



State of New Mexico
City of Hobbs
Annual Financial Report
June 30, 2013



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INTRODUCTORY SECTION

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City of Hobbs
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For the Year Ended June 30, 2013

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STATE OF NEW MEXICO

City of Hobbs

Official Roster

June 30, 2013

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

Administration

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

Report on Financial Statements

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 City of Hobbs, New Mexico (the City), as of and for the year ended June 30, 2013, and the related notes to the financial statements 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 and the budgetary comparisons for all nonmajor funds, the proprietary funds and the internal service fund presented as supplementary information, as defined by the Governmental Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2013 as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatements, whether due to fraud or error.

Auditor's Responsibility

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 from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2013, and the respective changes in financial position and where applicable, cash flows thereof for the year then ended

in accordance 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 of the City, as of June 30, 2013, and the respective changes in financial position thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the budget comparisons referred to above present fairly, in all material respects, the respective budgetary comparisons for the year then ended in conformity with the budgetary basis of accounting as prescribed in the New Mexico Administrative Code, as more fully described in Note 2 to the financial statements, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the *Management's Discussion and Analysis* on pages 12 through 30 and the *Schedule of Funding Progress* on page 89 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the City's financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The Schedule of Expenditures of Federal Awards as required by Office of Management and Budget *Circular A-133, Audit of States, Local Governments, and Non-Profit Organizations*, the introductory section, and Supporting Schedules II through IV required by 2.2.2 NMAC are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

The Schedule of Expenditures of Federal Awards, and Supporting Schedules II through IV required by 2.2.2 NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards, and Supporting Schedules II through IV required by 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated November 15, 2013 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* in considering the City's internal control over financial reporting and compliance.

Accounting & Consulting Group, LLP

Accounting & Consulting Group, LLP
Albuquerque, New Mexico
November 15, 2013

STATE OF NEW MEXICO
City of Hobbs
Management's Discussion And Analysis
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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, 2013. 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 \$72,639,332.
- The assets of the City of Hobbs exceeded its liabilities at June 30, 2013 by \$262,773,190.
- Restricted net position totaled \$13,606,983 at June 30, 2013. Restricted net position amounts are subject to external restrictions on how they may be used.
- Unrestricted net position totaled \$63,346,357 at June 30, 2013.
- Gross receipts taxes increased approximately 14% from \$63,847,472 for 2012 to \$72,639,332 for 2013. 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 position presents information on all of the City of Hobbs' assets and liabilities, with the difference between the two reported as net position. Over time, increases and decreases in net position 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 position changed during the most recent fiscal year. All changes in net position 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 position 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 \$262,773,190 at June 30, 2013. Significant reasons for the increase follow the schedule below.

	June 30, 2013		
	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 66,003,685	\$ 8,281,629	\$ 74,285,314
Investments	103,103	-	103,103
Receivables	13,430,318	2,989,746	16,420,064
Internal balances	15,538	(15,538)	-
Inventories	-	445,174	445,174
Prepaid expenses	315,682	-	315,682
Restricted cash and investments	475,246	4,195,639	4,670,885
Capital assets, net of depreciation	167,692,739	52,577,475	220,270,214
Total assets	<u>\$ 248,036,311</u>	<u>\$ 68,474,125</u>	<u>\$ 316,510,436</u>
LIABILITIES AND NET POSITION			
Current liabilities	\$ 5,335,705	\$ 2,084,066	\$ 7,419,771
Customer deposits	-	448,860	448,860
Long-term liabilities due within one year	-	1,629,215	1,629,215
Long-term liabilities due in more than one year	10,320,090	33,919,310	44,239,400
Total liabilities	<u>15,655,795</u>	<u>38,081,451</u>	<u>53,737,246</u>
Net investment in capital assets	167,692,739	18,127,111	185,819,850
Restricted for:			
Debt service	-	3,746,779	3,746,779
Capital projects	7,625,915	-	7,625,915
Special revenue	2,234,289	-	2,234,289
Unrestricted	54,827,573	8,518,784	63,346,357
Total net position	<u>232,380,516</u>	<u>30,392,674</u>	<u>262,773,190</u>
Total liabilities and net position	<u>\$ 248,036,311</u>	<u>\$ 68,474,125</u>	<u>\$ 316,510,436</u>

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Government-wide Financial Analysis (continued)

On June 30, 2012, assets exceeded liabilities by \$234,298,304. 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
Total assets	<u>\$ 218,980,380</u>	<u>\$ 66,329,136</u>	<u>\$ 285,309,516</u>
LIABILITIES AND NET POSITION			
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
Total liabilities	<u>13,310,836</u>	<u>37,700,376</u>	<u>51,011,212</u>
Net investment in capital assets	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 position	<u>205,669,544</u>	<u>28,628,760</u>	<u>234,298,304</u>
Total liabilities and net position	<u>\$ 218,980,380</u>	<u>\$ 66,329,136</u>	<u>\$ 285,309,516</u>

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Government-wide Financial Analysis (continued)

By far the largest portion of the City of Hobbs' net position (71%, or \$185,818,850) 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' net 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 5.18%, or \$13,606,983, of the City of Hobbs' net position is restricted subject to external restrictions on how they may be used, and 24%, or \$63,346,357, of the City of Hobbs' net position is 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.
- Long-term liabilities increased due to increases in the City's compensated absences balances and unfunded OPEB liability at June 30, 2013.

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.
- Long-term debt additions include a new loan with NMFA in the amount of \$1,319,488 for to assist in financing a water conservation, treatment, recycling project which will include construction of the initial phase of the City's Effluent Reuse Project. The total loan amount is \$1,319,488 and the interest rate of .25% over the term of the loan. The loan matures on June 1, 2032 and payable and collectible solely from the net revenues to be derived from the operation of the joint water and sewer system.
- Overall long term debt decreased due to current year principal payments exceeding the new loan amount.

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Government-wide Financial Analysis (continued)

Net (Expense) Revenue and Changes in Net Position

The City's total revenues for the years ended June 30, 2013 and 2012, respectively, were \$105,052,634 and \$95,374,655. Total expenses were, respectively, \$76,574,288 and \$68,261,065. The effects of these and other changes to net position can be seen in the following schedules.

The following schedules illustrate the items that comprised the changes in the City's net position for the years ended June 30, 2013 and 2012. Reasons for significant changes follow the schedules.

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

<u>Functions/Programs</u>	June 30, 2013		
	Primary Government		
	Governmental Activities	Business-type Activities	Total
Primary government:			
General government	\$ 23,112,495	\$ -	\$ 23,112,495
Public safety	21,643,158	-	21,643,158
Public works	2,804,436	-	2,804,436
Economic development	7,546,927	-	7,546,927
Health and welfare	3,115,343	-	3,115,343
Culture and recreation	1,323,432	-	1,323,432
Solid waste sanitation	-	6,305,543	6,305,543
Joint utility enterprise	-	10,722,954	10,722,954
Less charges for services	6,217,760	16,383,060	22,600,820
Less operating grants and contributions	1,269,364	-	1,269,364
Less capital grants and contributions	494,541	-	494,541
	<u>\$ (51,564,126)</u>	<u>\$ (645,437)</u>	<u>\$ (52,209,563)</u>
General revenues:			
Taxes:			
Property taxes - general purposes	\$ 2,065,467	\$ -	\$ 2,065,467
Gross receipts taxes	70,738,483	1,900,849	72,639,332
Franchise taxes	1,068,620	-	1,068,620
Other taxes	2,963,097	-	2,963,097
Unrestricted investment earnings	89,540	4,316	93,856
Miscellaneous	1,353,351	504,186	1,857,537
	<u>78,278,558</u>	<u>2,409,351</u>	<u>80,687,909</u>
Excess (deficiency) before contributions, special items, and transfers	<u>26,714,432</u>	<u>1,763,914</u>	<u>28,478,346</u>
<i>Special item - gain (loss) on sale of asset</i>	-	-	-
<i>Special item - transfer of capital assets</i>	-	-	-
<i>Special item - contributed capital</i>	-	-	-
Net operating transfers in (out)	<u>(3,460)</u>	<u>-</u>	<u>(3,460)</u>
Total contributions, special items, and transfers	<u>(3,460)</u>	<u>-</u>	<u>(3,460)</u>
Change in net position	<u>26,710,972</u>	<u>1,763,914</u>	<u>28,474,886</u>
Net position - beginning	<u>205,669,544</u>	<u>28,628,760</u>	<u>234,298,304</u>
Net position - ending	<u>\$ 232,380,516</u>	<u>\$ 30,392,674</u>	<u>\$ 262,773,190</u>

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Net (Expense) Revenue and Changes in Net Position (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
Joint utility enterprise	-	14,239,349	14,239,349
Less charges for services	2,951,642	17,658,442	20,610,084
Less operating grants and contributions	3,540,692	7,729	3,548,421
Less capital grants and contributions	733,836	-	733,836
	<u>\$ (41,775,235)</u>	<u>\$ (1,593,489)</u>	<u>\$ (43,368,724)</u>
General revenues:			
Taxes:			
Property taxes - general purpose	\$ 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
Miscellaneous	766,277	3,300	769,577
	<u>70,473,811</u>	<u>8,503</u>	<u>70,482,314</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 - donation of capital asset</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 position	<u>34,198,423</u>	<u>(494,606)</u>	<u>33,703,817</u>
Net position - beginning	<u>171,471,121</u>	<u>29,123,366</u>	<u>200,594,487</u>
Net position - ending	<u>\$ 205,669,544</u>	<u>\$ 28,628,760</u>	<u>\$ 234,298,304</u>

STATE OF NEW MEXICO
City of Hobbs
Management's Discussion And Analysis
For the Year Ended June 30, 2013
Unaudited

Governmental activities

The governmental activities of the City of Hobbs attained an increase in net position of \$26,170,972 in the year ended June 30, 2013. The governmental activities' increase in net position for the year ended June 30, 2012, was \$34,198,423. Significant highlights are noted below.

- Increases in tax revenues, including gross receipts taxes contributed to the increase in net position.
- The increase in tax revenues was offset by the increase in expenses. Total expenses for fiscal year 2013 and 2012 were \$59,545,791 and \$49,001,405 respectively.
- Property tax revenues have continued to climb due to high demand for residential and business properties in the area, which continues to drive real estate values and prices higher.

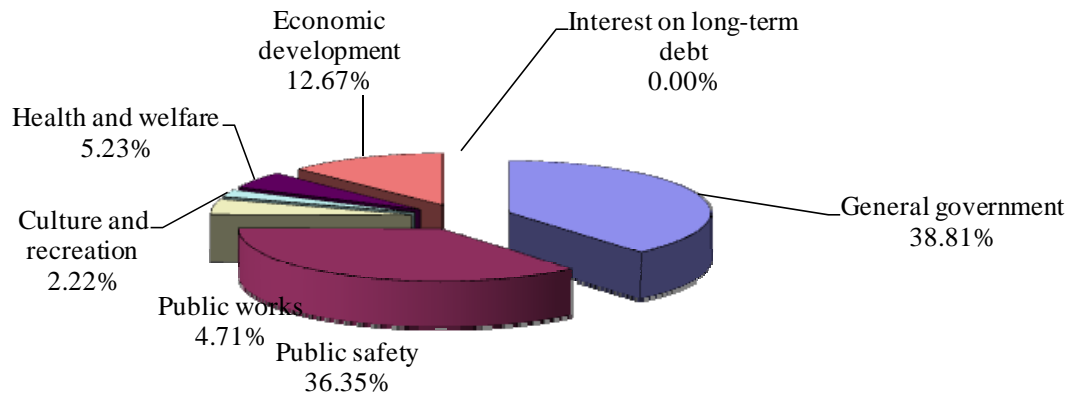
Business-type activities

The increase in net position contributed by the City's business-type activities was \$1,763,914 in the year ended June 30, 2013, compared to the decrease of net position of \$(494,606) for the year ended June 30, 2012. The increase this year was driven by a number of factors, including:

- Increases in gross receipts taxes recorded in the Joint Utility Enterprise fund.
- Decreases in transfers to governmental activities. In the prior year there approximately 7.3 million in transfers to governmental activities and zero transfers to governmental activities in FY13.

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City of Hobbs
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For the Year Ended June 30, 2013
Unaudited

PROGRAM EXPENSES - GOVERNMENTAL ACTIVITIES

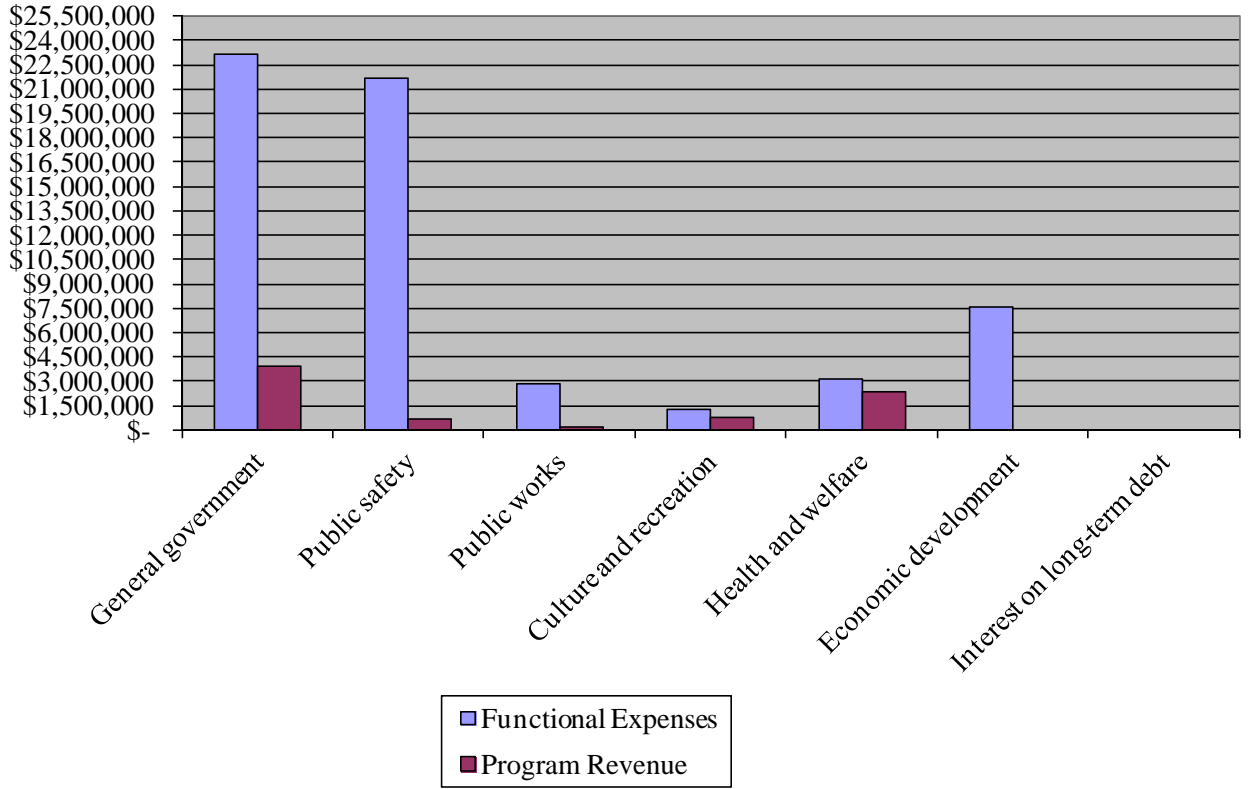


Business-type activities

Business-type activities increased the City of Hobbs' net position by \$1,763,914 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.

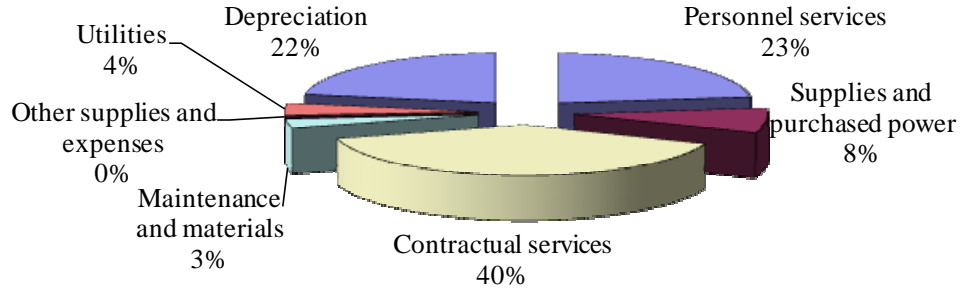
STATE OF NEW MEXICO
 City of Hobbs
 Management's Discussion And Analysis
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**PROGRAM REVENUES AND EXPENSES - GOVERNMENTAL
 ACTIVITIES**



STATE OF NEW MEXICO
City of Hobbs
Management's Discussion And Analysis
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Unaudited

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, 2013
Unaudited

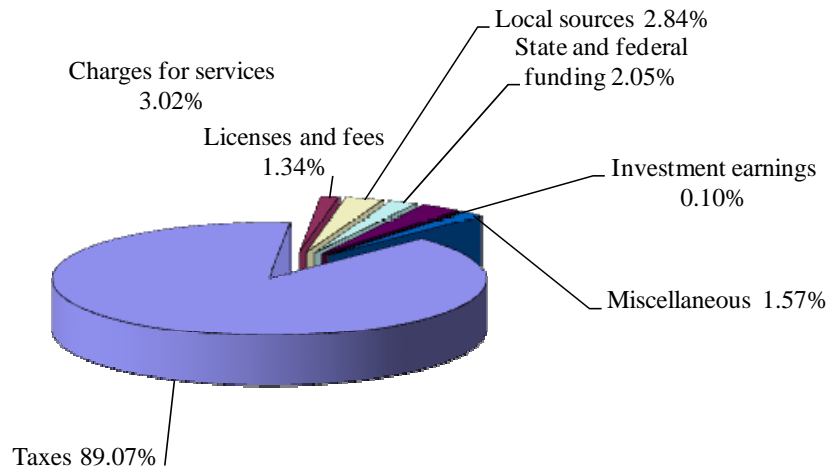
Governmental funds (continued)

As of June 30, 2013, the City of Hobbs governmental funds reported combined ending fund balances of \$70,296,180, an increase of \$15,735,153 from the prior year. Of this amount, \$56,323,465 or approximately 80% constitutes unassigned fund balance, which is available for spending at the government's discretion. Approximately 5%, or \$3,796,830 constitutes fund balance committed to meet minimum fund balance requirements, and approximately .4 percent, or \$315,681 is not in spendable form because it is in the form of contracts for prepaid expenses. The remainder of fund balance - \$9,860,204 - 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 \$56,391,349. 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 95% of the total general fund expenditures.

The City's general fund balance increased by \$13,294,500 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

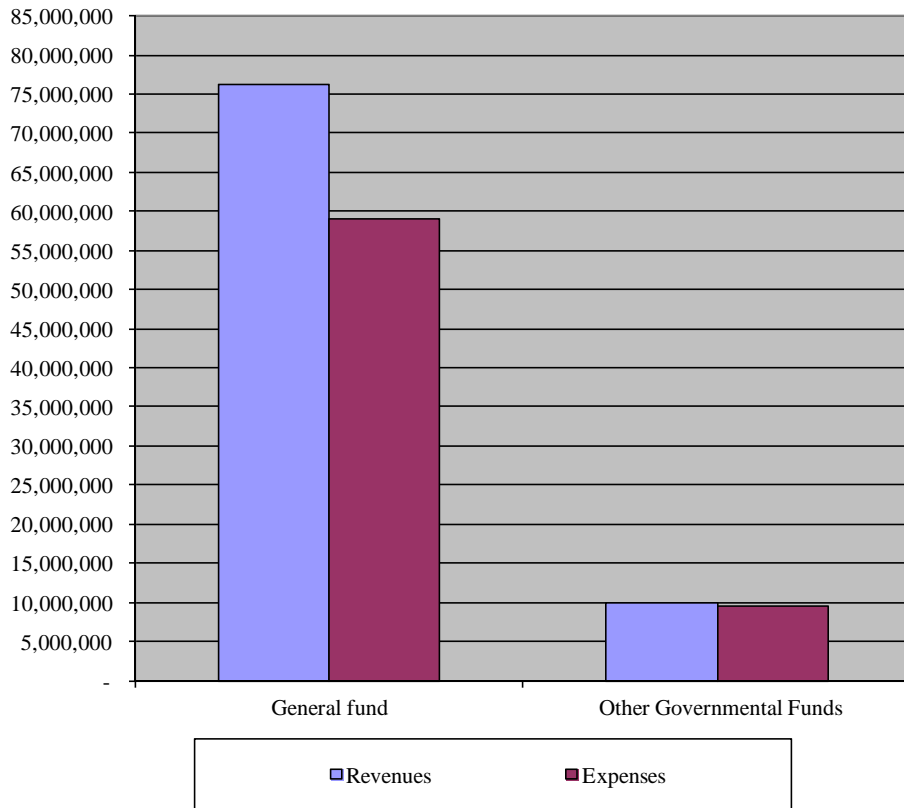


STATE OF NEW MEXICO
 City of Hobbs
 Management's Discussion And Analysis
 For the Year Ended June 30, 2013
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Governmental funds (continued)

- 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.

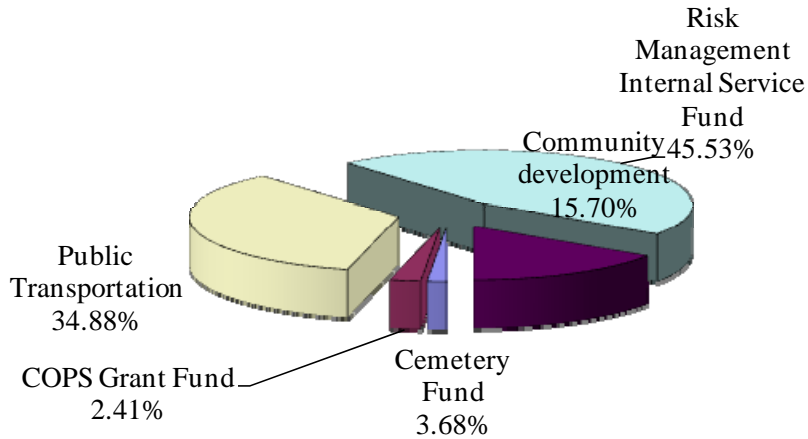
EXCESS OF REVENUES OVER EXPENDITURES - GOVERNMENTAL FUNDS



- 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, 2013
 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, 2013, unrestricted net position totaled \$7,432,743 in the Joint Utility fund and \$1,101,579 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, 2013 was amended by the City Commission throughout the year. These amendments resulted in the following changes:

	Excess (deficiency) of revenues over expenditures		
	Original Budget	Final Budget	Actual
Budgeted Funds:			
General Fund	\$ (10,039,097)	\$ 29,261,498	\$ 29,261,498
Nonmajor Governmental Funds	2,741,631	276,647	276,647

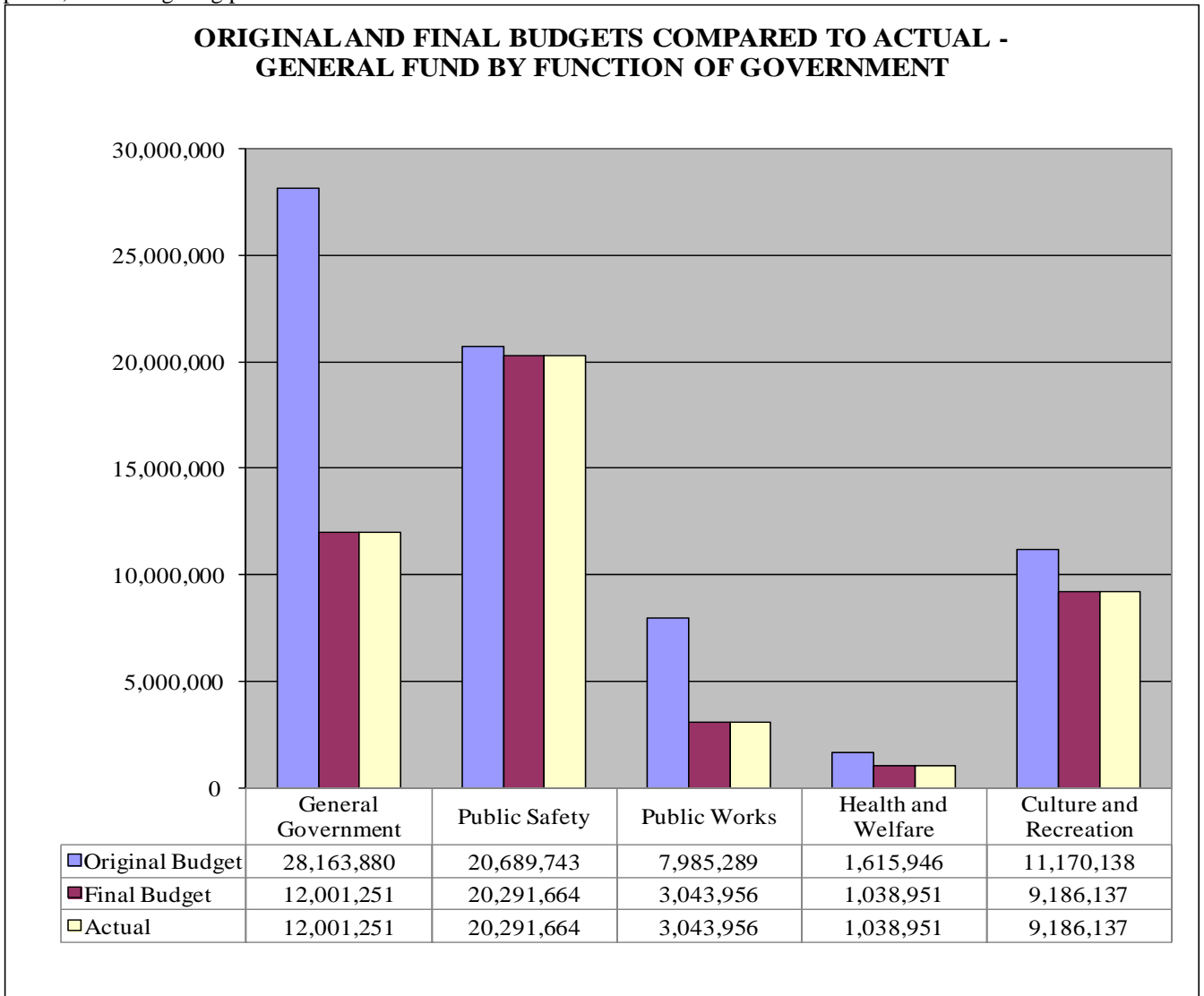
STATE OF NEW MEXICO
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Budgetary Comparisons (continued)

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, 2013
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 12% higher in 2014 than 2013.

Zia Park Race Track and Casino is now completing its eighth 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 the operating of this facility has a 1-2% positive impact on the 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 high average wage payroll of the operation of this facility will diversify the local economy. The National Enrichment Facility also has a potential to attract business 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 was the renovation and expansion of the Waste Water Treatment Plant. The bid for this project was awarded at \$30.7 million dollars and has been 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 debt. Currently, this gross receipt tax supplements approximately 70% of the debt service related to the completed project. Future liabilities related to the Enterprise Fund are the dilapidation of concrete sewer lines and the additional infrastructure for an effluent water delivery system. The anticipated future costs for these liabilities are \$16 million and \$7.5 million, respectively. The City of Hobbs has contracted a rate study firm to review current financial structure and the future anticipated liabilities.

Transportation, utility, beautification, renovation and expansion projects are also in various stages of completion. These projects include water line, sewer line, and infrastructure improvements of \$14.8 million; beautification incentive projects of \$8.1 million, golf course renovation project of \$10.6 million, City wide surveillance project of \$2 million and General Fund infrastructure and park projects of \$24 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 \$8 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, CPA - Finance Director, City of Hobbs, New Mexico, 200 E. Broadway, Hobbs, NM 88240, or by phone at (575) 397-9235.

**BASIC
FINANCIAL STATEMENTS**

STATE OF NEW MEXICO

City of Hobbs

Statement of Net Position

June 30, 2013

	Primary Government		Total
	Governmental Activities	Business-type Activities	
Assets			
Current assets			
Cash and cash equivalents	\$ 66,003,685	\$ 8,281,629	\$ 74,285,314
Property taxes receivable	103,103	-	103,103
Other taxes receivable	12,998,925	-	12,998,925
Due from customers, net of allowance	-	2,189,906	2,189,906
Other receivables	431,393	799,840	1,231,233
Inventory	-	445,174	445,174
Prepaid expenses	315,682	-	315,682
Internal balances	15,538	(15,538)	-
Total current assets	<u>79,868,326</u>	<u>11,701,011</u>	<u>91,569,337</u>
Noncurrent assets			
Restricted cash and cash equivalents	25,246	4,195,639	4,220,885
Restricted investments	450,000	-	450,000
Capital assets	234,160,877	111,021,376	345,182,253
Less: accumulated depreciation and amortization	<u>(66,468,138)</u>	<u>(58,443,901)</u>	<u>(124,912,039)</u>
Total noncurrent assets	<u>168,167,985</u>	<u>56,773,114</u>	<u>224,941,099</u>
Total assets	<u>\$ 248,036,311</u>	<u>\$ 68,474,125</u>	<u>\$ 316,510,436</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	\$ 1,771,284	\$ 1,300,495	\$ 3,071,779
Accrued payroll expenses	480,207	59,063	539,270
Accrued compensated absences	2,361,170	192,376	2,553,546
Accrued claims payable	697,798	-	697,798
Funds held for others	25,246	-	25,246
Meter deposits	-	448,860	448,860
Accrued interest	-	532,132	532,132
Current portion of loans and notes payable	-	1,629,215	1,629,215
Total current liabilities	<u>5,335,705</u>	<u>4,162,141</u>	<u>9,497,846</u>
Noncurrent liabilities			
Accrued OPEB liability	10,320,090	1,098,161	11,418,251
Loans and notes payable	-	32,821,149	32,821,149
Total noncurrent liabilities	<u>10,320,090</u>	<u>33,919,310</u>	<u>44,239,400</u>
Total liabilities	<u>15,655,795</u>	<u>38,081,451</u>	<u>53,737,246</u>
Net Position			
Net investment in capital assets	167,692,739	18,127,111	185,819,850
Restricted for:			
Debt service	-	3,746,779	3,746,779
Capital projects	7,625,915	-	7,625,915
Special revenue	2,234,289	-	2,234,289
Unrestricted	<u>54,827,573</u>	<u>8,518,784</u>	<u>63,346,357</u>
Total net position	<u>232,380,516</u>	<u>30,392,674</u>	<u>262,773,190</u>
Total liabilities and net position	<u>\$ 248,036,311</u>	<u>\$ 68,474,125</u>	<u>\$ 316,510,436</u>

STATE OF NEW MEXICO
City of Hobbs
Statement of Activities
For the Year Ended June 30, 2013

<u>Functions/Programs</u>	<u>Program Revenues</u>			
Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	
Primary Government				
General government	\$ 23,112,495	\$ 3,810,797	\$ 165,265	\$ 749
Public safety	21,643,158	6,000	694,991	-
Public works	2,804,436	-	-	225,000
Culture and recreation	7,546,927	576,230	120,759	43,250
Health and welfare	3,115,343	1,824,733	288,349	225,542
Economic development	1,323,432	-	-	-
<i>Total governmental activities</i>	<u>59,545,791</u>	<u>6,217,760</u>	<u>1,269,364</u>	<u>494,541</u>
Business-type Activities:				
Joint Utility	10,722,954	10,315,508	-	-
Solid Waste	6,305,543	6,067,552	-	-
<i>Total business-type activities</i>	<u>17,028,497</u>	<u>16,383,060</u>	<u>-</u>	<u>-</u>
Total	<u>\$ 76,574,288</u>	<u>\$ 22,600,820</u>	<u>\$ 1,269,364</u>	<u>\$ 494,541</u>

General Revenues and transfers:

Taxes
Property taxes, levied for general purposes
Gross receipts taxes
Gasoline and motor vehicle taxes
Other taxes
Investment income
Miscellaneous
Transfers to agency fund

Total general revenues and transfers

Change in net position

Net Position, beginning

Net Position, ending

The accompanying notes are an integral part of these financial statements

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (19,135,684)	\$ -	\$ (19,135,684)
(20,942,167)	-	(20,942,167)
(2,579,436)	-	(2,579,436)
(6,806,688)	-	(6,806,688)
(776,719)	-	(776,719)
(1,323,432)	-	(1,323,432)
<u>(51,564,126)</u>	<u>-</u>	<u>(51,564,126)</u>
-	(407,446)	(407,446)
-	(237,991)	(237,991)
<u>-</u>	<u>(645,437)</u>	<u>(645,437)</u>
(51,564,126)	(645,437)	(52,209,563)
2,065,467	-	2,065,467
70,738,483	1,900,849	72,639,332
1,068,620	-	1,068,620
2,963,097	-	2,963,097
89,540	4,316	93,856
1,353,351	504,186	1,857,537
(3,460)	-	(3,460)
<u>78,275,098</u>	<u>2,409,351</u>	<u>80,684,449</u>
26,710,972	1,763,914	28,474,886
<u>205,669,544</u>	<u>28,628,760</u>	<u>234,298,304</u>
<u>\$ 232,380,516</u>	<u>\$ 30,392,674</u>	<u>\$ 262,773,190</u>

STATE OF NEW MEXICO
City of Hobbs
Governmental Funds
Balance Sheet
June 30, 2013

Exhibit B-1
Page 1 of 2

	General Fund	Other Governmental Funds	Total
<i>Assets</i>			
Cash and cash equivalents	\$ 49,312,977	\$ 8,979,037	\$ 58,292,014
Investments	450,000	-	450,000
Receivables:			
Property taxes	103,103	-	103,103
Other taxes	12,183,335	815,590	12,998,925
Other receivables	89,440	341,953	431,393
Prepaid expenses	315,681	-	315,681
<i>Total assets</i>	<u>\$ 62,454,536</u>	<u>\$ 10,136,580</u>	<u>\$ 72,591,116</u>
<i>Liabilities and fund balances</i>			
<i>Liabilities</i>			
Accounts payable	\$ 1,413,141	\$ 330,160	\$ 1,743,301
Accrued payroll expenses	466,106	14,100	480,206
Deferred revenue	46,183	-	46,183
Funds held for others	25,246	-	25,246
<i>Total liabilities</i>	<u>1,950,676</u>	<u>344,260</u>	<u>2,294,936</u>
<i>Fund balances</i>			
Nonspendable	315,681	-	315,681
Spendable			
Restricted for:			
Public safety	-	629,970	629,970
Culture and recreation	-	375,400	375,400
Transportation and roads	-	1,422	1,422
Health and welfare	-	5,316	5,316
Economic development	-	1,222,181	1,222,181
Capital projects	-	7,625,915	7,625,915
Committed to:			
Minimum fund balance	3,796,830	-	3,796,830
Unassigned	56,391,349	(67,884)	56,323,465
<i>Total fund balances</i>	<u>60,503,860</u>	<u>9,792,320</u>	<u>70,296,180</u>
<i>Total liabilities and fund balances</i>	<u>\$ 62,454,536</u>	<u>\$ 10,136,580</u>	<u>\$ 72,591,116</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO

City of Hobbs

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Position
June 30, 2013

Exhibit B-1

Page 2 of 2

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

Fund balances - total governmental funds	\$ 70,296,180
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	167,692,739
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.	46,183
<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 Position. A portion of the internal service fund's Net Position is allocated to business-type activities in the Statement of Net Position.</p>	
Assets and liabilities included in governmental activities	7,011,136
Allocated to business-type activities	15,538
<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	(2,361,170)
Accrued OPEB liability	(10,320,090)
Net position of governmental activities	<u>\$ 232,380,516</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, 2013

Exhibit B-2
Page 1 of 2

	General Fund	Other Governmental Funds	Total
<i>Revenues:</i>			
<i>Taxes:</i>			
Property	\$ 2,049,824	\$ -	\$ 2,049,824
Gross receipts	66,934,888	3,803,595	70,738,483
Gasoline and motor vehicle	423,353	645,267	1,068,620
Other	1,360,668	1,602,429	2,963,097
<i>Intergovernmental</i>			
Federal operating grants	124,615	404,011	528,626
Federal capital grants	-	450,542	450,542
State operating grants	168,463	572,275	740,738
State capital grants	43,250	749	43,999
<i>Local sources</i>			
Charges for services	500,000	1,952,331	2,452,331
Licenses and fees	2,285,890	319,646	2,605,536
Investment income	1,007,197	152,696	1,159,893
Miscellaneous	82,549	6,991	89,540
Miscellaneous	1,337,474	15,877	1,353,351
<i>Total revenues</i>	76,318,171	9,926,409	86,244,580
<i>Expenditures:</i>			
<i>Current:</i>			
General government	10,744,014	-	10,744,014
Public safety	19,687,149	497,441	20,184,590
Public works	2,678,171	-	2,678,171
Culture and recreation	7,182,729	40,305	7,223,034
Health and welfare	1,789,816	1,305,230	3,095,046
Economic development	-	1,323,432	1,323,432
Capital outlay	16,862,359	6,395,321	23,257,680
<i>Total expenditures</i>	58,944,238	9,561,729	68,505,967
 <i>Excess (deficiency) of revenues over expenditures</i>	 17,373,933	 364,680	 17,738,613
 <i>Other financing sources (uses)</i>			
Transfers in	316,659	3,984,613	4,301,272
Transfer to agency fund	(3,460)	-	(3,460)
Transfers out	(4,392,632)	(1,908,640)	(6,301,272)
<i>Total other financing sources (uses)</i>	(4,079,433)	2,075,973	(2,003,460)
 <i>Net change in fund balance</i>	 13,294,500	 2,440,653	 15,735,153
 <i>Fund balance - beginning of year</i>	 47,209,360	 7,351,667	 54,561,027
 <i>Fund balance - end of year</i>	 \$ 60,503,860	 \$ 9,792,320	 \$ 70,296,180

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, 2013

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	\$	15,735,153
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:</p>		
Capital expenditures recorded in capital outlay		23,257,680
Depreciation and amortization expense		(11,540,418)
<p>Internal service funds charge governmental funds an allocated portion of expenses or profits as a "look-back adjustment" so that the internal service fund breaks even. This is reported in the Statement of Activities, but not in the governmental funds statements.</p>		
		408,632
<p>Funds transferred to the internal service fund decrease financial resources at the governmental fund level, but have no effect on the Statement of Activities as the internal service fund is included in governmental activities in the Statement of Activities.</p>		
		2,000,000
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds:</p>		
Increase in deferred revenue related to property taxes receivable		15,643
<p>Expenses in the Statement of Activities that do not require current financial resources are not reported as expenditures in the funds:</p>		
Increase in accrued compensated absences		(1,059,581)
Increase in accrual for other post-employment benefits		(2,106,137)
		(3,165,718)
Change in net position of governmental activities	\$	26,710,972

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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<i>Revenues:</i>				
Taxes	\$ 55,661,017	\$ 69,313,241	\$ 69,313,241	\$ -
Fines and forfeitures	456,000	405,229	405,229	-
Licenses and permits	359,825	589,949	589,949	-
Intergovernmental	826,107	788,447	788,447	-
Charges for services	1,803,350	2,285,890	2,285,890	-
Investment earnings	100,000	82,549	82,549	-
Miscellaneous	379,600	1,358,152	1,358,152	-
<i>Total revenues</i>	<u>59,585,899</u>	<u>74,823,457</u>	<u>74,823,457</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
General Government:				
Legislative and land acquisition:				
Personnel services	427,935	379,612	379,612	-
Operating expenses	996,254	976,160	976,160	-
Capital outlay	5,613,477	-	-	-
Total legislative and land acquisition	<u>7,037,666</u>	<u>1,355,772</u>	<u>1,355,772</u>	<u>-</u>
Executive:				
Personnel services	436,510	348,915	348,915	-
Operating expenses	36,876	48,665	48,665	-
Total executive	<u>473,386</u>	<u>397,580</u>	<u>397,580</u>	<u>-</u>
Planning:				
Personnel services	122,453	162,449	162,449	-
Operating expenses	77,300	22,276	22,276	-
Capital outlay	152,000	55	55	-
Total planning	<u>351,753</u>	<u>184,780</u>	<u>184,780</u>	<u>-</u>
Mapping				
Personnel services	205,492	45,224	45,224	-
Operating expenses	63,700	54,893	54,893	-
Capital outlay	497,800	47,374	47,374	-
Total mapping	<u>766,992</u>	<u>147,491</u>	<u>147,491</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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<i>Expenditures: (continued)</i>				
General Government: (continued)				
City Clerk:				
Personnel services	304,865	283,460	283,460	-
Operating expenses	101,720	76,521	76,521	-
Capital outlay	-	-	-	-
Total city clerk	406,585	359,981	359,981	-
Finance and Purchasing:				
Personnel services	568,518	587,572	587,572	-
Operating expenses	171,246	195,163	195,163	-
Capital outlay	-	-	-	-
Total finance and purchasing	739,764	782,735	782,735	-
Computer Operations:				
Personnel services	478,207	496,637	496,637	-
Operating expenses	138,950	145,014	145,014	-
Capital outlay	70,666	118,063	118,063	-
Total computer operations	687,823	759,714	759,714	-
Judicial:				
Personnel services	348,976	338,777	338,777	-
Operating expenses	121,570	52,472	52,472	-
Capital outlay	-	-	-	-
Total judicial	470,546	391,249	391,249	-
Legal:				
Personnel services	325,190	362,025	362,025	-
Operating expenses	89,950	38,262	38,262	-
Capital outlay	-	-	-	-
Total legal	415,140	400,287	400,287	-

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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<i>Expenditures: (continued)</i>				
General Government: (continued)				
Personnel Services:				
Personnel services	280,430	258,700	258,700	-
Operating expenses	195,677	137,840	137,840	-
Capital outlay	-	-	-	-
Total personnel services	476,107	396,540	396,540	-
Risk Management:				
Operating expenses	-	-	-	-
Total risk management	-	-	-	-
Insurance:				
Operating expenses	1,412,594	1,756,107	1,756,107	-
Total insurance	1,412,594	1,756,107	1,756,107	-
Motor Vehicle:				
Personnel services	347,574	357,092	357,092	-
Operating expenses	33,850	26,020	26,020	-
Total motor vehicle	381,424	383,112	383,112	-
Warehouse:				
Personnel services	102,087	115,616	115,616	-
Operating expenses	29,650	34,520	34,520	-
Total warehouse	231,737	255,245	255,245	-
Garage:				
Personnel services	577,049	609,326	609,326	-
Operating expenses	1,301,025	1,149,686	1,149,686	-
Capital outlay	6,000	5,516	5,516	-
Total garage	1,884,074	1,764,528	1,764,528	-

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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<i>Expenditures: (continued)</i>				
General Government: (continued)				
Building Maintenance:				
Personnel services	531,383	525,236	525,236	-
Operating expenses	307,950	370,396	370,396	-
Capital outlay	11,585,188	1,770,498	1,770,498	-
Total building maintenance	12,424,521	2,666,130	2,666,130	-
<i>Total General Government</i>	28,163,880	12,001,251	12,001,251	-
Public Works:				
Engineering:				
Personnel services	730,020	665,576	665,576	-
Operating expenses	60,700	25,993	25,993	-
Capital outlay	293,747	-	-	-
Total engineering	1,084,467	691,569	691,569	-
Highways and Streets:				
Personnel services	1,484,503	1,437,947	1,437,947	-
Operating expenses	703,000	215,175	215,175	-
Capital outlay	4,263,319	309,983	309,983	-
Total highways and streets	6,450,822	1,963,105	1,963,105	-
Street Lighting:				
Operating expenses	450,000	389,282	389,282	-
Total street lighting	450,000	389,282	389,282	-
<i>Total Public Works</i>	7,985,289	3,043,956	3,043,956	-
Health and Welfare:				
Environmental Services:				
Personnel services	622,892	606,361	606,361	-
Operating expenses	989,354	429,848	429,848	-
Capital outlay	-	-	-	-
Total environmental services	1,612,246	1,036,209	1,036,209	-

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, 2013

	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	2,742	2,742	-
Capital outlay	-	-	-	-
Total public information	3,700	2,742	2,742	-
<i>Total Health and Welfare</i>	1,615,946	1,038,951	1,038,951	-
Culture and Recreation:				
Libraries:				
Personnel services	679,302	683,599	683,599	-
Operating expenses	287,709	216,116	216,116	-
Capital outlay	119,088	94,882	94,882	-
Total libraries	1,086,099	994,597	994,597	-
Parks:				
Personnel services	1,765,122	1,509,100	1,509,100	-
Operating expenses	708,789	717,574	717,574	-
Capital outlay	3,393,344	2,168,704	2,168,704	-
Total parks	5,867,255	4,395,378	4,395,378	-
Sports Field:				
Personnel services	315,413	230,534	230,534	-
Operating expenses	178,547	121,343	121,343	-
Capital outlay	124,000	73,613	73,613	-
Total sports field	617,960	425,490	425,490	-
Recreation:				
Personnel services	575,777	614,070	614,070	-
Operating expenses	644,365	516,595	516,595	-
Capital outlay	-	-	-	-
Total recreation	1,220,142	1,130,665	1,130,665	-

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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<i>Expenditures: (continued)</i>				
Culture and Recreation: (continued)				
Teen Center:				
Personnel services	230,245	239,361	239,361	-
Operating expenses	121,166	100,266	100,266	-
Capital outlay	67,567	53,441	53,441	-
Total teen center	418,978	393,068	393,068	-
Pools:				
Personnel services	398,704	358,638	358,638	-
Operating expenses	186,500	151,427	151,427	-
Capital outlay	1,374,500	1,336,874	1,336,874	-
Total pools	1,959,704	1,846,939	1,846,939	-
Harry McAdams Park:				
Personnel services	242,620	272,158	272,158	-
Operating expenses	177,960	78,962	78,962	-
Capital outlay	121,000	24,637	24,637	-
Total Harry McAdams Park	541,580	375,757	375,757	-
Golf:				
Personnel services	448,254	371,954	371,954	-
Operating expenses	309,300	259,370	259,370	-
Capital outlay	269,852	53,802	53,802	-
Total golf	1,027,406	685,126	685,126	-
Older American Act:				
Personnel services	515,992	531,852	531,852	-
Operating expenses	280,680	238,616	238,616	-
Capital outlay	64,987	20,839	20,839	-
Total Older American Act	861,659	791,307	791,307	-
<i>Total Culture and Recreation</i>	11,170,138	9,186,137	9,186,137	-

STATE OF NEW MEXICO

City of Hobbs

General Fund

Exhibit C-1

(Page 7 of 10)

Statement of Revenues, Expenditures, and Changes in
Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual
For the year ended June 30, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<i>Expenditures: (continued)</i>				
Public Safety:				
Police Field Services:				
Personnel services	894,462	862,824	862,824	-
Operating expenses	531,900	1,179,575	1,179,575	-
Capital outlay	375,361	167,530	167,530	-
Total police field services	1,801,723	2,209,929	2,209,929	-
Police CID:				
Personnel services	5,394,535	5,436,469	5,436,469	-
Operating expenses	130,384	264,677	264,677	-
Capital outlay	416,000	166,191	166,191	-
Total police CID	5,940,919	5,867,337	5,867,337	-
Police Technical Services:				
Personnel services	1,791,692	1,895,881	1,895,881	-
Operating expenses	71,725	45,836	45,836	-
Capital outlay	204,377	91,366	91,366	-
Total police technical services	2,067,794	2,033,083	2,033,083	-
Police Support Services:				
Personnel services	8,737	-	-	-
Operating expenses	38,000	52,499	52,499	-
Capital outlay	-	-	-	-
Total police support services	46,737	52,499	52,499	-
Admin Services Certified:				
Personnel services	-	-	-	-
Operating expenses	1,288,810	1,196,725	1,196,725	-
Capital outlay	-	-	-	-
Total admin services certified	1,288,810	1,196,725	1,196,725	-

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, 2013

	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	761,113	713,260	713,260	-
Operating expenses	-	-	-	-
Capital outlay	-	-	-	-
Total police CID non-certified	761,113	713,260	713,260	-
Fire and Ambulance:				
Personnel services	6,362,462	6,201,666	6,201,666	-
Operating expenses	1,162,650	1,054,213	1,054,213	-
Capital outlay	84,467	77,448	77,448	-
Total fire and ambulance	7,609,579	7,333,327	7,333,327	-
Emergency Management:				
Operating expenses	-	5,418	5,418	-
Total emergency management	-	5,418	5,418	-
Hazardous Materials Responses:				
Operating expenses	-	100	100	-
Total hazardous materials responses	-	100	100	-
Traffic:				
Personnel services	279,419	293,399	293,399	-
Operating expenses	280,960	268,881	268,881	-
Capital outlay	428,135	30,357	30,357	-
Total traffic	988,514	592,637	592,637	-
Code Enforcement:				
Personnel services	169,654	257,861	257,861	-
Operating expenses	14,900	19,297	19,297	-
Capital outlay	-	1,858	1,858	-
Total code enforcement	184,554	279,016	279,016	-

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, 2013

	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	-	8,333	8,333	-
Capital outlay	-	-	-	-
Total crime lab	-	8,333	8,333	-
<i>Total Public Safety</i>	20,689,743	20,291,664	20,291,664	-
<i>Total expenditures</i>	69,624,996	45,561,959	45,561,959	-
<i>Excess (deficiency) of revenues over expenditures</i>	(10,039,097)	29,261,498	29,261,498	-

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, 2013

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<i>Other financing sources:</i>				
Operating transfers in:				
Local Government Corrections Fund	-	-	-	-
Lodgers' Tax Promotional Fund	-	315,910	315,910	-
Golf Fund	-	-	-	-
Capital Improvement Fund	-	749	749	-
McAdams Park fund	-	-	-	-
Public Transportation Fund	-	-	-	-
City Commission Improvement Fund	-	-	-	-
Retiree Health Insurance Fund	-	-	-	-
1980 Mortgage Revenue Bond	-	-	-	-
Industrial Park Construction Fund	-	-	-	-
Capital Improvement Fund	-	-	-	-
Emergency Medical Services	-	-	-	-
<i>Total other financing sources</i>	<u>-</u>	<u>316,659</u>	<u>316,659</u>	<u>-</u>
<i>Other financing uses:</i>				
Operating transfers out:				
COPS Grant Fund	-	105,994	105,994	-
Cemetery Fund	-	64,481	64,481	-
Public Transportation Fund	-	1,532,317	1,532,317	-
Community Development Fund	-	689,840	689,840	-
Industrial Park Construction Fund	-	-	-	-
Street Improvement Fund	1	-	-	-
Risk Management Internal Service	-	2,000,000	2,000,000	-
Joint Utility Fund	-	-	-	-
<i>Total other financing uses</i>	<u>1</u>	<u>4,396,093</u>	<u>4,396,093</u>	<u>\$ -</u>
<i>Prior year cash balance</i>	<u>38,800,858</u>	<u>38,800,858</u>	<u>-</u>	
<i>Appropriated cash balance</i>	<u>\$ (10,039,098)</u>	<u>\$ 25,182,064</u>	25,182,064	
<i>Reconciliation to GAAP Basis:</i>				
Adjustments to revenue for tax, grant, and other accruals			1,494,714	
Adjustments to expenditures for accounts payable and payroll accruals			<u>(13,382,278)</u>	
<i>Net change in fund balance</i>			<u>\$ 13,294,500</u>	

STATE OF NEW MEXICO

City of Hobbs
Statement of Net Position
Proprietary Funds
June 30, 2013

	<u>Joint Utility</u>	<u>Solid Waste Disposal</u>	<u>Total</u>
<i>Assets</i>			
<i>Current assets</i>			
Cash and cash equivalents	\$ 7,069,159	\$ 1,212,470	\$ 8,281,629
Accounts receivable (net of allowance for doubtful accounts of \$184,654 and \$97,212, respectively)	1,406,646	783,260	2,189,906
Other receivables	799,840	-	799,840
Inventory	445,174	-	445,174
<i>Total current assets</i>	<u>9,720,819</u>	<u>1,995,730</u>	<u>11,716,549</u>
<i>Noncurrent assets</i>			
Restricted cash and cash equivalents	4,195,639	-	4,195,639
Capital assets	111,021,376	-	111,021,376
Accumulated depreciation and amortization	<u>(58,443,901)</u>	-	<u>(58,443,901)</u>
<i>Total noncurrent assets</i>	<u>56,773,114</u>	<u>-</u>	<u>56,773,114</u>
<i>Total assets</i>	<u>\$ 66,493,933</u>	<u>\$ 1,995,730</u>	<u>\$ 68,489,663</u>
<i>Liabilities and Net Position</i>			
<i>Liabilities</i>			
<i>Current liabilities</i>			
Accounts payable	\$ 406,344	\$ 894,151	\$ 1,300,495
Accrued payroll expenses	59,063	-	59,063
Accrued compensated absences	192,376	-	192,376
Accrued claims payable	-	-	-
Meter deposits	448,860	-	448,860
Accrued interest	532,132	-	532,132
Current maturity of loans, notes and capital leases payable	1,629,215	-	1,629,215
<i>Total current liabilities</i>	<u>3,267,990</u>	<u>894,151</u>	<u>4,162,141</u>
<i>Noncurrent liabilities</i>			
OPEB liability	1,098,161	-	1,098,161
Loans, notes and capital leases payable	32,821,149	-	32,821,149
<i>Total noncurrent liabilities</i>	<u>33,919,310</u>	<u>-</u>	<u>33,919,310</u>
<i>Total liabilities</i>	<u>37,187,300</u>	<u>894,151</u>	<u>38,081,451</u>
<i>Net Position</i>			
Net investment in capital assets	18,127,111	-	18,127,111
Restricted	3,746,779	-	3,746,779
Unrestricted	7,432,743	1,101,579	8,534,322
<i>Total net position</i>	<u>29,306,633</u>	<u>1,101,579</u>	<u>30,408,212</u>
<i>Total liabilities and net position</i>	<u>\$ 66,493,933</u>	<u>\$ 1,995,730</u>	<u>\$ 68,489,663</u>
<i>Adjustment to reflect the consolidation of internal service fund activities for enterprise funds</i>			<u>(15,538)</u>
<i>Net position of business-type activities</i>			<u>\$ 30,392,674</u>

The accompanying notes are an integral part of these financial statements

Risk Management Internal Service Fund	
	\$ 7,736,917
	-
	-
	-
	7,736,917
	-
	-
	-
	\$ 7,736,917
	-
	-
	-
	-
	\$ 27,983
	-
	-
	697,798
	-
	-
	-
	725,781
	-
	-
	-
	725,781
	-
	-
	7,011,136
	7,011,136
	\$ 7,736,917

STATE OF NEW MEXICO
City of Hobbs
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2013

	Joint Utility	Solid Waste Disposal	Total
<i>Operating revenues:</i>			
Charges for services	\$ 10,315,508	\$ 6,067,552	\$ 16,383,060
<i>Total operating revenues</i>	10,315,508	6,067,552	16,383,060
<i>Operating expenses:</i>			
Depreciation and amortization	3,620,272	-	3,620,272
Personnel services	3,751,435	-	3,751,435
Contractual services	131,668	6,316,102	6,447,770
Supplies and purchased power	1,312,660	-	1,312,660
Maintenance and materials	163,716	-	163,716
Miscellaneous	103,613	-	103,613
Utilities	630,062	-	630,062
Equipment	317,716	-	317,716
Bad debt expense	(38,970)	(10,559)	(49,529)
<i>Total operating expenses</i>	9,992,172	6,305,543	16,297,715
<i>Operating income (loss)</i>	323,336	(237,991)	85,345
<i>Non-operating revenues (expenses):</i>			
Gross receipts taxes	1,900,849	-	1,900,849
Interest expense	(781,292)	-	(781,292)
Investment income	4,316	-	4,316
Miscellaneous income	504,186	-	504,186
<i>Total non-operating revenues (expenses)</i>	1,628,059	-	1,628,059
<i>Income (loss) before contributions and transfers</i>	1,951,395	(237,991)	1,713,404
Transfers in	-	-	-
<i>Change in net position</i>	1,951,395	(237,991)	1,713,404
<i>Total net position, beginning of year</i>	27,355,238	1,339,570	28,694,808
<i>Total net position, end of year</i>	\$ 29,306,633	\$ 1,101,579	\$ 30,408,212
<i>Adjustment to reflect the consolidation of internal service fund activities for enterprise funds</i>			50,510
<i>Change in net position of business-type activities</i>			\$ 1,763,914

The accompanying notes are an integral part of these financial statements

Risk Management	
Internal Service	
Fund	
<hr/>	
\$	5,913,738
<hr/>	
	5,913,738
<hr/>	
	-
	-
	5,455,754
	-
	-
	-
	-
	-
	-
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	5,455,754
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	457,984
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	-
	-
	1,157
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	1,157
	459,141
<hr/>	
	2,000,000
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	2,459,141
	4,551,995
<hr/>	
\$	7,011,136
<hr/> <hr/>	

STATE OF NEW MEXICO
City of Hobbs
Statement of Cash Flows - Proprietary Funds
For the Year Ended June 30, 2013

	Joint Utility	Solid Waste Disposal	Total
<i>Cash flows from operating activities:</i>			
Cash received from user charges	\$ 9,300,664	\$ 5,933,589	\$ 15,234,253
Cash payments to employees for services	(3,665,783)	-	(3,665,783)
Cash payments to suppliers for goods and services	(2,403,190)	(5,880,856)	(8,284,046)
<i>Net cash provided by operating activities</i>	<u>3,231,691</u>	<u>52,733</u>	<u>3,284,424</u>
<i>Cash flows from noncapital financing activities:</i>			
Government contributions	1,900,849	-	1,900,849
Miscellaneous income	504,186	-	504,186
Transfers	-	-	-
<i>Net cash provided by noncapital financing activities</i>	<u>2,405,035</u>	<u>-</u>	<u>2,405,035</u>
<i>Cash flows from investing activities:</i>			
Acquisition of capital assets	(6,286,811)	-	(6,286,811)
Interest on investments	4,316	-	4,316
<i>Net cash (used) by investing activities</i>	<u>(6,282,495)</u>	<u>-</u>	<u>(6,282,495)</u>
<i>Cash flows from capital and related financing activities:</i>			
Interest paid	(694,601)	-	(694,601)
Loan proceeds	1,319,488	-	1,319,488
Principal payments on bonds, loans and notes payable	(1,597,742)	-	(1,597,742)
<i>Net cash (used) by capital and related financing activities</i>	<u>(972,855)</u>	<u>-</u>	<u>(972,855)</u>
<i>Net increase (decrease) in cash and cash equivalents</i>	(1,618,624)	52,733	(1,565,891)
<i>Cash and cash equivalents - beginning of year</i>	<u>12,883,422</u>	<u>1,159,737</u>	<u>14,043,159</u>
<i>Cash and cash equivalents - end of year</i>	<u>\$ 11,264,798</u>	<u>\$ 1,212,470</u>	<u>\$ 12,477,268</u>
<i>Reconciliation of operating income (loss) to net cash provided by operating activities:</i>			
Operating income (loss)	\$ 323,336	\$ (237,991)	\$ 85,345
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:			
Depreciation and amortization	3,620,272	-	3,620,272
Bad debt expense	(38,970)	(10,559)	(49,529)
Changes in assets and liabilities			
Receivables	(936,904)	(123,404)	(1,060,308)
Inventory	14,356	-	14,356
Prepaid expenses	-	-	-
Accounts payable	(15,064)	424,687	409,623
Accrued payroll expenses	13,307	-	13,307
Accrued compensated absences	72,345	-	72,345
OPEB Liability	260,334	-	260,334
Accrued claims payable	-	-	-
Meter deposits	(81,321)	-	(81,321)
<i>Net cash provided by operating activities</i>	<u>\$ 3,231,691</u>	<u>\$ 52,733</u>	<u>\$ 3,284,424</u>

The accompanying notes are an integral part of these financial statements

Risk Management Internal Service Fund	
\$	5,913,738
	-
	(5,414,014)
	<u>499,724</u>
	-
	-
	<u>2,000,000</u>
	<u>2,000,000</u>
	-
	1,157
	<u>1,157</u>
	-
	-
	-
	2,500,881
	<u>5,236,036</u>
\$	<u>7,736,917</u>
\$	457,984
	-
	-
	-
	-
	8,853
	-
	-
	32,887
	-
\$	<u>499,724</u>

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STATE OF NEW MEXICO
City of Hobbs
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2013

Exhibit E-1

<i>Assets</i>	
Cash and cash equivalents	\$ 283,309
Other receivables	<u>4,588</u>
<i>Total assets</i>	<u><u>\$ 287,897</u></u>
<i>Liabilities</i>	
Deposits held in trust for others	<u>\$ 287,897</u>
<i>Total liabilities</i>	<u><u>\$ 287,897</u></u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Hobbs
Notes to Financial Statements
June 30, 2013

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. During the year ended June 30, 2013, the City adopted GASB Statements No. 60 through 63. GASB Statement No. 60, Accounting and Financial Reporting for Service Concession Arrangements. The City does not have any Service Concession Arrangements. GASB Statement No. 61, The Financial Reporting Entity: Omnibus—an amendment of GASB Statements No. 14 and No. 34, modifies certain requirements for inclusion of component units in the financial reporting entity. GASB Statement No. 62, Codification of Accounting and Financial Reporting Guidance Contained in Pre-November 30, 1989 FASB and AICPA Pronouncements, which incorporates into the GASB's authoritative literature certain accounting and financial reporting guidance that is included in FASB and AICPA Pronouncements issued on or before November 30, 1989, which does not conflict with or contradict GASB pronouncements. GASB Statement No. 63, Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position, provides financial reporting guidance for deferred outflows of resources and deferred inflows of resources.

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 as amended by No. 39 and No 61. 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, 2013

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, No. 39 and No. 61.

B. Government-wide and fund financial statements

The government-wide financial statements (i.e., the statement of net position 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 Position 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 Position, 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 Position are reported in three parts – net investment in capital assets; restricted net position; and unrestricted net position.

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, 2013

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 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, 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, 2013

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, 2013

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Net Position

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, 2013 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, 2013.

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, 2013

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Net Position (continued)

Prepaid Items: Payments made to vendors that will benefit periods beyond June 30, 2013 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 statement of net position 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, 2013 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 2013.

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>
Buildings	20-40
Equipment	5-15
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, 2013, along with applicable PERA expenses.

STATE OF NEW MEXICO
City of Hobbs
Notes to Financial Statements
June 30, 2013

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Net Position (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. 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: Effective January 20, 2013 qualified employees are entitled to accumulate paid time off (PTO) in the amount of 320 hours. PTO cap for all fire department shift employees and police shift employees is 456 hours. At the end of each calendar year any employee who is over his/her PTO cap shall be paid for every hour over his/her PTO cap subject to applicable income tax withholding requirements.

In the event the City’s general fund cash reserve dips below 20% at the end of a fiscal year, the City may elect to increase PTO Cap until the following year in which the general fund cash reserve is above 20%. Employees shall not forfeit any earned PTO.

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 Position.

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 position. 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, 2013, the City reported \$315,681 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, 2013

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Net Position (continued)

Restricted and Committed Fund Balance: At June 30, 2013, the City has presented restricted fund balance on the governmental funds balance sheet in the amount of \$9,860,204 for various City operations as restricted by enabling legislation. The City has also presented committed fund balance on the governmental funds balance sheet in the amount of \$3,796,830 to meet minimum fund balance requirements for the General Fund.

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 of the General Fund final budgeted expenditures.

Equity Classifications

Government-wide Statements

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

- a. Net investment in capital assets: Net position 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 position: Consist of net position 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 position: All other net position that does not meet the definition of "restricted" or "net investment in capital assets,"

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, 2013

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.

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 Position (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, 2013 is presented.

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, 2013.

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.

By operation of federal law, beginning January 1, 2013, funds deposited in a noninterest-bearing transaction account (including an Interest on Lawyer Trust Account) no longer will receive unlimited deposit insurance coverage by the FDIC. Beginning January 1, 2013, all of the City's accounts at an insured depository institution, including all noninterest-bearing transaction accounts, will be insured by the FDIC up to the Standard Maximum Deposit Insurance Amount of \$250,000.

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.

STATE OF NEW MEXICO
City of Hobbs
Notes to Financial Statements
June 30, 2013

NOTE 3. Deposits and Investments (continued)

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, 2013, \$3,082,978, of the City’s bank balances of \$3,408,338 was exposed to custodial credit risk, however all of the amount exposed was uninsured and collateralized by collateral held by the pledging bank’s trust department, not in the City’s name. None of the City’s deposits were uninsured and uncollateralized.

	<u>Lea County State Bank</u>	<u>Wells Fargo Bank</u>	<u>Total</u>
Deposits	\$ 309,715	\$ 75,360	\$ 385,075
Repurchase agreements	3,023,263	-	3,023,263
FDIC Coverage	(250,000)	(75,360)	(325,360)
Total uninsured public funds	<u>3,082,978</u>	<u>-</u>	<u>3,082,978</u>
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the City's name	<u>3,082,978</u>	<u>-</u>	<u>3,082,978</u>
Uninsured and uncollateralized	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Collateral requirement - deposits (50% of uninsured funds)	\$ 29,858	\$ -	\$ 29,858
Collateral requirement - repurchase agreement (102% of uninsured funds)	3,083,728	-	3,083,728
Pledged Collateral	<u>3,943,715</u>	<u>-</u>	<u>3,943,715</u>
Over (Under) collateralized	<u>\$ 830,129</u>	<u>\$ -</u>	<u>\$ 830,129</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, 2013, the City’s investment in the State Treasurer Local Government Investment Pool was rated as AAAM by Standard & Poor’s.

STATE OF NEW MEXICO
City of Hobbs
Notes to Financial Statements
June 30, 2013

NOTE 3. Deposits and Investments (continued)

As of June 30, 2013, 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	59 days	\$ 78,479,616	AAAm
Treasury Bills – NMFA U.S. Securities	<90 days	\$ 254,335	AA+
Treasury Bills- U.S. Securities	1,095 days	\$ 450,000	AA+

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 \$450,000 which 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 \$78,479,616 is reported as cash equivalents on the Statement of Net Position. They are considered an investment for disclosure purposes. Treasury Bills-NMFA U.S. Securities totaling \$254,335 are reported as restricted cash on the Statement of Net Position. They are considered an investment for disclosure purposes.

Reconciliation to the Statement of Net position

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

Cash and cash equivalents per Exhibit A-1	\$ 74,285,314
Restricted cash and cash equivalents per Exhibit A-1	4,220,885
Agency funds cash per Exhibit E-1	<u>283,309</u>
Total cash and cash equivalents	<u>78,789,508</u>
Add: outstanding checks	3,491,563
Less: deposits in transit and other reconciling items	(129,852)
Less: LGIP balances held by the State Treasurer	(78,479,616)
Less: United States Treasury Bills Held at NMFA	(254,335)
Less: petty cash	<u>(8,930)</u>
Bank balance of deposits	<u><u>\$ 3,408,338</u></u>

STATE OF NEW MEXICO
City of Hobbs
Notes to Financial Statements
June 30, 2013

NOTE 4. Receivables

Receivables as of June 30, 2013, 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	\$ 103,103	\$ -	\$ 103,103
Other taxes:			
Gross receipts taxes	12,028,492	591,374	12,619,866
Gasoline and oil taxes	63,695	96,189	159,884
Franchise and lodgers taxes	91,148	128,027	219,175
Other receivables:			
Intergovernmental-grants:			
State	89,440	74,400	163,840
Federal	-	267,553	267,553
Totals	<u>\$12,375,878</u>	<u>\$ 1,157,543</u>	<u>\$13,533,421</u>

In accordance with GASB Statement No. 33, the property tax revenues that were not collected within the period of availability, \$46,183, 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	\$ 1,591,300	\$ 880,472	\$ 2,471,772
Less: Allowance for uncollectible accounts	(184,654)	(97,212)	(281,866)
Other receivables:			
Gross receipts taxes	295,654	-	295,654
State grants	504,186	-	504,186
Totals	<u>\$ 2,206,486</u>	<u>\$ 783,260</u>	<u>\$ 2,989,746</u>

STATE OF NEW MEXICO
City of Hobbs
Notes to Financial Statements
June 30, 2013

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	Cops Grant Fund	105,994
General Fund	Cemetery	64,481
General Fund	Public Transportation	1,532,317
General Fund	Community Development	689,840
Lodgers' Tax Promotional	General Fund	315,910
Parks Improvement	Capital Projects	1,591,981
Capital Improvements	General Fund	749
		<hr/>
Total		<u><u>\$ 6,301,272</u></u>

Transfers Out	Transfers In	Amount
General Fund	Agency Fund	<u><u>\$ 3,460</u></u>

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 \$15,538.

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, 2013

NOTE 6. Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2013, 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, 2012	Additions	Deletions	Balance June 30, 2013
Capital assets not being depreciated:				
Land	\$ 4,764,378	\$ 108,251	\$ -	\$ 4,872,629
Construction in progress	44,829,270	13,264,554	7,802,447	50,291,377
	<u>49,593,648</u>	<u>13,372,805</u>	<u>7,802,447</u>	<u>55,164,006</u>
Capital assets being depreciated:				
Buildings	32,654,270	2,178,652	10,204	34,822,718
Equipment	34,274,851	2,181,976	1,503,099	34,953,728
Land improvements	12,765,036	3,363,781	101,475	16,027,342
Infrastructure	81,615,442	9,162,913	5,515	90,772,840
	<u>161,309,599</u>	<u>16,887,322</u>	<u>1,620,293</u>	<u>176,576,628</u>
Amortizable assets				
Intangible assets	1,620,243	800,000	-	2,420,243
Total amortizable assets	<u>1,620,243</u>	<u>800,000</u>	<u>-</u>	<u>2,420,243</u>
Total capital assets	<u>212,523,490</u>	<u>31,060,127</u>	<u>9,422,740</u>	<u>234,160,877</u>
Accumulated depreciation:				
Buildings	15,238,763	2,333,082	10,204	17,561,641
Equipment	18,468,769	5,371,175	1,503,099	22,336,845
Land improvements	3,416,100	373,118	101,475	3,687,743
Infrastructure	18,405,299	3,285,706	5,515	21,685,490
Total accumulated depreciation	<u>55,528,931</u>	<u>11,363,081</u>	<u>1,620,293</u>	<u>65,271,719</u>
Less accumulated amortization:				
Intangible assets	1,019,082	177,337	-	1,196,419
Total accumulated amortization	<u>1,019,082</u>	<u>177,337</u>	<u>-</u>	<u>1,196,419</u>
Total capital assets, net	<u>\$ 155,975,477</u>	<u>\$ 19,519,709</u>	<u>\$ 7,802,447</u>	<u>\$ 167,692,739</u>

Depreciation and amortization expense for governmental activities totaled \$11,540,418 for year ended June 30, 2013. Depreciation and amortization expense for the year ended June 30, 2013 was charged to governmental activities as follows:

General Government	\$ 3,557,147
Public Safety	2,176,969
Public Works	3,936,687
Culture and Recreation	1,776,228
Health and Welfare	<u>93,387</u>
Total	<u>\$ 11,540,418</u>

STATE OF NEW MEXICO
City of Hobbs
Notes to Financial Statements
June 30, 2013

NOTE 6. Capital Assets (continued)

Business-type Activities:	<u>Balance</u> <u>June 30, 2012</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2013</u>
Capital assets not being depreciated:				
Land	\$ 12,473	\$ -	\$ -	\$ 12,473
Construction in progress	12,156,391	3,410,057	971,287	14,595,161
	<u>12,168,864</u>	<u>3,410,057</u>	<u>971,287</u>	<u>14,607,634</u>
Capital assets being depreciated:				
Buildings	16,283,099	170,157	-	16,453,256
Equipment	43,656,965	596,945	379,391	43,874,519
Land improvements	2,277,145	-	-	2,277,145
Infrastructure	31,086,191	2,980,386	265,158	33,801,419
	<u>93,303,400</u>	<u>3,747,488</u>	<u>644,549</u>	<u>96,406,339</u>
Amortizable assets				
Intangible assets	8,500	-	1,097	7,403
Total amortizable assets	<u>8,500</u>	<u>-</u>	<u>1,097</u>	<u>7,403</u>
Total capital assets	<u>105,480,764</u>	<u>7,157,545</u>	<u>1,616,933</u>	<u>111,021,376</u>
Accumulated depreciation:				
Buildings	11,420,394	444,995	-	11,865,389
Equipment	30,580,319	2,293,228	379,391	32,494,156
Land improvements	1,824,038	129,213	-	1,953,251
Infrastructure	11,638,044	751,136	265,158	12,124,022
Total accumulated depreciation	<u>55,462,795</u>	<u>3,618,572</u>	<u>644,549</u>	<u>58,436,818</u>
Less accumulated amortization:				
Intangible assets	5,383	1,700	-	7,083
Total accumulated amortization	<u>5,383</u>	<u>1,700</u>	<u>-</u>	<u>7,083</u>
Total capital assets, net	<u>\$ 50,012,586</u>	<u>\$ 3,537,273</u>	<u>\$ 972,384</u>	<u>\$ 52,577,475</u>

Depreciation and amortization expense for business-type activities for the year ended June 30, 2013 were \$3,620,272. The entire amounts were recorded in the Joint Utility Fund. The prior year capital asset categories for business-type were modified to be consistent with the capital asset categories in governmental activities.

STATE OF NEW MEXICO
City of Hobbs
Notes to Financial Statements
June 30, 2013

NOTE 7. Long-term Debt

During the year ended June 30, 2013, the following changes occurred in the liabilities reported in the government-wide statement of net position:

Governmental Activities:

	Balance June 30, 2012	Additions	Retirements	Balance June 30, 2013	Due Within One Year
Unfunded OPEB Liability	\$ 8,213,953	\$ 2,431,469	\$ 325,332	\$ 10,320,090	\$ -
Compensated Absences	1,301,589	3,476,872	2,417,291	2,361,170	2,361,170
Total Long-Term Debt	\$ 9,515,542	\$ 5,908,341	\$ 2,742,623	\$ 12,681,260	\$ 2,361,170

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, 2013, compensated absences increased \$1,059,581 from the prior year accrual due to changes in the City policy concerning paid time off. 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, 2013:

	Balance June 30, 2012	Additions	Retirements	Balance June 30, 2013	Due Within One Year
NMFA and NMED Loans	\$ 34,728,618	\$ 1,319,488	\$ 1,597,743	\$ 34,450,363	\$ 1,629,215
Unfunded OPEB Liability	837,827	300,547	40,213	1,098,161	-
Compensated Absences	120,031	377,162	304,817	192,376	192,376
Total Long-Term Debt	\$ 35,686,476	\$ 1,997,197	\$ 1,942,773	\$ 35,740,900	\$ 1,821,591

Compensated Absences – During fiscal year June 30, 2013, compensated absences for proprietary funds increased \$72,345 from the prior year accrual due to changes in City policy concerning paid time off. 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, 2013
NMED Wastewater Loan	03/07/11	07/21/30	2.00%	\$ 31,419,101	\$ 28,807,025
NMFA Clean Drinking Water Loan	05/13/05	05/01/23	1.75%	5,226,750	4,387,671
NMFA Water Project Loan	03/22/13	06/01/32	0.25%	1,319,488	1,255,667
Total Loans					\$ 34,450,363

STATE OF NEW MEXICO
City of Hobbs
Notes to Financial Statements
June 30, 2013

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 March 7, 2011, 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 City entered into a loan agreement with the New Mexico Finance Authority on March 22, 2013 to assist in financing a water conservation, treatment, recycling project which will include construction of the initial phase of the City’s Effluent Reuse Project. The total loan amount is \$1,319,488 and the interest rate of .25% over the term of the loan. The loan matures on June 1, 2032 and 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
2014	\$ 1,629,215	\$ 667,635	\$ 2,296,850
2015	1,660,670	635,580	2,296,250
2016	1,692,751	603,500	2,296,251
2017	1,725,470	570,781	2,296,251
2018	1,758,842	537,411	2,296,253
2019-2023	9,318,471	2,162,771	11,481,242
2024-2028	10,258,319	1,222,981	11,481,300
2029-2032	6,406,625	242,948	6,649,573
	<u>\$ 34,450,363</u>	<u>\$ 6,643,607</u>	<u>\$ 41,093,970</u>

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

NOTE 8. Line of Credit

On December 15, 2012, the City established a \$450,000 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, 2013. There was no balance outstanding on the line of credit as of June 30, 2013. 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 \$450,000 and a maturity date of December 13, 2013. The fair value of the collateral is \$450,000 as of June 30, 2013, and is included in the restricted investments reported on the Statement of Net Position.

STATE OF NEW MEXICO
City of Hobbs
Notes to Financial Statements
June 30, 2013

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:

Recipient	Date of Issue	Retirement Date	Amount Issued	Amount Outstanding June 30, 2013	Purpose
Evangelical Lutheran Good Samaritan Society	1996	2026	\$ 5,955,000	\$ 4,205,000	Expansion of of Health Care Facility
RMS Foods, Inc.	2005	2035	\$ 7,775,000	\$ 7,775,000	Acquire Land and Acquire, 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, 2013, future minimum lease payments applicable to the operating leases are as follows:

Fiscal year ending June 30,	
2014	\$ 92,649
2015	92,649
2016	92,649
2017	92,649
2018	<u>75,000</u>
	<u>\$ 445,596</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 \$697,798 at June 30, 2013 and is reported as a liability on the financial statements.

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

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

STATE OF NEW MEXICO
City of Hobbs
Notes to Financial Statements
June 30, 2013

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 benefits, 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 for the plan. 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 <http://www.pera.state.nm.us>.

Funding Policy. Municipal general member coverage plan 4 members are required to contribute 15.65% of their gross salary. The City is required to contribute 11.65% of the covered salary for municipal general member coverage plan 4 members. Municipal police coverage plan 5 members are required to contribute 16.30% of their gross salary. The City is required to contribute 18.50% of the covered salary for municipal police coverage plan 5 members. Municipal fire member coverage plan 5 members are required to contribute 16.20% of their gross salary. The City is required to contribute 21.25% of the covered salary for municipal fire member coverage plan 5 members. The contribution requirements of plan members and the City are established in State statute under Chapter 10, Article 11, NMSA 1978. The requirements may be amended by acts of the legislature. The City’s contributions to PERA for the fiscal years ending June 30, 2013, 2012 and 2011 were \$2,191,261, \$2,088,419, and \$2,462,388, 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 three participating employees in the fiscal year ended June 30, 2013.

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, 2013, 2012 and 2011 were \$52,079 \$36,447, and \$34,608, 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 104 retirees receiving benefits and a total of 434 active participants.

STATE OF NEW MEXICO
City of Hobbs
Notes to Financial Statements
June 30, 2013

NOTE 14. Post-Employment Benefits-(continued)

Funding Policy

Changes to the Retiree Health Plan must be instigated through City Commission resolution with the necessary budget adjustments. The City pays a service-based portion of the premium for the coverage, while retirees, spouses, and survivors pay the remainder of the premium for their coverage. In the fiscal years ended June 30, 2013, 2012 and 2011 respectively, plan members' contributions totaled \$618,592, \$577,401, and \$575,602. 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, 2013, 2012 and 2011 respectively, the City contributed \$365,545, \$356,926, and \$350,932, to the plan. The plan is financed on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation

The City's annual Other Post-Employment Benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement 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)	\$ 2,415,858	\$ 298,618	\$ 2,714,476
Interest on net OPEB obligation	362,520	44,810	407,330
Adjustment to Annual Required Contribution	(346,909)	(42,881)	(389,790)
Annual OPEB cost (expense)	<u>2,431,469</u>	<u>300,547</u>	<u>2,732,016</u>
Actual contribution	(325,332)	(40,213)	(365,545)
Increase in net OPEB obligation	<u>2,106,137</u>	<u>260,334</u>	<u>2,366,471</u>
Net OPEB obligation - beginning of year	8,213,953	837,827	9,051,780
Net OPEB obligation - end of year	<u>\$ 10,320,090</u>	<u>\$ 1,098,161</u>	<u>\$ 11,418,251</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, 2013 were as follows:

Fiscal year ended	Annual OPEB cost	Actual employer contributions	Percentage contributed	Net OPEB obligation
6/30/2013	\$ 2,732,016	\$ 365,545	13.38%	\$ 11,418,251
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

STATE OF NEW MEXICO
City of Hobbs
Notes to Financial Statements
June 30, 2013

NOTE 14. Post-Employment Benefits (continued)

As of November 1, 2011, the projected actuarial accrued liability (AAL) for benefits for the fiscal 2013 year was \$29,778,425, all of which was unfunded. The covered payroll (the annual payroll of active employees covered by the plan) was \$22,916,930, and the unfunded actuarial accrued liability (UAAL) was 129.94% percent of the covered payroll.

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

Actuarial Methods and Assumptions

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

In the 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.

STATE OF NEW MEXICO
City of Hobbs
Notes to Financial Statements
June 30, 2013

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.

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.

STATE OF NEW MEXICO
City of Hobbs
Notes to Financial Statements
June 30, 2013

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

Hobbs Municipal Schools-(continued)

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

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

New Mexico Energy, Minerals and Natural Resources Department

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

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

The City entered into an agreement with the State of New Mexico Energy, Minerals and Natural Resources Department (EMNRD) for Wildland Fire Protection and Suppression setting terms for reimbursements of expenses incurred 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, 2013

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.

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.

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.

STATE OF NEW MEXICO
City of Hobbs
Notes to Financial Statements
June 30, 2013

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

DWI Program

On July 2, 2012 the City of Hobbs entered into a Memorandum of Understanding with Lea County, City of Lovington, City of Jal , City of Eunice, Town of Tatum and New Mexico State Police regarding the Community DWI Prevention Program. The purpose of the agreement is to combine funds and resources in achieving a common goal of removing the DWI from the streets and highways of Lea County thus reducing highway traffic accidents that are alcohol related . Lea County is the fiscal agent and there is no requirement for matching funds for the City. There is no audit responsibility. A total estimated cost and contributions for fiscal year 2013 was \$4,800.

Public Transportation Programs

On July 16, 2012 the City entered into a Memorandum of Agreement between the New Mexico Department of Transportation (Department) and the City of Hobbs for public transportation. The purpose of the agreement is to provide the City funding for public transportation services in rural and non-urbanized areas. Under the terms of the agreement, the Department provides \$281,526 in combined federal and state funds. Also on July 16, 2012 the City entered into a Memorandum of agreement with the Department to provide funding for the operation of a transportation route between Hobbs and Eunice. Under the terms of this agreement the City and Department are each responsible for 50% of the operating costs. The total estimated costs of the project is \$286,000. The Department provided the City \$143,000 in operating costs for fiscal year 2013. Audit responsibility lies with both the Department and the City.

Cooperative Purchasing Venture Program

On August 6, 2012 the City entered into a Joint Powers Agreement with the State of Minnesota to utilize a Cooperative Purchasing Venture program to purchase various supplies, commodities, equipment and services obtained through a competitive bidding or proposal process. The purpose of the agreement was for the City to purchase 4 passenger buses with total costs of \$283,318 for fiscal year 2013. There is no audit responsibility incorporated into the terms of this specific agreement.

Vikki Bell Cooper Consulting Services

On November 13, 2012 the City entered into a Memorandum of Agreement with Lea County which allows the City to participate in an agreement between Lea County and Vikki Bell Cooper of Lyles Marketing, 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 City's prorated share of the monthly costs is \$4,000 for fiscal year 2013. There is no audit responsibility incorporated into the terms of this specific agreement.

NOTE 18. Subsequent Events

The date to which events occurring after June 30, 2013, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosures is November 15, 2013, 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, 2013

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, 2013:

Cemetery Special Revenue Fund	\$ 487
Cops Grant Special Revenue Fund	4,527
Public Transportation Special Revenue Fund	62,870

- B. Excess of expenditures over appropriations. No funds exceeded approved budgetary authority for the year ended June 30, 2013.
- C. Designated cash appropriations in excess of available balances. No funds exceeded approved budgetary authority for the year ended June 30, 2013.

NOTE 20. Restricted Net Position

The government-wide Statement of Net Position reports \$13,606,983 of restricted amounts, all of which is restricted by enabling legislation. For descriptions of the related enabling legislation for special revenue and capital projects funds, see pages 92-95.

NOTE 21. Construction and Other Significant Commitments

The City had outstanding construction commitments for water line and infrastructure projects of \$14,807,225 as of November 15, 2013.

On April 15, 2013 the City's Commission approved changes to incentive pay for the City's police department's certified police officers. The incentive pay includes down payment assistance on a certified police officer's purchase of a home in exchange for a 5 or 10 year employment commitment depending on the option selected by the police officer as described below.

Option 1: Under option 1 a \$25,000 amount is given to a certified police officer in exchange for a 5 year employment commitment to the City's police department.

Option 2: Under option 2 a \$50,000 amount is given to a certified police officer in exchange for a 10 year employment commitment to the City's police department.

Both options are subject to the following limitations:

1. A lien would be placed on the home by the City until the obligation is met.
2. The residence would have to be purchased within the City of Hobbs planning area.
3. A pro-rated forgiveness of the incentive would apply.

NOTE 22. Concentration

As of June 30, 2013 70 the City's 570 employees (12.3%) 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.

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STATE OF NEW MEXICO
City of Hobbs
Notes to Financial Statements
June 30, 2013

NOTE 23. Subsequent Pronouncements

In March 2012, GASB Statement No. 65 *Items Previously Reported as Assets and Liabilities*, Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged. The standard will be implemented during fiscal year June 30, 2014.

In March 2012, GASB Statement No. 66 *Technical Corrections-2012—an amendment of GASB Statements No. 10 and No. 62*, Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2012. Earlier application is encouraged. The standard will be implemented during fiscal year June 30, 2014.

In June 2012, GASB Statement No. 67 *Financial Reporting for Pension Plans—an amendment of GASB Statements No. 25* Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2013. Earlier application is encouraged. The standard is expected to have no effect on the City in upcoming years.

In June 2012, GASB Statement No. 68 *Accounting and Financial Reporting for Pensions—an amendment of GASB Statements No. 27* Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2014. Earlier application is encouraged. The City will implement this standard during the fiscal year June 30, 2016.

In January 2013, GASB Statement No. 69 *Government Combinations and Disposals of Government Operations*, Effective Date: The requirements of this Statement are effective for government combinations and disposals of government operations occurring in financial reporting periods beginning after December 15, 2013. Earlier application is encouraged. The provisions of this Statement generally are required to be applied prospectively. The City is still evaluating how this reporting standard will affect the City.

In April 2013, GASB Statement No. 70 *Accounting and Financial Reporting for Nonexchange Financial Guarantees*, Effective Date: The provisions of this Statement are effective for reporting periods beginning after June 15, 2013. Earlier application is encouraged. Except for disclosures related to cumulative amounts paid or received in relation to a financial guarantee, the provisions of this Statement are required to be applied retroactively. Disclosures related to cumulative amounts paid or received in relation to a financial guarantee may be applied prospectively. The City is still evaluating how this reporting standard will affect the City.

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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, 2013

Schedule I

Actuarial valuation date	Actuarial value of assets	Actuarial accrued liability AAL - Entry age	Unfunded actuarial accrued liability AAL- UAAL	Funded ratio	Covered payroll	UAAL as a percentage of covered payroll
	a	b	b-a	a/b	c	(b-a)/c
June 30, 2013	\$ -	\$ 29,778,425	\$ 29,778,425	\$ -	\$ 22,916,930	129.94%
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%

Fiscal year ended	Annual OPEB cost	Actual employer contributions	Percentage contributed
June 30, 2013	\$ 2,732,016	\$ 365,545	13.38%
June 30, 2012	\$ 2,727,423	\$ 356,925	13.09%
June 30, 2011	\$ 2,574,084	\$ 350,932	13.63%

See independent auditors' report

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SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
City of Hobbs
Nonmajor Fund Descriptions
June 30, 2013

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 account 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, 2013

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.

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STATE OF NEW MEXICO
City of Hobbs
Nonmajor Fund Descriptions
June 30, 2013

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.

STATE OF NEW MEXICO
City of Hobbs
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2013

Special Revenue

	Local Government Corrections	Police Protection	Police Narcotics	COPS Grant Fund
<i>Assets</i>				
Cash and cash equivalents	\$ 30,491	\$ 18,783	\$ 10,896	\$ -
Receivables:				
Other taxes	-	-	-	-
Other receivables	-	74,400	-	-
<i>Total assets</i>	<u>\$ 30,491</u>	<u>\$ 93,183</u>	<u>\$ 10,896</u>	<u>\$ -</u>
<i>Liabilities</i>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued payroll expenses	-	-	-	4,527
<i>Total liabilities</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,527</u>
<i>Fund balances</i>				
Spendable				
Restricted for:				
Public safety	30,491	93,183	10,896	-
Culture and recreation	-	-	-	-
Transportation and roads	-	-	-	-
Health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital projects	-	-	-	-
Unassigned	-	-	-	(4,527)
<i>Total fund balances</i>	<u>30,491</u>	<u>93,183</u>	<u>10,896</u>	<u>(4,527)</u>
<i>Total liabilities and fund balances</i>	<u>\$ 30,491</u>	<u>\$ 93,183</u>	<u>\$ 10,896</u>	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements

Special Revenue

Cemetery	Airport	Lodger's Tax Promotional	Public Transportation	Fire Protection
\$ 1,000	\$ 299,429	\$ 1,095,377	\$ 1,000	\$ 495,400
-	-	128,027	-	-
-	-	-	254,377	-
<u>\$ 1,000</u>	<u>\$ 299,429</u>	<u>\$ 1,223,404</u>	<u>\$ 255,377</u>	<u>\$ 495,400</u>
\$ -	\$ -	\$ 14,399	\$ 310,161	\$ -
1,487	-	-	8,086	-
<u>1,487</u>	<u>-</u>	<u>14,399</u>	<u>318,247</u>	<u>-</u>
-	-	-	-	495,400
-	299,429	-	-	-
-	-	-	-	-
-	-	1,209,005	-	-
-	-	-	-	-
(487)	-	-	(62,870)	-
<u>(487)</u>	<u>299,429</u>	<u>1,209,005</u>	<u>(62,870)</u>	<u>495,400</u>
<u>\$ 1,000</u>	<u>\$ 299,429</u>	<u>\$ 1,223,404</u>	<u>\$ 255,377</u>	<u>\$ 495,400</u>

STATE OF NEW MEXICO
City of Hobbs
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2013

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	\$ 1	\$ -	\$ 72,381	\$ 3,590
Receivables:				
Other taxes	-	-	-	-
Other receivables	-	13,176	-	-
<i>Total assets</i>	<u>\$ 1</u>	<u>\$ 13,176</u>	<u>\$ 72,381</u>	<u>\$ 3,590</u>
<i>Liabilities</i>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued payroll expenses	-	-	-	-
<i>Total liabilities</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances</i>				
Spendable				
Restricted for:				
Public safety	-	-	-	-
Culture and recreation	-	-	72,381	3,590
Transportation and roads	-	-	-	-
Health and welfare	1	-	-	-
Economic development	-	13,176	-	-
Capital projects	-	-	-	-
Unassigned	-	-	-	-
<i>Total fund balances</i>	<u>1</u>	<u>13,176</u>	<u>72,381</u>	<u>3,590</u>
<i>Total liabilities and fund balances</i>	<u>\$ 1</u>	<u>\$ 13,176</u>	<u>\$ 72,381</u>	<u>\$ 3,590</u>

The accompanying notes are an integral part of these financial statements

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STATE OF NEW MEXICO
City of Hobbs
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2013

Statement A-1
Page 3 of 3

	Capital Projects			Total Nonmajor Governmental Funds
	Capital Improvements	Street Improvements	City Commission Improvement	
<i>Assets</i>				
Cash and cash equivalents	\$ -	\$ 792,529	\$ 3,310,366	\$ 8,979,037
Receivables:				
Other taxes	-	96,189	591,374	815,590
Other receivables	-	-	-	341,953
<i>Total assets</i>	\$ -	\$ 888,718	\$ 3,901,740	\$ 10,136,580
<i>Liabilities</i>				
Accounts payable	\$ -	\$ 5,600	\$ -	\$ 330,160
Accrued payroll expenses	-	-	-	14,100
<i>Total liabilities</i>	-	5,600	-	344,260
<i>Fund balances</i>				
Spendable				
Restricted for:				
Public safety	-	-	-	629,970
Culture and recreation	-	-	-	375,400
Transportation and roads	-	-	-	1,422
Health and welfare	-	-	-	5,316
Economic development	-	-	-	1,222,181
Capital projects	-	883,118	3,901,740	7,625,915
Unassigned	-	-	-	(67,884)
<i>Total fund balances</i>	-	883,118	3,901,740	9,792,320
<i>Total liabilities and fund balances</i>	\$ -	\$ 888,718	\$ 3,901,740	\$ 10,136,580

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, 2013

	Special Revenue			
	Local Government Corrections	Police Protection	Police Narcotics	COPS Grant Fund
<i>Revenues:</i>				
Taxes:				
Gross receipts	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	115,662
Federal capital grants	-	-	-	-
State operating grants	-	74,400	-	-
State capital grants	-	-	-	-
Local sources	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	152,696	-	-	-
Investment income	25	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>152,721</u>	<u>74,400</u>	<u>-</u>	<u>115,662</u>
<i>Expenditures:</i>				
Current:				
Public safety	104,837	50,381	-	266,958
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	17,393	14,100	-	-
<i>Total expenditures</i>	<u>122,230</u>	<u>64,481</u>	<u>-</u>	<u>266,958</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>30,491</u>	<u>9,919</u>	<u>-</u>	<u>(151,296)</u>
<i>Other financing sources (uses)</i>				
Transfers in	-	-	-	105,994
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>105,994</u>
<i>Net change in fund balances</i>	30,491	9,919	-	(45,302)
<i>Fund balances-beginning of year</i>	<u>-</u>	<u>83,264</u>	<u>10,896</u>	<u>40,775</u>
<i>Fund balances - end of year</i>	<u>\$ 30,491</u>	<u>\$ 93,183</u>	<u>\$ 10,896</u>	<u>\$ (4,527)</u>

The accompanying notes are an integral part of these financial statements

Special Revenue

Cemetery	Airport	Lodger's Tax Promotional	Public Transportation	Fire Protection
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	1,602,429	-	-
-	-	-	288,349	-
-	-	-	225,542	-
-	-	-	-	478,375
-	-	-	-	-
-	-	-	-	-
174,560	109,013	-	36,073	-
-	-	-	-	-
-	465	1,889	-	1,422
-	-	-	-	-
<u>174,560</u>	<u>109,478</u>	<u>1,604,318</u>	<u>549,964</u>	<u>479,797</u>
-	-	-	-	75,265
-	-	-	-	-
-	39,513	-	-	-
229,849	-	-	961,956	-
-	-	1,323,432	-	-
8,574	-	-	1,197,760	462,811
<u>238,423</u>	<u>39,513</u>	<u>1,323,432</u>	<u>2,159,716</u>	<u>538,076</u>
<u>(63,863)</u>	<u>69,965</u>	<u>280,886</u>	<u>(1,609,752)</u>	<u>(58,279)</u>
64,481	-	-	1,532,317	-
-	-	(315,910)	-	-
<u>64,481</u>	<u>-</u>	<u>(315,910)</u>	<u>1,532,317</u>	<u>-</u>
618	69,965	(35,024)	(77,435)	(58,279)
<u>(1,105)</u>	<u>229,464</u>	<u>1,244,029</u>	<u>14,565</u>	<u>553,679</u>
<u>\$ (487)</u>	<u>\$ 299,429</u>	<u>\$ 1,209,005</u>	<u>\$ (62,870)</u>	<u>\$ 495,400</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, 2013

	Special Revenue			
	Emergency Medical Services	Community Development	Recreation Expendable Trust	Library Expendable Trust
<i>Revenues:</i>				
Taxes:				
Gross receipts	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	-	225,000	-	-
State operating grants	19,500	-	-	-
State capital grants	-	-	-	-
Local sources	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	14,880	997
<i>Total revenues</i>	19,500	225,000	14,880	997
<i>Expenditures:</i>				
Current:				
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	792
Health and welfare	19,499	-	-	-
Economic development	-	-	-	-
Capital outlay	-	856,478	-	-
<i>Total expenditures</i>	19,499	856,478	-	792
<i>Excess (deficiency) of revenues over expenditures</i>	1	(631,478)	14,880	205
<i>Other financing sources (uses)</i>				
Transfers in	-	689,840	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	-	689,840	-	-
<i>Net change in fund balances</i>	1	58,362	14,880	205
<i>Fund balances-beginning of year</i>	-	(45,186)	57,501	3,385
<i>Fund balances - end of year</i>	\$ 1	\$ 13,176	\$ 72,381	\$ 3,590

The accompanying notes are an integral part of these financial statements

Special Revenue		Capital Projects		
Cemetery Expendable Trust	Community Parks Expendable Trust	Industrial Park Construction	Parks Improvement	Capital Projects
\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	1,952,331
-	-	-	-	-
-	-	-	-	-
9	3	-	2,793	-
-	-	-	-	-
<u>9</u>	<u>3</u>	<u>-</u>	<u>2,793</u>	<u>1,952,331</u>
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	-
-	-	-	-	1,903,533
-	-	-	-	<u>1,903,533</u>
<u>9</u>	<u>3</u>	<u>-</u>	<u>2,793</u>	<u>48,798</u>
-	-	-	-	1,591,981
-	-	-	(1,591,981)	-
-	-	-	(1,591,981)	<u>1,591,981</u>
9	3	-	(1,589,188)	1,640,779
<u>5,306</u>	<u>1,419</u>	<u>-</u>	<u>1,589,188</u>	<u>1,200,278</u>
<u>\$ 5,315</u>	<u>\$ 1,422</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,841,057</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, 2013

Statement A-2

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	Capital Projects			Total Nonmajor Governmental Funds
	Capital Improvements	Street Improvements	City Commission Improvement	
<i>Revenues:</i>				
Taxes:				
Gross receipts	\$ -	\$ -	\$ 3,803,595	\$ 3,803,595
Gasoline and motor vehicle	-	645,267	-	645,267
Other	-	-	-	1,602,429
Intergovernmental:				
Federal operating grants	-	-	-	404,011
Federal capital grants	-	-	-	450,542
State operating grants	-	-	-	572,275
State capital grants	749	-	-	749
Local sources	-	-	-	1,952,331
Charges for services	-	-	-	319,646
Licenses and fees	-	-	-	152,696
Investment income	-	385	-	6,991
Miscellaneous	-	-	-	15,877
<i>Total revenues</i>	<u>749</u>	<u>645,652</u>	<u>3,803,595</u>	<u>9,926,409</u>
<i>Expenditures:</i>				
Current:				
Public safety	-	-	-	497,441
Public works	-	-	-	-
Culture and recreation	-	-	-	40,305
Health and welfare	-	-	93,926	1,305,230
Economic development	-	-	-	1,323,432
Capital outlay	-	334,672	1,600,000	6,395,321
<i>Total expenditures</i>	<u>-</u>	<u>334,672</u>	<u>1,693,926</u>	<u>9,561,729</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>749</u>	<u>310,980</u>	<u>2,109,669</u>	<u>364,680</u>
<i>Other financing sources (uses)</i>				
Transfers in	-	-	-	3,984,613
Transfers out	(749)	-	-	(1,908,640)
<i>Total other financing sources (uses)</i>	<u>(749)</u>	<u>-</u>	<u>-</u>	<u>2,075,973</u>
<i>Net change in fund balances</i>	-	310,980	2,109,669	2,440,653
<i>Fund balances-beginning of year</i>	-	572,138	1,792,071	7,351,667
<i>Fund balances - end of year</i>	<u>\$ -</u>	<u>\$ 883,118</u>	<u>\$ 3,901,740</u>	<u>\$ 9,792,320</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, 2013

	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	140,000	152,696	152,696	-
Investment income	500	25	25	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	140,500	152,721	152,721	-
<i>Expenditures:</i>				
Current:				
Public safety	130,428	104,838	104,838	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	-	17,392	17,392	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	130,428	122,230	122,230	-
<i>Excess (deficiency) of revenues over expenditures</i>	10,072	30,491	30,491	-
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	(10,072)	(30,491)	-	30,491
Loan proceeds	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	(10,072)	(30,491)	-	30,491
<i>Net change in fund balance</i>	-	-	30,491	30,491
<i>Fund balance - beginning of year</i>	-	-	-	-
<i>Fund balance - end of year</i>	\$ -	\$ -	\$ 30,491	\$ 30,491
Net change in fund balance (non-GAAP budgetary basis)			\$ 30,491	
No adjustments to revenues.			-	
No adjustments to expenditures.			-	
Net change in fund balance (GAAP)			\$ 30,491	

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, 2013

	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	68,400	68,400	68,400	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>68,400</u>	<u>68,400</u>	<u>68,400</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	55,200	50,381	50,381	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	13,200	14,100	14,100	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>68,400</u>	<u>64,481</u>	<u>64,481</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>3,919</u>	<u>3,919</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	-	(3,919)	-	3,919
Loan proceeds	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>(3,919)</u>	<u>-</u>	<u>3,919</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>3,919</u>	<u>3,919</u>
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>14,864</u>	<u>14,864</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,783</u>	<u>\$ 18,783</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ 3,919	
Adjustments to revenues for grant accruals.			6,000	
No adjustments to expenditures.			-	
Net change in fund balance (GAAP)			<u>\$ 9,919</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Hobbs
Police Narcotics Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2013

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

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Hobbs
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, 2013

	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	159,026	159,026	-
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>159,026</u>	<u>159,026</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	573,310	265,020	265,020	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>573,310</u>	<u>265,020</u>	<u>265,020</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(328,610)</u>	<u>(105,994)</u>	<u>(105,994)</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	-	-	-	-
Transfers in	328,610	105,994	105,994	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>328,610</u>	<u>105,994</u>	<u>105,994</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.			(43,364)	
Adjustments to expenditures for accounts payable accruals.			(1,938)	
Net change in fund balance (GAAP)			<u>\$ (45,302)</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, 2013

	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	174,561	174,561	174,561	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>174,561</u>	<u>174,561</u>	<u>174,561</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	230,468	230,468	230,468	-
Economic development	-	-	-	-
Capital outlay	8,574	8,574	8,574	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>239,042</u>	<u>239,042</u>	<u>239,042</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(64,481)</u>	<u>(64,481)</u>	<u>(64,481)</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	-	-	-	-
Transfers in	64,481	64,481	64,481	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>64,481</u>	<u>64,481</u>	<u>64,481</u>	<u>-</u>
<i>Net change in fund balance</i>	-	-	-	-
<i>Fund balance - beginning of year</i>	-	-	1,000	1,000
<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)			\$ -	
Adjustments to revenues for charges for services			(1)	
Adjustments to expenditures for payroll accruals.			619	
Net change in fund balance (GAAP)			<u>\$ 618</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, 2013

	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	100,000	109,013	109,013	-
Licenses and fees	-	-	-	-
Investment income	400	465	465	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>100,400</u>	<u>109,478</u>	<u>109,478</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	60,500	39,715	39,715	-
Health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>60,500</u>	<u>39,715</u>	<u>39,715</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>39,900</u>	<u>69,763</u>	<u>69,763</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	(39,900)	(69,763)	-	69,763
Loan proceeds	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(39,900)</u>	<u>(69,763)</u>	<u>-</u>	<u>69,763</u>
<i>Net change in fund balance</i>	-	-	69,763	69,763
<i>Fund balance - beginning of year</i>	-	-	229,666	229,666
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 299,429</u>	<u>\$ 299,429</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ 69,763	
No adjustments to revenues.			-	
Adjustments to expenditures for accounts payable accruals.			202	
Net change in fund balance (GAAP)			<u>\$ 69,965</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, 2013

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes:				
Lodgers' taxes	\$ 1,005,000	\$ 1,587,310	\$ 1,587,310	\$ -
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	1,400	1,889	1,889	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>1,006,400</u>	<u>1,589,199</u>	<u>1,589,199</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Economic development	1,050,000	1,309,033	1,309,033	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>1,050,000</u>	<u>1,309,033</u>	<u>1,309,033</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(43,600)</u>	<u>280,166</u>	<u>280,166</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	43,600	(280,166)	-	280,166
Transfers in	-	-	-	-
Transfers out	-	-	(315,910)	(315,910)
<i>Total other financing sources (uses)</i>	<u>43,600</u>	<u>(280,166)</u>	<u>(315,910)</u>	<u>(35,744)</u>
<i>Net change in fund balance</i>	-	-	(35,744)	(35,744)
<i>Fund balance - beginning of year</i>	-	-	1,131,121	1,131,121
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,095,377</u>	<u>\$ 1,095,377</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ (35,744)	
Adjustments to revenues for tax accruals.			15,119	
Adjustments to expenditures for prior year accounts payable accruals.			(14,399)	
Net change in fund balance (GAAP)			<u>\$ (35,024)</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, 2013

	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	1,233,500	281,345	281,345	-
Federal capital grants	231,200	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	35,000	36,073	36,073	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>1,499,700</u>	<u>317,418</u>	<u>317,418</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	1,630,808	1,630,808	1,630,808	-
Economic development	-	-	-	-
Capital outlay	244,933	217,927	217,927	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>1,875,741</u>	<u>1,848,735</u>	<u>1,848,735</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(376,041)</u>	<u>(1,531,317)</u>	<u>(1,531,317)</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	-	(1,000)	-	1,000
Transfers in	376,041	1,532,317	1,532,317	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>376,041</u>	<u>1,531,317</u>	<u>1,532,317</u>	<u>1,000</u>
<i>Net change in fund balance</i>	-	-	1,000	1,000
<i>Fund balance - beginning of year</i>	-	-	-	-
<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	
Adjustments to revenues for grant accruals.			232,546	
Adjustments to expenditures for payroll accruals.			(310,981)	
Net change in fund balance (GAAP)			<u>\$ (77,435)</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, 2013

	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	380,000	478,375	478,375	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	1,422	1,422	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	380,000	479,797	479,797	-
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	93,800	46,805	46,805	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	462,000	491,271	491,271	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	555,800	538,076	538,076	-
<i>Excess (deficiency) of revenues over expenditures</i>	(175,800)	(58,279)	(58,279)	-
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	175,800	58,279	-	(58,279)
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	175,800	58,279	-	(58,279)
<i>Net change in fund balance</i>	-	-	(58,279)	(58,279)
<i>Fund balance - beginning of year</i>	-	-	553,679	553,679
<i>Fund balance - end of year</i>	\$ -	\$ -	\$ 495,400	\$ 495,400
Net change in fund balance (non-GAAP budgetary basis)			\$ (58,279)	
No adjustments to revenues.			-	
No adjustments to expenditures.			-	
Net change in fund balance (GAAP)			\$ (58,279)	

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, 2013

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	20,000	19,500	19,500	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	20,000	19,500	19,500	-
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	20,000	19,499	19,499	-
Economic development	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	20,000	19,499	19,499	-
<i>Excess (deficiency) of revenues over expenditures</i>	-	1	1	-
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	-	(1)	-	1
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	-	(1)	-	1
<i>Net change in fund balance</i>	-	-	1	1
<i>Fund balance - beginning of year</i>	-	-	-	-
<i>Fund balance - end of year</i>	\$ -	\$ -	\$ 1	\$ 1
Net change in fund balance (non-GAAP budgetary basis)			\$ 1	
No adjustments to revenues.			-	
No adjustments to expenditures.			-	
Net change in fund balance (GAAP)			\$ 1	

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, 2013

	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	475,000	211,824	211,824	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>475,000</u>	<u>211,824</u>	<u>211,824</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	899,185	899,185	899,185	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	2,479	2,479	2,479	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>901,664</u>	<u>901,664</u>	<u>901,664</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(426,664)</u>	<u>(689,840)</u>	<u>(689,840)</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	-	-	-	-
Transfers in	426,664	689,840	689,840	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>426,664</u>	<u>689,840</u>	<u>689,840</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 capital grants.			13,176	
Adjustments to expenditures for accounts payable accruals.			45,186	
Net change in fund balance (GAAP)			<u>\$ 58,362</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, 2013

	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	3,000	14,880	14,880	-
<i>Total revenues</i>	3,000	14,880	14,880	-
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	3,000	-	-	-
Health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	3,000	-	-	-
<i>Excess (deficiency) of revenues over expenditures</i>	-	14,880	14,880	-
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	-	(14,880)	-	14,880
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	-	(14,880)	-	14,880
<i>Net change in fund balance</i>	-	-	14,880	14,880
<i>Fund balance - beginning of year</i>	-	-	57,501	57,501
<i>Fund balance - end of year</i>	\$ -	\$ -	\$ 72,381	\$ 72,381
Net change in fund balance (non-GAAP budgetary basis)			\$ 14,880	
No adjustments to revenues.			-	
No adjustments to expenditures.			-	
Net change in fund balance (GAAP)			\$ 14,880	

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, 2013

	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	997	997	-
<i>Total revenues</i>	<u>2,000</u>	<u>997</u>	<u>997</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	2,000	792	792	-
Health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>2,000</u>	<u>792</u>	<u>792</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>205</u>	<u>205</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	-	(205)	-	205
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>(205)</u>	<u>-</u>	<u>205</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>205</u>	<u>205</u>
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>3,385</u>	<u>3,385</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,590</u>	<u>\$ 3,590</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ 205	
No adjustments to revenues.			-	
No adjustments to expenditures.			-	
Net change in fund balance (GAAP)			<u>\$ 205</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, 2013

	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	-	9	9	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>9</u>	<u>9</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>9</u>	<u>9</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	-	(9)	-	9
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>(9)</u>	<u>-</u>	<u>9</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>9</u>	<u>9</u>
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>5,306</u>	<u>5,306</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,315</u>	<u>\$ 5,315</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ 9	
No adjustments to revenues.			-	
No adjustments to expenditures.			-	
Net change in fund balance (GAAP)			<u>\$ 9</u>	

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, 2013

	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	-	3	3	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	-	3	3	-
<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>	-	3	3	-
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	-	(3)	-	3
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	-	(3)	-	3
<i>Net change in fund balance</i>	-	-	3	3
<i>Fund balance - beginning of year</i>	-	-	1,419	1,419
<i>Fund balance - end of year</i>	\$ -	\$ -	\$ 1,422	\$ 1,422
Net change in fund balance (non-GAAP budgetary basis)			\$ 3	
No adjustments to revenues.			-	
No adjustments to expenditures.			-	
Net change in fund balance (GAAP)			\$ 3	

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, 2013

	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>	-	-	-	-
<i>Fund balance - end of year</i>	\$ -	\$ -	\$ -	\$ -
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
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, 2013

	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	-	2,793	2,793	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>2,793</u>	<u>2,793</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	267,746	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>267,746</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(267,746)</u>	<u>2,793</u>	<u>2,793</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	267,746	1,589,188	-	(1,589,188)
Transfers in	-	-	-	-
Transfers out	-	(1,591,981)	(1,591,981)	-
<i>Total other financing sources (uses)</i>	<u>267,746</u>	<u>(2,793)</u>	<u>(1,591,981)</u>	<u>(1,589,188)</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>(1,589,188)</u>	<u>(1,589,188)</u>
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>1,589,188</u>	<u>1,589,188</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ (1,589,188)	
No adjustments to revenues.			-	
No adjustments to expenditures.			-	
Net change in fund balance (GAAP)			<u>\$ (1,589,188)</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, 2013

	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	-	-	-	-
Local sources	4,275,631	1,952,331	1,952,331	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>4,275,631</u>	<u>1,952,331</u>	<u>1,952,331</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	1,645,498	1,984,496	1,984,496	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>1,645,498</u>	<u>1,984,496</u>	<u>1,984,496</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>2,630,133</u>	<u>(32,165)</u>	<u>(32,165)</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	(2,630,133)	(1,559,816)	-	1,559,816
Transfers in	-	1,591,981	1,591,981	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(2,630,133)</u>	<u>32,165</u>	<u>1,591,981</u>	<u>1,559,816</u>
<i>Net change in fund balance</i>	-	-	1,559,816	1,559,816
<i>Fund balance - beginning of year</i>	-	-	1,281,241	1,281,241
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,841,057</u>	<u>\$ 2,841,057</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ 1,559,816	
No adjustments to revenues.			-	
Adjustments to expenditures for prior year accounts payable accruals.			80,963	
Net change in fund balance (GAAP)			<u>\$ 1,640,779</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, 2013

	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	-	749	749	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>749</u>	<u>749</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>749</u>	<u>749</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	(749)	(749)	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>(749)</u>	<u>(749)</u>	<u>-</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ -	
No adjustments to revenues.			-	
No adjustments to expenditures.			-	
Net change in fund balance (GAAP)			<u>\$ -</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Hobbs
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, 2013

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	650,000	690,251	690,251	-
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	681,674	288,853	288,853	-
State operating grants	-	-	-	-
State capital grants	680,613	338,213	338,213	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	385	385	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>2,012,287</u>	<u>1,317,702</u>	<u>1,317,702</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	1,218,814	525,173	525,173	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>1,218,814</u>	<u>525,173</u>	<u>525,173</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>793,473</u>	<u>792,529</u>	<u>792,529</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	(1,044,206)	(930,517)	-	930,517
Transfers in	250,733	137,988	-	(137,988)
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(793,473)</u>	<u>(792,529)</u>	<u>-</u>	<u>792,529</u>
<i>Net change in fund balance</i>	-	-	792,529	792,529
<i>Fund balance - beginning of year</i>	-	-	-	-
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 792,529</u>	<u>\$ 792,529</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ 792,529	
Adjustments to revenues for grant and gasoline tax accruals.			(672,050)	
Adjustments to expenditures for accounts payable accruals.			190,501	
Net change in fund balance (GAAP)			<u>\$ 310,980</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, 2013

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final	(Non-GAAP Budgetary Basis)	Final to Actual
<i>Revenues:</i>				
Taxes:				
Gross receipts	\$ 2,500,000	\$ 3,212,221	\$ 3,212,221	\$ -
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>2,500,000</u>	<u>3,212,221</u>	<u>3,212,221</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	49,005	49,005	49,005	-
Economic development	-	-	-	-
Capital outlay	1,500,000	1,600,000	1,600,000	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>1,549,005</u>	<u>1,649,005</u>	<u>1,649,005</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>950,995</u>	<u>1,563,216</u>	<u>1,563,216</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	(950,995)	(1,563,216)	-	1,563,216
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(950,995)</u>	<u>(1,563,216)</u>	<u>-</u>	<u>1,563,216</u>
<i>Net change in fund balance</i>	-	-	1,563,216	1,563,216
<i>Fund balance - beginning of year</i>	-	-	1,747,150	1,747,150
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,310,366</u>	<u>\$ 3,310,366</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ 1,563,216	
Adjustments to revenues for tax accruals.			591,374	
Adjustments to expenditures for accounts payable accruals.			(44,921)	
Net change in fund balance (GAAP)			<u>\$ 2,109,669</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 Position

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final		
<i>Operating revenues:</i>				
Charges for services	\$ 10,851,000	\$ 10,097,123	\$ 10,097,123	\$ -
<i>Total operating revenues</i>	<u>10,851,000</u>	<u>10,097,123</u>	<u>10,097,123</u>	<u>-</u>
<i>Operating expenses:</i>				
Personnel services	3,563,423	3,405,450	3,405,450	-
Contractual services	395,920	148,015	148,015	-
Supplies and purchased power	1,702,314	1,323,248	1,298,304	-
Maintenance and materials	428,000	163,716	163,716	-
Miscellaneous	281,500	176,019	176,019	-
Utilities	862,450	690,504	690,504	-
Equipment	298,227	182,168	182,168	-
<i>Total operating expenses</i>	<u>7,531,834</u>	<u>6,089,120</u>	<u>6,064,176</u>	<u>-</u>
<i>Operating income (loss)</i>	<u>3,319,166</u>	<u>4,008,003</u>	<u>4,032,947</u>	<u>-</u>
<i>Non-operating revenues (expenses):</i>				
Capital outlay	(15,262,705)	(6,288,228)	(6,288,228)	-
Principal payments	(1,560,301)	(1,597,742)	(1,597,742)	-
Loan proceeds	-	1,065,153	1,319,488	-
Interest expense	(694,573)	(694,601)	(694,601)	-
Investment income	4,000	4,316	4,316	-
Miscellaneous income	4,700,000	-	-	-
<i>Total non-operating revenues (expenses)</i>	<u>(12,813,579)</u>	<u>(7,511,102)</u>	<u>(7,256,767)</u>	<u>-</u>
Government contributions	1,225,000	1,605,195	1,605,195	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Change in net position</i>	<u>\$ (8,269,413)</u>	<u>\$ (1,897,904)</u>	<u>(1,618,625)</u>	<u>\$ -</u>
<i>Reconciliation to GAAP basis:</i>				
Depreciation			(3,620,272)	
Adjustments to revenues for charges for services and miscellaneous income			1,018,225	
Adjustments to expenditures for salaries, supplies and contractual services			(346,694)	
Adjustment to interest expense for accrued interest			(86,691)	
Adjustment for loan proceeds			(1,319,488)	
Adjustment for capital asset additions			6,288,228	
Adjustment for debt service principal payments			1,597,742	
Adjustment for bad debt expense			38,970	
<i>Change in net position per Exhibit D-2</i>			<u>1,951,395</u>	
<i>Total net position, beginning of year</i>			<u>27,355,238</u>	
<i>Total net position, end of year</i>			<u>\$ 29,306,633</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 Position

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final		
<i>Operating revenues:</i>				
Charges for services	\$ 5,500,000	\$ 5,944,148	\$ 5,944,148	\$ -
<i>Total operating revenues</i>	<u>5,500,000</u>	<u>5,944,148</u>	<u>5,944,148</u>	<u>-</u>
<i>Operating expenses:</i>				
Personnel services	-	-	-	-
Utilities	-	-	-	-
Contractual services	5,500,000	5,891,415	5,891,415	-
Supplies	-	-	-	-
Maintenance and materials	-	-	-	-
Gross receipts taxes	-	-	-	-
Other costs	-	-	-	-
<i>Total operating expenses</i>	<u>5,500,000</u>	<u>5,891,415</u>	<u>5,891,415</u>	<u>-</u>
<i>Operating income (loss)</i>	<u>-</u>	<u>52,733</u>	<u>52,733</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 position</i>	<u>\$ -</u>	<u>\$ 52,733</u>	<u>52,733</u>	<u>\$ -</u>
<i>Reconciliation to GAAP basis:</i>				
Adjustments to revenues for accounts receivable accruals			123,406	
Adjustments to expenses for accounts payable accruals			(424,689)	
Adjustments for bad debt expense			10,559	
<i>Change in net position per Exhibit D-2</i>			<u>(237,991)</u>	
<i>Total net position, beginning of year</i>			<u>1,339,570</u>	
<i>Total net position, end of year</i>			<u>\$ 1,101,579</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 Position

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2013

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final		
<i>Operating revenues:</i>				
Charges for services	\$ 5,730,181	\$ 5,913,738	\$ 5,913,738	\$ -
<i>Total operating revenues</i>	<u>5,730,181</u>	<u>5,913,738</u>	<u>5,913,738</u>	<u>-</u>
<i>Operating expenses:</i>				
Personnel services	-	-	-	-
Utilities	-	-	-	-
Contractual services	5,630,181	5,414,014	5,414,014	-
Supplies	-	-	-	-
Maintenance and materials	-	-	-	-
Gross receipts taxes	-	-	-	-
Other costs	-	-	-	-
<i>Total operating expenses</i>	<u>5,630,181</u>	<u>5,414,014</u>	<u>5,414,014</u>	<u>-</u>
<i>Operating income (loss)</i>	<u>100,000</u>	<u>499,724</u>	<u>499,724</u>	<u>-</u>
<i>Non-operating revenues (expenses):</i>				
Interest expense	-	-	-	-
Investment income	1,500	1,157	1,157	-
Miscellaneous income	-	-	-	-
<i>Total non-operating revenues (expenses)</i>	<u>1,500</u>	<u>1,157</u>	<u>1,157</u>	<u>-</u>
Government contributions	-	-	-	-
Transfers in	-	2,000,000	2,000,000	-
Transfers out	-	-	-	-
<i>Change in net position</i>	<u>\$ 101,500</u>	<u>\$ 2,500,881</u>	<u>2,500,881</u>	<u>\$ -</u>
<i>Reconciliation to GAAP basis:</i>				
No adjustments to revenues			-	
Adjustments to expenditures for accounts payable accruals			(41,740)	
<i>Change in net position per Exhibit D-2</i>			<u>2,459,141</u>	
<i>Total net position, beginning of year</i>			<u>4,551,995</u>	
<i>Total net position, end of year</i>			<u>\$ 7,011,136</u>	

The accompanying notes are an integral part of these financial statements

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SUPPORTING SCHEDULES

STATE OF NEW MEXICO
City of Hobbs
Schedule of Deposits and Investments
June 30, 2013

Schedule II

Bank Name/Account Name	Account Type	Bank Balance	Deposits in Transit	Outstanding Checks	Book Balance
Lea County State Bank					
City of Hobbs - Motor Vehicle Department	Checking	\$ 111,415	\$ 44,028	\$ 166,144	\$ (10,701)
City of Hobbs - Investment Account	Money Market	42,094	-	-	42,094
City of Hobbs	Checking	1	-	3,323,994	(3,323,993)
Inmate Trust Account	Checking	22,342	-	-	22,342
Special Operations - Police	Checking	2,904	-	-	2,904
City of Hobbs Savings	Repurchase	3,023,263	85,823	-	3,109,086
City of Hobbs Mun. Judge Trust	Checking	130,959	-	1,425	129,534
Total Lea County State Bank		<u>3,332,978</u>	<u>129,851</u>	<u>3,491,563</u>	<u>(28,734)</u>
Wells Fargo Bank					
Hobbs Police Dept - Evidence Trust	Checking	69,013	1	-	69,014
HPD - Crime Prevention	CD	6,347	-	-	6,347
Total Wells Fargo Bank		<u>75,360</u>	<u>1</u>	<u>-</u>	<u>75,361</u>
Total deposits		<u>\$ 3,408,338</u>	<u>\$ 129,852</u>	<u>\$ 3,491,563</u>	46,627
Plus: petty cash					8,930
Add: cash equivalents held in the State Treasurer Local Government Investment Pool (LGIP)					78,479,616
Add: United States Treasury Bills held at NMFA					254,335
Less: restricted cash and cash equivalents per Exhibit A-1					(4,220,885)
Less: agency cash per Exhibit E-1					(283,309)
Cash and cash equivalents per Exhibit A-1					<u>\$74,285,314</u>

See independent auditors' report

STATE OF NEW MEXICO

Schedule III

City of Hobbs

Schedule of Collateral Pledged by Depository for Public Funds

June 30, 2013

Name of Depository	Description of Pledged Collateral	Type of Pledged Collateral	Maturity	CUSIP Number	Par/FMV Value at June 30, 2013	Name and Location of Safekeeper
Lea County State Bank						
	Grants & Cibola 4.5%	Muni	10/1/2013	388240CK7	\$ 135,000	* 1st Security Bank, Salt Lake City, UT
	Artesia NM Wtr Swr 4%	Muni	6/1/2023	04310LAPS	725,000	* 1st Security Bank, Salt Lake City, UT
	US Treasury	T-Bill	3/31/2018	912828QB9	<u>3,083,715</u>	1st Security Bank, Salt Lake City, UT
	Total Pledged Collateral				<u>\$3,943,715</u>	

* As per NMAC 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.

STATE OF NEW MEXICO
City of Hobbs
Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2013

	Balance at June 30, 2012	Receipts	Disbursements	Balance at June 30, 2013
Motor Vehicle				
Assets				
Cash and cash equivalents	\$ 15,886	\$ 6,835,575	\$ 6,851,461	\$ -
Other receivables	2,124	-	2,124	-
Total assets	\$ 18,010	\$ 6,835,575	\$ 6,853,585	\$ -
Liabilities				
Deposits held in trust for others	\$ 18,010	\$ 6,835,575	\$ 6,853,585	\$ -
Total liabilities	\$ 18,010	\$ 6,835,575	\$ 6,853,585	\$ -
Municipal Judge				
Assets				
Cash and cash equivalents	\$ 134,646	\$ 134,076	\$ 135,101	\$ 133,621
Total assets	\$ 134,646	\$ 134,076	\$ 135,101	\$ 133,621
Liabilities				
Deposits held in trust for others	\$ 134,646	\$ 134,076	\$ 135,101	\$ 133,621
Total liabilities	\$ 134,646	\$ 134,076	\$ 135,101	\$ 133,621
Crime Lab				
Assets				
Cash and cash equivalents	\$ 50,461	\$ 77,955	\$ 71,999	\$ 56,417
Total assets	\$ 50,461	\$ 77,955	\$ 71,999	\$ 56,417
Liabilities				
Deposits held in trust for others	\$ 50,461	\$ 77,955	\$ 71,999	\$ 56,417
Total liabilities	\$ 50,461	\$ 77,955	\$ 71,999	\$ 56,417

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, 2013

	Balance at June 30, 2012	Receipts	Disbursements	Balance at June 30, 2013
Senior Citizen				
Assets				
Cash and cash equivalents	\$ 3,411	\$ 3,032	\$ 1,206	\$ 5,237
Total assets	\$ 3,411	\$ 3,032	\$ 1,206	\$ 5,237
Liabilities				
Deposits held in trust for others	\$ 3,411	\$ 3,032	\$ 1,206	\$ 5,237
Total liabilities	\$ 3,411	\$ 3,032	\$ 1,206	\$ 5,237
Hobbs Beautiful				
Assets				
Cash and cash equivalents	\$ 12,131	\$ 11,078	\$ 6,887	\$ 16,322
Accounts receivable	3,206	4,588	3,206	4,588
Total assets	\$ 15,337	\$ 15,666	\$ 10,093	\$ 20,910
Liabilities				
Accrued payroll	\$ 321	\$ -	\$ 321	\$ -
Deposits held in trust for others	15,016	15,666	9,772	20,910
Total liabilities	\$ 15,337	\$ 15,666	\$ 10,093	\$ 20,910
City Agency				
Assets				
Cash and cash equivalents	\$ 1,245	\$ 1,797	\$ 415	\$ 2,627
Total assets	\$ 1,245	\$ 1,797	\$ 415	\$ 2,627
Liabilities				
Deposits held in trust for others	\$ 1,245	\$ 1,797	\$ 415	\$ 2,627
Total liabilities	\$ 1,245	\$ 1,797	\$ 415	\$ 2,627

See independent auditors' report

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STATE OF NEW MEXICO
City of Hobbs
Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2013

	Balance at June 30, 2012	Receipts	Disbursements	Balance at June 30, 2013
Evidence Fund				
Assets				
Cash and cash equivalents	\$ 68,782	\$ 231	\$ -	\$ 69,013
Total assets	\$ 68,782	\$ 231	\$ -	\$ 69,013
Liabilities				
Deposits held in trust for others	\$ 68,782	\$ 231	\$ -	\$ 69,013
Total liabilities	\$ 68,782	\$ 231	\$ -	\$ 69,013
Foreclosure Trust				
Assets				
Cash and cash equivalents	\$ 72	\$ 72	\$ 72	\$ 72
Total assets	\$ 72	\$ 72	\$ 72	\$ 72
Liabilities				
Deposits held in trust for others	\$ 72	\$ 72	\$ 72	\$ 72
Total liabilities	\$ 72	\$ 72	\$ 72	\$ 72
Total - All Agency Funds				
Assets				
Cash and cash equivalents	\$ 286,634	\$ 7,063,816	\$ 7,067,141	\$ 283,309
Other receivables	5,330	4,588	5,330	4,588
Total assets	\$ 291,964	\$ 7,068,404	\$ 7,072,471	\$ 287,897
Liabilities				
Accrued payroll	\$ 321	\$ -	\$ 321	\$ -
Deposits held in trust for others	291,643	7,068,404	7,072,150	287,897
Total liabilities	\$ 291,964	\$ 7,068,404	\$ 7,072,471	\$ 287,897

See independent auditors' report

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COMPLIANCE SECTION



Accounting & Consulting Group, LLP
Certified Public Accountants

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

INDEPENDENT AUDITORS' REPORT

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

We have audited, 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, the financial statements of the governmental activities, the business type activities, each major fund, the aggregate remaining fund information, the budgetary comparison of the General Fund of the City of Hobbs (the "City") as of and for the year ended June 30, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and the combining and individual fund and related budgetary comparisons of the City presented as supplemental information and have issued our report thereon dated November 15, 2013.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered the City's internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances 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. Accordingly, we do not express an opinion on the effectiveness of the City's internal control.

Our consideration of internal control was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. However, as described in the accompanying schedule of findings and questioned costs, we identified certain deficiencies in internal control that we consider to be material weaknesses and significant deficiencies.

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 City's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item FS 2011-1 to be a material weakness.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item FS 2013-002 to be a significant deficiency.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items FS 2013-001, FS 2013-003, FS 2013-004, FS 2013-005, and FS 2013-006.

City's Responses to Findings

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. The City's responses were not subjected to the auditing procedures applied in the audit of the financial statements and, accordingly, we express no opinion on them.

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the City's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Accounting & Consulting Group, LLP

Accounting & Consulting Group, LLP
Albuquerque, New Mexico
November 15, 2013

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FEDERAL FINANCIAL ASSISTANCE



Accounting & Consulting Group, LLP
Certified Public Accountants

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE**

INDEPENDENT AUDITORS' REPORT

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

Report on Compliance for the Major Federal Program

We have audited the City of Hobbs, New Mexico's (the City) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal program for the year ended June 30, 2013. The City's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its federal programs.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. 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 on compliance for the major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on the Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on its major federal program for the year ended June 30, 2013.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program 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. *A significant deficiency in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance with a type of compliance requirement of a federal program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

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 material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of OMB Circular A-133. Accordingly, this report is not suitable for any other purpose.

Accounting & Consulting Group, LLP

Accounting & Consulting Group, LLP
Albuquerque, New Mexico
November 15, 2013

STATE OF NEW MEXICO
City of Hobbs
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

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- 13 60827	\$ 53,426
Emergency Food Assistance Program	10.569	2013	25,810
Total U.S. Department of Agriculture			<u>79,236</u>
U.S. Department of Justice			
Edward Byrne Memorial Justice Assistance Grant (JAG) - Recovery Act	16.804	2009-SB-B9-1929	3,073
Bulletproof Vest Partnership Program	16.607		5,813
Public Safety Partnership and Community Policing Grants	16.710	2010UMWX	265,020
Total U.S. Department of Justice			<u>273,906</u>
U.S. Department of Transportation			
Passed through NM Department of Transportation			
Urban Mass Transit Authority (1)	20.509	MOA FY 13	281,526
Urban Mass Transit Authority (1)	20.509	MOA FY13	71,500
Urban Mass Transit Authority (1)	20.509		792,106
Urban Mass Transit Authority (1)	20.509	MOA FY 11	180,000
Urban Mass Transit Authority (1)	20.509	MOA FY12	51,200
Highway Planning and Construction	20.205	CN 2100670	37,078
Highway Planning and Construction - Recovery Act (1)	20.205	ES21320	14,781
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	12-AL-64-045	6,686
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	12-OP-RF-045	2,549
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	12-OP-CT-045	567
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	13-AL-64-045	5,897
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	13-OP-RF-045	1,409
Total U.S. Department of Transportation			<u>1,445,299</u>
Total Federal Financial Assistance			<u>\$ 1,798,441</u>

(1) Denotes Major Federal Financial Assistance Program

STATE OF NEW MEXICO
City of Hobbs
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2013

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. 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	\$ 1,798,441
Total expenditures funded by other sources	<u>66,707,526</u>
Total expenditures of governmental funds	<u>\$ 68,505,967</u>

STATE OF NEW MEXICO
City of Hobbs
Schedule of Findings and Questioned Costs
June 30, 2013

Section I – Summary of Auditor’s Results

Financial Statements:

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

Federal Awards:

- | | |
|---|------------|
| 1. Internal control over major programs: | |
| a. Material weaknesses identified? | No |
| b. Significant deficiencies identified not considered to be material weaknesses? | No |
| 2. Type of auditors’ report issued on compliance for major programs | Unmodified |
| 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

- | | |
|---|-----------|
| 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	Resolved
2011-1 Internal Controls over Inventories	Repeated and Modified
2012-1 Identification of Federal Awards	Resolved

Section III – Findings - Financial Statement Audit

FS 2011-1 – Internal Controls over Inventories (Material Weakness)

Condition: During our observation of year-end physical inventory counts, we noted quantity variances between the quantity per the inventory subledger and the quantity per the actual physical count in 25 items out of 60 items tested. The total dollar amount associated with the variances totaled \$979,931.

In addition, we noted the process for adjusting inventory quantities in the inventory subledger does not require any formal approval from a supervisor.

Also, the original inventory listing from the inventory subledger provided to us for audit purposes contained known misstatements totaling \$975,338 that were only disclosed to us upon audit inquiry. This specific variance related to item 3036 24” Hydraulic Extension Kits which included a quantity of 3,066 items with an associated dollar amount of \$977,592. The actual variance per the physical count totaled 5 items and the associated dollar amount totaled \$975,982.

Criteria: Good accounting practices require inventory quantities per the inventory subledger to match to the actual quantities throughout the year and at year-end, and require inventory adjustments to be approved prior to adjustment within the inventory subledger. Good accounting practices also require management to review inventory listings prior to audit fieldwork and ensure all material errors are disclosed to us at the onset of audit fieldwork.

Effect: Inventory could be stolen or misused at any time and this could go undetected as adjustments are not approved. Material audit adjustments were needed to correct the inventory subledger amounts to agree to observed amounts.

Cause: City warehouse personnel are not properly trained or supervised to ensure inventory quantities are accurate, approved, and to ensure inventory is properly safeguard against theft or misuse. There is no policy that requires written approval for inventory adjustments at predetermined thresholds. Physical inventory counts are only performed once a year requiring extensive adjustments to the quantities at year-end.

Auditors’ Recommendations: We recommend the City properly train warehouse personnel on approval of inventory adjustments and how to conduct periodic reconciliations of inventory subledger amounts to periodic physical counts. We further recommend the City draft a policy for Commission approval that requires inventory adjustments to be approved at specific predetermined thresholds and to require year-end inventory listings to be reviewed to ensure material errors on the listing are disclosed to us at the onset of our arrival.

Views of Responsible Officials and Planned Corrective Action: This is the third fiscal year in which a repeat finding has occurred. In addition, the finding was modified due to a supervisor authorizing inventory adjustments without a formal approval. Tyler Technologies, the current inventory management contractor, was contracted to conduct additional training for current warehouse staff. Also, employees attended a seminar on managing inventory and cycle counts. Warehouse staff needs additional training, on the dynamics of inventory accounting and control. The City is also considering hiring additional staff with background in inventory management and IT skills for addressing this issue. The City will also adopt a formal policy on adjusting inventory thresholds quarterly, subject to City Commission approval.

FS 2013-001 – Court Receipts-Monthly Transactions Reconciliation – (other matter)

Condition: During our review of internal controls surrounding the cash receipts process for Court receipts we noted three months out of five months tested in which the total monthly bank deposits did not match the cash register report for the month. The dollar amount associated with the variance totaled \$347 for the months of July 2012, September 2012 and January 2013.

Criteria: Good accounting practices require management to review to ensure zero variance between cash collected and cash deposited for each month.

Effect: The potential impact is that money could be stolen by City employees if variances between cash collected and cash deposited are tolerated and not researched and resolved.

Cause: The cause of the variance between the cash register report and bank deposits could not be determined.

Auditors' Recommendations: We recommend management review the months in question to determine the cause and to determine if the variance is isolated to these months or if there is a systematic problem in the Court cash receipting process that could impact future months.

Views of Responsible Officials and Planned Corrective Action: Management reviewed the months in question. On the days where a variance is present, the variance generally reverses itself on the following business day. The variances are primarily related to online credit card payments. In order to correctly reflect the online payments, the court must run reporting to include the prior day activity after the close of business; this step is occasionally overlooked for various reasons. Management has provided court with an excel spreadsheet for balancing purposes, in addition to this, management balances their cash receipts and credit cards independently as a part of the bank reconciliation process and informs courts of any variances.

STATE OF NEW MEXICO
City of Hobbs
Schedule of Findings and Questioned Costs
June 30, 2013

Schedule VI
Page 4 of 8

FS 2013-002 – Inmate Trust Bank Account Not Reconciled and Recorded in the General Ledger– (significant deficiency)

Condition: During our audit the City's cash we noted the City's Inmate Trust Bank Account and related activity for the year ending June 30, 2013 was not accounted for in the general ledger and thus not reconciled as of June 30, 2013. The bank account balance associated with the unreconciled account totaled \$22,342.

Criteria: Good accounting practices require all bank accounts and related activity to be recorded in the general ledger and reconciled monthly.

Effect: The potential impact is that fraud could occur at any time. Money could be stolen if cash is unaccounted for. Unauthorized or illegal activities could go undetected.

Cause: The reason why the Inmate Trust bank account was not reconciled could not be determined. This specific bank account historically has never been recorded in the City's general ledger or reconciled.

Auditors' Recommendations: To prevent fraud or illegal activities from occurring we recommend the City record the Inmate Trust Bank Account in the general ledger, account for receipts and disbursements, and reconcile the bank balance to the general ledger monthly.

Views of Responsible Officials and Planned Corrective Action: The inmate trust bank account will be added to the General Ledger in FY2014. The bank statement will be reviewed monthly and activity will be booked to the general ledger as a part of the monthly reconciliation process.

FS 2013-003 – Employee Pay Rate Not Correct– (other matter)

Condition: During our review of controls surrounding the City’s payroll processes, we noted 1 employee out of 6 employees tested in which the pay rate was incorrect. The employee’s approved pay rate was \$13.93 per hour as of July 8, 2012; however, she was only receiving \$13.39 per hour.

Criteria: Good accounting practices require management to review every payroll to ensure employees’ actual pay rates agree to the employees’ approved pay rate.

Effect: The actual impact in this specific case was that the employee was underpaid throughout the year ending June 30, 2013. The potential impact is that more employees could be underpaid or overpaid if the City does not review the payrolls to ensure the pay rates are accurate.

Cause: The employee was given a raise at July 8, 2012; however, the pay rate in the City’s payroll system was not updated for this employee to reflect the pay rate increase.

Auditors’ Recommendations: We recommend the City review pay rates periodically to ensure employees’ pay rates are accurate and to closely scrutinize payroll after pay raises go into effect to ensure the payroll system is properly updated.

Views of Responsible Officials and Planned Corrective Action: Currently, the City of Hobbs employee pay change process endures a three step process for key punch into the Tyler Technology payroll system. The process is as follows: a manual personnel action form is generated and disseminated throughout the affected departments for authorized signatures. Once signatures are maintained the Human Resource Department updates the pay changes into two databases, one in which the payroll database resides. Updating and maintaining a system of three processes and two databases will result in an overall increase risk for data punch and oversight errors. Making the system more accurate and efficient, the City of Hobbs is currently under contract with Tyler Technologies to incorporate an HR component and personnel action workflow into the current payroll system. This eliminates two processes of data punch to only one process and requires the City to maintain one database.

FS-2013-004 Capital Asset Inventory Not Certified by City Commission -(other matter)

Condition: The City performed a physical inventory of capital assets for the year ended June 30, 2013; however, the City did not have the physical inventory of capital assets certified by the City's governing authority.

Criteria: 2.20.1.16.E NMAC states "The results of the physical inventory shall be recorded in a written inventory report, certified as to correctness and signed by the governing authority of the agency."

Effect: The City is not in compliance with 2.20.1.16.E NMAC regarding their annual capital asset certification. The outcome of the annual inventory (i.e. items missing, lost or not working) is not made known to the City Commission's governing authority.

Cause: The City's procedures did not require the capital asset inventory to be certified by the City's governing authority.

Auditors' Recommendations: The City should amend current policy and implement procedures to have the annual capital asset inventory certified by the City Commission annually in April of each year. The certification should be documented in the minutes.

Views of Responsible Officials and Planned Corrective Action: The City will amend its current policy and implement procedures to have the annual capital asset inventory certified by the City Commission on an annual basis.

STATE OF NEW MEXICO
City of Hobbs
Schedule of Findings and Questioned Costs
June 30, 2013

Schedule VI
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FS-2013-005 Municipal Court Receipt Not Deposited Timely-(other matter)

Condition: During our review of municipal court receipts, we noted one receipt out of five receipts tested in the amount of \$1,544 that was not timely deposited. The amount was received on July 16, 2012 but was not deposited in the bank until July 23, 2012.

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

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

Effect: The City is not in compliance with Section 6-10-3 NMSA 1978. Cash could be lost, stolen or misplaced if money received at the City is not deposited timely.

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

Views of Responsible Officials and Planned Corrective Actions: The deposit in question occurred through the Municipal Court Department where the receipts were collected on July 16th (Friday) and stored at the Municipal Court site until July 23rd. The oversight occurred due to the Municipal Court being closed to attend the Annual Municipal League Conference in Albuquerque, NM. Finance has reiterated to the Municipal Court the importance of the 24 hour deposit rule, as it relates to public funds.

FS-2013-006 Work Performed Without A Contract in Place (other matter)

Condition: At the onset of audit fieldwork, the Finance Director brought to our attention an instance in which a vendor performed work prior to the effective date of the contract which was June 10th 2013. The scope of services included furnishing and installing 12 Cedar Elms and irrigation connection at the intersection of Taylor and Dalmont. The total dollar amount associated with the contract totaled \$14,273.

Criteria: The City's procurement policy with an effective date of December 10, 2007 required a contract to be in place prior to the work being performed.

Effect: The actual impact was that the City violated its own procurement policy because work was performed without a contract in place. Also, the City may not have maximized the purchasing value of public funds for the procurement detailed above.

Cause: The City failed to ensure the contract was executed prior to the commencement of the project.

Auditors' Recommendations: We recommend the City follow its procurement guidelines and ensure all contracts with vendors are executed prior to the vendor providing the services to the City.

Views of Responsible Officials and Planned Corrective Actions: Specific procurement guidelines are set through the City of Hobbs procurement ordinance as it relates to written authorization. Contracts need to be implemented, with authorized signatures, prior to any work being performed. This also is important as it relates to unrecorded liabilities to the City of Hobbs. Contracts need to be encumbered perpetually to ensure proper allocation of funds and also reduce the risk of over allocating departmental budgets. The City will reiterate to its staff the importance of contract thresholds, procurement guidelines and prior written contract obligations to warrant the safeguarding and trust of public funds.

STATE OF NEW MEXICO

City of Hobbs
Other Disclosures
June 30, 2013

Exit Conference

An exit conference was held on November 21, 2013. 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.