

Accounting & Consulting Group, LLP

Certified Public Accountants

STATE OF NEW MEXICO
CITY OF HOBBS
ANNUAL FINANCIAL REPORT
JUNE 30, 2012



STATE OF NEW MEXICO
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INTRODUCTORY SECTION

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STATE OF NEW MEXICO

City of Hobbs

Official Roster

June 30, 2012

<u>Name</u>	<u>City Commission</u>	<u>Title</u>
Sam Cobb		Mayor
Joseph D. Calderon		Mayor Pro-Tem
Marshall Newman		City Commissioner
Jonathan Sena		City Commissioner
Crystal Mullins		City Commissioner
Joseph D. Calderon		City Commissioner
John W. Boyd		City Commissioner

Administration

Manny Gomez	Acting City Manager
Toby Spears, CPA	Finance Director
Deborah Corral	Assistant Finance Director

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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 (the City) as of and for the year ended June 30, 2012, 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 for the nonmajor funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2012, 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, 2012, 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, 2012, 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, 2012 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 November 28, 2012 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.

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 13 through 29 and Schedule I be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Our audit was conducted for the purpose of forming opinions on the 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 is presented for purposes of additional analysis and is not a required part of the financial statements. Such information is the responsibility of management and was derived from and related directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. 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
November 28, 2012

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STATE OF NEW MEXICO
City of Hobbs
Management's Discussion And Analysis
For the Year Ended June 30, 2012
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, 2012. 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

- Total gross receipts tax collections in the current year totaled \$63,847,472.
- The assets of the City of Hobbs exceeded its liabilities at June 30, 2012 by \$234,298,304.
- Restricted net assets totaled \$11,360,453 at June 30, 2012. Restricted net assets are subject to external restrictions on how they may be used.
- Unrestricted net assets totaled \$51,678,406 at June 30, 2012.
- Gross receipts taxes increased approximately 25% from \$51,136,955 for 2011 to \$63,847,472 for 2012. 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.

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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.

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Governmental funds (continued)

The City of Hobbs maintains one major governmental fund for financial reporting purposes-the General 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.

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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 \$234,298,304 at June 30, 2012. Significant reasons for the increase follow the schedule below.

	June 30, 2012		
	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 49,144,335	\$ 10,035,743	\$ 59,180,078
Investments	1,119,420	-	1,119,420
Receivables	11,897,758	1,879,909	13,777,667
Internal balances	66,048	(66,048)	-
Inventories	-	459,530	459,530
Prepaid expenses	360,293	-	360,293
Restricted cash and investments	417,049	4,007,416	4,424,465
Capital assets, net of depreciation	155,975,477	50,012,586	205,988,063
	<u>\$ 218,980,380</u>	<u>\$ 66,329,136</u>	<u>\$ 285,309,516</u>
Total assets			
LIABILITIES AND NET ASSETS			
Current liabilities	\$ 4,389,130	\$ 1,547,820	\$ 5,936,950
Customer deposits	-	530,181	530,181
Long-term liabilities due within one year	-	1,533,921	1,533,921
Long-term liabilities due in more than one year	8,921,706	34,088,454	43,010,160
	<u>13,310,836</u>	<u>37,700,376</u>	<u>51,011,212</u>
Total liabilities			
Invested in capital assets, net of related debt	155,975,477	15,283,968	171,259,445
Restricted for:			
Debt service	-	3,477,235	3,477,235
Capital projects	5,108,754	-	5,108,754
Meter deposits	-	-	-
Special revenue	2,244,283	-	2,244,283
Unrestricted	42,341,030	9,867,557	52,208,587
Total net assets	<u>205,669,544</u>	<u>28,628,760</u>	<u>234,298,304</u>
Total liabilities and net assets	<u>\$ 218,980,380</u>	<u>\$ 66,329,136</u>	<u>\$ 285,309,516</u>

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Government-wide Financial Analysis (continued)

On June 30, 2011, assets exceeded liabilities by \$200,594,487. Significant reasons for the increase follow the schedule below.

	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

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Government-wide Financial Analysis (continued)

By far the largest portion of the City of Hobbs' net assets (73%, or \$171,259,445) 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 5%, or \$11,360,453, of the City of Hobbs' net assets are restricted subject to external restrictions on how they may be used, and 22%, or \$51,678,406, 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. In addition transfers of capital assets from business-type activities contributed to an increase of over \$35 million in governmental activities capital assets (net of accumulated depreciation).
- Long-term debt decreased due to liabilities related to the NMFA loan for fire equipment being paid off in the prior year.

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 \$37,700,376. The majority of this decrease was connected with principal payments on long-term revenue bonds outstanding. Principal payments on outstanding debt were made in accordance with applicable requirements in the business-type activities in the current year.

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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, 2012, 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, 2012.

Net (Expense) Revenue and Changes in Net Assets

The City's total revenues for the years ended June 30, 2012 and 2011, respectively, were \$95,374,655 and \$83,040,807. Total expenses were, respectively, \$68,261,065 and \$64,088,556. 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, 2012 and 2011. Reasons for significant changes follow the schedules.

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

Functions/Programs	June 30, 2012		
	Primary Government		
	Governmental Activities	Business-type Activities	Total
Primary government:			
General government	\$ 13,809,353	\$ -	\$ 13,809,353
Public safety	19,374,278	-	19,374,278
Public works	5,061,700	-	5,061,700
Economic development	818,194	-	818,194
Health and welfare	2,654,649	-	2,654,649
Culture and recreation	7,283,231	-	7,283,231
Solid waste sanitation	-	5,020,311	5,020,311
Interest on long-term debt	-	-	-
Joint utility enterprise	-	14,239,349	14,239,349
Less charges for services	2,020,169	17,658,442	19,678,611
Less operating grants and contributions	3,540,692	7,729	3,548,421
Less capital grants and contributions	733,836	-	733,836
	<u>\$ (42,706,708)</u>	<u>\$ (1,593,489)</u>	<u>\$ (44,300,197)</u>
General revenues:			
Taxes:			
Property taxes - general purposes	\$ 1,926,632	\$ -	\$ 1,926,632
Gross receipts taxes	63,847,472	-	63,847,472
Franchise taxes	1,093,018	-	1,093,018
Other taxes	2,817,013	-	2,817,013
Unrestricted investment earnings	23,399	5,203	28,602
Licenses and fees	931,473	-	931,473
Miscellaneous	766,277	3,300	769,577
	<u>71,405,284</u>	<u>8,503</u>	<u>71,413,787</u>
Excess (deficiency) before contributions, special items, and transfers	<u>28,698,576</u>	<u>(1,584,986)</u>	<u>27,113,590</u>
<i>Special item - gain (loss) on sale of asset</i>	(166)	-	(166)
<i>Special item - transfer of capital assets</i>	7,357,641	(7,357,641)	-
<i>Special item - contributed capital</i>	-	6,590,393	6,590,393
Net operating transfers in (out)	<u>(1,857,628)</u>	<u>1,857,628</u>	<u>-</u>
Total contributions, special items, and transfers	<u>5,499,847</u>	<u>1,090,380</u>	<u>6,590,227</u>
Change in net assets	<u>34,198,423</u>	<u>(494,606)</u>	<u>33,703,817</u>
Net assets - beginning	171,471,121	29,123,366	200,594,487
Prior period adjustment	-	-	-
Reclassification	-	-	-
Net assets - ending	<u>\$ 205,669,544</u>	<u>\$ 28,628,760</u>	<u>\$ 234,298,304</u>

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

Functions/Programs	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
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 purpose	\$ 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 - gain (loss) on sale of asset</i>	372,688	(46,972)	325,716
<i>Special item - donation of capital asset</i>	-	2,100,000	2,100,000
<i>Special item - contributed capital</i>	-	-	-
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>

STATE OF NEW MEXICO
City of Hobbs
Management's Discussion And Analysis
For the Year Ended June 30, 2012
Unaudited

Governmental activities

The governmental activities of the City of Hobbs attained an increase in net assets of \$34,198,423 in the year ended June 30, 2012. The governmental activities' increase in net assets for the year ended June 30, 2011, was \$20,652,894. Reasons for the greater increase in governmental activities net assets for the year ended June 30, 2012 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 2012 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.
- Contributed capital was recorded as a result of the West Hobbs annexation.

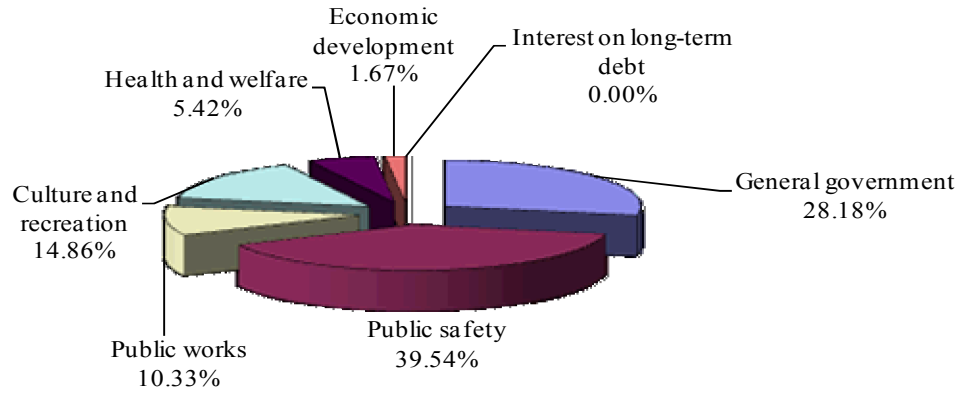
Business-type activities

The decrease in net assets contributed by the City's business-type activities was \$494,606 in the year ended June 30, 2012, compared to the increase of net assets of \$724,749 for the year ended June 30, 2011. The decrease this year was driven by a number of factors, including:

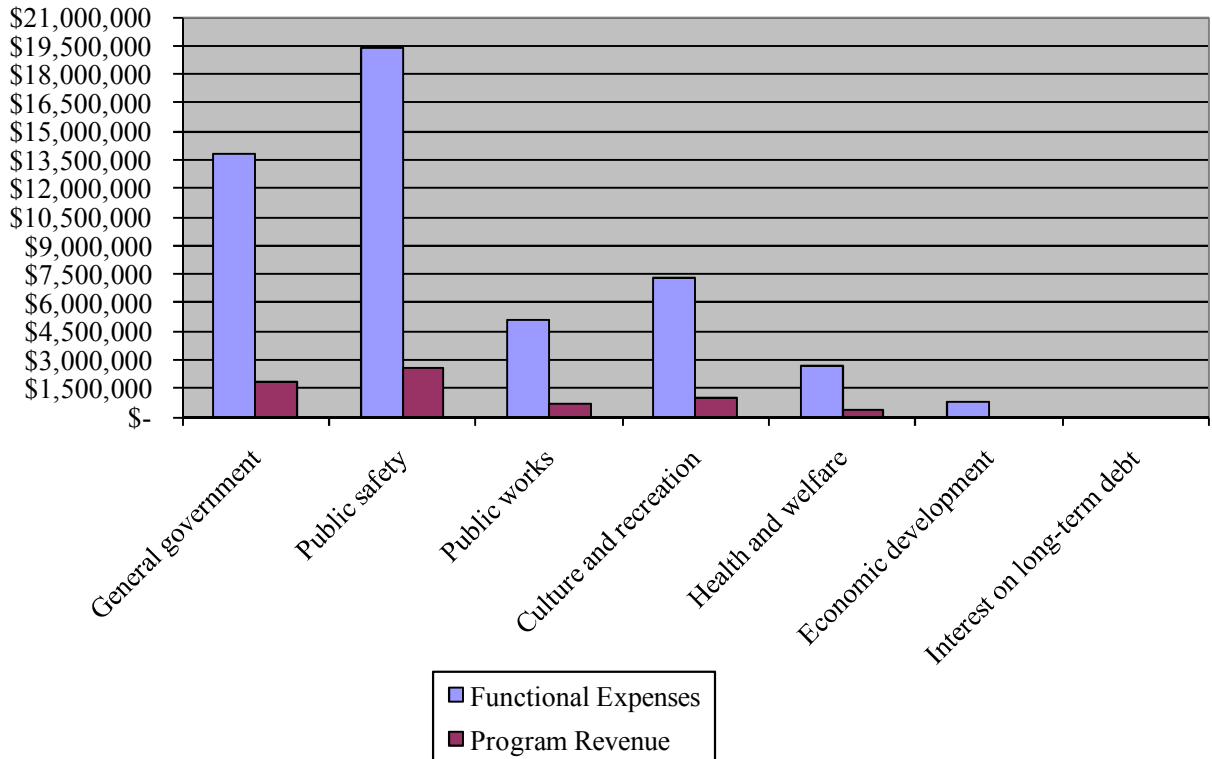
- Increases in expenses for the Joint Utility Enterprise fund.
- Increases in transfers to governmental activities.

STATE OF NEW MEXICO
 City of Hobbs
 Management's Discussion And Analysis
 For the Year Ended June 30, 2012
 Unaudited

PROGRAM EXPENSES - GOVERNMENTAL ACTIVITIES



PROGRAM REVENUES AND EXPENSES - GOVERNMENTAL ACTIVITIES

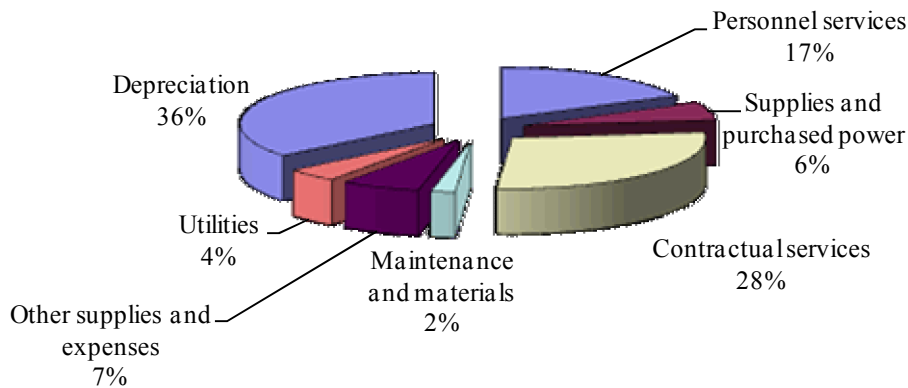


STATE OF NEW MEXICO
City of Hobbs
Management's Discussion And Analysis
For the Year Ended June 30, 2012
Unaudited

Business-type activities

Business-type activities decreased the City of Hobbs' net assets by \$494,606 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, 2012
Unaudited

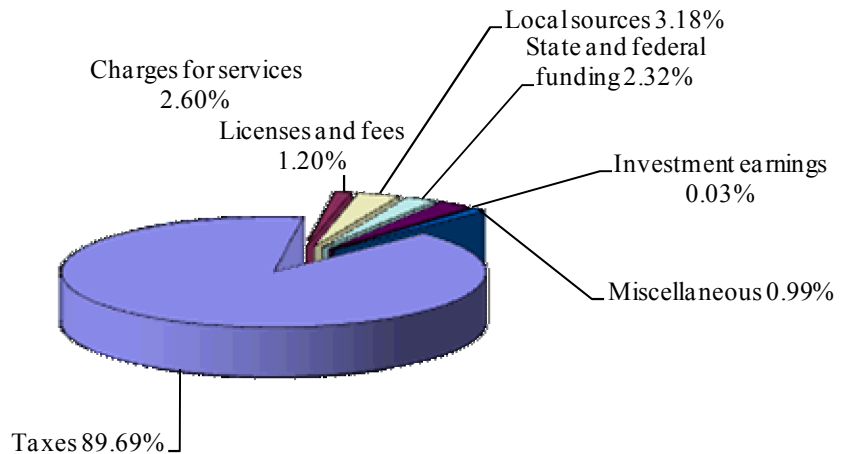
Governmental funds (continued)

As of June 30, 2012, the City of Hobbs governmental funds reported combined ending fund balances of \$54,561,026, a decrease of \$630,937 from the prior year. Of this amount, \$41,457,110 or approximately 76% constitutes unassigned fund balance, which is available for spending at the government's discretion. Approximately 10%, or \$5,390,586 constitutes fund balance committed to meet minimum fund balance requirements, and approximately one percent, or \$360,293 is not in spendable form because it is in the form of contracts for prepaid expenses. The remainder of fund balance - \$7,353,037 - 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 \$41,503,401. 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 64% of the total general fund expenditures.

The City's general fund balance increased by \$1,715,138 in the current fiscal year. The key factor in this increase is an increase in gross tax receipts as discussed previously.

REVENUE BY SOURCE - GOVERNMENTAL FUNDS

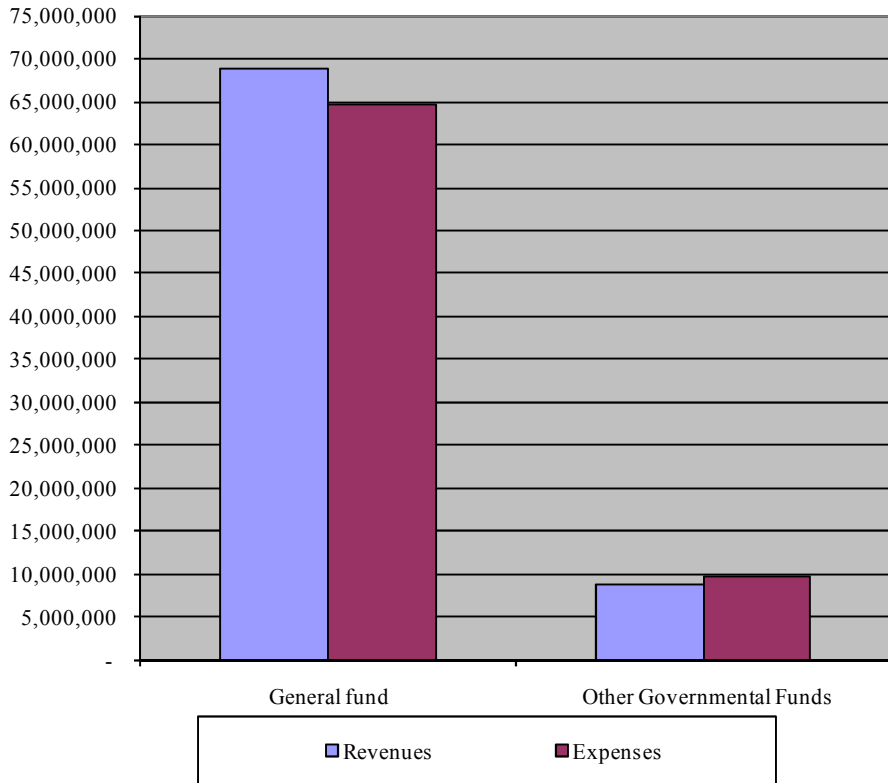


STATE OF NEW MEXICO
 City of Hobbs
 Management's Discussion And Analysis
 For the Year Ended June 30, 2012
 Unaudited

Governmental funds (continued)

- Taxes include property taxes, franchise taxes, oil and 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.

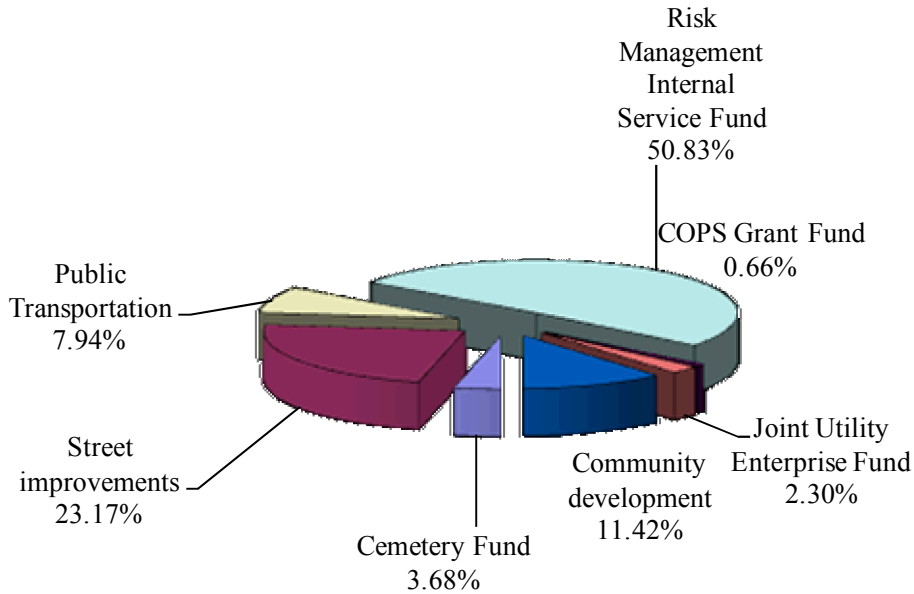
EXCESS OF REVENUES OVER EXPENDITURES - GOVERNMENTAL FUNDS



- 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, 2012
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, 2012, unrestricted net assets totaled \$8,063,854 in the Joint Utility fund and \$1,339,570 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, 2012 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	\$ (18,387,856)	\$ 7,195,708	\$ 7,256,080
Nonmajor Governmental Funds	(11,401,104)	105,322	105,322

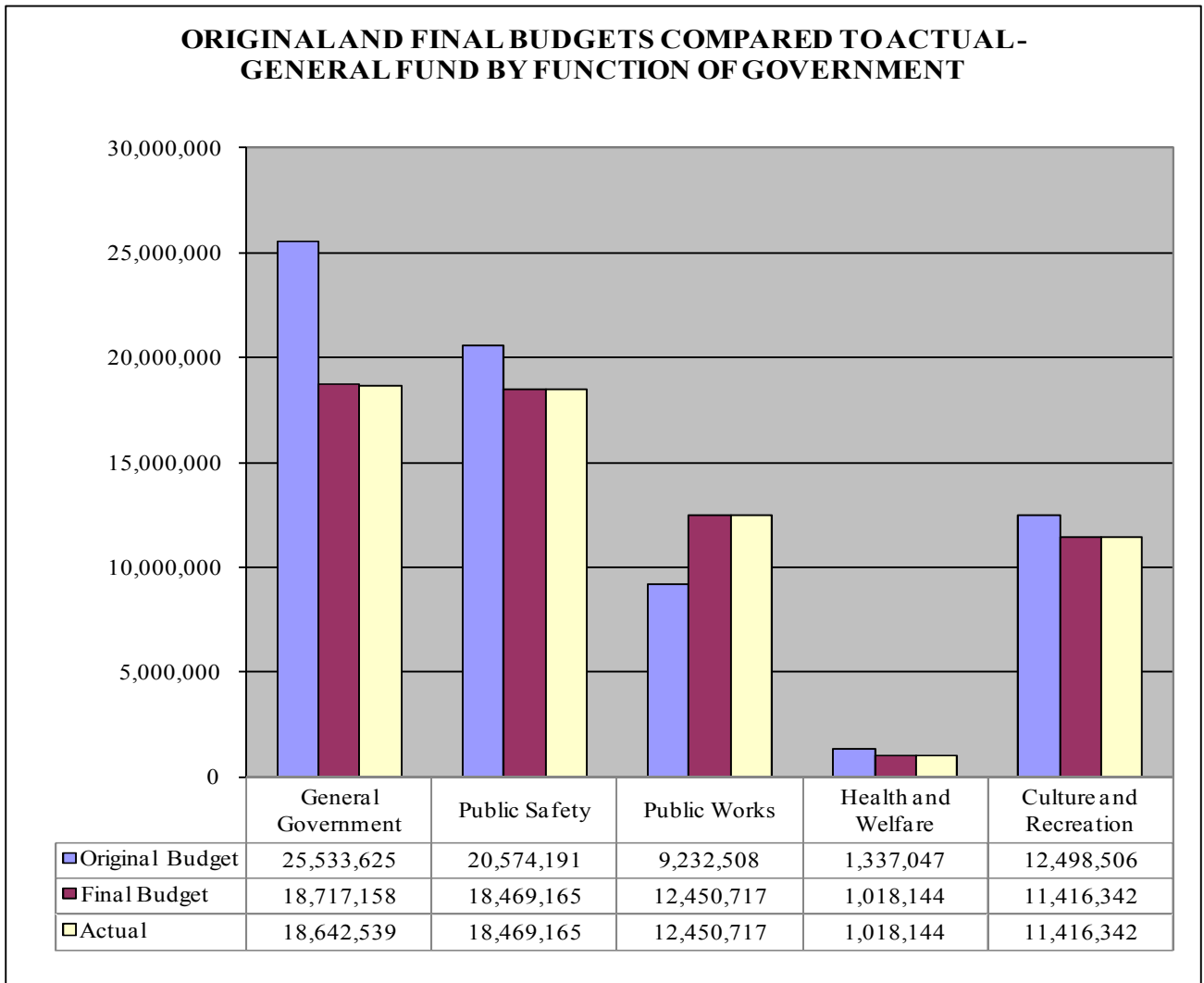
STATE OF NEW MEXICO
City of Hobbs
Management's Discussion And Analysis
For the Year Ended June 30, 2012
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Budgetary Comparisons (continued)

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 (Non-GAAP Budgetary Basis) and Actual 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, 2012
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 25% higher in 2012 than 2011. 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 seventh 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 \$13 million; beautification incentive projects of \$7 million; and General Fund infrastructure projects of \$20 million. Portions of these projects will also reduce the City's unfunded liability pursuant to GASB 34. The City of Hobbs, with the expansion of the oil and gas industry has experienced a shortage of housing. The City has instituted various housing incentive programs totaling \$5 million to help offset this shortfall.

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, 2012

	Primary Government		Total
	Governmental Activities	Business-type Activities	
Assets			
Current assets			
Cash and cash equivalents	\$ 49,144,335	\$ 10,035,743	\$ 59,180,078
Investments	1,119,420	-	1,119,420
Property taxes receivable	94,772	-	94,772
Other taxes receivable	10,875,020	-	10,875,020
Due from customers, net of allowance	-	1,879,909	1,879,909
Other receivables	927,966	-	927,966
Inventory	-	459,530	459,530
Prepaid expenses	360,293	-	360,293
Internal balances	66,048	(66,048)	-
Total current assets	<u>62,587,854</u>	<u>12,309,134</u>	<u>74,896,988</u>
Noncurrent assets			
Restricted cash and cash equivalents	17,494	4,007,416	4,024,910
Restricted investments	399,555	-	399,555
Capital assets	212,523,490	105,480,764	318,004,254
Less: accumulated depreciation and amortization	<u>(56,548,013)</u>	<u>(55,468,178)</u>	<u>(112,016,191)</u>
Total noncurrent assets	<u>156,392,526</u>	<u>54,020,002</u>	<u>210,412,528</u>
Total assets	<u>\$ 218,980,380</u>	<u>\$ 66,329,136</u>	<u>\$ 285,309,516</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	\$ 2,622,663	\$ 992,522	\$ 3,615,185
Accrued payroll expenses	490,226	45,756	535,982
Accrued compensated absences	593,836	64,101	657,937
Accrued claims payable	664,911	-	664,911
Funds held for others	17,494	-	17,494
Meter deposits	-	530,181	530,181
Accrued interest	-	445,441	445,441
Current portion of bonds and loans payable	-	1,533,921	1,533,921
Total current liabilities	4,389,130	3,611,922	8,001,052
Noncurrent liabilities			
Accrued compensated absences	707,753	55,930	763,683
Accrued OPEB liability	8,213,953	837,827	9,051,780
Loans and notes payable	-	33,194,697	33,194,697
Total noncurrent liabilities	8,921,706	34,088,454	43,010,160
Total liabilities	13,310,836	37,700,376	51,011,212
Net Assets			
Invested in capital assets, net of related debt	155,975,477	15,283,968	171,259,445
Restricted for:			
Debt service	-	3,477,235	3,477,235
Capital projects	5,108,754	-	5,108,754
Special revenue	2,244,283	-	2,244,283
Unrestricted	42,341,030	9,867,557	52,208,587
Total net assets	205,669,544	28,628,760	234,298,304
Total liabilities and net assets	\$ 218,980,380	\$ 66,329,136	\$ 285,309,516

STATE OF NEW MEXICO
City of Hobbs
Statement of Activities
For the Year Ended June 30, 2012

<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	\$ 13,809,353	\$ 578,981	\$ 1,014,766	\$ 210,318
Public safety	19,374,278	812,302	1,423,698	295,073
Public works	5,061,700	212,221	371,954	77,090
Culture and recreation	7,283,231	305,363	535,200	110,924
Health and welfare	2,654,649	111,301	195,074	40,431
Economic development	818,194	-	-	-
<i>Total governmental activities</i>	<u>49,001,405</u>	<u>2,020,168</u>	<u>3,540,692</u>	<u>733,836</u>
Business-type Activities:				
Joint Utility	14,239,349	11,937,969	7,729	-
Solid Waste	5,020,311	5,720,473	-	-
<i>Total business-type activities</i>	<u>19,259,660</u>	<u>17,658,442</u>	<u>7,729</u>	<u>-</u>
<i>Total</i>	<u>\$ 68,261,065</u>	<u>\$ 19,678,610</u>	<u>\$ 3,548,421</u>	<u>\$ 733,836</u>

General Revenues:

Taxes
Property taxes, levied for general purposes
Gross receipts taxes
Gasoline and motor vehicle taxes
Other taxes
Investment income
Licenses and fees
Miscellaneous revenue
Loss on sale of capital assets
Transfers
Contributed capital-outside entities
Transfers of capital assets

Total general revenues and transfers

Change in net assets

Net assets, beginning

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
\$ (12,005,288)	\$ -	\$ (12,005,288)
(16,843,205)	-	(16,843,205)
(4,400,435)	-	(4,400,435)
(6,331,744)	-	(6,331,744)
(2,307,843)	-	(2,307,843)
(818,194)	-	(818,194)
<u>(42,706,709)</u>	<u>-</u>	<u>(42,706,709)</u>
-	(2,293,651)	(2,293,651)
-	700,162	700,162
-	<u>(1,593,489)</u>	<u>(1,593,489)</u>
(42,706,709)	(1,593,489)	(44,300,198)
1,926,633	-	1,926,633
63,847,472	-	63,847,472
1,093,018	-	1,093,018
2,817,013	-	2,817,013
23,399	5,203	28,602
931,473	-	931,473
766,277	3,300	769,577
(166)	-	(166)
(1,857,628)	1,857,628	-
-	6,590,393	6,590,393
<u>7,357,641</u>	<u>(7,357,641)</u>	<u>-</u>
<u>76,905,132</u>	<u>1,098,883</u>	<u>78,004,015</u>
34,198,423	(494,606)	33,703,817
<u>171,471,121</u>	<u>29,123,366</u>	<u>200,594,487</u>
<u>\$ 205,669,544</u>	<u>\$ 28,628,760</u>	<u>\$ 234,298,304</u>

STATE OF NEW MEXICO
City of Hobbs
Governmental Funds
Balance Sheet
June 30, 2012

Exhibit B-1
Page 1 of 2

	General Fund	Other Governmental Funds	Total
<i>Assets</i>			
Cash and cash equivalents	\$ 37,299,377	\$ 6,626,416	\$ 43,925,793
Investments	1,518,975	-	1,518,975
Receivables:			
Property taxes	94,772	-	94,772
Other taxes	10,708,512	166,508	10,875,020
Other receivables	79,731	848,235	927,966
Prepaid expenses	315,372	44,921	360,293
<i>Total assets</i>	\$ 50,016,739	\$ 7,686,080	\$ 57,702,819
<i>Liabilities and fund balances</i>			
<i>Liabilities</i>			
Accounts payable	\$ 2,280,704	322,829	\$ 2,603,533
Accrued payroll expenses	478,642	11,584	490,226
Deferred revenue	30,540	-	30,540
Funds held for others	17,494	-	17,494
<i>Total liabilities</i>	2,807,380	334,413	3,141,793
<i>Fund balances</i>			
Nonspendable	315,372	44,921	360,293
Spendable			
Restricted for:			
Public safety	-	688,614	688,614
Culture and recreation	-	290,350	290,350
Transportation and roads	-	15,984	15,984
Health and welfare	-	5,306	5,306
Economic development	-	1,244,029	1,244,029
Capital projects	-	5,108,754	5,108,754
Committed to:			
Minimum fund balance	5,390,586	-	5,390,586
Unassigned	41,503,401	(46,291)	41,457,110
<i>Total fund balances</i>	47,209,359	7,351,667	54,561,026
<i>Total liabilities and fund balances</i>	\$ 50,016,739	\$ 7,686,080	\$ 57,702,819

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

City of Hobbs

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Assets
June 30, 2012

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	\$	54,561,026
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.		155,975,477
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.		30,540
<p>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.</p>		
Assets and liabilities included in governmental activities		4,551,995
Allocated to business-type activities		66,048
<p>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.</p>		
Current portion of accrued compensated absences		(593,836)
Long-term portion of accrued compensated absences		(707,753)
Accrued OPEB liability		<u>(8,213,953)</u>
Net assets of governmental activities	\$	<u><u>205,669,544</u></u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Hobbs
Governmental Funds
Statement of Revenues, Expenditures and Changes in Fund Balances
For the Year Ended June 30, 2012

Exhibit B-2
Page 1 of 2

	General Fund	Other Governmental Funds	Total
<i>Revenues:</i>			
<i>Taxes:</i>			
Property	\$ 1,950,914	\$ -	\$ 1,950,914
Gross receipts	60,866,428	2,981,044	63,847,472
Gasoline and motor vehicle	429,580	663,438	1,093,018
Other	1,487,270	1,329,743	2,817,013
<i>Intergovernmental</i>			
Federal operating grants	72,571	327,907	400,478
Federal capital grants	-	298,212	298,212
State operating grants	110,496	558,008	668,504
State capital grants	64,076	371,548	435,624
<i>Local sources</i>			
Charges for services	625,000	1,846,710	2,471,710
Licenses and fees	1,833,539	186,629	2,020,168
Investment income	792,700	138,773	931,473
Miscellaneous	11,972	10,286	22,258
	661,544	104,733	766,277
<i>Total revenues</i>	68,906,090	8,817,031	77,723,121
<i>Expenditures:</i>			
<i>Current:</i>			
General government	9,355,518	-	9,355,518
Public safety	17,292,827	346,605	17,639,432
Public works	2,291,195	18,299	2,309,494
Culture and recreation	5,975,169	8,193	5,983,362
Health and welfare	1,685,533	885,070	2,570,603
Economic development	-	818,194	818,194
Capital outlay	28,086,792	7,733,035	35,819,827
<i>Total expenditures</i>	64,687,034	9,809,396	74,496,430
<i>Excess (deficiency) of revenues over expenditures</i>	4,219,056	(992,365)	3,226,691
<i>Other financing sources (uses)</i>			
Transfers in	1,430,806	1,844,119	3,274,925
Transfers out	(3,934,724)	(3,197,829)	(7,132,553)
<i>Total other financing sources (uses)</i>	(2,503,918)	(1,353,710)	(3,857,628)
<i>Net change in fund balance</i>	1,715,138	(2,346,075)	(630,937)
<i>Fund balance - beginning of year</i>	45,494,221	9,697,742	55,191,963
<i>Fund balance - end of year</i>	\$ 47,209,359	\$ 7,351,667	\$ 54,561,026

The accompanying notes are an integral part of these financial statements

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, 2012

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	\$	(630,937)
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Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:

Capital expenditures recorded in capital outlay		35,819,827
Depreciation and amortization expense		(7,981,829)

Capital assets are not current financial resources, therefore transfers of capital assets out of governmental funds do not affect the governmental fund financial statements. Transfers into governmental funds were \$7,792,525, and transfers from government funds to enterprise funds were \$434,844.

The net transfer reported in the Statement of Activities		7,357,641
--	--	-----------

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.

Loss from disposal of capital assets		(166)
--------------------------------------	--	-------

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.		(443,269)
--	--	-----------

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.		2,000,000
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Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds:

Decrease in deferred revenue related to property taxes receivable		(24,281)
---	--	----------

Expenses in the Statement of Activities that do not require current financial resources are not reported as expenditures in the funds:

Decrease in accrued compensated absences		215,537
Increase in accrual for other post-employment benefits		(2,114,100)
		(1,898,563)

Change in net assets of governmental activities	\$	34,198,423
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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 10)

Statement of Revenues, Expenditures, and Changes in
Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual
For the year ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<i>Revenues:</i>				
Taxes	\$ 46,466,860	\$ 64,595,144	\$ 64,595,144	\$ -
Fines and forfeitures	479,500	456,757	458,957	2,200
Licenses and permits	319,125	361,901	361,901	-
Intergovernmental	1,306,836	1,308,810	1,308,810	-
Charges for services	1,637,200	1,843,204	1,843,204	-
Investment earnings	60,000	13,724	13,724	-
Miscellaneous	518,500	687,694	671,247	(16,447)
<i>Total revenues</i>	<u>50,788,021</u>	<u>69,267,234</u>	<u>69,252,987</u>	<u>(14,247)</u>
<i>Expenditures:</i>				
Current:				
General Government:				
Legislative and land acquisition:				
Personnel services	274,038	271,801	197,182	74,619
Operating expenses	659,858	1,130,831	1,130,831	-
Capital outlay	1,209,123	1,730,482	1,730,482	-
<i>Total legislative</i>	<u>2,143,019</u>	<u>3,133,114</u>	<u>3,058,495</u>	<u>74,619</u>
Executive:				
Personnel services	419,797	452,418	452,418	-
Operating expenses	36,876	11,965	11,965	-
<i>Total executive</i>	<u>456,673</u>	<u>464,383</u>	<u>464,383</u>	<u>-</u>
Planning:				
Personnel services	250,552	249,964	249,964	-
Operating expenses	67,300	44,187	44,187	-
Capital outlay	231,156	12,611	12,611	-
<i>Total planning</i>	<u>549,008</u>	<u>306,762</u>	<u>306,762</u>	<u>-</u>
Mapping				
Personnel services	252,714	202,341	202,341	-
Operating expenses	60,221	51,324	51,324	-
Capital outlay	450,000	-	-	-
<i>Total mapping</i>	<u>762,935</u>	<u>253,665</u>	<u>253,665</u>	<u>-</u>

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

STATE OF NEW MEXICO

City of Hobbs

General Fund

Exhibit C-1
(Page 2 of 10)Statement of Revenues, Expenditures, and Changes in
Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual
For the year ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<i>Expenditures: (continued)</i>				
General Government: (continued)				
City Clerk:				
Personnel services	270,529	272,486	272,486	-
Operating expenses	147,070	85,730	85,730	-
Capital outlay	40,000	40,370	40,370	-
Total city clerk	457,599	398,586	398,586	-
Finance and Purchasing:				
Personnel services	589,077	502,814	502,814	-
Operating expenses	175,946	162,086	162,086	-
Capital outlay	62,845	24,245	24,245	-
Total financing and purchasing	827,868	689,145	689,145	-
Computer Operations:				
Personnel services	435,395	449,323	449,323	-
Operating expenses	129,950	140,381	140,381	-
Capital outlay	160,505	206,818	206,818	-
Total computer operations	725,850	796,522	796,522	-
Judicial:				
Personnel services	341,268	321,017	321,017	-
Operating expenses	135,839	67,614	67,614	-
Capital outlay	-	-	-	-
Total judicial	477,107	388,631	388,631	-
Legal:				
Personnel services	314,115	308,800	308,800	-
Operating expenses	174,950	31,689	31,689	-
Capital outlay	-	-	-	-
Total legal	489,065	340,489	340,489	-

STATE OF NEW MEXICO

City of Hobbs

General Fund

Exhibit C-1

(Page 3 of 10)

Statement of Revenues, Expenditures, and Changes in
Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual
For the year ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<i>Expenditures: (continued)</i>				
General Government: (continued)				
Personnel Services:				
Personnel services	259,175	262,530	262,530	-
Operating expenses	203,480	147,816	147,816	-
Capital outlay	-	-	-	-
Total personnel services	462,655	410,346	410,346	-
Risk Management:				
Operating expenses	5,000	-	-	-
Total risk management	5,000	-	-	-
Insurance:				
Operating expenses	1,386,209	1,316,598	1,316,598	-
Total insurance	1,386,209	1,316,598	1,316,598	-
Motor Vehicle:				
Personnel services	298,389	327,703	327,703	-
Operating expenses	33,490	25,398	25,398	-
Total motor vehicle	331,879	353,101	353,101	-
Warehouse:				
Personnel services	110,430	68,570	68,570	-
Operating expenses	24,650	19,477	19,477	-
Total warehouse	235,080	88,047	88,047	-
Garage:				
Personnel services	595,113	546,147	546,147	-
Operating expenses	1,220,845	1,098,387	1,098,387	-
Capital outlay	51,569	46,690	46,690	-
Total garage	1,867,527	1,691,224	1,691,224	-

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 10)

Statement of Revenues, Expenditures, and Changes in
Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual
For the year ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<i>Expenditures: (continued)</i>				
General Government: (continued)				
Building Maintenance:				
Personnel services	496,348	469,494	469,494	-
Operating expenses	435,900	364,795	364,795	-
Capital outlay	13,398,885	7,226,988	7,226,988	-
Total building maintenance	14,331,133	8,061,277	8,061,277	-
<i>Total General Government</i>	25,533,625	18,717,158	18,642,539	74,619
Public Works:				
Engineering:				
Personnel services	670,570	599,329	599,329	-
Operating expenses	29,250	21,722	21,722	-
Capital outlay	314,390	20,643	20,643	-
Total engineering	1,014,210	641,694	641,694	-
Highways and Streets:				
Personnel services	1,472,932	1,248,907	1,248,907	-
Operating expenses	938,500	190,434	190,434	-
Capital outlay	5,356,866	9,991,516	9,991,516	-
Total highways and streets	7,768,298	11,430,857	11,430,857	-
Street Lighting:				
Operating expenses	450,000	378,166	378,166	-
Total street lighting	450,000	378,166	378,166	-
<i>Total Public Works</i>	9,232,508	12,450,717	12,450,717	-
Health and Welfare:				
Environmental Services:				
Personnel services	592,122	570,089	570,089	-
Operating expenses	697,225	419,461	419,461	-
Capital outlay	44,000	25,836	25,836	-
Total environmental services	1,333,347	1,015,386	1,015,386	-

STATE OF NEW MEXICO

City of Hobbs

General Fund

Exhibit C-1
(Page 5 of 10)

Statement of Revenues, Expenditures, and Changes in
Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual
For the year ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<i>Expenditures: (continued)</i>				
Health and Welfare: (continued)				
Public Information:				
Operating expenses	3,700	2,758	2,758	-
Capital outlay	-	-	-	-
Total public information	3,700	2,758	2,758	-
<i>Total Health and Welfare</i>	<u>1,337,047</u>	<u>1,018,144</u>	<u>1,018,144</u>	<u>-</u>
Culture and Recreation:				
Libraries:				
Personnel services	661,761	625,840	625,840	-
Operating expenses	224,461	201,854	201,854	-
Capital outlay	119,088	92,514	92,514	-
Total libraries	1,005,310	920,208	920,208	-
Parks:				
Personnel services	1,500,905	1,376,090	1,376,090	-
Operating expenses	640,537	579,834	579,834	-
Capital outlay	6,299,832	5,822,111	5,822,111	-
Total parks	8,441,274	7,778,035	7,778,035	-
Sports Field:				
Personnel services	352,160	281,372	281,372	-
Operating expenses	159,547	131,263	131,263	-
Capital outlay	110,000	91,713	91,713	-
Total sports field	621,707	504,348	504,348	-
Recreation:				
Personnel services	530,171	519,119	519,119	-
Operating expenses	623,897	487,686	487,686	-
Capital outlay	158,000	144,646	144,646	-
Total recreation	1,312,068	1,151,451	1,151,451	-

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 10)

Statement of Revenues, Expenditures, and Changes in
Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual
For the year ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<i>Expenditures: (continued)</i>				
Culture and Recreation: (continued)				
Teen Center:				
Personnel services	218,047	211,706	211,706	-
Operating expenses	107,378	88,577	88,577	-
Capital outlay	264,645	268,965	268,965	-
Total teen center	590,070	569,248	569,248	-
Pools:				
Personnel services	357,577	315,686	315,686	-
Operating expenses	144,000	156,725	156,725	-
Capital outlay	26,500	20,641	20,641	-
Total pools	528,077	493,052	493,052	-
Harry McAdams Park:				
Personnel services	229,381	223,134	223,134	-
Operating expenses	120,709	83,647	83,647	-
Capital outlay	66,000	62,024	62,024	-
Total Harry McAdams Park	416,090	368,805	368,805	-
Golf:				
Personnel services	453,104	371,062	371,062	-
Operating expenses	285,700	274,728	274,728	-
Capital outlay	219,754	198,035	198,035	-
Total golf	958,558	843,825	843,825	-
Older American Act:				
Personnel services	479,706	460,422	460,422	-
Operating expenses	282,750	242,359	242,359	-
Capital outlay	130,535	60,907	60,907	-
Total Older American Act	892,991	763,688	763,688	-
<i>Total Culture and Recreation</i>	12,498,506	11,416,342	11,416,342	-

STATE OF NEW MEXICO

City of Hobbs

General Fund

Exhibit C-1

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Statement of Revenues, Expenditures, and Changes in
Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual
For the year ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<i>Expenditures: (continued)</i>				
Public Safety:				
Police Field Services:				
Personnel services	854,778	857,200	857,200	-
Operating expenses	368,300	1,215,661	1,215,661	-
Capital outlay	1,375,000	221,001	221,001	-
Total police field services	2,598,078	2,293,862	2,293,862	-
Police CID:				
Personnel services	5,039,632	4,781,676	4,781,676	-
Operating expenses	368,621	283,189	283,189	-
Capital outlay	469,232	740,679	740,679	-
Total police CID	5,877,485	5,805,544	5,805,544	-
Police Technical Services:				
Personnel services	1,802,185	1,542,084	1,542,084	-
Operating expenses	28,500	32,035	32,035	-
Capital outlay	179,000	182,978	182,978	-
Total police technical services	2,009,685	1,757,097	1,757,097	-
Police Support Services:				
Personnel services	70,136	10,480	10,480	-
Operating expenses	-	20,397	20,397	-
Capital outlay	21,681	-	-	-
Total police and support services	91,817	30,877	30,877	-
Admin Services Certified:				
Personnel services	-	-	-	-
Operating expenses	1,332,500	1,106,399	1,106,399	-
Capital outlay	-	-	-	-
Total admin services certified	1,332,500	1,106,399	1,106,399	-

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 10)

Statement of Revenues, Expenditures, and Changes in
Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual
For the year ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<i>Expenditures: (continued)</i>				
Public Safety: (continued)				
Police CID Non-certified:				
Personnel services	698,446	614,227	614,227	-
Operating expenses	-	256	256	-
Capital outlay	-	-	-	-
Total police CID non-certified	698,446	614,483	614,483	-
Fire and Ambulance:				
Personnel services	6,012,550	5,193,410	5,193,410	-
Operating expenses	694,711	615,309	615,309	-
Capital outlay	295,000	294,879	294,879	-
Total fire and ambulance	7,002,261	6,103,598	6,103,598	-
Emergency Management:				
Operating expenses	3,820	4,895	4,895	-
Total emergency management	3,820	4,895	4,895	-
Hazardous Materials Responses:				
Operating expenses	900	100	100	-
Total hazardous materials responses	900	100	100	-
Traffic:				
Personnel services	257,875	243,426	243,426	-
Operating expenses	259,610	118,078	118,078	-
Capital outlay	270,000	214,929	214,929	-
Total traffic	787,485	576,433	576,433	-
Code Enforcement:				
Personnel services	159,814	158,757	158,757	-
Operating expenses	11,900	6,417	6,417	-
Capital outlay	-	-	-	-
Total code enforcement	171,714	165,174	165,174	-

STATE OF NEW MEXICO

City of Hobbs

General Fund

Exhibit C-1
(Page 9 of 10)

Statement of Revenues, Expenditures, and Changes in
Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual
For the year ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<i>Expenditures: (continued)</i>				
Public Safety: (continued)				
Crime Lab:				
Personnel services	-	-	-	-
Operating expenses	-	10,703	10,703	-
Capital outlay	-	-	-	-
Total crime lab	-	10,703	10,703	-
<i>Total Public Safety</i>	20,574,191	18,469,165	18,469,165	-
<i>Total expenditures</i>	69,175,877	62,071,526	61,996,907	74,619
<i>Excess (deficiency) of revenues over expenditures</i>	(18,387,856)	7,195,708	7,256,080	60,372

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

STATE OF NEW MEXICO

City of Hobbs

General Fund

Exhibit C-1
(Page 10 of 10)

Statement of Revenues, Expenditures, and Changes in
Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual
For the year ended June 30, 2012

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<i>Other financing sources:</i>				
Operating transfers in:				
Local Government Corrections Fund	345,598	288,393	288,393	-
City Commission Improvement Fund	500,000	500,000	500,000	-
Industrial Park Construction Fund	644,843	427,120	427,120	-
Capital Improvement Fund	-	215,293	215,293	-
<i>Total other financing sources</i>	<u>1,490,441</u>	<u>1,430,806</u>	<u>1,430,806</u>	-
<i>Other financing uses:</i>				
Operating transfers out:				
COPS Grant Fund	599,462	25,969	25,969	-
Cemetery Fund	187,953	144,663	144,663	-
Public Transportation Fund	556,934	312,276	312,276	-
Community Development Fund	659,376	449,411	449,411	-
Industrial Park Construction Fund	175,000	-	-	-
Street Improvement Fund	774,339	911,800	911,800	-
Risk Management Internal Service	2,000,000	2,000,000	2,000,000	-
Joint Utility Fund	-	90,605	90,605	-
<i>Total other financing uses</i>	<u>4,953,064</u>	<u>3,934,724</u>	<u>3,934,724</u>	<u>\$ -</u>
<i>Prior year cash balance</i>	<u>36,185,274</u>	<u>36,185,274</u>	-	
<i>Appropriated cash balance</i>	<u>\$ 14,334,795</u>	<u>\$ 40,877,064</u>	4,752,162	
<i>Reconciliation to GAAP Basis:</i>				
Adjustments to revenue for tax, grant, and other accruals			(346,897)	
Adjustments to expenditures for accounts payable and payroll accruals			<u>(2,690,127)</u>	
<i>Net change in fund balance</i>			<u>\$ 1,715,138</u>	

STATE OF NEW MEXICO

City of Hobbs
Statement of Net Assets
Proprietary Funds
June 30, 2012

	<u>Joint Utility</u>	<u>Solid Waste Disposal</u>	<u>Total</u>
<i>Assets</i>			
<i>Current assets</i>			
Cash and cash equivalents	\$ 8,876,006	\$ 1,159,737	\$ 10,035,743
Accounts receivable (net of allowance for doubtful accounts of \$223,624 and \$101,771, respectively)	1,230,612	649,297	1,879,909
Inventory	459,530	-	459,530
<i>Total current assets</i>	<u>10,566,148</u>	<u>1,809,034</u>	<u>12,375,182</u>
<i>Noncurrent assets</i>			
Restricted cash and cash equivalents	4,007,416	-	4,007,416
Capital assets	105,480,764	-	105,480,764
Accumulated depreciation and amortization	<u>(55,468,178)</u>	<u>-</u>	<u>(55,468,178)</u>
<i>Total noncurrent assets</i>	<u>54,020,002</u>	<u>-</u>	<u>54,020,002</u>
<i>Total assets</i>	<u>\$ 64,586,150</u>	<u>\$ 1,809,034</u>	<u>\$ 66,395,184</u>
<i>Liabilities and Net Assets</i>			
<i>Liabilities</i>			
<i>Current liabilities</i>			
Accounts payable	\$ 523,058	\$ 469,464	\$ 992,522
Accrued payroll expenses	45,756	-	45,756
Accrued compensated absences	64,101	-	64,101
Accrued claims payable	-	-	-
Meter deposits	530,181	-	530,181
Accrued interest	445,441	-	445,441
Current maturity of loans, notes and capital leases payable	<u>1,533,921</u>	<u>-</u>	<u>1,533,921</u>
<i>Total current liabilities</i>	<u>3,142,458</u>	<u>469,464</u>	<u>3,611,922</u>
<i>Noncurrent liabilities</i>			
Accrued compensated absences	55,930	-	55,930
OPEB liability	837,827	-	837,827
Loans, notes and capital leases payable	<u>33,194,697</u>	<u>-</u>	<u>33,194,697</u>
<i>Total noncurrent liabilities</i>	<u>34,088,454</u>	<u>-</u>	<u>34,088,454</u>
<i>Total liabilities</i>	<u>37,230,912</u>	<u>469,464</u>	<u>37,700,376</u>
<i>Net assets</i>			
Invested in capital assets, net of related debt	15,283,968	-	15,283,968
Restricted	3,477,235	-	3,477,235
Unrestricted	<u>8,594,035</u>	<u>1,339,570</u>	<u>9,933,605</u>
<i>Total net assets</i>	<u>27,355,238</u>	<u>1,339,570</u>	<u>28,694,808</u>
<i>Total liabilities and net assets</i>	<u>\$ 64,586,150</u>	<u>\$ 1,809,034</u>	<u>\$ 66,395,184</u>
<i>Adjustment to reflect the consolidation of internal service fund activities for enterprise funds</i>			<u>(66,048)</u>
<i>Net assets of business-type activities</i>			<u>\$ 28,628,760</u>

The accompanying notes are an integral part of these financial statements

Risk Management Internal Service Fund	
\$	5,236,036
	-
	-
	5,236,036
	-
	-
	-
\$	5,236,036
\$	19,130
	-
	-
	664,911
	-
	-
	-
	684,041
	-
	-
	-
	-
	684,041
	-
	-
	4,551,995
	4,551,995
	4,551,995
\$	5,236,036

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, 2012

	Joint Utility	Solid Waste Disposal	Total
<i>Operating revenues:</i>			
Charges for services	\$ 11,937,969	\$ 5,720,473	\$ 17,658,442
<i>Total operating revenues</i>	<u>11,937,969</u>	<u>5,720,473</u>	<u>17,658,442</u>
<i>Operating expenses:</i>			
Depreciation	6,622,999	-	6,622,999
Personnel services	3,246,087	-	3,246,087
Contractual services	145,100	5,045,038	5,190,138
Supplies and purchased power	1,045,440	-	1,045,440
Maintenance and materials	374,317	-	374,317
Miscellaneous	975,329	-	975,329
Utilities	800,613	-	800,613
Equipment	305,481	-	305,481
Bad debt expense	(35,404)	(24,727)	(60,131)
<i>Total operating expenses</i>	<u>13,479,962</u>	<u>5,020,311</u>	<u>18,500,273</u>
<i>Operating income (loss)</i>	<u>(1,541,993)</u>	<u>700,162</u>	<u>(841,831)</u>
<i>Non-operating revenues (expenses):</i>			
Interest expense	(705,488)	-	(705,488)
Investment income	5,065	-	5,065
Miscellaneous income	3,300	-	3,300
<i>Total non-operating revenues (expenses)</i>	<u>(697,123)</u>	<u>-</u>	<u>(697,123)</u>
<i>Income (loss) before contributions and transfers</i>	<u>(2,239,116)</u>	<u>700,162</u>	<u>(1,538,954)</u>
Government contributions	7,729	-	7,729
Transfers in	1,857,628	-	1,857,628
Contributed capital-outside entities	6,590,393	-	6,590,393
Transfers of capital assets	(7,357,641)	-	(7,357,641)
<i>Change in net assets</i>	<u>(1,141,007)</u>	<u>700,162</u>	<u>(440,845)</u>
<i>Total net assets, beginning of year</i>	<u>28,496,245</u>	<u>639,408</u>	<u>29,135,653</u>
<i>Total net assets, end of year</i>	<u>\$ 27,355,238</u>	<u>\$ 1,339,570</u>	<u>\$ 28,694,808</u>
<i>Adjustment to reflect the consolidation of internal service fund activities for enterprise funds</i>			<u>(53,761)</u>
<i>Change in net assets of business-type activities</i>			<u>\$ (494,606)</u>

The accompanying notes are an integral part of these financial statements

Risk Management	
Internal Service	
Fund	
<u>\$</u>	<u>5,050,978</u>
	<u>5,050,978</u>
	-
	-
	5,549,287
	-
	-
	-
	-
	-
	-
	-
	<u>5,549,287</u>
	<u>(498,309)</u>
	-
	1,279
	-
	<u>1,279</u>
	<u>(497,030)</u>
	-
	2,000,000
	-
	-
	<u>1,502,970</u>
	<u>3,049,025</u>
<u>\$</u>	<u>4,551,995</u>

STATE OF NEW MEXICO
City of Hobbs
Statement of Cash Flows - Proprietary Funds
For the Year Ended June 30, 2012

	Joint Utility	Solid Waste Disposal	Total
<i>Cash flows from operating activities:</i>			
Cash received from user charges	\$ 11,886,412	\$ 5,553,249	\$ 17,439,661
Cash payments to employees for services	(3,295,107)	-	(3,295,107)
Cash payments to suppliers for goods and services	(3,225,219)	(4,965,616)	(8,190,835)
<i>Net cash provided (used) by operating activities</i>	<u>5,366,086</u>	<u>587,633</u>	<u>5,953,719</u>
<i>Cash flows from noncapital financing activities:</i>			
Government contributions	7,729	-	7,729
Miscellaneous income	3,300	-	3,300
Transfers	1,857,628	-	1,857,628
<i>Net cash provided by noncapital financing activities:</i>	<u>1,868,657</u>	<u>-</u>	<u>1,868,657</u>
<i>Cash flows from investing activities:</i>			
Acquisition of capital assets	(2,551,642)	-	(2,551,642)
Interest on investments	5,065	-	5,065
<i>Net cash provided (used) by investing activities</i>	<u>(2,546,577)</u>	<u>-</u>	<u>(2,546,577)</u>
<i>Cash flows from capital and related financing activities:</i>			
Interest paid	(724,646)	-	(724,646)
Principal payments on bonds, loans and notes payable	(1,593,844)	-	(1,593,844)
<i>Net cash (used) by capital and related financing activities</i>	<u>(2,318,490)</u>	<u>-</u>	<u>(2,318,490)</u>
<i>Net increase in cash and cash equivalents</i>	2,369,676	587,633	2,957,309
<i>Cash and cash equivalents - beginning of year</i>	<u>10,513,746</u>	<u>572,104</u>	<u>11,085,850</u>
<i>Cash and cash equivalents - end of year</i>	<u>\$ 12,883,422</u>	<u>\$ 1,159,737</u>	<u>\$ 14,043,159</u>
<i>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</i>			
Operating income (loss)	\$ (1,541,993)	\$ 700,162	\$ (841,831)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation	6,622,999	-	6,622,999
Bad debt expense	35,404	24,727	60,131
Changes in assets and liabilities			
Receivables	(51,557)	(167,224)	(218,781)
Inventory	(91,382)	-	(91,382)
Prepaid expenses	-	-	-
Accounts payable	153,494	29,968	183,462
Accrued payroll expenses	3,267	-	3,267
Accrued compensated absences	(52,287)	-	(52,287)
OPEB Liability	256,398	-	256,398
Accrued claims payable	-	-	-
Meter deposits	31,743	-	31,743
<i>Net cash provided (used) by operating activities</i>	<u>\$ 5,366,086</u>	<u>\$ 587,633</u>	<u>\$ 5,953,719</u>

The accompanying notes are an integral part of these financial statements

Risk Management Internal Service Fund	
\$	5,090,150
	-
	(5,115,266)
	<u>(25,116)</u>
	-
	-
	2,000,000
	<u>2,000,000</u>
	-
	1,279
	<u>1,279</u>
	-
	-
	-
	1,976,163
	3,259,873
	<u>3,259,873</u>
\$	<u>5,236,036</u>
\$	(498,309)
	-
	-
	39,172
	-
	64,654
	19,130
	-
	-
	-
	350,237
	-
\$	<u>(25,116)</u>

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STATE OF NEW MEXICO
City of Hobbs
Statement of Cash Flows - Proprietary Funds
Supplemental Non-Cash Transactions Disclosure
For the Year Ended June 30, 2012

Exhibit D-3
Page 2 of 2

Contributed capital resulting from West Hobbs Annexation increased capital assets	\$ 6,590,393
Transfers of capital assets to governmental activities reduced capital assets	\$ (7,357,641)

The accompanying notes are an integral part of these financial statements

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STATE OF NEW MEXICO
City of Hobbs
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2012

Exhibit E-1

Assets

Cash and cash equivalents	\$ 286,634
Other receivables	<u>5,330</u>
<i>Total assets</i>	<u><u>\$ 291,964</u></u>

Liabilities

Accrued payroll	\$ 321
Deposits held in trust for others	<u>291,643</u>
<i>Total liabilities</i>	<u><u>\$ 291,964</u></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, 2012

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 Statements 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, 2012

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 assets, 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, 2012

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, 2012

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, 2012

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 utility 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, 2012 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, 2012.

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, 2012

NOTE 1. Summary of Significant Accounting Policies (continued)

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

Prepaid Items: Payments made to vendors that will benefit periods beyond June 30, 2012 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. In addition, the City has pledged a treasury bill investment to secure a line of credit with a local area bank.

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, 2012 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 2012.

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
Equipment	5-15
Office equipment	5
Computer equipment	3-5
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, 2012, along with applicable PERA expenses.

STATE OF NEW MEXICO
City of Hobbs
Notes to Financial Statements
June 30, 2012

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 a resolution of 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, 2012, the City reported \$360,293 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, 2012

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, 2012, the City has presented restricted fund balance on the governmental funds balance sheet in the amount of \$7,353,037 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 \$5,390,586 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 36.

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. Invested in capital assets net of related debt: 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, 2012

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	\$ (18,387,856)	\$ 7,195,708
Other Governmental Funds	\$ (11,401,104)	\$ 105,322

	Change in net assets	
	Original Budget	Final Budget
	Budgeted Funds:	
Joint Utility	\$ (8,549,480)	\$ 2,369,427
Solid Waste Disposal	\$ -	\$ 587,633
Risk Management Internal Service Fund	\$ 2,101,500	\$ 1,918,111

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 and Statement of Revenues, Expenses and changes in Net Assets (Non-GAAP Budgetary Basis) and Actual present 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, 2012 is presented.

STATE OF NEW MEXICO
City of Hobbs
Notes to Financial Statements
June 30, 2012

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, 2012.

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 III 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, 2012 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, 2012, 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, 2012, \$1,770,332, of the City's bank balances of \$2,178,959 was exposed to custodial credit risk, \$1,770,332 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, 2012

NOTE 3. Deposits and Investments (continued)

	Lea County State Bank	Pioneer Bank	Wells Fargo Bank	Total
Deposits	\$ 308,774	\$ 99,000	\$ 70,853	\$ 478,627
Repurchase agreements	1,700,332	-	-	1,700,332
FDIC Coverage	(53,490)	(99,000)	(70,853)	(223,343)
Dodd-Frank Coverage	(255,284)	-	-	(255,284)
Total uninsured public funds	<u>1,700,332</u>	<u>-</u>	<u>-</u>	<u>1,700,332</u>
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the City's name	1,700,332	-	-	1,700,332
Uninsured and uncollateralized	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Collateral requirement - deposits (50% of uninsured funds)	\$ 127,642	\$ -	\$ -	\$ 127,642
Collateral requirement - repurchase agreement (102% of uninsured funds)	1,734,339	-	-	1,734,339
Pledged Collateral	2,594,334	-	-	2,594,334
Over (Under) collateralized	<u>\$ 732,353</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 732,353</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, 2012, 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.

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, 2012

NOTE 3. Deposits and Investments (continued)

As of June 30, 2012, 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	60 days	\$ 62,958,589	AAAm
Reserve Contingency Fund	N/A	\$ 21,027	N/A
Treasury Bills – U.S government securities	<730 days	\$ 1,398,948	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, 2012 was \$1,518,975 of which \$399,555 has been pledged as collateral by the City to secure a line of credit with a local area bank (See note 8).

The investments are listed on Schedule II of this report. The New MexiGrow LGIP fund totaling \$62,958,589 are reported as cash equivalents on the Statement of Net Assets. They are considered an investment for disclosure purposes. A Pioneer Bank certificate of deposit in the amount of \$99,000 with an original maturity date of greater than 90 days is included as an investment in the Statement of Net Assets; however, the amount is considered a deposit for disclosure purposes.

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	\$ 59,180,078
Restricted cash and cash equivalents per Exhibit A-1	4,024,910
Investments per Exhibit A-1	1,119,420
Restricted investments per Exhibit A-1	399,555
Agency funds cash per Exhibit E-1	286,634
	<hr/>
Total cash and cash equivalents	65,010,597
Add: outstanding checks	1,761,694
Less: deposits in transit and other reconciling items	(205,838)
Less: LGIP balances held by the State Treasurer	(62,979,616)
	<hr/>
Less: Treasury Bills	(1,398,948)
Less: petty cash	(8,930)
	<hr/>
Bank balance of deposits	<u>\$ 2,178,959</u>

STATE OF NEW MEXICO
City of Hobbs
Notes to Financial Statements
June 30, 2012

NOTE 4. Receivables

Receivables as of June 30, 2012, 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	\$ 94,772	\$ -	\$ 94,772
Other taxes:			
Gross receipts taxes	10,532,372	-	10,532,372
Gasoline and oil taxes	73,963	53,600	127,563
Franchise and lodgers taxes	102,177	112,908	215,085
Other receivables:			
Intergovernmental-grants:			
State	24,309	597,456	621,765
Federal	17,250	182,379	199,629
PERA reimbursement	38,172	-	38,172
Police reimbursement	-	68,400	68,400
Totals	<u>\$ 10,883,015</u>	<u>\$ 1,014,743</u>	<u>\$ 11,897,758</u>

In accordance with GASB Statement No. 33, the property tax revenues that were not collected within the period of availability, \$30,540, 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>
Utility fees	\$ 1,454,236	\$ 757,068	\$ 2,211,304
Less: Allowance for uncollectible accounts	<u>(223,624)</u>	<u>(107,771)</u>	<u>(331,395)</u>
Totals	<u>\$ 1,230,612</u>	<u>\$ 649,297</u>	<u>\$ 1,879,909</u>

STATE OF NEW MEXICO
City of Hobbs
Notes to Financial Statements
June 30, 2012

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	144,663
General Fund	Street Improvements	911,800
General Fund	Joint Utility Enterprise Fund	90,605
General Fund	Cops Grant Fund	25,969
General Fund	Community Development	449,411
General Fund	Public Transportation	312,276
City Commission Improvement	General Fund	500,000
City Commission Improvement	Joint Utility Enterprise Fund	1,767,023
Local Government Corrections	General Fund	288,393
Industrial Park Construction	General Fund	427,120
Capital Improvements	General Fund	215,293
		<hr/>
Total		<u><u>\$ 7,132,553</u></u>

The City transferred construction in progress between business-type activities to governmental activities as follows:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>
Transfers from governmental activities	\$ (434,884)	\$ 434,884
Transfers from business-type activities	<u>7,792,525</u>	<u>(7,792,525)</u>
Net transfers	<u><u>\$ 7,357,641</u></u>	<u><u>\$ (7,357,641)</u></u>

The City received contributed capital through annexation of West Hobbs roadway infrastructure. The value of roadway infrastructure was recorded at \$6,590,393, and is reported as contributed capital in the statement of revenues, expenditures, and changes in net assets-proprietary funds in the Joint Utility fund.

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 \$66,048.

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, 2012

NOTE 6. Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2012, 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, 2011	Additions & Transfers In	Deletions & Transfers Out	Balance June 30, 2012
Capital assets not being depreciated:				
Land	\$ 3,497,876	\$ 1,266,502	\$ -	\$ 4,764,378
Construction in progress	29,875,225	31,511,046	16,557,001	44,829,270
	<u>33,373,101</u>	<u>32,777,548</u>	<u>16,557,001</u>	<u>49,593,648</u>
Capital assets being depreciated:				
Buildings	32,600,837	53,433	-	32,654,270
Equipment	30,976,365	3,306,749	8,263	34,274,851
Land improvements	12,583,179	181,857	-	12,765,036
Infrastructure	58,302,049	23,826,877	513,484	81,615,442
	<u>134,462,430</u>	<u>27,368,916</u>	<u>521,747</u>	<u>161,309,599</u>
Amortizable assets				
Intangible assets	1,582,229	38,014	-	1,620,243
Total amortizable assets	<u>1,582,229</u>	<u>38,014</u>	<u>-</u>	<u>1,620,243</u>
Total capital assets	<u>169,417,760</u>	<u>60,184,478</u>	<u>17,078,748</u>	<u>212,523,490</u>
Accumulated depreciation:				
Buildings	13,247,859	1,990,904	-	15,238,763
Equipment	15,504,660	2,972,206	8,097	18,468,769
Land improvements	3,078,309	337,791	-	3,416,100
Infrastructure	15,919,362	2,564,537	78,600	18,405,299
Total accumulated depreciation	<u>47,750,190</u>	<u>7,865,438</u>	<u>86,697</u>	<u>55,528,931</u>
Less accumulated amortization:				
Intangible assets	887,566	131,516	-	1,019,082
Total accumulated amortization	<u>887,566</u>	<u>131,516</u>	<u>-</u>	<u>1,019,082</u>
Total capital assets, net	<u>\$ 120,780,004</u>	<u>\$ 52,187,524</u>	<u>\$ 16,992,051</u>	<u>\$ 155,975,477</u>

Depreciation and amortization expense for governmental activities totaled \$7,981,829 for year ended June 30, 2012. Depreciation and amortization expense for the year ended June 30, 2012 was charged to governmental activities as follows:

General Government	\$ 2,466,972
Public Safety	1,503,854
Public Works	2,719,470
Culture and Recreation	1,227,021
Health and Welfare	<u>64,512</u>
Total	<u>\$ 7,981,829</u>

STATE OF NEW MEXICO
City of Hobbs
Notes to Financial Statements
June 30, 2012

NOTE 6. Capital Assets (continued)

Business-type Activities:

	Balance June 30, 2011	Additions & Transfers In	Deletions & Transfers Out	Balance June 30, 2012
Capital assets not being depreciated:				
Land:				
Sewer plant	\$ 12,473	\$ -	\$ -	\$ 12,473
Construction in progress	15,252,103	1,272,428	4,368,140	12,156,391
	<u>15,264,576</u>	<u>1,272,428</u>	<u>4,368,140</u>	<u>12,168,864</u>
Capital assets being depreciated:				
Water plant:				
Water system	14,311,396	1,573,811	-	15,885,207
Equipment	9,802,062	420,122	6,097	10,216,087
Sewer plant:				-
Sewer system	27,146,034	1,955,952	-	29,101,986
Equipment	1,142,571	119,988	-	1,262,559
Wastewater plant	33,779,521	879,805	-	34,659,326
Industrial water plant	2,178,235	-	-	2,178,235
	<u>88,359,819</u>	<u>4,949,678</u>	<u>6,097</u>	<u>93,303,400</u>
Amortizable assets				
Intangible assets	<u>8,500</u>	<u>-</u>	<u>-</u>	<u>8,500</u>
Total amortizable assets	<u>8,500</u>	<u>-</u>	<u>-</u>	<u>8,500</u>
Total capital assets	<u>103,632,895</u>	<u>6,222,106</u>	<u>4,374,237</u>	<u>105,480,764</u>
Accumulated depreciation:				
Water plant:				
Water system	3,330,499	527,189	-	3,857,688
Equipment	3,327,237	133,585	15,125	3,445,697
Sewer plant:				
Sewer system	18,290,676	621,232	-	18,911,908
Equipment	606,670	99,795	-	706,465
Wastewater plant	22,282,409	5,283,938	-	27,566,347
Industrial water plant	940,530	34,160	-	974,690
Total accumulated depreciation	<u>48,778,021</u>	<u>6,699,899</u>	<u>15,125</u>	<u>55,462,795</u>
Less accumulated amortization:				
Intangible assets	<u>3,683</u>	<u>1,700</u>	<u>-</u>	<u>5,383</u>
Net Book Value	<u>\$ 54,851,191</u>	<u>\$ (479,493)</u>	<u>\$ 4,359,112</u>	<u>\$ 50,012,586</u>

Depreciation and amortization expense for business-type activities for the year ended June 30, 2012 were \$6,622,999. The entire amounts were recorded in the Joint Utility Fund.

STATE OF NEW MEXICO
City of Hobbs
Notes to Financial Statements
June 30, 2012

NOTE 7. Long-term Debt

During the year ended June 30, 2012, the following changes occurred in the liabilities reported in the government-wide statement of net assets:

Governmental Activities:

	Balance June 30, 2011	Additions	Retirements	Balance June 30, 2012	Due Within One Year
Unfunded OPEB Liability	\$ 6,099,853	\$ 2,432,420	\$ 318,320	\$ 8,213,953	\$ -
Compensated Absences	1,517,126	549,866	765,403	1,301,589	593,836
Total Long-Term Debt	\$ 7,616,979	\$ 2,982,286	\$ 1,083,723	\$ 9,515,542	\$ 593,836

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, 2012, compensated absences decreased \$215,537 from 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, 2012:

	Balance June 30, 2011	Additions	Retirements	Balance June 30, 2012	Due Within One Year
NMFA and NMED Loans	\$36,322,462	\$ -	\$ 1,593,844	\$ 34,728,618	\$ 1,533,921
Unfunded OPEB Liability	581,429	295,004	38,606	837,827	-
Compensated Absences	172,318	58,941	111,228	120,031	64,101
Total Long-Term Debt	\$37,076,209	\$ 353,945	\$ 1,743,678	\$ 35,686,476	\$ 1,598,022

Compensated Absences – During fiscal year June 30, 2012, compensated absences for proprietary funds decreased \$52,287 from the prior year accrual. Compensated absences for proprietary funds are typically liquidated in the fund where they are recorded.

The NMFA and NMED loans are as follows:

Description	Date of Issue	Due Date	Interest Rate	Original Amount of Issue	Balance June 30, 2012
NMED Wastewater Loan	07/21/11	07/21/30	2.00%	\$ 31,419,101	\$ 30,125,995
NMFA Clean Drinking Water Loan	04/22/03	05/01/23	1.75%	5,226,750	4,602,623
Total Loans					\$ 34,728,618

STATE OF NEW MEXICO
City of Hobbs
Notes to Financial Statements
June 30, 2012

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.

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. 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
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	1,660,366	451,288	2,111,654
2018-2022	8,813,424	1,849,614	10,663,038
2023-2027	9,730,729	1,120,171	10,850,900
2028-2031	8,201,876	320,084	8,521,960
	<u>\$ 34,728,618</u>	<u>\$ 5,800,171</u>	<u>\$ 40,528,789</u>

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

NOTE 8. Line of Credit

On December 15, 2011, the City established a \$400,000 irrevocable letter of credit with Lea County State Bank at .5% in order to meet an insurance requirement. The line of credit expires on December 13, 2012. There was no balance outstanding on the line of credit as of June 30, 2012. The City authorized the insurance carrier (Liberty Mutual) to draw upon the account. The line of credit is secured by a U.S. Treasury bill with a par value of \$401,000 and a maturity date of December 13, 2012. The fair value of the collateral is \$399,555 as of June 30, 2012, and is included in the restricted investments reported on the Statement of Net Assets.

NOTE 9. 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:

STATE OF NEW MEXICO
City of Hobbs
Notes to Financial Statements
June 30, 2012

NOTE 9. Conduit Debt Obligations (continued)

Recipient	Date of Issue	Retirement Date	Amount Issued	Amount Outstanding June 30, 2012	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 10. 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, 2012, future minimum lease payments applicable to the operating leases are as follows:

Fiscal year ending June 30,	
2013	\$ 135,386
2014	49,005
2015	65,000
	<u>\$ 249,391</u>

NOTE 11. 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 \$664,911 at June 30, 2012 and is reported as a liability on the financial statements.

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

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

NOTE 12. Pension Plan- Public Employees Retirement Association

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

STATE OF NEW MEXICO
City of Hobbs
Notes to Financial Statements
June 30, 2012

NOTE 12. Pension Plan- Public Employees Retirement Association-(continued)

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, 2012, 2011 and 2010 were \$2,088,419, \$2,462,388, and \$2,485,672, respectively, which equal the amount of required contributions for each fiscal year.

NOTE 13. 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 as 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, 2012.

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, 2012, 2011 and 2010 were \$36,447, \$34,608, and \$31,799 respectively.

NOTE 14. 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 108 retirees receiving benefits and a total of 392 active participants.

Funding Policy

Changes to the Retiree Health Plan must be instigated through City Commission resolution with the necessary budget adjustments. The City pays a service-based portion of the premium for the coverage, while retirees, spouses, and survivors pay the remainder of the premium for their coverage. In the fiscal years ended June 30, 2012, 2011 and 2010 respectively, plan members' contributions totaled \$577,401, \$575,602, and \$576,229. 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 years ended June 30, 2012, 2011 and 2010 respectively, the City contributed \$356,926, \$350,932, and \$422,298 to the plan. The plan is financed on a pay-as-you-go basis.

STATE OF NEW MEXICO
City of Hobbs
Notes to Financial Statements
June 30, 2012

NOTE 14. Post-Employment Benefits-(continued)

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 No. 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)	\$ 2,420,872	\$ 293,603	\$ 2,714,475
Interest on net OPEB obligation	268,138	32,520	300,658
Adjustment to Annual Required Contribution	<u>(256,591)</u>	<u>(31,119)</u>	<u>(287,710)</u>
Annual OPEB cost (expense)	2,432,419	295,004	2,727,423
Actual contribution	<u>(318,320)</u>	<u>(38,606)</u>	<u>(356,926)</u>
Increase in net OPEB obligation	2,114,099	256,398	2,370,497
Net OPEB obligation - beginning of year	6,099,854	581,429	6,681,283
Net OPEB obligation - end of year	<u>\$ 8,213,953</u>	<u>\$ 837,827</u>	<u>\$ 9,051,780</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, 2012 were as follows:

Fiscal year ended	Annual OPEB cost	Actual employer contributions	Percentage contributed	Net OPEB obligation
6/30/2012	\$ 2,727,423	\$ 356,926	13.09%	\$ 9,051,780
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

As of November 1, 2011, the projected actuarial accrued liability (AAL) for benefits for the fiscal 2012 year was \$27,411,684, all of which was unfunded. The covered payroll (the annual payroll of active employees covered by the plan) was \$20,466,603, and the unfunded actuarial accrued liability (UAAL) was 133.93 percent of the covered payroll.

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

STATE OF NEW MEXICO
City of Hobbs
Notes to Financial Statements
June 30, 2012

NOTE 14. Post-Employment Benefits (continued)

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 15. 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 16. 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 17. Joint Powers Agreements and Memorandums of Understanding

Lea County Water Users Association

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.

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.

STATE OF NEW MEXICO
City of Hobbs
Notes to Financial Statements
June 30, 2012

NOTE 17. Joint Powers Agreements and Memorandums of Understanding- (continued)

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.

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.

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.

STATE OF NEW MEXICO
City of Hobbs
Notes to Financial Statements
June 30, 2012

NOTE 17. Joint Powers Agreements and Memorandums of Understanding- (continued)

Hobbs Municipal Schools-(continued)

The City entered into a joint powers agreement on December 18, 1975 with the Hobbs Municipal Schools to jointly develop tennis courts on property owned by the 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 with 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.

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.

STATE OF NEW MEXICO
City of Hobbs
Notes to Financial Statements
June 30, 2012

NOTE 17. Joint Powers Agreements and Memorandums of Understanding- (continued)

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.

The City incurred \$376,777 in costs during fiscal year ended June 30, 2012.

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, 2012. The City's prorated share per month is \$4,000. Total annual payout is \$48,000. Audit responsibility lies with each individual agency.

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, 2012, 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.

STATE OF NEW MEXICO
City of Hobbs
Notes to Financial Statements
June 30, 2012

NOTE 17. Joint Powers Agreements and Memorandums of Understanding-(continued)

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.

New Mexico Department of Transportation

On August 15, 2011 the City authorized a memorandum of understanding with New Mexico Department of Transportation (NMDOT) for the project Safe Routes to Schedule (phase 2)". In addition, on October 17, 2011 the City authorized a memorandum of understanding with NMDOT's Transit and Rail Division for fiscal year 2012 transportation services. Audit responsibility lies with the City.

Lea County Detention Center

On May 7, 2012 the City authorized the Mayor to execute an agreement with Lea County to house Lea County Detention Facility Prisoners in the Hobbs Detention Facility. In exchange Lea County will pay Hobbs the sum of \$65.50 pro rata, from the date of incarceration through the date of release for housing and board and related services rendered at the center. Audit responsibility lies with both Lea County and the City.

NOTE 18. Subsequent Events

The date to which events occurring after June 30, 2012, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosures is November 28, 2012, 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, 2012

NOTE 19. 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 reported a deficit fund balance as of June 30, 2012:

Cemetery Special Revenue Fund	\$ 1,105
Community Development Special Revenue Fund	45,186

- B. Excess of expenditures over appropriations. No funds exceeded approved budgetary authority for the year ended June 30, 2012.
- C. Designated cash appropriations in excess of available balances. No funds exceeded approved budgetary authority for the year ended June 30, 2012.

NOTE 20. Restricted Net Assets

The government-wide statement of net assets reports \$10,830,272 of restricted net assets, all of which is restricted by enabling legislation. For descriptions of the related enabling legislation for special revenue and capital projects funds, see pages 90-92.

NOTE 21. Construction and Other Significant Commitments

The City had outstanding construction commitments for water line and infrastructure projects of \$11,766,049 as of December 1, 2012. 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 5th year.

NOTE 22. Concentration

As of June 30, 2012 64 the City's 460 employees (13.92%) are police union employees who work under a collective bargaining agreement executed on August 15, 2011. The term of the agreement expires on March 15, 2015.

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 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.

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SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
City of Hobbs
Nonmajor Fund Descriptions
June 30, 2012

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.

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.

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
Nonmajor Fund Descriptions
June 30, 2012

Special Revenue Funds (continued)

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
Nonmajor Fund Descriptions
June 30, 2012

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.

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.

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.

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.

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STATE OF NEW MEXICO
City of Hobbs
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2012

Special Revenue

	Local Government Corrections	Police Protection	Police Narcotics	COPS Grant Fund
<i>Assets</i>				
Cash and cash equivalents	\$ -	\$ 14,864	\$ 10,896	\$ -
Receivables:				
Property taxes	-	-	-	-
Other taxes	-	-	-	-
Other receivables	-	68,400	-	43,364
Prepaid expenses	-	-	-	-
<i>Total assets</i>	<u>\$ -</u>	<u>\$ 83,264</u>	<u>\$ 10,896</u>	<u>\$ 43,364</u>
<i>Liabilities</i>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued payroll expenses	-	-	-	2,589
Deferred revenue	-	-	-	-
<i>Total liabilities</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>2,589</u>
<i>Fund balances</i>				
Nonspendable	-	-	-	-
Spendable				
Restricted for:				
Public safety	-	83,264	10,896	40,775
Culture and recreation	-	-	-	-
Transportation and roads	-	-	-	-
Health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital projects	-	-	-	-
Unassigned	-	-	-	-
<i>Total fund balances</i>	<u>-</u>	<u>83,264</u>	<u>10,896</u>	<u>40,775</u>
<i>Total liabilities and fund balances</i>	<u>\$ -</u>	<u>\$ 83,264</u>	<u>\$ 10,896</u>	<u>\$ 43,364</u>

The accompanying notes are an integral part of these financial statements

Special Revenue

<u>Cemetery</u>	<u>Airport</u>	<u>Lodger's Tax Promotional</u>	<u>Public Transportation</u>	<u>Fire Protection</u>
\$ 1,000	\$ 229,666	\$ 1,131,121	\$ -	\$ 553,679
-	-	-	-	-
1	-	112,908	-	-
-	-	-	21,831	-
-	-	-	-	-
<u>\$ 1,001</u>	<u>\$ 229,666</u>	<u>\$ 1,244,029</u>	<u>\$ 21,831</u>	<u>\$ 553,679</u>
\$ 377	\$ 202	\$ -	\$ -	\$ -
1,729	-	-	7,266	-
-	-	-	-	-
<u>2,106</u>	<u>202</u>	<u>-</u>	<u>7,266</u>	<u>-</u>
-	-	-	-	-
-	-	-	-	553,679
-	229,464	-	-	-
-	-	-	14,565	-
-	-	-	-	-
-	-	1,244,029	-	-
-	-	-	-	-
(1,105)	-	-	-	-
<u>(1,105)</u>	<u>229,464</u>	<u>1,244,029</u>	<u>14,565</u>	<u>553,679</u>
<u>\$ 1,001</u>	<u>\$ 229,666</u>	<u>\$ 1,244,029</u>	<u>\$ 21,831</u>	<u>\$ 553,679</u>

STATE OF NEW MEXICO
City of Hobbs
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2012

Special Revenue

	<u>Emergency Medical Services</u>	<u>Community Development</u>	<u>Recreation Expendable Trust</u>	<u>Library Expendable Trust</u>
<i>Assets</i>				
Cash and cash equivalents	\$ -	\$ -	\$ 57,501	\$ 3,385
Receivables:				
Property taxes	-	-	-	-
Other taxes	-	-	-	-
Other receivables	-	-	-	-
Prepaid expenses	-	-	-	-
<i>Total assets</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 57,501</u>	<u>\$ 3,385</u>
<i>Liabilities</i>				
Accounts payable	\$ -	\$ 45,186	\$ -	\$ -
Accrued payroll expenses	-	-	-	-
Deferred revenue	-	-	-	-
<i>Total liabilities</i>	<u>-</u>	<u>45,186</u>	<u>-</u>	<u>-</u>
<i>Fund balances</i>				
Nonspendable	-	-	-	-
Spendable				
Restricted for:				
Public safety	-	-	-	-
Culture and recreation	-	-	57,501	3,385
Transportation and roads	-	-	-	-
Health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital projects	-	-	-	-
Unassigned	-	(45,186)	-	-
<i>Total fund balances</i>	<u>-</u>	<u>(45,186)</u>	<u>57,501</u>	<u>3,385</u>
<i>Total liabilities and fund balances</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 57,501</u>	<u>\$ 3,385</u>

The accompanying notes are an integral part of these financial statements

Special Revenue		Capital Projects		
Cemetary Expendable Trust	Community Parks Expendable Trust	Industrial Park Construction	Parks Improvement	Capital Projects
\$ 5,306	\$ 1,419	\$ -	\$ 1,589,188	\$ 1,281,241
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
<u>\$ 5,306</u>	<u>\$ 1,419</u>	<u>\$ -</u>	<u>\$ 1,589,188</u>	<u>\$ 1,281,241</u>
\$ -	\$ -	\$ -	\$ -	\$ 80,963
-	-	-	-	-
-	-	-	-	-
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>80,963</u>
-	-	-	-	-
-	-	-	-	-
-	1,419	-	-	-
5,306	-	-	-	-
-	-	-	-	-
-	-	-	1,589,188	1,200,278
<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<u>5,306</u>	<u>1,419</u>	<u>-</u>	<u>1,589,188</u>	<u>1,200,278</u>
<u>\$ 5,306</u>	<u>\$ 1,419</u>	<u>\$ -</u>	<u>\$ 1,589,188</u>	<u>\$ 1,281,241</u>

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STATE OF NEW MEXICO
City of Hobbs
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2012

	Capital Projects			
	Capital Improvements	Street Improvements	City Commission Improvement	Total Nonmajor Governmental Funds
<i>Assets</i>				
Cash and cash equivalents	\$ -	\$ -	\$ 1,747,150	\$ 6,626,416
Receivables:				
Property taxes	-	-	-	-
Other taxes	-	53,599	-	166,508
Other receivables	-	714,640	-	848,235
Prepaid expenses	-	-	44,921	44,921
<i>Total assets</i>	\$ -	\$ 768,239	\$ 1,792,071	\$ 7,686,080
<i>Liabilities</i>				
Accounts payable	\$ -	\$ 196,101	\$ -	\$ 322,829
Accrued payroll expenses	-	-	-	11,584
Deferred revenue	-	-	-	-
<i>Total liabilities</i>	-	196,101	-	334,413
<i>Fund balances</i>				
Nonspendable	-	-	44,921	44,921
Spendable				
Restricted for:				
Public safety	-	-	-	688,614
Culture and recreation	-	-	-	290,350
Transportation and roads	-	-	-	15,984
Health and welfare	-	-	-	5,306
Economic development	-	-	-	1,244,029
Capital projects	-	572,138	1,747,150	5,108,754
Unassigned	-	-	-	(46,291)
<i>Total fund balances</i>	-	572,138	1,792,071	7,351,667
<i>Total liabilities and fund balances</i>	\$ -	\$ 768,239	\$ 1,792,071	\$ 7,686,080

The accompanying notes are an integral part of these financial statements

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, 2012

	Special Revenue			
	Local Government Corrections	Police Protection	Police Narcotics	COPS Grant Fund
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	99,315
Federal capital grants	-	-	-	-
State operating grants	-	138,600	-	-
State capital grants	-	-	-	-
Local sources	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	138,773	-	-	-
Investment income	770	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>139,543</u>	<u>138,600</u>	<u>-</u>	<u>99,315</u>
<i>Expenditures:</i>				
Current:				
Public safety	98,213	37,784	-	96,510
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	5,035	18,576	-	-
<i>Total expenditures</i>	<u>103,248</u>	<u>56,360</u>	<u>-</u>	<u>96,510</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>36,295</u>	<u>82,240</u>	<u>-</u>	<u>2,805</u>
<i>Other financing sources (uses)</i>				
Transfers in	-	-	-	25,969
Transfers out	(288,393)	-	-	-
<i>Total other financing sources (uses)</i>	<u>(288,393)</u>	<u>-</u>	<u>-</u>	<u>25,969</u>
<i>Net change in fund balances</i>	(252,098)	82,240	-	28,774
<i>Fund balances-beginning of year</i>	<u>252,098</u>	<u>1,024</u>	<u>10,896</u>	<u>12,001</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ 83,264</u>	<u>\$ 10,896</u>	<u>\$ 40,775</u>

The accompanying notes are an integral part of these financial statements

Special Revenue

Cemetery	Airport	Lodger's Tax Promotional	Public Transportation	Fire Protection
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	1,329,743	-	-
-	-	-	198,592	30,000
-	-	-	51,571	-
-	-	-	-	389,408
-	-	-	-	-
-	-	-	-	-
153,819	-	-	32,810	-
-	-	-	-	-
-	495	1,932	-	2,443
-	88,070	-	-	-
<u>153,819</u>	<u>88,565</u>	<u>1,331,675</u>	<u>282,973</u>	<u>421,851</u>
-	-	-	-	114,098
-	-	-	-	-
-	6,257	-	-	-
249,993	-	-	566,537	-
-	-	818,194	-	-
48,180	-	-	105,438	568,153
<u>298,173</u>	<u>6,257</u>	<u>818,194</u>	<u>671,975</u>	<u>682,251</u>
<u>(144,354)</u>	<u>82,308</u>	<u>513,481</u>	<u>(389,002)</u>	<u>(260,400)</u>
144,663	-	-	312,276	-
-	-	-	-	-
<u>144,663</u>	<u>-</u>	<u>-</u>	<u>312,276</u>	<u>-</u>
309	82,308	513,481	(76,726)	(260,400)
<u>(1,414)</u>	<u>147,156</u>	<u>730,548</u>	<u>91,291</u>	<u>814,079</u>
<u>\$ (1,105)</u>	<u>\$ 229,464</u>	<u>\$ 1,244,029</u>	<u>\$ 14,565</u>	<u>\$ 553,679</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, 2012

	Special Revenue			
	Emergency Medical Services	Community Development	Recreation Expendable Trust	Library Expendable Trust
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	30,000	-	-	-
State capital grants	-	-	-	-
Local sources	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	14,970	1,693
<i>Total revenues</i>	30,000	-	14,970	1,693
<i>Expenditures:</i>				
Current:				
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	250	1,686
Health and welfare	19,535	-	-	-
Economic development	-	-	-	-
Capital outlay	11,352	366,488	-	-
<i>Total expenditures</i>	30,887	366,488	250	1,686
<i>Excess (deficiency) of revenues over expenditures</i>	(887)	(366,488)	14,720	7
<i>Other financing sources (uses)</i>				
Transfers in	-	449,411	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	-	449,411	-	-
<i>Net change in fund balances</i>	(887)	82,923	14,720	7
<i>Fund balances-beginning of year</i>	887	(128,109)	42,781	3,378
<i>Fund balances - end of year</i>	\$ -	\$ (45,186)	\$ 57,501	\$ 3,385

The accompanying notes are an integral part of these financial statements

Special Revenue		Capital Projects		
Cemetary Expendable Trust	Community Parks Expendable Trust	Industrial Park Construction	Parks Improvement	Capital Projects
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	1,846,710
-	-	-	-	-
15	4	-	4,351	-
-	-	-	-	-
<u>15</u>	<u>4</u>	<u>-</u>	<u>4,351</u>	<u>1,846,710</u>
-	-	-	-	-
-	-	-	-	14,231
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	136,351	23,760	2,945,861
-	-	136,351	23,760	2,960,092
<u>15</u>	<u>4</u>	<u>(136,351)</u>	<u>(19,409)</u>	<u>(1,113,382)</u>
-	-	-	-	-
-	-	(427,120)	-	-
-	-	(427,120)	-	-
15	4	(563,471)	(19,409)	(1,113,382)
<u>5,291</u>	<u>1,415</u>	<u>563,471</u>	<u>1,608,597</u>	<u>2,313,660</u>
<u>\$ 5,306</u>	<u>\$ 1,419</u>	<u>\$ -</u>	<u>\$ 1,589,188</u>	<u>\$ 1,200,278</u>

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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, 2012

Statement A-2

Page 3 of 3

	Capital Projects			Total Nonmajor Governmental Funds
	Capital Improvements	Street Improvements	City Commission Improvement	
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	2,981,044	2,981,044
Gasoline and motor vehicle	-	663,438	-	663,438
Other	-	-	-	1,329,743
Intergovernmental:				
Federal operating grants	-	-	-	327,907
Federal capital grants	-	246,641	-	298,212
State operating grants	-	-	-	558,008
State capital grants	4,232	367,316	-	371,548
Local sources	-	-	-	1,846,710
Charges for services	-	-	-	186,629
Licenses and fees	-	-	-	138,773
Investment income	-	276	-	10,286
Miscellaneous	-	-	-	104,733
<i>Total revenues</i>	<u>4,232</u>	<u>1,277,671</u>	<u>2,981,044</u>	<u>8,817,031</u>
<i>Expenditures:</i>				
Current:				
Public safety	-	-	-	346,605
Public works	4,068	-	-	18,299
Culture and recreation	-	-	-	8,193
Health and welfare	-	-	49,005	885,070
Economic development	-	-	-	818,194
Capital outlay	-	3,503,841	-	7,733,035
<i>Total expenditures</i>	<u>4,068</u>	<u>3,503,841</u>	<u>49,005</u>	<u>9,809,396</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>164</u>	<u>(2,226,170)</u>	<u>2,932,039</u>	<u>(992,365)</u>
<i>Other financing sources (uses)</i>				
Transfers in	-	911,800	-	1,844,119
Transfers out	(215,293)	-	(2,267,023)	(3,197,829)
<i>Total other financing sources (uses)</i>	<u>(215,293)</u>	<u>911,800</u>	<u>(2,267,023)</u>	<u>(1,353,710)</u>
<i>Net change in fund balances</i>	<u>(215,129)</u>	<u>(1,314,370)</u>	<u>665,016</u>	<u>(2,346,075)</u>
<i>Fund balances-beginning of year</i>	<u>215,129</u>	<u>1,886,508</u>	<u>1,127,055</u>	<u>9,697,742</u>
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ 572,138</u>	<u>\$ 1,792,071</u>	<u>\$ 7,351,667</u>

The accompanying notes are an integral part of these financial statements

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, 2012

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes:				
Gross receipts	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	196,000	138,773	138,773	-
Investment income	1,000	770	770	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>197,000</u>	<u>139,543</u>	<u>139,543</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
Public safety	103,500	98,213	98,213	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	-	5,035	5,035	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>103,500</u>	<u>103,248</u>	<u>103,248</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>93,500</u>	<u>36,295</u>	<u>36,295</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	252,098	252,098	-	(252,098)
Loan proceeds	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-
Transfers in	-	-	-	-
Transfers out	(345,598)	(288,393)	(288,393)	-
<i>Total other financing sources (uses)</i>	<u>(93,500)</u>	<u>(36,295)</u>	<u>(288,393)</u>	<u>(252,098)</u>
<i>Net change in fund balance</i>	-	-	(252,098)	(252,098)
<i>Fund balance - beginning of year</i>	-	-	252,098	252,098
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ (252,098)	
No adjustments to revenues.			-	
No adjustments to expenditures.			-	
Net change in fund balance (GAAP)			<u>\$ (252,098)</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, 2012

	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	70,200	70,200	70,200	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	70,200	70,200	70,200	-
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	55,200	37,784	37,784	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	15,000	18,576	18,576	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	70,200	56,360	56,360	-
<i>Excess (deficiency) of revenues over expenditures</i>	-	13,840	13,840	-
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	-	(13,840)	-	13,840
Loan proceeds	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	-	(13,840)	-	13,840
<i>Net change in fund balance</i>	-	-	13,840	13,840
<i>Fund balance - beginning of year</i>	-	-	1,024	1,024
<i>Fund balance - end of year</i>	\$ -	\$ -	\$ 14,864	\$ 14,864
Net change in fund balance (non-GAAP budgetary basis)			\$ 13,840	
Adjustments to revenues for grant accruals.			68,400	
No adjustments to expenditures.			-	
Net change in fund balance (GAAP)			\$ 82,240	

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, 2012

	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>	-	-	-	-
<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>	-	-	-	-
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	-	-	-	-
<i>Net change in fund balance</i>	-	-	-	-
<i>Fund balance - beginning of year</i>	-	-	10,896	10,896
<i>Fund balance - end of year</i>	\$ -	\$ -	\$ 10,896	\$ 10,896
Net change in fund balance (non-GAAP budgetary basis)			\$ -	
No adjustments to revenues.			-	
No adjustments to expenditures.			-	
Net change in fund balance (GAAP)			\$ -	

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, 2012

	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	244,700	67,952	67,952	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>244,700</u>	<u>67,952</u>	<u>67,952</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	586,162	93,921	93,921	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>586,162</u>	<u>93,921</u>	<u>93,921</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(341,462)</u>	<u>(25,969)</u>	<u>(25,969)</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	(258,000)	-	-	-
Transfers in	599,462	25,969	25,969	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>341,462</u>	<u>25,969</u>	<u>25,969</u>	<u>-</u>
<i>Net change in fund balance</i>	-	-	-	-
<i>Fund balance - beginning of year</i>	-	-	-	-
<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.			31,363	
Adjustments to expenditures for accounts payable accruals.			<u>(2,589)</u>	
Net change in fund balance (GAAP)			<u>\$ 28,774</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, 2012

	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	151,100	153,819	153,819	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>151,100</u>	<u>153,819</u>	<u>153,819</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	274,053	249,302	249,302	-
Economic development	-	-	-	-
Capital outlay	65,000	48,180	48,180	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>339,053</u>	<u>297,482</u>	<u>297,482</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(187,953)</u>	<u>(143,663)</u>	<u>(143,663)</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	-	(1,000)	-	1,000
Transfers in	187,953	144,663	144,663	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>187,953</u>	<u>143,663</u>	<u>144,663</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>-</u>	<u>-</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,000</u>	<u>\$ 1,000</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ 1,000	
No adjustments to revenues.			-	
Adjustments to expenditures for payroll accruals.			(691)	
Net change in fund balance (GAAP)			<u>\$ 309</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, 2012

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	500	495	495	-
Miscellaneous	25,000	88,070	88,070	-
<i>Total revenues</i>	<u>25,500</u>	<u>88,565</u>	<u>88,565</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	60,500	6,055	6,055	-
Health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>60,500</u>	<u>6,055</u>	<u>6,055</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(35,000)</u>	<u>82,510</u>	<u>82,510</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash decrease)	35,000	(82,510)	-	82,510
Loan proceeds	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>35,000</u>	<u>(82,510)</u>	<u>-</u>	<u>82,510</u>
<i>Net change in fund balance</i>	-	-	82,510	82,510
<i>Fund balance - beginning of year</i>	-	-	147,156	147,156
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 229,666</u>	<u>\$ 229,666</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ 82,510	
No adjustments to revenues.			-	
Adjustments to expenditures for accounts payable accruals.			(202)	
Net change in fund balance (GAAP)			<u>\$ 82,308</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, 2012

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final	(Non-GAAP Budgetary Basis)	Final to Actual
<i>Revenues:</i>				
Taxes:				
Lodgers' taxes	\$ 700,000	\$ 1,283,544	\$ 1,283,544	\$ -
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	1,932	1,932	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>701,960</u>	<u>1,285,476</u>	<u>1,285,476</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Economic development	1,102,093	847,195	847,195	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>1,102,093</u>	<u>847,195</u>	<u>847,195</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(400,133)</u>	<u>438,281</u>	<u>438,281</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash decrease)	400,133	(438,281)	-	438,281
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>400,133</u>	<u>(438,281)</u>	<u>-</u>	<u>438,281</u>
<i>Net change in fund balance</i>	-	-	438,281	438,281
<i>Fund balance - beginning of year</i>	-	-	692,840	692,840
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,131,121</u>	<u>\$ 1,131,121</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ 438,281	
Adjustments to revenues for tax accruals.			46,199	
Adjustments to expenditures for prior year accounts payable accruals.			29,001	
Net change in fund balance (GAAP)			<u>\$ 513,481</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, 2012

	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	338,290	273,898	273,898	-
Federal capital grants	917,018	51,571	51,571	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	35,000	32,810	32,810	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>1,290,308</u>	<u>358,279</u>	<u>358,279</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	615,224	565,117	565,117	-
Economic development	-	-	-	-
Capital outlay	1,187,018	105,438	105,438	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>1,802,242</u>	<u>670,555</u>	<u>670,555</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(511,934)</u>	<u>(312,276)</u>	<u>(312,276)</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	(45,000)	-	-	-
Transfers in	556,934	312,276	312,276	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>511,934</u>	<u>312,276</u>	<u>312,276</u>	<u>-</u>
<i>Net change in fund balance</i>	-	-	-	-
<i>Fund balance - beginning of year</i>	-	-	-	-
<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.			(75,306)	
Adjustments to expenditures for payroll accruals.			(1,420)	
Net change in fund balance (GAAP)			<u>\$ (76,726)</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, 2012

	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	-	30,000	30,000	-
Federal capital grants	-	-	-	-
State operating grants	308,344	389,408	389,408	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	2,443	2,443	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	308,344	421,851	421,851	-
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	234,800	114,098	114,098	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	506,632	568,153	568,153	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	741,432	682,251	682,251	-
<i>Excess (deficiency) of revenues over expenditures</i>	(433,088)	(260,400)	(260,400)	-
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash decrease)	433,088	260,400	-	(260,400)
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	433,088	260,400	-	(260,400)
<i>Net change in fund balance</i>	-	-	(260,400)	(260,400)
<i>Fund balance - beginning of year</i>	-	-	814,079	814,079
<i>Fund balance - end of year</i>	\$ -	\$ -	\$ 553,679	\$ 553,679
Net change in fund balance (non-GAAP budgetary basis)			\$ (260,400)	
No adjustments to revenues.			-	
No adjustments to expenditures.			-	
Net change in fund balance (GAAP)			\$ (260,400)	

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, 2012

	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	20,000	30,000	30,000	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	20,000	30,000	30,000	-
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	20,000	20,000	19,535	465
Economic development	-	-	-	-
Capital outlay	-	10,887	11,352	(465)
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	20,000	30,887	30,887	-
<i>Excess (deficiency) of revenues over expenditures</i>	-	(887)	(887)	-
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	-	887	-	(887)
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	-	887	-	(887)
<i>Net change in fund balance</i>	-	-	(887)	(887)
<i>Fund balance - beginning of year</i>	-	-	887	887
<i>Fund balance - end of year</i>	\$ -	\$ -	\$ -	\$ -
Net change in fund balance (non-GAAP budgetary basis)			\$ (887)	
No adjustments to revenues.			-	
No adjustments to expenditures.			-	
Net change in fund balance (GAAP)			\$ (887)	

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, 2012

	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	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	347,966	347,966	347,966	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>347,966</u>	<u>347,966</u>	<u>347,966</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(347,966)</u>	<u>(347,966)</u>	<u>(347,966)</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	(311,410)	(101,445)	-	101,445
Transfers in	659,376	449,411	449,411	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>347,966</u>	<u>347,966</u>	<u>449,411</u>	<u>101,445</u>
<i>Net change in fund balance</i>	-	-	101,445	101,445
<i>Fund balance - beginning of year</i>	-	-	(101,445)	(101,445)
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ 101,445	
No adjustments to revenues.			-	
Adjustments to expenditures for accounts payable accruals.			(18,522)	
Net change in fund balance (GAAP)			<u>\$ 82,923</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, 2012

	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	12,000	14,970	14,970	-
<i>Total revenues</i>	12,000	14,970	14,970	-
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	12,000	250	250	-
Health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	12,000	250	250	-
<i>Excess (deficiency) of revenues over expenditures</i>	-	14,720	14,720	-
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	-	(14,720)	-	14,720
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	-	(14,720)	-	14,720
<i>Net change in fund balance</i>	-	-	14,720	14,720
<i>Fund balance - beginning of year</i>	-	-	42,781	42,781
<i>Fund balance - end of year</i>	\$ -	\$ -	\$ 57,501	\$ 57,501
Net change in fund balance (non-GAAP budgetary basis)			\$ 14,720	
No adjustments to revenues.			-	
No adjustments to expenditures.			-	
Net change in fund balance (GAAP)			\$ 14,720	

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, 2012

	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	2,000	1,693	1,693	-
<i>Total revenues</i>	<u>2,000</u>	<u>1,693</u>	<u>1,693</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	2,000	1,686	1,686	-
Health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>2,000</u>	<u>1,686</u>	<u>1,686</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>7</u>	<u>7</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	-	(7)	-	7
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>(7)</u>	<u>-</u>	<u>7</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>7</u>	<u>7</u>
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>3,378</u>	<u>3,378</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,385</u>	<u>\$ 3,385</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ 7	
No adjustments to revenues.			-	
No adjustments to expenditures.			-	
Net change in fund balance (GAAP)			<u>\$ 7</u>	

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, 2012

	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	-	15	15	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	-	15	15	-
<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>	-	15	15	-
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	-	(15)	-	15
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	-	(15)	-	15
<i>Net change in fund balance</i>	-	-	15	15
<i>Fund balance - beginning of year</i>	-	-	5,291	5,291
<i>Fund balance - end of year</i>	\$ -	\$ -	\$ 5,306	\$ 5,306
Net change in fund balance (non-GAAP budgetary basis)			\$ 15	
No adjustments to revenues.			-	
No adjustments to expenditures.			-	
Net change in fund balance (GAAP)			\$ 15	

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, 2012

	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	-	4	4	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	-	4	4	-
<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>	-	4	4	-
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	-	(4)	-	4
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	-	(4)	-	4
<i>Net change in fund balance</i>	-	-	4	4
<i>Fund balance - beginning of year</i>	-	-	1,415	1,415
<i>Fund balance - end of year</i>	\$ -	\$ -	\$ 1,419	\$ 1,419
Net change in fund balance (non-GAAP budgetary basis)			\$ 4	
No adjustments to revenues.			-	
No adjustments to expenditures.			-	
Net change in fund balance (GAAP)			\$ 4	

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, 2012

	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	744,000	744,000	744,000	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>744,000</u>	<u>744,000</u>	<u>744,000</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	274,157	270,370	270,370	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>274,157</u>	<u>270,370</u>	<u>270,370</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>469,843</u>	<u>473,630</u>	<u>473,630</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	-	(46,510)	-	46,510
Transfers in	-	-	-	-
Transfers out	(469,843)	(427,120)	(427,120)	-
<i>Total other financing sources (uses)</i>	<u>(469,843)</u>	<u>(473,630)</u>	<u>(427,120)</u>	<u>46,510</u>
<i>Net change in fund balance</i>	-	-	46,510	46,510
<i>Fund balance - beginning of year</i>	-	-	(46,510)	(46,510)
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ 46,510	
Adjustments to revenues for prior year grant accruals.			(744,000)	
Adjustments to expenditures for prior year accounts payable accruals.			134,019	
Net change in fund balance (GAAP)			<u>\$ (563,471)</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, 2012

	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	-	4,351	4,351	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>4,351</u>	<u>4,351</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	1,494,395	23,760	23,760	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>1,494,395</u>	<u>23,760</u>	<u>23,760</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(1,494,395)</u>	<u>(19,409)</u>	<u>(19,409)</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	1,494,395	19,409	-	(19,409)
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>1,494,395</u>	<u>19,409</u>	<u>-</u>	<u>(19,409)</u>
<i>Net change in fund balance</i>	-	-	(19,409)	(19,409)
<i>Fund balance - beginning of year</i>	-	-	1,608,597	1,608,597
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,589,188</u>	<u>\$ 1,589,188</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ (19,409)	
No adjustments to revenues.			-	
No adjustments to expenditures.			-	
Net change in fund balance (GAAP)			<u>\$ (19,409)</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, 2012

	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	-	-	-	-
Local sources	2,955,200	2,341,368	2,341,368	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>2,955,200</u>	<u>2,341,368</u>	<u>2,341,368</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	3,067	3,067	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	4,850,346	3,199,347	3,199,347	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>4,850,346</u>	<u>3,202,414</u>	<u>3,202,414</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(1,895,146)</u>	<u>(861,046)</u>	<u>(861,046)</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	580,972	861,046	-	(861,046)
Transfers in	1,314,174	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>1,895,146</u>	<u>861,046</u>	<u>-</u>	<u>(861,046)</u>
<i>Net change in fund balance</i>	-	-	(861,046)	(861,046)
<i>Fund balance - beginning of year</i>	-	-	2,142,287	2,142,287
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,281,241</u>	<u>\$ 1,281,241</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ (861,046)	
Adjustments to revenues for prior year grant accruals.			(494,658)	
Adjustments to expenditures for prior year accounts payable accruals.			242,322	
Net change in fund balance (GAAP)			<u>\$ (1,113,382)</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, 2012

	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	-	4,232	4,232	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>4,232</u>	<u>4,232</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	4,068	4,068	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>4,068</u>	<u>4,068</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>164</u>	<u>164</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	-	215,129	-	(215,129)
Transfers in	-	-	-	-
Transfers out	-	(215,293)	(215,293)	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>(164)</u>	<u>(215,293)</u>	<u>(215,129)</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>(215,129)</u>	<u>(215,129)</u>
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>215,129</u>	<u>215,129</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)			\$ (215,129)	
No adjustments to revenues.			-	
No adjustments to expenditures.			-	
Net change in fund balance (GAAP)			<u>\$ (215,129)</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, 2012

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final	(Non-GAAP Budgetary Basis)	Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	600,000	664,357	664,357	-
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	1,133,650	712,009	712,009	-
State operating grants	-	-	-	-
State capital grants	1,560,771	72,973	72,973	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	8,100	276	276	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>3,302,521</u>	<u>1,449,615</u>	<u>1,449,615</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	5,079,626	3,364,182	3,364,182	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>5,079,626</u>	<u>3,364,182</u>	<u>3,364,182</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(1,777,105)</u>	<u>(1,914,567)</u>	<u>(1,914,567)</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	1,002,767	1,002,767	-	(1,002,767)
Transfers in	774,338	911,800	911,800	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>1,777,105</u>	<u>1,914,567</u>	<u>911,800</u>	<u>(1,002,767)</u>
<i>Net change in fund balance</i>	-	-	(1,002,767)	(1,002,767)
<i>Fund balance - beginning of year</i>	-	-	1,002,767	1,002,767
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ (1,002,767)	
Adjustments to revenues for grant and gasoline tax accruals.			(171,944)	
Adjustments to expenditures for accounts payable accruals.			(139,659)	
Net change in fund balance (GAAP)			<u>\$ (1,314,370)</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, 2012

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final	(Non-GAAP Budgetary Basis)	Final to Actual
<i>Revenues:</i>				
Taxes:				
Gross receipts	\$ 2,000,000	\$ 2,981,044	\$ 2,981,044	\$ -
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>2,000,000</u>	<u>2,981,044</u>	<u>2,981,044</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	49,000	49,005	49,005	-
Economic development	-	-	-	-
Capital outlay	550,000	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>599,000</u>	<u>49,005</u>	<u>49,005</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>1,401,000</u>	<u>2,932,039</u>	<u>2,932,039</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	866,023	(665,016)	-	665,016
Transfers in	-	-	-	-
Transfers out	(2,267,023)	(2,267,023)	(2,267,023)	-
<i>Total other financing sources (uses)</i>	<u>(1,401,000)</u>	<u>(2,932,039)</u>	<u>(2,267,023)</u>	<u>665,016</u>
<i>Net change in fund balance</i>	-	-	665,016	665,016
<i>Fund balance - beginning of year</i>	-	-	1,082,134	1,082,134
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,747,150</u>	<u>\$ 1,747,150</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ 665,016	
No adjustments to revenues.			-	
No adjustments to expenditures.			-	
Net change in fund balance (GAAP)			<u>\$ 665,016</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, 2012

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final		
<i>Operating revenues:</i>				
Charges for services	\$ 11,189,763	\$ 11,988,963	\$ 11,988,963	\$ -
<i>Total operating revenues</i>	<u>11,189,763</u>	<u>11,988,963</u>	<u>11,988,963</u>	<u>-</u>
<i>Operating expenses:</i>				
Personnel services	3,384,296	3,038,709	3,038,709	-
Contractual services	255,920	129,002	129,002	-
Supplies and purchased power	1,497,200	1,146,021	1,146,021	-
Maintenance and materials	376,700	377,552	377,552	-
Miscellaneous	443,000	992,923	992,923	-
Utilities	853,300	740,171	740,171	-
Equipment	166,100	73,777	73,777	-
<i>Total operating expenses</i>	<u>6,976,516</u>	<u>6,498,155</u>	<u>6,498,155</u>	<u>-</u>
<i>Operating income (loss)</i>	<u>4,213,247</u>	<u>5,490,808</u>	<u>5,490,808</u>	<u>-</u>
<i>Non-operating revenues (expenses):</i>				
Capital outlay	(13,606,857)	(2,551,642)	(2,551,642)	-
Principal payments	(1,736,974)	(1,593,844)	(1,593,844)	-
Loan proceeds	340,000	-	-	-
Interest expense	(728,919)	(724,646)	(724,646)	-
Investment income	13,000	5,065	5,065	-
Miscellaneous income	-	-	3,300	3,300
<i>Total non-operating revenues (expenses)</i>	<u>(15,719,750)</u>	<u>(4,865,067)</u>	<u>(4,861,767)</u>	<u>3,300</u>
Government contributions	1,190,000	11,029	7,729	(3,300)
Transfers in	1,767,023	1,857,628	1,857,628	-
Transfers out	-	-	-	-
<i>Change in net assets</i>	<u>\$ (8,549,480)</u>	<u>\$ 2,494,398</u>	<u>2,494,398</u>	<u>\$ -</u>
<i>Reconciliation to GAAP basis:</i>				
Depreciation			(6,622,999)	
Adjustments to revenues for accounts receivable accruals			(51,557)	
Adjustments to expenditures for accounts payable and payroll accruals			(645,689)	
Adjustment to interest expense for accrued interest			19,158	
Adjustment to inventory			91,382	
Capital asset additions			2,551,642	
Contributed capital			6,590,393	
Capital asset additions transferred to governmental activities			(7,196,983)	
Debt service principal payments			1,593,844	
Bad debt expense			35,404	
<i>Change in net assets per Exhibit D-2</i>			<u>(1,141,007)</u>	
<i>Total net assets, beginning of year</i>			<u>28,496,245</u>	
<i>Total net assets, end of year</i>			<u>\$ 27,355,238</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 (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final		
<i>Operating revenues:</i>				
Charges for services	\$ 5,000,000	\$ 5,602,703	\$ 5,602,703	\$ -
<i>Total operating revenues</i>	<u>5,000,000</u>	<u>5,602,703</u>	<u>5,602,703</u>	<u>-</u>
<i>Operating expenses:</i>				
Personnel services	-	-	-	-
Utilities	-	-	-	-
Contractual services	5,000,000	5,015,070	5,015,070	-
Supplies	-	-	-	-
Maintenance and materials	-	-	-	-
Gross receipts taxes	-	-	-	-
Other costs	-	-	-	-
<i>Total operating expenses</i>	<u>5,000,000</u>	<u>5,015,070</u>	<u>5,015,070</u>	<u>-</u>
<i>Operating income (loss)</i>	<u>-</u>	<u>587,633</u>	<u>587,633</u>	<u>-</u>
<i>Non-operating revenues (expenses):</i>				
Interest expense	-	-	-	-
Investment 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>\$ 587,633</u>	<u>587,633</u>	<u>\$ -</u>
<i>Reconciliation to GAAP basis:</i>				
Adjustments to revenues for accounts receivable accruals			117,772	
Adjustments to expenses for accounts payable accruals			(29,970)	
Bad debt expense			<u>24,727</u>	
<i>Change in net assets per Exhibit D-2</i>			700,162	
<i>Total net assets, beginning of year</i>			<u>639,408</u>	
<i>Total net assets, end of year</i>			<u>\$ 1,339,570</u>	

The accompanying notes are an integral part of these financial statements

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 (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2012

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final		
<i>Operating revenues:</i>				
Charges for services	\$ 5,949,485	\$ 5,050,978	\$ 5,050,978	\$ -
<i>Total operating revenues</i>	<u>5,949,485</u>	<u>5,050,978</u>	<u>5,050,978</u>	<u>-</u>
<i>Operating expenses:</i>				
Personnel services	-	-	-	-
Utilities	-	-	-	-
Contractual services	5,849,485	5,134,146	5,134,146	-
Supplies	-	-	-	-
Maintenance and materials	-	-	-	-
Gross receipts taxes	-	-	-	-
Other costs	-	-	-	-
<i>Total operating expenses</i>	<u>5,849,485</u>	<u>5,134,146</u>	<u>5,134,146</u>	<u>-</u>
<i>Operating income (loss)</i>	<u>100,000</u>	<u>(83,168)</u>	<u>(83,168)</u>	<u>-</u>
<i>Non-operating revenues (expenses):</i>				
Interest expense	-	-	-	-
Investment income	1,500	1,279	1,279	-
Miscellaneous income	-	-	-	-
<i>Total non-operating revenues (expenses)</i>	<u>1,500</u>	<u>1,279</u>	<u>1,279</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>\$ 2,101,500</u>	<u>\$ 1,918,111</u>	<u>1,918,111</u>	<u>\$ -</u>
<i>Reconciliation to GAAP basis:</i>				
No adjustments to revenues			-	
Adjustments to expenditures for accounts payable accruals			<u>(415,141)</u>	
<i>Change in net assets per Exhibit D-2</i>			1,502,970	
<i>Total net assets, beginning of year</i>			<u>3,049,025</u>	
<i>Total net assets, end of year</i>			<u>\$ 4,551,995</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, 2012

Schedule I

Actuarial valuation date	Actuarial value of assets	Actuarial accrued liability AAL - Entry age	Unfunded actuarial 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, 2012	\$ -	\$ 27,411,684	\$ 27,411,684	\$ -	\$ 20,466,603	133.93%
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%

Fiscal year ended	Annual OPEB cost	Actual employer contributions	Percentage contributed
June 30, 2012	\$ 2,727,423	\$ 356,925	13.09%
June 30, 2011	\$ 2,574,084	\$ 350,932	13.63%
June 30, 2010	\$ 1,669,795	\$ 422,289	25.29%

See independent auditors' report

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SUPPORTING SCHEDULES

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STATE OF NEW MEXICO

Schedule II

City of Hobbs
 Schedule of Deposits
 June 30, 2012

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	\$ 106,830	\$ 58,379	\$ 150,479	\$ 14,730
City of Hobbs - Investment Account	Money Market	53,490	145,555	-	199,045
City of Hobbs	Checking	1	1,904	1,609,791	(1,607,886)
Inmate Trust Account	Checking	14,193	-	-	14,193
Special Operations - Police	Checking	3,301	-	-	3,301
City of Hobbs Savings	Repurchase	1,700,332	-	-	1,700,332
City of Hobbs Mun. Judge Trust	Checking	130,959	-	1,424	129,535
Total Lea County State Bank		<u>2,009,106</u>	<u>205,838</u>	<u>1,761,694</u>	<u>453,250</u>
Wells Fargo Bank					
Hobbs Police Dept - Evidence Trust	Checking	68,783	-	-	68,783
HPD - Crime Prevention	CD	2,070	-	-	2,070
Total Wells Fargo Bank		<u>70,853</u>	<u>-</u>	<u>-</u>	<u>70,853</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		<u>\$ 2,178,959</u>	<u>\$ 205,838</u>	<u>\$ 1,761,694</u>	623,103
Plus: petty cash					8,930
Add: cash equivalents held in the State Treasurer Local Government Investment Pool (LGIP)					62,979,616
Add: United States Treasury Bills					1,398,948
Less: investments per Exhibit A-1					(1,119,420)
Less: restricted cash and cash equivalents per Exhibit A-1					(4,024,910)
Less: restricted investments per Exhibit A-1					(399,555)
Less: agency cash per Exhibit F-1					(286,634)
Cash and cash equivalents per Exhibit A-1					<u>\$59,180,078</u>

See independent auditors' report

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STATE OF NEW MEXICO

Schedule III

City of Hobbs

Schedule of Collateral Pledged by Depository for Public Funds

June 30, 2012

Name of Depository	Description of Pledged Collateral	Type of Pledged Collateral	Maturity	CUSIP Number	Par/FMV Value at June 30, 2012	Name and Location of Safekeeper
Lea County State Bank						
	Grants & Cibola 4.5%	Muni	10/1/2013	388240CK7	\$ 135,000 *	First Security Bank, Salt Lake City, UT
	Artesia NM Wtr Swr 4%	Muni	6/1/2023	04310LAPS	725,000 *	First Security Bank, Salt Lake City, UT
	US Treasury	T-Bill	12/31/2015	912828PM6	<u>1,734,334</u>	First Security Bank, Salt Lake City, UT
	Total Pledged Collateral				<u><u>\$ 2,594,334</u></u>	

* As per NMSA 2.2.2.10 (N)(4), the value of collateral consisting of obligations of the State of New Mexico, its agencies, institutions, counties, municipalities or other subdivisions shall be par value.

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, 2012

	Balance at June 30, 2011	Receipts	Disbursements	Balance at June 30, 2012
Motor Vehicle				
Assets				
Cash and cash equivalents	\$ -	\$ 6,453,908	\$ 6,438,022	\$ 15,886
Other receivables	634	1,490	-	2,124
Total assets	\$ 634	\$ 6,455,398	\$ 6,438,022	\$ 18,010
Liabilities				
Deposits held in trust for others	\$ 634	\$ 6,455,398	\$ 6,438,022	\$ 18,010
Total liabilities	\$ 634	\$ 6,455,398	\$ 6,438,022	\$ 18,010
Municipal Judge				
Assets				
Cash and cash equivalents	\$ 130,918	\$ 135,092	\$ 131,364	\$ 134,646
Total assets	\$ 130,918	\$ 135,092	\$ 131,364	\$ 134,646
Liabilities				
Deposits held in trust for others	\$ 130,918	\$ 135,092	\$ 131,364	\$ 134,646
Total liabilities	\$ 130,918	\$ 135,092	\$ 131,364	\$ 134,646
Crime Lab				
Assets				
Cash and cash equivalents	\$ 36,404	\$ 88,228	\$ 74,171	\$ 50,461
Total assets	\$ 36,404	\$ 88,228	\$ 74,171	\$ 50,461
Liabilities				
Accounts payable	\$ 6,485	\$ -	\$ 6,485	\$ -
Deposits held in trust for others	29,919	88,228	67,686	50,461
Total liabilities	\$ 36,404	\$ 88,228	\$ 74,171	\$ 50,461

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, 2012

	Balance at June 30, 2011	Receipts	Disbursements	Balance at June 30, 2012
Senior Citizen				
Assets				
Cash and cash equivalents	\$ 2,321	\$ 2,425	\$ 1,335	\$ 3,411
Total assets	\$ 2,321	\$ 2,425	\$ 1,335	\$ 3,411
Liabilities				
Deposits held in trust for others	\$ 2,321	\$ 2,425	\$ 1,335	\$ 3,411
Total liabilities	\$ 2,321	\$ 2,425	\$ 1,335	\$ 3,411
Hobbs Beautiful				
Assets				
Cash and cash equivalents	\$ 21,730	\$ 7,123	\$ 16,722	\$ 12,131
Accounts receivable	-	3,206	-	3,206
Total assets	\$ 21,730	\$ 10,329	\$ 16,722	\$ 15,337
Liabilities				
Accrued payroll	\$ 256	\$ 321	\$ 256	\$ 321
Deposits held in trust for others	21,474	10,008	16,466	15,016
Total liabilities	\$ 21,730	\$ 10,329	\$ 16,722	\$ 15,337
City Agency				
Assets				
Cash and cash equivalents	\$ 2,955	\$ 1,504	\$ 3,214	\$ 1,245
Total assets	\$ 2,955	\$ 1,504	\$ 3,214	\$ 1,245
Liabilities				
Deposits held in trust for others	\$ 2,955	\$ 1,504	\$ 3,214	\$ 1,245
Total liabilities	\$ 2,955	\$ 1,504	\$ 3,214	\$ 1,245

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, 2012

	<u>Balance at June 30, 2011</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance at June 30, 2012</u>
Evidence Fund				
Assets				
Cash and cash equivalents	\$ 57,232	\$ 11,550	\$ -	\$ 68,782
Total assets	<u>\$ 57,232</u>	<u>\$ 11,550</u>	<u>\$ -</u>	<u>\$ 68,782</u>
Liabilities				
Deposits held in trust for others	\$ 57,232	\$ 11,550	\$ -	\$ 68,782
Total liabilities	<u>\$ 57,232</u>	<u>\$ 11,550</u>	<u>\$ -</u>	<u>\$ 68,782</u>
Foreclosure Trust				
Assets				
Cash and cash equivalents	\$ 8,498	\$ 72	\$ 8,498	\$ 72
Total assets	<u>\$ 8,498</u>	<u>\$ 72</u>	<u>\$ 8,498</u>	<u>\$ 72</u>
Liabilities				
Deposits held in trust for others	\$ 8,498	\$ 72	\$ 8,498	\$ 72
Total liabilities	<u>\$ 8,498</u>	<u>\$ 72</u>	<u>\$ 8,498</u>	<u>\$ 72</u>
Total - All Agency Funds				
Assets				
Cash and cash equivalents	\$ 260,058	\$ 6,699,902	\$ 6,673,326	\$ 286,634
Other receivables	634	4,696	-	5,330
Total assets	<u>\$ 260,692</u>	<u>\$ 6,704,598</u>	<u>\$ 6,673,326</u>	<u>\$ 291,964</u>
Liabilities				
Accounts payable	\$ 6,485	\$ -	\$ 6,485	\$ -
Accrued payroll	256	321	256	321
Deposits held in trust for others	253,951	6,704,277	6,666,585	291,643
Total liabilities	<u>\$ 260,692</u>	<u>\$ 6,704,598</u>	<u>\$ 6,673,326</u>	<u>\$ 291,964</u>

See independent auditors' report

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, 2012, which collectively comprise the City's basic financial statements as listed in the table of contents, and have issued our report thereon dated November 28, 2012. 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 for the nonmajor funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2012 as listed in the table of contents. 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

Management of the City is responsible for establishing and maintaining effective 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.

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 instances 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 questioned costs as items FS 2008-1, FS 2011-1, and FS 2012-1.

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
November 28, 2012

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FEDERAL FINANCIAL ASSISTANCE



Accounting & Consulting Group, LLP
Certified Public Accountants

**INDEPENDENT AUDITORS' 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 City of Hobbs, New Mexico's (the City) compliance 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 the City's major federal programs for the year ended June 30, 2012. 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, 2012.

Internal Control Over Compliance

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 to determine the auditing procedures for the purpose of expressing our opinion on compliance, and to test and report on internal control over compliance in accordance with OMB circular A-133, 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.

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 specified parties.

Accounting & Consulting Group, LLP

Accounting & Consulting Group, LLP
Albuquerque, NM
November 28, 2012

STATE OF NEW MEXICO
City of Hobbs
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2012

Federal Grantor/Pass Through Grantor/Program Title	CFDA Number	Federal Grantors Number	Expenditures
U.S. Department of Agriculture			
Emergency Food Assistance Program	10.569	2012	\$ 25,138
Emergency Food Assistance Program	10.569	2011-12 60827	59,393
Total U.S. Department of Agriculture			<u>84,531</u>
U.S. Department of Housing and Urban Development			
Passed through the State of New Mexico Local Government Division			
Community Development Block Grants/State's Program	14.228	11-C-NR-I-01-G-31	200,000
Total U.S. Department of Housing and Urban Development			<u>200,000</u>
U.S. Department of Justice			
Edward Byrne Memorial Justice Assistance Grant (JAG) - Recovery Act	16.804	2009-SB-B9-1929	68,503
Bulletproof Vest Partnership Program	16.607		3,655
Public Safety Partnership and Community Policing Grants	16.710	2010UMWX	99,315
Total U.S. Department of Justice			<u>171,473</u>
U.S. Department of Transportation			
Passed through NM Department of Transportation			
Urban Mass Transit Authority (1)	20.509	MOA FY 10/11	53,904
Urban Mass Transit Authority (1)	20.509	MOA FY 11/12	263,926
Highway Planning and Construction (1)	20.205	TPO-0218-1(1)51	46,641
Highway Planning and Construction - Recovery Act (1)	20.205		128,060
Recreational Trails Program	20.219	10-521-0511-0229	300,000
Total U.S. Department of Transportation			<u>792,531</u>
Total Federal Financial Assistance			<u>\$ 1,248,535</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, 2012

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*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

2. Subrecipients

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

3. Noncash Assistance

The City received no noncash assistance in the current fiscal year.

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

Total federal awards expended per Schedule of Expenditures of Federal Awards	\$ 1,248,535
Total expenditures funded by other sources	<u>97,297,455</u>
Total expenditures	<u><u>\$ 98,545,990</u></u>

STATE OF NEW MEXICO
City of Hobbs
Schedule of Findings and Questioned Costs
June 30, 2012

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? | No |
| 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? | No |
| 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? | No |
| 4. Identification of major programs: | |

CFDA Number	Federal Program
20.509	Urban Mass Transit
20.205	Highway Planning and Construction

- | | |
|---|-----------|
| 5. Dollar threshold used to distinguish between type A and type B programs: | \$300,000 |
| 6. Auditee qualified as low-risk auditee? | Yes |

Section II – Prior Year Audit Findings

Prior Year Audit Findings

Financial Statement Findings

	Disposition
2008-1 Municipal Court Receipts Reconciliation	Repeated and Modified
2010-2 Deposits Not Made Timely	Resolved
2011-1 Internal Controls over Inventories	Repeated and Modified
2011-2 Depreciation Calculations	Resolved
2011-3 Accounts Payable Listing	Resolved
2011-4 Bank Account Opened Without Authorization	Resolved
2011-5 Cash Appropriations in Excess of Available Cash Balances	Resolved
FA 2011-1 Inadequate Internal Controls over Program Income	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 \$496,965.

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

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.

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 for the program are not useful for accounting for receivables and 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.

FS 2011-1 – Internal Controls over Inventories (Other Matter)

Condition: The City's perpetual inventory system did not match the inventory counts performed at June 30, 2012. We noted differences between the inventory system and the inventory counts for two out of fifty items tested. The dollar amount associated with the differences totaled \$1,267.80.

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.

Section III – Findings - Financial Statement Audit (continued)

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.

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.

Auditor's Recommendations: We recommend that the City establish procedures to maintain perpetual inventory balances accurately. We also recommend that the City limit physical 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.

FS 2012-1 – Identification of Federal Awards (Other Matter)

Condition: We noted during our initial review of information provided by the City in order for us to test federal awards and prepare the City's Schedule of Expenditures of Federal Awards (SEFA) a federal grant (Health walk/Jobtrail) passed through the New Mexico Department of Transportation in the amount of \$300,000 was not included in the detail of federal expenditures.

Criteria: Per OMB Circular A-133, subpart C Section .300 Auditee Responsibilities, the auditee is responsible for identifying, in its accounts, all federal awards received and expended and the federal programs under which they were received.

Effect: The information provided by the City in order to determine the required testing and for the preparation of the SEFA had to be revised by the City after the Auditor's review.

Cause: The City had misclassified the amount as a state grant award instead of a federal grant award.

Auditor's Recommendation: The City should develop a policy and related procedure to ensure grants subject to the A-133 act, whether received directly or through a pass through agency, are identified and the expenditures thereof are reported in the detailed records of federal awards.

Views of Responsible Officials and Planned Corrective Actions: The City has an open posted position for a financial analyst. One of the primary duties of this position is to monitor grants. Part of this process going forward will be to ensure that grants subject to A-133 act are identified and expenditures are reported correctly in the SEFA.

STATE OF NEW MEXICO

City of Hobbs
Other Disclosures
June 30, 2012

Exit Conference

An exit conference was held on November 27, 2012. In attendance were the following:

Representing the City of Hobbs:

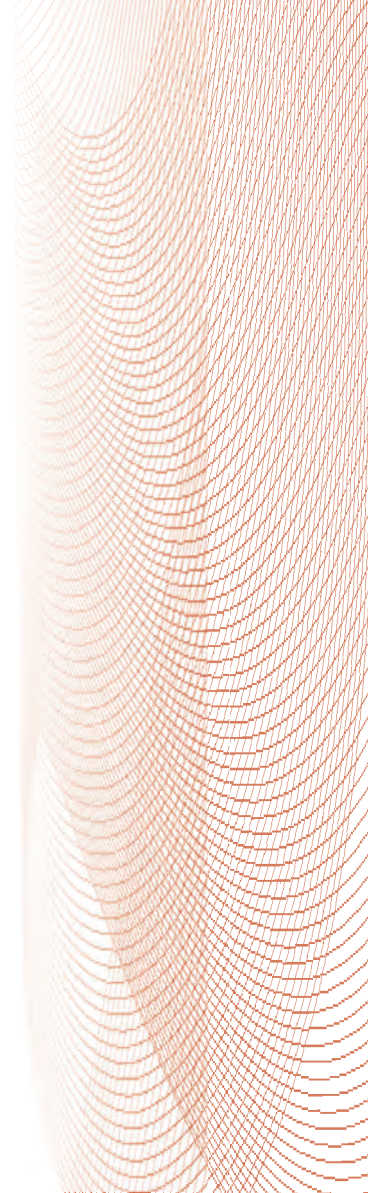
Sam Cobb	Mayor
JJ Murphy	City Manager
Toby Spears	Finance Director
Deborah Corral	Assistant Finance Director

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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