

Accounting & Consulting Group, LLP

Certified Public Accountants

**STATE OF NEW MEXICO
CITY OF HOBBS
ANNUAL FINANCIAL REPORT
JUNE 30, 2011**



STATE OF NEW MEXICO
CITY OF HOBBS
ANNUAL FINANCIAL REPORT
JUNE 30, 2011

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INTRODUCTORY SECTION

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STATE OF NEW MEXICO

City of Hobbs

Official Roster

June 30, 2011

<u>Name</u>	<u>City Commission</u>	<u>Title</u>
Gary Don Reagan		Mayor
Hal Brunson		City Commissioner
Jonathan Sena		City Commissioner
Crystal Mullins		City Commissioner
Joseph Calderon		City Commissioner
Garry Buie		City Commissioner
John Boyd		City Commissioner

<u>Administration</u>		
Eric Honeyfield		City Manager
Jan Fletcher		City Clerk
Toby Spears, CPA		Finance Director

FINANCIAL SECTION



Accounting & Consulting Group, LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

Hector Balderas
New Mexico State Auditor
The U.S. Office of Management and Budget and
The City Commission
City of Hobbs
Hobbs, New Mexico

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparison for the general fund of the City of Hobbs, New Mexico (City) as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the City's nonmajor governmental funds, the internal service fund, and the enterprise funds and the respective budgetary comparisons presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2011 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 consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City of Hobbs as of June 30, 2011, and the respective changes in financial position and cash flows, where applicable, thereof 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 fund, the internal service fund, and each proprietary fund of the City of Hobbs as of June 30, 2011, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the budgetary comparisons referred to above present fairly, in all material respects, the respective budgetary comparisons for the year ended June 30, 2011 in conformity with the cash basis of accounting more fully described in Note 2, which is a comprehensive basis of accounting other than 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, 2011 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 11 through 27 and Schedule I are not required parts of the basic financial statements, but are supplementary information required by the accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements, the combining and individual fund statements, and the 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 State, Local Governments, and Non-Profit Organizations*, and is not a required part of the basic financial statements. The accompanying financial information listed as Supporting Schedules II through IV in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. 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 and the combining and individual fund statements, taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

Accounting + Consulting Group, LLP

Accounting & Consulting Group, LLP
Albuquerque, New Mexico
December 1, 2011

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STATE OF NEW MEXICO
CITY OF HOBBS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2011
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, 2011. Please read in conjunction with the basic financial statements, which follow this section. The discussion and analysis includes comparative data for the prior year.

Financial Highlights

- Effective January 1, 2003, the gross receipts tax within the City of Hobbs was increased through the enactment of two 1/16% municipal infrastructure gross receipts tax increments. This tax is dedicated for projects designated by the City Commission. Collections in the current year totaled \$2,238,202.
- The assets of the City of Hobbs exceeded its liabilities at June 30, 2011 by \$200,594,487.
- Restricted net assets totaled \$14,832,864 at June 30, 2011. Restricted net assets are subject to external restrictions on how they may be used.
- Unrestricted net assets totaled \$46,452,890 at June 30, 2011.
- Gross receipts and oil and gas production taxes increased approximately 38% from \$37,915,395 for 2010 to \$52,169,068 for 2011. The increase is related primarily to the increase in the economic activity from construction and the oil and gas industry.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Hobbs basic financial statements. The City of Hobbs basic financial statements 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
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MANAGEMENT'S DISCUSSION AND ANALYSIS
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Government-wide financial statements

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

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

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

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

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

Fund financial statements

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

Governmental funds

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

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

STATE OF NEW MEXICO
CITY OF HOBBS
MANAGEMENT'S DISCUSSION AND ANALYSIS
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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
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MANAGEMENT'S DISCUSSION AND ANALYSIS
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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 \$200,594,487 at June 30, 2011.

Net Assets

	June 30, 2011		
	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 45,883,118	\$ 7,121,478	\$ 53,004,596
Investments	1,722,289	-	1,722,289
Receivables	13,663,426	1,721,259	15,384,685
Internal balances	12,287	(12,287)	-
Inventories	-	368,148	368,148
Prepaid expenses	443,144	-	443,144
Restricted cash and investments	18,737	3,964,372	3,983,109
Capital assets, net of depreciation	120,780,004	54,851,191	175,631,195
Total assets	\$ 182,523,005	\$ 68,014,161	\$ 250,537,166
LIABILITIES AND NET ASSETS			
Current liabilities	\$ 4,216,471	\$ 1,394,087	\$ 5,610,558
Customer deposits	-	498,438	498,438
Long-term liabilities due within one year	-	1,593,844	1,593,844
Long-term liabilities due in more than one year	6,835,413	35,404,426	42,239,839
Total liabilities	11,051,884	38,890,795	49,942,679
Invested in capital assets, net of related debt	120,780,004	18,528,729	139,308,733
Restricted for:			
Debt service	-	3,465,934	3,465,934
Capital projects	7,714,420	1,041,227	8,755,647
Meter deposits	-	498,438	498,438
Special revenue	2,112,845	-	2,112,845
Unrestricted	40,863,852	5,589,038	46,452,890
Total net assets	171,471,121	29,123,366	200,594,487
Total liabilities and net assets	\$ 182,523,005	\$ 68,014,161	\$ 250,537,166

STATE OF NEW MEXICO
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Government-wide Financial Analysis (continued)

On June 30, 2010, assets exceeded liabilities by \$182,031,197. Significant reasons for the increase of \$18,590,160 follow the schedule below.

	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
Prepaid expenses	-	-	-
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
Total assets	\$ 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
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:			
Debt service	-	857,277	857,277
Capital projects	10,953,855	-	10,953,855
Special revenue	2,215,670	-	2,215,670
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

STATE OF NEW MEXICO
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MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2011
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Government-wide Financial Analysis (continued)

By far the largest portion of the City of Hobbs' net assets (69%, or \$139,308,733) 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 7%, or \$14,832,864, of the City of Hobbs' net assets are restricted subject to external restrictions on how they may be used, and 24%, or \$46,452,890, of the City of Hobbs' net assets are available as unrestricted and available for any use the governing body may deem appropriate.

Governmental activities

- Increased revenues from taxes, grants, and charges for services led to higher balances for assets such as cash and investments.
- 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 \$8.7 million in governmental activities capital assets.
- Long-term debt decreased due to liabilities related to the NMFA loan for fire equipment. 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 decreased to \$38,890,795. The majority of this decrease was connected with the payoff of the remaining 1997 bond issue within the fiscal year ending June 30, 2011. Principal payments on outstanding debt were made in accordance with applicable requirements in the business-type activities in the current year.

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

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, 2011, the City has completed the projects and has drawn down \$31,419,102 in loan proceeds, including \$1,431,169 interest added to the principal balance of the loan during the year ended June 30, 2011.

Net (Expense) Revenue and Changes in Net Assets

The City's total revenues for the years ended June 30, 2011 and 2010, respectively, were \$83,040,807 and \$67,823,509. Total expenses were, respectively, \$64,088,556 and \$65,127,425. The effects of these and other changes to net assets can be seen in the following schedules.

The following schedules illustrate the items that comprised the changes in the City's net assets for the years ended June 30, 2011 and 2010. Reasons for significant changes follow the schedules.

STATE OF NEW MEXICO
CITY OF HOBBS
MANAGEMENT'S DISCUSSION AND ANALYSIS
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Net (Expense) Revenue and Changes in Net Assets (continued)

<u>Functions/Programs</u>	June 30, 2011		
	Primary Government		
	Governmental Activities	Business-type Activities	Total
Primary government:			
General government	\$ 10,517,230	\$ -	\$ 10,517,230
Public safety	18,455,772	-	18,455,772
Public works	6,097,742	-	6,097,742
Economic development	666,596	-	666,596
Health and welfare	2,776,890	-	2,776,890
Culture and recreation	6,790,136	-	6,790,136
Solid waste sanitation	-	5,107,804	5,107,804
Interest on long-term debt	3,435	-	3,435
Capital outlay	-	-	-
Joint utility enterprise	-	13,672,951	13,672,951
Less charges for services	1,784,101	15,718,065	17,502,166
Less operating grants and contributions	1,342,913	-	1,342,913
Less capital grants and contributions	6,323,690	54,869	6,378,559
	<u>\$ (35,857,097)</u>	<u>\$ (3,007,821)</u>	<u>\$ (38,864,918)</u>
General revenues:			
Taxes:			
Property taxes - general purposes	\$ 1,773,339	\$ -	\$ 1,773,339
Gross receipts taxes	51,136,955	-	51,136,955
Franchise taxes	989,385	-	989,385
Other taxes	2,336,721	-	2,336,721
Unrestricted investment earnings	81,632	12,085	93,717
Licenses and fees	969,765	-	969,765
Miscellaneous	506,480	10,807	517,287
	<u>57,794,277</u>	<u>22,892</u>	<u>57,817,169</u>
Excess (deficiency) before contributions, special items, and transfers	<u>21,937,180</u>	<u>(2,984,929)</u>	<u>18,952,251</u>
<i>Special item</i> - gain (loss) on sale of asset	372,688	(46,972)	325,716
<i>Special item</i> - donation of capital asset	-	2,100,000	2,100,000
Net operating transfers in (out)	<u>(1,656,974)</u>	<u>1,656,650</u>	<u>(324)</u>
Total contributions, special items, and transfers	<u>(1,284,286)</u>	<u>3,709,678</u>	<u>2,425,392</u>
Change in net assets	<u>20,652,894</u>	<u>724,749</u>	<u>21,377,643</u>
Net assets - beginning	153,778,617	28,252,580	182,031,197
Prior period adjustment	(2,402,822)	(411,531)	(2,814,353)
Reclassification	<u>(557,568)</u>	<u>557,568</u>	<u>-</u>
Net assets - ending	<u>\$ 171,471,121</u>	<u>\$ 29,123,366</u>	<u>\$ 200,594,487</u>

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CITY OF HOBBS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2011
Unaudited

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

Functions/Programs	June 30, 2010		
	Primary Government		
	Governmental Activities	Business-type Activities	Total
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
Solid waste sanitation	4,867,259	-	4,867,259
Interest on long-term debt	-	-	-
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 tax - general purpose	\$ 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
Licenses and fees	-	-	-
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> - (loss) on sale of asset	(56,562)	(18,350)	(74,912)
	-	-	-
Net operating transfers in (out)	<u>(1,595,540)</u>	<u>1,608,000</u>	<u>12,460</u>
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)
Reclassification	-	-	-
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, 2011
Unaudited

Governmental activities

The governmental activities of the City of Hobbs attained an increase in net assets of \$20,652,894 in the year ended June 30, 2011. The governmental activities' increase in net assets for the year ended June 30, 2010, was \$3,978,696. Reasons for the greater increase in governmental activities net assets for the year ended June 30, 2011 follow.

- Increases in tax revenues, including gross receipts taxes.
- Both operating results (charges for services, operating grants, and capital grants less program expenses) and general revenues in total increased between 2010 and 2011 due to an uptick in 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.

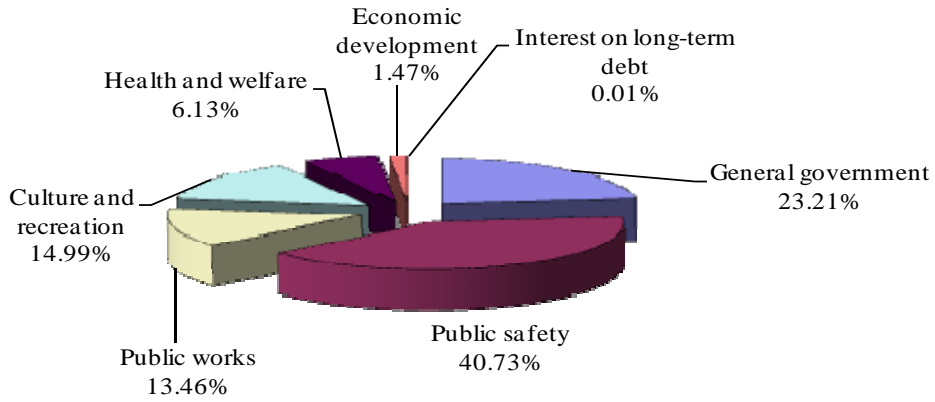
Business-type activities

The increase in net assets contributed by the City's business-type activities was \$724,749 in the year ended June 30, 2011, compared to the decrease of net assets of \$1,345,064 for the year ended June 30, 2010. The decrease this year was driven by a number of factors, including:

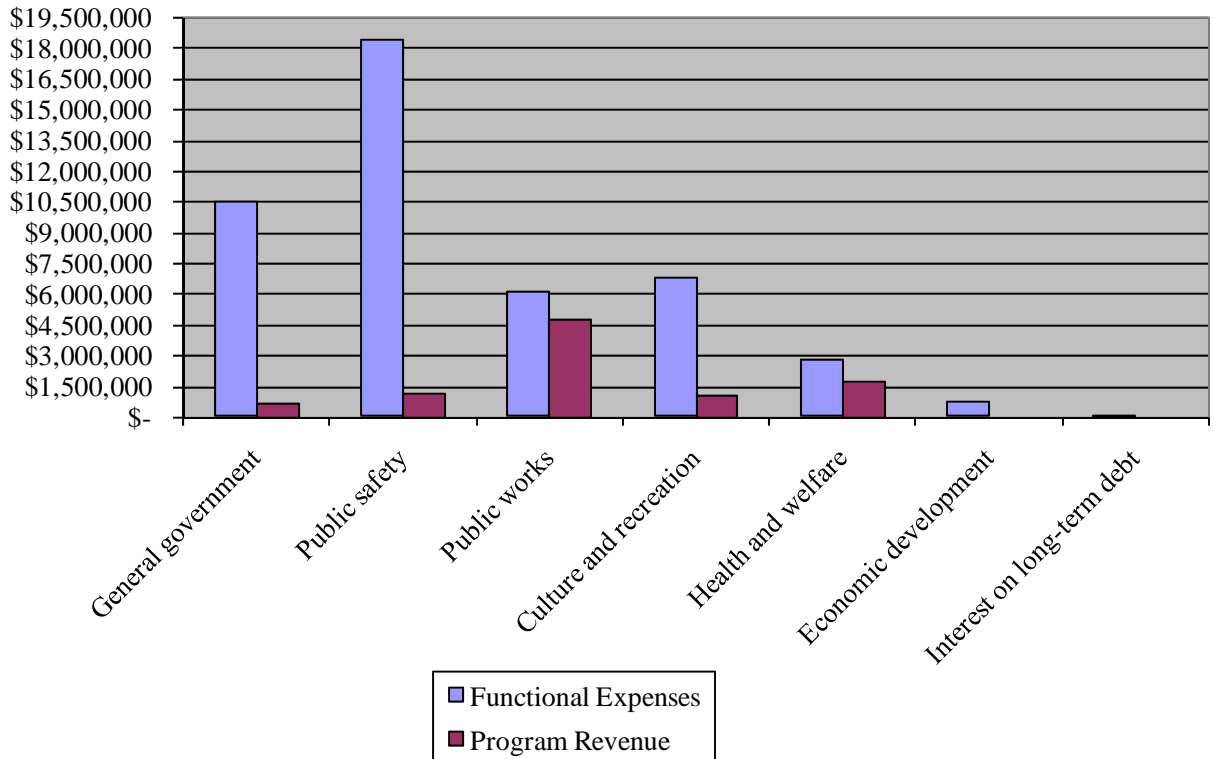
- Increases in charges for services.
- Increases in revenues from municipal gross receipts taxes for business-type activities and investment earnings.

STATE OF NEW MEXICO
CITY OF HOBBS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2011
Unaudited

PROGRAM EXPENSES - GOVERNMENTAL ACTIVITIES



PROGRAM REVENUES AND EXPENSES - GOVERNMENTAL ACTIVITIES

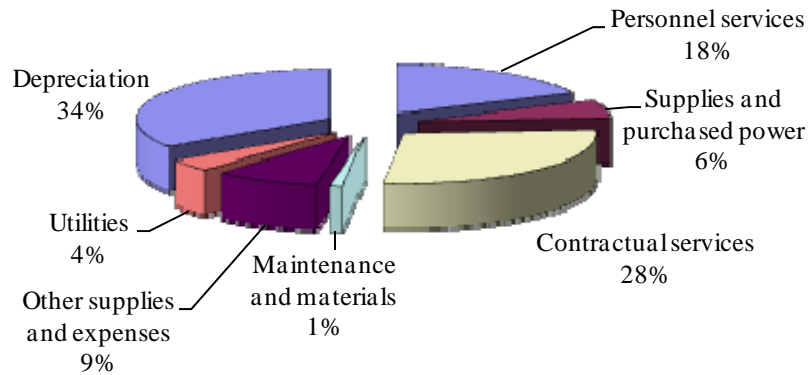


STATE OF NEW MEXICO
CITY OF HOBBS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2011
Unaudited

Business-type activities

Business-type activities increased the City of Hobbs' net assets by \$724,749 in the current year, and include the Water and Wastewater Joint Utility System and the Solid Waste Fund. 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, 2011
Unaudited

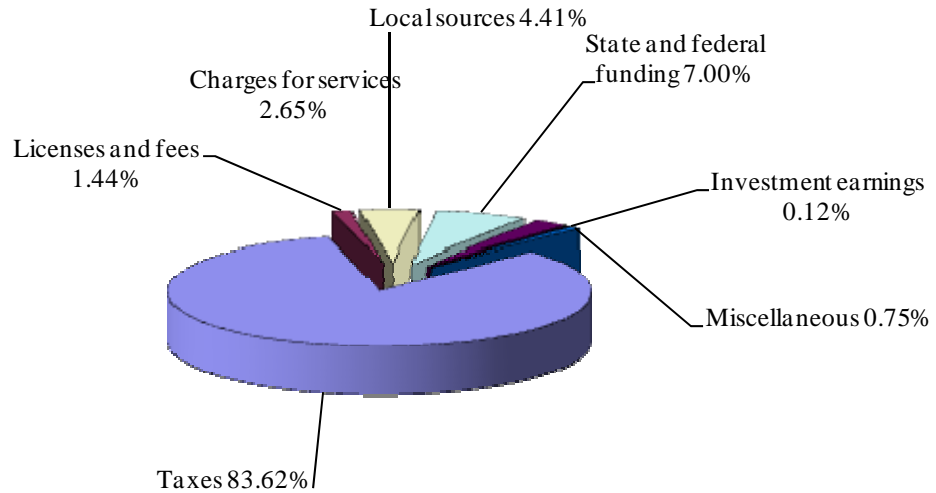
Governmental funds (continued)

As of June 30, 2011, the City of Hobbs governmental funds reported combined ending fund balances of \$55,191,963, an increase of \$9,356,613. Of this amount, \$41,357,278 or approximately 75% constitutes unassigned fund balance, which is available for spending at the government's discretion. Approximately 8%, or \$3,673,851 constitutes fund balance committed to meet minimum fund balance requirements, and approximately one percent, or \$378,490 is not in spendable form because it is in the form of contracts for prepaid expenses. The remainder of fund balance - \$9,782,344 - is restricted for specific purposes..

The general fund is the chief operating fund of the City of Hobbs. At the end of the current fiscal year, unassigned fund balance of the general fund was \$41,486,801. As a measure of the general fund's liquidity, it may be useful to compare fund balance to total fund expenditures. Unassigned fund balance represents 94% of the total general fund expenditures.

The City's general fund balance increased by \$12,999,975 in the current fiscal year. The key factor in this increase is an increase in tax receipts of \$13,115,863.

REVENUE BY SOURCE - GOVERNMENTAL FUNDS

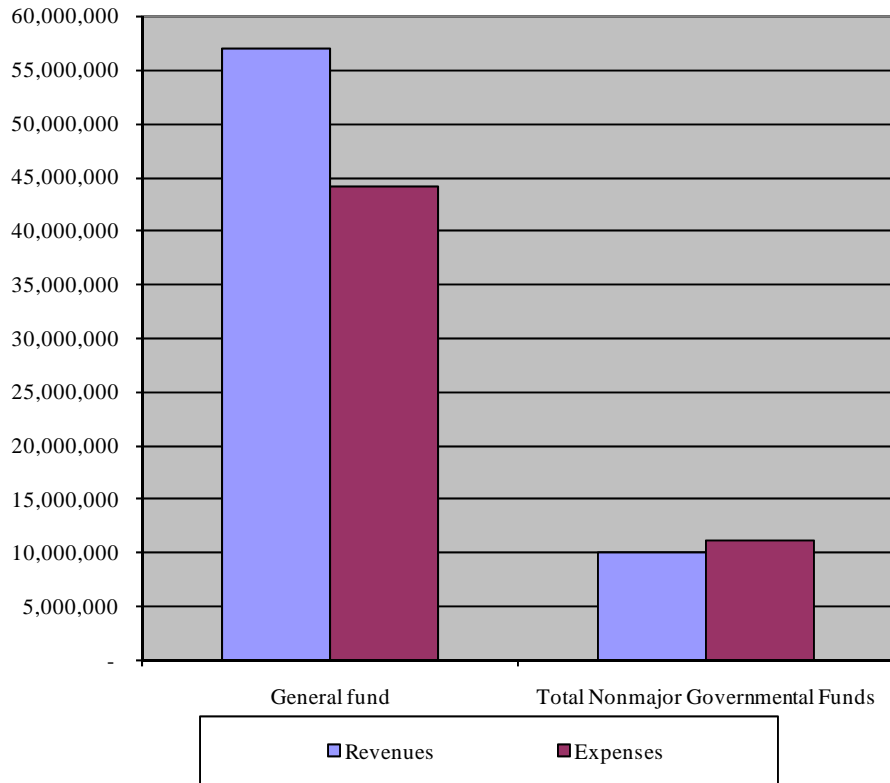


STATE OF NEW MEXICO
CITY OF HOBBS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2011
Unaudited

Governmental funds (continued)

- Taxes include property taxes, franchise taxes, oil & gas production taxes, lodgers' 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.

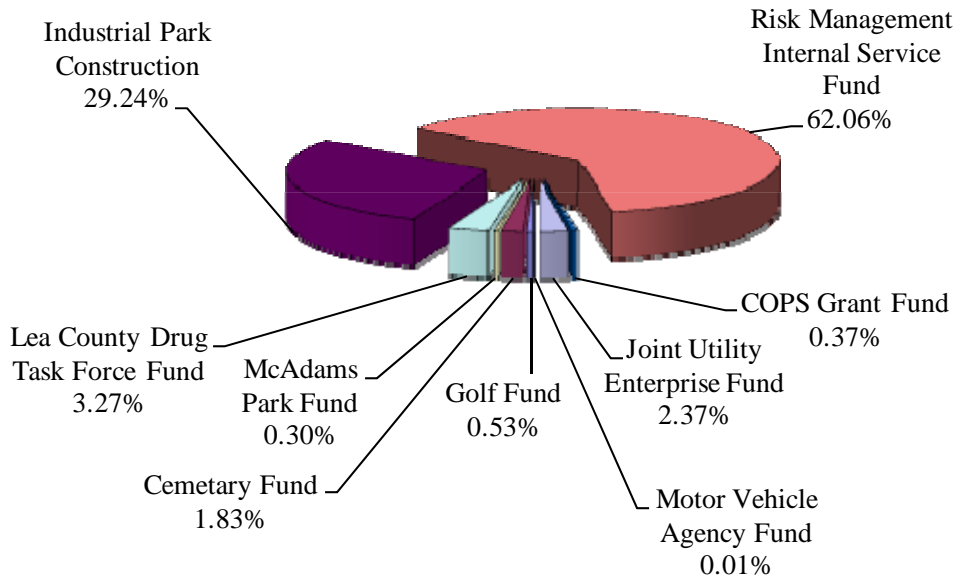
EXCESS OF REVENUES OVER EXPENDITURES - GOVERNMENTAL FUNDS



- 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, 2011
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, 2011, unrestricted net assets totaled \$4,961,917 in the Joint Utility fund and \$639,408 in the Solid Waste fund. Factors concerning the finances of these funds 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, 2011 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	\$ (10,984,703)	\$ 12,485,044	\$ 12,485,044
Nonmajor Governmental Funds	(14,919,793)	(1,552,139)	(1,552,139)

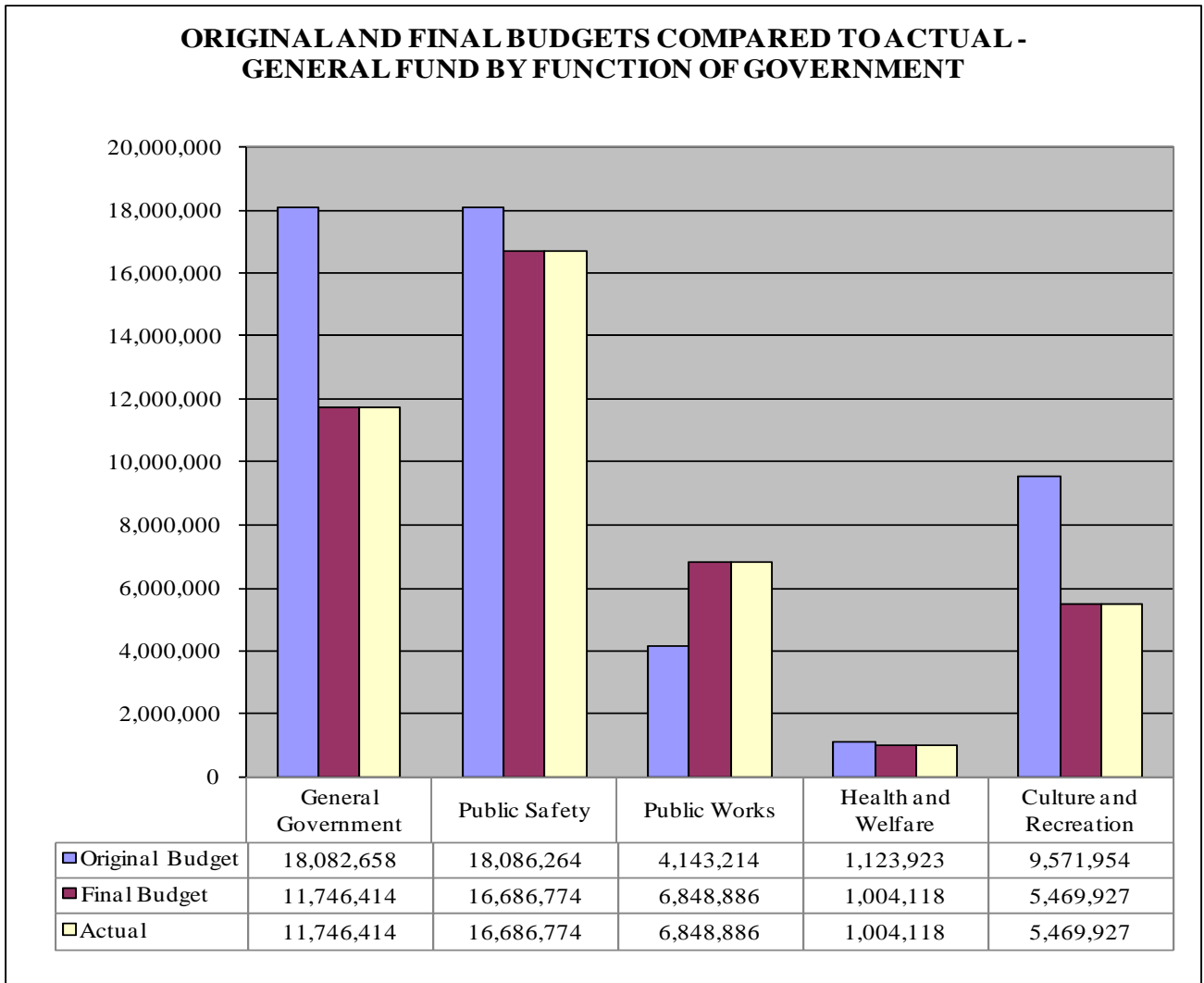
STATE OF NEW MEXICO
CITY OF HOBBS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2011
Unaudited

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.



STATE OF NEW MEXICO
CITY OF HOBBS
MANAGEMENT'S DISCUSSION AND ANALYSIS
For the Year Ended June 30, 2011
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 36% higher in 2011 than 2010. 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 sixth 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 March 2011. An actuarial study was performed in November 2011 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.** One potential liability is concrete sewer lines which will have to be monitored in future budgets.

Transportation, utility, beautification, renovation and expansion projects are also in various stages of completion. These projects include water line and infrastructure improvements of \$3.4 million; beautification incentive projects of \$1.3 million; and General Fund infrastructure projects of \$8 million. Portions of these projects will also reduce the City's unfunded liability pursuant to GASB 34.

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.

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**BASIC
FINANCIAL STATEMENTS**

STATE OF NEW MEXICO

City of Hobbs

Statement of Net Assets

June 30, 2011

	Primary Government		Total
	Governmental Activities	Business-type Activities	
Assets			
Current assets			
Cash and cash equivalents	\$ 45,883,118	\$ 7,121,478	\$ 53,004,596
Investments	1,722,289	-	1,722,289
Property taxes receivable	119,457	-	119,457
Other taxes receivable	10,635,770	-	10,635,770
Due from customers, net of allowance	-	1,721,259	1,721,259
Other receivables	2,908,199	-	2,908,199
Inventory	-	368,148	368,148
Prepaid expenses	443,144	-	443,144
Internal balances	12,287	(12,287)	-
Total current assets	<u>61,724,264</u>	<u>9,198,598</u>	<u>70,922,862</u>
Noncurrent assets			
Restricted cash and cash equivalents	18,737	3,964,372	3,983,109
Capital assets	169,417,760	103,632,895	273,050,655
Less: accumulated depreciation	<u>(48,637,756)</u>	<u>(48,781,704)</u>	<u>(97,419,460)</u>
Total noncurrent assets	<u>120,798,741</u>	<u>58,815,563</u>	<u>179,614,304</u>
Total assets	<u>\$ 182,523,005</u>	<u>\$ 68,014,161</u>	<u>\$ 250,537,166</u>

The accompanying notes are an integral part of these financial statements

	Primary Government		Total
	Governmental Activities	Business-type Activities	
Liabilities			
Current liabilities			
Accounts payable	\$ 2,283,839	\$ 809,060	\$ 3,092,899
Accrued payroll expenses	817,654	42,489	860,143
Accrued compensated absences	781,567	77,939	859,506
Accrued claims payable	314,674	-	314,674
Funds held for others	18,737	-	18,737
Meter deposits	-	498,438	498,438
Accrued interest	-	464,599	464,599
Current portion of loans and notes payable	-	1,593,844	1,593,844
Total current liabilities	4,216,471	3,486,369	7,702,840
Noncurrent liabilities			
Accrued compensated absences	735,559	94,379	829,938
Accrued OPEB liability	6,099,854	581,429	6,681,283
Loans and notes payable	-	34,728,618	34,728,618
Total noncurrent liabilities	6,835,413	35,404,426	42,239,839
Total liabilities	11,051,884	38,890,795	49,942,679
Net Assets			
Invested in capital assets, net of related debt	120,780,004	18,528,729	139,308,733
Restricted for:			
Debt service	-	3,465,934	3,465,934
Capital projects	7,714,420	1,041,227	8,755,647
Meter deposits		498,438	498,438
Special revenue	2,112,845	-	2,112,845
Unrestricted	40,863,852	5,589,038	46,452,890
Total net assets	171,471,121	29,123,366	200,594,487
Total liabilities and net assets	\$ 182,523,005	\$ 68,014,161	\$ 250,537,166

STATE OF NEW MEXICO
City of Hobbs
Statement of Activities
For the Year Ended June 30, 2011

<u>Functions/Programs</u>	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government				
General government	\$ 10,517,230	\$ 1,309	\$ 52,039	\$ 669,025
Public safety	18,455,772	12,070	751,081	427,347
Public works	6,097,742	-	-	4,733,422
Culture and recreation	6,790,136	432,731	195,081	445,425
Health and welfare	2,776,890	1,337,991	344,712	48,471
Economic development	666,596	-	-	-
Interest on long-term debt	3,435	-	-	-
<i>Total governmental activities</i>	<u>45,307,801</u>	<u>1,784,101</u>	<u>1,342,913</u>	<u>6,323,690</u>
Business-type Activities:				
Joint Utility	13,672,951	10,528,423	-	54,869
Solid Waste	5,107,804	5,189,642	-	-
<i>Total business-type activities</i>	<u>18,780,755</u>	<u>15,718,065</u>	<u>-</u>	<u>54,869</u>
<i>Total</i>	<u>\$ 64,088,556</u>	<u>\$ 17,502,166</u>	<u>\$ 1,342,913</u>	<u>\$ 6,378,559</u>

General Revenues:

Taxes
Property taxes, levied for general purposes
Gross receipts taxes
Gasoline and motor vehicle taxes
Oil and gas taxes
Franchise taxes
Cigarette and lodger's taxes
Investment income
Licenses and fees
Miscellaneous revenue
Transfers
Transfers to fiduciary funds
Donation of capital assets
Gain (loss) on disposal of capital assets
 Total general revenues and transfers
 Change in net assets
 Net assets, beginning
 Net assets, restatement (Note 21)
Net assets, reclassification (Note 22)
 Net assets, as restated and reclassified
 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
\$ (9,794,857)	\$ -	\$ (9,794,857)
(17,265,274)	-	(17,265,274)
(1,364,320)	-	(1,364,320)
(5,716,899)	-	(5,716,899)
(1,045,716)	-	(1,045,716)
(666,596)	-	(666,596)
(3,435)	-	(3,435)
<u>(35,857,097)</u>	<u>-</u>	<u>(35,857,097)</u>
-	(3,089,659)	(3,089,659)
-	81,838	81,838
<u>-</u>	<u>(3,007,821)</u>	<u>(3,007,821)</u>
(35,857,097)	(3,007,821)	(38,864,918)
1,773,339	-	1,773,339
51,136,955	-	51,136,955
1,032,113	-	1,032,113
425,009	-	425,009
989,385	-	989,385
879,599	-	879,599
81,632	12,085	93,717
969,765	-	969,765
506,480	10,807	517,287
(1,656,650)	1,656,650	-
(324)	-	(324)
-	2,100,000	2,100,000
<u>372,688</u>	<u>(46,972)</u>	<u>325,716</u>
<u>56,509,991</u>	<u>3,732,570</u>	<u>60,242,561</u>
20,652,894	724,749	21,377,643
<u>153,778,617</u>	<u>28,252,580</u>	<u>182,031,197</u>
(2,402,822)	(411,531)	(2,814,353)
<u>(557,568)</u>	<u>557,568</u>	<u>-</u>
<u>150,818,227</u>	<u>28,398,617</u>	<u>179,216,844</u>
<u>\$ 171,471,121</u>	<u>\$ 29,123,366</u>	<u>\$ 200,594,487</u>

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STATE OF NEW MEXICO

City of Hobbs
Balance Sheet
Governmental Funds
June 30, 2011

Exhibit B-1
Page 1 of 2

	<u>General Fund</u>	<u>Other Governmental Funds</u>	<u>Total</u>
<i>Assets</i>			
Cash and cash equivalents	\$ 34,462,985	\$ 8,160,260	\$ 42,623,245
Restricted cash and cash equivalents	18,737	-	18,737
Investments	1,722,289	-	1,722,289
Receivables:			
Property taxes	119,457	-	119,457
Other taxes	10,569,061	66,709	10,635,770
Other receivables	581,048	2,287,979	2,869,027
Prepaid expenses	333,569	44,921	378,490
Due from other funds	283,976	-	283,976
	<u> </u>	<u> </u>	<u> </u>
<i>Total assets</i>	<u>\$ 48,091,122</u>	<u>\$ 10,559,869</u>	<u>\$ 58,650,991</u>
<i>Liabilities and fund balances</i>			
<i>Liabilities</i>			
Accounts payable	\$ 1,712,948	\$ 570,891	\$ 2,283,839
Accrued payroll expenses	810,394	7,260	817,654
Deferred revenue	54,822	-	54,822
Funds held for others	18,737	-	18,737
Due to other funds	-	283,976	283,976
	<u> </u>	<u> </u>	<u> </u>
<i>Total liabilities</i>	<u>2,596,901</u>	<u>862,127</u>	<u>3,459,028</u>
<i>Fund balances</i>			
Nonspendable	333,569	44,921	378,490
Spendable			
Restricted for:			
Public safety	-	1,090,098	1,090,098
Culture and recreation	-	193,315	193,315
Transportation and roads	-	92,706	92,706
Health and welfare	-	6,178	6,178
Economic development	-	730,548	730,548
Capital projects	-	7,669,499	7,669,499
Committed to:			
Minimum fund balance	3,673,851	-	3,673,851
Unassigned	41,486,801	(129,523)	41,357,278
	<u> </u>	<u> </u>	<u> </u>
<i>Total fund balances</i>	<u>45,494,221</u>	<u>9,697,742</u>	<u>55,191,963</u>
	<u> </u>	<u> </u>	<u> </u>
<i>Total liabilities and fund balances</i>	<u>\$ 48,091,122</u>	<u>\$ 10,559,869</u>	<u>\$ 58,650,991</u>

The accompanying notes are an integral part of these financial statements

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STATE OF NEW MEXICO

City of Hobbs

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Assets
June 30, 2011

Exhibit B-1

Page 2 of 2

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

Fund balances - total governmental funds	\$ 55,191,963
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	120,780,004
Delinquent property taxes not collected within sixty days after year end are not considered "available" revenues and are considered to be deferred revenue in the fund financial statements, but are considered revenue in the Statement of Activities.	54,822
The internal service fund is used by management to charge the costs of worker's compensation, health insurance, and other post-employment benefit costs to individual funds. The assets and liabilities of the internal service fund are included in governmental activities in the Statement of Net Assets. A portion of the internal service fund's fund balance is allocated to business-type activities in the Statement of Net Assets.	
Assets and liabilities included in governmental activities	3,049,025
Allocated to business-type activities	12,287
Certain liabilities, including the accrued other post-employment benefit liability and current and long-term portions of accrued compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.	
Current portion of accrued compensated absences	(781,567)
Long-term portion of accrued compensated absences	(735,559)
Accrued OPEB liability	(6,099,854)
Net assets of governmental activities	<u>\$ 171,471,121</u>

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STATE OF NEW MEXICO
City of Hobbs
Statement of Revenues, Expenditures and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2011

Exhibit B-2
Page 1 of 2

	General Fund	Other Governmental Funds	Total
<i>Revenues:</i>			
Taxes:			
Property	\$ 1,747,327	\$ -	\$ 1,747,327
Gross receipts	49,231,052	1,905,903	51,136,955
Gasoline and motor vehicle	364,878	667,235	1,032,113
Other	1,431,725	862,268	2,293,993
Intergovernmental			
Federal operating grants	288,784	356,726	645,510
Federal capital grants	-	2,427,559	2,427,559
State operating grants	212,370	485,033	697,403
State capital grants	497,772	434,665	932,437
Local sources	416,257	2,547,437	2,963,694
Charges for services	1,552,575	231,527	1,784,102
Licenses and fees	838,382	131,383	969,765
Investment income	64,069	17,561	81,630
Miscellaneous	447,608	58,875	506,483
<i>Total revenues</i>	57,092,799	10,126,172	67,218,971
<i>Expenditures:</i>			
Current:			
General government	8,126,594	-	8,126,594
Public safety	15,845,584	205,207	16,050,791
Public works	3,416,947	32,773	3,449,720
Culture and recreation	5,598,024	28,559	5,626,583
Health and welfare	1,638,292	837,330	2,475,622
Economic development	-	666,596	666,596
Capital outlay	9,460,773	9,311,799	18,772,572
Debt service:			
Principal	-	171,582	171,582
Interest	-	3,435	3,435
<i>Total expenditures</i>	44,086,214	11,257,281	55,343,495
<i>Excess (deficiency) of revenues over expenditures</i>	13,006,585	(1,131,109)	11,875,476
<i>Other financing sources (uses)</i>			
Proceeds from sale of capital assets	610,053	-	610,053
Transfers in	2,605,913	1,145,717	3,751,630
Transfers out	(3,222,576)	(3,605,832)	(6,828,408)
<i>Total other financing sources (uses)</i>	(6,610)	(2,460,115)	(2,466,725)
<i>Net change in fund balance</i>	12,999,975	(3,591,224)	9,408,751
<i>Fund balance - beginning of year</i>	32,494,246	13,341,104	45,835,350
<i>Restatement (Note 21)</i>	-	(52,138)	(52,138)
<i>Fund balances - beginning of year, as restated</i>	32,494,246	13,288,966	45,783,212
<i>Fund balance - end of year</i>	\$ 45,494,221	\$ 9,697,742	\$ 55,191,963

The accompanying notes are an integral part of these financial statements

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STATE OF NEW MEXICO

City of Hobbs

Governmental Funds

Reconciliation of the Statement of Revenues, Expenditures and Changes
in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2011

Exhibit B-2

Page 2 of 2

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

Net change in fund balances - total governmental funds	\$	9,408,751
<p>Governmental funds report capital outlays as expenditures. However in the Statement of Activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:</p>		
Capital expenditures recorded in capital outlay		18,772,572
Depreciation and amortization expense		(6,877,538)
<p>Capital assets are not current financial resources, therefore transfers of capital assets out of governmental funds do not affect the governmental fund financial statements. These transfers are reported in the Statement of Activities.</p>		
		(580,196)
<p>In the Statement of Activities, only the gain on the sale of equipment is reported, whereas in the governmental funds, the proceeds from the sale increase financial resources. Thus, the change in net assets differs from the change in fund balance by the cost of the equipment sold.</p>		
Gain on disposition of assets		372,688
Cash proceeds from sale of assets		(610,053)
<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 in the Statement of Activities, but not in the governmental funds statements.</p>		
		70,922
<p>Funds transferred to the internal service fund decrease financial resources at the governmental fund level, but have no effect on the Statement of Activities as the internal service fund is included in governmental activities in the Statement of Activities.</p>		
		2,000,000
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds:</p>		
Increase in deferred revenue related to property taxes receivable		26,014
<p>Expenses in the Statement of Activities that do not require current financial resources are not reported as expenditures in the funds:</p>		
Increase in accrued compensated absences		(117,481)
Increase in accrual for other post-employment benefits		(1,984,367)
<p>The repayment of the principal of long-term debt consumes the current financial resources of governmental funds, but does not have any effect on net assets.</p>		
		171,582
Change in net assets of governmental activities	\$	20,652,894

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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<i>Revenues:</i>				
Taxes	\$ 36,388,160	\$ 49,136,158	\$ 49,136,158	\$ -
Fines and forfeitures	484,200	453,744	453,744	-
Licenses and permits	203,750	358,680	358,680	-
Intergovernmental	1,023,712	1,032,429	1,032,429	-
Charges for services	1,150,988	2,190,174	2,190,174	-
Investment earnings	67,000	62,317	62,317	-
Miscellaneous	705,500	1,007,661	1,007,661	-
<i>Total revenues</i>	<u>40,023,310</u>	<u>54,241,163</u>	<u>54,241,163</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
General Government:				
Legislative:				
Personnel services	234,919	223,087	223,087	-
Operating expenses	867,678	625,486	625,486	-
Capital outlay	2,600,000	610,591	610,591	-
Total legislative	<u>3,702,597</u>	<u>1,459,164</u>	<u>1,459,164</u>	<u>-</u>
Executive:				
Personnel services	307,291	302,423	302,423	-
Operating expenses	34,576	8,423	8,423	-
Total executive	<u>341,867</u>	<u>310,846</u>	<u>310,846</u>	<u>-</u>
Planning:				
Personnel services	275,035	270,840	270,840	-
Operating expenses	67,300	22,354	22,354	-
Capital outlay	6,156	13,028	13,028	-
Total planning	<u>348,491</u>	<u>306,222</u>	<u>306,222</u>	<u>-</u>
Mapping				
Personnel services	216,706	210,773	210,773	-
Operating expenses	60,220	50,063	50,063	-
Capital outlay	-	-	-	-
Total mapping	<u>276,926</u>	<u>260,836</u>	<u>260,836</u>	<u>-</u>

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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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<i>Expenditures: (continued)</i>				
General Government: (continued)				
City Clerk:				
Personnel services	268,419	255,164	255,164	-
Operating expenses	132,770	79,703	79,703	-
Capital outlay	-	-	-	-
Total city clerk	<u>401,189</u>	<u>334,867</u>	<u>334,867</u>	<u>-</u>
Finance and Purchasing:				
Personnel services	554,237	529,353	529,353	-
Operating expenses	149,416	188,891	188,891	-
Capital outlay	62,845	-	-	-
Total financing and purchasing	<u>766,498</u>	<u>718,244</u>	<u>718,244</u>	<u>-</u>
Computer Operations:				
Personnel services	424,920	425,645	425,645	-
Operating expenses	121,950	118,500	118,500	-
Capital outlay	70,000	37,311	37,311	-
Total computer operations	<u>616,870</u>	<u>581,456</u>	<u>581,456</u>	<u>-</u>
Judicial:				
Personnel services	346,919	325,972	325,972	-
Operating expenses	67,839	64,314	64,314	-
Capital outlay	-	-	-	-
Total judicial	<u>414,758</u>	<u>390,286</u>	<u>390,286</u>	<u>-</u>
Legal:				
Personnel services	252,553	272,963	272,963	-
Operating expenses	114,850	116,366	116,366	-
Capital outlay	-	-	-	-
Total legal	<u>367,403</u>	<u>389,329</u>	<u>389,329</u>	<u>-</u>
Personnel Services:				
Personnel services	224,410	231,928	231,928	-
Operating expenses	251,100	106,639	106,639	-
Capital outlay	-	-	-	-
Total personnel services	<u>475,510</u>	<u>338,567</u>	<u>338,567</u>	<u>-</u>

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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<i>Expenditures: (continued)</i>				
General Government: (continued)				
Risk Management:				
Operating expenses	42,318	2,615	2,615	-
Total risk management	42,318	2,615	2,615	-
Insurance:				
Operating expenses	1,978,857	1,278,995	1,278,995	-
Total insurance	1,978,857	1,278,995	1,278,995	-
Motor Vehicle:				
Personnel services	309,549	273,645	273,645	-
Operating expenses	19,500	8,423	8,423	-
Total motor vehicle	329,049	282,068	282,068	-
Warehouse:				
Personnel services	106,035	103,901	103,901	-
Operating expenses	12,115	9,686	9,686	-
Total warehouse	118,150	113,587	113,587	-
Garage:				
Personnel services	632,473	560,142	560,142	-
Operating expenses	1,051,525	1,020,317	1,020,317	-
Capital outlay	-	25,431	25,431	-
Total garage	1,683,998	1,605,890	1,605,890	-
Building Maintenance:				
Personnel services	486,264	460,326	460,326	-
Operating expenses	360,900	303,353	303,353	-
Capital outlay	5,371,013	2,609,763	2,609,763	-
Total building maintenance	6,218,177	3,373,442	3,373,442	-
<i>Total General Government</i>	18,082,658	11,746,414	11,746,414	-

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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<i>Expenditures: (continued)</i>				
Public Works:				
Engineering:				
Personnel services	616,433	563,669	563,669	-
Operating expenses	28,010	23,051	23,051	-
Capital outlay	-	-	-	-
Total engineering	<u>644,443</u>	<u>586,720</u>	<u>586,720</u>	<u>-</u>
Highways and Streets:				
Personnel services	1,412,771	1,313,677	1,313,677	-
Operating expenses	1,196,000	1,052,892	1,052,892	-
Capital outlay	440,000	3,514,145	3,514,145	-
Total highways and streets	<u>3,048,771</u>	<u>5,880,714</u>	<u>5,880,714</u>	<u>-</u>
Street Lighting:				
Operating expenses	450,000	381,452	381,452	-
Total street lighting	<u>450,000</u>	<u>381,452</u>	<u>381,452</u>	<u>-</u>
<i>Total Public Works</i>	<u>4,143,214</u>	<u>6,848,886</u>	<u>6,848,886</u>	<u>-</u>
Health and Welfare:				
Environmental Services:				
Personnel services	600,148	543,616	543,616	-
Operating expenses	513,775	458,014	458,014	-
Capital outlay	-	-	-	-
Total environmental services	<u>1,113,923</u>	<u>1,001,630</u>	<u>1,001,630</u>	<u>-</u>
Public Information:				
Operating expenses	10,000	2,488	2,488	-
Capital outlay	-	-	-	-
Total public information	<u>10,000</u>	<u>2,488</u>	<u>2,488</u>	<u>-</u>
<i>Total Health and Welfare</i>	<u>1,123,923</u>	<u>1,004,118</u>	<u>1,004,118</u>	<u>-</u>

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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<i>Expenditures: (continued)</i>				
Culture and Recreation:				
Libraries:				
Personnel services	680,125	587,812	587,812	-
Operating expenses	222,020	190,059	190,059	-
Capital outlay	86,186	106,547	106,547	-
Total libraries	988,331	884,418	884,418	-
Parks:				
Personnel services	1,518,043	1,376,660	1,376,660	-
Operating expenses	540,049	564,683	564,683	-
Capital outlay	4,014,281	435,694	435,694	-
Total parks	6,072,373	2,377,037	2,377,037	-
Sports Field:				
Personnel services	264,654	288,547	288,547	-
Operating expenses	141,547	107,598	107,598	-
Capital outlay	-	-	-	-
Total sports field	406,201	396,145	396,145	-
Recreation:				
Personnel services	535,645	528,345	528,345	-
Operating expenses	550,337	463,629	463,629	-
Capital outlay	250,000	-	-	-
Total recreation	1,335,982	991,974	991,974	-
Teen Center:				
Personnel services	199,578	211,811	211,811	-
Operating expenses	83,878	73,713	73,713	-
Capital outlay	-	35,508	35,508	-
Total teen center	283,456	321,032	321,032	-
Pools:				
Personnel services	357,611	349,695	349,695	-
Operating expenses	128,000	149,626	149,626	-
Capital outlay	-	-	-	-
Total pools	485,611	499,321	499,321	-

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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<i>Expenditures: (continued)</i>				
Culture and Recreation: (continued)				
Harry McAdams Park:				
Personnel services	-	219,614	219,614	-
Operating expenses	-	73,947	73,947	-
Capital outlay	-	-	-	-
Total Harry McAdams Park	-	293,561	293,561	-
Golf:				
Personnel services	-	356,078	356,078	-
Operating expenses	-	256,883	256,883	-
Capital outlay	-	255,540	255,540	-
Total golf	-	868,501	868,501	-
Older American Act:				
Personnel services	-	443,426	443,426	-
Operating expenses	-	237,130	237,130	-
Capital outlay	-	394,882	394,882	-
Total Older American Act	-	1,075,438	1,075,438	-
<i>Total Culture and Recreation</i>	<i>9,571,954</i>	<i>5,469,927</i>	<i>5,469,927</i>	<i>-</i>
Public Safety:				
Police Field Services:				
Personnel services	695,415	646,031	646,031	-
Operating expenses	252,700	293,673	293,673	-
Capital outlay	-	-	-	-
Total police field services	948,115	939,704	939,704	-
Police CID:				
Personnel services	5,109,420	4,630,333	4,630,333	-
Operating expenses	243,776	182,874	182,874	-
Capital outlay	-	214,534	214,534	-
Total police CID	5,353,196	5,027,741	5,027,741	-

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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<i>Expenditures: (continued)</i>				
Public Safety: (continued)				
Police Technical Services:				
Personnel services	1,476,186	1,483,942	1,483,942	-
Operating expenses	28,500	20,085	20,085	-
Capital outlay	-	-	-	-
Total police technical services	<u>1,504,686</u>	<u>1,504,027</u>	<u>1,504,027</u>	<u>-</u>
Police Support Services:				
Personnel services	549,637	451,563	451,563	-
Operating expenses	-	5,750	5,750	-
Capital outlay	200,000	178,319	178,319	-
Total police and support services	<u>749,637</u>	<u>635,632</u>	<u>635,632</u>	<u>-</u>
Admin Services Certified:				
Personnel services	1,137,480	1,071,151	1,071,151	-
Operating expenses	385,250	358,389	358,389	-
Capital outlay	-	-	-	-
Total admin services certified	<u>1,522,730</u>	<u>1,429,540</u>	<u>1,429,540</u>	<u>-</u>
Police CID Non-certified:				
Personnel services	655,637	614,436	614,436	-
Operating expenses	-	-	-	-
Capital outlay	-	-	-	-
Total police CID non-certified	<u>655,637</u>	<u>614,436</u>	<u>614,436</u>	<u>-</u>
Fire and Ambulance:				
Personnel services	6,128,104	5,388,042	5,388,042	-
Operating expenses	575,924	569,668	569,668	-
Capital outlay	-	-	-	-
Total fire and ambulance	<u>6,704,028</u>	<u>5,957,710</u>	<u>5,957,710</u>	<u>-</u>
Emergency Management:				
Operating expenses	10,000	3,740	3,740	-
Total emergency management	<u>10,000</u>	<u>3,740</u>	<u>3,740</u>	<u>-</u>

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

STATE OF NEW MEXICO

City of Hobbs

General Fund

Exhibit C-1

(Page 8 of 9)

Statement of Revenues, Expenditures, and Changes in
Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual
For the year ended June 30, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<i>Expenditures: (continued)</i>				
Public Safety: (continued)				
Hazardous Materials Responses:				
Operating expenses	5,000	803	803	-
Total hazardous materials responses	5,000	803	803	-
Traffic:				
Personnel services	251,290	238,545	238,545	-
Operating expenses	199,610	161,386	161,386	-
Capital outlay	-	-	-	-
Total traffic	450,900	399,931	399,931	-
Code Enforcement:				
Personnel services	158,445	157,920	157,920	-
Operating expenses	10,270	4,173	4,173	-
Capital outlay	-	-	-	-
Total code enforcement	168,715	162,093	162,093	-
Crime Lab:				
Personnel services	-	-	-	-
Operating expenses	13,620	11,417	11,417	-
Capital outlay	-	-	-	-
Total crime lab	13,620	11,417	11,417	-
<i>Total Public Safety</i>	18,086,264	16,686,774	16,686,774	-
<i>Total expenditures</i>	51,008,013	41,756,119	41,756,119	-
<i>Excess (deficiency) of revenues over expenditures</i>	(10,984,703)	12,485,044	12,485,044	-

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, 2011

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<i>Other financing sources:</i>				
Operating transfers in:				
Older Americans Act Fund	-	1,000	1,000	-
Lodgers' Tax Promotional Fund	-	34,093	34,093	-
Golf Fund	-	1,000	1,000	-
McAdams Park fund	-	1,000	1,000	-
Public Transportation Fund	-	300,518	300,518	-
City Commission Improvement Fund	1,500,000	2,150,000	2,150,000	-
<i>Total other financing sources</i>	<u>1,500,000</u>	<u>2,487,611</u>	<u>2,487,611</u>	<u>-</u>
<i>Other financing uses:</i>				
Lea County Drug Task Force	-	105,466	105,466	-
COPS Grant Fund	-	12,055	12,055	-
Older American Act Fund	704,523	-	-	-
Golf Fund	516,268	-	-	-
Cemetery Fund	91,590	59,114	59,114	-
McAdams Park Fund	290,268	-	-	-
Industrial Park Construction Fund	320,000	942,275	942,275	-
Street Improvement Fund	-	76,535	76,535	-
Retiree Health Care Fund	2,000,000	2,000,000	2,000,000	-
Motor Vehicle Department Trust Fund	-	324	324	-
<i>Total other financing uses</i>	<u>3,922,649</u>	<u>3,195,769</u>	<u>3,195,769</u>	<u>\$ -</u>
<i>Prior year cash balance</i>	<u>26,085,952</u>	<u>26,085,952</u>	<u>-</u>	
<i>Appropriated cash balance</i>	<u>\$ 12,678,600</u>	<u>\$ 37,862,838</u>	11,776,886	
<i>Reconciliation to GAAP Basis:</i>				
Adjustments to revenue for tax, grant, and other accruals			3,461,689	
Adjustments to expenditures for accounts payable and payroll accruals			(2,330,095)	
Adjustments for prior period accruals into Special Revenue Funds transferred to the General Fund.			91,495	
<i>Net change in fund balance</i>			<u>\$ 12,999,975</u>	

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

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STATE OF NEW MEXICO

City of Hobbs

Statement of Net Assets

Proprietary Funds

June 30, 2011

	<u>Joint Utility</u>	<u>Solid Waste Disposal</u>	<u>Total</u>
<i>Assets</i>			
<i>Current assets</i>			
Cash and cash equivalents	\$ 6,549,374	\$ 572,104	\$ 7,121,478
Accounts receivable (net of allowance for doubtful accounts of \$259,028 and \$132,498, respectively)	1,214,459	506,800	1,721,259
Other receivables	0	-	-
Inventory	368,148	-	368,148
Prepaid expenses	-	-	-
<i>Total current assets</i>	<u>8,131,981</u>	<u>1,078,904</u>	<u>9,210,885</u>
<i>Noncurrent assets</i>			
Restricted cash and cash equivalents	3,964,372	-	3,964,372
Capital assets	103,632,895	-	103,632,895
Accumulated depreciation	<u>(48,781,704)</u>	<u>-</u>	<u>(48,781,704)</u>
<i>Total noncurrent assets</i>	<u>58,815,563</u>	<u>-</u>	<u>58,815,563</u>
<i>Total assets</i>	<u>\$ 66,947,544</u>	<u>\$ 1,078,904</u>	<u>\$ 68,026,448</u>
<i>Liabilities and Net Assets</i>			
<i>Liabilities</i>			
<i>Current liabilities</i>			
Accounts payable	\$ 369,564	\$ 439,496	\$ 809,060
Accrued payroll expenses	42,489	-	42,489
Accrued compensated absences	77,939	-	77,939
Accrued claims payable	-	-	-
Meter deposits	498,438	-	498,438
Accrued interest	464,599	-	464,599
Current maturity of loans, notes and capital leases payable	<u>1,593,844</u>	<u>-</u>	<u>1,593,844</u>
<i>Total current liabilities</i>	<u>3,046,873</u>	<u>439,496</u>	<u>3,486,369</u>
<i>Noncurrent liabilities</i>			
Accrued compensated absences	94,379	-	94,379
OPEB liability	581,429	-	581,429
Loans, notes and capital leases payable	<u>34,728,618</u>	<u>-</u>	<u>34,728,618</u>
<i>Total noncurrent liabilities</i>	<u>35,404,426</u>	<u>-</u>	<u>35,404,426</u>
<i>Total liabilities</i>	<u>38,451,299</u>	<u>439,496</u>	<u>38,890,795</u>
<i>Net assets</i>			
Invested in capital assets, net of related debt	18,528,729	-	18,528,729
Restricted	5,005,599	-	5,005,599
Unrestricted	<u>4,961,917</u>	<u>639,408</u>	<u>5,601,325</u>
<i>Total net assets</i>	<u>28,496,245</u>	<u>639,408</u>	<u>29,135,653</u>
<i>Total liabilities and net assets</i>	<u>\$ 66,947,544</u>	<u>\$ 1,078,904</u>	<u>\$ 68,026,448</u>
Adjustment to reflect the consolidation of internal service fund activities for enterprise funds			<u>(12,287)</u>
<i>Net assets of business-type activities</i>			<u>\$ 29,123,366</u>

The accompanying notes are an integral part of these financial statements

Risk Management
Internal Service
Fund

\$	3,259,873
	-
	39,172
	-
	64,654
	<u>3,363,699</u>

	-
	-
	-
	-
\$	<u>3,363,699</u>

\$	-
	-
	-
	314,674
	-
	-
	-
	-
	<u>314,674</u>

	-
	-
	-
	-
	<u>314,674</u>

	-
	<u>3,049,025</u>

	<u>3,049,025</u>
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\$	<u>3,363,699</u>
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STATE OF NEW MEXICO
City of Hobbs
Statement of Revenues, Expenses and Changes in Fund Net Assets
Proprietary Funds
For the Year Ended June 30, 2011

	Joint Utility	Solid Waste Disposal	Total
<i>Operating revenues:</i>			
Charges for services	\$ 10,528,423	\$ 5,189,642	\$ 15,718,065
<i>Total operating revenues</i>	<u>10,528,423</u>	<u>5,189,642</u>	<u>15,718,065</u>
<i>Operating expenses:</i>			
Depreciation	6,251,414	-	6,251,414
Personnel services	3,284,865	-	3,284,865
Contractual services	82,793	4,975,306	5,058,099
Supplies and purchased power	1,047,601	-	1,047,601
Maintenance and materials	198,669	-	198,669
Miscellaneous	695,135	-	695,135
Utilities	697,852	-	697,852
Equipment	509,653	-	509,653
Bad debt expense	259,028	132,498	391,526
<i>Total operating expenses</i>	<u>13,027,010</u>	<u>5,107,804</u>	<u>18,134,814</u>
<i>Operating income (loss)</i>	<u>(2,498,587)</u>	<u>81,838</u>	<u>(2,416,749)</u>
<i>Non-operating revenues (expenses):</i>			
Interest expense	(654,477)	-	(654,477)
Investment income	12,085	-	12,085
Loss on sale of capital assets	(46,972)	-	(46,972)
Donated capital assets	2,100,000	-	2,100,000
Miscellaneous income	10,807	-	10,807
<i>Total non-operating revenues (expenses)</i>	<u>1,421,443</u>	<u>-</u>	<u>1,421,443</u>
<i>Income (loss) before contributions and transfers</i>	<u>(1,077,144)</u>	<u>81,838</u>	<u>(995,306)</u>
Government contributions	54,869	-	54,869
Transfers in	1,656,650	-	1,656,650
Transfers out	-	-	-
<i>Change in net assets</i>	<u>634,375</u>	<u>81,838</u>	<u>716,213</u>
<i>Total net assets, beginning of year</i>	28,273,401	(4,638)	28,268,763
<i>Restatement of net assets (Note 21)</i>	<u>(411,531)</u>	<u>562,208</u>	<u>150,677</u>
<i>Total net assets, beginning of year, as restated</i>	<u>27,861,870</u>	<u>557,570</u>	<u>28,419,440</u>
<i>Total net assets, end of year</i>	<u>\$ 28,496,245</u>	<u>\$ 639,408</u>	<u>\$ 29,135,653</u>
<i>Adjustment to reflect the consolidation of internal service fund activities for enterprise funds</i>			8,536
<i>Change in net assets of business-type activities</i>			<u>\$ 724,749</u>

The accompanying notes are an integral part of these financial statements

Risk Management Internal Service Fund
<hr/>
\$ 5,575,996
<hr/>
5,575,996
<hr/>
-
-
5,498,137
-
-
-
-
-
-
<hr/>
5,498,137
<hr/>
77,859
<hr/>
-
1,597
-
-
-
<hr/>
1,597
79,456
<hr/>
-
2,000,000
-
<hr/>
2,079,456
<hr/>
969,569
-
<hr/>
969,569
<hr/>
\$ 3,049,025
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STATE OF NEW MEXICO
City of Hobbs
Statement of Cash Flows - Proprietary Funds
For the Year Ended June 30, 2011

	Joint Utility	Solid Waste Disposal	Total
<i>Cash flows from operating activities:</i>			
Cash received from user charges	\$ 10,236,842	\$ 5,112,552	\$ 15,349,394
Cash payments to employees for services	(3,349,820)	-	(3,349,820)
Cash payments to suppliers for goods and services	(2,848,370)	(5,309,340)	(8,157,710)
<i>Net cash provided (used) by operating activities</i>	<u>4,038,652</u>	<u>(196,788)</u>	<u>3,841,864</u>
<i>Cash flows from noncapital financing activities:</i>			
Government contributions	54,869	-	54,869
Miscellaneous income	10,805	-	10,805
Transfers	1,656,650	-	1,656,650
<i>Net cash provided by noncapital financing activities:</i>	<u>1,722,324</u>	<u>-</u>	<u>1,722,324</u>
<i>Cash flows from investing activities:</i>			
Acquisition of capital assets	(2,240,996)	-	(2,240,996)
Interest on investments	12,085	-	12,085
<i>Net cash (used) by investing activities</i>	<u>(2,228,911)</u>	<u>-</u>	<u>(2,228,911)</u>
<i>Cash flows from capital and related financing activities:</i>			
Interest paid	(1,586,540)	-	(1,586,540)
Government grants and contributions	207,485	-	207,485
Proceeds from issuance of long-term debt	90,000	-	90,000
Principal payments on bonds, loans and notes payable	(3,316,605)	-	(3,316,605)
<i>Net cash (used) by capital and related financing activities</i>	<u>(4,605,660)</u>	<u>-</u>	<u>(4,605,660)</u>
<i>Net (decrease) in cash and cash equivalents</i>	(1,073,595)	(196,788)	(1,270,383)
<i>Cash and cash equivalents - beginning of year</i>	<u>11,587,341</u>	<u>768,892</u>	<u>12,356,233</u>
<i>Cash and cash equivalents - end of year</i>	<u>\$ 10,513,746</u>	<u>\$ 572,104</u>	<u>\$ 11,085,850</u>
<i>Reconciliation of operating income (loss) to net cash (used) provided by operating activities:</i>			
Operating income (loss)	\$ (2,498,587)	\$ 81,838	\$ (2,416,749)
<i>Adjustments to reconcile operating income to net cash provided by operating activities:</i>			
Depreciation	6,251,414	-	6,251,414
<i>Changes in assets and liabilities</i>			
Receivables	(32,551)	55,408	22,857
Inventory	9,547	-	9,547
Prepaid expenses	-	-	-
Accounts payable	87,366	(334,034)	(246,668)
Accrued payroll expenses	(81,915)	-	(81,915)
Accrued compensated absences	16,958	-	16,958
OPEB Liability	238,785	-	238,785
Accrued claims payable	-	-	-
Meter deposits	47,635	-	47,635
<i>Net cash provided (used) by operating activities</i>	<u>\$ 4,038,652</u>	<u>\$ (196,788)</u>	<u>\$ 3,841,864</u>

The accompanying notes are an integral part of these financial statements

Risk Management	
Internal Service	
Fund	
<hr/>	
\$	5,579,292
	-
	(5,558,361)
	<hr/>
	20,931
	<hr/>
	-
	-
	2,000,000
	<hr/>
	2,000,000
	<hr/>
	-
	1,597
	<hr/>
	1,597
	<hr/>
	-
	-
	-
	<hr/>
	-
	2,022,528
	1,237,345
	<hr/>
\$	3,259,873
	<hr/>
	<hr/>
\$	77,859
	-
	3,296
	-
	(64,654)
	-
	-
	-
	-
	4,430
	-
	<hr/>
\$	20,931
	<hr/>
	<hr/>

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STATE OF NEW MEXICO
City of Hobbs
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2011

Exhibit E-1

<i>Assets</i>	
Cash	\$ 260,058
Other receivables	634
	<hr/>
<i>Total assets</i>	<u>\$ 260,692</u>
 <i>Liabilities</i>	
Accounts payable	\$ 6,485
Accrued payroll	256
Deposits held in trust for others	253,951
	<hr/>
<i>Total liabilities</i>	<u>\$ 260,692</u>

The accompanying notes are an integral part of these financial statements

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STATE OF NEW MEXICO
City of Hobbs
Notes to Financial Statements
June 30, 2011

NOTE 1. Summary of Significant Accounting Policies

The City of Hobbs, New Mexico (the City) was incorporated in 1929 under provisions of Chapter 3, Article 2, NMSA, 1978 as amended. 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; water and sewer services; refuse collection; health and social services; culture-recreation; public improvements; planning and zoning; and general administrative services.

The City is a body politic and corporate under the name and form of government selected by its qualified electors. The City may:

1. Sue or be sued;
2. Enter into contracts and leases;
3. Acquire and hold property, both real and personal;
4. Have common seal, which may be altered at pleasure;
5. Exercise such other privileges that are incident to corporations of like character or degree that are not inconsistent with the laws of New Mexico;
6. Protect generally the property of its municipality and its inhabitants;
7. Preserve peace and order within the municipality; and
8. Establish rates for services provided by municipal utilities and revenue-producing projects, including amounts which the governing body determines to be reasonable in the operation of similar facilities.

This summary of significant accounting policies of the City is presented to assist in the understanding of 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. Governments also have the option of following subsequent private-sector guidance for their government-wide financial statements, subject to the same limitation. The City has elected not to follow subsequent private-sector guidance. The more significant of the City's accounting policies are described below.

A. Financial Reporting Entity

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

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

STATE OF NEW MEXICO
City of Hobbs
Notes to Financial Statements
June 30, 2011

NOTE 1. Summary of Significant Accounting Policies (continued)

A. *Financial Reporting Entity (continued)*

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity. Based upon the application of these criteria, the City does not have any component units required to be reported under GASB Statements No. 14 and No. 39.

B. *Government-wide and fund financial statements*

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

The Statement of Net Assets and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange-like transactions are recognized when the exchange takes place. Revenues, expenses, gains, losses, assets and liabilities resulting from non-exchange transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Non-exchange Transactions*.

In the government-wide Statement of Net Assets, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognized all long-term assets and receivables as well as long-term debt and obligations. The City's net assets are reported in three parts – invested in capital assts, net of related debt; restricted net assets; and unrestricted net assets.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. *Direct expenses* are those that are clearly identifiable with a specific function or segment. *Program revenues* include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as *general revenues*.

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

STATE OF NEW MEXICO
City of Hobbs
Notes to Financial Statements
June 30, 2011

NOTE 1. Summary of Significant Accounting Policies (continued)

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting*, as are the proprietary fund and fiduciary fund financial statements. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the *current financial resources measurement focus* and the *modified accrual basis of accounting*. Revenues are recognized as soon as they are both measurable and available. Revenues are considered to be *available* when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues, other than property tax revenue, to be available if they are collected within 90 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Sales and use taxes are classified as derived tax revenues and are recognized as revenue when the underlying exchange takes place and the revenues are measurable and available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. The government-wide full accrual basis property tax receivables recognize revenues net of estimated refunds and uncollectible amounts, in the period for which the taxes are levied, even if they are not available. All other revenue items are considered to be measurable and available only when cash is received by the City.

Program revenues included in the Statement of Activities are derived directly from the program itself or from parties outside the City's taxpayer or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the City's general revenues. Program revenues are categorized as (a) charges for services, which include revenues collected for fees and use of City facilities, etc., (b) program-specific operating grants, which includes revenues received from state and federal sources such as small cities assistance to be used as specified within each program grant agreement, and (c) program-specific capital grants and contributions, which include revenues from state sources to be used for capital projects. Internally dedicated resources are reported as *general revenues* rather than as program revenues. Likewise, general revenues include all taxes.

The City reports all direct expenses by function in the Statement of Activities. Direct expenses are those that are clearly identifiable with a function. The City does not currently employ indirect cost allocation systems. Depreciation and amortization expenses are specifically identified by function and included in the direct expense of each function. Interest on general long-term debt is considered an indirect expense and is reported separately on the Statement of Activities.

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met and the susceptible to accrual criteria have been met.

STATE OF NEW MEXICO
City of Hobbs
Notes to Financial Statements
June 30, 2011

NOTE 1. Summary of Significant Accounting Policies (continued)

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

Governmental funds are used to account for the City's general government activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of capital assets and the servicing of general long-term debt.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenue of the City's enterprise fund is charges for services for the City's utilities. Operating expenses for enterprise funds include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The City reports the following major governmental fund:

The *General Fund* is the government's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund. Revenues are provided through property and other taxes, federal sources, state sources, charges for services, licenses and fees, and other miscellaneous recoveries and revenue. Expenditures include all costs associated with the daily operation of the City except for items included in other funds.

The City reports its proprietary funds as major funds. Proprietary funds include:

The *Joint Utility Fund* accounts for fees generated from charges for utilities.

The *Solid Waste Disposal Fund* accounts for fees generated from charges for garbage 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 the other post-employment benefit retiree health care plan. 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.

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements. Exceptions to this general rule are payments-in-lieu of taxes, because elimination of these charges would distort the direct costs and program revenues reported in the Statement of Activities.

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

STATE OF NEW MEXICO
City of Hobbs
Notes to Financial Statements
June 30, 2011

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Net Assets or Equity

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

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

Investments for the City are reported at fair value. Fair value is the amount at which a financial instrument could be exchanged in a current transaction between willing parties. The composition of investments and fair values are presented in Note 3.

Receivables and Payables: Interfund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or between proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. In the government-wide and governmental fund financial statements, delinquent property taxes are recorded when levied.

Property taxes are levied on November 1 based on the assessed value of property as listed on the previous January 1 and are due in two payments by November 10th and April 10th. Property taxes uncollected after November 10th and April 10th are considered delinquent and the City may assess penalties and interest. The taxes attach as an enforceable lien on property thirty (30) days thereafter, at which time they become delinquent. Property taxes are collected by Lea County and remitted monthly to the City.

Accounts receivable for solid for water and sewer services in the Joint Utility Fund and waste services in the Solid Waste Disposal Fund are recognized as they are earned. An allowance has been provided for estimated uncollectible accounts.

Water and sewer service charges are recognized as earned when billed. 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, 2011 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, 2011.

Inventory: 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, 2011

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Net Assets or Equity

Prepaid Items: Payments made to vendors that will benefit periods beyond June 30, 2011 are recorded as prepaid expenses. These payments consist of prepaid annual rental expense for ambulances and various prepaid insurance premiums.

Restricted Assets: Restricted assets consist of those funds expendable for operating purposes but restricted by donors or other outside agencies as to the specific purpose for which they may be expended. Certain cash investment balances in the Joint Utility Fund are classified as restricted assets on the balance sheet because they are set aside for debt service requirements and as a reserve for customer deposits.

Capital Assets: Capital assets, which include property, plant, and equipment, are reported in the applicable governmental 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, 2011 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 capital assets are recorded at estimated fair market value at 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 2011.

The costs of normal maintenance and repairs that do not add to the value of the asset or materially extend assets lives are not capitalized.

Major outlays for capital assets and improvements are capitalized as projects are constructed. No interest was included as part of the cost of capital assets under construction.

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

<u>Assets</u>	<u>Years</u>
Utility Systems	30-50
Buildings	20-40
Building improvements	20-40
Equipment	5-15
System infrastructure	40
Vehicles	5-15
Office equipment	5
Computer equipment	3-5
Library books	10
Land improvements	10-20
Infrastructure	30-50
Intangible assets	5-50

Accrued Expenses: Accrued expenses are comprised of payroll expenditures based on amounts earned by the employees through June 30, 2011, along with applicable PERA expenses.

STATE OF NEW MEXICO
City of Hobbs
Notes to Financial Statements
June 30, 2011

NOTE 1. Summary of Significant Accounting Policies (continued)

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

Deferred Revenues: There are two types of deferred revenue. Under both the accrual and modified accrual basis of accounting, revenue may be recognized only when it is earned. If assets are recognized in connection with a transaction before the earnings process is complete, those assets must be offset by a corresponding liability for deferred revenue (commonly referred to as unearned revenue). The other type of deferred revenue is “unavailable revenue.” Under the modified accrual basis of accounting, it is not enough that revenue has been earned if it is to be recognized as revenue of the current period. It must also be susceptible to accrual (measurable and available to finance expenditures of the current fiscal period). If assets are recognized in connection with a transaction, but those assets are not yet available to finance expenditures of the current fiscal period, then the assets must be offset by a corresponding liability for deferred revenue. Amounts received from property taxes are recorded as deferred revenue in the governmental fund financial statements when received more than 60 days after year end.

Compensated Absences: Qualified employees are entitled to accumulate annual leave according to a graduated leave schedule of twelve days to eighteen days per year, depending on length of service. Employees may accumulate up to 320 hours (forty days) of annual leave and carry that leave forward from calendar year to calendar year. Upon termination, employees will be paid for up to 240 hours (forty days) of accrued annual leave.

Qualified employees are entitled to accumulate sick leave at a rate of twelve days per year. Sick leave can be carried over from year to year up to 960 hours (120 days). Upon termination employees receive no pay for sick time accumulated.

Vested or accumulated vacation leave that is expected to be liquidated with expendable available financial resources is reported as an expenditure and a fund liability of the governmental fund that will pay it. In prior years, substantially all of the related expenditures have been liquidated by the general fund. Amounts of vested or accumulated vacation leave that are not expected to be liquidated with expendable available financial resources are reported in the government-wide statement of net assets.

Long-term Obligations: In the government-wide 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. Bond issuance costs are amortized using the straight-line method over the life of the bonds. Bond premiums and discounts are deferred and amortized over the life of the bonds using the effective interest method, or the straight-line method, if the difference is inconsequential.

Fund Balance Classification Policies and Procedures: For committed fund balance, the City's highest level of decision-making authority is the City Commission. The formal action that is required to be taken to establish a fund balance commitment is the City Commission.

For assigned fund balance, the City Commission or an official or body to which the City Commission delegates the authority is authorized to assign amounts to a specific purpose. Under the current authorization system, for funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

For the classification of fund balances, the City considers restricted or unrestricted amounts to have been spent when an expenditure is incurred for the purposes for which both restricted and unrestricted fund balance is available. Also for the classification of fund balances, the City considers committed, assigned, or unassigned amounts to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

Nonspendable Fund Balance: At June 30, 2011, the City reported \$378,490 of fund balances not in spendable form. These fund balances are associated with prepaid expense contracts.

STATE OF NEW MEXICO
City of Hobbs
Notes to Financial Statements
June 30, 2011

NOTE 1. Summary of Significant Accounting Policies (continued)

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

Restricted and Committed Fund Balance: At June 30, 2011, the City has presented restricted fund balance on the governmental funds balance sheet in the amount of \$9,782,344 for various City operations as restricted by enabling legislation. The City has also presented committed fund balance on the governmental funds balance sheet in the amount of \$3,673,851 to meet minimum fund balance requirements for the General Fund. The details of these fund balance items are located on the governmental funds balance sheet as detailed on page 34.

Minimum Fund Balance Policy: The City's policy for maintaining a minimum amount of fund balance for operations is to minimize any sudden and unplanned discontinuity to programs and operations and for unforeseen contingencies. At a minimum, the budget shall ensure that the City holds cash reserves of 1/12th the General Fund expenditures.

Equity Classifications

Government-wide Statements

Equity is classified as net assets and displayed in three components:

- a. Net assets invested in capital assets, net of accumulated depreciation and reduced by the outstanding balances of any bonds, mortgages, notes, or other borrowings that are attributable to the acquisition, construction, or improvement of those assets.
- b. Restricted Net Assets: Consist of net assets with constraints placed on the use either by (1) external groups such as creditors, grantors, contributors, or laws or regulation of other governments; or (2) law through constitutional provisions or enabling legislation.
- c. Unrestricted Net Assets: All other net assets that do not meet the definition of "restricted" or "invested in capital assets, net of related debt."

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

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

Estimates: The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates. Significant estimates in the City's financial statements include the useful lives of depreciable capital assets, allowance for uncollectible accounts in the joint utility and solid waste funds and the unfunded OPEB liability.

STATE OF NEW MEXICO
City of Hobbs
Notes to Financial Statements
June 30, 2011

NOTE 2. Stewardship, Compliance and Accountability

Budgetary Information

Annual budgets of the City are prepared prior to June 1 and must be approved by resolution of the City Commissioners, and submitted to the Department of Finance and Administration for State approval. Once the budget has been formally approved, any amendments must also be approved by the City Commissioners and the Department of Finance and Administration. A separate budget is prepared for each fund. Line items within each budget may be over-expended; however, it is not legally permissible to over-expend any budget in total.

These budgets are prepared on the Non-GAAP budgetary basis, excluding encumbrances, and secure appropriation of funds for only one year. The budgetary information presented in these financial statements has been amended in accordance with the above procedures. These amendments resulted in the following changes:

	Excess (deficiency) of revenues over expenditures	
	Original Budget	Final Budget
	Budgeted Funds:	
General Fund	\$ (10,984,703)	\$ 12,485,044
Other Governmental Funds	\$ (14,919,793)	\$ (1,552,139)

	Change in net assets	
	Original Budget	Final Budget
	Budgeted Funds:	
Joint Utility	\$ (12,443,406)	\$ (2,293,664)
Solid Waste Disposal	\$ -	\$ (196,788)
Risk Management Internal Service Fund	\$ 1,700	\$ 18,982

Formal budgetary integration is employed as a management control device during the year for the General Fund, Special Revenue Funds, Capital Projects Funds, and Proprietary Funds.

The accompanying Statements of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual presents comparisons of the legally adopted budget with actual data on a budgetary basis. Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles, a reconciliation of resultant basis, perspective, equity and timing differences in the excess (deficiency) of revenues and other sources of financial resources for the year ended June 30, 2011 is presented.

STATE OF NEW MEXICO
City of Hobbs
Notes to Financial Statements
June 30, 2011

NOTE 3. Deposits and Investments

State statutes authorize the investment of City funds in a wide variety of instruments including certificates of deposit and other similar obligations, state investment pool, money market accounts, and United States Government obligations. All invested funds of the City properly followed State investment requirements as of June 30, 2011.

Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more banks or savings and loan associations within the geographical boundaries of the City. Deposits may be made to the extent that they are insured by an agency of the United States or by collateral deposited as security or by bond given by the financial institution.

The rate of interest in non-demand interest-bearing accounts shall be set by the State Board of Finance, but in no case shall the rate of interest be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of deposit.

Excess funds may be temporarily invested in securities which are issued by the State or by the United States government, or by their departments or agencies, and which are either direct obligations of the State or the United States or are backed by the full faith and credit of those governments.

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

According to the Federal Deposit Insurance Corporation (FDIC), public unit deposits are funds owned by the public unit. Under the Transaction Account Guarantee Program (TAGP) in effect from July 1, 2010 to December 31, 2010, time deposits, savings deposits and interest bearing negotiable order of withdrawal (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. The TAGP program expired on December 31, 2010. On November 9, 2010, the FDIC Board of Directors issued a final rule to implement the section of the Dodd-Frank Wall Street Reform and Consumer Protection Act that provides temporary unlimited coverage for noninterest-bearing transaction accounts in all FDIC-insured depository institutions. The separate coverage on noninterest-bearing transaction accounts became effective on December 31, 2010 and will terminate on December 31, 2012. From December 31, 2010 to July 20, 2011 accounts held by an official custodian for a government unit are insured as follows:

- Up to \$250,000 for the combined total of all time and savings deposits (including NOW accounts), and
- Unlimited coverage for noninterest-bearing transaction (demand deposit) accounts

Through July 20, 2011, there is no difference in deposit insurance coverage when an official custodian deposits money in-state or out-of-state.

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the City's deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk, other than following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). At June 30, 2011, \$3,446,071 of the City's bank balances of \$3,994,828 was exposed to custodial credit risk, \$3,446,071 was uninsured and collateralized by collateral held by the pledging bank's trust department, not in the City's name and none of the City's deposits were uninsured and uncollateralized.

STATE OF NEW MEXICO
City of Hobbs
Notes to Financial Statements
June 30, 2011

NOTE 3. Deposits and Investments (continued)

	Lea County State Bank	Pioneer Bank	Wells Fargo Bank	Total
Deposits	\$ 391,663	\$ 99,000	\$ 58,094	\$ 548,757
Repurchase agreements	3,446,071	-	-	3,446,071
FDIC Coverage	(250,000)	(99,000)	(58,094)	(407,094)
Dodd-Frank Coverage	(141,663)	-	-	(141,663)
Total uninsured public funds	<u>3,446,071</u>	<u>-</u>	<u>-</u>	<u>3,446,071</u>
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the City's name	3,446,071	-	-	3,446,071
Uninsured and uncollateralized	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Collateral requirement - deposits (50% of uninsured funds)	\$ 195,832	\$ -	\$ -	\$ 195,832
Collateral requirement - repurchase (102% of uninsured funds)	3,514,992	-	-	3,514,992
Pledged Collateral	4,374,982	-	-	4,374,982
Over (Under) collateralized	<u>\$ 664,158</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 664,158</u>

The New MexiGROW Local Government Investment Pool's (LGIP) investments are valued at fair value based on quoted market prices as of the valuation date. The LGIP is not SEC registered. The New Mexico State Treasurer is authorized to invest the short-term investment funds, with the advice and consent of the State Board of Finance, in accordance with Sections 6-10-10(I) through 6-10-10(P) and Sections 6-10-10.1(A) and (E), NMSA 1978. The pool does not have unit shares. Per Section 6-10-10.(F), NMSA 1978, at the end of each month all interest earned is distributed by the State Treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the fund amounts were invested. Participation in the LGIP is voluntary.

As of June 30, 2011, the District's investment in the State Treasurer Local Government Investment Pool was rated as AAAM by Standard & Poor's.

The New Mexico State Treasurer's Office invested a portion of the LGIP in The Reserve Primary Fund ("the Fund"), a money market fund, in fiscal years 2006, 2007, 2008, and 2009. On September 15, 2008 the balance of the LGIP's investment in the Fund was \$381.7 million. On September 16, 2008, The Reserve Primary Fund's net asset value fell below \$1.00 and holdings in the fund were frozen.

On July 15, 2010, the Reserve announced that it will begin its seventh distribution to Primary Fund shareholders on or about July 16, 2010. The distribution, in the amount of approximately \$215 million, represents approximately 67% of the Fund's remaining asset value of \$323 million as of the close of business on July 9, 2010. Including this seventh distribution, \$50.7 billion of Fund assets as of the close of business on September 15, 2008, will have been returned to investors. There have been no additional distributions in the past year.

The New Mexico State Treasurer's Office believes that there may be additional distributions. Uncertainty remains, however, as to the timing and amounts of these distributions. Effective November 24, 2010, all remaining assets were transferred to a liquidating services agent, Crederian Fund Services LLC.

STATE OF NEW MEXICO
City of Hobbs
Notes to Financial Statements
June 30, 2011

NOTE 3. Deposits and Investments (continued)

As of June 30, 2011, the City had the following investments and maturities:

<u>Investment Type</u>	<u>Maturities</u>	<u>Fair Value</u>	<u>Rating</u>
New MexiGROW LGIP	36 days	\$ 54,458,589	AAAm
Reserve Contingencies Fund	N/A	\$ 125,524	N/A
Treasury Bills – U.S government securities	<730 days	\$ 1,497,987	N/A

Custodial Credit Risk - Investments For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City’s policy related to investments is to comply with the state statute as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). The carrying value of the City’s investments at June 30, 2011 was \$1,722,289.

The investments are listed on Schedule I of this report. They are reported as cash equivalents and investments in the financial statements.

Reconciliation to the Statements of Net Assets

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

Cash and cash equivalents per Exhibit A-1	\$ 53,004,596
Restricted cash and cash equivalents per Exhibit A-1	3,983,109
Investments per Exhibit A-1	1,722,289
Agency funds cash per Exhibit E-1	<u>260,058</u>
Total cash and cash equivalents	<u>58,970,052</u>
Add: outstanding checks	1,149,658
Less: deposits in transit and other reconciling items	(33,852)
Less: LGIP balances held by the State Treasurer	(54,584,113)
Less: Treasury Bills	(1,497,987)
Less: petty cash	<u>(8,930)</u>
Bank balance of deposits	<u>\$ 3,994,828</u>

STATE OF NEW MEXICO
City of Hobbs
Notes to Financial Statements
June 30, 2011

NOTE 4. Receivables

Receivables as of June 30, 2011, including the applicable allowances for uncollectible accounts, are as follows:

Governmental Activities:

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Property taxes	\$ 119,457	\$ -	\$ 119,457
Other taxes:			
Gross receipts taxes	10,404,393	-	10,404,393
Gasoline and oil taxes	71,368	-	71,368
Franchise and lodgers taxes	93,300	66,709	160,009
Other receivables:			
Intergovernmental-grants:			
State	483,063	-	483,063
Federal	21,121	1,793,321	1,814,442
Miscellaneous	76,864	494,658	571,522
Totals	<u>\$ 11,269,566</u>	<u>\$ 2,354,688</u>	<u>\$ 13,624,254</u>

In accordance with GASB No. 33, the property tax revenues that were not collected within the period of availability, \$54,822, have been reclassified as deferred revenue in the governmental fund financial statements.

The above receivables are deemed 100% collectible.

Business-Type Activities:

	<u>Joint Utility</u>	<u>Solid Waste</u>	<u>Total</u>	<u>Risk Management ISF</u>
Utility fees	\$ 1,473,487	\$ 639,298	\$ 2,112,785	\$ -
Miscellaneous	-	-	-	39,172
Less: Allowance for uncollectible accounts	(259,028)	(132,498)	(391,526)	-
Totals	<u>\$ 1,214,459</u>	<u>\$ 506,800</u>	<u>\$ 1,721,259</u>	<u>\$ 39,172</u>

STATE OF NEW MEXICO
City of Hobbs
Notes to Financial Statements
June 30, 2011

NOTE 5. Interfund Receivables, Payables, and Transfers

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

Transfers Out	Transfers In	Amount
General Fund	Risk Management Internal Service Fund	\$ 2,000,000
General Fund	Cemetery Special Revenue Fund	59,114
General Fund	Industrial Park Construction Capital Projects Fund	942,275
General Fund	Joint Utility Enterprise Fund	76,535
General Fund	Lea County Drug Task Force Special Revenue Fund	105,466
General Fund	COPS Grant Special Revenue Fund	12,055
General Fund	McAdams Park Special Revenue Fund	9,689
General Fund	Golf Special Revenue Fund	17,118
Older American Act Special Revenue Fund	General Fund	121,302
Lodger's Tax Promotional Public Transportation Special Revenue Fund	General Fund	34,093
City Commission Improvement Capital Projects Fund	General Fund	300,518
City Commission Improvement Capital Projects Fund	General Fund	2,150,000
City Commission Improvement Capital Projects Fund	Joint Utility Enterprise Fund	999,919
Total		\$ 6,828,084

The transfers from the General Fund to the McAdams Park Special Revenue Fund and to the Golf Special Revenue Fund included the transfer of prior-year accruals due to the closure of the special revenue funds to the General Fund, in the amounts of \$10,689 and \$18,118, respectively. The transfer from the Older American Act Special Revenue Fund to the General Fund included the transfer of prior-year accruals due to the closure of the special revenue fund to the General Fund in the amount of \$120,302. Construction in progress totaling \$580,196 was transferred from the governmental activities to the business-type activities.

Net operating transfers made to agency funds were as follows:

Transfers Out	Transfers In	Amount
General Fund	Motor Vehicle Agency Fund	\$ 324
		\$ 324

The City recorded interfund receivable/payable to reflect a temporary loan between funds. The purpose of the loan was to cover cash shortages until grant reimbursements could be obtained.

Due from other fund	Due to other fund	Amount
General Fund	Community Development Special Revenue Fund	\$ 237,466
General Fund	Industrial Park Construction Capital Projects Fund	46,510
	Subtotal	\$ 283,976

The allocation of internal service fund revenues and expenses to governmental and business activities resulted in a net amount due from the business-type activities to the governmental activities of \$12,847.

All interfund transactions are short-term and are expected to be repaid within a year.

STATE OF NEW MEXICO
City of Hobbs
Notes to Financial Statements
June 30, 2011

NOTE 6. Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2011, including those changes pursuant to the implementation of GASB Statement No. 34, follows. Land and construction in progress are not subject to depreciation.

Governmental Activities:

	Balance June 30, 2010	Restatements	Additions & Transfers In	Deletions & Transfers Out	Balance June 30, 2011
Capital assets not being depreciated:					
Land	\$ 4,367,480	\$ (905,724)	\$ 36,120		\$ 3,497,876
Construction in progress	19,315,619	(552,888)	16,661,195	5,548,701	29,875,225
	<u>23,683,099</u>	<u>(1,458,612)</u>	<u>16,697,315</u>	<u>5,548,701</u>	<u>33,373,101</u>
Capital assets being depreciated:					
Buildings	28,812,449	-	3,857,637	69,249	32,600,837
Equipment	31,465,189	-	1,918,349	2,407,173	30,976,365
Land improvements	11,504,147	905,724	186,556	13,248	12,583,179
Infrastructure	57,331,184	-	972,855	1,990	58,302,049
	<u>129,112,969</u>	<u>905,724</u>	<u>6,935,397</u>	<u>2,491,660</u>	<u>134,462,430</u>
Amortizable assets					
Intangible assets	1,473,864	-	108,365	-	1,582,229
Total amortizable assets	<u>1,473,864</u>	<u>-</u>	<u>108,365</u>	<u>-</u>	<u>1,582,229</u>
Total capital assets	<u>154,269,932</u>	<u>(552,888)</u>	<u>23,741,077</u>	<u>8,040,361</u>	<u>169,417,760</u>
Accumulated depreciation:					
Buildings	10,561,535	1,399,273	1,349,315	62,264	13,247,859
Equipment	17,671,229	(2,668,139)	2,679,413	2,177,843	15,504,660
Land improvements	4,331,522	(1,544,609)	303,594	12,198	3,078,309
Infrastructure	9,536,956	3,969,770	2,414,626	1,990	15,919,362
Total accumulated depreciation	<u>42,101,242</u>	<u>1,156,295</u>	<u>6,746,948</u>	<u>2,254,295</u>	<u>47,750,190</u>
Less accumulated amortization:					
Intangible assets	115,475	641,501	130,590	-	887,566
Total accumulated amortization	<u>115,475</u>	<u>641,501</u>	<u>130,590</u>	<u>-</u>	<u>887,566</u>
Total capital assets, net	<u>\$ 112,053,215</u>	<u>\$ (2,350,684)</u>	<u>\$ 16,863,539</u>	<u>\$ 5,786,066</u>	<u>\$ 120,780,004</u>

Refer to Note 22 for explanation of restatement above. Depreciation expense for the year ended June 30, 2011 was charged to governmental activities as follows:

General Government	\$ 1,889,625
Public Safety	1,314,978
Public Works	2,481,736
Culture and Recreation	858,755
Health and Welfare	191,854
Amortization – General Government	<u>130,590</u>
Total	<u>\$ 6,877,538</u>

STATE OF NEW MEXICO
City of Hobbs
Notes to Financial Statements
June 30, 2011

NOTE 6. Capital Assets (continued)

Business-type Activities:	Balance June 30, 2010	Restatements	Additions & Transfers In	Deletions & Transfers Out	Balance June 30, 2011
Capital assets not being depreciated:					
Land:					
Water plant	\$ 135,950	\$ (135,950)	\$ -	\$ -	\$ -
Sewer plant	86,043	(73,570)	-	-	12,473
Construction in progress	16,513,478	40,225	2,948,708	4,250,308	15,252,103
	<u>16,735,471</u>	<u>(169,295)</u>	<u>2,948,708</u>	<u>4,250,308</u>	<u>15,264,576</u>
Capital assets being depreciated:					
Water plant:					
Water system	11,567,525	2,745,518		1,647	14,311,396
Equipment	6,290,482	4,092,371	35,616	616,407	9,802,062
Sewer plant:					-
Sewer system	14,143,554	13,002,480			27,146,034
Equipment	1,438,028	(375,314)	80,017	160	1,142,571
Wastewater plant	41,801,816	(10,311,477)	2,426,766	137,584	33,779,521
Industrial water plant	6,664,062	(8,977,659)	4,531,366	39,534	2,178,235
	<u>81,905,467</u>	<u>175,919</u>	<u>7,073,765</u>	<u>795,332</u>	<u>88,359,819</u>
Amortizable assets					
Intangible assets	27,625	(19,125)	-	-	8,500
Total amortizable assets	<u>27,625</u>	<u>(19,125)</u>	<u>-</u>	<u>-</u>	<u>8,500</u>
Total capital assets	<u>98,668,563</u>	<u>(12,501)</u>	<u>10,022,473</u>	<u>5,045,640</u>	<u>103,632,895</u>
Accumulated depreciation:					
Water plant:					
Water system	12,717,949	(9,736,178)	350,193	1,465	3,330,499
Equipment	2,186,936	1,068,791	643,502	571,992	3,327,237
Sewer plant:					
Sewer system	6,245,174	11,425,091	620,411		18,290,676
Equipment	1,131,650	(610,560)	85,730	150	606,670
Wastewater plant	17,324,853	602,070	4,491,735	136,249	22,282,409
Industrial water plant	3,271,075	(2,350,184)	58,143	38,504	940,530
Total accumulated depreciation	<u>42,877,637</u>	<u>399,030</u>	<u>6,249,714</u>	<u>748,360</u>	<u>48,778,021</u>
Amortizable assets					
Intangible assets	1,983	-	1,700	-	3,683
Total amortizable assets	<u>1,983</u>	<u>-</u>	<u>1,700</u>	<u>-</u>	<u>3,683</u>
Net Book Value	<u>\$ 55,788,943</u>	<u>\$ (411,531)</u>	<u>\$ 3,771,059</u>	<u>\$ 4,297,280</u>	<u>\$ 54,851,191</u>

Refer to Note 22 for explanation of restatement above. Depreciation expense and amortization expense charged to business-type activities for the year ended June 30, 2011 were \$6,249,714 and \$1,700, respectively.

STATE OF NEW MEXICO
City of Hobbs
Notes to Financial Statements
June 30, 2011

NOTE 7. Long-term Debt

During the year ended June 30, 2011, the following changes occurred in the liabilities reported in the government-wide statement of net assets:

	Balance June 30, 2010	Additions	Retirements	Balance June 30, 2011	Due Within One Year
NMFA Loans	\$ 171,582	\$ -	\$ 171,582	\$ -	\$ -
Unfunded OPEB Liability	4,115,487	2,297,605	313,239	6,099,853	-
Compensated Absences	1,399,645	1,101,435	983,954	1,517,126	781,567
Total Long-Term Debt	\$ 5,686,714	\$ 3,399,040	\$ 1,468,775	\$ 7,616,979	\$ 781,567

Compensated Absences – Employees of the City are able to accrue a limited amount of vacation and other compensatory time during the year. During fiscal year June 30, 2011, long-term compensated absences increased \$117,481 over the prior year accrual.

In prior years, the general fund has typically been used to liquidate long-term liabilities other than debt including capital leases and compensated absences. The City plans to liquidate OPEB liabilities through the Risk Management Internal Service Fund.

Proprietary Funds

The Joint Utility fund has incurred various forms of debt which were used for the purposes of constructing, expanding, repairing and making improvements to its property, plant and equipment. The following schedule shows the changes to its various forms of debt during the fiscal year ended June 30, 2011:

	Balance June 30, 2010	Additions	Retirements	Balance June 30, 2011	Due Within One Year
Revenue Bonds	\$ 3,110,000	\$ -	\$ 3,110,000	\$ -	\$ -
NMFA and NMED Loans	35,007,898	1,521,169	206,605	36,322,462	1,593,844
Unfunded OPEB Liability	342,643	276,479	37,693	581,429	-
Compensated Absences	155,360	72,562	55,604	172,318	77,939
Total Long-Term Debt	\$38,615,901	\$ 1,870,210	\$ 3,409,902	\$ 37,076,209	\$ 1,671,783

The NMFA and NMED loans are as follows:

Description	Date of Issue	Due Date	Interest Rate	Original Amount of Issue	Balance June 30, 2011
NMED Wastewater Loan	07/21/11	07/21/30	1.56%	\$ 31,419,101	\$ 31,419,102
NMFA Clean Drinking Water Loan	04/22/03	05/01/23	1.75%	5,019,965	4,813,360
NMFA Effluent Water - Phase II	09/30/10	09/30/30	0.00%	90,000	90,000
Total Loans					\$ 36,322,462

STATE OF NEW MEXICO
City of Hobbs
Notes to Financial Statements
June 30, 2011

NOTE 7. Long-term Debt (continued)

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, 2011, the City has drawn down \$5,226,752 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.

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 1078, 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 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 \$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, 2011, the City has drawn down \$31,419,102 in loan proceeds, including \$1,431,169 interest added to the principal balance of the loan during the year ended June 30, 2011. Principal and interest payments will not become due before the projects are completed. The completion of the projects occurred in the fiscal year ended June 30, 2010. 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 aggregated debt service payments required on the outstanding debt of the proprietary funds is as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2012	\$ 1,593,844	\$ 575,754	\$ 2,169,598
2013	1,533,921	551,837	2,085,758
2014	1,564,600	527,441	2,092,041
2015	1,595,892	502,559	2,098,451
2016	1,627,810	477,177	2,104,987
2017-2021	8,640,611	1,987,036	10,627,647
2022-2026	9,539,930	1,271,893	10,811,823
2027-2031	10,225,854	482,228	10,708,082
	<u>\$ 36,322,462</u>	<u>\$ 6,375,925</u>	<u>\$ 42,698,387</u>

Proprietary debt has been liquidated by the Joint Utility Fund in prior years.

NOTE 8. 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. Upon repayment of the bonds, ownership of the acquired facilities transfers to the entities served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The following outstanding industrial revenue bonds were issued in the City's name:

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City of Hobbs
Notes to Financial Statements
June 30, 2011

NOTE 8. Conduit Debt Obligations (continued)

Recipient	Date of Issue	Retirement Date	Amount Issued	Amount Outstanding June 30, 2011	Purpose
Evangelical Lutheran Good Samaritan Society	1996	2026	\$ 5,955,000	\$ 4,205,000	Expansion of Health Care Facility
RMS Foods, Inc.	2005	2035	\$ 7,775,000	\$ 7,775,000	Acquire Land and Construct and Equip a Facility in the City of Hobbs

NOTE 9. Operating Leases

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

At June 30, 2011, future minimum lease payments applicable to the operating leases are as follows:

	<u>Total</u>
2012	\$ 135,386
2013	135,386
2014	49,005
2015	65,000
	<u>\$ 384,777</u>

NOTE 10. Risk Management

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 \$314,674 at June 30, 2011 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.

STATE OF NEW MEXICO
City of Hobbs
Notes to Financial Statements
June 30, 2011

NOTE 11. PERA Pension 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 Employee Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing, multiple-employer defined benefit retirement plan. The plan provides for retirement, disability benefits, survivor benefits, and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information. That report may be obtained by writing to PERA, P. O. Box 2123, Santa Fe, New Mexico 87504-2123. The report is also available on PERA's website at www.pera.state.nm.us.

Funding Policy. Municipal general member coverage plan 4 members are required to contribute 15.65% of their gross salary. The City is required to contribute 11.65% of the covered salary for municipal general member coverage plan 4 members. Municipal police coverage plan 5 members are required to contribute 16.30% of their gross salary. The City is required to contribute 18.50% of the covered salary for municipal police coverage plan 5 members. Municipal fire member coverage plan 5 members are required to contribute 16.20% of their gross salary. The City is required to contribute 21.25% of the covered salary for municipal fire member coverage plan 5 members. The contribution requirements of plan members and the City are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The City's contributions to PERA for the fiscal years ending June 30, 2011, 2010 and 2009 were \$2,462,388, \$2,485,672, and \$2,360,905 respectively.

NOTE 12. 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, 2011.

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, 2011, 2010 and 2009 were \$34,608, \$31,799 and \$29,452, respectively.

NOTE 13. Post-Employment Benefits

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 years ended June 30, 2009 and 2011, the City Commission passed resolutions 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 107 retirees receiving benefits and a total of 391 active participants.

STATE OF NEW MEXICO
City of Hobbs
Notes to Financial Statements
June 30, 2011

NOTE 13. Post-Employment Benefits (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, 2011, 2010 and 2009 respectively, plan members' contributions totaled \$575,602, \$576,229 and \$600,657. The City contributes 2% to 3% of premiums for each year of service, up to a maximum of 30 years of service or 90% of the cost of premiums for retirees eligible for benefits who have 30 years of service with the City of Hobbs. Employees retiring with between 25 and 30 years of service will receive a subsidy of 2.5% of premiums for every year of service, and employees retiring with between 10 and 25 years of service will receive a subsidy of 2% of premiums for every year of service. Employees with fewer than 10 years of service with the City of Hobbs are not eligible for benefits. For the fiscal year ended June 30, 2011, 2010 and 2009 respectively, the City contributed \$350,932, \$422,298 and \$429,092 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)	\$ 2,289,893	\$ 275,551	\$ 2,565,444
Interest on net OPEB obligation	179,068	21,548	200,616
Adjustment to Annual Required Contribution	(171,356)	(20,620)	(191,976)
Annual OPEB cost (expense)	<u>2,297,605</u>	<u>276,479</u>	<u>2,574,084</u>
Actual contribution	<u>(313,239)</u>	<u>(37,693)</u>	<u>(350,932)</u>
Increase in net OPEB obligation	1,984,366	238,786	2,223,152
Net OPEB obligation - beginning of year	4,115,487	342,643	4,458,130
Net OPEB obligation - end of year	<u>\$ 6,099,853</u>	<u>\$ 581,429</u>	<u>\$ 6,681,282</u>

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, 2011 were as follows:

Fiscal year ended	Annual OPEB cost	Actual employer contributions	Percentage contributed	Net OPEB obligation
6/30/2011	\$ 2,574,084	\$ 350,932	13.63%	\$ 6,681,282
6/30/2010	\$ 1,669,795	\$ 422,289	25.29%	\$ 5,705,627
6/30/2009	\$ 1,663,572	\$ 429,093	25.79%	\$ 4,458,130

As of November 1, 2011, the actuarial accrued liability for benefits was \$25,041,1871, all of which was unfunded. The covered payroll (the annual payroll of active employees covered by the plan) was \$21,575,758, and the unfunded actuarial accrued liability (UAAL) was 116.06 percent of the covered payroll.

STATE OF NEW MEXICO
City of Hobbs
Notes to Financial Statements
June 30, 2011

NOTE 13. Post-Employment Benefits (continued)

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 November 1, 2011 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 10.0% was used; this rate is reduced by decrements to an ultimate rate of 4.0% 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, 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.

NOTE 14. Contingent Liabilities

The City is party to various claims and lawsuits in the normal course of business. Management and the City's attorney are unaware of any material pending or threatened litigation, claims or assessments against the City which are not covered by the City's insurance.

NOTE 15. Federal and State Grants

In the normal course of operations, the City receives grant funds from various federal and state agencies. Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, the purpose of which is to ensure compliance with conditions precedent to the granting of funds. Management believes any liability resulting from these audits would be immaterial.

NOTE 16. Joint Powers Agreements and Memorandums of Understanding

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 Association may be obtained by writing to Lea County, 100 North Main, Suite 11, Lovington, NM 88260.

STATE OF NEW MEXICO
City of Hobbs
Notes to Financial Statements
June 30, 2011

NOTE 16. Joint Powers Agreements and Memorandums of Understanding (continued)

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 the 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 serves as the fiscal agent. Audit responsibility lies with the New Mexico Junior College.

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 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 \$238,626 as of June 30, 2011. The capacity used to date as of June 30, 2011 is estimated to be 27.5% of total capacity. The City's share of the estimated current liability is \$124,563 as of June 30, 2011. 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, publically 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. Audit responsibility lies with the Hobbs Municipal Schools.

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. Audit responsibility lies with the Hobbs Municipal Schools.

STATE OF NEW MEXICO
City of Hobbs
Notes to Financial Statements
June 30, 2011

NOTE 16. Joint Powers Agreements and Memorandums of Understanding (continued)

Hobbs Municipal Schools (continued)

The City entered into a joint powers agreement on August 5, 1975 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. Audit responsibility lies with the Hobbs Municipal Schools.

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. Audit responsibility lies with the Hobbs Municipal Schools.

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. Audit responsibility lies with the Hobbs Municipal Schools.

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. Audit responsibility lies with the City of Hobbs.

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. Audit responsibility lies with the City of Hobbs.

The City entered into an agreement with the State of New Mexico Energy, Minerals and Natural Resources Department (EMNRD) for Wildland Fire Protection and Suppression setting terms for reimbursements of expenses incurred which 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. Audit responsibility lies with the City of Hobbs.

STATE OF NEW MEXICO
City of Hobbs
Notes to Financial Statements
June 30, 2011

NOTE 16. Joint Powers Agreements and Memorandums of Understanding (continued)

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. Audit responsibility lies with each individual agency.

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. Audit responsibility lies with each individual agency.

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 Lane 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. Audit responsibility lies with the County.

On March 14, 2011, the joint powers agreement with all of the municipalities in Lea County establishing an emergency communications district and for operation of an emergency dispatch center for Lea County was amended and restated to include an Emergency Operations Center ("EOC"), housing a Lea County Sheriff's Substation and a Hobbs Fire Department Station. The City is providing real property for the EOC, and the City and the County will share equally in the costs of the architecture, planning, and construction of the EOC. The County will pay its prorated cost for the design and construction of the Sheriff's Substation and the City will pay its prorated cost for design and construction of the Fire Department Facility. The City will receive a fifty percent (50%) credit for the cost of the real property and its acquisition cost. The City and County will each provide fifty percent (50%) 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 EOC and all employees of the EOC will be County employees. Audit responsibility lies with the County.

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, 2011 unless extended by the Parties. The City's prorated share per month is \$4,000. Total annual payout is \$48,000. Audit responsibility lies with each individual agency.

STATE OF NEW MEXICO
City of Hobbs
Notes to Financial Statements
June 30, 2011

NOTE 16. Joint Powers Agreements and 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, 2011, the City contributed \$35,000 in the form of a professional services contract and \$55,000 was contributed to the Hobbs August Nites program. Audit responsibility lies with Hobbs Mainstreet.

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 \$49,643 for the JAG grant for 2009-2013 and available funds of \$286,127 under a JAG ARRA grant. For the 2009-13 JAG grant, the City received \$29,786 and the Sheriff received \$19,857. For the JAG ARRA grant, the funds were split as follows: City of Hobbs Police Department- \$185,980; Lea County Sheriff's Department - \$60,147; City of Lovington Police Department - \$40,000. The City acted as the fiscal agent for the expenditure of the funds and has audit responsibility for the funds.

Lea County and the New Mexico Junior College

On July 6, 2010, the City of Hobbs, Lea County, and the New Mexico Junior College entered into a memorandum of understanding to jointly provide training to police officers, deputies, corrections officers, civilian police employees, crime scene analysts, and parole and probation officers in and around the Lea County area. The City agreed to provide initial funding of \$10,000 to pay presenters' fees for the training. The College agreed to provide the location for the training and to be responsible for registration and the collection of registration fees, and to reimburse the City the amount of the initial funding or the amount of registration fees collected, whichever is less. In the event that the registration fees are less than the initial funding, the County agreed to reimburse the City for one-half of the difference between the refunded amount and the initial funding. The College acted as the fiscal agent for the expenditure of the funds and audit responsibility lies with the College.

Boys and Girls Club of Hobbs, Inc.

On August 2, 2010, the City of Hobbs and the Boys and Girls of Hobbs, Inc. entered into a memorandum of understanding to collaboratively work together to transport passengers on high demand routes destined for the Boys and Girls Club each day. The City will lease two busses from the Boys and Girls Club of Hobbs, Inc. for the total consideration of \$1, and the Club will provide all of the fuel, maintenance, and storage for the leased vehicles. Properly licensed drivers will be provided by the City and fare collected in providing the high demand route service will be retained by the City. Audit responsibility lies with the City.

NOTE 17. Subsequent Events

The date to which events occurring after June 30, 2011, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosures is December 1, 2011 which is the date on which the financial statements were available to be issued.

STATE OF NEW MEXICO
City of Hobbs
Notes to Financial Statements
June 30, 2011

NOTE 18. Other Required Individual Fund Disclosures

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

A. Deficit fund balance of individual funds. The following funds reflected a deficit fund balance as of June 30, 2011:

Cemetery Special Revenue Fund	\$	1,414
Community Development Special Revenue Fund		128,109

B. Excess of expenditures over appropriations. No funds exceeded approved budgetary authority for the year ended June 30, 2011.

C. Designated cash appropriations in excess of available balances. The following fund's budget exceeded approved budgetary authority for the year ended June 30, 2011:

	<u>Designated Cash</u>	<u>Beginning Year Cash & AR Available</u>	<u>Cash Appropriation in Excess of Available Cash</u>
Community Development Special Revenue Fund	\$ 267,195	\$ 165,750	\$ (101,445)

NOTE 19. Restricted Net Assets

The government-wide statement of net assets reports \$10,868,492 of restricted assets, \$9,827,265 of which is restricted by enabling legislation. For descriptions of the related enabling legislation for special revenue and capital project funds, see pages 91-93.

NOTE 20. Construction and Other Significant Commitments

The City had outstanding construction commitments at June 30, 2011 for water line and infrastructure projects of \$1 million; beautification incentive projects of \$3.3 million; and general fund infrastructure projects of \$3.9 million.

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 4th year.

NOTE 21. Restatements of Net Assets and Fund Balances

The City has restated prior-period fund balances and net assets in the fund financial statements as follows:

- Lea County Drug Task Force Special Revenue Fund – Fund balance restated by \$(52,138) to remove prior year grant receivable accrual that had previously been received.
- Capital Projects Fund and City Commission Improvement Capital Project Fund – Fund balance restated by \$1,255,222 and \$(1,255,222), respectively, for a prior period grant accrual recorded in the wrong fund.
- Solid Waste Disposal Proprietary Fund – Net assets restated by \$562,208 to remove prior period deferred revenue related to the reclassification of the fund from a special revenue fund to a proprietary fund, as described in Note 23.

The City has restated prior-period net assets in the government-wide financial statements as follows:

- Governmental activities net assets were restated by \$(2,402,822) to correct beginning balances for governmental capital assets and accumulated depreciation.
- Business-type activities net assets were restated by \$(411,531) to correct beginning balances for proprietary capital assets and accumulated depreciation.

STATE OF NEW MEXICO
City of Hobbs
Notes to Financial Statements
June 30, 2011

NOTE 22. Reclassification of Net Assets

As of July 1, 2010, the City has reclassified the Solid Waste Fund from a special revenue fund to a proprietary fund due to the nature of the services it provides and its funding status. The reclassification of the fund resulted in a net reclassification of net asset balances from governmental activities to business-type activities in the amount of \$557,568.

NOTE 23. Subsequent Pronouncements

In November 2010, GASB Statement No. 60 *Accounting and Financial Reporting for Service Concession Arrangements*, Effective Date: For financial statements for periods beginning after December 15, 2011. The provisions of this Statement generally are required to be applied retroactively for all periods presented. The City is still evaluating the possible effects of this standard.

In November 2010, GASB Statement No. 61 *The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34*, Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2012. Earlier application is encouraged. The standard is expected to have no effect on the City in upcoming years.

In December 2010, GASB Statement No. 62 *Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements*, Effective Date: The requirements of this Statement are effective for financial statements for periods beginning after December 15, 2011. Earlier application is encouraged. The provisions of this Statement generally are required to be applied retroactively for all periods presented. The City will implement this standard during fiscal year June 30, 2013.

In June 2011, GASB Statement No. 63 *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position*, Effective Date: The provisions of Statement 63 are effective for financial statements for periods beginning after December 15, 2011, with earlier application encouraged. The standard is expected to have no effect on the City in upcoming years.

In June 2011, GASB Statement No. 64 *Derivative Instruments: Application of Hedge Accounting Termination Provisions—an amendment of GASB Statement No. 53*, Effective Date: The provisions of Statement 64 are effective for financial statements for periods beginning after June 15, 2011, with earlier application encouraged. The standard is expected to have no effect on the City in upcoming years.

SUPPLEMENTARY INFORMATION

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STATE OF NEW MEXICO

City of Hobbs

June 30, 2011

Nonmajor Funds

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.

COPS Grant

To accounts for a federal grant awarded through the U.S. Department of Justice Office of Community Oriented Policing Services (COPS). The grant was awarded to help supplement officers hired. The fund was authorized by City 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.

Lodger's 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.

STATE OF NEW MEXICO

City of Hobbs

June 30, 2011

Nonmajor Funds

Special Revenue Funds (continued)

McAdams Park

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

Public Transportation

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

Fire Protection

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

Emergency Medical Services

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

Community Development

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

Expendable Trust Funds

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

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

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

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

STATE OF NEW MEXICO

City of Hobbs

June 30, 2011

Nonmajor Funds

Capital Projects Funds

Industrial Park Construction Fund

To account for the financing and construction of facilities at the Hobbs Industrial Air Park. Financing is to be provided by state and federal grants. The fund was authorized by City resolution.

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. The fund was authorized by City resolution.

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. The fund was authorized by City resolution.

Street Improvements 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. The fund was authorized by City resolution.

City Commission Improvement Fund

To account for the gross receipts tax within the City of Hobbs collected through enactment of two 1/16th 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 replacement to public buildings, and water and sewer line extensions. The fund was authorized by City resolution.

STATE OF NEW MEXICO
City of Hobbs
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2011

Special Revenue

	Local Government Corrections	Police Protection	Police Narcotics	Lea County Drug Task Force
<i>Assets</i>				
Cash and cash equivalents	\$ 252,098	\$ 1,024	\$ 10,896	\$ -
Receivables:				
Property taxes	-	-	-	-
Other taxes	-	-	-	-
Other receivables	-	-	-	-
Prepaid expenses	-	-	-	-
Due from other funds	-	-	-	-
<i>Total assets</i>	<u>\$ 252,098</u>	<u>\$ 1,024</u>	<u>\$ 10,896</u>	<u>\$ -</u>
<i>Liabilities</i>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued payroll expenses	-	-	-	-
Deferred revenue	-	-	-	-
Due to other funds	-	-	-	-
<i>Total liabilities</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances</i>				
Nonspendable	-	-	-	-
Spendable				
Restricted for:				
Public safety	252,098	1,024	10,896	-
Culture and recreation	-	-	-	-
Transportation and roads	-	-	-	-
Health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital projects	-	-	-	-
Unassigned	-	-	-	-
<i>Total fund balances</i>	<u>252,098</u>	<u>1,024</u>	<u>10,896</u>	<u>-</u>
<i>Total liabilities and fund balances</i>	<u>\$ 252,098</u>	<u>\$ 1,024</u>	<u>\$ 10,896</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

Special Revenue

<u>COPS Grant Fund</u>	<u>Older American Act</u>	<u>Golf</u>	<u>Cemetary</u>	<u>Airport</u>	<u>Lodger's Tax Promotional</u>
\$ -	\$ -	\$ -	\$ -	\$ 147,156	\$ 692,840
-	-	-	-	-	-
-	-	-	-	-	66,709
12,001	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 12,001</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 147,156</u>	<u>\$ 759,549</u>
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 29,001
-	-	-	1,414	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	1,414	-	29,001
-	-	-	-	-	-
12,001	-	-	-	-	-
-	-	-	-	147,156	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	730,548
-	-	-	-	-	-
-	-	-	(1,414)	-	-
<u>12,001</u>	<u>-</u>	<u>-</u>	<u>(1,414)</u>	<u>147,156</u>	<u>730,548</u>
<u>\$ 12,001</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 147,156</u>	<u>\$ 759,549</u>

STATE OF NEW MEXICO
City of Hobbs
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2011

Special Revenue

	McAdams Park	Public Transportation	Fire Protection	Emergency Medical Services
<i>Assets</i>				
Cash and cash equivalents	\$ -	\$ -	\$ 815,559	\$ 887
Receivables:				
Property taxes	-	-	-	-
Other taxes	-	-	-	-
Other receivables	-	97,137	-	-
Prepaid expenses	-	-	-	-
Due from other funds	-	-	-	-
<i>Total assets</i>	<u>\$ -</u>	<u>\$ 97,137</u>	<u>\$ 815,559</u>	<u>\$ 887</u>
<i>Liabilities</i>				
Accounts payable	\$ -	\$ -	\$ 1,480	\$ -
Accrued payroll expenses	-	5,846	-	-
Deferred revenue	-	-	-	-
Due to other funds	-	-	-	-
<i>Total liabilities</i>	<u>-</u>	<u>5,846</u>	<u>1,480</u>	<u>-</u>
<i>Fund balances</i>				
Nonspendable	-	-	-	-
Spendable				
Restricted for:				
Public safety	-	-	814,079	-
Culture and recreation	-	-	-	-
Transportation and roads	-	91,291	-	-
Health and welfare	-	-	-	887
Economic development	-	-	-	-
Capital projects	-	-	-	-
Unassigned	-	-	-	-
<i>Total fund balances</i>	<u>-</u>	<u>91,291</u>	<u>814,079</u>	<u>887</u>
<i>Total liabilities and fund balances</i>	<u>\$ -</u>	<u>\$ 97,137</u>	<u>\$ 815,559</u>	<u>\$ 887</u>

The accompanying notes are an integral part of these financial statements

Special Revenue					Capital Projects
Community Development	Recreation Expendable Trust	Library Expendable Trust	Cemetery Expendable Trust	Community Parks Expendable Trust	Industrial Park Construction
\$ 136,021	\$ 42,781	\$ 3,378	\$ 5,291	\$ 1,415	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	744,000
-	-	-	-	-	-
-	-	-	-	-	-
<u>\$ 136,021</u>	<u>\$ 42,781</u>	<u>\$ 3,378</u>	<u>\$ 5,291</u>	<u>\$ 1,415</u>	<u>\$ 744,000</u>
\$ 26,664	\$ -	\$ -	\$ -	\$ -	\$ 134,019
-	-	-	-	-	-
-	-	-	-	-	-
237,466	-	-	-	-	46,510
<u>264,130</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>180,529</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	42,781	3,378	-	-	-
-	-	-	-	1,415	-
-	-	-	5,291	-	-
-	-	-	-	-	-
-	-	-	-	-	563,471
(128,109)	-	-	-	-	-
<u>(128,109)</u>	<u>42,781</u>	<u>3,378</u>	<u>5,291</u>	<u>1,415</u>	<u>563,471</u>
<u>\$ 136,021</u>	<u>\$ 42,781</u>	<u>\$ 3,378</u>	<u>\$ 5,291</u>	<u>\$ 1,415</u>	<u>\$ 744,000</u>

STATE OF NEW MEXICO
City of Hobbs
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2011

Capital Projects

	<u>Parks Improvement</u>	<u>Capital Projects</u>	<u>Capital Improvements</u>	<u>Street Improvements</u>
<i>Assets</i>				
Cash and cash equivalents	\$ 1,608,597	\$ 2,142,287	\$ 215,129	\$ 1,002,767
Receivables:				
Property taxes	-	-	-	-
Other taxes	-	-	-	-
Other receivables	-	494,658	-	940,183
Prepaid expenses	-	-	-	-
Due from other funds	-	-	-	-
<i>Total assets</i>	<u>\$ 1,608,597</u>	<u>\$ 2,636,945</u>	<u>\$ 215,129</u>	<u>\$ 1,942,950</u>
<i>Liabilities</i>				
Accounts payable	\$ -	\$ 323,285	\$ -	\$ 56,442
Accrued payroll expenses	-	-	-	-
Deferred revenue	-	-	-	-
Due to other funds	-	-	-	-
<i>Total liabilities</i>	<u>-</u>	<u>323,285</u>	<u>-</u>	<u>56,442</u>
<i>Fund balances</i>				
Nonspendable	-	-	-	-
Spendable				
Restricted for:				
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Transportation and roads	-	-	-	-
Health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital projects	1,608,597	2,313,660	215,129	1,886,508
Unassigned	-	-	-	-
<i>Total fund balances</i>	<u>1,608,597</u>	<u>2,313,660</u>	<u>215,129</u>	<u>1,886,508</u>
<i>Total liabilities and fund balances</i>	<u>\$ 1,608,597</u>	<u>\$ 2,636,945</u>	<u>\$ 215,129</u>	<u>\$ 1,942,950</u>

The accompanying notes are an integral part of these financial statements

<u>Capital Projects</u>	
<u>City Commission Improvement</u>	<u>Total Nonmajor Governmental Funds</u>
\$ 1,082,134	\$ 8,160,260
-	-
-	66,709
-	2,287,979
44,921	44,921
-	-
<u>\$ 1,127,055</u>	<u>\$ 10,559,869</u>
\$ -	\$ 570,891
-	7,260
-	-
-	283,976
-	<u>862,127</u>
44,921	44,921
-	1,090,098
-	193,315
-	92,706
-	6,178
-	730,548
1,082,134	7,669,499
-	(129,523)
<u>1,127,055</u>	<u>9,697,742</u>
<u>\$ 1,127,055</u>	<u>\$ 10,559,869</u>

STATE OF NEW MEXICO
City of Hobbs
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2011

	Special Revenue			
	Local Government Corrections	Police Protection	Police Narcotics	Lea County Drug Task Force
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	13
Federal capital grants	-	-	-	-
State operating grants	-	72,990	-	-
State capital grants	-	-	-	-
Local sources				
Charges for services	-	-	-	-
Licenses and fees	131,383	-	-	-
Investment income	829	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>132,212</u>	<u>72,990</u>	<u>-</u>	<u>13</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	56,356	71,966	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>56,356</u>	<u>71,966</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>75,856</u>	<u>1,024</u>	<u>-</u>	<u>13</u>
<i>Other financing sources (uses)</i>				
Transfers in	-	-	-	105,466
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>105,466</u>
<i>Net change in fund balances</i>	<u>75,856</u>	<u>1,024</u>	<u>-</u>	<u>105,479</u>
<i>Fund balances - beginning of year</i>	176,242	-	10,896	(53,341)
<i>Restatement (Note 21)</i>	-	-	-	(52,138)
<i>Fund balances-beginning of year, as restated</i>	<u>176,242</u>	<u>-</u>	<u>10,896</u>	<u>(105,479)</u>
<i>Fund balances - end of year</i>	<u>\$ 252,098</u>	<u>\$ 1,024</u>	<u>\$ 10,896</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

Special Revenue

COPS Grant Fund	Older American Act	Golf	Cemetary	Airport	Lodger's Tax Promotional
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	862,268
12,001	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	193,617	-	-
-	-	-	-	-	-
-	-	-	-	485	2,299
-	2	-	-	33,786	-
<u>12,001</u>	<u>2</u>	<u>-</u>	<u>193,617</u>	<u>34,271</u>	<u>864,567</u>
-	-	-	-	-	-
12,055	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	25,413	-
-	-	-	250,219	-	-
-	-	-	-	-	666,596
-	-	-	-	-	-
-	-	-	-	-	-
<u>12,055</u>	<u>-</u>	<u>-</u>	<u>250,219</u>	<u>25,413</u>	<u>666,596</u>
<u>(54)</u>	<u>2</u>	<u>-</u>	<u>(56,602)</u>	<u>8,858</u>	<u>197,971</u>
12,055	-	17,118	59,114	-	-
-	(121,302)	-	-	-	(34,093)
<u>12,055</u>	<u>(121,302)</u>	<u>17,118</u>	<u>59,114</u>	<u>-</u>	<u>(34,093)</u>
<u>12,001</u>	<u>(121,300)</u>	<u>17,118</u>	<u>2,512</u>	<u>8,858</u>	<u>163,878</u>
-	121,300	(17,118)	(3,926)	138,298	566,670
-	-	-	-	-	-
<u>-</u>	<u>121,300</u>	<u>(17,118)</u>	<u>(3,926)</u>	<u>138,298</u>	<u>566,670</u>
<u>\$ 12,001</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,414)</u>	<u>\$ 147,156</u>	<u>\$ 730,548</u>

STATE OF NEW MEXICO
City of Hobbs
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2011

	Special Revenue			
	McAdams Park	Public Transportation	Fire Protection	Emergency Medical Services
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	-	344,712	-	-
Federal capital grants	-	48,471	-	-
State operating grants	-	-	392,043	20,000
State capital grants	-	-	-	-
Local sources				
Charges for services	-	37,910	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	2,744	-
Miscellaneous	1	-	691	-
<i>Total revenues</i>	<u>1</u>	<u>431,093</u>	<u>395,478</u>	<u>20,000</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	64,830	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	522,828	-	11,195
Economic development	-	-	-	-
Capital outlay	-	133,222	-	-
Debt service:				
Principal	-	-	171,582	-
Interest	-	-	3,435	-
<i>Total expenditures</i>	<u>-</u>	<u>656,050</u>	<u>239,847</u>	<u>11,195</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>1</u>	<u>(224,957)</u>	<u>155,631</u>	<u>8,805</u>
<i>Other financing sources (uses)</i>				
Transfers in	9,689	-	-	-
Transfers out	-	(300,518)	-	-
<i>Total other financing sources (uses)</i>	<u>9,689</u>	<u>(300,518)</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balances</i>	<u>9,690</u>	<u>(525,475)</u>	<u>155,631</u>	<u>8,805</u>
<i>Fund balances - beginning of year</i>	<u>(9,690)</u>	<u>616,766</u>	<u>658,448</u>	<u>(7,918)</u>
<i>Restatement (Note 21)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances-beginning of year, as restated</i>	<u>(9,690)</u>	<u>616,766</u>	<u>658,448</u>	<u>(7,918)</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ 91,291</u>	<u>\$ 814,079</u>	<u>\$ 887</u>

The accompanying notes are an integral part of these financial statements

Special Revenue					Capital Projects
Community Development	Recreation Expendable Trust	Library Expendable Trust	Cemetary Expendable Trust	Community Parks Expendable Trust	Industrial Park Construction
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
634,226	-	-	-	-	659,740
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	18	5	-
-	20,070	4,325	-	-	-
<u>634,226</u>	<u>20,070</u>	<u>4,325</u>	<u>18</u>	<u>5</u>	<u>659,740</u>
-	-	-	-	-	-
-	-	-	-	-	-
17,092	-	-	-	-	1,084
-	949	2,197	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
904,277	-	-	-	-	1,066,124
-	-	-	-	-	-
-	-	-	-	-	-
<u>921,369</u>	<u>949</u>	<u>2,197</u>	<u>-</u>	<u>-</u>	<u>1,067,208</u>
(287,143)	19,121	2,128	18	5	(407,468)
-	-	-	-	-	942,275
-	-	-	-	-	-
-	-	-	-	-	942,275
<u>(287,143)</u>	<u>19,121</u>	<u>2,128</u>	<u>18</u>	<u>5</u>	<u>534,807</u>
159,034	23,660	1,250	5,273	1,410	28,664
-	-	-	-	-	-
<u>159,034</u>	<u>23,660</u>	<u>1,250</u>	<u>5,273</u>	<u>1,410</u>	<u>28,664</u>
<u>\$ (128,109)</u>	<u>\$ 42,781</u>	<u>\$ 3,378</u>	<u>\$ 5,291</u>	<u>\$ 1,415</u>	<u>\$ 563,471</u>

STATE OF NEW MEXICO
City of Hobbs
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2011

	Capital Projects			
	Parks Improvement	Capital Projects	Capital Improvements	Street Improvements
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	667,235
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	1,085,122
State operating grants	-	-	-	-
State capital grants	-	-	3,759	430,906
Local sources	-	2,547,437	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	5,773	-	-	5,408
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>5,773</u>	<u>2,547,437</u>	<u>3,759</u>	<u>2,188,671</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	1,153	13,444	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	61,351	5,112,294	80,607	1,934,034
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>61,351</u>	<u>5,113,447</u>	<u>94,051</u>	<u>1,934,034</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(55,578)</u>	<u>(2,566,010)</u>	<u>(90,292)</u>	<u>254,637</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>Net change in fund balances</i>	<u>(55,578)</u>	<u>(2,566,010)</u>	<u>(90,292)</u>	<u>254,637</u>
<i>Fund balances - beginning of year</i>	1,664,175	3,624,448	305,421	1,631,871
<i>Restatement (Note 21)</i>	-	1,255,222	-	-
<i>Fund balances-beginning of year, as restated</i>	<u>1,664,175</u>	<u>4,879,670</u>	<u>305,421</u>	<u>1,631,871</u>
<i>Fund balances - end of year</i>	<u>\$ 1,608,597</u>	<u>\$ 2,313,660</u>	<u>\$ 215,129</u>	<u>\$ 1,886,508</u>

The accompanying notes are an integral part of these financial statements

<u>Capital Projects</u>	
<u>City Commission Improvement</u>	<u>Total Nonmajor Governmental Funds</u>
\$ -	\$ -
1,905,903	1,905,903
-	667,235
-	862,268
-	356,726
-	2,427,559
-	485,033
-	434,665
-	2,547,437
-	231,527
-	131,383
-	17,561
-	58,875
<u>1,905,903</u>	<u>10,126,172</u>
-	-
-	205,207
-	32,773
-	28,559
53,088	837,330
-	666,596
19,890	9,311,799
-	171,582
-	3,435
<u>72,978</u>	<u>11,257,281</u>
<u>1,832,925</u>	<u>(1,131,109)</u>
-	1,145,717
<u>(3,149,919)</u>	<u>(3,605,832)</u>
<u>(3,149,919)</u>	<u>(2,460,115)</u>
<u>(1,316,994)</u>	<u>(3,591,224)</u>
3,699,271	13,341,104
<u>(1,255,222)</u>	<u>(52,138)</u>
<u>2,444,049</u>	<u>13,288,966</u>
<u>\$ 1,127,055</u>	<u>\$ 9,697,742</u>

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STATE OF NEW MEXICO
City of Hobbs
Local Government Corrections Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	196,000	131,383	131,383	-
Investment income	-	829	829	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>196,000</u>	<u>132,212</u>	<u>132,212</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	68,500	56,356	56,356	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>68,500</u>	<u>56,356</u>	<u>56,356</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>127,500</u>	<u>75,856</u>	<u>75,856</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	(127,500)	(75,856)	-	75,856
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(127,500)</u>	<u>(75,856)</u>	<u>-</u>	<u>75,856</u>
<i>Net change in fund balance</i>	-	-	75,856	75,856
<i>Fund balance - beginning of year</i>	-	-	176,242	176,242
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 252,098</u>	<u>\$ 252,098</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ 75,856	
No adjustments to revenues.			-	
No adjustments to expenditures.			-	
Net change in fund balance (GAAP)			<u>\$ 75,856</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Hobbs
Police Protection Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final	(Non-GAAP Budgetary Basis)	Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	72,000	71,400	71,400	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>72,000</u>	<u>71,400</u>	<u>71,400</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	59,610	71,966	71,966	-
Public works	-	-	-	-
Culture and recreation	1,878	1,878	-	1,878
Health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	10,512	(1,878)	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>72,000</u>	<u>71,966</u>	<u>71,966</u>	<u>1,878</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>(566)</u>	<u>(566)</u>	<u>1,878</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	-	566	-	(566)
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>566</u>	<u>-</u>	<u>(566)</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>(566)</u>	<u>(566)</u>
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>1,590</u>	<u>1,590</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,024</u>	<u>\$ 1,024</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ (566)	
Adjustments to revenues for prior period accruals of grant funds to be repaid to grantor.			1,590	
No adjustments to expenditures.			-	
Net change in fund balance (GAAP)			<u>\$ 1,024</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Hobbs
Police Narcotics Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Economic development	-	-	-	-
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>				
Designated cash (budgeted cash increase)	-	-	-	-
Loan proceeds	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>10,896</u>	<u>10,896</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 10,896</u>	<u>\$ 10,896</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ -	
No adjustments to revenues.			-	
No adjustments to expenditures.			-	
Net change in fund balance (GAAP)			<u>\$ -</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Hobbs
Lea County Drug Task Force Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	300,000	185,611	185,611	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>300,000</u>	<u>185,611</u>	<u>185,611</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(300,000)</u>	<u>(185,611)</u>	<u>(185,611)</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	300,000	80,145	-	(80,145)
Transfers in	-	105,466	105,466	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>300,000</u>	<u>185,611</u>	<u>105,466</u>	<u>(80,145)</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>(80,145)</u>	<u>(80,145)</u>
<i>Fund balance - beginning of year</i>	-	-	132,270	132,270
<i>Restatement of fund balance (Note 21)</i>	-	-	(52,125)	(52,125)
<i>Fund balance - beginning of year, as restated</i>	<u>-</u>	<u>-</u>	<u>80,145</u>	<u>80,145</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ (80,145)	
Adjustments to revenues for grant accruals recognized in the prior year and restated.			13	
Adjustments to expenditures for accounts payable accrued in the prior year.			185,611	
Net change in fund balance (GAAP)			<u>\$ 105,479</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Hobbs
COPS Grant Fund Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	12,055	12,055	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>12,055</u>	<u>12,055</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>(12,055)</u>	<u>(12,055)</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	-	-	-	-
Transfers in	-	12,055	12,055	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>12,055</u>	<u>12,055</u>	<u>-</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ -	
Adjustments to revenues for grant accruals.			12,001	
No adjustments to expenditures.			-	
Net change in fund balance (GAAP)			<u>\$ 12,001</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Hobbs
Older American Act Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	53,000	-	-	-
<i>Total revenues</i>	<u>53,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	737,580	-	-	-
Economic development	-	-	-	-
Capital outlay	360,217	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>1,097,797</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(1,044,797)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	340,274	1,000	-	(1,000)
Transfers in	704,523	-	-	-
Transfers out	-	(1,000)	(1,000)	-
<i>Total other financing sources (uses)</i>	<u>1,044,797</u>	<u>-</u>	<u>(1,000)</u>	<u>(1,000)</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>(1,000)</u>	<u>(1,000)</u>
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>1,000</u>	<u>1,000</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ (1,000)	
Adjustments to revenues for miscellaneous revenues.			2	
Adjustments to transfer prior period accruals to General Fund.			(120,302)	
Net change in fund balance (GAAP)			<u>\$ (121,300)</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Hobbs
Golf Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	357,500	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>357,500</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	606,074	-	-	-
Health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	268,694	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>874,768</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(517,268)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	1,000	1,000	-	(1,000)
Transfers in	516,268	-	-	-
Transfers out	-	(1,000)	(1,000)	-
<i>Total other financing sources (uses)</i>	<u>517,268</u>	<u>-</u>	<u>(1,000)</u>	<u>(1,000)</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>(1,000)</u>	<u>(1,000)</u>
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>1,000</u>	<u>1,000</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ (1,000)	
No adjustments to revenues.			-	
Adjustments to transfer prior period accruals to General Fund.			18,118	
Net change in fund balance (GAAP)			<u>\$ 17,118</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Hobbs
Cemetery Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final	(Non-GAAP Budgetary Basis)	Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	146,250	193,617	193,617	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>146,250</u>	<u>193,617</u>	<u>193,617</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	238,840	253,731	253,731	-
Economic development	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>238,840</u>	<u>253,731</u>	<u>253,731</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(92,590)</u>	<u>(60,114)</u>	<u>(60,114)</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	1,000	1,000	-	(1,000)
Transfers in	91,590	59,114	59,114	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>92,590</u>	<u>60,114</u>	<u>59,114</u>	<u>(1,000)</u>
<i>Net change in fund balance</i>	-	-	(1,000)	(1,000)
<i>Fund balance - beginning of year</i>	-	-	1,000	1,000
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ (1,000)	
No adjustments to revenues.			-	
Adjustments to expenditures for payroll accruals.			<u>3,512</u>	
Net change in fund balance (GAAP)			<u>\$ 2,512</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Hobbs
Airport Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	500	485	485	-
Miscellaneous	17,000	33,786	33,786	-
<i>Total revenues</i>	<u>17,500</u>	<u>34,271</u>	<u>34,271</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	60,500	27,754	27,754	-
Health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>60,500</u>	<u>27,754</u>	<u>27,754</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(43,000)</u>	<u>6,517</u>	<u>6,517</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	43,000	(6,517)	-	6,517
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>43,000</u>	<u>(6,517)</u>	<u>-</u>	<u>6,517</u>
<i>Net change in fund balance</i>	-	-	6,517	6,517
<i>Fund balance - beginning of year</i>	-	-	140,639	140,639
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 147,156</u>	<u>\$ 147,156</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ 6,517	
No adjustments to revenues.			-	
Adjustments to expenditures for accounts payable accruals.			2,341	
Net change in fund balance (GAAP)			<u>\$ 8,858</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Hobbs
Lodger's Tax Promotional Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final	(Non-GAAP Budgetary Basis)	Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ 600,000	\$ 795,559	\$ 795,559	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	1,960	2,299	2,299	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>601,960</u>	<u>797,858</u>	<u>797,858</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Economic development	772,864	679,018	679,018	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>772,864</u>	<u>679,018</u>	<u>679,018</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(170,904)</u>	<u>118,840</u>	<u>118,840</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	170,904	(118,840)	-	118,840
Transfers in	-	-	-	-
Transfers out	-	-	(34,093)	(34,093)
<i>Total other financing sources (uses)</i>	<u>170,904</u>	<u>(118,840)</u>	<u>(34,093)</u>	<u>84,747</u>
<i>Net change in fund balance</i>	-	-	84,747	84,747
<i>Fund balance - beginning of year</i>	-	-	608,093	608,093
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 692,840</u>	<u>\$ 692,840</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ 84,747	
Adjustments to revenues for tax accruals.			66,709	
Adjustments to expenditures for accounts payable accruals.			12,422	
Net change in fund balance (GAAP)			<u>\$ 163,878</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Hobbs
McAdams Park Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final	(Non-GAAP Budgetary Basis)	Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	30,000	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>30,000</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	313,768	-	-	-
Health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	7,500	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>321,268</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(291,268)</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	291,268	1,000	-	(1,000)
Transfers in	-	-	-	-
Transfers out	-	(1,000)	(1,000)	-
<i>Total other financing sources (uses)</i>	<u>291,268</u>	<u>-</u>	<u>(1,000)</u>	<u>(1,000)</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>(1,000)</u>	<u>(1,000)</u>
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>1,000</u>	<u>1,000</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ (1,000)	
Adjustments to revenues for miscellaneous revenues.			1	
Adjustments to transfer prior period accruals to General Fund.			10,689	
Net change in fund balance (GAAP)			<u>\$ 9,690</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Hobbs
Public Transportation Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	357,120	247,575	247,575	-
Federal capital grants	1,580,179	680,614	680,614	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	25,000	37,909	37,909	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>1,962,299</u>	<u>966,098</u>	<u>966,098</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	559,009	533,358	533,358	-
Economic development	-	-	-	-
Capital outlay	1,074,507	133,222	133,222	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>1,633,516</u>	<u>666,580</u>	<u>666,580</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>328,783</u>	<u>299,518</u>	<u>299,518</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	1,001	1,000	-	(1,000)
Transfers in	(329,784)	-	-	-
Transfers out	-	(300,518)	(300,518)	-
<i>Total other financing sources (uses)</i>	<u>(328,783)</u>	<u>(299,518)</u>	<u>(300,518)</u>	<u>(1,000)</u>
<i>Net change in fund balance</i>	-	-	(1,000)	(1,000)
<i>Fund balance - beginning of year</i>	-	-	1,000	1,000
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ (1,000)	
Adjustments to revenues for grant accruals.			(535,005)	
Adjustments to expenditures for payroll accruals.			10,530	
Net change in fund balance (GAAP)			<u>\$ (525,475)</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Hobbs
Fire Protection Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final	(Non-GAAP Budgetary Basis)	Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	270,000	397,352	397,352	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	2,950	2,744	2,744	-
Miscellaneous	10,000	691	691	-
<i>Total revenues</i>	<u>282,950</u>	<u>400,787</u>	<u>400,787</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	113,300	64,830	64,830	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	171,582	171,582	171,582	-
Interest	-	3,435	3,435	-
<i>Total expenditures</i>	<u>284,882</u>	<u>239,847</u>	<u>239,847</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(1,932)</u>	<u>160,940</u>	<u>160,940</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	1,932	(160,940)	-	160,940
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>1,932</u>	<u>(160,940)</u>	<u>-</u>	<u>160,940</u>
<i>Net change in fund balance</i>	-	-	160,940	160,940
<i>Fund balance - beginning of year</i>	-	-	653,139	653,139
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 814,079</u>	<u>\$ 814,079</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ 160,940	
Adjustments to revenues for grant accruals.			(5,309)	
Adjustments to expenditures for accounts payable accruals.			-	
Net change in fund balance (GAAP)			<u>\$ 155,631</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Hobbs
Emergency Medical Services Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	20,000	20,000	20,000	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	20,000	20,000	20,000	-
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	20,000	19,995	19,995	-
Economic development	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	20,000	19,995	19,995	-
<i>Excess (deficiency) of revenues over expenditures</i>	-	5	5	-
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	-	(5)	-	5
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	-	(5)	-	5
<i>Net change in fund balance</i>	-	-	5	5
<i>Fund balance - beginning of year</i>	-	-	882	882
<i>Fund balance - end of year</i>	\$ -	\$ -	\$ 887	\$ 887
Net change in fund balance (non-GAAP budgetary basis)			\$ 5	
No adjustments to revenues.			-	
Adjustments to expenditures for accounts payable accruals.			8,800	
Net change in fund balance (GAAP)			\$ 8,805	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Hobbs
Community Development Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	628,000	634,226	634,226	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>628,000</u>	<u>634,226</u>	<u>634,226</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	819,988	901,421	901,421	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>819,988</u>	<u>901,421</u>	<u>901,421</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(191,988)</u>	<u>(267,195)</u>	<u>(267,195)</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	191,988	267,195	-	(267,195)
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>191,988</u>	<u>267,195</u>	<u>-</u>	<u>(267,195)</u>
<i>Net change in fund balance</i>	-	-	(267,195)	(267,195)
<i>Fund balance - beginning of year</i>	-	-	165,750	165,750
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (101,445)</u>	<u>\$ (101,445)</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ (267,195)	
No adjustments to revenues.			-	
Adjustments to expenditures for accounts payable accruals.			(19,948)	
Net change in fund balance (GAAP)			<u>\$ (287,143)</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Hobbs
Recreation Expendable Trust Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	10,000	20,070	20,070	-
<i>Total revenues</i>	<u>10,000</u>	<u>20,070</u>	<u>20,070</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	10,000	949	949	-
Health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>10,000</u>	<u>949</u>	<u>949</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>19,121</u>	<u>19,121</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	-	(19,121)	-	19,121
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>(19,121)</u>	<u>-</u>	<u>19,121</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>19,121</u>	<u>19,121</u>
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>23,660</u>	<u>23,660</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 42,781</u>	<u>\$ 42,781</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ 19,121	
No adjustments to revenues.			-	
No adjustments to expenditures.			-	
Net change in fund balance (GAAP)			<u>\$ 19,121</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Hobbs
Library Expendable Trust Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	1,000	4,325	4,325	-
<i>Total revenues</i>	1,000	4,325	4,325	-
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	2,251	2,197	2,197	-
Health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	2,251	2,197	2,197	-
<i>Excess (deficiency) of revenues over expenditures</i>	(1,251)	2,128	2,128	-
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	1,251	(2,128)	-	2,128
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	1,251	(2,128)	-	2,128
<i>Net change in fund balance</i>	-	-	2,128	2,128
<i>Fund balance - beginning of year</i>	-	-	1,250	1,250
<i>Fund balance - end of year</i>	\$ -	\$ -	\$ 3,378	\$ 3,378
Net change in fund balance (non-GAAP budgetary basis)			\$ 2,128	
No adjustments to revenues.			-	
No adjustments to expenditures.			-	
Net change in fund balance (GAAP)			\$ 2,128	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Hobbs
Cemetery Expendable Trust Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	18	18	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	-	18	18	-
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	-	-	-	-
<i>Excess (deficiency) of revenues over expenditures</i>	-	18	18	-
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	-	(18)	-	18
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	-	(18)	-	18
<i>Net change in fund balance</i>	-	-	18	18
<i>Fund balance - beginning of year</i>	-	-	5,273	5,273
<i>Fund balance - end of year</i>	\$ -	\$ -	\$ 5,291	\$ 5,291
Net change in fund balance (non-GAAP budgetary basis)			\$ 18	
No adjustments to revenues.			-	
No adjustments to expenditures.			-	
Net change in fund balance (GAAP)			\$ 18	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Hobbs
Community Parks Expendable Trust Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	5	5	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>5</u>	<u>5</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>5</u>	<u>5</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	-	(5)	-	5
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>(5)</u>	<u>-</u>	<u>5</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>5</u>	<u>5</u>
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>1,410</u>	<u>1,410</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,415</u>	<u>\$ 1,415</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ 5	
No adjustments to revenues.			-	
No adjustments to expenditures.			-	
Net change in fund balance (GAAP)			<u>\$ 5</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Hobbs
Industrial Park Construction Capital Projects Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	870,317	942,275	942,275	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>870,317</u>	<u>942,275</u>	<u>942,275</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(870,317)</u>	<u>(942,275)</u>	<u>(942,275)</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	550,317	-	-	-
Transfers in	320,000	942,275	942,275	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>870,317</u>	<u>942,275</u>	<u>942,275</u>	<u>-</u>
<i>Net change in fund balance</i>	-	-	-	-
<i>Fund balance - beginning of year</i>	-	-	(46,510)	(46,510)
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (46,510)</u>	<u>\$ (46,510)</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ -	
Adjustments to revenues for grant accruals.			659,740	
Adjustments to expenditures for accounts payable accruals.			(124,933)	
Net change in fund balance (GAAP)			<u>\$ 534,807</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Hobbs
Parks Improvement Capital Projects Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final	(Non-GAAP Budgetary Basis)	Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	6,800	5,773	5,773	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>6,800</u>	<u>5,773</u>	<u>5,773</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	1,555,746	61,351	61,351	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>1,555,746</u>	<u>61,351</u>	<u>61,351</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(1,548,946)</u>	<u>(55,578)</u>	<u>(55,578)</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	1,548,946	55,578	-	(55,578)
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>1,548,946</u>	<u>55,578</u>	<u>-</u>	<u>(55,578)</u>
<i>Net change in fund balance</i>	-	-	(55,578)	(55,578)
<i>Fund balance - beginning of year</i>	-	-	1,664,175	1,664,175
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,608,597</u>	<u>\$ 1,608,597</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ (55,578)	
No adjustments to revenues.			-	
No adjustments to expenditures.			-	
Net change in fund balance (GAAP)			<u>\$ (55,578)</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Hobbs
Capital Projects Capital Projects Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final	(Non-GAAP Budgetary Basis)	Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Local sources	2,655,200	3,308,001	3,308,001	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>2,655,200</u>	<u>3,308,001</u>	<u>3,308,001</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	1,153	1,153	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	13,053,195	5,479,141	5,479,141	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>13,053,195</u>	<u>5,480,294</u>	<u>5,480,294</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(10,397,995)</u>	<u>(2,172,293)</u>	<u>(2,172,293)</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	10,397,995	2,172,293	-	(2,172,293)
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>10,397,995</u>	<u>2,172,293</u>	<u>-</u>	<u>(2,172,293)</u>
<i>Net change in fund balance</i>	-	-	(2,172,293)	(2,172,293)
<i>Fund balance - beginning of year</i>	-	-	4,314,580	4,314,580
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,142,287</u>	<u>\$ 2,142,287</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ (2,172,293)	
Adjustments to revenues for grant accruals.			(760,564)	
Adjustments to expenditures for accounts payable accruals.			366,847	
Net change in fund balance (GAAP)			<u>\$ (2,566,010)</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Hobbs
Capital Improvements Capital Projects Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final	(Non-GAAP Budgetary Basis)	Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	3,759	3,759	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>3,759</u>	<u>3,759</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	110,000	13,442	13,442	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	113,695	90,537	90,537	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>223,695</u>	<u>103,979</u>	<u>103,979</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(223,695)</u>	<u>(100,220)</u>	<u>(100,220)</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	223,695	100,220	-	(100,220)
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>223,695</u>	<u>100,220</u>	<u>-</u>	<u>(100,220)</u>
<i>Net change in fund balance</i>	-	-	(100,220)	(100,220)
<i>Fund balance - beginning of year</i>	-	-	315,349	315,349
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 215,129</u>	<u>\$ 215,129</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ (100,220)	
No adjustments to revenues.			-	
Adjustments to expenditures for accounts payable accruals.			9,928	
Net change in fund balance (GAAP)			<u>\$ (90,292)</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Hobbs
Street Improvements Capital Projects Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final	(Non-GAAP Budgetary Basis)	Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ 630,000	\$ 612,712	\$ 612,712	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	375,000	378,127	378,127	-
State operating grants	-	-	-	-
State capital grants	3,376,020	334,442	334,442	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	8,100	5,410	5,410	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>4,389,120</u>	<u>1,330,691</u>	<u>1,330,691</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	5,005,235	1,890,072	1,890,072	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>5,005,235</u>	<u>1,890,072</u>	<u>1,890,072</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(616,115)</u>	<u>(559,381)</u>	<u>(559,381)</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	616,115	559,381	-	(559,381)
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>616,115</u>	<u>559,381</u>	<u>-</u>	<u>(559,381)</u>
<i>Net change in fund balance</i>	-	-	(559,381)	(559,381)
<i>Fund balance - beginning of year</i>	-	-	1,562,148	1,562,148
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,002,767</u>	<u>\$ 1,002,767</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ (559,381)	
Adjustments to revenues for gasoline tax accruals.			857,982	
Adjustments to expenditures for accounts payable accruals.			(43,964)	
Net change in fund balance (GAAP)			<u>\$ 254,637</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Hobbs
City Commission Improvement Capital Projects Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2011

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ 1,640,000	\$ 2,238,201	\$ 2,238,201	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>1,640,000</u>	<u>2,238,201</u>	<u>2,238,201</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	98,010	98,010	98,010	-
Economic development	-	-	-	-
Capital outlay	606,000	19,890	19,890	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>704,010</u>	<u>117,900</u>	<u>117,900</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>935,990</u>	<u>2,120,301</u>	<u>2,120,301</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	1,563,929	1,029,618	-	(1,029,618)
Transfers in	-	-	-	-
Transfers out	<u>(2,499,919)</u>	<u>(3,149,919)</u>	<u>(3,149,919)</u>	<u>-</u>
<i>Total other financing sources (uses)</i>	<u>(935,990)</u>	<u>(2,120,301)</u>	<u>(3,149,919)</u>	<u>(1,029,618)</u>
<i>Net change in fund balance</i>	-	-	(1,029,618)	(1,029,618)
<i>Fund balance - beginning of year</i>	-	-	2,111,752	2,111,752
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,082,134</u>	<u>\$ 1,082,134</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ (1,029,618)	
Adjustments to revenues for gross receipts tax accruals.			(332,298)	
Adjustments to expenditures for accounts payable accruals.			44,922	
Net change in fund balance (GAAP)			<u>\$ (1,316,994)</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement C-1

City of Hobbs

Joint Utility Fund

Statement of Revenues, Expenses and Changes in Net Assets
 Budget (Non-GAAP Budgetary Basis) and Actual
 For the Year Ended June 30, 2011

	Budget Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final		
<i>Operating revenues:</i>				
Charges for services	\$ 10,141,527	\$ 10,308,666	\$ 10,308,666	\$ -
<i>Total operating revenues</i>	<u>10,141,527</u>	<u>10,308,666</u>	<u>10,308,666</u>	<u>-</u>
<i>Operating expenses:</i>				
Personnel services	3,349,359	3,111,035	3,111,035	-
Contractual services	146,376	82,544	82,544	-
Supplies	1,079,200	1,011,838	1,011,838	-
Maintenance and materials	250,800	179,028	179,028	-
Miscellaneous	182,500	164,075	164,075	-
Utilities	965,375	755,942	755,942	-
Equipment	406,500	389,980	389,980	-
<i>Total operating expenses</i>	<u>6,380,110</u>	<u>5,694,442</u>	<u>5,694,442</u>	<u>-</u>
<i>Operating income (loss)</i>	<u>3,761,417</u>	<u>4,614,224</u>	<u>4,614,224</u>	<u>-</u>
<i>Non-operating revenues (expenses):</i>				
Capital outlay	(11,281,685)	(3,548,802)	(3,548,802)	-
Principal payments	(4,662,090)	(3,316,605)	(3,316,605)	-
Loan proceeds	430,000	90,000	90,000	-
Interest expense	(708,998)	(155,371)	(155,371)	-
Interest income	17,950	12,085	12,085	-
Miscellaneous income	-	10,805	10,805	-
<i>Total non-operating revenues (expenses)</i>	<u>(16,204,823)</u>	<u>(6,907,888)</u>	<u>(6,907,888)</u>	<u>-</u>
Government contributions	1,293,958	96,229	96,229	-
Transfers in	999,919	1,076,454	1,076,454	-
Transfers out	-	-	-	-
<i>Change in net assets</i>	<u>\$ (10,149,529)</u>	<u>\$ (1,120,981)</u>	<u>(1,120,981)</u>	<u>\$ -</u>
<i>Reconciliation to GAAP basis:</i>				
Depreciation			(6,251,414)	
Adjustments to revenues for accounts receivable accruals			178,397	
Adjustments to expenditures for accounts payable and payroll accruals			(1,347,172)	
Capital asset additions			5,191,969	
Capital asset additions in accounts payable accruals			(456,833)	
Debt service principal payments			3,316,605	
Bad debt expense			(259,028)	
Capital assets transferred in			(580,196)	
Loss on sale of capital assets			(46,972)	
Donation of capital asset in CIP			2,100,000	
Proceeds from notes payable			(90,000)	
<i>Change in net assets per Exhibit D-2</i>			<u>634,375</u>	
<i>Total net assets, beginning of year</i>			28,273,401	
<i>Restatement of net assets (Note 22)</i>			(411,531)	
<i>Total net assets, beginning of year, as restated</i>			<u>27,861,870</u>	
<i>Total net assets, end of year</i>			<u>\$ 28,496,245</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

Statement C-2

City of Hobbs

Solid Waste Disposal Fund

Statement of Revenues, Expenses and Changes in Net Assets

Budget (GAAP Basis) and Actual

For the Year Ended June 30, 2011

	Budget Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final		
<i>Operating revenues:</i>				
Charges for services	\$ 3,975,000	\$ 5,112,552	\$ 5,112,552	\$ -
<i>Total operating revenues</i>	<u>3,975,000</u>	<u>5,112,552</u>	<u>5,112,552</u>	<u>-</u>
<i>Operating expenses:</i>				
Personnel services	-	-	-	-
Utilities	-	-	-	-
Contractual services	3,975,000	5,309,340	5,309,340	-
Supplies	-	-	-	-
Maintenance and materials	-	-	-	-
Gross receipts taxes	-	-	-	-
Other costs	-	-	-	-
<i>Total operating expenses</i>	<u>3,975,000</u>	<u>5,309,340</u>	<u>5,309,340</u>	<u>-</u>
<i>Operating income (loss)</i>	<u>-</u>	<u>(196,788)</u>	<u>(196,788)</u>	<u>-</u>
<i>Non-operating revenues (expenses):</i>				
Gross receipts taxes	-	-	-	-
Interest expense	-	-	-	-
Interest income	-	-	-	-
Miscellaneous income	-	-	-	-
<i>Total non-operating revenues (expenses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Government contributions	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Change in net assets</i>	<u>\$ -</u>	<u>\$ (196,788)</u>	<u>(196,788)</u>	<u>\$ -</u>
<i>Reconciliation to GAAP basis:</i>				
Adjustments to revenues for accounts receivable accruals			77,090	
Adjustments to expenditures for accounts payable accruals			334,034	
Bad debt expense			<u>(132,498)</u>	
<i>Change in net assets per Exhibit D-2</i>			<u>81,838</u>	
<i>Total net assets, beginning of year</i>			(4,640)	
<i>Restatement of net assets (Note 22)</i>			<u>562,208</u>	
<i>Total net assets, beginning of year, as restated</i>			<u>557,568</u>	
<i>Total net assets, end of year</i>			<u>\$ 639,406</u>	

The accompanying notes are an integral part of these financial statements

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STATE OF NEW MEXICO

Statement C-3

City of Hobbs

Risk Management Internal Service Fund

Statement of Revenues, Expenses and Changes in Net Assets

Budget (GAAP Basis) and Actual

For the Year Ended June 30, 2011

	Budget Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final		
<i>Operating revenues:</i>				
Charges for services	\$ 6,083,760	\$ 5,575,996	\$ 5,575,996	\$ -
<i>Total operating revenues</i>	<u>6,083,760</u>	<u>5,575,996</u>	<u>5,575,996</u>	<u>-</u>
<i>Operating expenses:</i>				
Personnel services	-	-	-	-
Utilities	-	-	-	-
Contractual services	6,083,760	5,558,611	5,558,611	-
Supplies	-	-	-	-
Maintenance and materials	-	-	-	-
Gross receipts taxes	-	-	-	-
Other costs	-	-	-	-
<i>Total operating expenses</i>	<u>6,083,760</u>	<u>5,558,611</u>	<u>5,558,611</u>	<u>-</u>
<i>Operating income (loss)</i>	<u>-</u>	<u>17,385</u>	<u>17,385</u>	<u>-</u>
<i>Non-operating revenues (expenses):</i>				
Gross receipts taxes	-	-	-	-
Interest expense	-	-	-	-
Interest income	1,700	1,597	1,597	-
Miscellaneous income	-	-	-	-
<i>Total non-operating revenues (expenses)</i>	<u>1,700</u>	<u>1,597</u>	<u>1,597</u>	<u>-</u>
Government contributions	-	-	-	-
Transfers in	2,000,000	2,000,000	2,000,000	-
Transfers out	-	-	-	-
<i>Change in net assets</i>	<u>\$ 2,001,700</u>	<u>\$ 2,018,982</u>	<u>2,018,982</u>	<u>\$ -</u>
<i>Reconciliation to GAAP basis:</i>				
No adjustments to revenues			-	
Adjustments to expenditures for accounts payable accruals			<u>60,474</u>	
<i>Change in net assets per Exhibit D-2</i>			2,079,456	
<i>Total net assets, beginning of year</i>			<u>969,569</u>	
<i>Total net assets, end of year</i>			<u>\$ 3,049,025</u>	

The accompanying notes are an integral part of these financial statements

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REQUIRED SUPPLEMENTARY INFORMATION

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STATE OF NEW MEXICO
City of Hobbs
Schedule of OPEB Funding Progress
June 30, 2011

Schedule I

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, 2011	\$ -	\$ 25,041,187	\$ 25,041,187	\$ -	\$ 21,575,758	116.06%
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%

Fiscal year ended	Annual OPEB cost	Actual employer contributions	Percentage contributed
June 30, 2011	\$ 2,574,084	\$ 350,932	13.63%
June 30, 2010	\$ 1,669,795	\$ 422,289	25.29%
June 30, 2009	\$ 1,663,572	\$ 429,093	25.79%

See independent auditors' report

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SUPPORTING SCHEDULES

STATE OF NEW MEXICO
City of Hobbs
Schedule of Deposit and Investment Accounts
June 30, 2011

Schedule II

Bank Name/Account Name	Account Type	Bank Balance	Deposits in Transit	Outstanding Checks	Book Balance
Lea County State Bank					
City of Hobbs - Motor Vehicle Department	Checking	\$ 87,621	\$ 21,766	\$ 110,355	\$ (968)
City of Hobbs - Investment Account	Money Market	154,345	-	-	154,345
City of Hobbs	Checking	1	12,086	1,037,879	(1,025,792)
Inmate Trust Account	Checking	16,357	-	-	16,357
Special Operations - Police	Checking	2,380	-	-	2,380
City of Hobbs Savings	Repurchase	3,446,071	-	-	3,446,071
City of Hobbs Mun. Judge Trust	Checking	130,959	-	1,424	129,535
Total Lea County State Bank		<u>3,837,734</u>	<u>33,852</u>	<u>1,149,658</u>	<u>2,721,928</u>
Wells Fargo Bank					
City of Hobbs	Checking	-	-	-	-
Hobbs Police Dept - Evidence Trust	Checking	57,232	-	-	57,232
HPD - Crime Prevention	CD	862	-	-	862
Total Wells Fargo Bank		<u>58,094</u>	<u>-</u>	<u>-</u>	<u>58,094</u>
Pioneer Bank					
Certificate of Deposit - Investment	CD	99,000	-	-	99,000
Total Pioneer Bank		<u>99,000</u>	<u>-</u>	<u>-</u>	<u>99,000</u>
Total deposits and investments		<u>\$ 3,994,828</u>	<u>\$ 33,852</u>	<u>\$ 1,149,658</u>	2,879,022
Plus: petty cash					8,930
Add: cash equivalents held in the State Treasurer Local Government Investment Pool (LGIP)					54,584,113
Add: United States Treasury Bills					1,497,987
Less: agency cash per Exhibit F-1					(260,058)
Less: investments per Exhibit A-1					(1,722,289)
Less: restricted cash and cash equivalents per Exhibit A-1					(3,983,109)
Cash and cash equivalents per Exhibit A-1					<u>\$53,004,596</u>

See independent auditors' report

STATE OF NEW MEXICO

Schedule III

City of Hobbs

Schedule of Collateral Pledged By Depository for Public Funds

June 30, 2011

Name of Depository	Description of Pledged Collateral	Type of Pledged Collateral	Maturity	CUSIP Number	Par Value at June 30, 2011	Name and Location of Safekeeper
Lea County State Bank						
	Grants & Cibola 4.5%	Muni	10/1/2013	388240CK7	\$ 135,000	Lea County State Bank, Hobbs, NM
	Artesia NM Wtr Swr 4%	Muni	6/1/2023	04310LAPS	725,000	Lea County State Bank, Hobbs, NM
	US Treasury	T-Bill	12/31/2015	912828PM6	<u>3,514,982</u>	Lea County State Bank, Hobbs, NM
	Total Pledged Collateral				<u>\$ 4,374,982</u>	

See independent auditors' report

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STATE OF NEW MEXICO
City of Hobbs
Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2011

	Balance at June 30, 2010	Receipts	Disbursements	Balance at June 30, 2011
Motor Vehicle				
Assets				
Cash and cash equivalents	\$ (40)	\$ 4,903,176	\$ 4,903,136	\$ -
Other receivables	-	634	-	634
Total assets	\$ (40)	\$ 4,903,810	\$ 4,903,136	\$ 634
Liabilities				
Deposits held in trust for others	\$ (40)	\$ 4,903,810	\$ 4,903,136	\$ 634
Total liabilities	\$ (40)	\$ 4,903,810	\$ 4,903,136	\$ 634
Municipal Judge				
Assets				
Cash and cash equivalents	\$ 124,696	\$ 131,364	\$ 125,142	\$ 130,918
Total assets	\$ 124,696	\$ 131,364	\$ 125,142	\$ 130,918
Liabilities				
Deposits held in trust for others	\$ 124,696	\$ 131,364	\$ 125,142	\$ 130,918
Total liabilities	\$ 124,696	\$ 131,364	\$ 125,142	\$ 130,918
Crime Lab				
Assets				
Cash and cash equivalents	\$ 32,767	\$ 87,634	\$ 83,997	\$ 36,404
Total assets	\$ 32,767	\$ 87,634	\$ 83,997	\$ 36,404
Liabilities				
Accounts payable	\$ 6,859	\$ 6,485	\$ 6,859	\$ 6,485
Deposits held in trust for others	25,908	81,149	77,138	29,919
Total liabilities	\$ 32,767	\$ 87,634	\$ 83,997	\$ 36,404

See independent auditors' report

STATE OF NEW MEXICO
City of Hobbs
Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2011

	Balance at June 30, 2010	Receipts	Disbursements	Balance at June 30, 2011
Senior Citizen				
Assets				
Cash and cash equivalents	\$ -	\$ 2,681	\$ 360	\$ 2,321
Total assets	\$ -	\$ 2,681	\$ 360	\$ 2,321
Liabilities				
Deposits held in trust for others	\$ -	\$ 2,681	\$ 360	\$ 2,321
Total liabilities	\$ -	\$ 2,681	\$ 360	\$ 2,321
Hobbs Beautiful				
Assets				
Cash and cash equivalents	\$ 28,101	\$ 6,258	\$ 12,629	\$ 21,730
Total assets	\$ 28,101	\$ 6,258	\$ 12,629	\$ 21,730
Liabilities				
Accrued payroll	\$ -	\$ 256	\$ -	\$ 256
Deposits held in trust for others	28,101	6,002	12,629	21,474
Total liabilities	\$ 28,101	\$ 6,258	\$ 12,629	\$ 21,730
City Agency				
Assets				
Cash and cash equivalents	\$ 3,044	\$ 1,663	\$ 1,752	\$ 2,955
Total assets	\$ 3,044	\$ 1,663	\$ 1,752	\$ 2,955
Liabilities				
Deposits held in trust for others	\$ 3,044	\$ 1,663	\$ 1,752	\$ 2,955
Total liabilities	\$ 3,044	\$ 1,663	\$ 1,752	\$ 2,955

See independent auditors' report

STATE OF NEW MEXICO
City of Hobbs
Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2011

	Balance at June 30, 2010	Receipts	Disbursements	Balance at June 30, 2011
Evidence Fund				
Assets				
Cash and cash equivalents	\$ 64,667	\$ -	\$ 7,435	\$ 57,232
Total assets	\$ 64,667	\$ -	\$ 7,435	\$ 57,232
Liabilities				
Deposits held in trust for others	\$ 64,667	\$ -	\$ 7,435	\$ 57,232
Total liabilities	\$ 64,667	\$ -	\$ 7,435	\$ 57,232
Foreclosure Trust				
Assets				
Cash and cash equivalents	\$ -	\$ 8,498	\$ -	\$ 8,498
Total assets	\$ -	\$ 8,498	\$ -	\$ 8,498
Liabilities				
Deposits held in trust for others	\$ -	\$ 8,498	\$ -	\$ 8,498
Total liabilities	\$ -	\$ 8,498	\$ -	\$ 8,498
Total - All Agency Funds				
Assets				
Cash and cash equivalents	\$ 253,235	\$ 5,141,274	\$ 5,134,451	\$ 260,058
	-	634	-	634
Total assets	\$ 253,235	\$ 5,141,908	\$ 5,134,451	\$ 260,692
Liabilities				
Accounts payable	\$ 6,859	\$ 6,485	\$ 6,859	\$ 6,485
Accrued payroll	-	256	-	256
Deposits held in trust for others	246,376	5,135,167	5,127,592	253,951
Total liabilities	\$ 253,235	\$ 5,141,908	\$ 5,134,451	\$ 260,692

See independent auditors' report

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COMPLIANCE SECTION



Accounting & Consulting Group, LLP
Certified Public Accountants

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

Hector Balderas
New Mexico State Auditor
The U.S. Office of Management and Budget and
The City Commission
City of Hobbs
Hobbs, New Mexico

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparison for the general fund of the City of Hobbs, New Mexico (City) as of and for the year ended June 30, 2011, which collectively comprise the City's basic financial statements as listed in the table of contents, and have issued our report thereon dated December 1, 2011. We also have audited the financial statements of each of the City's nonmajor governmental funds, the internal service fund, and the enterprise funds and the respective budgetary comparisons presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2011. 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. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above. However, we identified certain deficiencies in internal control over financial reporting that we consider to be significant deficiencies in internal control over financial reporting, identified in the accompanying Schedule of Findings and Questioned Costs as items FS 2011-1 and FS 2011-3. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

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 no instance of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

We noted certain matters that are required to be reported pursuant to *Government Auditing Standards* paragraphs 5.14 and 5.16, and Section 12-6-5, NMSA 1978, which are described in the accompanying schedule of findings and responses as items FS 2008-1, FS 2010-2, FS 2011-2, FS 2011-4 and FS 2011-5.

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 them.

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

Accounting & Consulting Group, LLP

Accounting & Consulting Group, LLP
Albuquerque, New Mexico
December 1, 2011

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FEDERAL FINANCIAL ASSISTANCE



Accounting & Consulting Group, LLP
Certified Public Accountants

REPORT ON COMPLIANCE WITH REQUIREMENTS THAT COULD HAVE A DIRECT AND MATERIAL EFFECT ON EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE IN ACCORDANCE WITH OMB CIRCULAR A-133

Hector Balderas
New Mexico State Auditor
The Office of Management and Budget and
The City Commission
City of Hobbs
Hobbs, New Mexico

Compliance

We have audited the compliance of City of Hobbs, New Mexico (City) with the types of compliance requirements described in the U.S. Office of Management and Budget (OMB) *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011. The City's major federal programs are identified in the summary of auditors' 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 program 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 compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2011.

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 the 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. However, we identified a certain deficiency in internal control over compliance that we consider to be a significant deficiency as described in the accompanying schedule of findings and questioned costs as item FA 2011-1. A *significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

The City's response to the finding 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 management, others within City of Hobbs, the audit committee, the State Auditor, the City Council, the New Mexico Legislature, the New Mexico Department of Finance and Administration, and applicable federal grantors, and is not intended to be and should not be used by anyone other than these parties.

Accounting & Consulting Group, LLP

Accounting & Consulting Group, LLP
Albuquerque, NM
December 1, 2011

STATE OF NEW MEXICO
City of Hobbs
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

Schedule V
(Page 1 of 2)

Funding Source/Grant or Contact Name	CFDA Number	Federal Grantors Number	Expenditures
U.S. Department of Agriculture			
Emergency Food Assistance Program	10.569	2011	\$ 22,503
Emergency Food Assistance Program - Commodities	10.569	2010-11-68027	50,669
Total U.S. Department of Agriculture			<u>73,172</u>
U.S. Department of Energy			
Energy Efficiency and Conservation Block Grant Program - Recovery Act (1)	81.128	EECBG RW0000033	128,700
U.S. Department of Housing and Urban Development Passed through the State of New Mexico Local Government			
Community Development Block Grants/State's Program	14.228	10-C-NR-I-01-G-35	500,000
Community Development Block Grants/State's Program	14.228	B-05-SP-NM-0188	677,739
Total U.S. Department of Housing and Urban			<u>1,177,739</u>
U.S. Department of Justice			
Edward Byrne Memorial Justice Assistance Grant (JAG)	16.81	2010-DJ-BX-0615	30,658
Edward Byrne Memorial Justice Assistance Grant (JAG)	16.81	2010-DJ-BX-0960	41,412
Edward Byrne Memorial Justice Assistance Grant (JAG) - Recovery Act	16.8	2009-SB-B9-1929	29,168
Bulletproof Vest Partnership Program	16.61		10,068
Public Safety Partnership and Community Policing Grants	16.710	2010UMWX	12,001
Total U.S. Department of Justice			<u>123,307</u>
U.S. Department of Transportation			
Passed through NM Department of Transportation			
Urban Mass Transit Authority (1)	20.51	MOA FY 10/11	264,743
Urban Mass Transit Authority (1)	20.51	MOA FY 09/10	39,404
Urban Mass Transit Authority - Recovery Act (1)	20.51	FTA TPO-0218-	68,754
Highway Planning and Construction (1)	20.21	1(1)51CNL	829,973
Highway Planning and Construction - Recovery Act (1)	20.21	ES21320	330,616
Total U.S. Department of Transportation			<u>1,533,490</u>
Total Federal Financial Assistance			<u>\$ 3,036,408</u>

(1) Denotes Major Federal Financial Assistance Program

See independent auditors' report

STATE OF NEW MEXICO
City of Hobbs
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2011

Schedule V
(Page 2 of 2)

Notes to Schedule of Expenditures of Federal Awards

1. Basis of Presentation

The accompanying Schedule of Expenditures of Federal Awards (Schedule) includes the federal grant activity of the City of Hobbs (the City) and is presented on the modified accrual basis of accounting, which is the same basis as was used to prepare the fund financial statements except for the proprietary funds, which are prepared on the accrual basis. 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*.

2. Subrecipients

The City did not provide any federal awards to subrecipients during the year.

3. Noncash Assistance

The City expended \$50,669 in noncash assistance in the form of agricultural commodities received from the United States Department of Agriculture.

Reconciliation of Schedule of Expenditures of Federal Awards to Financial Statements:

Total federal awards expended per Schedule of Expenditures of Federal Awards	\$ 3,036,408
Total expenditures funded by other sources	<u>71,143,350</u>
Total expenditures	<u><u>\$ 74,179,758</u></u>

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STATE OF NEW MEXICO
City of Hobbs
Schedule of Findings and Questioned Costs
June 30, 2011

Section I – Summary of Audit Results

Financial Statements:

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

Federal Awards:

- | | |
|---|-------------|
| 1. Internal control over major programs: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified not considered to be material weaknesses? | Yes |
| 2. Type of auditors’ report issued on compliance for major programs | Unqualified |
| 3. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? | Yes |
| 4. Identification of major programs: | |

CFDA Number	Federal Program
20.509	Urban Mass Transit
20.205	Highway Planning and Construction
81.128	Energy Efficiency and Conservation Block Grant Program

- | | |
|---|-----------|
| 5. Dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 6. Auditee qualified as low-risk auditee? | No |

Section II – Prior Year Audit Findings

Prior Year Audit Findings

Financial Statement Findings

	Disposition
2008-1 Municipal Court Receipts Reconciliation	Modified and Repeated
2009-2 Inadequate Documentation of Receipts and Deposits Not Made Timely	Resolved
2009-3 Alleged Embezzlement	Resolved
2010-1 Accurate time cards	Resolved
2010-2 Deposits Not Made Timely	Modified and Repeated
2010-3 Employees paid for time not in the service of the City	Resolved
2010-4 Lack of separation o duties and substitution of assets related to cash	Resolved
2010-5 Duplicate reimbursement request	Resolved
2010-6 Quarterly grant reports do not agree to the underlying accounting records	Resolved

Section III – Findings - Financial Statement Audit

2008-1 – Municipal Court Receipts Reconciliation (Other Matter)

Condition: The Municipal Court receivable trial balances do not reconcile to the general ledger by \$89,895.

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

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

Effect: Municipal Court receivables are fully allowed for. There is no effect on net assets or on the change in net assets. The inability to track old cases in the Court software could lead to misposted payments.

Auditors' Recommendations: The City should ensure that the software used by the Municipal Court is capable of producing reliable receivables reports.

Views of Responsible Officials and Planned Corrective Actions: New software for the courts has been purchased and implemented. The journal entries can now be uploaded into the central accounting system, thereby eliminating the previous manual process. A system of checks and balances is also being put into place to ensure that the information going into the central accounting system is good information. The underlying cause of the reconciling issue has been identified and the City will continue to work with the new software vendor to resolve any outstanding issues and bring the court subsidiary ledger in balance with the general ledger.

Section III – Findings – Financial Statement Audit (continued)

2010-2 – Deposits Not Made Timely (Other Matter)

Condition: During extended procedures performed on cash receipts, we noted that one deposit from the Parks and Recreation Department totaling \$1,020.51 out of eighteen deposits, totaling \$10,247.96, was brought to the City for deposit in the bank account after more than 24 hours had passed since the receipt of the funds. The deposit was not made within the required 24 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.

Cause: Cash was not brought to the City Clerk for deposit soon after collection in accordance with City policy.

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

Auditors' Recommendations: Ensure that procedures requiring the delivery of deposits to the City Clerk in a timely fashion are followed.

Views of Responsible Officials and Planned Corrective Actions: As only one instance of a deposit outside of the 24 hour rule was recognized, the City feels that prior year remedies are in place and working. This appears to be an oversight, however diligence on the part of the City to improve and eliminate any lapse in the 24 hour rule will continue. Reminders will be sent periodically to ensure everyone is aware of and understands the 24 hour deposit rule.

FS 2011-1 – Internal Controls over Inventories (Significant Deficiency)

Condition: The City's perpetual inventory system did not match the inventory counts performed at June 30, 2011.

Criteria: *The Codification of Statements on Auditing Standards* (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

Cause: Perpetual inventory records were not properly maintained. Physical controls over inventory were weak and some inventory stored in the yard was susceptible to theft.

Effect: Inventory could be misstated due to the City not being able to track the inventory accurately. Inventory could be missing but still recorded on the City's records due to lack of proper monitoring of inventory. Inventory could be overstated if defective or obsolete items are not properly deleted from the list and disposed of.

Auditor's Recommendations: We recommend that the City establish procedures to maintain perpetual inventory balances accurately. We also recommend that the City limit access to the inventory in order to safeguard it from loss.

Views of Responsible Officials and Planned Corrective Actions: The City has established and implemented procedures to correct inventory maintenance issues. Management has been provided with training on the proper use of the inventory management module. This includes the maintenance of the perpetual system and cycle counts. Any manual process has been eliminated and transactions in and out of the warehouse are now posted directly into the inventory module at the time of the transaction. The City has also taken steps to limit access and safeguard against loss; a video camera security system was installed both inside the warehouse and in the warehouse yard.

Section III – Findings - Financial Statement Audit (continued)

FS 2011-2 – Depreciation Calculations (Other Matter)

Condition: During our testwork we noted that depreciation expense on certain capital assets was being calculated incorrectly by the accounting system. The system calculated total depreciation expense for governmental activities of \$6,922,933, while our recalculation of depreciation expense equaled \$6,877,539, for a difference of \$45,394; for business-type activities, the system calculated total depreciation expense of \$6,702,418 and our recalculation of depreciation expense equaled \$6,251,414, for a difference of \$451,004.

Criteria: The City is required to properly calculate depreciation expense on capital assets in order to properly report capital assets net of accumulated depreciation on the Statement of Net Assets in accordance with GASB 34 paragraph 20.

Cause: Certain assets' useful lives were entered into the system incorrectly. In other cases, the system was basing depreciation calculations on a useful life one month less than entered into the system.

Effect: Depreciation on capital assets was overstated.

Auditors' Recommendations: We recommend that the City work with the system vendor in order to correct the calculation problems for depreciation and to manually check depreciation calculations.

Views of Responsible Officials and Planned Corrective Actions: The City has identified the assets that have a problem with useful life calculation; all assets that were initially keyed into Munis at the go live date in 2009 were affected. Correction to each useful life will be manually completed and depreciation will be recalculated and adjusted. The city will also implement a manual process to check depreciation calculations to ensure that the problem does not repeat itself.

FS 2011-3 Accounts Payable Listing (Significant Deficiency)

Condition: When provided to the auditors, the City's accounts payable listing omitted a material amount of accounts payable.

Criteria: Accounts payable should include all expenses incurred prior to the end of the fiscal year but not yet paid.

Cause: The accounts payable listing was prepared manually and invoices were overlooked.

Effect: Accounts payable and expenditures were understated when provided to the auditors; the change in net assets was overstated.

Auditors' Recommendation: We recommend that reports be developed within the accounting system to help identify accounts payable and receivable at the end of the fiscal year.

Views of Responsible Officials and Planned Corrective Actions: The City has identified the problem and traced it back to invoice dates within the system. Two employees are responsible for the input of accounts payable invoices into the central accounting system. It has come to the attention of the Finance Department that one of the clerks was correctly putting the invoice date from the paper invoice into the accounting system, and the other was not. The omitted material from the accrual was the result of invoice dates in Munis that did not coincide with the actual invoice. The employee has been made aware that the invoice date in the system must match the invoice date on the invoice. Also, a process will be put in place to test these dates in the system against invoice dates on the actual invoices to avoid this deficiency in the future.

Section III – Findings - Financial Statement Audit (continued)

FS 2011-4 Bank Account Opened Without Authorization (Other Matter)

Condition: A bank account was opened by a department of the City without prior authorization from the City Commission or management in a prior year. When the account was discovered, it was immediately closed and the funds reverted to the other accounts of the City.

Criteria: All cash accounts belonging to the City should be properly authorized and reported to management.

Cause: The bank account was opened to account for funds that the Police Department considered to be separate from City funds under the terms of the Eagle Eyes program.

Effect: Cash belonging to the City had not been recorded on the City’s books.

Auditors’ Recommendations: We recommend that the City notify all staff of the requirement to run all financial transactions through the Finance Department.

Views of Responsible Officials and Planned Corrective Actions: The City of Hobbs requires a resolution to open or close a bank account. This account was opened without informing either the Finance Department or the City Commission, as there is no resolution to back it up. It was closed and funds reverted to another City account for this reason. While the City cannot control banking activities, the City did take steps to ensure that the bank in question was informed of the necessity of a resolution to open an account in the City’s name and the issue was addressed with the offending department as well.

FS 2011-5 – Cash Appropriations in Excess of Available Cash Balances (Other)

Condition: The City rebudgeted “cash balances” in excess of available cash balances in the following fund:

	Designated Cash	Beginning Year Cash & AR Available	Cash Appropriation in Excess of Available Cash
Community Development Special Revenue Fund	\$ 267,195	\$ 165,750	\$ (101,445)

Criteria: Per Section 6-6-11 NMSA, it is unlawful for any board of county commissioners, municipal governing body...for any purpose whatsoever to become indebted or contract any debts of any kind or mature whatsoever during any current year which, at the end of such current year, is not and cannot then be paid out of the money actually collected and belonging to that current year.

Effect: The City has budgeted cash balances that do not exist. If the City expends all budgeted expenditures it could incur debt if the budgeted designated cash does not exist.

Cause: Amounts due to other funds prior years and closed projects were not settled and were overlooked in preparation of budgets for current grant expenditures.

Auditors’ Recommendations: Prior year interfund balances should be reviewed for appropriateness and written off if necessary.

Views of Responsible Officials and Planned Corrective Actions: The City is reviewing prior year interfund balances and will transfer funds as necessary to write off long-outstanding interfund balances. This finding will be resolved in the current fiscal year.

Section IV – Findings – Federal Awards

FA 2011-1 Inadequate Internal Controls over Program Income (Significant Deficiency)

Federal program information:

Funding agency:	US Department of Transportation
Title:	Urban Mass Transit
CFDA number:	20.509

Condition: During our review of the internal controls over program income for the Urban Mass Transit program, it was noted that bus drivers have access to cash collected on their routes and that no automated system for tracking of bus ridership is in place.

Questioned Costs: None

Criteria: Per OMB A-133, non-Federal award recipients are required to establish and monitor internal controls over program income collected in order to ensure that the program income is used in accordance with the program requirements and guidelines. Non-Federal award recipients are also charged with providing proper internal controls over Federal resources used in Federal programs.

Effect: Cash receipts from bus passengers are at risk of misappropriation. The City does not have adequate internal controls over program income generated by the Urban Mass Transit program and cannot ensure that the program income is being used to meet program objectives.

Cause: No automated system or surveillance system is being used to monitor the cash receipts.

Auditors' Recommendations: We recommend that the City restrict bus drivers' access to program income funds and consider an automated bus ridership system.

Views of Responsible Officials and Planned Corrective Actions: The costs of implementing an automated system far outweigh the risk in this situation. The cost of a one way trip when picked up at a bus stop is \$1.00, and the cost of a scheduled pick up is \$2.00. Exact change is required to board the bus. The drivers do not make change. Revenue generated from ridership is less than 5% of the operating cost of the transit system. It does not make sense to implement an automated system. The cost of implementing and maintaining an automated system, or video cameras far outweigh the revenue collected from these activities. We would literally be spending dollars to save pennies. This would be a needless exercise and waste of taxpayer funds. "Lock Boxes" fall into this same category, in that drivers could still choose not to charge individuals, or merely pocket the money. Worse, given the inevitability of occasions when just 3 quarters are dropped in - to otherwise satisfy a \$1 fare, or perhaps nickels substituting for quarters, it is likely a lockbox would almost never reconcile to the value of receipts issued. Speaking of receipts, even bookkeeping costs would easily exceed any savings hoped to be achieved given the inherent low annual revenue received.

STATE OF NEW MEXICO

City of Hobbs
Other Disclosures
June 30, 2011

Exit Conference

An exit conference was held on November 28, 2011. In attendance were the following:

Representing the City of Hobbs:

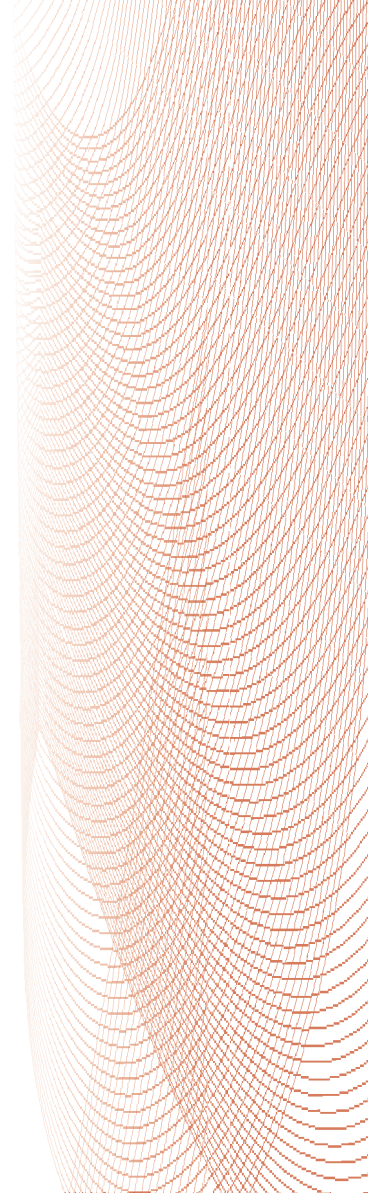
Gary Don Reagan	Mayor
Eric Honeyfield	City Manager
Toby Spears	Finance Director
Deborah Corral	Assistant Finance Director

Representing Accounting & Consulting Group, LLP:

Cindy Bryan	Partner
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Auditor Prepared Financial Statements

Accounting and Consulting Group, LLP prepared the GAAP-basis financial statements and footnotes of the City of Hobbs from the original books and records provided to them by the management of the City. The responsibility for the financial statements remains with the City.



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