

State of New Mexico City of Hobbs Annual Financial Report June 30, 2014





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INTRODUCTORY SECTION

STATE OF NEW MEXICO City of Hobbs

Table of Contents

For the Year Ended June 30, 2014

	<u>Exhibit</u>	Page
INTRODUCTORY SECTION		
Table of Contents		4-5
Official Roster		7
FINANCIAL SECTION		
Independent Auditors' Report		10-11
Management's Discussion and Analysis		12-30
BASIC FINANCIAL STATEMENTS		
Government-wide Financial Statements		
Statement of Net Position	A-1	32-33
Statement of Activities	A-2	34-35
Fund Financial Statements		
Balance Sheet – Governmental Funds	B-1	36
Reconciliation of the Balance Sheet to the		
Statement of Net Position-Governmental Funds		37
Statement of Revenues, Expenditures and	B-2	
Changes in Fund Balances – Governmental Funds		38
Reconciliation of the Statement of Revenues,		
Expenditures and Changes in Fund Balances to the		
Statement of Activities-Governmental Funds		39
Statement of Revenues, Expenditures, and Changes in		
Fund Balance – Budget (Non-GAAP Budgetary Basis)		
and Actual-General Fund	C-1	40-49
Statement of Net Position-Proprietary Funds	D-1	50-51
Statement of Revenues, Expenses and		
Changes in Net Position-Proprietary Funds	D-2	52-53
Statement of Cash Flows – Proprietary Funds	D-3	54-55
Statement of Fiduciary Assets and Liabilities – Agency Funds	E-1	57
NOTES TO FINANCIAL STATEMENTS		58-84

	<u>Schedule</u>
REQUIRED SUPPLEMENTARY INFORMATION	
Schedule of OPEB Funding Progress	Ι

SUPPLEMENTARY INFORMATION

	Statement	
Nonmajor Fund Descriptions		88-91
COMBINING AND INDIVIDUAL FUND STATEMENTS AND SCHEDULES		
Combining Balance Sheet-Nonmajor Governmental Funds	A-1	92-97
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances-		
Nonmajor Governmental Funds	A-2	98-103
Statement of Revenues, Expenditures, and Changes in Fund Balance -		
Budget (Non-GAAP Budgetary Basis) and Actual:		
Local Government Corrections Special Revenue Fund	B-1	104
Police Protection Special Revenue Fund	B-2	105
Police Narcotics Special Revenue Fund	B-3	106
COPS Grant Fund Special Revenue Fund	B-4	107
Cemetery Special Revenue Fund	B-5	108
Airport Special Revenue Fund	B-6	109

85

STATE OF NEW MEXICO City of Hobbs Table of Contents For the Year Ended June 30, 2014

	Statement /Schedule	Page
COMBINING AND INDIVIDUAL FUND STATEMENTS AND Statement of Revenues, Expenditures, and Changes in Fund Ba		
Budget (Non-GAAP Budgetary Basis) and Actual -continued		
Lodger's Tax Promotional Special Revenue Fund	B-7	110
Public Transportation Special Revenue Fund	B-8	111
Fire Protection Special Revenue Fund	B-9	112
Emergency Medical Services Special Revenue Fund	B-10	113
Community Development Special Revenue Fund	B-11	114
Recreation Expendable Trust Special Revenue Fund	B-12	115
Library Expendable Trust Special Revenue Fund	B-13	116
Cemetery Expendable Trust Special Revenue Fund	B-14	117
Community Parks Expendable Trust Special Revenue Fun	nd B-15	118
Capital Projects Capital Projects Fund	B-16	119
Street Improvements Capital Projects Fund	B-17	120
City Commission Improvement Capital Projects Fund	B-18	121
Statement of Revenues, Expenses and Changes in Net Position Budget (Non-GAAP Budgetary Basis) and Actual:	1 –	
Joint Utility Fund	C-1	122
Solid Waste Disposal Fund	C-2	123
Risk Management Internal Service Fund	C-3	124
SUPPORTING SCHEDULES	н	107
Schedule of Deposits and Investments	II	127
Schedule of Collateral Pledged by Depository for Public Funds	III	129
Schedule of Changes in Fiduciary Assets and Liabilities-Agency Fu	unds IV	130-132
COMPLIANCE SECTION		
Report on Internal Control Over Financial Reporting and on Comp	liance	
and Other Matters Based on an Audit of Financial Statements		
Performed in Accordance with Government Auditing Standard	ls	134-135
FEDERAL FINANCIAL ASSISTANCE		
Report on Compliance For Each Major Federal Program; Report o	on	
Internal Control Over Compliance		138-139
Schedule of Expenditures of Federal Awards	V	140-141
Schedule of Findings and Questioned Costs	VI	142-148
OTHER DISCLOSURES		149

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STATE OF NEW MEXICO City of Hobbs Official Roster June 30, 2014

<u>Name</u>	City Commission	Title
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 Toby Spears, CPA Deborah Corral City Manager Finance Director Assistant Finance Director (This page intentionally left blank)

FINANCIAL SECTION



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, 2014, 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, the internal service fund, 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, 2014 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.

10

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, 2014, and the respective changes in financial position and where applicable, cash flows thereof and the respective budgetary comparison for the general fund 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 changes in financial governmental fund and the internal service fund of the City as of June 30, 2014, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for each nonmajor governmental fund service fund for the year then ended in accordance with 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 OPEB Funding Progress* on page 85 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 purposes 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 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 25, 2014 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.

counting + Causalting Craup, MP

Accounting & Consulting Group, LLP Albuquerque, New Mexico November 25, 2014

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, 2014. 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 \$79,420,273.
- The assets of the City of Hobbs exceeded its liabilities at June 30, 2014 by \$295,310,013.
- Restricted net position totaled \$10,823,230 at June 30, 2014. Restricted net position amounts are subject to external restrictions on how they may be used.
- Unrestricted net position totaled \$73,053,780 at June 30, 2014.
- Gross receipts taxes increased approximately 8% from \$72,639,332 for 2013 to \$79,420,273 for 2014. 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.

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.

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 governmentwide 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.

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 \$295,310,013 at June 30, 2014. Significant reasons for the increase follow the schedule below.

	June 30, 2014					
				ry Governme	nt	
	G	overnmental		usiness-type		
		Activities		Activities		Total
ASSETS						
Cash and cash equivalents	\$	77,276,767	\$	8,657,840	\$	85,934,607
Investments		-		-		-
Receivables		14,642,256		2,103,217		16,745,473
Internal balances		(44,237)		44,237		-
Inventories		_		430,845		430,845
Prepaid expenses		702,263		-		702,263
Restricted cash and investments		450,000		3,492,444		3,942,444
Capital assets, net of depreciation		183,527,565		60,726,587		244,254,152
Total assets	\$	276,554,614	\$	75,455,170	\$	352,009,784
LIABILITIES AND NET POSITION						
Current liabilities	\$	5,846,219	\$	2,053,163	\$	7,899,382
Customer deposits		-		539,416		539,416
Long-term liabilities due within one year		-		1,660,670		1,660,670
Long-term liabilities due in more than one year		13,919,725		32,680,578		46,600,303
Total liabilities		19,765,944		36,933,827		56,699,771
Net investment in capital assets Restricted for:		183,527,565		27,905,438		211,433,003
Debt service				2,953,028		2,953,028
Capital projects		5,599,726		2,955,028		2,933,028 5,599,726
Special revenue		2,270,476		-		2,270,476
Unrestricted		, ,		- 7,662,877		
Total net position		65,390,903				73,053,780
i otai net position		256,788,670		38,521,343		295,310,013
Total liabilities and net position	\$	276,554,614	\$	75,455,170	\$	352,009,784

Government-wide Financial Analysis (continued)

On June 30, 2013, assets exceeded liabilities by \$262,773,190. Significant reasons for the increase follow the schedule below.

	June 30, 2013				
]	Primary Governmen	ıt		
	Governmental	Business-type			
	Activities	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	\$ 248,036,311	\$ 68,474,125	\$ 316,510,436		
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	15,655,795	38,081,451	53,737,246		
Net investment in capital assets Restricted for:	167,692,739	18,127,111	185,819,850		
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	232,380,516	30,392,674	262,773,190		
Total liabilities and net position	\$ 248,036,311	\$ 68,474,125	\$ 316,510,436		

Government-wide Financial Analysis (continued)

By far the largest portion of the City of Hobbs' net position (72%, or \$211,433,003) 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 4.5%, or \$10,823,230, of the City of Hobbs' net position is restricted subject to external restrictions on how they may be used, and 23.5%, or \$73,053,780, 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, 2014.

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.
- Overall long term debt decreased due to current year principal payments exceeding the new loan amount.

Government-wide Financial Analysis (continued)

Net (Expense) Revenue and Changes in Net Position

The City's total revenues for the years ended June 30, 2014 and 2013, respectively, were \$111,293,906 and \$105,052,634. Total expenses were, respectively, \$78,757,083 and \$76,574,288. 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, 2014 and 2013. Reasons for significant changes follow the schedules.

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

	June 30, 2014					
		Pr	imary Go	overnmen	ıt	
	Go	overnmental	Busine	ss-type		
Functions/Programs		Activities	Activ	vities		Total
Primary government:				<u> </u>		
General government	\$	23,099,763	\$	-	\$	23,099,763
Public safety		10,601,761		-		10,601,761
Public works		6,796,643		-		6,796,643
Economic development		1,322,870		-		1,322,870
Health and welfare		2,569,413		-		2,569,413
Culture and recreation		17,284,590		-		17,284,590
Solid waste sanitation		-	5,9	57,771		5,957,771
Joint utility enterprise		-		24,272		11,124,272
Less charges for services		4,996,810		85,056		21,281,866
Less operating grants and contributions		1,554,179	,	<i>–</i>		1,554,179
Less capital grants and contributions		82,330	1,4	75,048		1,557,378
Total primary government		(55,041,721)	6	578,061		(54,363,660)
General revenues:						
Taxes:						
Property taxes - general purposes		2,230,245		-		2,230,245
Gross receipts taxes		77,607,157	1,8	313,116		79,420,273
Franchise taxes		1,856,640	,	- -		1,856,640
Other taxes		2,552,877		-		2,552,877
Unrestricted investment earnings		85,717		3,659		89,376
Donated capital asset		523,571		- -		523,571
Miscellaneous		227,904		-		227,904
Total general revenues		85,084,111	1,8	316,775		86,900,886
Excess (deficiency) before contributions,						
special items, and transfers		30,042,390	2,4	94,836		32,537,226
Special item - transfer of capital assets		_		_		_
Special item -contributed capital		-		_		-
Net operating transfers in (out)		(5,634,236)	5.6	533,833		(403)
Total contributions, special items,		(0,000,000)				(100)
and transfers		(5,634,236)	5,6	533,833		(403)
Change in net position		24,408,154	8,1	28,669		32,536,823
Net position - beginning		232,380,516	30,3	92,674		262,773,190
Net position - ending	\$	256,788,670	\$ 38,5	521,343	\$	295,310,013

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

Net (Expense) Revenue and Changes in Net Po	sition (continued)	June 30, 2013	
]	Primary Government	
	Governmental	Business-type	
Functions/Programs	Activities	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
Total primary government	(51,564,126)	(645,437)	(52,209,563)
General revenues:			
Taxes:			
Property taxes - general purpose	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
Donated capital asset	-	-	-
Miscellaneous	1,353,351	504,186	1,857,537
Total general revenues	78,278,558	2,409,351	80,687,909
Excess (deficiency) before contributions,			
special items, and transfers	26,714,432	1,763,914	28,478,346
Special item - donation of capital asset	-	-	-
Special item -contributed capital	-	-	-
Net operating transfers in (out)	(3,460)		(3,460)
Total contributions, special items, and transfers	(3,460)	-	(3,460)
Change in net position	26,710,972	1,763,914	28,474,886
Net position - beginning	205,669,544	28,628,760	234,298,304
Net position - ending	\$ 232,380,516	\$ 30,392,674	\$ 262,773,190

Governmental activities

The governmental activities of the City of Hobbs attained an increase in net position of \$24,408,154 in the year ended June 30, 2014. The governmental activities' increase in net position for the year ended June 30, 2013, was \$26,170,972. Significant highlights are noted below.

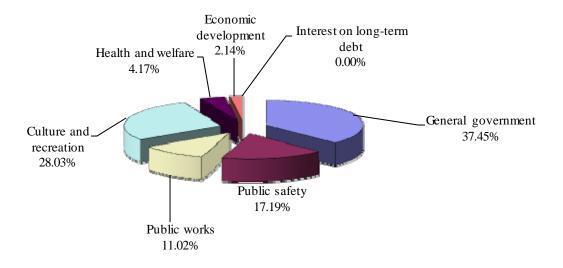
- Increases in tax revenues, including gross receipts taxes contributed to the increase in net position.
- The increase in tax revenues was offset by the increase in expenses. Total expenses for fiscal year 2014 and 2013 were \$61,675,040 and \$59,545,791 respectively.
- Property tax revenues have continued 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 \$8,128,669 in the year ended June 30, 2014, compared to the increase of net position of \$1,763,914 for the year ended June 30, 2013. The increase this year was driven by a number of factors, including:

• Increases in gross receipts taxes recorded in the Joint Utility Enterprise fund.

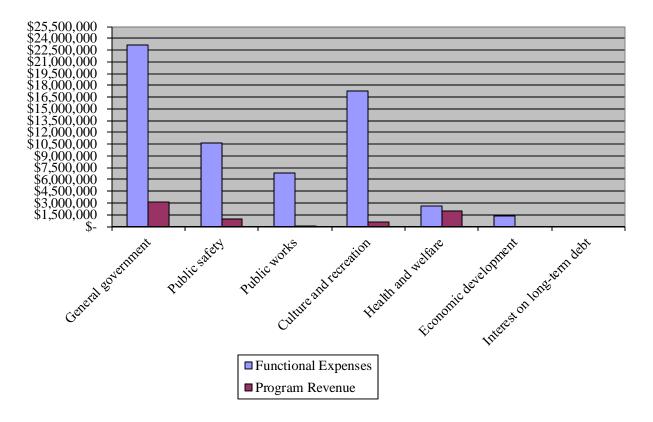
PROGRAM EXPENSES - GOVERNMENTAL ACTIVITIES



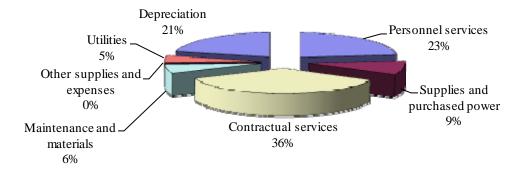
Business-type activities

Business-type activities increased the City of Hobbs' net position by \$8,128,669 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.

PROGRAM REVENUES AND EXPENSES - GOVERNMENTAL ACTIVITIES



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.

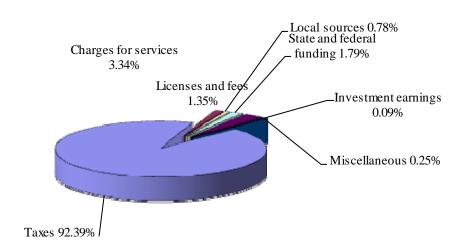
Governmental funds (continued)

As of June 30, 2014, the City of Hobbs governmental funds reported combined ending fund balances of \$79,873,608, an increase of \$9,577,428 from the prior year. Of this amount, \$64,386,649 or approximately 91% constitutes unassigned fund balance, which is available for spending at the government's discretion. Approximately 9%, or \$6,914,494 constitutes fund balance committed to meet minimum fund balance requirements, and approximately .1 percent, or \$702,263 is not in spendable form because it is in the form of contracts for prepaid expenses. The remainder of fund balance - \$7,870,202 - 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 \$64,391,986. 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 93% of the total general fund expenditures.

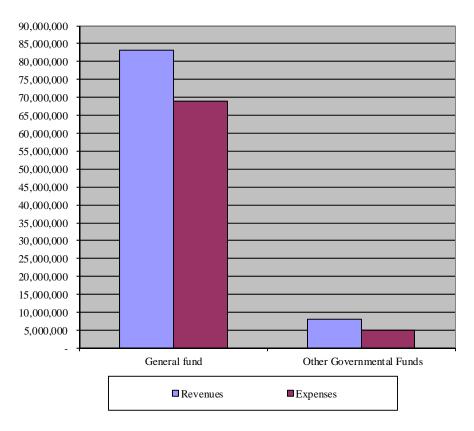
The City's general fund balance increased by \$11,504,883 in the current fiscal year. The key factor in this increase is an increase in gross tax receipts as discussed previously.

REVENUE BY SOURCE - GOVERNMENTAL FUNDS



Governmental funds (continued)

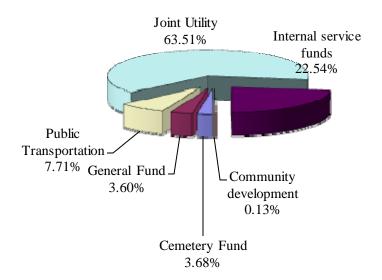
- Taxes include property taxes, franchise taxes, oil and gas production taxes, lodgers' taxes, and municipally-imposed gross receipts taxes.
- Intergovernmental includes grants and state-shared taxes, including a portion of gross receipts tax.
- Charges for services include fees for services and waste 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.

TRANSFERS TO FUNDS



Transfer activity totaled \$8,871,331. The graph above details transfers in by fund recipient for the year ended June 30, 2014.

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, 2014, unrestricted net position totaled \$6,537,510 in the Joint Utility fund and \$1,081,130 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 general fund budget for the year ended June 30, 2014 was amended by the City Commission throughout the year. These amendments resulted in the following changes:

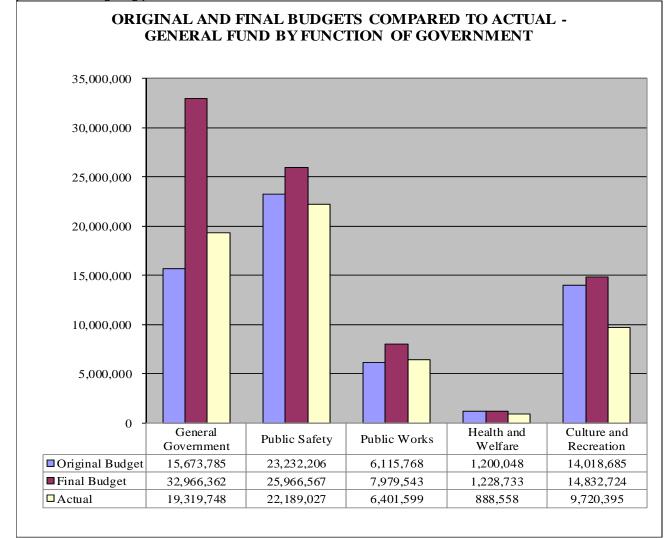
	Excess (deficiency) of revenues over expenditures					
	Orig	ginal Budget	F	inal Budget		Actual
General Fund	\$	5,335,630	\$	(1,383,460)	\$	23,360,345

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.



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.

<u>City Contact Information</u>

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.

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BASIC FINANCIAL STATEMENTS

STATE OF NEW MEXICO

City of Hobbs Statement of Net Position June 30, 2014

			Primary Government						
		Governmental Activities	E	Business-type Activities	Total				
Assets									
Current assets									
Cash and cash equivalents	\$	77,276,767	\$	8,657,840	\$	85,934,607			
Property taxes receivable		67,604		-		67,604			
Other taxes receivable		14,339,151		-		14,339,151			
Interest receivable		22,754		-		22,754			
Due from customers, net of allowance		-		1,778,740		1,778,740			
Other receivables		212,747		324,477		537,224			
Inventory		-		430,845		430,845			
Prepaid expenses		702,263		-		702,263			
Internal balances		(44,237)		44,237					
Total current assets		92,577,049		11,236,139		103,813,188			
Noncurrent assets									
Restricted cash and cash equivalents		-		3,492,444		3,492,444			
Restricted investments		450,000		-		450,000			
Capital assets		257,895,390		122,132,450		380,027,840			
Less: accumulated depreciation and amortization		(74,367,825)		(61,405,863)		(135,773,688)			
Total noncurrent assets		183,977,565		64,219,031		248,196,596			
Total assets	\$	276,554,614	\$	75,455,170	\$	352,009,784			

	Primary Government						
	G	overnmental Activities	Business-type Activities			Total	
Liabilities							
Current liabilities							
Accounts payable	\$	2,237,699	\$	1,273,310	\$	3,511,009	
Accrued payroll expenses		598,314		67,035		665,349	
Accrued compensated absences		2,240,607		207,325		2,447,932	
Accrued claims payable		744,353		-		744,353	
Funds held for others		25,246		-		25,246	
Meter deposits		-		539,416		539,416	
Accrued interest		-		505,493		505,493	
Current portion of loans and notes payable		-		1,660,670		1,660,670	
Total current liabilities		5,846,219		4,253,249		10,099,468	
Noncurrent liabilities							
Accrued OPEB liability		13,919,725		1,520,099		15,439,824	
Loans and notes payable		-		31,160,479		31,160,479	
Total noncurrent liabilities		13,919,725		32,680,578		46,600,303	
Total liabilities		19,765,944		36,933,827		56,699,771	
Net Position							
Net investment in capital assets		183,527,565		27,905,438		211,433,003	
Restricted for:							
Debt service		-		2,953,028		2,953,028	
Capital projects		5,599,726		-		5,599,726	
Special revenue		2,270,476		-		2,270,476	
Unrestricted		65,390,903		7,662,877		73,053,780	
Total net position		256,788,670		38,521,343		295,310,013	
Total liabilities and net position	\$	276,554,614	\$	75,455,170	\$	352,009,784	

STATE OF NEW MEXICO

City of Hobbs Statement of Activities For the Year Ended June 30, 2014

Functions/Programs	Program Revenues								
	Expenses		Charges for Services		Operating Grants and Contributions		Capital Grants and Contributions		
Primary Government									
General government	\$	23,099,763	\$	3,009,358	\$	86,042	\$	-	
Public safety		10,601,761		-		928,451		-	
Public works		6,796,643		18,300		-		22,615	
Culture and recreation		17,284,590		303,864		174,096		59,715	
Health and welfare		2,569,413		1,665,288		365,590		-	
Economic development		1,322,870						-	
Total governmental activities		61,675,040		4,996,810		1,554,179		82,330	
Business-type Activities:									
Joint Utility		11,124,272		10,347,734		-		1,475,048	
Solid Waste		5,957,771		5,937,322					
Total business-type activities		17,082,043		16,285,056		<u> </u>		1,475,048	
Total	\$	78,757,083	\$	21,281,866	\$	1,554,179	\$	1,557,378	

General Revenues and transfers:

Taxes

Property taxes, levied for general purposes Gross receipts taxes Gasoline and motor vehicle taxes Other taxes Investment income Donated capital asset Miscellaneous Internal transfers Transfers to agency fund

Total general revenues and transfers

Change in net position

Net Position, beginning

Net Position, ending

	Net (Expense) I		ue and Changes ary Government	in N	et Position
(Governmental		Business-type		
	Activities	Activities			Total
Activities					10101
\$	(20,004,363)	\$	-	\$	(20,004,363)
	(9,673,310)		-		(9,673,310)
	(6,755,728)		-		(6,755,728)
	(16,746,915)		-		(16,746,915)
	(538,535)		-		(538,535)
	(1,322,870)				(1,322,870)
	(55,041,721)				(55,041,721)
	-		698,510		698,510
			(20,449)		(20,449)
			678,061		678,061
	(55,041,721)		678,061		(54,363,660)
	2 220 245				0.000.045
	2,230,245		-		2,230,245
	77,607,157 1,856,640		1,813,116		79,420,273 1,856,640
	2,552,877				2,552,877
	85,717		3,659		2,332,877 89,376
	523,571		5,059		523,571
	227,904		-		227,904
	(5,633,833)		5,633,833		227,704
	(403)				(403)
	79,449,875		7,450,608		86,900,483
	24,408,154		8,128,669		32,536,823
	232,380,516		30,392,674		262,773,190
\$	256,788,670	\$	38,521,343	\$	295,310,013

Net (Expense) Revenue and Changes in Net Position

STATE OF NEW MEXICO City of Hobbs

Governmental Funds Balance Sheet June 30, 2014

	G	eneral Fund	Go	Other overnmental Funds	Total	
Assets						
Cash and cash equivalents	\$	59,978,461	\$	6,900,720	\$	66,879,181
Investments		450,000		-		450,000
Receivables:						
Property taxes		67,604		-		67,604
Other taxes		13,472,199		866,952		14,339,151
Interest receivable		22,754		-		22,754
Other receivables		38,489		174,258		212,747
Prepaid expenses		702,263		-		702,263
Total assets	\$	74,731,770	\$	7,941,930	\$	82,673,700
Liabilities, deferred inflows of resources and fund balances						
Liabilities						
Accounts payable	\$	2,107,848	\$	57,482	\$	2,165,330
Accrued payroll expenses		578,731		19,583		598,314
Funds held for others		25,246		-		25,246
Total liabilities		2,711,825		77,065		2,788,890
Deferred inflows of resources						
Unavailable revenues		11,202		-		11,202
Total deferred inflows of resources		11,202				11,202
Fund balances						
Nonspendable-prepaid expenses		702,263		-		702,263
Spendable						
Restricted for:						
Public safety		-		664,689		664,689
Culture and recreation		-		383,951		383,951
Transportation and roads		-		1,423		1,423
Health and welfare		-		5,822		5,822
Economic development		-		1,214,591		1,214,591
Capital projects		-		5,599,726		5,599,726
Committed to:						
Minimum fund balance		6,914,494		-		6,914,494
Unassigned		64,391,986		(5,337)		64,386,649
Total fund balances		72,008,743		7,864,865		79,873,608
Total liabilities, deferred inflows of						
resources and fund balances	\$	74,731,770	\$	7,941,930	\$	82,673,700

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, 2014

Amounts reported for governmental activities in the Statement of Net Position are different because:	
Fund balances - total governmental funds	\$ 79,873,608
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	183,527,565
Delinquent property taxes not collected within sixty days after year end are not considered "available" revenues and are considered to be deferred inflow in the fund financial statements, but are considered revenue in the Statement of Activities.	11,202
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.	
Assets and liabilities included in governmental activities Allocated to business-type activities	9,580,864 (44,237)
Certain liabilities, including the accrued other post-employment benefit liability and current and long-term portions of accrued compensated absences, are not due and payable in the current period and, therefore, are not reported in the funds.	
Current portion of accrued compensated absences Accrued OPEB liability	 (2,240,607) (13,919,725)
Net position of governmental activities	\$ 256,788,670

Exhibit B-2 Page 1 of 2

City of Hobbs Governmental Funds Statement of Revenues, Expenditures and Changes in Fund Balances For the Year Ended June 30, 2014

	General Fund	Other Governmental Funds	Total
Revenues:			
Taxes:			
Property	\$ 2,265,226	\$ -	\$ 2,265,226
Gross receipts	73,980,635	3,626,522	77,607,157
Gasoline and motor vehicle	918,096	938,544	1,856,640
Other	999,975	1,552,902	2,552,877
Intergovernmental			
Federal operating grants	103,997	702,230	806,227
Federal capital grants	7,000	22,615	29,615
State operating grants	160,146	573,676	733,822
State capital grants	66,845	-	66,845
Local sources	539,284	176,050	715,334
Charges for services	2,805,197	242,909	3,048,106
Licenses and fees	970,553	262,817	1,233,370
Investment income	82,211	3,506	85,717
Miscellaneous	217,904	10,000	227,904
Total revenues	83,117,069	8,111,771	91,228,840
<i>Expenditures:</i> Current:			
General government	19,105,844	-	19,105,844
Public safety	5,737,805	962,760	6,700,565
Public works	2,652,801	-	2,652,801
Culture and recreation	14,909,420	48,764	14,958,184
Health and welfare	1,661,865	749,921	2,411,786
Economic development	-	1,322,870	1,322,870
Capital outlay	24,945,297	1,919,828	26,865,125
Total expenditures	69,013,032	5,004,143	74,017,175
Excess (deficiency) of revenues over expenditures	14,104,037	3,107,628	17,211,665
Other financing sources (uses)			
Transfers in	319,374	918,124	1,237,498
Transfers out	(2,918,124)	(5,953,207)	(8,871,331)
Transfer to agency fund	(404)	-	(404)
Total other financing sources (uses)	(2,599,154)	(5,035,083)	(7,634,237)
Net change in fund balance	11,504,883	(1,927,455)	9,577,428
Fund balance - beginning of year	60,503,860	9,792,320	70,296,180
Fund balance - end of year	\$ 72,008,743	\$ 7,864,865	\$ 79,873,608

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, 2014	Exhibit B-2 Page 2 of 2
Amounts reported for governmental activities in the Statement of Activities are different because:	
Net change in fund balances - total governmental funds	\$ 9,577,428
Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:	
Capital expenditures recorded in capital outlay Depreciation and amortization expense	26,865,125 (11,553,871)
Donated capital assets are recorded as general revenues in the statement of activities; however, they are considered financial resources in the governmental fund statements.	523,571
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.	509,954
Funds transferred to the internal service fund decrease financial resources at the governmental fund level, but have no effect on the Statement of Activities as the internal service fund is included in governmental activities in the Statement of Activities.	2,000,000
Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds:	
Decrease in deferred inflows related to property taxes receivable	(34,981)
Expenses in the Statement of Activities that do not require current financial resources are not reported as expenditures in the funds:	
Decrease in accrued compensated absences Increase in accrual for other post-employment benefits	 120,563 (3,599,635)
Change in net position of governmental activities	\$ 24,408,154

City of Hobbs General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual For the year ended June 30, 2014

	5	Amounts	Variance with Final Budget -	
	Original	Final	Actual Amounts	Favorable (Unfavorable)
Revenues:				
Taxes	\$ 60,662,017	\$ 76,497,924	\$ 76,863,564	\$ 365,640
Fines and forfeitures	390,500	400,500	443,742	43,242
Licenses and permits	481,625	487,625	538,830	51,205
Intergovernmental	1,334,155	911,447	928,224	16,777
Charges for services	2,225,725	2,823,338	2,805,197	(18,141)
Investment earnings	75,000	75,000	82,211	7,211
Miscellaneous	407,100	394,635	217,904	(176,731)
Total revenues	65,576,122	81,590,469	81,879,672	289,203
Expenditures:				
Current:				
General Government:				
Legislative and land acquisition:				
Personnel services	277,192	277,192	280,307	(3,115)
Operating expenses	752,105	3,934,489	1,802,821	2,131,668
Capital outlay	2,000,000	8,178,119	2,611,224	5,566,895
Total legislative and land acquisition	3,029,297	12,389,800	4,694,352	7,695,448
Executive:				
Personnel services	312,996	320,081	328,677	(8,596)
Operating expenses	87,500	362,500	258,325	104,175
Total executive	400,496	682,581	587,002	95,579
Planning:				
Personnel services	133,853	175,080	175,956	(876)
Operating expenses	82,749	84,249	29,901	54,348
Capital outlay	2,000	86,604		86,604
Total planning	218,602	345,933	205,857	140,076
Mapping				
Personnel services	179,742	188,379	106,141	82,238
Operating expenses	58,850	64,850	54,958	9,892
Capital outlay		282,518		282,518
Total mapping	238,592	535,747	161,099	

Exhibit C-1 (Page 2 of 10)

	For the year ended June 30, 2014			Variance with
	Budgeted Amounts			Final Budget - Favorable
	Original	Final	Actual Amounts	(Unfavorable)
Expenditures: (continued)				
General Government: (continued)				
City Clerk:	211.520	200 501	205.040	10.500
Personnel services	311,530	308,581	295,048	13,533
Operating expenses	102,920	114,960	97,794	17,166
Capital outlay				
Total city clerk	414,450	423,541	392,842	30,699
Finance and Purchasing:				
Personnel services	703,802	712,615	657,752	54,863
Operating expenses	198,346	255,562	176,385	79,177
Capital outlay	<u>-</u>			
Total finance and purchasing	902,148	968,177	834,137	134,040
Computer Operations:				
Personnel services	510,334	529,757	503,077	26,680
Operating expenses	874,500	344,195	306,889	37,306
Capital outlay	31,450	53,704	52,204	1,500
Total computer operations	1,416,284	927,656	862,170	65,486
Judicial:				
Personnel services	371,261	372,761	309,715	63,046
Operating expenses	108,600	134,671	75,422	59,249
Capital outlay	<u> </u>	-		
Total judicial	479,861	507,432	385,137	122,295
Legal:				
Personnel services	437,230	450,978	442,807	8,171
Operating expenses	160,250	130,250	23,510	106,740
Capital outlay	<u> </u>	-		
Total legal	597,480	581,228	466,317	114,911

Exhibit C-1 (Page 3 of 10)

	For the year ended June 30, 2014			Variance with	
	Budgeted A	mounts		Final Budget - Favorable	
	Original	Final	Actual Amounts	(Unfavorable)	
Expenditures: (continued) General Government: (continued) Personnel Services: Personnel services	259,759	266,022	271,244	(5,222)	
Operating expenses Capital outlay	170,330	223,330	192,350	30,980	
Total personnel services	430,089	489,352	463,594	25,758	
Risk Management: Operating expenses	<u>-</u>				
Total risk management					
Insurance:					
Operating expenses	1,816,586	2,217,930	1,476,720	741,210	
Total insurance	1,816,586	2,217,930	1,476,720	741,210	
Motor Vehicle:					
Personnel services	395,627	401,627	392,711	8,916	
Operating expenses	29,950	29,950	25,388	4,562	
Total motor vehicle	425,577	431,577	418,099	13,478	
Warehouse:					
Personnel services	142,607	143,807	134,557	9,250	
Operating expenses	80,450	82,950	39,027	43,923	
Total warehouse	280,057	286,579	227,645	58,934	
Garage:					
Personnel services	643,414	647,974	589,570	58,404	
Operating expenses	1,309,684	1,322,306	1,253,162	69,144	
Capital outlay	29,500	37,750	35,685	2,065	
Total garage	1,982,598	2,008,030	1,878,417	129,613	

Exhibit C-1 (Page 4 of 10)

	For the year ended June 30, 2014			X7 ' ' .1	
	Budgeted Amounts			Variance with Final Budget -	
	Original	Final	Actual Amounts	Favorable (Unfavorable)	
Expenditures: (continued)		1		(01114-014010)	
General Government: (continued)					
Building Maintenance:					
Personnel services	562,650	565,002	473,112	91,890	
Operating expenses	1,011,000	1,277,324	5,568,192	(4,290,868)	
Capital outlay	1,438,000	8,307,473	223,049	8,084,424	
Total building maintenance	3,011,650	10,149,799	6,264,353	3,885,446	
Total General Government	15,673,785	32,966,362	19,319,748	13,271,966	
Public Works:					
Engineering:					
Personnel services	783,025	782,283	553,493	228,790	
Operating expenses	77,200	126,077	95,282	30,795	
Capital outlay	<u> </u>	374,730	19,995	354,735	
Total engineering	860,225	1,283,090	668,770	614,320	
Highways and Streets:					
Personnel services	1,559,376	1,549,123	1,387,308	161,815	
Operating expenses	427,700	429,900	3,660,765	(3,230,865)	
Capital outlay	3,268,467	4,317,430	272,920	4,044,510	
Total highways and streets	5,255,543	6,296,453	5,320,993	975,460	
Street Lighting:					
Operating expenses	<u> </u>	400,000	411,836	(11,836)	
Total street lighting		400,000	411,836	(11,836)	
Total Public Works	6,115,768	7,979,543	6,401,599	1,577,944	
Health and Welfare:					
Environmental Services:					
Personnel services	742,963	742,518	571,022	171,496	
Operating expenses	454,385	483,515	314,862	168,653	
Capital outlay		-			
Total environmental services	1,197,348	1,226,033	885,884	340,149	

Exhibit C-1

(Page 5 of 10)

	For the year ended June 30, 2014 Budgeted Amounts			Variance with Final Budget - Favorable	
	Original	Final	Actual Amounts	(Unfavorable)	
<i>Expenditures: (continued)</i> Health and Welfare: (continued) Public Information:		2 700			
Operating expenses Capital outlay	2,700	2,700	2,674	26	
Total public information	2,700	2,700	2,674	26	
Total Health and Welfare	1,200,048	1,228,733	888,558	340,175	
Culture and Recreation: Libraries:					
Personnel services	760,134	785,779	714,617	71,162	
Operating expenses	308,389	312,936	270,361	42,575	
Capital outlay	98,200	100,406	94,951	5,455	
Total libraries	1,166,723	1,199,121	1,079,929	119,192	
Parks:					
Personnel services	1,940,726	1,984,330	1,622,146	362,184	
Operating expenses	5,811,570	4,805,432	790,259	4,015,173	
Capital outlay	706,400	1,250,207	2,948,961	(1,698,754)	
Total parks	8,458,696	8,039,969	5,361,366	2,678,603	
Sports Field:					
Personnel services	297,736	303,359	223,905	79,454	
Operating expenses	1,697,047	1,697,247	153,281	1,543,966	
Capital outlay	44,000	66,607	47,242	19,365	
Total sports field	2,038,783	2,067,213	424,428	1,642,785	
Recreation:					
Personnel services	647,201	662,858	652,466	10,392	
Operating expenses	614,695	854,531	664,257	190,274	
Capital outlay	16,600	5,650	5,645	5	
Total recreation	1,278,496	1,523,039	1,322,368	200,671	

Exhibit C-1 (Page 6 of 10)

	For the year ended June 30, 2014			Variance with	
	Budgeted A	mounts		Final Budget - Favorable	
	Original	Final	Actual Amounts	(Unfavorable)	
Expenditures: (continued)					
Culture and Recreation: (continued)					
Teen Center:	222.279	246 242	222.229	12 114	
Personnel services	232,278	246,342	233,228	13,114	
Operating expenses Capital outlay	111,766 58,600	116,766 79,101	96,560 78,859	20,206 242	
Capital outlay	58,000	/9,101	/8,839	242	
Total teen center	402,644	442,209	408,647	33,562	
Pools:					
Personnel services	179,443	285,771	358,414	(72,643)	
Operating expenses	390,000	1,024,772	687,227	337,545	
Capital outlay	103,900	250,630	78,016	172,614	
Total pools	673,343	1,561,173	1,123,657	437,516	
Harry McAdams Park:					
Personnel services	311,153	313,819	280,279	33,540	
Operating expenses	175,460	175,460	83,054	92,406	
Capital outlay	23,000	116,000	92,847	23,153	
Total Harry McAdams Park	509,613	605,279	456,180	149,099	
Golf:					
Personnel services	446,920	507,386	434,957	72,429	
Operating expenses	367,875	1,936,875	7,943,329	(6,006,454)	
Capital outlay	3,883,100	11,856,081	141,554	11,714,527	
Total golf	4,697,895	14,300,342	8,519,840	5,780,502	
Older American Act:					
Personnel services	538,865	552,014	510,714	41,300	
Operating expenses	293,210	294,559	236,891	57,668	
Capital outlay	40,000	64,834	21,213	43,621	
Total Older American Act	872,075	911,407	768,818	142,589	
Total Culture and Recreation	14,018,685	14,832,724	9,720,395	5,078,767	

City of Hobbs General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual For the year ended June 30, 2014

	Budgeted Amounts			Variance with Final Budget -	
	Original	Final	Actual Amounts	Favorable (Unfavorable)	
Expenditures: (continued)					
Public Safety:					
Police Field Services:	450.055	500 050	100 (07		
Personnel services	453,255	528,270	480,607	47,663	
Operating expenses	570,650	700,720	628,378	72,342	
Capital outlay	349,855	795,060		795,060	
Total police field services	1,373,760	2,024,050	1,108,985	915,065	
Police CID:					
Personnel services	6,097,429	6,841,368	6,339,636	501,732	
Operating expenses	365,089	360,478	209,171	151,307	
Capital outlay	795,600	1,659,598	1,645,382	14,216	
Total police CID	7,258,118	8,861,444	8,194,189	667,255	
Police Technical Services:					
Personnel services	1,914,961	2,011,237	1,908,858	102,379	
Operating expenses	56,500	56,500	30,380	26,120	
Capital outlay	273,115	135,531	134,896	635	
Total police technical services	2,244,576	2,203,268	2,074,134	129,134	
Police Support Services:					
Personnel services	566,797	629,264	652,228	(22,964)	
Operating expenses	127,475	127,475	125,892	1,583	
Capital outlay	52,800	52,800	50,701	2,099	
Total police support services	747,072	809,539	828,821	(19,282)	
Admin Services Certified:					
Personnel services	-	-	-	-	
Operating expenses	1,415,268	1,505,268	1,324,842	180,426	
Capital outlay	<u> </u>	-			
Total admin services certified	1,415,268	1,505,268	1,324,842	180,426	

Exhibit C-1

(Page 8 of 10)

	For the year ended June 30, 2014			T 7 • •.1	
	Budgeted A	mounts		Variance with Final Budget - Favorable	
	Original	Final	Actual Amounts	(Unfavorable)	
Expenditures: (continued)	- <u>0</u>			(
Public Safety: (continued)					
Police CID Non-certified:					
Personnel services	767,843	780,428	702,162	78,266	
Operating expenses	-	-	-	-	
Capital outlay		-			
Total police CID non-certified	767,843	780,428	702,162	78,266	
Fire and Ambulance:					
Personnel services	7,241,085	7,325,011	6,228,141	1,096,870	
Operating expenses	770,500	766,450	640,343	126,107	
Capital outlay	325,000	529,100	120,382	408,718	
Total fire and ambulance	8,336,585	8,620,561	6,988,866	1,631,695	
Emergency Management:					
Operating expenses		5,800	5,405	395	
Total emergency management		5,800	5,405	395	
Hazardous Materials Responses:					
Operating expenses	<u> </u>	-			
Total hazardous materials responses	<u> </u>				
Traffic:					
Personnel services	286,759	286,759	269,159	17,600	
Operating expenses	246,950	267,450	240,011	27,439	
Capital outlay		42,416	32,399	10,017	
Total traffic	533,709	596,625	541,569	55,056	
Code Enforcement:					
Personnel services	281,550	277,359	272,640	4,719	
Operating expenses	246,225	246,625	118,137	128,488	
Capital outlay	27,500	27,600	25,600	2,000	
Total code enforcement	555,275	551,584	416,377	135,207	

Exhibit C-1

(Page 9 of 10)

	Budgeted A	2		Variance with Final Budget -	
	Original	Final	Actual Amounts	Favorable (Unfavorable)	
<i>Expenditures: (continued)</i> Public Safety: (continued) Crime Lab:					
Personnel services Operating expenses Capital outlay	- - -	- 8,000 -	3,677	4,323	
Total crime lab	<u> </u>	8,000	3,677	4,323	
Total Public Safety	23,232,206	25,966,567	22,189,027	3,777,540	
Total expenditures	60,240,492	82,973,929	58,519,327	24,046,392	
Excess (deficiency) of revenues over expenditures	5,335,630	(1,383,460)	23,360,345	24,335,595	

City of Hobbs General Fund Statement of Revenues, Expenditures, and Changes in Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual For the year ended June 30, 2014

	Budgeted	Amounts		Variance with Final Budget -	
	Original	Final	Actual Amounts	Favorable (Unfavorable)	
Other financing sources:	8			(***********	
Operating transfers in:					
Local Government Corrections Fund	-	-	71,124	71,124	
Lodgers' Tax Promotional Fund	-	-	248,250	248,250	
Golf Fund	-	-	-	-	
Capital Improvement Fund	-	-	-	-	
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					
Total other financing sources			319,374	71,124	
Other financing uses:					
Operating transfers out:					
COPS Grant Fund	_	-	-	_	
Cemetery Fund	-	-	222,228	(222,228)	
Public Transportation Fund	-	-	683,989	(683,989)	
Community Development Fund	-	-	11,907	(11,907)	
Industrial Park Construction Fund	-	-	-	-	
Street Improvement Fund	-	-	-	-	
Risk Management Internal Service	-	-	2,000,000	(2,000,000)	
Joint Utility Fund				-	
Total other financing uses			2,918,528	\$ (2,918,124)	
Prior year cash balance	49,737,731	49,737,731			
Appropriated cash balance	\$ 5,335,630	\$ (1,383,460)	20,761,191		
<i>Reconciliation to GAAP Basis:</i> Adjustments to revenue for tax, grant, and	other accruals		1,237,397		
Adjustments to expenditures for accounts		accruals	(10,493,705)		
Net change in fund balance			\$ 11,504,883		

City of Hobbs Statement of Net Position Proprietary Funds June 30, 2014

	J	Joint Utility		olid Waste Disposal	Total
Assets					
Current assets					
Cash and cash equivalents	\$	7,291,315	\$	1,366,525	\$ 8,657,840
Accounts receivable (net of allowance for doubtful					
accounts of \$204,431 and \$105,415, respectively)		1,179,699		599,041	1,778,740
Other receivables		324,477		-	324,477
Inventory		430,845		-	 430,845
Total current assets		9,226,336		1,965,566	 11,191,902
Noncurrent assets					
Restricted cash and cash equivalents		3,492,444		-	3,492,444
Capital assets		122,132,450		-	122,132,450
Accumulated depreciation and amortization		(61,405,863)		-	(61,405,863)
Total noncurrent assets		64,219,031		-	 64,219,031
Total assets	\$	73,445,367	\$	1,965,566	\$ 75,410,933
Liabilities and Net Position					
Liabilities					
Current liabilities					
Accounts payable	\$	388,874	\$	884,436	\$ 1,273,310
Accrued payroll expenses		67,035		-	67,035
Accrued compensated absences		207,325		-	207,325
Accrued claims payable		-		-	-
Meter deposits		539,416		-	539,416
Accrued interest		505,493		-	505,493
Current maturity of loans, notes and					
capital leases payable		1,660,670		-	1,660,670
Total current liabilities		3,368,813		884,436	 4,253,249
Noncurrent liabilities					
OPEB liability		1,520,099		-	1,520,099
Loans, notes and capital leases payable		31,160,479		-	31,160,479
Total noncurrent liabilities		32,680,578		-	 32,680,578
Total liabilities		36,049,391		884,436	 36,933,827
Net Position					
Net investment in capital assets		27,905,438		-	27,905,438
Restricted		2,953,028		-	2,953,028
Unrestricted		6,537,510		1,081,130	 7,618,640
Total net position		37,395,976		1,081,130	 38,477,106
Total liabilities and net position	\$	73,445,367	\$	1,965,566	\$ 75,410,933
Adjustment to reflect the consolidation of internal servic	e func	d activities for en	terpris	e funds	 44,237

Net position of business-type activities

\$ 38,521,343

Management rnal Service Fund
\$ 10,397,586
- -
 10,397,586
-
 -
\$ 10,397,586
\$ 72,369
744,353
-
 816,722
-
 -
 816,722
-
 9,580,864
 9,580,864
\$ 10,397,586

City of Hobbs

Statement of Revenues, Expenses and Changes in Net Position

Proprietary Funds

For the Year Ended June 30, 2014

]	Joint Utility		olid Waste Disposal		Total
Operating revenues:						
Charges for services	\$	10,347,734	\$	5,937,322	\$	16,285,056
Total operating revenues		10,347,734		5,937,322		16,285,056
Operating expenses:						
Depreciation and amortization		3,500,594		-		3,500,594
Personnel services		3,860,954		-		3,860,954
Contractual services		107,378		5,852,356		5,959,734
Supplies and purchased power		1,208,608		-		1,208,608
Maintenance and materials		224,972		-		224,972
Utilities		730,933		-		730,933
Equipment		724,905		-		724,905
Bad debt expense		184,709		105,415		290,124
Total operating expenses		10,543,053	·	5,957,771		16,500,824
Operating income (loss)		(195,319)		(20,449)		(215,768)
Non-operating revenues (expenses):						
Gross receipts taxes		1,813,116		-		1,813,116
Interest expense		(640,994)		-		(640,994)
Investment income		3,659		-		3,659
Total non-operating revenues (expenses)		1,175,781		-		1,175,781
Income (loss) before contributions and transfers		980,462		(20,449)		960,013
Transfers in		5,633,833		-		5,633,833
Capital grants		1,475,048		-		1,475,048
Total contributions and transfers		7,108,881		-		7,108,881
Change in net position		8,089,343		(20,449)		8,068,894
Total net position, beginning of year		29,306,633		1,101,579		30,408,212
Total net position, end of year	\$	37,395,976	\$	1,081,130	\$	38,477,106
Adjustment to reflect the consolidation of internal ser	vice fun	d activities for e	nternri	se funds		59,775
				, c j millio	¢	9 109 ((0

Change in net position of business-type activities

The accompanying notes are an integral part of these financial statements

\$

8,128,669

Risk Management Internal Service Fund			
\$	6,061,176		
	6,061,176		
	5,492,641 - - -		
	5,492,641		
	568,535		
	1,193		
	1,193		
	569,728		
	2,000,000		
	2,000,000		
	2,569,728		
	7,011,136		
\$	9,580,864		

City of Hobbs

Statement of Cash Flows - Proprietary Funds For the Year Ended June 30, 2014

	J	oint Utility	S	olid Waste Disposal	Total
Cash flows from operating activities: Cash received from user charges	\$	11,234,753	\$	6,226,956	\$ 17,461,709
Cash payments to employees for services		(3,838,033)		-	(3,838,033)
Cash payments to suppliers for goods and services		(2,856,861)		(6,072,901)	(8,929,762)
Net cash provided by operating activities		4,539,859		154,055	 4,693,914
Cash flows from noncapital financing activities:					
Government contributions		1,813,116		-	1,813,116
Transfers		5,633,833		-	5,633,833
Net cash provided by noncapital					
financing activities		7,446,949		-	 7,446,949
Cash flows from investing activities:					
Interest on investments		3,659		-	 3,659
Net cash (provided) by investing activities		3,659		-	 3,659
Cash flows from capital and related financing activities:					
Acquisition of capital assets		(11,649,706)		-	(11,649,706)
Interest paid		(667,633)		-	(667,633)
Capital grants		1,475,048		-	1,475,048
Principal payments on bonds, loans and notes payable		(1,629,215)		-	(1,629,215)
Net cash (used) by capital					
and related financing activities		(12,471,506)		-	 (12,471,506)
Net increase (decrease) in cash and cash equivalents		(481,039)		154,055	(326,984)
Cash and cash equivalents - beginning of year		11,264,798		1,212,470	 12,477,268
Cash and cash equivalents - end of year	\$	10,783,759	\$	1,366,525	\$ 12,150,284
Reconciliation of operating income (loss) to					
net cash provided by operating activities:					
Operating income (loss)	\$	(195,319)	\$	(20,449)	\$ (215,768)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:					
Depreciation and amortization		3,500,594		_	3,500,594
Bad debt expense		184,709		105,415	290,124
Changes in assets and liabilities		101,709		105,115	290,121
Receivables		517,601		78,804	596,405
Inventory		14,329		-	14,329
Prepaid expenses		,		-	
Accounts payable		(17,470)		(9,715)	(27,185)
Accrued payroll expenses		7,972		-	7,972
Accrued compensated absences		14,949		-	14,949
OPEB Liability		421,938		-	421,938
Accrued claims payable		-		-	-
Meter deposits		90,556		-	 90,556
Net cash provided by operating activities	\$	4,539,859	\$	154,055	\$ 4,693,914

c Management ernal Service Fund
\$ 6,061,176
- (5,401,700)
 (5,401,700) 659,476
2,000,000
 2,000,000
 1,193 1,193
-
-
 2,660,669
7,736,917
\$ 10,397,586
\$ 568,535
-
-
-
44,386
-
46,555
 <u> </u>
\$ 659,476

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STATE OF NEW MEXICO City of Hobbs Statement of Fiduciary Assets and Liabilities Agency Funds June 30, 2014

Assets Cash and cash equivalents	\$ 373,250
Total assets	\$ 373,250
Liabilities Deposits held in trust for others	\$ 373,250
Total liabilities	\$ 373,250

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. In fiscal year 2014 the City adopted new accounting standard GASB Statement No. 65, Items Previously Reported as Assets and Liabilities ("GASB 65"), which establishes accounting and financial reporting standards that reclassify, as deferred outflows of resources or deferred inflows of resources, certain items that were previously reported as assets and liabilities and recognizes, as outflows of resources or inflows of resources, certain items that were previously reported as assets and liabilities. The implementation of GASB 65 impacted the City's fiscal year 2014 financial statements through reclassifying the unavailable portion of property taxes receivable not collected within 60 days as a deferred inflow whereas in the previous year it was classified as a liability.

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.

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.

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 funds and the Statement of Fiduciary Assets and Liabilities. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from exchange and exchange-like transactions should be recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from nonexchange transactions should be recognized when the related purpose restriction, eligibility requirement or time requirement is met in accordance with GASB 33 and GASB 65. Property taxes are recognized as revenues, net of estimated refunds and estimated uncollectible amounts, in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

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. Unavailable revenue is classified as deferred inflow.

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.

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.

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, 2014 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, 2014.

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.

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, 2014 are recorded as prepaid expenses. These payments consist of prepaid annual rental expense for ambulances, prepaid housing assistance incentive payments to certified police officers 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 of infrastructure assets purchased in the year ended June 30, 2014 are included as part of the governmental 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 2014.

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:

Assets	Years
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, 2014, along with applicable PERA expenses.

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Net Position (continued)

Unearned Revenues and Unavailable Revenues:

- *Unearned revenue* Under both the accrual and the 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 called unearned revenue.
- Unavailable revenue Under the modified accrual basis of accounting, revenue must also be susceptible to accrual (it must be both measureable 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 inflow. The City has recorded \$11,202 in deferred inflows related to property taxes considered unavailable.

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 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 recorded as expenditures in the period incurred. 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, 2014, the City reported \$702,263 of fund balances not in spendable form. These fund balances are associated with prepaid expense contracts.

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities and Net Position (continued)

Restricted and Committed Fund Balance: At June 30, 2014, the City has presented restricted fund balance on the governmental funds balance sheet in the amount of \$7,7870,202 for various City operations as restricted by enabling legislation (see pages 88-91). The City has also presented committed fund balance on the governmental funds balance sheet in the amount of \$6,914,494 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.

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 Statements 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, 2014 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, 2014.

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.

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, 2014, \$2,892,169, of the City's bank balances of \$3,142,169 was exposed to custodial credit risk, however all of the amount exposed was was 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.

	Lea County State Bank		
Deposits	\$	474,316	
Repurchase agreements		2,667,853	
FDIC Coverage		(250,000)	
Total uninsured public funds		2,892,169	
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the City's name Uninsured and uncollateralized	\$	2,892,169	
Collateral requirement - deposits			
(50% of uninsured funds)	\$	112,158	
Collateral requirement - repurchase			
agreement (102% of uninsured funds)		2,721,210	
Pledged Collateral		3,596,206	
Over (Under) collateralized	\$	762,838	

The New Mexico 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, 2014, the City's investment in the State Treasurer Local Government Investment Pool was rated as AAAm by Standard & Poor's.

NOTE 3. Deposits and Investments (continued)

As of June 30, 2014, the City had the following investments and maturities:

<u>Investment Type</u>	<u>Maturities</u>]	Fair Value	<u>Rating</u>
New Mexico LGIP	48.6 days	\$	59,479,616	AAAm
Treasury Bills- U.S. Securities	659 days	\$	29,993,418	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, 2014 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 Mexico LGIP fund totaling \$59,479,616 is reported as cash equivalents on the Statement of Net Position. They are considered an investment for disclosure purposes. Treasury Bills U.S. Securities totaling \$29,993,418 are reported as 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	\$ 85,934,607
Restricted cash and cash equivalents per Exhibit A-1	3,492,444
Agency funds cash per Exhibit E-1	373,250
Total cash and cash equivalents	89,800,301
Add: outstanding checks	2,998,453
Less: deposits in transit and other reconciling items	(173,671)
Less: LGIP balances held by the State Treasurer	(59,479,616)
Less: U.S. agencies and treasury notes held with U.S. Bank	(29,993,418)
Less: petty cash	(9,880)
Bank balance of deposits	\$ 3,142,169

NOTE 4. Receivables

Receivables as of June 30, 2014, including the applicable allowances for uncollectible accounts, are as follows:

Governmental Activities:

Governmental Activities:						
	General		Other Governmental Funds		Total	
Property taxes	\$	67,604	\$	-	\$	67,604
Other taxes:						
Gross receipts taxes	13,263,380		649,042		13,912,422	
Gasoline and oil taxes	65,295		59,932			125,227
Franchise and lodgers taxes	143,524			157,978		301,502
Interest receivable		22,754		-		22,754
Other receivables:						
Intergovernmental-grants:						
State		38,489		111,265		149,754
Federal		-		62,993		62,993
Totals	\$13,	601,046	\$	1,041,210	\$ 14	4,642,256

In accordance with GASB Statement No. 33, the property tax revenues that were not collected within the period of availability, \$11,202, have been reclassified as unavailable revenue in the governmental fund financial statements.

The above receivables are deemed 100% collectible.

Business-Type Activities:

	Joint Utility	Solid Waste Disposal	Total	
Utility fees	\$ 1,384,130	\$ 704,456	\$ 2,088,586	
Less: Allowance for uncollectible accounts Other receivables:	(204,431)	(105,415)	(309,846)	
Gross receipts taxes	324,477		324,477	
Totals	\$ 1,504,176	\$ 599,041	\$ 2,103,217	

NOTE 5. Interfund Receivables, Payables, and Transfers

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

Transfers Out	Transfers In	Amount		
General Fund	Risk Management Internal Service Fund	\$ 2,000,000		
General Fund	Cemetery	222,228		
General Fund	Public Transportation	683,989		
General Fund	Community Development	11,907		
Local Government Corrections	General Fund	71,124		
Lodgers' Tax Promotional	General Fund	248,250		
City Commission Improvement	Joint Utility Fund	5,633,833		
Total		\$ 8,871,331		
Transfers Out	Transfers In	Amount		
General Fund	Agency Fund	\$ 404		

The allocation of internal service fund revenues and expenses to governmental and business activities resulted in a net amount due to the business-type activities from the governmental activities of \$44,237.

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

NOTE 6. Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2014, 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, 2013 (reclassified)	Additions	Deletions	Balance June 30, 2014
Capital assets not being depreciated:	(
Land	\$ 5,849,291	\$ 129,224	\$ -	\$ 5,978,515
Construction in progress	50,291,377	16,899,191	20,984,329	46,206,239
1 0	56,140,668	17,028,415	20,984,329	52,184,754
Capital assets being depreciated:	24 922 719	0 5 (5 22 (644.010	10 740 100
Buildings	34,822,718	8,565,326	644,918	42,743,126
Equipment	34,953,728	3,559,577	2,098,343	36,414,962
Land improvements	15,050,681	9,923,069	742,097	24,231,653
Infrastructure	90,772,840	9,244,363	168,826	99,848,377
	175,599,967	31,292,335	3,654,184	203,238,118
Amortizable assets				
Intangible assets	2,420,243	52,275		2,472,518
Total amortizable assets	2,420,243	52,275		2,472,518
Total capital assets	234,160,878	48,373,025	24,638,513	257,895,390
Accumulated depreciation:				
Buildings	17,561,641	2,390,800	644,918	19,307,523
Equipment	22,336,845	3,251,610	2,098,343	23,490,112
Land improvements	3,687,743	883,708	742,097	3,829,354
Infrastructure	21,685,490	4,736,694	168,826	26,253,358
Total accumulated depreciation	65,271,719	11,262,812	3,654,184	72,880,347
Less accumulated amortization:				
Intangible assets	1,196,419	291,059		1,487,478
Total accumulated amortization	1,196,419	291,059		1,487,478
Total capital assets, net	\$ 167,692,740	\$ 36,819,154	\$ 20,984,329	\$ 183,527,565

Additions include a donated capital asset in the amount of \$523,571. Depreciation and amortization expense for governmental activities totaled \$11,553,871 for year ended June 30, 2014. Depreciation and amortization expense for the year ended June 30, 2014 were charged to governmental activities as follows:

General Government Public Safety Public Works Culture and Recreation	\$ 3,561,294 2,179,507 3,941,496 1,778,229
Health and Welfare	93,345
Total	<u>\$ 11,553,871</u>

NOTE 6. Capital Assets (continued)

Business-type Activities:	Balance June 30, 2013 (reclassified)	Additions	Deletions	Balance June 30, 2014	
Capital assets not being depreciated:					
Land	\$ 12,473	\$ -	\$ -	\$ 12,473	
Construction in progress	14,595,161	3,485,750	31,719	18,049,192	
	14,607,634	3,485,750	31,719	18,061,665	
Capital assets being depreciated:					
Buildings	16,453,257	-	-	16,453,257	
Equipment	43,868,422	246,324	444,770	43,669,976	
Land improvements	2,277,145	33,464	-	2,310,609	
Infrastructure	33,801,419	7,915,887	93,863	41,623,443	
	96,400,243	8,195,675	538,633	104,057,285	
Amortizable assets					
Intangible assets	13,500	-	-	13,500	
Total amortizable assets	13,500	-		13,500	
Total capital assets	111,021,377	11,681,425	570,352	122,132,450	
Accumulated depreciation:					
Buildings	11,865,390	658,523	-	12,523,913	
Equipment	32,494,156	1,778,281	444,770	33,827,667	
Land improvements	1,953,251	68,357	-	2,021,608	
Infrastructure	12,124,022	994,016	93,863	13,024,175	
Total accumulated depreciation	58,436,819	3,499,177	538,633	61,397,363	
Less accumulated amortization:					
Intangible assets	7,083	1,417	-	8,500	
Total accumulated amortization	7,083	1,417		8,500	
Total capital assets, net	\$ 52,577,475	\$ 8,180,831	\$ 31,719	\$ 60,726,587	

Depreciation and amortization expense for business-type activities for the year ended June 30, 2014 were \$3,500,594. The entire amounts were recorded in the Joint Utility Fund.

NOTE 7. Long-term Debt

During the year ended June 30, 2014, the following changes occurred in the liabilities reported in the government-wide statement of net position:

Governmental Activities:

	Balance June 30, 2013	Additions	Retirements	Balance June 30, 2014	Due Within One Year	
Unfunded OPEB Liability Compensated Absences	\$ 10,320,090 2,361,170	\$ 4,310,194 761,964	\$ 710,559 882,527	\$ 13,919,725 2,240,607	\$ 2,240,607	
Total Long-Term Debt	\$ 12,681,260	\$ 5,072,158	\$ 1,593,086	\$ 16,160,332	\$ 2,240,607	

<u>Compensated Absences</u> – 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, 2014, compensated absences decreased \$120,563 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 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, 2014:

	Balance June 30, 2013	Additions	Retirements	Balance June 30, 2014	Due Within One Year
NMFA and NMED Loans Unfunded OPEB Liability Compensated Absences	\$ 34,450,363 1,098,161 192,373	\$ - 505,228 73,896	\$ 1,629,215 83,290 58,944	\$ 32,821,148 1,520,099 207,325	\$ 1,660,670
Total Long-Term Debt	\$ 35,740,897	\$ 579,124	\$ 1,771,449	\$ 34,548,572	\$ 1,867,995

<u>Compensated Absences</u> – During fiscal year June 30, 2014, compensated absences for proprietary funds increased \$14,952 from the prior year accrual. Compensated absences for proprietary funds are typically liquidated in the fund where they are recorded.

The NMFA and NMED loans are as follows:

				Original	
	Date of	Due	Interest	Amount	Balance
Description	Issue	Date	Rate	of Issue	June 30, 2014
NMED Wastewater Loan	03/07/11	07/21/30	2.00%	\$ 31,419,101	\$ 27,461,674
NMFA Clean Drinking Water Loan	05/13/05	05/01/23	1.75%	5,226,750	4,168,420
NMFA Water Project Loan	03/22/13	06/01/32	0.25%	1,319,488	1,191,054

Total Loans

\$ 32,821,148

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.

		Total Debt
Principal	Interest	Service
\$ 1,660,670	\$ 593,895	\$ 2,254,565
1,692,751	603,500	2,296,251
1,725,470	570,781	2,296,251
1,758,842	537,411	2,296,253
1,792,877	503,376	2,296,253
9,499,123	1,982,154	11,481,277
10,457,664	1,027,482	11,485,146
4,233,751	228,018	4,461,769
\$ 32,821,148	\$ 6,046,617	\$ 38,867,765
	\$ 1,660,670 1,692,751 1,725,470 1,758,842 1,792,877 9,499,123 10,457,664 4,233,751	\$ 1,660,670 \$ 593,895 1,692,751 603,500 1,725,470 570,781 1,758,842 537,411 1,792,877 503,376 9,499,123 1,982,154 10,457,664 1,027,482 4,233,751 228,018

The aggregated debt service payments required on the outstanding debt of the proprietary funds is as follows:

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, 2014. There was no balance outstanding on the line of credit as of June 30, 2014. 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, 2014. The fair value of the collateral is \$450,000 as of June 30, 2014, and is included in the restricted investments reported on the Statement of Net Position.

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, 2014	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, 2014, future minimum lease payments applicable to the operating leases are as follows:

Fiscal year ending June 30,								
2015	\$	92,649						
2016		92,649						
2017		92,649						
2018		75,000						
	\$	352,947						

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 \$744,353 at June 30, 2014 and is reported as a liability on the financial statements. The City's risk management activities are accounted for in the Risk Management Internal Service Fund, which includes health insurance, workers' compensation insurance, and retiree health insurance activities. Insurance settlements have not exceeded insurance coverage for any of the past three fiscal years. There have been no significant reductions in insurance coverage from the prior year.

NOTE 12. Pension Plan- Public Employees Retirement Association

Plan Description. Substantially all of the City's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11 NMSA 1978.) The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost-sharing, multiple-employer defined benefit retirement plan. The plan provides for retirement 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 9.15% of their gross salary. The City is required to contribute 10.65% of the covered salary for municipal general member coverage plan 4 members. Municipal police coverage plan 5 members are required to contribute 18.50% of their gross salary. The City is required to contribute 17.80% 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 17.70% 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, 2014, 2013, and 2012 were \$3,669,905 \$2,191,261, and \$2,088,419, 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, 2014.

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, 2014, 2013 and 2012 were \$19,750, \$52,079 and \$36,447, respectively, which equal the amount of required contributions for each fiscal year.

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 318 retirees receiving benefits and a total of 395 active participants.

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, 2014, 2013 and 2012 respectively, plan members' contributions totaled \$577,452, \$618,592, and \$577,401. 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, 2014, 2013 and 2012 respectively, the City contributed \$302,154, \$365,545, and \$356,926, 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		Enterprise		
	Funds		Funds		 Total
Annual Required Contribution (ARC) Interest on net OPEB obligation Adjustment to Annual Required Contribution Annual OPEB cost (expense)	\$	3,850,282 459,912 (440,107) 3,870,087	\$	451,319 53,909 (51,588) 453,640	\$ 4,301,601 513,821 (491,695) 4,323,727
Actual contribution Increase in net OPEB obligation		(270,452) 3,599,635		(31,702) 421,938	 (302,154) 4,021,573
Net OPEB obligation - beginning of year Net OPEB obligation - end of year	\$	10,320,090 13,919,725	\$	1,098,161 1,520,099	\$ 11,418,251 15,439,824

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, 2014 were as follows:

Fiscal year	Annual OPEB	Act	ual employer	Percentage	Net OPEB
ended	cost	co	ontributions	contributed	obligation
6/30/2014	\$ 4,323,727	\$	302,154	6.99%	\$ 15,439,824
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

NOTE 14. Post-Employment Benefits (continued)

As of January 1, 2013, the projected actuarial accrued liability (AAL) for benefits for the fiscal 2014 year was \$33,799,998, all of which was unfunded. The covered payroll (the annual payroll of active employees covered by the plan) was \$23,152,024, and the unfunded actuarial accrued liability (UAAL) was 145.99% percent of the covered payroll.

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

Actuarial Methods and Assumptions

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

In the January 1, 2013 actuarial valuation the project unit 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 9% was used for medical costs and 5% for dental costs and; this rate is reduced by decrements to an ultimate rate of 5.0% and 4.0% respectively after 9 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 November 1, 2011 actuarial valuation the unit credit cost method was used. A discount rate of 4.50% was applied, and the plan was assumed to be unfunded. An annual initial healthcare cost trend rate of 10.0% was used; this rate is reduced by decrements to an ultimate rate of 4.0% after six years. Additional actuarial assumptions included mortality rates, retirement rates, withdrawal rates, disability rates, age differences, medical plans, health care claims costs, spouse and child coverage, participation rates, retiree contributions, and trends in retiree costs.

In the January 1, 2009 actuarial valuation the unit credit cost method was used. A discount rate of 4.50% was applied, and the plan was assumed to be unfunded. An annual initial healthcare cost trend rate of 11.0% was used; this rate is reduced by decrements to an ultimate rate of 5.0% after six years. Additional actuarial assumptions included mortality rates, retirement rates, withdrawal rates, disability rates, age differences, medical plans, health care claims costs, spouse and child coverage, participation rates, retiree contributions, and trends in retiree costs.

NOTE 15. Contingent Liabilities

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

NOTE 16. Federal and State Grants

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

NOTE 17. Joint Powers Agreements and Memorandums of Understanding

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.

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, 2014

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.

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 the City the sum of \$65.50 pro rata, from the date of incarceration through the date of release for housing and board and related services rendered at the center. Audit responsibility lies with both Lea County and the City.

NOTE 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 2014 was \$4,800.

Prisoner Housing Reciprocal Agreement

On July 1, 2013 the City executed an agreement with Lea County to house Hobbs City Jail prisoners in the Lea County Detention Facility and for the Lea Count to House Prisoners in the Hobbs City Jail. The estimated costs to house a prisoner is \$32.75 for 0-12 hours and \$65.5 for 12-24 hours and does not include medical cost associated with the incarceration. The term of the agreement began on July 1, 2013 and ended on June 30, 2014. Lea County and Hobbs shall have the yearly option of renewing the contract at the end of every year. There is no audit responsibility incorporated into the terms of this specific agreement.

Justice Assistance Grant Edward Byrne

On July 15, 2013 the City executed an agreement with Lea County regarding application for 2013 Edward Byrne Memorial Justice Assistance Grant program. Under the terms of the agreement the funding from the grant in the amount of \$17,582 will be distributed to the City of Hobbs Police Department. The City of Hobbs will act as the fiscal agent and the agreement will remain in effect until the project is completed. There is no audit responsibility incorporated into the terms of this specific agreement.

Boys and Girls Club

On August 19, 2013 the City executed a memorandum of understanding with the Boys and Girls Club of Hobbs for purposes of transporting passengers on high demand routes for the Boys and Girls Club each day. Under the terms of the agreement the City leases one 1990 bus from the Boys and Girls Club to assist in providing transportation services on the high demand routes for a total consideration of \$1 during the term of the lease. The term of the lease is from August 2013 to May 2014. The City's operation of the route services is covered under the annual FY13-14 public transportation budget. There is no fiscal agent under the terms of this agreement and no specified audit responsibility.

NOTE 18. Subsequent Events

The date to which events occurring after June 30, 2014, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosures is November 25, 2014, which is the date on which the financial statements were available to be issued.

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 fund. The following funds reported a deficit fund balance as of June 30, 2014:

Cemetery Special Revenue Fund \$ 5,337

- B. Excess of expenditures over appropriations. No funds exceeded approved budgetary authority for the year ended June 30, 2014.
- C. Designated cash appropriations in excess of available balances. No funds exceeded approved budgetary authority for the year ended June 30, 2014.

NOTE 20. Restricted Net Position

The government-wide Statement of Net Position reports \$10,823,230 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 88-91.

NOTE 21. Construction and Other Significant Commitments

The City had outstanding construction commitments for water line and infrastructure projects of \$14,905,229 as of June 30, 2014.

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.

The City has prepaid housing incentive commitments related to the above program totaling \$353,750 at June 30, 2014 which relates to 8 police officers.

NOTE 22. Concentration

As of June 30, 2014 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.

NOTE 23. Subsequent Pronouncements

In June 2012, GASB Statement No. 68 Accounting and Financial Reporting for Pensions—an amendment of GASB Statement 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, 2015 and will significantly impact the City. The 2015 fiscal year financial statements will report a material liability for pension participation.

In January 2013, GASB Statement No. 69 *Government Combinations and Disposals of Government Operations*, Effective Date: The provisions 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 standard will affect the City.

In November 2013, GASB Statement No. 71 *Pension Transition for Contributions Made Subsequent to the Measurement Date – an amendment of GASB Statement No. 68*, Effective Date: The provisions of this Statement are effective for fiscal years beginning after June 15, 2014. The provisions of this Statement are required to be applied simultaneously with the provisions of Statement No. 68. The standard will be implemented during fiscal year June 30, 2015.

STATE OF NEW MEXICO City of Hobbs Schedule of OPEB Funding Progress June 30, 2014

Schedule I

Actuarial valuation date	 ctuarial e of assets	Actuarial accrued liability AAL - Entry age	Unfunded actuarial accrued liability AAL- UAAL	Fu	nded ratio	Covered payroll	UAAL as a percentage of covered payroll
	а	b	b-a		a/b	с	(b-a)/c
June 30, 2014	\$ -	\$ 33,799,998	\$ 33,799,998	\$	-	\$ 23,152,024	145.99%
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%
		Annual OPEB			al employer		Percentage
Fiscal year ended		cost		COL	ntributions		contributed
June 30, 2014		\$ 4,323,727		\$	302,154		6.99%
June 30, 2013		\$ 2,732,016		\$	365,545		13.38%
June 30, 2012		\$ 2,727,423		\$	356,926		13.09%

See independent auditors' report

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SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO City of Hobbs Nonmajor Fund Descriptions June 30, 2014

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 Fund

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, 2014

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

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

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

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

<u>Community Parks</u> – 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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City of Hobbs Nonmajor Fund Descriptions June 30, 2014

Capital Projects Funds

Capital Projects Fund

To account for the financing of any capital project or street improvement project through transfers to those funds. Funding is provided by the proceeds from a mortgage revenue bond refunding. The fund was authorized by City resolution.

Street Improvements Fund

To account for the financing of street improvements and expansions. Funding is to be provided by gasoline tax revenues, general fund transfers and federal and state participating funds.

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, 2014

	Special Revenue								
	Local Government Corrections		Polic	e Protection	n Police Narcotic			PS Grant Fund	
Assets									
Cash and cash equivalents Receivables:	\$	1,000	\$	25,015	\$	40,056	\$	36,859	
Other taxes		_		_		_		_	
Other receivables		-		80,400		-			
Total assets	\$	1,000	\$	105,415	\$	40,056	\$	36,859	
Liabilities									
Accounts payable	\$	-	\$	-	\$	-	\$	-	
Accrued payroll expenses		-		-		-		7,801	
Total liabilities		-		-		-		7,801	
<i>Fund balances</i> Spendable Restricted for:									
Public safety		1,000		105,415		40,056		29,058	
Culture and recreation		-		-		-		-	
Transportation and roads		-		-		-		-	
Health and welfare		-		-		-		-	
Economic development		-		-		-		-	
Capital projects Unassigned		-		-		-		-	
Total fund balances		1,000		105,415		40,056		29,058	
Total liabilities and fund balances	\$	1,000	\$	105,415	\$	40,056	\$	36,859	

				Spe	cial Revenue			
Ce	Cemetery Airport			odger's Tax romotional	Public asportation	Fire Protection		
\$	1,000	\$	291,105	\$	1,046,188	\$ 1,000	\$	451,292
	-		-		157,978	62,993		-
\$	1,000	\$	291,105	\$	1,204,166	\$ 63,993	\$	451,292
\$	3,162	\$	-	\$	12,190	\$ -	\$	17,518
	3,175 6,337		<u> </u>		12,190	 8,607 8,607		17,518
	-		-		-	55,386		433,774
	-		291,105		-	-		-
	-		-		-	-		-
	-		-		1,191,976	-		-
	(5,337)		-		-	-		-
	(5,337)		291,105		1,191,976	 55,386		433,774
\$	1,000	\$	291,105	\$	1,204,166	\$ 63,993	\$	451,292

STATE OF NEW MEXICO City of Hobbs Nonmajor Governmental Funds Combining Balance Sheet June 30, 2014

	Special Revenue								
	Emergency Medical Services			mmunity relopment		ecreation ndable Trust		ibrary dable Trust	
Assets									
Cash and cash equivalents Receivables:	\$	501	\$	-	\$	88,088	\$	4,758	
Other taxes Other receivables		-		22,615		-		-	
Total assets	\$	501	\$	22,615	\$	88,088	\$	4,758	
Liabilities									
Accounts payable Accrued payroll expenses	\$	-	\$	-	\$	-	\$	-	
Total liabilities		-		-		-		-	
<i>Fund balances</i> Spendable Restricted for:									
Public safety		-		-		-		-	
Culture and recreation Transportation and roads		-		-		88,088		4,758	
Health and welfare		501		-		-		-	
Economic development		-		22,615		-		-	
Capital projects		-		-		-		-	
Unassigned Total fund balances		501		22,615		- 88,088		4,758	
Total liabilities and fund balances	\$	501	\$	22,615	\$	88,088	\$	4,758	

 Special	Revenue	2			Capital Projects				
emetery dable Trust		mmunity Parks dable Trust	Сај	pital Projects	Im	Street provements	-	Commission	
\$ 5,321	\$	1,423	\$	2,265,991	\$	1,444,740	\$	1,196,383	
-		-		-		59,932 8,250		649,042	
\$ 5,321	\$	1,423	\$	2,265,991	\$	1,512,922	\$	1,845,425	
\$ -	\$	-	\$	8,089	\$	16,523	\$	-	
 <u> </u>		-		8,089		16,523			
-		-		-		-		-	
-		1,423		-		-		-	
5,321		-		-		-		-	
-		-		-		-		-	
-		-		2,257,902		1,496,399		1,845,425	
 5,321		1,423		2,257,902		1,496,399		1,845,425	
\$ 5,321	\$	1,423	\$	2,265,991	\$	1,512,922	\$	1,845,425	

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City of Hobbs Nonmajor Governmental Funds Combining Balance Sheet June 30, 2014

		al Nonmajor overnmental Funds
Assets	¢	(000 720
Cash and cash equivalents Receivables:	\$	6,900,720
Other taxes		866,952
Other receivables		174,258
Total assets	\$	7,941,930
Liabilities		
Accounts payable	\$	57,482
Accrued payroll expenses		19,583
Total liabilities		77,065
Fund balances		
Spendable		
Restricted for:		
Public safety		664,689
Culture and recreation		383,951
Transportation and roads		1,423
Health and welfare		5,822
Economic development		1,214,591
Capital projects		5,599,726
Unassigned		(5,337)
Total fund balances		7,864,865
Total liabilities and fund balances	\$	7,941,930

City of Hobbs

Nonmajor Governmental Funds Combining Statement of Revenues, Expenditures, and Changes in Fund Balances

Experiences, Experiences, and Changes in Fund Baran

		Special	Revenue		
	Local Government Corrections	Police Protection	Police Narcotics	COPS Grant Fund	
Revenues:					
Taxes:	¢.	ф.	¢	¢.	
Gross receipts	\$ -	\$ -	\$ -	\$ -	
Gasoline and motor vehicle	-	-	-	-	
Other	-	-	-	-	
Intergovernmental:				226 640	
Federal operating grants	-	-	-	336,640	
Federal capital grants	-	-	-	-	
State operating grants	-	80,400	-	-	
State capital grants	-	-	-	-	
Local sources	-	-	-	-	
Charges for services	-	-	-	-	
Licenses and fees	188,749	-	53,513	-	
Investment income	81	-	-	-	
Miscellaneous	-	-	-	-	
Total revenues	188,830	80,400	53,513	336,640	
Expenditures:					
Current:					
Public safety	123,396	63,168	24,353	303,055	
Public works	-	-	-	-	
Culture and recreation	-	-	-	-	
Health and welfare	-	-	-	-	
Economic development	-	-	-	-	
Capital outlay	23,801	5,000	-	-	
Total expenditures	147,197	68,168	24,353	303,055	
Excess (deficiency) of revenues over					
expenditures	41,633	12,232	29,160	33,585	
expenditures	41,033	12,232	29,100	55,585	
Other financing sources (uses)					
Transfers in	-	-	-	-	
Transfers out	(71,124)	-	-	-	
Total other financing sources (uses)	(71,124)	-	-	-	
Net change in fund balances	(29,491)	12,232	29,160	33,585	
Fund balances-beginning of year	30,491	93,183	10,896	(4,527)	
Fund balances - end of year	\$ 1,000	\$ 105,415	\$ 40,056	\$ 29,058	

				Spe	cial Revenue				
С	Cemetery		metery Airport			Tra	Public nsportation	Fire Protection	
\$	-	\$	-	\$	-	\$	-	\$	-
	-		-		1,552,902		-		-
	-		-		-		365,590		-
	-		-		-		-		- 466,180
	-		-		-		-		-
	172,414		36,445		-		34,050		-
	-		315		1,189		- - 10,000		715
	172,414		36,760		1,554,091		409,640		466,895
	_		_		_		_		448,788
	-		-		-		-		-
	258,522		45,084		-		415,799		-
	-		-		1,322,870		-		-
	140,970 399,492		45,084		1,322,870		559,574 975,373		79,733 528,521
	(227,078)		(8,324)		231,221		(565,733)		(61,626)
	222,228		-		-		683,989		-
	222,228		-		$\frac{(248,250)}{(248,250)}$		683,989		-
	(4,850)		(8,324)		(17,029)		118,256		(61,626)
	(487)		299,429		1,209,005		(62,870)		495,400
\$	(5,337)	\$	291,105	\$	1,191,976	\$	55,386	\$	433,774

City of Hobbs Nonmajor Governmental Funds Combining Statement of Revenues, Expenditures, and Changes in Fund Balances For the Year Ended June 30, 2014

Special Revenue

		opeeiui	itevenue			
	rgency l Services	mmunity elopment		creation dable Trust		ibrary dable Trust
Revenues:	 	 1	1		1	
Taxes:						
Gross receipts	\$ -	\$ -	\$	-	\$	-
Gasoline and motor vehicle	-	-		-		-
Other	-	-		-		-
Intergovernmental:						
Federal operating grants	-	-		-		-
Federal capital grants	-	22,615		-		-
State operating grants	27,096	-		-		-
State capital grants	-	-		-		-
Local sources	-	-		-		-
Charges for services	-	-		-		-
Licenses and fees	-	-		16,157		4,398
Investment income	-	-		-		-
Miscellaneous	 -	 -		-		-
Total revenues	 27,096	 22,615		16,157		4,398
Expenditures:						
Current:						
Public safety	-	-		-		-
Public works	-	-		-		-
Culture and recreation	-	-		450		3,230
Health and welfare	26,596	-		-		-
Economic development	-	-		-		-
Capital outlay	 -	 25,083				-
Total expenditures	 26,596	 25,083		450		3,230
Excess (deficiency) of revenues over						
expenditures	500	(2,468)		15,707		1,168
expenditures	 500	 (2,400)		15,707		1,100
Other financing sources (uses)						
Transfers in	-	11,907		-		-
Transfers out	-	-		-		-
Total other financing sources (uses)	-	 11,907		-		-
Net change in fund balances	500	9,439		15,707		1,168
Fund balances-beginning of year	 1	 13,176		72,381		3,590
Fund balances - end of year	\$ 501	\$ 22,615	\$	88,088	\$	4,758

	Special	Revenue				Сар	ital Projects			
	metery lable Trust		nity Parks able Trust	Car	pital Projects	Street ojects Improvements		City Commission Improvement		
\$	- - -	\$	- - -	\$	- -	\$	- 938,544 -	\$	3,626,522	
	-		-		- -		-		-	
	-		-		176,050		-			
	- 6 - 6		- 1 - 1		176,050		- 1,199 - 939,743	3,626,522		
	-		-		-		-		-	
	- - -		- - -		- - -		- - -		49,004	
	-				759,205 759,205		<u>326,462</u> <u>326,462</u>		49,004	
	6		1		(583,155)		613,281		3,577,518	
	-		- - -				-		$(5,633,833) \\ (5,633,833) \\ (2,056,215)$	
<u>۴</u>	6 5,315 5,321	<u>۴</u>	1 1,422	\$	(583,155) 2,841,057	\$	613,281 883,118 1,496,399	\$	(2,056,315) 3,901,740	
\$	5,521	\$	1,423	ψ	2,257,902	ψ	1,770,377	φ	1,845,425	

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City of Hobbs Nonmajor Governmental Funds Combining Statement of Revenues, Expenditures, and Changes in Fund Balances For the Year Ended June 30, 2014

	Total Nonmajor Governmental Funds			
Revenues:				
Taxes:				
Gross receipts	\$	3,626,522		
Gasoline and motor vehicle		938,544		
Other		1,552,902		
Intergovernmental:				
Federal operating grants		702,230		
Federal capital grants		22,615		
State operating grants		573,676		
State capital grants		-		
Local sources		176,050		
Charges for services		242,909		
Licenses and fees		262,817		
Investment income		3,506		
Miscellaneous		10,000		
Total revenues		8,111,771		
Expenditures:				
Current:				
Public safety		962,760		
Public works		-		
Culture and recreation		48,764		
Health and welfare		749,921		
Economic development		1,322,870		
Capital outlay		1,919,828		
Total expenditures		5,004,143		
Excess (deficiency) of revenues over				
expenditures		3 107 628		
expenditures		3,107,628		
Other financing sources (uses)				
Transfers in		918,124		
Transfers out		(5,953,207)		
Total other financing sources (uses)		(5,035,083)		
Net change in fund balances		(1,927,455)		
Fund balances-beginning of year		9,792,320		
Fund balances - end of year	\$	7,864,865		

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, 2014

	Budgetee	d Amounts	Actual	Variances Favorable (Unfavorable)
	Original	Final	(Non-GAAP Budgetary Basis)	Final to Actual
Revenues:				
Taxes:				
Gross receipts	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle Intergovernmental:	-	-	-	-
Federal operating grants	-	-	<u>-</u>	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees Investment income	140,000 750	140,000 750	188,749 81	48,749
Miscellaneous	730	/30	81	(669)
Total revenues	140,750	140,750	188,830	48,080
Expenditures:			<u>,</u>	
Current:				
Public safety	132,500	137,506	117,197	20,309
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare Economic development	-	-	-	-
Capital outlay	35,000	30,000	30,000	-
Debt service:	,	2 0,0 0 0	,	
Principal	-	-	-	-
Interest				
Total expenditures	167,500	167,506	147,197	20,309
Excess (deficiency) of revenues over expenditures	(26,750)	(26,756)	41,633	68,389
Other financing sources (uses)				
Designated cash (budgeted cash increase)	26,750	26,756	-	(26,756)
Loan proceeds	-	-	-	-
Proceeds from sale of capital assets Transfers in	-	-	-	-
Transfers out	-	-	(71,124)	(71,124)
Total other financing sources (uses)	26,750	26,756	(71,124)	(97,880)
Net change in fund balance	-	-	(29,491)	(29,491)
Fund balance - beginning of year	-	-	30,491	30,491
Fund balance - end of year	\$ -	\$ -	\$ 1,000	\$ 1,000
Net change in fund balance (non-GAAP budgetary ba	asis)		\$ (29,491)	
No adjustments to revenues.	,		- -	
No adjustments to expenditures.			_	
• •			¢ (20.401)	
Net change in fund balance (GAAP) The accompanying not	as are an integral	nort of these finan	\$ (29,491)	

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, 2014

FO	Budgeted Amounts Actual							Variances Favorable (Unfavorable)	
	Original		Fir	nal	(Non-GAAP Budgetary Basis)		Fina	l to Actual	
Revenues:						<u></u>			
Taxes:			-						
Property	\$	-	\$	-	\$	-	\$	-	
Gasoline and motor vehicle Other		-		-		-		-	
Intergovernmental:									
Federal operating grants		-		-		-		-	
Federal capital grants		-		-		-		-	
State operating grants	75,	000		74,400		74,400		-	
State capital grants Charges for services		-		-		-		-	
Investment income		-		-		-		-	
Miscellaneous		-		-		-		-	
Total revenues	75,	000		74,400		74,400		-	
Expenditures:									
Current:									
General government	(0)	-		-		-		-	
Public safety Public works	60,	900		75,000		68,168		6,832	
Culture and recreation		-		-		-		-	
Health and welfare		-		-		-		-	
Economic development		-		-		-		-	
Capital outlay	14,	100		-		-		-	
Debt service:									
Principal Interest		-		-		-		-	
Total expenditures	75,	000		75,000		68,168		6,832	
Excess (deficiency) of revenues over expenditures		-		(600)		6,232		6,832	
Other financing sources (uses)						<u> </u>		<u></u>	
Designated cash (budgeted cash increase)		-		600		-		(600)	
Loan proceeds		-		-		-		-	
Transfers in		-		-		-		-	
Transfers out Total other financing sources (uses)		-		600		-		(600)	
		<u> </u>		000		()))			
Net change in fund balance		-		-		6,232		6,232	
Fund balance - beginning of year						18,783		18,783	
Fund balance - end of year	\$:	\$	-	\$	25,015	\$	25,015	
Net change in fund balance (non-GAAP budgetary b	oasis)				\$	6,232			
Adjustments to revenues for grant accruals.						6,000			
No adjustments to expenditures.						-			
Net change in fund balance (GAAP)					\$	12,232			
The accompanying no	otes are an inte	egral na	art of the	se financi					

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, 2014

		Budgeted	Amo				Favorable (Unfavorable)		
	0	riginal		Final		n-GAAP etary Basis)	Fina	l to Actual	
Revenues:		inginai		1 IIIai	Duuge	taly Dasis)	1 IIIa	1 to Actual	
Taxes:									
Property	\$	-	\$	-	\$	-	\$	-	
Gasoline and motor vehicle		-		-		-		-	
Other		-		-		-		-	
Intergovernmental:									
Federal operating grants Federal capital grants		-		-		-		-	
State operating grants		-		-		-		-	
State capital grants		-		_		-		-	
Charges for services		-		-		-		-	
Licenses and fees		-		-		-		-	
Investment income		-		-		-		-	
Miscellaneous		-		53,513		53,513		-	
Total revenues		-		53,513		53,513		-	
Expenditures:									
Current:									
General government		-		-		-		-	
Public safety Public works		10,896		64,409		24,353		40,056	
Culture and recreation		-		-		-		-	
Health and welfare		-		_		_		-	
Economic development		-		-		-		-	
Capital outlay		-		-		-		-	
Debt service:									
Principal		-		-		-		-	
Interest		-		-		-		-	
Total expenditures		10,896		64,409		24,353		40,056	
Excess (deficiency) of revenues over expenditures		(10,896)		(10,896)		29,160		40,056	
Other financing sources (uses)									
Designated cash (budgeted cash increase)		10,896		10,896		-		(10,896)	
Transfers in		-		-		-		-	
Transfers out Total other financing sources (uses)		10,896		10,896		-		(10,896)	
Net change in fund balance		10,090		10,890		29,160		29,160	
Fund balance - beginning of year						10,896		10,896	
Fund balance - end of year	¢		\$		\$	40,056	\$	40,056	
	\$	-	Φ	-			\$	40,030	
Net change in fund balance (non-GAAP budgetary b	basis)				\$	29,160			
No adjustments to revenues.						-			
No adjustments to expenditures.						-			
Net change in fund balance (GAAP)					\$	29,160			
The accompanying no	tes are a	n integral p	oart of	f these financia	al statem	ents			

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, 2014

	H	Budgeted	Amou	ints		Actual	Fa	ariances avorable favorable)
	Orig	inal		Final	· ·	on-GAAP etary Basis)	Fina	l to Actual
Revenues:		inui			Duug	cury Dusis)	1 1114	i to i lotuui
Taxes:								
Property	\$	-	\$	-	\$	-	\$	-
Gasoline and motor vehicle		-		-		-		-
Other		-		-		-		-
Intergovernmental:	(11 224		(() 701		226 640		(229,094)
Federal operating grants Federal capital grants	0	11,224		664,724		336,640		(328,084)
State operating grants		-		-		-		-
State capital grants		-		-		_		-
Charges for services		_		_		-		-
Licenses and fees		-		-		_		-
Investment income		-		-		-		-
Miscellaneous		-		-		-		-
Total revenues	6	11,224		664,724		336,640		(328,084)
Expenditures:								
Current:								
General government		-		-		-		-
Public safety	6	11,224		664,724		299,781		364,943
Public works		-		-		-		-
Culture and recreation		-		-		-		-
Health and welfare		-		-		-		-
Economic development Capital outlay		-		-		-		-
Debt service:		-		-		-		-
Principal		_		_		_		_
Interest		-		-		-		-
Total expenditures	6	11,224		664,724		299,781		364,943
Excess (deficiency) of revenues over expenditures		-				36,859		36,859
Other financing sources (uses)								
Designated cash (budgeted cash increase)		-		-		-		-
Transfers in		-		-		-		-
Transfers out		-		-				-
Total other financing sources (uses)						36,859		26.850
Net change in fund balance		-		-		30,839		36,859
Fund balance - beginning of year		-	<u> </u>		<u> </u>	-	<u> </u>	-
Fund balance - end of year	\$	-	\$	-	\$	36,859	\$	36,859
Net change in fund balance (non-GAAP budgetary b	oasis)				\$	36,859		
No adjustments to revenues.						-		
Adjustments to expenditures for accounts payable ad	ccruals.					(3,274)		
Net change in fund balance (GAAP)					\$	33,585		
The accompanying no	tes are an i	integral p	oart of	these financi	al statem	nents		

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, 2014

	Budgeted Amounts		Actual (Non-GAAP	Favorable (Unfavorable)
	Original	Final	(Non-GAAP Budgetary Basis)	Final to Actual
Revenues:	onginar	1 11141	Dudgetury Dusisy	T mur to 7 totuur
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants State capital grants	-	-	-	-
Charges for services	362,775	498,542	172,414	(326,128)
Licenses and fees			-	(520,120)
Investment income	-	_	-	_
Miscellaneous	-	-	-	-
Total revenues	362,775	498,542	172,414	(326,128)
Expenditures:				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation Health and welfare	301,775	319,542	246,914	- 72,628
Economic development	501,775	519,542	240,914	72,028
Capital outlay	61,000	179,000	147,729	31,271
Debt service:	01,000	179,000	117,729	51,271
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	362,775	498,542	394,643	103,899
Excess (deficiency) of revenues over expenditures	-	-	(222,229)	(222,229)
Other financing sources (uses)				
Designated cash (budgeted cash increase)	-	-	-	_
Transfers in	-	_	222,228	222,228
Transfers out	-	-	-	-
Total other financing sources (uses)	-	-	222,228	222,228
Net change in fund balance	-	-	(1)	(1)
Fund balance - beginning of year			1,001	1,001
Fund balance - end of year	\$ -	\$	\$ 1,000	\$ 1,000
Net change in fund balance (non-GAAP budgetary b	oasis)		\$ (1)	
No adjustments to revenues.			-	
Adjustments to expenditures for payroll accruals.			(4,849)	
Net change in fund balance (GAAP)			\$ (4,850)	
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, 2014

	Budg	eted An	nounts		Actual n-GAAP	Favorable (Unfavorable) Final to Actual	
	Original		Final		etary Basis)		
Revenues:	0			0			
Taxes:	.	.		<i>.</i>		.	
Property	\$	- \$	-	\$	-	\$	-
Gasoline and motor vehicle Intergovernmental:		-	-		-		-
Federal operating grants		-	_		_		-
Federal capital grants		-	-		-		-
State operating grants		-	-		-		-
State capital grants		-	-		-		-
Charges for services	75,00	00	38,000		36,445		(1,555)
Licenses and fees	1.0	-	-		-		-
Investment income Miscellaneous	17	5	175		315		140
Total revenues	75,17		38,175		36,760		(1,415)
Expenditures:	,0,1,		00,170		20,700		(1,110)
Current:							
General government		-	-		-		-
Public safety		-	-		-		-
Public works		-	-		-		-
Culture and recreation	23,50	00	64,099		45,084		19,015
Health and welfare		-	-		-		-
Economic development Capital outlay		-	-		-		-
Debt service:							
Principal		-	-		-		-
Interest			-				
Total expenditures	23,50	00	64,099		45,084		19,015
Excess (deficiency) of revenues over expenditures	51,67	5	(25,924)		(8,324)		17,600
Other financing sources (uses)							
Designated cash (budgeted cash increase)	(51,67	(5)	25,924		-		(25,924)
Loan proceeds Transfers in		-	-		-		-
Transfers out		-	-		-		-
Total other financing sources (uses)	(51,67	(5)	25,924		-		(25,924)
Net change in fund balance		-	-		(8,324)		(8,324)
Fund balance - beginning of year		-	-	_	299,429		299,429
Fund balance - end of year	\$	- \$	-	\$	291,105	\$	291,105
Net change in fund balance (non-GAAP budgetary b	oasis)			\$	(8,324)		
No adjustments to revenues.					-		
No adjustments to expenditures.					-		
Net change in fund balance (GAAP)				\$	(8,324)		
The accompanying no	tes are an integ	al nart	of these financi				

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, 2014

	Budgetec	l Amounts	Actual	Favorable (Unfavorable)
	Original	Final	(Non-GAAP Budgetary Basis)	Final to Actual
Revenues:	Oliginal	1 mai	Dudgetary Dusis)	I mar to Atetaal
Taxes:				
Lodgers' taxes	\$ 1,500,000	\$ 1,500,000	\$ 1,522,951	\$ 22,951
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	2,000	2,000	1,189	(811)
Miscellaneous	-	-	-	-
Total revenues	1,502,000	1,502,000	1,524,140	22,140
Expenditures:				
Current:				
General government Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	_	-
Health and welfare	-	-	-	-
Economic development	1,502,000	1,502,000	1,325,079	176,921
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest Total expenditures		1,502,000	1,325,079	176,921
Totai expenditares	1,502,000	1,302,000	1,525,079	170,921
Excess (deficiency) of revenues over expenditures			199,061	199,061
Other financing sources (uses)				
Designated cash (budgeted cash increase)	-	250,000	-	(250,000)
Transfers in	-	-	-	-
Transfers out		(250,000)	(248,250)	1,750
Total other financing sources (uses)			(248,250)	(248,250)
Net change in fund balance	-	-	(49,189)	(49,189)
Fund balance - beginning of year			1,095,377	1,095,377
Fund balance - end of year	\$ -	\$	\$ 1,046,188	\$ 1,046,188
Net change in fund balance (non-GAAP budgetary b	oasis)		\$ (49,189)	
Adjustments to revenues for tax accruals.			29,951	
Adjustments to expenditures for prior year accounts		2,209		
Net change in fund balance (GAAP)			\$ (17,029)	
The accompanying no	tes are an integral	part of these financi	al 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, 2014

	Budgete	d Amounts	(N	Actual on-GAAP	Favorable (Unfavorable)	
	Original	Final		getary Basis)	Fina	l to Actual
Revenues:	- 6			<u> </u>		
Taxes:						
Property	\$ -	\$ -	\$	-	\$	-
Gasoline and motor vehicle	-	-		-		-
Other Intergovernmental:	-	-		-		-
Federal operating grants	224,400	524,400		331,432		(192,968)
Federal capital grants		900,000		225,542		(674,458)
State operating grants	-	-				-
State capital grants	-	-		-		-
Charges for services	35,000	35,000		34,050		(950)
Licenses and fees	-	-		-		-
Investment income	-	-		-		-
Miscellaneous Total revenues	259,400	10,000		10,000 601,024		(868,376)
	239,400	1,409,400		001,024		(808,370)
<i>Expenditures:</i> Current:						
General government	_	_		_		_
Public safety	-	_		-		-
Public works	-	-		-		-
Culture and recreation	-	-		-		-
Health and welfare	805,923	806,894		659,669		147,225
Economic development	-	-		-		-
Capital outlay Debt service:	4,500	662,119		625,344		36,775
Principal	_	_		_		_
Interest	-	_		_		_
Total expenditures	810,423	1,469,013		1,285,013		184,000
Excess (deficiency) of revenues over expenditures	(551,023)	387		(683,989)		(684,376)
Other financing sources (uses)						
Designated cash (budgeted cash increase)	551,023	(387)	-		387
Transfers in Transfers out	-	-		683,989		683,989
Total other financing sources (uses)	551,023	(387)	683,989		684,376
Net change in fund balance	-			-		-
Fund balance - beginning of year	-	-		1,000		1,000
Fund balance - end of year	\$ -	\$ -	\$	1,000	\$	1,000
Net change in fund balance (non-GAAP budgetary ba	usis)		\$	-		
Adjustments to revenues for grant accruals.				(191,384)		
Adjustments to expenditures for payroll accruals.				309,640		
Net change in fund balance (GAAP)			\$	118,256		
The accompanying note	es are an integral	part of these final				

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, 2014

	Budgete	d Amounts	Actual	Favorable (Unfavorable)
	Original	Final	(Non-GAAP Budgetary Basis)	Final to Actual
Revenues:	Original	Tilldi	Budgetaly Basis)	Tinal to Actual
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	342,800	466,180	466,180	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees Investment income	1,500	1,500	715	(785)
Miscellaneous	1,500	1,500	/13	(785)
Total revenues	344,300	467,680	466,895	(785)
	511,500	107,000	100,055	(705)
<i>Expenditures:</i> Current:				
General government	_	_	_	_
Public safety	214,300	266,798	248,750	18,048
Public works			_ 10,700	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	130,000	327,250	262,253	64,997
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
Total expenditures	344,300	594,048	511,003	83,045
Excess (deficiency) of revenues over expenditures		(126,368)	(44,108)	82,260
Other financing sources (uses)				
Designated cash (budgeted cash increase)	-	126,368	-	(126,368)
Transfers in	-	-	-	-
Transfers out Total other financing sources (uses)		126,368		(126,368)
Net change in fund balance	-	120,308	(44,108)	(120,308)
0 1				
Fund balance - beginning of year		- <u>-</u>	495,400	495,400
Fund balance - end of year	\$ -	\$ -	\$ 451,292	\$ 451,292
Net change in fund balance (non-GAAP budgetary b	pasis)		\$ (44,108)	
No adjustments to revenues.			-	
Adjustments to expenditures for accounts payable ad	ceruals.		(17,518)	
Net change in fund balance (GAAP)			\$ (61,626)	
The accompanying no	tes are an integral	part of these finance	ial 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, 2014

]	Budgeted	Amou	ints		ctual	Favorable (Unfavorable)	
	Orio	inal		Final		n-GAAP	Final f	o Actual
Revenues:	Orig	linai		rmai	Budge	tary Basis)	Fillar	o Actual
Taxes:								
Property	\$	-	\$	-	\$	-	\$	-
Gasoline and motor vehicle		-		-		-		-
Other		-		-		-		-
Intergovernmental:								
Federal operating grants		-		-		-		-
Federal capital grants		-		-		-		-
State operating grants State capital grants		19,500		27,096		27,096		-
Charges for services		-		-		-		-
Licenses and fees		-		-		-		_
Investment income		-		-		-		-
Miscellaneous						_		_
Total revenues		19,500		27,096		27,096		-
Expenditures:								
Current:								
General government		-		-		-		-
Public safety		-		-		-		-
Public works Culture and recreation		-		-		-		-
Health and welfare		- 19,500		<u>-</u> 26,596		26,596		-
Economic development		-		- 20,570		- 20,570		_
Capital outlay		-		-		-		-
Debt service:								
Principal		-		-		-		-
Interest		-		-		-		-
Total expenditures		19,500		26,596		26,596		-
Excess (deficiency) of revenues over expenditures		-		500		500		-
Other financing sources (uses)								
Designated cash (budgeted cash increase)		-		(500)		-		500
Transfers in		-		-		-		-
Transfers out		-		-		-		-
Total other financing sources (uses)		-		(500)		-		500
Net change in fund balance		-		-		500		500
Fund balance - beginning of year				-		1		1
Fund balance - end of year	\$		\$	-	\$	501	\$	501
Net change in fund balance (non-GAAP budgetary b	oasis)				\$	500		
No adjustments to revenues.						-		
No adjustments to expenditures.						-		
Net change in fund balance (GAAP)					\$	500		
The accompanying no	tes are an	integral r	oart of	these financia				

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, 2014

	Budgeted Amounts				Actual		avorable favorable)
	Original		Final		on-GAAP etary Basis)	Final to Actual	
Revenues:	Oliginal		1 IIIdi	Duug	etaly Dasisj	11116	li to Actual
Taxes:							
Property	\$	- \$	-	\$	-	\$	-
Gasoline and motor vehicle		-	-		-		-
Other		-	-		-		-
Intergovernmental:							
Federal operating grants	250.0	-	-		-		-
Federal capital grants State operating grants	250,0	000	500,000		13,176		(486,824)
State capital grants		_	-		-		-
Charges for services		-	-		-		-
Licenses and fees		-	-		-		-
Investment income		-	-		-		-
Miscellaneous			-		_		-
Total revenues	250,0	000	500,000		13,176		(486,824)
Expenditures:							
Current:							
General government Public safety		-	-		-		-
Public works	250,0	-	-		-		-
Culture and recreation	250,0	-	-		_		-
Health and welfare		-	-		-		-
Economic development		-	-		-		-
Capital outlay		-	500,000		25,083		474,917
Debt service:							
Principal		-	-		-		-
Interest Total expenditures	250,0		500,000		25,083		474,917
Total expenditures	230,0		300,000		23,083		4/4,91/
Excess (deficiency) of revenues over expenditures					(11,907)		(11,907)
Other financing sources (uses)							
Designated cash (budgeted cash increase)		-	-		-		-
Transfers in		-	-		11,907		11,907
Transfers out Total other financing sources (uses)			-	-			- 11,907
		<u> </u>			11,907		11,907
Net change in fund balance		-	-		-		-
Fund balance - beginning of year			-		-		-
Fund balance - end of year	\$	- \$	-	\$	-	\$	-
Net change in fund balance (non-GAAP budgetary b	oasis)			\$	-		
Adjustments to revenues for capital grants.					9,439		
No adjustments to expenditures.					-		
Net change in fund balance (GAAP)				\$	9,439		
The accompanying no	tes are an integ	eral part	of these financ	ial staten	nents		

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, 2014

	Budgeted Amounts					Actual	Favorable (Unfavorable)	
	0	1		F' 1	`	n-GAAP	Einelte Astrol	
Revenues:	Origi	nal		Final	Budge	tary Basis)	Final to Actual	
Taxes:								
Property	\$	_	\$	_	\$	-	\$	-
Gasoline and motor vehicle	•	-	•	-	Ŧ	-	÷	-
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		5,600		16,157		10,557
Total revenues		3,000		5,600		16,157		10,557
Expenditures:								
Current:								
General government Public safety		-		-		-		-
Public works		-		-		-		-
Culture and recreation		3,000		5,600		450		5,150
Health and welfare		-		-		-		-
Economic development		-		-		-		-
Capital outlay		-		-		-		-
Debt service:								
Principal		-		-		-		-
Interest Total expenditures		3,000		5,600		450		5,150
Total expenditures		3,000		5,000		430		5,150
Excess (deficiency) of revenues over expenditures		-				15,707		15,707
Other financing sources (uses)								
Designated cash (budgeted cash increase)		-		-		-		-
Transfers in		-		-		-		-
Transfers out Total other financing sources (uses)				-		-		-
Net change in fund balance		-				15,707		15,707
Fund balance - beginning of year		-		-		72,381		72,381
Fund balance - end of year	\$	-	\$	-	\$	88,088	\$	88,088
Net change in fund balance (non-GAAP budgetary b	oasis)				\$	15,707		
No adjustments to revenues.						-		
No adjustments to expenditures.						-		
Net change in fund balance (GAAP)					\$	15,707		
The accompanying no	tes are an ir	nteoral n	art of t	hese financi				

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, 2014

	Budgeted Amounts					Actual n-GAAP	Favorable (Unfavorable)	
	Or	riginal		Final		tary Basis)	Final to Actual	
Revenues:		Igiliai		1 11101	Duuge	ury Busis)	1 mai	to i lotaai
Taxes:								
Property	\$	-	\$	-	\$	-	\$	-
Gasoline and motor vehicle		-		-		-		-
Other		-		-		-		-
Intergovernmental: Federal operating grants								
Federal capital grants		-		-		-		-
State operating grants		-		_		_		-
State capital grants		-		-		-		-
Charges for services		-		-		-		-
Licenses and fees		-		-		-		-
Investment income		-		-		-		-
Miscellaneous		1,000		4,000		4,398		398
Total revenues		1,000		4,000		4,398		398
Expenditures:								
Current: General government								
Public safety		-		-		-		-
Public works		-		-		-		-
Culture and recreation		1,000		4,000		3,230		770
Health and welfare		-		-		-		-
Economic development		-		-		-		-
Capital outlay		-		-		-		-
Debt service:								
Principal Interest		-		-		-		-
Total expenditures		1,000		4,000		3,230		770
		1,000		1,000		5,250		110
Excess (deficiency) of revenues over expenditures						1,168		1,168
Other financing sources (uses)								
Designated cash (budgeted cash increase)		-		-		-		-
Transfers in		-		-		-		-
Transfers out Total other financing sources (uses)		<u> </u>		<u> </u>		<u> </u>		<u> </u>
Net change in fund balance						1,168		1,168
Fund balance - beginning of year		_		_		3,590		3,590
	¢		¢		¢		¢	
Fund balance - end of year	\$		\$	-	\$	4,758	\$	4,758
Net change in fund balance (non-GAAP budgetary b	oasis)				\$	1,168		
No adjustments to revenues.						-		
No adjustments to expenditures.						_		
Net change in fund balance (GAAP)					\$	1,168		
The accompanying no	tes are a	n integral r	part of	f these financi	al statem	ents		

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, 2014

	Budgeted Amounts					Actual	Favorable (Unfavorable)	
					· ·	n-GAAP		
	Origina	<u> </u>	Fina	1	Budge	tary Basis)	Final	to Actual
Revenues:								
Taxes:	\$		\$		¢		\$	
Property Gasoline and motor vehicle	Ф		Ф	-	\$	-	Ф	-
Other		-		-		-		-
Intergovernmental:								
Federal operating grants		_		_		-		-
Federal capital grants		-		-		-		-
State operating grants		-		-		-		-
State capital grants		-		-		-		-
Charges for services		-		-		-		-
Licenses and fees		-		-		-		-
Investment income		-		-		6		6
Miscellaneous				-		-		-
Total revenues				-		6		6
Expenditures:								
Current:								
General government		-		-		-		-
Public safety Public works		-		-		-		-
Culture and recreation		-		-		-		_
Health and welfare		_		_		_		_
Economic development		_		_		-		-
Capital outlay		-		-		-		-
Debt service:								
Principal		-		-		-		-
Interest				-		-		
Total expenditures				-		-		-
Excess (deficiency) of revenues over expenditures				-		6		6
Other financing sources (uses)								
Designated cash (budgeted cash increase)		-		-		-		-
Transfers in		-		-		-		-
Transfers out				-				-
Total other financing sources (uses)		<u> </u>		-		-		
Net change in fund balance		-		-		6		6
Fund balance - beginning of year				-		5,315		5,315
Fund balance - end of year	\$		\$	-	\$	5,321	\$	5,321
Net change in fund balance (non-GAAP budgetary b	oasis)				\$	6		
No adjustments to revenues.						-		
No adjustments to expenditures.						-		
Net change in fund balance (GAAP)					\$	6		
The accompanying no	tes are an inte	egral par	t of these	financi	al statem	ents		

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, 2014

	Budgeted Amounts				Actual	Favorable (Unfavorable)		
	Origii	nal	Fin	al	· ·	n-GAAP tary Basis)	Final	to Actual
Revenues:					24480	ung Duoio)		
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		-		-		1		1
Miscellaneous Total revenues				-		-		-
						1		1
<i>Expenditures:</i> Current:								
General government		_		_		-		_
Public safety		-		-		-		-
Public works		-		-		-		-
Culture and recreation		-		-		-		-
Health and welfare		-		-		-		-
Economic development		-		-		-		-
Capital outlay		-		-		-		-
Debt service: Principal								
Interest		-		-		-		-
Total expenditures		-		-		-		
1			1					
Excess (deficiency) of revenues over expenditures				-		1		1
Other financing sources (uses)								
Designated cash (budgeted cash increase)		-		-		-		-
Transfers in Transfers out		-		-		-		-
Total other financing sources (uses)						-		
Net change in fund balance		-		-		1		1
Fund balance - beginning of year		-		-		1,422		1,422
Fund balance - end of year	\$	-	\$	-	\$	1,423	\$	1,423
Net change in fund balance (non-GAAP budgetary b	oasis)				\$	1		
No adjustments to revenues.						-		
No adjustments to expenditures.						-		
Net change in fund balance (GAAP)					\$	1		
The accompanying no	tes are an ir	ntegral n	art of the	se financi		ents		

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, 2014

	Budgeted Amounts				Actual	Favorable (Unfavorable)	
	Origina	1	Final	· ·	on-GAAP getary Basis)	Final to Actual	
Revenues:	Oligina	<u> </u>	1 mui	Dudg	Soury Dusisy		
Taxes:							
Property	\$	- \$	-	\$	-	\$	-
Gasoline and motor vehicle		-	-		-		-
Other		-	-		-		-
Intergovernmental:							
Federal operating grants		-	-		-		-
Federal capital grants	1,302,	000	3,500,000		-		(3,500,000)
State operating grants		-	-		-		-
State capital grants Local sources		-	-		176,050		176,050
Charges for services		-	-		170,050		170,030
Investment income		_	-		-		-
Miscellaneous		-	_		-		-
Total revenues	1,302,	000	3,500,000		176,050		(3,323,950)
Expenditures:							
Current:							
General government		-	-		-		-
Public safety		-	-		-		-
Public works Culture and recreation		-	-		-		-
Health and welfare		-	-		-		-
Economic development		-	-		-		-
Capital outlay	1,302,	000	3,500,000		751,116		2,748,884
Debt service:	1,502,	000	5,500,000		751,110		2,710,001
Principal		-	_		-		_
Interest		-	-		-		-
Total expenditures	1,302,	000	3,500,000		751,116		2,748,884
					(5750(c))		(ETE D(C))
Excess (deficiency) of revenues over expenditures					(575,066)		(575,066)
Other financing sources (uses) Designated cash (budgeted cash increase)		_	_		_		_
Transfers in		_	-		-		-
Transfers out		-	_		-		-
Total other financing sources (uses)			-		-		-
Net change in fund balance		-	-		(575,066)		(575,066)
Fund balance - beginning of year			-		2,841,057		2,841,057
Fund balance - end of year	\$	- \$	-	\$	2,265,991	\$	2,265,991
Net change in fund balance (non-GAAP budgetary b	oasis)			\$	(575,066)		
No adjustments to revenues.					-		
Adjustments to expenditures for prior year accounts	payable accru	uals.			(8,089)		
Net change in fund balance (GAAP)				\$	(583,155)		
The accompanying no	tes are an inte	gral part	of these financi	al state	ments		

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, 2014

10	Budgeted		Actual	Variances Favorable (Unfavorable)
	Original	Final	(Non-GAAP Budgetary Basis)	Final to Actual
Revenues:	Oliginal	1 mai	Budgetary Basis)	Tillar to Actual
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle Other	695,000	695,000	662,035	(32,965)
Intergovernmental:	-	-	-	-
Federal operating grants	-	-	-	-
Federal capital grants	2,740,990	3,543,490	38,391	(3,505,099)
State operating grants	-	-	-	-
State capital grants Charges for services	52,500	220,642	274,375	53,733
Licenses and fees	-	-	-	-
Investment income	150	600	1,199	599
Miscellaneous	-	-	-	-
Total revenues	3,488,640	4,459,732	976,000	(3,483,732)
<i>Expenditures:</i> Current:				
General government	-	_	-	_
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare Economic development	-	-	-	-
Capital outlay	4,230,000	4,459,732	323,789	4,135,943
Debt service:	, ,	, ,	,	, ,
Principal	-	-	-	-
Interest Total amonditures	4,230,000	4,459,732	323,789	4,135,943
Total expenditures	4,230,000	4,439,732	323,789	4,155,945
Excess (deficiency) of revenues over expenditures	(741,360)		652,211	652,211
Other financing sources (uses)				
Designated cash (budgeted cash increase)	741,360	-	-	-
Transfers in Transfers out	-	-	-	-
Total other financing sources (uses)	741,360			
Net change in fund balance			652,211	652,211
Fund balance - beginning of year	_	_	792,529	792,529
Fund balance - end of year	\$ -	\$ -	\$ 1,444,740	\$ 1,444,740
Net change in fund balance (non-GAAP budgetary b	basis)		\$ 652,211	
Adjustments to revenues for grant and gasoline tax a			(36,257)	
Adjustments to expenditures for accounts payable ad			(2,673)	
Net change in fund balance (GAAP)			\$ 613,281	
The accompanying no	tes are an integral r	part of these financ		

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, 2014

	Budgeted	Amounts		Actual		Favorable
	0 1		· ·	Non-GAAP		
D	Original	Final	Bud	getary Basis)	Fu	nal to Actual
Revenues: Taxes:						
Gross receipts	\$ 2,800,000	\$ 3,500,000	\$	3,568,854	\$	68,854
Gasoline and motor vehicle	÷ 2,000,000	÷ 5,500,000	Ψ	-	Ψ	-
Other	-	-		-		-
Intergovernmental:						
Federal operating grants	-	-		-		-
Federal capital grants	-	-		-		-
State operating grants	-	-		-		-
State capital grants	-	-		-		-
Charges for services Licenses and fees	-	-		-		-
Investment income	-	-		-		-
Miscellaneous	_	-		-		-
Total revenues	2,800,000	3,500,000		3,568,854		68,854
Expenditures:				, , ,		<u> </u>
Current:						
General government	-	-		-		-
Public safety	-	-		-		-
Public works	-	-		-		-
Culture and recreation	-	-		-		-
Health and welfare	-	49,005		49,004		1
Economic development	-	-		-		-
Capital outlay Debt service:	-	-		-		-
Principal						
Interest	_	-		-		-
Total expenditures		49,005		49,004		1
1				· · · · ·		
Excess (deficiency) of revenues over expenditures	2,800,000	3,450,995		3,519,850		68,855
Other financing sources (uses)						
Designated cash (budgeted cash increase)	(2,800,000)	(3,450,995)		-		3,450,995
Transfers in	-	-		-		-
Transfers out	-	-		(5,633,833)		(5,633,833)
Total other financing sources (uses)	(2,800,000)	(3,450,995)		(5,633,833)		(2,182,838)
Net change in fund balance	-	-		(2,113,983)		(2,113,983)
Fund balance - beginning of year				3,310,366		3,310,366
Fund balance - end of year	\$ -	\$ -	\$	1,196,383	\$	1,196,383
Net change in fund balance (non-GAAP budgetary b	oasis)		\$	(2,113,983)		
Adjustments to revenues for tax accruals.				57,668		
No adjustments to expenditures.				-		
Net change in fund balance (GAAP)			\$	(2,056,315)		
The accompanying no	tes are an integral p	part of these financi	al state	ements		

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, 2014

		Dular	. 1			Variances Favorable		
		Budget Original	ed Am	Final	Actual		nfavorable)	
Operating revenues:		onginai		1 mui	 Tiotuur		ind voluble)	
Charges for services	\$	10,854,999	\$	11,015,000	\$ 11,234,753	\$	219,753	
Total operating revenues		10,854,999		11,015,000	 11,234,753		219,753	
Operating expenses:								
Personnel services		3,795,293		3,857,874	3,838,033		19,841	
Contractual services		448,000		469,000	107,378		361,622	
Supplies and purchased power		1,655,550		1,688,875	555,923		1,132,952	
Maintenance and materials		483,200		408,797	230,152		178,645	
Miscellaneous		271,000		918,477	356,029		562,448	
Utilities		843,000		815,800	730,915		84,885	
Equipment		257,000		455,235	 876,464		(421,229)	
Total operating expenses		7,753,043		8,614,058	 6,694,894		1,919,164	
Operating income (loss)		3,101,956		2,400,942	 4,539,859		2,138,917	
Non-operating revenues (expenses):								
Capital outlay		(8,932,500)		(22,248,737)	(11,649,706)		10,599,031	
Principal payments		(1,630,600)		(1,584,543)	(1,629,215)		(44,672)	
Loan proceeds		-		254,335	-		(254,335)	
Interest expense		(667,194)		(713,251)	(667,633)		45,618	
Investment income		4,000		3,999	3,659		(340)	
Capital grants		-		-	 1,475,048		1,475,048	
Total non-operating revenues								
(expenses)		(11,226,294)		(24,288,197)	 (12,467,847)		11,820,350	
Government contributions		1,400,000		1,750,000	1,813,116		63,116	
Transfers in		-		-	5,633,833		5,633,833	
Transfers out		-		-	-		_	
Change in net position	\$	(6,724,338)	\$	(20,137,255)	 (481,039)	\$	19,656,216	
Reconciliation to GAAP basis:								
Depreciation					(3,500,594)			
Adjustments to revenues for charges for	r servic	es and miscellar	ious in	come	(631,587)			
Adjustments to expenditures for salarie					(418,288)			
Adjustment to interest expense for acc			uur ser	1005	26,639			
Adjustment for capital asset additions	uou iii				11,649,706			
Adjustment for debt service principal r	avment	S			1,629,215			
Adjustment for bad debt expense	, a y mem				(184,709)			
Change in net position per Exhibit D-2					 8,089,343			
Total net position, beginning of year					29,306,633			
Total net position, end of year					\$ 37,395,976			

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, 2014

		For the Year Ended June 50, 2014					ariances avorable
	Original	geted Amo	Final		Actual		avorable favorable)
Operating revenues:						(00	
Charges for services	\$ 6,000,000	\$	5,999,999	\$	6,226,956	\$	226,957
Total operating revenues	6,000,000		5,999,999		6,226,956		226,957
Operating expenses:							
Personnel services	-		-		-		-
Utilities	-		-		-		-
Contractual services	6,000,000		6,190,000		6,072,901		117,099
Supplies	-		-		-		-
Maintenance and materials	-		-		-		-
Gross receipts taxes	-		-		-		-
Other costs		_	-		-		-
Total operating expenses	6,000,000		6,190,000		6,072,901		117,099
Operating income (loss)			(190,001)		154,055		344,056
Non-operating revenues (expenses):							
Interest expense	-		-		-		-
Investment income	-		-		-		-
Miscellaneous income			-		-		-
Total non-operating revenues							
(expenses)			-		-		-
Government contributions	-		-		_		_
Transfers in	-		-		-		-
Transfers out		_	-		-		-
Change in net position	\$ -	\$	(190,001)		154,055	\$	344,056
Reconciliation to GAAP basis:							
Adjustments to revenues for accounts re	ceivable accruals				(78,804)		
Adjustments to expenses for accounts pa					9,715		
Adjustments for bad debt expense	-				(105,415)		
Change in net position per Exhibit D-2					(20,449)		
Total net position, beginning of year					1,101,579		
Total net position, end of year				\$	1,081,130		

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, 2014

Budgeted				ounts		Variances Favorable	
		Original		Final	 Actual	(Ui	nfavorable)
Operating revenues: Charges for services	\$	6,228,492	\$	6,319,492	\$ 6,061,176	\$	(258,316)
Total operating revenues		6,228,492		6,319,492	 6,061,176		(258,316)
Operating expenses:							
Personnel services		-		-	-		-
Utilities		-		-	-		-
Contractual services		6,229,992		6,392,259	5,492,641		899,618
Supplies		-		-	-		-
Maintenance and materials		-		-	-		-
Gross receipts taxes		-		-	-		-
Other costs					 -		
Total operating expenses		6,229,992		6,392,259	 5,492,641		899,618
Operating income (loss)		(1,500)		(72,767)	 568,535		641,302
Non-operating revenues (expenses):							
Interest expense		-		-	-		-
Investment income		1,500		1,500	1,193		(307)
Miscellaneous income		-		-	 -		
Total non-operating revenues							
(expenses)		1,500		1,500	 1,193		(307)
Government contributions		-		-	-		-
Transfers in		-		-	2,000,000		2,000,000
Transfers out		-		-	 -		-
Change in net position	\$		\$	(71,267)	2,569,728	\$	2,640,995
Reconciliation to GAAP basis:							
No adjustments to revenues No adjustments to expenditures					 -		
Change in net position per Exhibit D-2					2,569,728		
Total net position, beginning of year					7,011,136		
Total net position, end of year					\$ 9,580,864		

SUPPORTING SCHEDULES

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City of Hobbs Schedule of Deposits and Investments June 30, 2014

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	\$	158,936	\$	14,408	\$	178,226	\$	(4,882)
City of Hobbs - Investment Account	Money Market		57,263		-		-		57,263
City of Hobbs	Checking		1		159,263	2	2,818,803	(2	2,659,539)
City of Hobbs Savings	Repurchase		2,667,853		-		-	2	2,667,853
Inmate Trust Account	Checking		18,440		-		-		18,440
Hobbs Police Dept - Evidence Trust	Checking		106,726		-		-		106,726
HPD - Crime Prevention	CD		1,991		-		-		1,991
City of Hobbs Mun. Judge Trust	Checking		130,959		-		1,424		129,535
Total Lea County State Ban	k		3,142,169		173,671	2	2,998,453		317,387

Plus: petty cash	9,880
Add: cash equivalents held in the State Treasurer Local Government Investment Pool (LGIP)	59,479,616
Add: United States Treasury Bills held at U.S. Bank	29,993,418
Less: restricted cash and cash equivalents per Exhibit A-1	(3,492,444)
Less: agency cash per Exhibit E-1	(373,250)
Cash and cash equivalents per Exhibit A-1	\$85,934,607

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City of Hobbs Schedule of Collateral Pledged by Depository for Public Funds June 30, 2014

Name of	Description of Pledged	Type of Pledged		CUSIP	Par/FMV Value at	
Depository	Collateral	Collateral	Maturity	Number	June 30, 2014	Name and Location of Safekeeper
Lea Count	ty State Bank					
	Belen NM SD 4.00%	Muni	8/1/2017	077581MM5	\$ 150,000	* 1st Security Bank, Salt Lake City, UT
	Artesia NM Wtr Swr 4.00	Muni	6/1/2023	04310LAPS	725,000	* 1st Security Bank, Salt Lake City, UT
	US Treasury	T-Bill	3/31/2018	912828QB9	2,721,206	1st Security Bank, Salt Lake City, UT
	Total Pledged Collateral				\$3,596,206	

* 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, 2014

Motor Vehicle	Balance at June 30, 2013	Receipts	Disbursements	Balance at June 30, 2014
Assets				
Cash and cash equivalents	\$ -	\$ 5,380,565	\$ 5,380,565	\$ -
Total assets	\$	\$ 5,380,565	\$ 5,380,565	<u>\$</u>
Liabilities				
Deposits held in trust for others	\$ -	\$ 5,380,565	\$ 5,380,565	\$ -
Total liabilities	\$ -	\$ 5,380,565	\$ 5,380,565	\$ -
Municipal Judge				
Assets				
Cash and cash equivalents	\$ 133,621	\$ 132,333	\$ 88,877	\$ 177,077
Total assets	\$ 133,621	\$ 132,333	\$ 88,877	\$ 177,077
Liabilities				
Deposits held in trust for others	\$ 133,621	\$ 132,333	\$ 88,877	\$ 177,077
Total liabilities	\$ 133,621	\$ 132,333	\$ 88,877	\$ 177,077
Crime Lab				
Assets				
Cash and cash equivalents	\$ 56,417	\$ 92,902	\$ 90,851	\$ 58,468
Total assets	\$ 56,417	\$ 92,902	\$ 90,851	\$ 58,468
Liabilities				
Deposits held in trust for others	\$ 56,417	\$ 92,902	\$ 90,851	\$ 58,468
Total liabilities	\$ 56,417	\$ 92,902	\$ 90,851	\$ 58,468

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, 2014

	alance at e 30, 2013	Receipts		Disbursements		Balance at June 30, 2014	
Senior Citizen							
Assets							
Cash and cash equivalents	\$ 5,237	\$	2,626	\$	1,475	\$	6,388
Total assets	\$ 5,237	\$	2,626	\$	1,475	\$	6,388
Liabilities							
Deposits held in trust for others	\$ 5,237	\$	2,626	\$	1,475	\$	6,388
Total liabilities	\$ 5,237	\$	2,626	\$	1,475	\$	6,388
Hobbs Beautiful							
Assets							
Cash and cash equivalents Accounts receivable	\$ 16,322 4,588	\$	9,056	\$	4,712 4,588	\$	20,666
Total assets	\$ 20,910	\$	9,056	\$	9,300	\$	20,666
Liabilities							
Deposits held in trust for others	\$ 20,910	\$	9,056	\$	9,300	\$	20,666
Total liabilities	\$ 20,910	\$	9,056	\$	9,300	\$	20,666
City Agency							
Assets							
Cash and cash equivalents	\$ 2,627	\$	1,785	\$	559	\$	3,853
Total assets	\$ 2,627	\$	1,785	\$	559	\$	3,853
Liabilities							
Deposits held in trust for others	\$ 2,627	\$	1,785	\$	559	\$	3,853
Total liabilities	\$ 2,627	\$	1,785	\$	559	\$	3,853

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, 2014

Evidence Fund	Balance at June 30, 2013	Receipts	Disbursements	Balance at June 30, 2014
Assets				
Cash and cash equivalents	\$ 69,013	\$ 37,713	<u>\$</u>	\$ 106,726
Total assets	\$ 69,013	\$ 37,713	\$ -	\$ 106,726
Liabilities				
Deposits held in trust for others	\$ 69,013	\$ 37,713	\$ -	\$ 106,726
Total liabilities	\$ 69,013	\$ 37,713	\$ -	\$ 106,726
Foreclosure Trust				
Assets				
Cash and cash equivalents	\$ 72	\$ -	\$ -	\$ 72
Total assets	\$ 72	\$ -	\$ -	\$ 72
Liabilities				
Deposits held in trust for others	\$ 72	\$ -	\$ -	\$ 72
Total liabilities	\$ 72	\$ -	\$	\$ 72
Total - All Agency Funds				
Assets				
Cash and cash equivalents Other receivables	\$ 283,309 4,588	\$ 5,656,980	\$ 5,567,039 4,588	\$ 373,250
Total assets	\$ 287,897	\$ 5,656,980	\$ 5,571,627	\$ 373,250
Liabilities				
Deposits held in trust for others	\$ 287,897	\$ 5,656,980	\$ 5,571,627	\$ 373,250
Total liabilities	\$ 287,897	\$ 5,656,980	\$ 5,571,627	\$ 373,250

See independent auditors' report

COMPLIANCE SECTION



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, and the budgetary comparison of the General Fund of the City of Hobbs (the "City") as of and for the year ended June 30, 2014, 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 25, 2014.

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.

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. 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.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section 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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. We did identify a certain deficiency in internal control, described in the accompanying schedule of findings and questioned costs that we consider to be a significant deficiency. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item FS 2014-005 to be a significant deficiency.

134

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 2014-001, FS 2014-002, FS 2014-003, and FS 2014-004.

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 results 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 + Causulting Craup, MP

Accounting & Consulting Group, LLP Albuquerque, New Mexico November 25, 2014

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FEDERAL FINANCIAL ASSISTANCE



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 each 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, 2014. The City's major federal programs are 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 each major federal program. However, our audit does not provide a legal determination of the City's compliance.

Opinion on each 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 each major federal program for the year ended June 30, 2014.

138

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 each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each 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 deficiencies, in internal control over compliance requirement of a federal program will not be prevented, or a combination of deficiencies, in internal control over compliance requirement of a federal program will not be prevented, or a combination of deficiencies, in internal control over compliance requirement of a federal program will not be prevented 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 + Causulting Craup, MP

Accounting & Consulting Group, LLP Albuquerque, New Mexico November 25, 2014

22,615

10,638

2,630

6,655 3,236

772,123

1,210,377

\$

STATE OF NEW MEXICO

City of Hobbs Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2014

	CFDA	Federal Grantors		
Federal Grantor/Pass Through Grantor/Program Title	Number	Number	Expe	enditures
U.S. Department of Agriculture				
Emergency Food Assistance Program	10.569	2013-14-60827	\$	94,128
Total U.S. Department of Agriculture				94,128
U.S. Department of Justice				
Edward Byrne Memorial Justice Assistance Grant (JAG) - Recovery Act	16.807	2011-DJ-BX-2203		23,398
Edward Byrne Memorial Justice Assistance Grant (JAG) - Recovery Act	16.807	2012-DJ-BX-1094		21,666
Bulletproof Vest Partnership Program	16.607			1,682
Public Safety Partnership and Community Policing Grants (1)	16.710	2010UMWX		297,380
Total U.S. Department of Justice				344,126
U.S. Department of Transportation				
Passed through NM Department of Transportation				
Urban Mass Transit Authority (1)	20.509	MOA FY 13		113,106
Urban Mass Transit Authority (1)	20.509	MOA FY13		44,030
Urban Mass Transit Authority (1)	20.509	MOA FY14		338,661
Highway Planning and Construction	20.205	CN 2100670		46,260
Highway Planning and Construction	20.205	CN2100310		173,979
Highway Planning and Construction	20.205	CN: 2100590		10,313
	20.205	CD 111/20000 (1		00 (15

20.205

20.608

20.608

20.608

20.608

CNW200061

13-AL-64-045

13-OP-RF-045

14-AL-64-045

14-0P-RF-045

(1) Denotes Major Federal Financial Assistance Program

Total U.S. Department of Transportation

Total Federal Financial Assistance

Highway Planning and Construction - Safe Routes to School

Minimum Penalties for Repeat Offenders for Driving While Intoxicated

Minimum Penalties for Repeat Offenders for Driving While Intoxicated

Minimum Penalties for Repeat Offenders for Driving While Intoxicated

Minimum Penalties for Repeat Offenders for Driving While Intoxicated

STATE OF NEW MEXICO City of Hobbs Schedule of Expenditures of Federal Awards For the Year Ended June 30, 2014

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	\$ 1,210,377
Total expenditures funded by other sources	 72,806,798
Total expenditures of governmental funds	\$ 74,017,175

Yes

Section I – Summary of Auditors' Results

Financial Statements:

1.	Type of auditors' report issued	Unmodified		
2.	Internal control over financial reporting:			
	a. Material weaknesses identified?	No		
	b. Significant deficiencies identified not considered to be material weakness	ses? 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 weakness	ses? 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 Progra	am		
	20.509Urban Mass Transit Author16.710Public Safety Partnership and Cont			
5.	Dollar threshold used to distinguish between type A and type B programs:	\$300,000		

6. Auditee qualified as low-risk auditee?

City of Hobbs Schedule of Findings and Questioned Costs June 30, 2014

Section II – Prior Year Audit Findings

Prior Year Audit Findings

Financial Statement Findings

Financial State	Disposition	
FS 2011-1	Internal Controls over Inventories	Resolved
FS 2013-001	Court Receipts-Monthly Transactions Reconciliation	Resolved
FS 2013-002	Inmate Trust Bank Not Reconciled and Recorded in	
	the General Ledger	Resolved
FS 2013-003	Employee Pay Rate Not Correct	Resolved
FS 2013-004	Capital Asset Inventory Not Certified by City Commission	Resolved
FS 2013-005	Municipal Court Receipt Not Deposited Timely	Resolved
FS-2013-006	Work Performed Without A Contract in Place	Resolved

Section III – Findings - Financial Statement Audit

FS 2014-001 Vendor Billing in Excess of Approved Purchase Order Amounts- (other matter)

Condition: During the fiscal year 2014 audit, City management brought to our attention two instances in which supplies were ordered in excess of the approved purchase order amount.

In the first instance the approved purchase order (21500437-00) amount was \$5,000; however, the invoices against the purchase order totaled \$31,303.

In the second instance the approved purchase order (21302542-01) amount was \$1,605,231.39; however, the invoices against the purchase order totaled \$1,760,645.45.

Criteria: Section 3.4 (B) of the City of Hobbs procurement policy required invoiced amounts not to exceed the approved purchase order, it states:

Category #2-Total cost is more than \$20,000, but less than \$50,000

"Purchase of services, construction or items of tangible personal property having a value not exceeding fifty thousand dollars, (\$50,000) are accomplished by obtaining three written quotes. The quotes will be turned in to the CPO with a quote/purchase request form for issuance of a purchase order. Purchases made in this category must obtain prior approval from an authorized department employee."

Category #3-Total cost is more than \$50,000

"Purchases of services, construction or items of tangible personal property in this category must be procured using formal sealed bids or competitive sealed proposals through the CPO. Only the CPO can distribute bid and proposal documents, maintain an approved bidder list, or issue any addendum to bids or proposals. Purchases made in this category must obtain prior approval from the Department Head and approved by the City Manager and City Commission."

Effect: Future unauthorized purchases could occur and go undetected if receipts of goods are not verified by authorized department employees. Fines could assessed if procurement policies are not followed:

Section 1.7 of the City's procurement policy states as follows:

<u>CIVIL PENALTIES</u> - Persons knowingly violating the State Procurement code, or this policy based on State law, may be subjected to a penalty not to exceed \$1,000 per occurrence (13-1-196 NMSA 1978).

Cause: The City's internal procurement policies were not followed by the Department's employees.

Auditors' Recommendation: We recommend the City evaluate the performance of those departments which procured these goods in amounts that exceed authorized amounts, and provide adequate training of proper procurement practices as defined by the City's policies and the state procurement code.

Management's response:

The City of Hobbs has updated the City Procurement Ordinance (effective December 1st, 2014) with procedures in detailing out specific steps in obtaining purchase orders, contracts, request for proposals, bids and cooperative purchasing. This provides the Finance Department a benchmark into creating additional training opportunities for City departments.

Section III – Findings - Financial Statement Audit (continued)

FS 2014-002 Wedding Chair Covers Ordered For Wedding Ceremony-(other matter)

Condition: During the fiscal year 2014 audit, City management brought to our attention one instance in which the Recreation Program Coordinator ordered wedding chair covers from a vendor for personal use at the Coordinator's wedding ceremony. 50 wedding chair covers were ordered at \$16 each and delivered to the Coordinator's personal residence.

Criteria: Good internal control practices require the City to verify goods and services received including quantity of items delivered. Also Section 3.4 (B) of the City of Hobbs required approval of chair cover from an authorized department employee

Category #1-Total cost is less than \$20,000

"Price quotes for these purchases are not required; however a good faith effort must be made to acquire the materials or services at the best obtainable price. All departments can purchase services, construction or items of tangible personal property having a value not exceeding <u>twenty</u> thousand dollars (\$20,000) by issuing a direct small purchase order. Purchases made in this category must obtain prior approval from an authorized department employee."

Effect: Future unauthorized purchases could occur and go undetected if receipts of goods are not verified by authorized department employees. Public resources were not used for public benefit. Fines could be assessed if procurement policies are not followed:

Section 1.7 of the City's procurement policy states as follows:

<u>CIVIL PENALTIES</u> - Persons knowingly violating the State Procurement code, or this policy based on State law, may be subjected to a penalty not to exceed \$1,000 per occurrence (13-1-196 NMSA 1978).

Cause: The purchase of the wedding chair covers was ordered from a vendor that currently does business with the City. An additional shipping address was added so that the wedding chair covers could be delivered to the Coordinator's home address. There were not adequate limitations within the department on who could make purchases and add additional authorized shipping addresses.

Auditors' Recommendation: We recommend the City evaluate the performance of the individual which procured these goods for personal use and provide adequate training of proper procurement practices as defined by the City's policies and the state procurement code. We further recommend the City define who within the department is authorized to procure goods and services and add additional shipping addresses.

Management's response:

The City of Hobbs has strict guidelines on internal control. The internal controls implemented through purchasing disclosed the unauthorized purchase and the employee was disciplined properly. The City of Hobbs requires that all original invoices from vendors are to be received by the Finance Department. Also, all vendors are required to submit a W-9 before the vendor is entered into the system. The Finance Department requires that all valid purchasers are authorized by the Department Head. All of these controls were essential in disclosing the unauthorized purchase.

Section III – Findings - Financial Statement Audit (continued)

FS 2014-003 Fire Protection Fund Reimbursement- (other matter)

Condition: During the fiscal year 2014 audit, City management brought to our attention one instance in which the City reimbursed a fire instructor (City employee) \$445 in travel and per diem cost incurred for teaching a five-day class at the State Fire Academy in Socorro, New Mexico during September 2011 even though the State Fire Academy paid the instructor \$750 for teaching the class. The travel reimbursement was discovered during a review of documentation submitted for purchases and expenditures made from the Hobbs Fire Departments' fire protection fund conducted by the New Mexico State Fire Marshall's Office.

Criteria: It was the New Mexico State Fire Marshall who determined that travel reimbursement was improper given the Academy compensated the instructor for teaching the five-day class. Good internal control practices require the City to verify that the instructor was not being compensated by the Academy prior to approving the travel reimbursement.

Effect: It was the New Mexico State Fire Marshall who determined the City should reimburse the City's Fire Protection fund in the amount of \$445 from the City's general fund. Future fire protection fund disbursements could be disallowed if travel reimbursements are not reviewed to ensure the reimbursement is not given to an employee who is already being compensated for service provided.

Cause: The City had no way of knowing that the Instructor was being compensated by the Academy for teaching the class. The instructor did not disclose this to the City and accepted the travel reimbursement.

Auditors' Recommendation: We recommend that future fire instructor's sign a disclosure statement indicating they are not being compensated for teaching classes in the event they submit a travel reimbursement request, or if they are being compensated, we recommend the City not reimburse the employee for travel and per diem costs.

Management's response:

The City of Hobbs will institute a policy and procedure regulation that requires a disclosure statement indicating they are not being compensated for teaching classes, receiving travel reimbursements, and receiving jury duty compensation while being paid by the City of Hobbs. Exceptions would be if the employee was on paid time off by the City of Hobbs.

Section III – Findings - Financial Statement Audit (continued)

FS 2014-004 Animal Adoption Center Cash Shortage-(other matter)

Condition: During the fiscal year 2014 audit, City management brought to our attention one instance in which the cash till at the Animal Adoption Center (Center) was short. On November 21, 2013 the Center could not locate \$12 received.

Criteria: Good accounting practices require the Center to closely monitor tills to ensure daily cash received balances to the till report.

Effect: Future daily cash receipts could go missing and not be available to support the Center's program if the cause of the discrepancies is not verified and corrected.

Cause: It could not be determined if the receipt was lost, stolen or misplaced.

Auditors' Recommendation: We recommend the City institute stronger controls surrounding the cash receipt process at the Center and perform random checks to ensure controls are operating correctly and that all money is accounted for daily.

Management's response: Stronger internal control regarding small cash receipts will be implemented. The center has been instructed to balance all of their cash daily. Additionally, random checks of the department's bank will be implemented.

Section III – Findings - Financial Statement Audit (continued)

FS 2014-005 – Internal Control over Payroll – (significant deficiency)

Condition: During our test work over payroll we noted the City does not have appropriate segregation of duties over payroll as the Payroll Specialist, who processes payroll, also has access to and make changes to personnel information in the accounting system which are human resource (HR) functions.

Criteria: The COSO Internal Control Integrated Framework consists of five critical elements that must be present in carrying out the achievement objectives of an organization. These elements are known as the control environment, risk assessment, control activities, information and communication and monitoring. With these elements in place, the City can maximize its potential for achieving its performance targets and reduce the risk of loss of resources.

Effect: Without all of the five elements of the COSO Internal Control Integrated Framework present, the City is exposing itself to the risk of misappropriation of assets.

Cause: The City has not implemented or obtained the necessary restrictions to the accounting software for proper segregation of duties as it pertains to the payroll and HR functions as it pertains to the payroll specialist's access.

Auditors' Recommendation: We recommend that the City appropriately restrict the payroll specialist's access to the payroll system.

Management's response:

The City of Hobbs will restrict the payroll specialist access through the Munis system by limiting it to inquiry only.

STATE OF NEW MEXICO City of Hobbs Other Disclosures June 30, 2014

Exit Conference

An exit conference was held on November 25, 2014. In attendance were the following:

Representing the City of Hobbs:

Sam Cobb Toby Spears Deborah Corral Mayor Finance Director Assistant Finance Director

Representing Accounting & Consulting Group, LLP:

Cindy Bryan

Partner

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.