>5,254</u>		
<i>Appropriated cash balance</i>	<u>\$ 5,254</u>	<u>\$ 5,254</u>	-	
<i>Reconciliation to GAAP Basis:</i>				
Increase in accounts receivable			<u>19</u>	
<i>Net change in fund balance</i>			<u>\$ 19</u>	

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

STATE OF NEW MEXICO
CITY OF HOBBS
COMMUNITY PARKS EXPENDABLE TRUST
SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For the year ended June 30, 2010

Schedule B-20

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Investment earnings	-	5	5	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	-	5	5	-
<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>	-	5	5	-
<i>Other financing sources (uses):</i>				
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	-	-	-	\$ -
<i>Prior year cash balance</i>	1,405	1,405		
<i>Appropriated cash balance</i>	\$ 1,405	\$ 1,410	5	
<i>Reconciliation to GAAP Basis:</i>				
<i>Net change in fund balance</i>			\$ 5	

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

STATE OF NEW MEXICO
CITY OF HOBBS
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 projects, parks improvement projects, roof replacements to public buildings, and water and sewer line extensions.

STATE OF NEW MEXICO
CITY OF HOBBS
COMBINING BALANCE SHEET
NONMAJOR CAPITAL PROJECTS FUNDS
June 30, 2010

	Industrial Park Construction	Parks Improvement	Vehicle Replacement
ASSETS			
Cash and cash equivalents	\$ -	\$ 1,664,175	\$ -
Investments	-	-	-
Restricted cash and investments	-	-	-
Receivables:			
Accounts receivable, net	-	-	-
Due from other governments	84,260	-	-
Accrued interest receivable	-	-	-
Lease receivable	-	-	-
Due from other funds	-	-	-
Assets held for resale	-	-	-
	<u>\$ 84,260</u>	<u>\$ 1,664,175</u>	<u>\$ -</u>
<i>Total assets</i>	<u>\$ 84,260</u>	<u>\$ 1,664,175</u>	<u>\$ -</u>
 LIABILITIES AND FUND BALANCES			
<i>Liabilities:</i>			
Accounts payable	\$ 9,086	\$ -	\$ -
Due to other funds	46,510	-	-
Deferred revenue	-	-	-
Accrued salaries and related expenses	-	-	-
	<u>55,596</u>	<u>-</u>	<u>-</u>
<i>Total liabilities</i>	<u>55,596</u>	<u>-</u>	<u>-</u>
 <i>Fund balances:</i>			
Unreserved	28,664	1,664,175	-
Reserved:			
Debt service	-	-	-
	<u>28,664</u>	<u>1,664,175</u>	<u>-</u>
<i>Total fund balances</i>	<u>28,664</u>	<u>1,664,175</u>	<u>-</u>
<i>Total liabilities and fund balances</i>	<u>\$ 84,260</u>	<u>\$ 1,664,175</u>	<u>\$ -</u>

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

Statement C-1

<u>Capital Projects</u>	<u>Street Improvement</u>	<u>Capital Improvements</u>	<u>City Commission Improvement</u>	<u>Total Nonmajor Capital Projects Funds</u>
\$ 4,314,580	\$ 1,562,148	\$ 315,349	\$ -	\$ 7,856,252
-	-	-	-	-
-	-	-	2,111,752	2,111,752
-	-	-	1,255,221	1,255,221
-	82,206	-	332,298	498,764
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>\$ 4,314,580</u>	<u>\$ 1,644,354</u>	<u>\$ 315,349</u>	<u>\$ 3,699,271</u>	<u>\$ 11,721,989</u>
\$ 690,132	\$ 12,483	\$ 9,928	\$ -	\$ 721,629
-	-	-	-	46,510
-	-	-	-	-
-	-	-	-	-
<u>690,132</u>	<u>12,483</u>	<u>9,928</u>	<u>-</u>	<u>768,139</u>
3,624,448	1,631,871	305,421	3,699,271	10,953,850
-	-	-	-	-
<u>3,624,448</u>	<u>1,631,871</u>	<u>305,421</u>	<u>3,699,271</u>	<u>10,953,850</u>
<u>\$ 4,314,580</u>	<u>\$ 1,644,354</u>	<u>\$ 315,349</u>	<u>\$ 3,699,271</u>	<u>\$ 11,721,989</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, 2010

	Industrial Park Construction	Parks Improvement	Vehicle Replacement
<i>Revenues:</i>			
Property, sales, and miscellaneous taxes	\$ -	\$ -	\$ -
Fines and forfeitures	-	-	-
Licenses and permits	-	-	-
Intergovernmental	66,261	-	-
Charges for services	-	-	-
Investment earnings	-	6,051	-
Miscellaneous	380	-	-
	<u>66,641</u>	<u>6,051</u>	<u>-</u>
<i>Total revenues</i>			
<i>Expenditures:</i>			
Current:			
General government	-	-	-
Public safety	-	-	-
Public works	-	-	-
Health and welfare	-	-	-
Culture and recreation	-	-	-
Sanitation	-	-	-
Debt service:			
Principal	-	-	-
Interest and other charges	-	-	-
Capital outlay	297,632	50,457	-
	<u>297,632</u>	<u>50,457</u>	<u>-</u>
<i>Total expenditures</i>			
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(230,991)</u>	<u>(44,406)</u>	<u>-</u>
<i>Other financing sources (uses):</i>			
Transfers in	510,983	-	-
Transfers out	-	-	-
	<u>510,983</u>	<u>-</u>	<u>-</u>
<i>Total other financing sources (uses)</i>			
<i>Special Items</i>			
Proceeds from sale of fixed assets	-	-	-
	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	279,992	(44,406)	-
<i>Fund balances - beginning</i>	<u>(251,328)</u>	<u>1,708,581</u>	<u>-</u>
<i>Fund balances - ending</i>	<u>\$ 28,664</u>	<u>\$ 1,664,175</u>	<u>\$ -</u>

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

Statement C-2

<u>Capital Projects</u>	<u>Street Improvement</u>	<u>Capital Improvements</u>	<u>City Commission Improvement</u>	<u>Total Nonmajor Capital Projects Funds</u>
\$ -	\$ 594,501	\$ -	\$ 1,724,897	\$ 2,319,398
-	-	-	-	-
-	-	-	-	-
249,747	751,543	-	-	1,067,551
-	-	9,112	-	9,112
-	7,652	-	-	13,703
-	-	-	979,620	980,000
<u>249,747</u>	<u>1,353,696</u>	<u>9,112</u>	<u>2,704,517</u>	<u>4,389,764</u>
-	-	-	-	-
-	-	-	-	-
-	-	43,529	-	43,529
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
2,190,301	1,791,869	20,880	10,000	4,361,139
<u>2,190,301</u>	<u>1,791,869</u>	<u>64,409</u>	<u>10,000</u>	<u>4,404,668</u>
<u>(1,940,554)</u>	<u>(438,173)</u>	<u>(55,297)</u>	<u>2,694,517</u>	<u>(14,904)</u>
600,000	-	-	-	1,110,983
-	(850,000)	-	(1,300,000)	(2,150,000)
<u>600,000</u>	<u>(850,000)</u>	<u>-</u>	<u>(1,300,000)</u>	<u>(1,039,017)</u>
-	-	-	-	-
(1,340,554)	(1,288,173)	(55,297)	1,394,517	(1,053,921)
<u>4,965,002</u>	<u>2,920,044</u>	<u>360,718</u>	<u>2,304,754</u>	<u>12,007,771</u>
<u>\$ 3,624,448</u>	<u>\$ 1,631,871</u>	<u>\$ 305,421</u>	<u>\$ 3,699,271</u>	<u>\$ 10,953,850</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, 2010

Schedule C-3

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	744,000	-	-	-
Charges for services	-	-	-	-
Investment earnings	-	-	-	-
Miscellaneous	-	380	380	-
	<u>744,000</u>	<u>380</u>	<u>380</u>	<u>-</u>
<i>Total revenues</i>	<u>744,000</u>	<u>380</u>	<u>380</u>	<u>-</u>
<i>Expenditures:</i>				
<i>Current:</i>				
General government	-	-	-	-
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Sanitation	-	-	-	-
<i>Debt service:</i>				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	1,458,212	511,363	511,363	-
	<u>1,458,212</u>	<u>511,363</u>	<u>511,363</u>	<u>-</u>
<i>Total expenditures</i>	<u>1,458,212</u>	<u>511,363</u>	<u>511,363</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(714,212)</u>	<u>(510,983)</u>	<u>(510,983)</u>	<u>-</u>
<i>Other financing sources (uses):</i>				
Transfers in	715,194	510,983	510,983	-
Transfers out	-	-	-	-
	<u>715,194</u>	<u>510,983</u>	<u>510,983</u>	<u>-</u>
<i>Total other financing sources (uses)</i>	<u>715,194</u>	<u>510,983</u>	<u>510,983</u>	<u>\$ -</u>
<i>Prior year cash balance</i>	<u>-</u>	<u>-</u>		
<i>Appropriated cash balance</i>	<u>\$ 982</u>	<u>\$ -</u>	-	
<i>Reconciliation to GAAP Basis:</i>				
Increase in due from other governments			66,262	
Decrease in accounts payable			<u>213,730</u>	
<i>Net change in fund balance</i>			<u>\$ 279,992</u>	

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

STATE OF NEW MEXICO

Schedule C-4

CITY OF HOBBS

PARKS IMPROVEMENT

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

For the year ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Investment earnings	16,407	6,051	6,051	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>16,407</u>	<u>6,051</u>	<u>6,051</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	1,599,883	61,021	61,021	-
<i>Total expenditures</i>	<u>1,599,883</u>	<u>61,021</u>	<u>61,021</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(1,583,476)</u>	<u>(54,970)</u>	<u>(54,970)</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>1,719,145</u>	<u>1,719,145</u>		
<i>Appropriated cash balance</i>	<u>\$ 135,669</u>	<u>\$ 1,664,175</u>	(54,970)	
<i>Reconciliation to GAAP Basis:</i>				
Decrease in accounts payable			<u>10,564</u>	
<i>Net change in fund balance</i>			<u>\$ (44,406)</u>	

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

STATE OF NEW MEXICO
CITY OF HOBBS
VEHICLE REPLACEMENT

Schedule C-5

**SCHEDULE OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL**
For the year ended June 30, 2010

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	<u>Variance with Final Budget - Favorable (Unfavorable)</u>
	<u>Original</u>	<u>Final</u>		
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Investment earnings	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures:</i>				
<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>-</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>Prior year cash balance</i>	<u>-</u>	<u>-</u>		
<i>Appropriated cash balance</i>	<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
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, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	9,925,000	291,587	291,587	-
Charges for services	-	-	-	-
Investment earnings	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>9,925,000</u>	<u>291,587</u>	<u>291,587</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	14,736,817	1,619,790	1,619,790	-
<i>Total expenditures</i>	<u>14,736,817</u>	<u>1,619,790</u>	<u>1,619,790</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(4,811,817)</u>	<u>(1,328,203)</u>	<u>(1,328,203)</u>	<u>-</u>
<i>Other financing sources (uses):</i>				
Transfers in	-	600,000	600,000	-
Transfers out	(230,805)	-	-	-
<i>Total other financing sources (uses)</i>	<u>(230,805)</u>	<u>600,000</u>	<u>600,000</u>	<u>\$ -</u>
<i>Prior year cash balance</i>	<u>5,042,783</u>	<u>5,042,783</u>		
<i>Appropriated cash balance</i>	<u>\$ 161</u>	<u>\$ 4,314,580</u>	(728,203)	
<i>Reconciliation to GAAP Basis:</i>				
Decrease in due from other governments			(41,840)	
Increase in accounts payable			(570,511)	
<i>Net change in fund balance</i>			<u>\$ (1,340,554)</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, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<i>Revenues:</i>				
Taxes	\$ 630,000	\$ 594,501	\$ 594,501	\$ -
Fines and forfeitures	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	4,774,183	1,636,866	1,636,866	-
Charges for services	-	-	-	-
Investment earnings	19,023	7,652	7,652	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>5,423,206</u>	<u>2,239,019</u>	<u>2,239,019</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	5,775,805	1,948,587	1,948,587	-
<i>Total expenditures</i>	<u>5,775,805</u>	<u>1,948,587</u>	<u>1,948,587</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(352,599)</u>	<u>290,432</u>	<u>290,432</u>	<u>-</u>
<i>Other financing sources (uses):</i>				
Transfers in	(850,000)	(850,000)	(850,000)	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(850,000)</u>	<u>(850,000)</u>	<u>(850,000)</u>	<u>\$ -</u>
<i>Prior year cash balance</i>	<u>2,121,714</u>	<u>2,121,714</u>		
<i>Appropriated cash balance</i>	<u>\$ 919,115</u>	<u>\$ 1,562,146</u>	(559,568)	
<i>Reconciliation to GAAP Basis:</i>				
Decrease in due from other governments			(885,323)	
Decrease in accounts payable			156,718	
<i>Net change in fund balance</i>			<u>\$ (1,288,173)</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, 2010

Schedule C-8

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
Fines and forfeitures	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	9,112	9,112	-
Investment earnings	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	-	9,112	9,112	-
<i>Expenditures:</i>				
<i>Current:</i>				
General government	-	-	-	-
Highways and roads	120,000	45,168	45,168	-
Public safety	-	-	-	-
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Sanitation	-	-	-	-
<i>Debt service:</i>				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	140,271	10,950	10,950	-
<i>Total expenditures</i>	260,271	56,118	56,118	-
<i>Excess (deficiency) of revenues over expenditures</i>	(260,271)	(47,006)	(47,006)	-
<i>Other financing sources (uses):</i>				
Transfers in	132,000	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	132,000	-	-	\$ -
<i>Prior year cash balance</i>	362,357	362,357		
<i>Appropriated cash balance</i>	\$ 234,086	\$ 315,351	(47,006)	
<i>Reconciliation to GAAP Basis:</i>				
Increase in accounts payable			(8,291)	
<i>Net change in fund balance</i>			\$ (55,297)	

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, 2010

Schedule C-9

	<u>Budgeted Amounts</u>		<u>Actual Amounts</u>	Variance with Final Budget - Favorable (Unfavorable)
	<u>Original</u>	<u>Final</u>		
<i>Revenues:</i>				
Taxes	\$ 1,495,680	\$ 1,642,003	\$ 1,642,003	\$ -
Fines and forfeitures	-	-	-	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	-	-	-	-
Investment earnings	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>1,495,680</u>	<u>1,642,003</u>	<u>1,642,003</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	600,000	50,000	50,000	-
<i>Total expenditures</i>	<u>600,000</u>	<u>50,000</u>	<u>50,000</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>895,680</u>	<u>1,592,003</u>	<u>1,592,003</u>	<u>-</u>
<i>Other financing sources (uses):</i>				
Proceeds from capital leases	-	-	-	-
Transfers in	-	-	-	-
Transfers out	(700,000)	(1,300,000)	(1,300,000)	-
<i>Total other financing sources (uses)</i>	<u>(700,000)</u>	<u>(1,300,000)</u>	<u>(1,300,000)</u>	<u>\$ -</u>
<i>Prior year cash balance</i>	<u>1,819,748</u>	<u>1,819,748</u>		
<i>Appropriated cash balance</i>	<u>\$ 2,015,428</u>	<u>\$ 2,111,751</u>	292,003	
<i>Reconciliation to GAAP Basis:</i>				
Increase in accounts receivable			979,620	
Increase in due from other governments			82,894	
Decrease in accounts payable			<u>40,000</u>	
<i>Net change in fund balance</i>			<u>\$ 1,394,517</u>	

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

STATE OF NEW MEXICO
CITY OF HOBBS
JOINT UTILITY

Schedule D-1

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN
FUND BALANCE - BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For the year ended June 30, 2010

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<i>Revenues:</i>				
Taxes	\$ 747,840	\$ 820,788	\$ 820,788	\$ -
Operating grants and contributions	360,000	268,543	268,543	-
Licenses and permits	-	-	-	-
Intergovernmental	-	-	-	-
Charges for services	9,096,350	9,824,359	9,824,359	-
Investment earnings	48,429	15,305	15,305	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>10,252,619</u>	<u>10,928,995</u>	<u>10,928,995</u>	<u>-</u>
<i>Expenditures:</i>				
<i>Current:</i>				
Personnel services	2,957,955	2,910,882	2,910,882	-
Fuel and power	587,800	445,679	445,679	-
Repairs and maintenance	655,180	489,765	489,765	-
Other supplies and expenses	1,950,381	1,741,063	1,741,063	-
Depreciation	-	-	-	-
Contractual services	-	-	-	-
<i>Debt service:</i>				
Principal	580,009	365,000	365,000	-
Interest and other charges	289,337	303,832	303,832	-
Capital outlay	9,887,908	4,783,274	4,783,274	-
<i>Total expenditures</i>	<u>16,908,570</u>	<u>11,039,495</u>	<u>11,039,495</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(6,655,951)</u>	<u>(110,500)</u>	<u>(110,500)</u>	<u>-</u>
<i>Other financing sources (uses):</i>				
Bond proceeds	-	-	-	-
Transfers in	11,050,619	11,998,234	11,998,234	-
Transfers out	(9,442,619)	(10,390,234)	(10,390,234)	-
<i>Total other financing sources (uses)</i>	<u>1,608,000</u>	<u>1,608,000</u>	<u>1,608,000</u>	<u>\$ -</u>
<i>Prior year cash balance</i>	<u>9,696,958</u>	<u>9,696,958</u>		
<i>Appropriated cash balance</i>	<u>\$ 4,649,007</u>	<u>\$ 11,194,458</u>	1,497,500	
<i>Reconciliation to GAAP Basis:</i>				
Decrease in accounts receivable			(322,430)	
Increase in due from other governments			70,583	
Decrease in inventory			(132,359)	
Decrease in accounts payable			1,056,653	
Increase in interest payable			(1,396,662)	
Increase in accrued salaries			(9,805)	
Decrease in customer deposits			8,894	
Increase in compensated absences			(26,948)	
Increase in accrued unfunded OPEB liability			(129,541)	
Payments on bonds payable			365,000	
Loss on disposal of assets			(18,350)	
Capital outlay in excess of depreciation			(3,059,477)	
Prior period adjustment			796,903	
<i>Change in net assets</i>			<u>\$ (1,300,039)</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, 2010

Schedule D-2

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<i>Revenues:</i>				
Taxes	\$ -	\$ -	\$ -	\$ -
Charges for services	6,472,848	5,898,394	5,898,394	-
Investment earnings	4,581	1,551	1,551	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	6,477,429	5,899,945	5,899,945	-
<i>Expenditures:</i>				
<i>Current:</i>				
General government	-	-	-	-
Public safety	-	-	-	-
Highways and roads	-	-	-	-
Health and welfare	-	-	-	-
Culture and recreation	-	-	-	-
Contractual services	6,472,848	5,967,461	5,967,461	-
<i>Debt service:</i>				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Capital outlay	-	-	-	-
<i>Total expenditures</i>	6,472,848	5,967,461	5,967,461	-
<i>Excess (deficiency) of revenues over expenditures</i>	4,581	(67,516)	(67,516)	-
<i>Other financing sources (uses):</i>				
Proceeds from capital leases	-	-	-	-
Transfers in	-	-	-	-
Transfers out	(1,000,000)	(1,000,000)	(1,000,000)	-
<i>Total other financing sources (uses)</i>	(1,000,000)	(1,000,000)	(1,000,000)	\$ -
<i>Prior year cash balance</i>	2,303,700	2,303,700		
<i>Appropriated cash balance</i>	\$ 1,308,281	\$ 1,236,184	(1,067,516)	
<i>Reconciliation to GAAP Basis:</i>				
Decrease in accounts payable			14,164	
Increase in estimated claims payable			(34,634)	
<i>Change in net assets</i>			\$ (1,087,986)	

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, 2010

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, 2010	\$ -	\$ 21,052,892	\$ 21,052,892	\$ -	\$ 20,946,468	100.51%
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%

Fiscal year ended	Annual OPEB cost	Actual employer contributions	Percentage contributed
June 30, 2010	\$ 1,669,795	\$ 422,298	25.29%
June 30, 2009	\$ 1,663,572	\$ 429,092	25.79%
June 30, 2008	\$ 1,318,966	\$ 354,391	26.87%

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, 2010

	Balance June 30, 2009	Additions	Deductions	Balance June 30, 2010
<u>Motor Vehicle</u>				
Assets				
Cash and cash equivalents	\$ 97	\$ 4,093,996	\$ 4,094,133	\$ (40)
Total Assets	\$ 97	\$ 4,093,996	\$ 4,094,133	\$ (40)
Liabilities				
Deposits held in trust for others	\$ 97	\$ 4,093,996	\$ 4,094,133	\$ (40)
Total Liabilities	\$ 97	\$ 4,093,996	\$ 4,094,133	\$ (40)
<u>Municipal Judge</u>				
Assets				
Cash and cash equivalents	\$ 123,792	\$ 125,137	\$ 124,233	\$ 124,696
Total Assets	\$ 123,792	\$ 125,137	\$ 124,233	\$ 124,696
Liabilities				
Deposits held in trust for others	\$ 123,792	\$ 125,137	\$ 124,233	\$ 124,696
Total Liabilities	\$ 123,792	\$ 125,137	\$ 124,233	\$ 124,696
<u>Crime Lab</u>				
Assets				
Cash and cash equivalents	\$ 31,032	\$ 91,626	\$ 89,891	\$ 32,767
Total Assets	\$ 31,032	\$ 91,626	\$ 89,891	\$ 32,767
Liabilities				
Accounts payable	\$ 7,650	\$ 6,859	\$ 7,650	\$ 6,859
Deposits held in trust for others	23,382	84,767	82,241	25,908
Total Liabilities	\$ 31,032	\$ 91,626	\$ 89,891	\$ 32,767
<u>Senior Citizen</u>				
Assets				
Cash and cash equivalents	\$ -	\$ 2,172	\$ 2,172	\$ -
Total Assets	\$ -	\$ 2,172	\$ 2,172	\$ -
Liabilities				
Deposits held in trust for others	\$ -	\$ 2,172	\$ 2,172	\$ -
Total Liabilities	\$ -	\$ 2,172	\$ 2,172	\$ -

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, 2010

	Balance June 30, 2009	Additions	Deductions	Balance June 30, 2010
<u>1980 Mortgage Revenue Bond</u>				
Assets				
Cash and cash equivalents	\$ 69,863	\$ -	\$ 69,863	\$ -
Total Assets	\$ 69,863	\$ -	\$ 69,863	\$ -
Liabilities				
Deposits held in trust for others	\$ 69,863	\$ -	\$ 69,863	\$ -
Total Liabilities	\$ 69,863	\$ -	\$ 69,863	\$ -
<u>Hobbs Beautiful</u>				
Assets				
Cash and cash equivalents	\$ 36,176	\$ 9,915	\$ 17,990	\$ 28,101
Total Assets	\$ 36,176	\$ 9,915	\$ 17,990	\$ 28,101
Liabilities				
Deposits held in trust for others	\$ 36,176	\$ 9,915	\$ 17,990	\$ 28,101
Total Liabilities	\$ 36,176	\$ 9,915	\$ 17,990	\$ 28,101
<u>City Agency</u>				
Assets				
Cash and cash equivalents	\$ 4,933	\$ 1,279	\$ 3,168	\$ 3,044
Total Assets	\$ 4,933	\$ 1,279	\$ 3,168	\$ 3,044
Liabilities				
Deposits held in trust for others	\$ 4,933	\$ 1,279	\$ 3,168	\$ 3,044
Total Liabilities	\$ 4,933	\$ 1,279	\$ 3,168	\$ 3,044
<u>Evidence Fund</u>				
Assets				
Cash and cash equivalents	\$ 65,881	\$ -	\$ 1,214	\$ 64,667
Total Assets	\$ 65,881	\$ -	\$ 1,214	\$ 64,667
Liabilities				
Deposits held in trust for others	\$ 65,881	\$ -	\$ 1,214	\$ 64,667
Total Liabilities	\$ 65,881	\$ -	\$ 1,214	\$ 64,667

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, 2010

	Balance June 30, 2009	Additions	Deductions	Balance June 30, 2010
<u>Total - All Agency Funds</u>				
Assets				
Cash and cash equivalents	\$ 331,774	\$ 4,324,124	\$ 4,402,664	\$ 253,235
Total Assets	\$ 331,774	\$ 4,324,124	\$ 4,402,664	\$ 253,235
Liabilities				
Accounts payable	\$ 7,650	\$ 6,859	\$ 7,650	\$ 6,859
Deposits held in trust for others	324,124	4,317,265	4,395,014	246,376
Total Liabilities	\$ 331,774	\$ 4,324,124	\$ 4,402,664	\$ 253,235

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, 2010

Schedule I

Name of Depository	CUSIP	Description	Fair Market or Par Value	Name and Location of Safekeeper
Lea County State Bank	912828FK1	US Treasury Bonds 5.125% Due June 30, 2011	\$ 1,992,359	Lea County State Bank Hobbs, NM
			<u>\$ 1,992,359</u>	
	011464FD1	Alamogordo FD1 2.7% Due August 1, 2010	\$ 1,001,620	First Security Bank Salt Lake City, UT
	388240CK7	Grants & Cibola 4.5% Due October 1, 2013	144,306	First Security Bank Salt Lake City, UT
			<u>\$ 1,145,926</u>	
Wells Fargo Bank	36202E6E4	G2SF #004469 Due June 20, 2039	\$ 117,733	Wells Fargo Corporation Minneapolis, MN
			<u>\$ 117,733</u>	
Western Commerce Bank	36225CMM5	GNMA ARM Pool 80363 Due January 20, 2030	\$ 27,367	Federal Home Loan Bank Dallas, TX
			41,710	
	31360QU58	FNMA #13204 Due June 1, 2025	53,290	Federal Home Loan Bank Dallas, TX
	31292GTJ5	FHLMC #C00553 Due September 1, 2027	<u>\$ 122,367</u>	Federal Home Loan Bank Dallas, TX
Bank of America	912828FF2	US Treasury Bonds 5.125% Due May 15, 2016	\$ 563,212	Bank of America Charlotte, NC
			<u>\$ 563,212</u>	
			<u>\$ 3,941,597</u>	

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



**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, 2010, and have issued our report thereon dated December 1, 2010. 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 *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis.

Our consideration of internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over financial reporting that might be deficiencies, significant deficiencies, or material weaknesses. A significant deficiency is a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses or significant deficiencies, 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, 2009-2, 2009-3, 2010-1, 2010-2, 2010-3, and 2010-4.

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, 2009-2, 2009-3, 2010-1, 2010-2, 2010-3, and 2010-4.

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, 2010

FEDERAL FINANCIAL ASSISTANCE



**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, 2010. 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, 2010. However, the results of our auditing procedures disclosed instances of noncompliance with those requirements, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2010-5 and 2010-6.

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 deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a federal program will not be prevented, or detected and corrected, on a timely basis.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, 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.

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

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, 2010

STATE OF NEW MEXICO
CITY OF HOBBS
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
For the Year Ended June 30, 2010

Schedule III

NAME OF AGENCY/PROGRAM	CFDA NO			TOTAL AWARDS EXPENDED
EXECUTIVE OFFICE OF THE PRESIDENT				
OFFICE OF NATIONAL DRUG CONTROL POLICY				
High Intensity Drug Trafficking Area Grant	95.001			870,862 (1)
U.S. DEPARTMENT OF TRANSPORTATION				
Urban Mass Transit	20.509	491,775	(1)	
Urban Mass Transit	20.500	575,127	(1)	
ARRA - FHWA	20.205	336,168	(1)	
FHWA	20.205	<u>340,209</u>	(1)	1,743,279
U.S. DEPARTMENT OF HOUSING & URBAN DEVELOPMENT				
Passed through from NM Department of Finance and Administration				
Community Development Block Grant	09-C-NR-I-01-G-33	14.228	647,953 (1)	
Community Development Block Grant	B-05-SP-NM-0188	14.251	<u>66,261</u>	714,214
U.S. DEPARTMENT OF JUSTICE				
ARRA - Justice Assistance Grant	16.804	184,849		
Justice Assistance Grant	16.804	13,728		
Bulletproof Vest Grant 2010	16.607	<u>6,965</u>		205,542
U.S. DEPARTMENT OF AGRICULTURE				
Commodity	10.569			72,799
U.S. DEPARTMENT OF HOMELAND SECURITY				
Emergency Management	97.703			17,000
DEPARTMENT OF HEALTH AND HUMAN SERVICES ADMIN ON AGING				
ARRA - Title III C-1 Congregate Meals	93.707	7,083		
Title III C-2 Home Delivered Meals	93.705	<u>3,562</u>		10,645
				<u>\$ 3,634,341</u>

(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, 2010

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.

SCHEDULE OF FINDINGS AND QUESTIONED COSTS

A. SUMMARY OF AUDIT RESULTS

1. The auditors' 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 seven 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, 2010-1, 2010-2, 2010-3 and 2010-4.
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 auditors' report expresses an unqualified opinion on the report issued on compliance with major programs.
9. The audit disclosed two audit findings required to be reported under 510(a) of Circular A-133. See findings 2010-5 and 2010-6.
10. The programs tested as major were: High Intensity Drug Trafficking Area Grant (CFDA 95.001), Urban Mass Transit (CFDA 20.509 and 20.500), Federal Highway Administration (CFDA 20.205) and the Community Development Block Grant (CFDA 14.228).
11. The threshold for distinguishing Type A and B programs was \$300,000.
12. The City of Hobbs was determined to be a low-risk auditee.

B. FINDINGS-FINANCIAL STATEMENT AUDIT

2008-1 Municipal Court Receipts Reconciliation-modified and repeated

Condition:

The Municipal Court receivable trial balances do not reconcile to the general ledger by \$98,845.

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 reconcile with the records of the Finance Department.

Agency Response:

The City of Hobbs has recently entered into a contract with Tyler Technologies to purchase Incode software for the courts. Prior to implementing the software, accounts receivable will be reconciled to enable a clean data conversion into the new system. Because Tyler Technologies produces Incode and MUNIS (the City's current central accounting software), an interface between the two systems is part of the Incode purchase. This will prevent problems in the future pertaining to reconciling the master accounts receivable to its subsidiary by eliminating the manual journal entries that were once necessitated due to the absence of the interface between the two systems.

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

Condition:

Documentation of cash receipts and revenues at the Animal Shelter 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.

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 Animal Shelter office are insufficient to determine the accuracy and timeliness of deposits.

Recommendation:

Establish reconciliation and recordkeeping procedures for all 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 Animal Shelter now has a procedure in place to ensure that cash receipts leaving the facility are recapitulated prior to receipt in the clerk's office.

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 during the fiscal year ended June 30, 2010.

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.

2010-1 Accurate time cards

Condition:

Of the forty-two timecards tested for mathematical accuracy, two timecards were mathematically incorrect. This resulted in an overstatement of five hours.

Criteria:

The City is responsible for designing its system of internal controls to accurately process payroll.

Effect of Condition:

The City has incorrectly paid its employees for hours not worked.

Cause of Condition:

The City does not provide adequate supervisory review or appropriate oversight.

Recommendation:

The City should establish and enforce procedures ensuring that timecards are accurately processed and reviewed.

Agency Response:

Clerical errors in calculating hours and minutes paid to the employee are partially attributable to not auditing time sheets internally. Once finance became aware this process was no longer occurring, the finance department made the internal audit process part of the responsibilities of the new financial analyst position. Finance has yet to find an individual qualified for the new position.

2010-2 Deposits Not Made Timely

Condition:

Of the forty deposits tested totaling \$1,815,493, four deposits totaling \$197,564.46 from the water department were not deposited within the required twenty-four hours. Instead, these deposits were made within forty-eight hours.

Criteria:

Per Section 6-10-3 NMSA 1978, it is required that a local government agency deposit all receipts within a twenty-four hour period after such receipts have been received by the agency, with allowance made for non-business days and bank holidays

Effect of Condition:

The City is not in compliance with Section 6-10-3 NMSA 1978.

Cause of Condition:

Deposits at the water department were not made within the required time.

Recommendation:

Establish reconciliation and recordkeeping procedures for all 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:

Since it caused receipts in the two-hour window from 3:00 p.m. to 5:00 p.m. to be out of compliance with state statute, the City plans to compile the deposit at 5:00 p.m. so delivery is made to the bank the following morning.

2010-3 Employee paid for time not in the service of the City

Condition:

Thirty-two time cards submitted by police officers between the dates of September 26, 2008 and December 30, 2009 included 37.25 hours for which the officers were paid by third parties for security services under contract with the City of Hobbs.

Criteria:

Personnel policies should not allow payment of employees for time not spent in the service of the City.

Effect of Condition:

The City paid \$887 to those officers who were also paid by third parties for security services.

Cause of Condition:

Contracts for security services with the City of Hobbs allowed direct payments to officers and personnel policies did not include the requirement to remit the third party payment back to the City. Oversight of time cards did not discover the duplicate hours paid to the officers.

Recommendation:

Ensure that personnel policies and oversight do not allow time to be charged to the City when it is also paid by third parties or enter into contracts where payment for security services is made to the City and the officers remain on the City's payroll.

Agency Response:

Most of the time paid for employees not in service to the City was attributable to events sponsored by the Hobbs Municipal Schools. The City entered into a contract with Hobbs Municipal Schools to allow the Schools to pay the City directly for security services. Employees will denote hours for security services on their time sheet for payroll processing and will not be paid directly by the Schools.

2010-4 Lack of separation of duties and substitution of assets related to cash

Condition:

An employee of the Municipal Court accepted checks from herself in exchange for City funds and included those checks on deposit slips which she prepared. Another employee of the Municipal Court also accepted checks from herself in exchange for City funds and included those checks on deposit slips which she prepared. Each of these employees also accepted checks from the other and prepared a deposit slip containing the other employee's check. Sixteen of these checks, ranging from \$29 to \$300, were discovered over a three-and-a-half month period. In two of those instances, the checks were returned for insufficient funds.

Criteria:

Sound internal control policies require a separation of the duties of submitting checks for deposit and preparing deposit slips for deposit; as well as the deposit of funds intact, without the substitution of personal assets for those of the City.

Effect of Condition:

The lack of separation of duties and the substitution of personal checks for City funds creates a situation in which, if fraud were perpetrated, it would be more likely to go undiscovered.

Cause of Condition:

Employees of the City substituted personal checks for City funds and prepared the deposit slip for those funds.

Recommendation:

Ensure that employees do not alter the deposit of City funds by substituting personal checks for City funds.

Agency Response:

The City finds the condition listed above to be inappropriate and, at a minimum, gives the appearance of impropriety. We consider it to be a serious violation of our fiduciary responsibility to oversee public funds. Resolution is currently pending as the persons involved are in the process of exercising their appeal rights under the City of Hobbs Personnel Rules.

C. COMPLIANCE AND OTHER MATTERS FINDINGS

None

D. FINDINGS-FEDERAL AWARDS

2010-5 Duplicate reimbursement request

Condition:

Two invoices, totaling \$4,750 were submitted for reimbursement to the Edward Byrne Memorial Justice Assistance Grant (JAG), CFDA #16.607, and Bulletproof Vest & Justice Assistance - ARRA, CFDA #16.804.

Questioned Costs:

\$4,750

Criteria:

The City is responsible for designing its system of internal controls to ensure the accurate submission of reimbursement requests.

Effect of Condition:

The City has requested and received reimbursement of the same costs under two grants.

Cause of Condition:

The City does not provide adequate review of reimbursement requests and lack of control process to prohibit duplicate requests.

Recommendation:

The City should establish internal controls over grants to ensure that expenditures cannot be submitted on more than one grant.

Agency Response:

In order to prevent the above condition from occurring again police grant administration has made the following changes.

1. Move the administration of all grants to administrative office of the chief, where purchases are reviewed and approved. Previously, too many employees had authority to expend grant funds. Now, only one employee with have authority to do so.
2. All funds for grants must have the signed approval of the Chief of Police before requests are forwarded to finance.
3. All grant reports will be produced by the administrative assistant to the Chief of Police and copies sent to finance for review.

2010-6 Quarterly grant reports due not agree to the underlying accounting records

Condition:

Of the three quarterly reports filed during the fiscal year for the Edward Byrne Memorial JAG, CFDA #16.607, none agreed to the underlying accounting records of disbursements during the period. The entity was unable to supply a reconciliation to the accounting records or the supporting invoices totaling the amount claimed on the reports. In total, the invoices for the period exceeded the amount requested.

Questioned Costs:

None

Criteria:

The City is responsible for designing its system of internal controls to ensure the accurate submission of reimbursement requests.

Effect of Condition:

The City does not have the required invoices to substantiate the amount claimed on each report. Not reconciling to the underlying accounting records creates a situation where inaccurate reports can be filed.

Cause of Condition:

Inadequate review of reimbursement requests and lack of control process to ensure accurate reporting

Recommendation:

The City should establish internal controls over grants to ensure that reports are based on the underlying accounting records and invoices support the financial reports.

Agency Response:

The City will have all grant-related documentation, including applications, flow through the finance department for review before submission to entities outside the City. Finance will review these documents to ensure they reconcile to the general ledger contained in the central accounting system.

E. STATUS OF FINDINGS-PRIOR YEAR AUDIT

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

2009-1: Petty Cash Authorization – Finding resolved and not repeated.

2009-2 Deposits Not Made Timely and Inadequate Documentation of Receipts - This finding was modified and repeated at 2009-2.

2009-3 Alleged Embezzlement - This finding was modified and repeated at 2009-3.

F. PREPARATION OF FINANCIAL STATEMENTS

The City's financial statements for the year ended June 30, 2010 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, 2010. The following individuals were in attendance.

City of Hobbs

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

Auditors

Mary Hinds, CPA