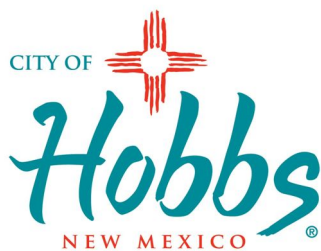




State of
New Mexico
City of Hobbs

Annual Financial Report
For the Year Ended June 30, 2016



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INTRODUCTORY SECTION

City of Hobbs
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STATE OF NEW MEXICO

City of Hobbs

Official Roster

June 30, 2016

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

Administration

J.J. Murphy		City Manager
Toby Spears, CPA		Finance Director
Deborah Corral		Assistant Finance Director

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FINANCIAL SECTION

INDEPENDENT AUDITORS' REPORT

Timothy Keller
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 comparisons for the General Fund and major special revenue fund of City of Hobbs, New Mexico (the City), as of and for the year ended June 30, 2016, and the related notes to the financial statements which collectively comprise the City's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the City's nonmajor governmental funds, and the budgetary comparisons for all nonmajor funds, the proprietary funds and the internal service fund presented as supplementary information, as defined by the Governmental Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2016, 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.

Auditors' Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2016, and the respective changes in financial position and where applicable, cash flows thereof and the respective budgetary comparisons for the general fund and major special revenue 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 financial position of each nonmajor governmental fund of the City, as of June 30, 2016, and the respective changes in financial position, and the respective budgetary comparisons for each nonmajor governmental fund, the proprietary funds, and the internal 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 14 through 29 and *Supporting Schedules I through III*, and the notes to the required supplementary information on page 99 and pages 102 through 108 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 financial statements that collectively comprise the City's basic financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The introductory section, the Schedule of Expenditures of Federal Awards as required by Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), and Supporting Schedules IV through VII required by section NMAC 2.2.2 NMAC are presented for the purpose of additional analysis and are not a required part of the basic financial statements.

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

The introductory section and Schedule VII have 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 them.

Other Reporting Required by *Government Auditing Standards*

In accordance with *Government Auditing Standards*, we have also issued our report dated November 30, 2016 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.

RPC CPAs + Consultants LLP

RPC CPAs + Consultants, LLP
Albuquerque, New Mexico
November 30, 2016

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STATE OF NEW MEXICO
City of Hobbs
Management's Discussion And Analysis
For the Year Ended June 30, 2016
Unaudited

As management of the City of Hobbs, New Mexico, we offer readers of the City of Hobbs financial statements this narrative overview and analysis of the financial activities of the City of Hobbs for the fiscal year ended June 30, 2016. 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 \$52,711,483.
- The assets of the City of Hobbs exceeded its liabilities at June 30, 2016 by \$296,046,256.
- Restricted net position totaled \$38,759,396 at June 30, 2016. Restricted net position amounts are subject to external restrictions on how they may be used.
- Unrestricted net position totaled \$22,978,983 at June 30, 2016.
- Gross receipts taxes decreased approximately 41.6% from \$90,360,657 for 2015 to \$52,711,483 for 2016. The decrease is related primarily to the decrease in the economic activity from construction and the oil and gas industry.

Overview of the Financial Statements

This discussion and analysis are intended to serve as an introduction to the City of Hobbs basic financial statements. The City of Hobbs basic financial statements are comprised of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements.

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.

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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.

The City of Hobbs maintains one major governmental fund for financial reporting purposes-the General Fund. All remaining funds are combined and reported in the column labeled non-major governmental funds. A combining schedule is provided within the financial statements containing the detail of these individual funds.

Proprietary funds

The City of Hobbs maintains two different types of proprietary funds. Enterprise funds are used to report the same functions presented as business-type activities in the government-wide financial statements. The City of Hobbs uses enterprise funds to account for its water and sewer system. Internal service funds are an accounting device used to accumulate and allocate costs internally among the City of Hobbs various functions. The City of Hobbs uses internal service funds to account for the health and workers' compensation insurance activities. Because these services predominantly benefit the governmental rather than business-type functions, they have been included within governmental activities in the government-wide financial statements.

Proprietary fund financial statements provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the water and sewer joint utility, and the internal service funds.

Fiduciary funds

Fiduciary funds are used to account for resources held for the benefit of parties outside the government. Fiduciary funds are not reflected in the government-wide financial statements because the resources of those funds are not available to support the City of Hobbs own programs. The accounting used for fiduciary funds is much like that used for proprietary funds.

Notes to the financial statements

The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements.

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City of Hobbs
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Government-wide Financial Analysis

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City of Hobbs, assets exceeded liabilities by \$296,046,256 at June 30, 2016. Significant reasons for the increase follow the schedule below.

	June 30, 2016		
	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 95,880,618	\$ 15,953,826	\$ 111,834,444
Receivables	13,082,975	2,220,821	15,303,796
Internal balances	91,281	(91,281)	-
Inventories	133,003	584,763	717,766
Prepaid expenses	1,283,663	-	1,283,663
Restricted cash and investments	-	6,336,285	6,336,285
Capital assets, net of depreciation	195,834,633	69,143,170	264,977,803
Deferred outflows	5,000,455	387,316	5,387,771
Total assets	<u>\$ 311,306,628</u>	<u>\$ 94,534,900</u>	<u>\$ 405,841,528</u>
LIABILITIES AND NET POSITION			
Current liabilities	\$ 4,424,389	\$ 3,629,835	\$ 8,054,224
Customer deposits	-	731,254	731,254
Long-term liabilities due within one year	-	1,824,532	1,824,532
Long-term liabilities due in more than one year	63,799,394	35,086,135	98,885,529
Deferred inflows	282,532	17,201	299,733
Total liabilities	<u>68,506,315</u>	<u>41,288,957</u>	<u>109,795,272</u>
Net investment in capital assets	195,834,633	38,473,245	234,307,878
Restricted for:			
Debt service	-	3,492,502	3,492,502
Capital projects	3,827,600	-	3,827,600
Special revenue	31,439,294	-	31,439,294
Unrestricted	11,698,787	11,280,196	22,978,983
Total net position	<u>242,800,313</u>	<u>53,245,943</u>	<u>296,046,256</u>
Total liabilities and net position	<u>\$ 311,306,628</u>	<u>\$ 94,534,900</u>	<u>\$ 405,841,528</u>

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Government-wide Financial Analysis (continued)

On June 30, 2015, assets exceeded liabilities by \$300,176,198. Significant reasons for the increase follow the schedule below.

	June 30, 2015		
	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 101,433,564	\$ 14,969,657	\$ 116,403,221
Receivables	13,289,414	1,920,168	15,209,582
Internal balances	32,380	(32,380)	-
Inventories	105,883	539,732	645,615
Prepaid expenses	1,287,382	-	1,287,382
Restricted cash and investments	449,772	6,692,489	7,142,261
Capital assets, net of depreciation	196,675,361	62,080,475	258,755,836
Deferred outflows	4,223,479	326,578	4,550,057
Total assets	<u>\$ 313,273,756</u>	<u>\$ 86,170,141</u>	<u>\$ 403,993,954</u>
LIABILITIES AND NET POSITION			
Current liabilities	\$ 3,893,046	\$ 4,092,665	\$ 7,985,711
Customer deposits	-	655,088	655,088
Long-term liabilities due within one year	-	1,753,426	1,753,426
Long-term liabilities due in more than one year	48,773,918	34,873,826	83,647,744
Deferred inflows	9,074,134	701,653	9,775,787
Total liabilities	<u>61,741,098</u>	<u>42,076,658</u>	<u>103,817,756</u>
Net investment in capital assets	196,675,361	29,639,996	226,315,357
Restricted for:			
Debt service	-	6,037,401	6,037,401
Capital projects	3,853,226	-	3,853,226
Special revenue	2,293,910	-	2,293,910
Unrestricted	52,933,640	8,742,664	61,676,304
Total net position	<u>255,756,137</u>	<u>44,420,061</u>	<u>300,176,198</u>
Total liabilities and net position	<u>\$ 317,497,235</u>	<u>\$ 86,496,719</u>	<u>\$ 403,993,954</u>

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Government-wide Financial Analysis (continued)

By far the largest portion of the City of Hobbs' net position (79%, or \$234,307,878) 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 13%, or \$38,759,396, of the City of Hobbs' net position is restricted subject to external restrictions on how they may be used, and 7%, or \$22,978,983, of the City of Hobbs' net position is available as unrestricted and available for any use the governing body may deem appropriate.

Governmental activities

- Decreased revenues from gross receipts taxes led to lower cash balances at June 30, 2016 compared to June 30, 2015. Gross receipts taxes was \$52,711,483 for the year ended June 30, 2016 compared to \$90,361,657 for the year ended June 30, 2015.
- 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 unfunded OPEB liability and the net pension liability which is required to be reported by GASB 68.

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.

Net (Expense) Revenue and Changes in Net Position

The City's total revenues for the years ended June 30, 2016 and 2015, respectively, were \$93,537,869 and \$126,695,771. Total expenses were, respectively, \$97,667,811 and \$83,711,069. 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, 2016 and 2015. Reasons for significant changes follow the schedules.

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City of Hobbs
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Government-wide Financial Analysis (continued)

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

<u>Functions/Programs</u>	June 30, 2016		
	Primary Government		
	Governmental Activities	Business-type Activities	Total
Primary government:			
General government	\$ 18,058,750	\$ -	\$ 18,058,750
Public safety	26,430,464	-	26,430,464
Public works	13,156,172	-	13,156,172
Culture and recreation	12,545,343	-	12,545,343
Health and welfare	7,377,432	-	7,377,432
Economic development	1,244,087	-	1,244,087
Solid waste sanitation	-	5,748,323	5,748,323
Joint utility enterprise	-	13,107,240	13,107,240
Less charges for services	5,789,987	17,981,541	23,771,528
Less operating grants and contributions	2,566,273	-	2,566,273
Less capital grants and contributions	5,320,245	1,999,061	7,319,306
	<u>\$ (65,135,743)</u>	<u>\$ 1,125,039</u>	<u>\$ (64,010,704)</u>
General revenues:			
Taxes:			
Property taxes - general purposes	\$ 2,687,304	\$ -	\$ 2,687,304
Gross receipts taxes	51,504,139	1,207,344	52,711,483
Franchise taxes	1,451,849	-	1,451,849
Other taxes	2,016,034	-	2,016,034
Unrestricted investment earnings	443,932	25,123	469,055
Donated capital asset	20,140	-	20,140
Miscellaneous	524,897	-	524,897
	<u>58,648,295</u>	<u>1,232,467</u>	<u>59,880,762</u>
Excess (deficiency) before contributions and transfers	<u>(6,487,448)</u>	<u>2,357,506</u>	<u>(4,129,942)</u>
Internal transfers	<u>(6,468,376)</u>	<u>6,468,376</u>	<u>-</u>
Change in net position	<u>(12,955,824)</u>	<u>8,825,882</u>	<u>(4,129,942)</u>
Net position - beginning	<u>255,756,137</u>	<u>44,420,061</u>	<u>300,176,198</u>
Net position - ending	<u>\$ 242,800,313</u>	<u>\$ 53,245,943</u>	<u>\$ 296,046,256</u>

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

	June 30, 2015		
	Primary Government		
<u>Functions/Programs</u>	<u>Governmental</u>	<u>Business-type</u>	<u>Total</u>
Primary government:	Activities	Activities	
General government	\$ 24,410,532	\$ -	\$ 24,410,532
Public safety	24,420,842	-	24,420,842
Public works	3,216,222	-	3,216,222
Culture and recreation	9,530,440	-	9,530,440
Health and welfare	3,174,752	-	3,174,752
Economic development	1,521,431	-	1,521,431
Solid waste sanitation	-	6,463,784	6,463,784
Joint utility enterprise	-	10,870,801	10,870,801
Less charges for services	4,422,152	18,347,160	22,769,312
Less operating grants and contributions	2,158,150	-	2,158,150
Less capital grants and contributions	3,146,639	360,045	3,506,684
	<u>\$ (56,547,278)</u>	<u>\$ 1,372,620</u>	<u>\$ (55,174,658)</u>
General revenues:			
Taxes:			
Property taxes - general purpose	\$ 2,509,587	\$ -	\$ 2,509,587
Gross receipts taxes	88,301,064	2,060,593	90,361,657
Franchise taxes	1,598,790	-	1,598,790
Other taxes	2,920,530	-	2,920,530
Unrestricted investment earnings	223,241	4,753	227,994
Donated capital asset	112,000	-	112,000
Miscellaneous	428,802	-	428,802
	<u>96,094,014</u>	<u>2,065,346</u>	<u>98,159,360</u>
Excess (deficiency) before contributions and transfers	<u>39,546,736</u>	<u>3,437,966</u>	<u>42,984,702</u>
Internal transfers and transfers to agency fund	<u>(5,200,680)</u>	<u>5,196,383</u>	<u>(4,297)</u>
Change in net position	<u>34,346,056</u>	<u>8,634,349</u>	<u>42,980,405</u>
Net position - beginning	256,788,670	38,521,343	295,310,013
Prior period adjustment	<u>(35,378,589)</u>	<u>(2,735,631)</u>	<u>(38,114,220)</u>
Net position - ending	<u>\$ 255,756,137</u>	<u>\$ 44,420,061</u>	<u>\$ 300,176,198</u>

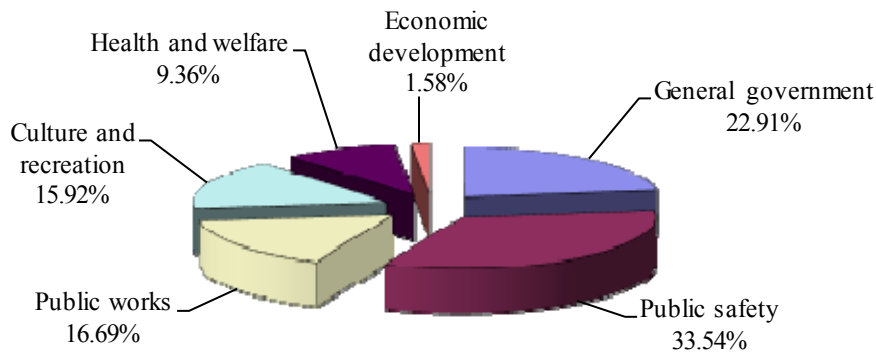
STATE OF NEW MEXICO
City of Hobbs
Management's Discussion And Analysis
For the Year Ended June 30, 2016
Unaudited

Governmental activities

The City of Hobbs's governmental activities' change in net position was \$(12,955,824) in the year ended June 30, 2016. The governmental activities' change in net position for the year ended June 30, 2015, was \$34,346,056. Significant highlights are noted below.

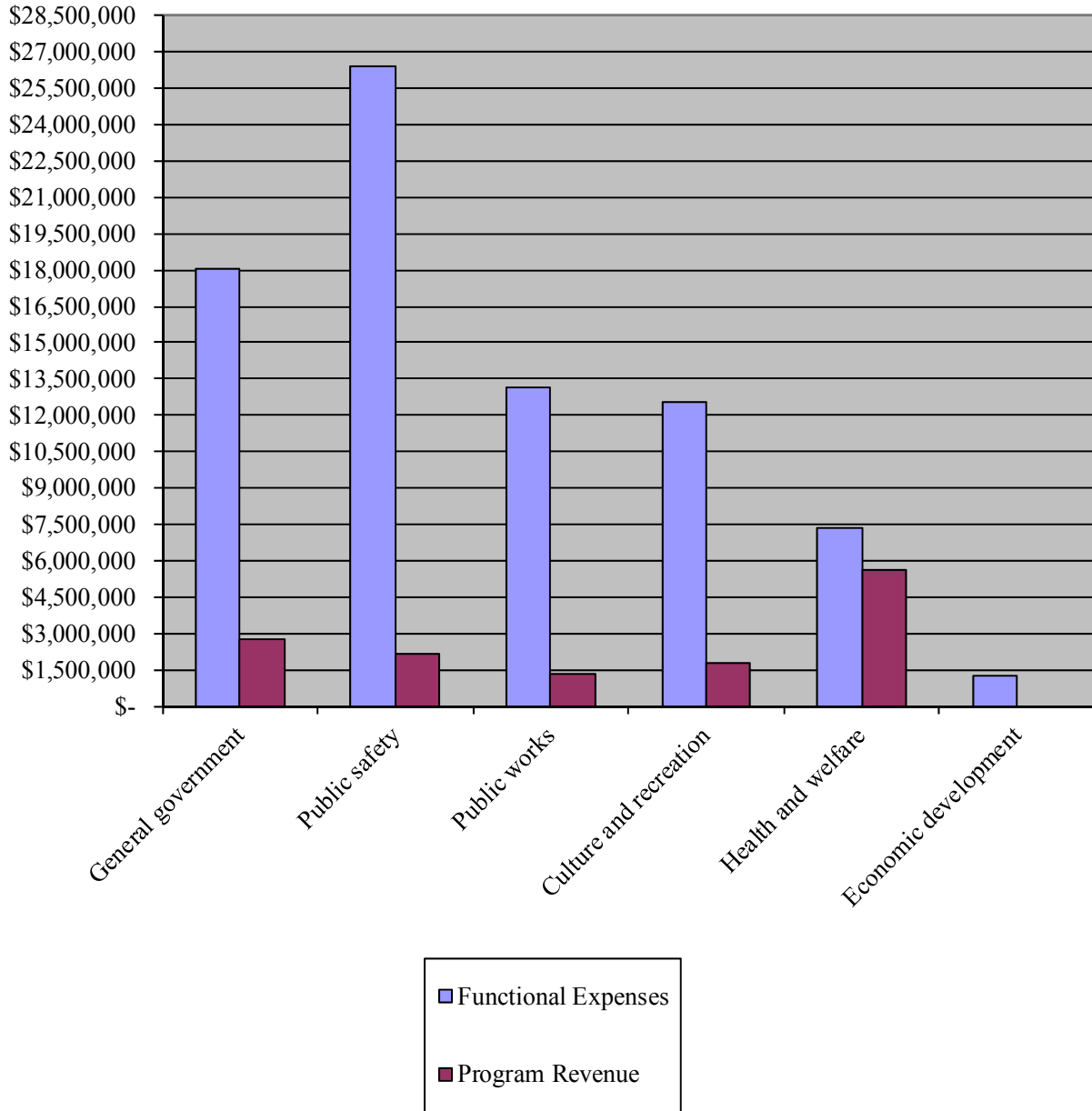
- Decreased revenues from gross receipts taxes led to lower cash balances at June 30, 2016 compared to June 30, 2015. Gross receipts tax was \$52,711,483 for the year ended June 30, 2016 compared to \$90,361,657 for the year ended June 30, 2015.
- Total expenses for fiscal year 2016 were \$97,667,811 compared to \$83,608,804 for fiscal year end 2016.

PROGRAM EXPENSES - GOVERNMENTAL ACTIVITIES



STATE OF NEW MEXICO
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**PROGRAM REVENUES AND EXPENSES - GOVERNMENTAL
 ACTIVITIES**



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City of Hobbs
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For the Year Ended June 30, 2016
Unaudited

Business-type activities

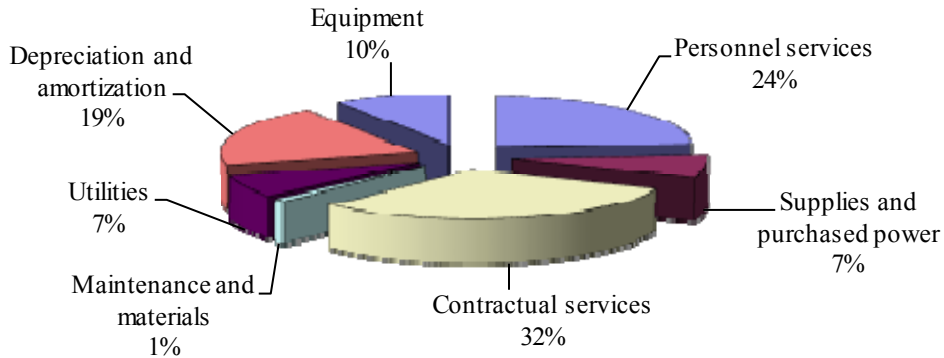
Revenues arise primarily from charges for services and expenses from operational costs. The City of Hobbs maintains a rate structure and pricing policies that call for a periodic review and adjustment of the rates to occur annually. The proprietary fund statements show these activities in greater detail.

The change in net position contributed by the City's business-type activities was \$8,825,882 in the year ended June 30, 2016, compared to the increase of net position of \$8,634,349 for the year ended June 30, 2015. The decrease this year was driven by a decrease in gross receipt taxes recorded in the joint Utility Enterprise fund.

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, 2016, unrestricted net position totaled \$10,134,029 in the Joint Utility fund and \$1,237,448 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.

BUSINESS-TYPE ACTIVITIES EXPENSES



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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

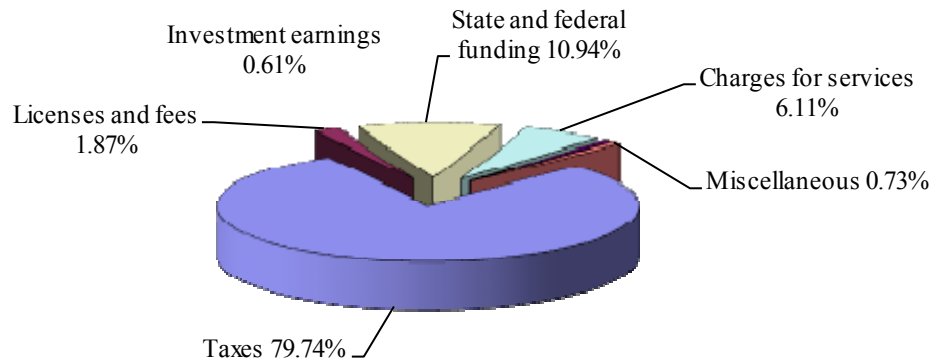
The focus of the City of Hobbs governmental funds is to provide information on near-term inflows, outflows, and balances of spendable resources. Such information is useful in assessing the City of Hobbs financing requirements. In particular, unrestricted balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year.

As of June 30, 2016, the City of Hobbs governmental funds reported combined ending fund balances of \$97,699,233, a decrease of \$5,919,658 from the prior year. Of this amount, \$58,600,350 approximately 60% constitutes unassigned fund balance, which is available for spending at the government's discretion. Approximately 8%, or \$7,250,827 constitutes fund balance is restricted for minimum fund balance requirements, and approximately 0.04%, or \$1,325,737 is not in spendable form because it is in the form of contracts for prepaid expenses. The remainder of fund balance - \$30,522,319 - 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 \$58,659,932. 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 107% of the total general fund expenditures.

The City's general fund balance decreased by \$30,293,937 in the current fiscal year.

REVENUE BY SOURCE - GOVERNMENTAL FUNDS

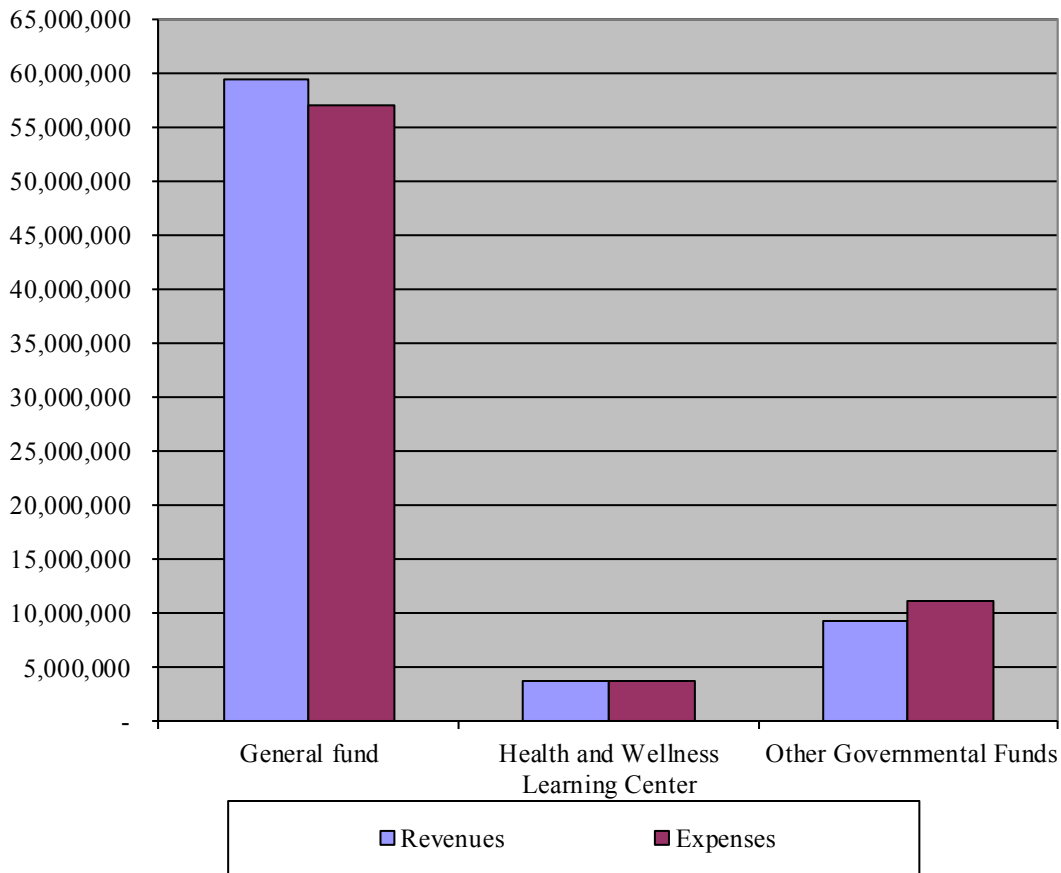


STATE OF NEW MEXICO
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Governmental funds (continued)

- Taxes include property taxes, franchise taxes, oil and gas production taxes, lodgers' taxes, and municipally-imposed gross receipts taxes.
- Intergovernmental includes grants and state-shared taxes, including a portion of gross receipts tax.
- Charges for services include fees for services and waste collection billing.
- Property tax rates remained unchanged in the current year.

**EXCESS OF REVENUES OVER EXPENDITURES -
 GOVERNMENTAL FUNDS**

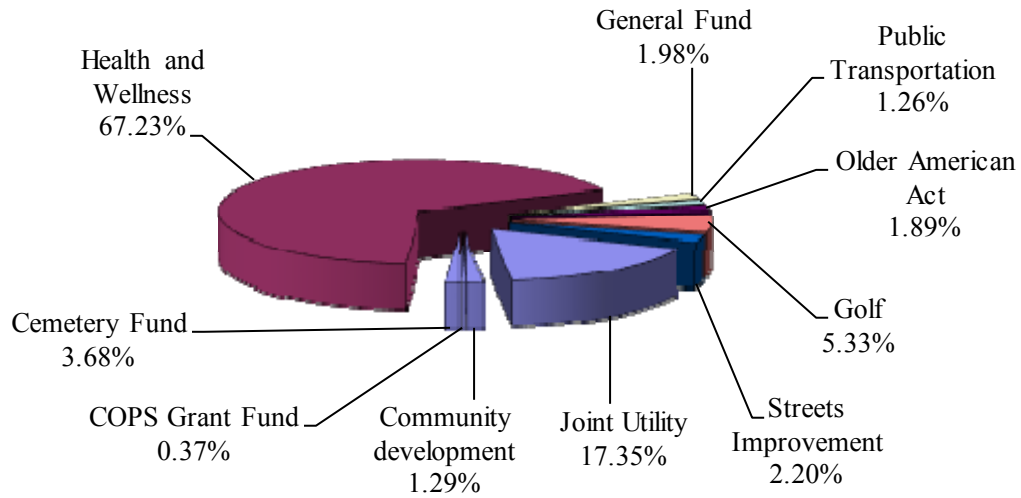


- Short-term deficiencies in revenues over expenditures are absorbed from cash balances accumulated over time within the individual funds.
- Long-term deficiencies in revenues over expenditures are corrected by operating transfers from the general fund.

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City of Hobbs
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Governmental funds (continued)

TRANSFERS TO FUNDS



Transfer activity totaled 37,273,999. The graph above details transfers in by fund recipient for the year ended June 30, 2016.

Budgetary Comparisons

The appropriated general fund budget for the year ended June 30, 2016 was amended by the City Commission throughout the year. These amendments resulted in the following changes:

	Excess (deficiency) of revenues over expenditures		
	Original Budget	Final Budget	Actual
General Fund	\$ (5,825,125)	\$ (23,575,515)	\$ 5,863,108

As required by the Department of Finance and Administration, the City prepared its final budget so that the ending budgeted cash equaled the City's actual ending cash. The City reported no budget variances on the Statements and Schedules of Revenues, Expenditures, and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual as a result of preparing its final budget in this manner.

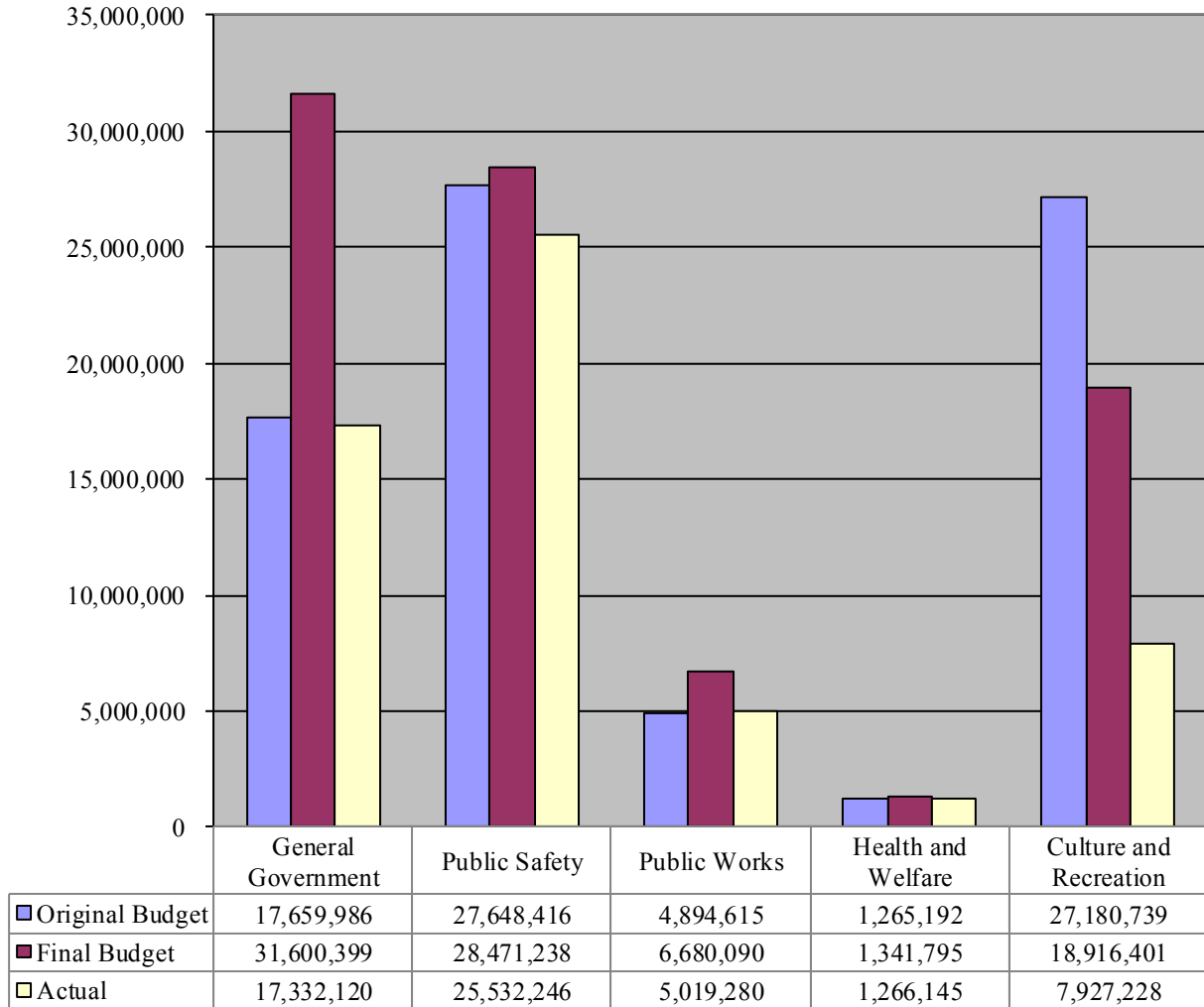
An analysis of significant differences between original and final budget amounts by function of government for the general fund follows.

The graph below displays the variances in the General Fund's functional expenses. As can be seen from this graph, the City experienced significant variances between original and final budget only in the General Government, Public Safety and the Public Works functions. In these cases, final budgeted expenses were less than anticipated originally. This is due to the difficulty in hiring qualified personnel for administrative, police, and firefighting positions.

STATE OF NEW MEXICO
 City of Hobbs
 Management's Discussion And Analysis
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Budgetary Comparisons (continued)

**ORIGINAL AND FINAL BUDGETS COMPARED TO ACTUAL -
 GENERAL FUND BY FUNCTION OF GOVERNMENT**



STATE OF NEW MEXICO
City of Hobbs
Management's Discussion And Analysis
For the Year Ended June 30, 2016
Unaudited

Current Facts and Future Trends

Mining continues to be the dominant Gross Receipts Tax category in the data supplied to the City by the New Mexico Taxation and Revenue Department. The annual percentage of mining gross receipt taxes is approximately 25% of the total annual gross receipt taxes received. Hobbs is more dependent than any other New Mexico city on mining 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. The other major categories of gross receipt taxes as a percentage of annual gross receipt taxes are retail trade (24%), services (8%), construction (9%) and wholesale trade (6%). The trending of gross receipts tax from 2016 to 2015 was a decrease from 85 million to 53 million, a 38% decrease. Currently, Gross Receipts Tax revenue is trending approximately 41 million in 2017. This represents a 23% decrease from 2016.

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. 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. Hiring qualified employees for the City of Hobbs is an ongoing challenge. The City has implemented various incentive programs for CDL drivers, police, fire, and general personnel. It is also is to note, expenditures related to all three components of the City Insurance program (employee benefits, worker's compensations and liability) increased at more than double the growth rate of General Fund revenues for several years prior to FY 2008. An actuarial study was performed in December 2015 to measure the City of Hobbs unfunded benefits liability as it relates to Retiree Health Insurance. The current unfunded liability as of June 2016 is \$23.8 million. In addition, GASB 68 (Local Portion of Pension Liabilities with regards to PERA) requires the City of Hobbs to recognize the local portion of PERA. The total liability regarding this pension is approximately \$68.9 million.

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 80% of the debt service related to the WWTP. The current total debt for the Enterprise Fund is approximately 31.3 million. 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 \$16.5 million dollars.

The City of Hobbs has partnered with various local entities to fund, design and develop a Health and Wellness facility to provide enhanced quality of life in the community. Estimated construction funding level for this project is approximately \$66.7 million dollars. The City of Hobbs is currently under contract with Haydon Construction for construction of this facility. A joint powers agreement has been developed to determine capital contribution levels and ongoing operations of this facility. Funding sources considered for this project are general fund revenues, fees, debt service and restricted donations. Estimated operational expenditures are 2.8 million dollars with an estimated revenue generation of 1.4 million. Subsidies are estimated to be fixed at 1.4 million dollars and will be accounted for in a Special Revenue Fund.

City Contact Information

This financial report is designed to provide our citizens, customers, and creditors with a general overview of the City's finances and to demonstrate the City's accountability for the funds it receives. Questions regarding this report or desiring additional information may be addressed to Toby Spears, CPA - Finance Director, City of Hobbs, New Mexico, 200 E. Broadway, Hobbs, NM 88240, or by phone at (575) 397-9235.

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**BASIC
FINANCIAL STATEMENTS**

STATE OF NEW MEXICO

City of Hobbs

Statement of Net Position

June 30, 2016

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Current assets:			
Cash and cash equivalents	\$ 95,880,618	\$ 15,953,826	\$ 111,834,444
Property taxes receivable	142,843	-	142,843
Other taxes receivable	8,298,628	188,369	8,486,997
Interest receivable	83,236	-	83,236
Due from customers, net of allowance	-	1,670,674	1,670,674
Other receivables	4,558,268	361,778	4,920,046
Prepaid expenses	1,283,663	-	1,283,663
Inventory	133,003	584,763	717,766
Internal balances	91,281	(91,281)	-
Total current assets	110,471,540	18,668,129	129,139,669
Noncurrent assets:			
Restricted cash and cash equivalents:			
Debt service and reserve requirements	-	3,492,502	3,492,502
Unspent grant proceeds	-	1,389,489	1,389,489
Unspent loan proceeds	-	723,040	723,040
Meter deposits	-	731,254	731,254
Capital assets	296,404,673	136,800,216	433,204,889
Less: accumulated depreciation and amortization	(100,570,040)	(67,657,046)	(168,227,086)
Total noncurrent assets	195,834,633	75,479,455	271,314,088
Total assets	306,306,173	94,147,584	400,453,757
Deferred outflows			
Employer contributions subsequent to the measurement date	2,871,598	221,523	3,093,121
Difference between expected and actual experience	1,100,379	85,696	1,186,075
Changes in proportion	1,028,478	80,097	1,108,575
Total deferred outflows	5,000,455	387,316	5,387,771
Total assets and deferred outflows	\$ 311,306,628	\$ 94,534,900	\$ 405,841,528

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

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Liabilities			
Current liabilities:			
Accounts payable	\$ 1,502,436	\$ 1,440,012	\$ 2,942,448
Accrued payroll expenses	1,034,218	110,509	1,144,727
Accrued compensated absences	989,618	211,824	1,201,442
Accrued claims payable	898,117	-	898,117
Meter deposits	-	731,254	731,254
Unearned revenue	-	1,389,489	1,389,489
Accrued interest	-	478,001	478,001
Loans payable	-	1,824,532	1,824,532
	<u>4,424,389</u>	<u>6,185,621</u>	<u>10,610,010</u>
Noncurrent liabilities:			
Accrued compensated absences	1,346,479	-	1,346,479
Accrued OPEB liability	21,469,708	2,342,402	23,812,110
Net pension liability	40,983,207	3,175,300	44,158,507
Loans payable	-	29,568,433	29,568,433
	<u>63,799,394</u>	<u>35,086,135</u>	<u>98,885,529</u>
Total liabilities	<u>68,223,783</u>	<u>41,271,756</u>	<u>109,495,539</u>
Deferred inflows			
Net difference between actual and projected investment earnings on pension plan investments			
	100,134	3,111	103,245
Changes of assumptions	182,398	14,090	196,488
	<u>282,532</u>	<u>17,201</u>	<u>299,733</u>
Total deferred inflows	<u>282,532</u>	<u>17,201</u>	<u>299,733</u>
Net Position			
Net investment in capital assets	195,834,633	38,473,245	234,307,878
Restricted for:			
Debt service	-	3,492,502	3,492,502
Capital projects	3,827,600	-	3,827,600
Special revenue	31,439,294	-	31,439,294
Unrestricted	11,698,787	11,280,196	22,978,983
	<u>242,800,313</u>	<u>53,245,943</u>	<u>296,046,256</u>
Total net position	<u>242,800,313</u>	<u>53,245,943</u>	<u>296,046,256</u>
<i>Total liabilities, deferred inflows, and net position</i>	<u>\$ 311,306,628</u>	<u>\$ 94,534,900</u>	<u>\$ 405,841,528</u>

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

STATE OF NEW MEXICO
City of Hobbs
Statement of Activities
For the Year Ended June 30, 2016

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u>		
		<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government				
General government	\$ 18,058,750	\$ 2,285,124	\$ 62,140	\$ -
Public safety	26,430,464	769,407	1,371,566	7,000
Public works	13,156,172	165,181	406,545	1,695,917
Culture and recreation	12,545,343	1,271,919	7,527	-
Health and welfare	7,377,432	1,278,216	738,635	3,617,328
Economic development	1,244,087	-	-	-
<i>Total governmental activities</i>	<u>78,812,248</u>	<u>5,769,847</u>	<u>2,586,413</u>	<u>5,320,245</u>
Business-type Activities				
Joint Utility	13,107,240	11,632,544	-	1,999,061
Solid Waste	5,748,323	6,348,997	-	-
<i>Total business-type activities</i>	<u>18,855,563</u>	<u>17,981,541</u>	<u>-</u>	<u>1,999,061</u>
<i>Total</i>	<u>\$ 97,667,811</u>	<u>\$ 23,751,388</u>	<u>\$ 2,586,413</u>	<u>\$ 7,319,306</u>

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

Total general revenues and transfers

Change in net position

Net position - beginning

Net position - ending

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

Net (Expense) Revenue and Changes in Net Position		
Primary Government		
Governmental Activities	Business-type Activities	Total
\$ (15,711,486)	\$ -	\$ (15,711,486)
(24,282,491)	-	(24,282,491)
(10,888,529)	-	(10,888,529)
(11,265,897)	-	(11,265,897)
(1,743,253)	-	(1,743,253)
(1,244,087)	-	(1,244,087)
<u>(65,135,743)</u>	<u>-</u>	<u>(65,135,743)</u>
-	524,365	524,365
-	600,674	600,674
<u>-</u>	<u>1,125,039</u>	<u>1,125,039</u>
(65,135,743)	1,125,039	(64,010,704)
2,687,304	-	2,687,304
51,504,139	1,207,344	52,711,483
1,451,849	-	1,451,849
2,016,034	-	2,016,034
443,932	25,123	469,055
20,140	-	20,140
524,897	-	524,897
<u>(6,468,376)</u>	<u>6,468,376</u>	<u>-</u>
<u>52,179,919</u>	<u>7,700,843</u>	<u>59,880,762</u>
(12,955,824)	8,825,882	(4,129,942)
<u>255,756,137</u>	<u>44,420,061</u>	<u>300,176,198</u>
<u>\$ 242,800,313</u>	<u>\$ 53,245,943</u>	<u>\$ 296,046,256</u>

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

STATE OF NEW MEXICO

City of Hobbs
 Governmental Funds
 Balance Sheet
 June 30, 2016

Exhibit B-1
 Page 1 of 2

	General Fund	Health and Wellness Learning Center	Other Governmental Funds	Total
<i>Assets</i>				
Cash and cash equivalents	\$ 59,138,009	\$ 21,855,151	\$ 4,737,035	\$ 85,730,195
Receivables:				
Property taxes	142,843	-	-	142,843
Other taxes	7,780,909	-	517,719	8,298,628
Interest receivable	83,236	-	-	83,236
Other receivables	422,722	3,617,328	518,218	4,558,268
Prepaid expenses	1,283,663	-	-	1,283,663
Inventory	-	-	133,003	133,003
<i>Total assets</i>	<u>\$ 68,851,382</u>	<u>\$ 25,472,479</u>	<u>\$ 5,905,975</u>	<u>\$ 100,229,836</u>
<i>Liabilities, deferred inflows of resources, and fund balances</i>				
<i>Liabilities</i>				
Accounts payable	\$ 649,014	\$ 506,427	\$ 285,543	\$ 1,440,984
Accrued payroll expenses	952,545	-	81,673	1,034,218
<i>Total liabilities</i>	<u>1,601,559</u>	<u>506,427</u>	<u>367,216</u>	<u>2,475,202</u>
<i>Deferred inflows of resources</i>				
Unavailable revenues	55,401	-	-	55,401
<i>Total deferred inflows of resources</i>	<u>55,401</u>	<u>-</u>	<u>-</u>	<u>55,401</u>
<i>Fund balances</i>				
<i>Nonspendable:</i>				
Prepaid expenses	1,283,663	-	-	1,283,663
Inventory	-	-	42,074	42,074
<i>Spendable:</i>				
<i>Restricted for:</i>				
Public safety	-	-	968,731	968,731
Culture and recreation	-	-	109,494	109,494
Transportation and roads	-	-	416,311	416,311
Health and welfare	-	24,966,052	5,365	24,971,417
Economic development	-	-	228,766	228,766
Capital projects	-	-	3,827,600	3,827,600
Unassigned	65,910,759	-	(59,582)	65,851,177
<i>Total fund balances</i>	<u>67,194,422</u>	<u>24,966,052</u>	<u>5,538,759</u>	<u>97,699,233</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 68,851,382</u>	<u>\$ 25,472,479</u>	<u>\$ 5,905,975</u>	<u>\$ 100,229,836</u>

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

STATE OF NEW MEXICO

City of Hobbs

Governmental Funds

Reconciliation of the Balance Sheet to the Statement of Net Position
June 30, 2016

Exhibit B-1

Page 2 of 2

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

Fund balances - total governmental funds	\$ 97,699,233
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds	195,834,633
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	55,401
Deferred outflows and inflows of resources related to pensions are applicable to future periods and therefore, are not reported in funds:	
Deferred outflow of resources related to employer contributions subsequent to the measurement date	2,871,598
Deferred outflow of resources related to difference between expected and actual experience	1,100,379
Deferred outflow of resources related to changes in proportion	1,028,478
Deferred inflows of resources related to the net difference between actual and projected investment earnings on pension plan investments	(100,134)
Deferred inflows of resources related to changes in assumptions	(182,398)
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	9,190,854
Allocated to business-type activities	91,281
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:	
Accrued compensated absences	(2,336,097)
Accrued OPEB liability	(21,469,708)
Net pension liability	<u>(40,983,207)</u>
<i>Net position of governmental activities</i>	<u><u>\$ 242,800,313</u></u>

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

STATE OF NEW MEXICO
City of Hobbs
Governmental Funds
Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2016

Exhibit B-2
Page 1 of 2

	General Fund	Health and Wellness Learning Center	Other Governmental Funds	Total
<i>Revenues</i>				
Taxes:				
Property	\$ 2,660,717	\$ -	\$ -	\$ 2,660,717
Gross receipts	49,088,683	-	2,415,456	51,504,139
Gasoline and motor vehicle	615,891	-	835,958	1,451,849
Other taxes	920,451	-	1,095,583	2,016,034
Intergovernmental:				
Federal operating grants	24,881	-	755,129	780,010
Federal capital grants	7,000	-	1,590,111	1,597,111
State operating grants	1,050,178	-	756,225	1,806,403
State capital grants	-	3,617,328	105,807	3,723,135
Charges for services	3,046,118	-	1,370,729	4,416,847
Licenses and fees	1,094,275	-	258,725	1,353,000
Investment income	429,554	-	14,378	443,932
Miscellaneous	521,397	-	3,500	524,897
<i>Total revenues</i>	<u>59,459,145</u>	<u>3,617,328</u>	<u>9,201,601</u>	<u>72,278,074</u>
<i>Expenditures</i>				
Current:				
General government	11,163,088	-	-	11,163,088
Public safety	20,038,059	-	489,604	20,527,663
Public works	7,469,718	-	9,024	7,478,742
Culture and recreation	6,462,977	-	2,971,554	9,434,531
Health and welfare	1,258,491	3,711,103	1,976,836	6,946,430
Economic development	-	-	1,244,087	1,244,087
Capital outlay	10,542,561	-	4,392,254	14,934,815
<i>Total expenditures</i>	<u>56,934,894</u>	<u>3,711,103</u>	<u>11,083,359</u>	<u>71,729,356</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>2,524,251</u>	<u>(93,775)</u>	<u>(1,881,758)</u>	<u>548,718</u>
<i>Other financing sources (uses)</i>				
Transfers in	737,237	25,059,827	5,008,559	30,805,623
Transfers out	(33,555,425)	-	(3,718,574)	(37,273,999)
<i>Total other financing sources (uses)</i>	<u>(32,818,188)</u>	<u>25,059,827</u>	<u>1,289,985</u>	<u>(6,468,376)</u>
<i>Net change in fund balance</i>	(30,293,937)	24,966,052	(591,773)	(5,919,658)
<i>Fund balance - beginning of year</i>	<u>97,488,359</u>	<u>-</u>	<u>6,130,532</u>	<u>103,618,891</u>
<i>Fund balance - end of year</i>	<u>\$ 67,194,422</u>	<u>\$ 24,966,052</u>	<u>\$ 5,538,759</u>	<u>\$ 97,699,233</u>

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

STATE OF NEW MEXICO

City of Hobbs

Governmental Funds

Reconciliation of the Statement of Revenues, Expenditures, and Changes
in Fund Balances to the Statement of Activities
For the Year Ended June 30, 2016

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	\$ (5,919,658)
<p>Governmental funds report capital outlays as expenditures. However, in the Statement of Activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:</p>	
Capital expenditures recorded in capital outlay	14,934,815
Depreciation and amortization expense	(15,795,684)
<p>Donated capital assets are recorded as general revenues in the statement of activities; however they are not considered financial resources in the governmental fund statements</p>	
	20,140
<p>Internal service funds charge governmental funds an allocated portion of expenses or profits as a "look-back adjustment" so that the internal service fund breaks even. This is reported in the Statement of Activities, but not in the governmental funds statements</p>	
	(522,069)
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds:</p>	
Increase in deferred inflows related to property taxes receivable	26,587
<p>Governmental funds report City pension contributions as expenditures. However in the Statement of Activities, the cost of pension benefits earned net of employee contributions is reported as pension expense:</p>	
City pension contributions	2,871,598
Pension expense	(4,657,405)
<p>Expenses in the Statement of Activities that do not require current financial resources are not reported as expenditures in the funds:</p>	
Decrease in accrued compensated absences	44,879
Increase in accrual for other post-employment benefits	(3,959,027)
<i>Change in net position of governmental activities</i>	<u><u>\$ (12,955,824)</u></u>

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

STATE OF NEW MEXICO

City of Hobbs

General Fund

Exhibit C-1
(Page 1 of 10)Statement of Revenues, Expenditures, and Changes in
Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<i>Revenues</i>				
Taxes	\$ 67,977,000	\$ 54,148,089	\$ 57,211,875	\$ 3,063,786
Fines and forfeitures	421,500	421,500	527,754	106,254
Licenses and permits	532,000	532,000	566,521	34,521
Intergovernmental	630,623	4,689,354	691,642	(3,997,712)
Charges for services	2,904,600	2,884,075	2,957,417	73,342
Investment earnings	75,000	75,000	463,521	388,521
Miscellaneous	283,100	684,390	521,397	(162,993)
<i>Total revenues</i>	<u>72,823,823</u>	<u>63,434,408</u>	<u>62,940,127</u>	<u>(494,281)</u>
<i>Expenditures</i>				
Current:				
General Government:				
Legislative and land acquisition:				
Personnel services	179,239	219,791	217,936	1,855
Operating expenses	953,406	1,539,975	987,509	552,466
Capital outlay	3,250,000	14,162,788	3,554,767	10,608,021
<i>Total legislative and land acquisition</i>	<u>4,382,645</u>	<u>15,922,554</u>	<u>4,760,212</u>	<u>11,162,342</u>
Executive:				
Personnel services	380,245	380,245	456,296	(76,051)
Operating expenses	191,100	198,897	96,239	102,658
<i>Total executive</i>	<u>571,345</u>	<u>579,142</u>	<u>552,535</u>	<u>26,607</u>
Planning:				
Personnel services	167,948	167,948	199,039	(31,091)
Operating expenses	15,484	22,613	14,378	8,235
<i>Total planning</i>	<u>183,432</u>	<u>190,561</u>	<u>213,417</u>	<u>(22,856)</u>
Mapping				
Personnel services	223,788	223,825	167,439	56,386
Operating expenses	56,700	56,700	48,703	7,997
Capital outlay	28,689	61,207	28,409	32,798
<i>Total mapping</i>	<u>309,177</u>	<u>341,732</u>	<u>244,551</u>	<u>97,181</u>

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

STATE OF NEW MEXICO

City of Hobbs

General Fund

Exhibit C-1
(Page 2 of 10)Statement of Revenues, Expenditures, and Changes in
Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<i>Expenditures (continued)</i>				
General Government: (continued)				
City Clerk:				
Personnel services	\$ 375,399	\$ 375,399	\$ 381,179	\$ (5,780)
Operating expenses	116,290	116,290	98,527	17,763
Capital outlay	25,000	25,000	-	25,000
Total city clerk	516,689	516,689	479,706	36,983
Elections:				
Personnel services	-	-	-	-
Operating expenses	25,018	30,018	17,727	12,291
Total elections	25,018	30,018	17,727	12,291
Finance and Purchasing:				
Personnel services	801,323	816,293	717,018	99,275
Operating expenses	418,326	658,402	351,928	306,474
Capital outlay	250,000	82,400	24,556	57,844
Total finance and purchasing	1,469,649	1,557,095	1,093,502	463,593
Computer Operations:				
Personnel services	604,560	604,560	615,539	(10,979)
Operating expenses	287,400	305,800	226,825	78,975
Capital outlay	364,800	476,635	329,843	146,792
Total computer operations	1,256,760	1,386,995	1,172,207	214,788
Judicial:				
Personnel services	369,225	369,225	380,727	(11,502)
Operating expenses	153,250	154,451	111,338	43,113
Capital outlay	-	-	-	-
Total judicial	522,475	523,676	492,065	31,611
Legal:				
Personnel services	364,610	364,610	366,215	(1,605)
Operating expenses	134,450	168,609	17,990	150,619
Capital outlay	-	-	-	-
Total legal	499,060	533,219	384,205	149,014

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

STATE OF NEW MEXICO

City of Hobbs

General Fund

Exhibit C-1
(Page 3 of 10)Statement of Revenues, Expenditures, and Changes in
Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<i>Expenditures (continued)</i>				
General Government: (continued)				
Personnel Services:				
Personnel services	\$ 373,551	\$ 373,551	\$ 419,359	\$ (45,808)
Operating expenses	526,349	619,755	337,277	282,478
Capital outlay	-	-	-	-
Total personnel services	899,900	993,306	756,636	236,670
Insurance:				
Operating expenses	2,351,283	2,361,186	1,900,510	460,676
Total insurance	2,351,283	2,361,186	1,900,510	460,676
Motor Vehicle:				
Personnel services	471,294	471,294	467,448	3,846
Operating expenses	33,830	36,830	29,972	6,858
Total motor vehicle	505,124	532,124	497,420	34,704
Warehouse:				
Personnel services	146,422	146,422	143,888	2,534
Operating expenses	63,800	64,947	40,630	24,317
Capital outlay	-	-	-	-
Total warehouse	210,222	211,369	184,518	26,851
Garage:				
Personnel services	663,797	664,526	653,029	11,497
Operating expenses	1,500,398	1,502,827	1,076,023	426,804
Total garage	2,164,195	2,167,353	1,729,052	438,301

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

STATE OF NEW MEXICO

City of Hobbs

General Fund

Exhibit C-1
(Page 4 of 10)Statement of Revenues, Expenditures, and Changes in
Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<i>Expenditures (continued)</i>				
General Government: (continued)				
Building Maintenance:				
Personnel services	\$ 487,412	\$ 487,718	\$ 478,991	\$ 8,727
Operating expenses	574,600	1,190,011	914,703	275,308
Capital outlay	731,000	2,075,651	1,460,163	615,488
Total building maintenance	1,793,012	3,753,380	2,853,857	899,523
<i>Total General Government</i>	17,659,986	31,600,399	17,332,120	14,268,279
Public Works:				
Engineering:				
Personnel services	735,662	735,662	631,604	104,058
Operating expenses	1,316,453	340,504	84,003	256,501
Capital outlay	-	65,028	-	65,028
Total engineering	2,052,115	1,141,194	715,607	425,587
Highways and Streets:				
Personnel services	1,509,800	1,535,319	1,488,828	46,491
Operating expenses	438,700	438,700	352,641	86,059
Capital outlay	890,000	3,160,877	2,005,490	1,155,387
Total highways and streets	2,838,500	5,134,896	3,846,959	1,287,937
Street Lighting:				
Operating expenses	4,000	404,000	456,714	(52,714)
Total street lighting	4,000	404,000	456,714	(52,714)
<i>Total Public Works</i>	4,894,615	6,680,090	5,019,280	1,660,810
Health and Welfare:				
Environmental Services:				
Personnel services	716,475	718,081	878,372	(160,291)
Operating expenses	321,500	369,389	337,701	31,688
Capital outlay	-	27,108	25,377	1,731
Total environmental services	1,037,975	1,114,578	1,241,450	(126,872)

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

STATE OF NEW MEXICO

City of Hobbs

General Fund

Exhibit C-1
(Page 5 of 10)Statement of Revenues, Expenditures, and Changes in
Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<i>Expenditures (continued)</i>				
Health and Welfare: (continued)				
Public Information:				
Personnel services	\$ 179,267	\$ 179,267	\$ 3,646	\$ 175,621
Operating expenses	47,950	47,950	21,049	26,901
Total public information	227,217	227,217	24,695	202,522
<i>Total Health and Welfare</i>	1,265,192	1,341,795	1,266,145	75,650
Culture and Recreation:				
Libraries:				
Personnel services	870,195	870,195	859,575	10,620
Operating expenses	248,796	252,753	222,429	30,324
Capital outlay	119,400	140,687	112,977	27,710
Total libraries	1,238,391	1,263,635	1,194,981	68,654
Parks:				
Personnel services	1,651,478	1,652,754	1,676,331	(23,577)
Operating expenses	19,901,550	10,845,481	1,362,245	9,483,236
Capital outlay	602,000	938,564	577,031	361,533
Total parks	22,155,028	13,436,799	3,615,607	9,821,192
Sports Field:				
Personnel services	290,125	290,125	288,281	1,844
Operating expenses	229,247	281,691	191,138	90,553
Capital outlay	25,000	94,681	25,000	69,681
Total sports field	544,372	666,497	504,419	162,078
Recreation:				
Personnel services	748,918	748,918	608,427	140,491
Operating expenses	694,150	822,652	468,614	354,038
Capital outlay	17,000	17,000	11,840	5,160
Total recreation	1,460,068	1,588,570	1,088,881	499,689

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

STATE OF NEW MEXICO

City of Hobbs

General Fund

Exhibit C-1
(Page 6 of 10)Statement of Revenues, Expenditures, and Changes in
Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<i>Expenditures (continued)</i>				
Culture and Recreation: (continued)				
Teen Center:				
Personnel services	\$ 327,128	\$ 327,128	\$ 323,806	\$ 3,322
Operating expenses	119,500	124,601	71,494	53,107
Capital outlay	30,000	30,000	-	30,000
Total teen center	476,628	481,729	395,300	86,429
Pools:				
Personnel services	543,719	543,719	405,428	138,291
Operating expenses	221,600	309,600	244,177	65,423
Capital outlay	34,000	65,266	37,659	27,607
Total pools	799,319	918,585	687,264	231,321
Harry McAdams Park:				
Personnel services	286,423	286,423	297,634	(11,211)
Operating expenses	180,510	180,510	104,802	75,708
Capital outlay	40,000	93,653	38,340	55,313
Total Harry McAdams Park	506,933	560,586	440,776	119,810
<i>Total Culture and Recreation</i>	27,180,739	18,916,401	7,927,228	10,989,173

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

STATE OF NEW MEXICO

City of Hobbs

General Fund

Exhibit C-1
(Page 7 of 10)Statement of Revenues, Expenditures, and Changes in
Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<i>Expenditures (continued)</i>				
Public Safety:				
Police Field Services:				
Personnel services	\$ 426,612	\$ 426,694	\$ 440,396	\$ (13,702)
Operating expenses	513,800	515,683	434,639	81,044
Capital outlay	20,000	88,863	-	88,863
Total police field services	960,412	1,031,240	875,035	156,205
Police CID:				
Personnel services	7,478,216	7,537,114	7,474,498	62,616
Operating expenses	476,675	474,054	207,651	266,403
Capital outlay	507,500	513,274	511,203	2,071
Total police CID	8,462,391	8,524,442	8,193,352	331,090
Police Technical Services:				
Personnel services	2,176,620	2,190,514	2,138,507	52,007
Operating expenses	86,000	79,025	60,362	18,663
Capital outlay	190,000	190,000	160,917	29,083
Total police technical services	2,452,620	2,459,539	2,359,786	99,753
Police Support Services:				
Personnel services	1,356,131	1,403,306	1,252,932	150,374
Operating expenses	159,000	141,501	164,961	(23,460)
Capital outlay	64,000	85,383	923,247	(837,864)
Total police support services	1,579,131	1,630,190	2,341,140	(710,950)
Admin Services Certified:				
Operating expenses	2,448,028	2,448,028	1,428,088	1,019,940
Capital outlay	-	504,860	523,434	(18,574)
Total admin services certified	2,448,028	2,952,888	1,951,522	1,001,366

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

STATE OF NEW MEXICO

City of Hobbs

General Fund

Exhibit C-1
(Page 8 of 10)Statement of Revenues, Expenditures, and Changes in
Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<i>Expenditures (continued)</i>				
Public Safety: (continued)				
Police CID Non-certified:				
Personnel services	\$ 924,040	\$ 930,521	\$ 866,205	\$ 64,316
Operating expenses	95,500	95,500	26,552	68,948
Capital outlay	-	-	-	-
Total police CID non-certified	1,019,540	1,026,021	892,757	133,264
Fire and Ambulance:				
Personnel services	7,429,580	7,460,147	6,676,979	783,168
Operating expenses	873,200	875,998	722,035	153,963
Capital outlay	1,070,900	1,075,194	424,609	650,585
Total fire and ambulance	9,373,680	9,411,339	7,823,623	1,587,716
Emergency Management:				
Operating expenses	5,800	5,800	4,687	1,113
Total emergency management	5,800	5,800	4,687	1,113
Traffic:				
Personnel services	246,167	246,375	265,631	(19,256)
Operating expenses	304,780	369,134	352,424	16,710
Capital outlay	107,181	163,756	-	163,756
Total traffic	658,128	779,265	618,055	161,210
Code Enforcement:				
Personnel services	560,586	560,586	401,562	159,024
Operating expenses	100,100	56,928	41,009	15,919
Capital outlay	28,000	28,000	25,377	2,623
Total code enforcement	688,686	645,514	467,948	177,566

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

STATE OF NEW MEXICO

City of Hobbs

General Fund

Exhibit C-1
(Page 9 of 10)

Statement of Revenues, Expenditures, and Changes in
Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<i>Expenditures (continued)</i>				
Public Safety: (continued)				
Crime Lab:				
Operating expenses	\$ -	\$ 5,000	\$ 4,341	\$ 659
Total crime lab	-	5,000	4,341	659
<i>Total Public Safety</i>	27,648,416	28,471,238	25,532,246	2,938,992
<i>Total expenditures</i>	78,648,948	87,009,923	57,077,019	29,932,904
<i>Excess (deficiency) of revenues over expenditures</i>	(5,825,125)	(23,575,515)	5,863,108	29,438,623

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

STATE OF NEW MEXICO

City of Hobbs

General Fund

Exhibit C-1
(Page 10 of 10)Statement of Revenues, Expenditures, and Changes in
Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2016

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<i>Other financing sources</i>				
Operating transfers in:				
Lodgers' Tax Promotional Fund	\$ -	\$ 248,238	\$ 248,238	\$ -
Fire Protection Fund	-	365,000	365,000	-
Community Development Fund	-	123,999	123,999	-
<i>Total other financing sources</i>	-	737,237	737,237	-
<i>Other financing uses</i>				
Operating transfers out:				
COPS Grant Fund	-	137,543	137,543	-
Health and Wellness Fund	-	25,059,827	25,059,827	-
Older American Act Fund	-	706,318	706,318	-
Golf Fund	-	1,815,540	1,815,540	-
Cemetery Fund	-	407,165	407,165	-
Public Transportation Fund	-	468,103	468,103	-
Community Development Fund	-	480,000	480,000	-
Street Improvement Fund	-	821,000	821,000	-
Joint Utility Fund	-	3,659,929	3,659,929	-
<i>Total other financing uses</i>	-	33,555,425	33,555,425	\$ -
<i>Net change in fund balance</i>	<u>\$ (5,825,125)</u>	<u>\$ (56,393,703)</u>	(26,955,080)	
<i>Prior year cash balance</i>	<u>86,088,138</u>	<u>86,088,138</u>	-	
<i>Reconciliation to GAAP Basis:</i>				
Adjustments to revenue for tax, grant, and other accruals			(3,480,982)	
Adjustments to expenditures for accounts payable and payroll accruals			<u>142,125</u>	
<i>Net change in fund balance</i>			<u>\$ (30,293,937)</u>	

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

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STATE OF NEW MEXICO

Statement C-2

City of Hobbs

Health and Wellness Learning Center 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, 2016

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes:				
Gross receipts	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	8,262,295	36,000,000	-	(36,000,000)
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>8,262,295</u>	<u>36,000,000</u>	<u>-</u>	<u>(36,000,000)</u>
<i>Expenditures</i>				
Current:				
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	77,000	59,827	17,173
Economic development	-	-	-	-
Capital outlay	14,000,000	60,938,000	3,144,849	57,793,151
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>14,000,000</u>	<u>61,015,000</u>	<u>3,204,676</u>	<u>57,810,324</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(5,737,705)</u>	<u>(25,015,000)</u>	<u>(3,204,676)</u>	<u>21,810,324</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	-	(44,827)	-	44,827
Loan proceeds	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-
Transfers in	5,737,705	25,059,827	25,059,827	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>5,737,705</u>	<u>25,015,000</u>	<u>25,059,827</u>	<u>44,827</u>
<i>Net change in fund balance</i>	-	-	21,855,151	21,855,151
<i>Fund balance - beginning of year</i>	-	-	-	-
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 21,855,151</u>	<u>\$ 21,855,151</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ 21,855,151	
Adjustments to revenues for state operating grants			3,617,328	
Adjustments to expenditures for payroll accruals			(506,427)	
<i>Net change in fund balance (GAAP)</i>			<u>\$ 24,966,052</u>	

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

STATE OF NEW MEXICO

City of Hobbs

Statement of Net Position

Proprietary Funds

June 30, 2016

	<u>Joint Utility</u>	<u>Solid Waste Disposal</u>	<u>Total</u>	<u>Risk Management Internal Service Fund</u>
Assets				
Current assets:				
Cash and cash equivalents	\$ 14,804,129	\$ 1,149,697	\$ 15,953,826	\$ 10,150,423
Accounts receivable (net of allowance for doubtful accounts of \$535,813 and \$290,700, respectively)	1,090,860	579,814	1,670,674	-
Other taxes receivable	188,369	-	188,369	-
Other receivables	361,778	-	361,778	-
Inventory	584,763	-	584,763	-
Total current assets	<u>17,029,899</u>	<u>1,729,511</u>	<u>18,759,410</u>	<u>10,150,423</u>
Noncurrent assets:				
Restricted cash and cash equivalents:				
Debt service and reserve requirements	3,492,502	-	3,492,502	-
Unspent grant proceeds	1,389,489	-	1,389,489	-
Unspent loan proceeds	723,040	-	723,040	-
Meter deposits	731,254	-	731,254	-
Capital assets	136,800,216	-	136,800,216	-
Accumulated depreciation and amortization	(67,657,046)	-	(67,657,046)	-
Total noncurrent assets	<u>75,479,455</u>	<u>-</u>	<u>75,479,455</u>	<u>-</u>
Deferred outflows				
Employer contributions subsequent to the measurement date	221,523	-	221,523	-
Difference between expected and actual experience	85,696	-	85,696	-
Changes in proportion	80,097	-	80,097	-
Total deferred outflows	<u>387,316</u>	<u>-</u>	<u>387,316</u>	<u>-</u>
Total assets and deferred outflows	<u>\$ 92,896,670</u>	<u>\$ 1,729,511</u>	<u>\$ 94,626,181</u>	<u>\$ 10,150,423</u>

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

	<u>Joint Utility</u>	<u>Solid Waste Disposal</u>	<u>Total</u>	<u>Risk Management Internal Service Fund</u>
Liabilities				
Current liabilities:				
Accounts payable	\$ 947,949	\$ 492,063	\$ 1,440,012	\$ 61,452
Accrued payroll expenses	110,509	-	110,509	-
Accrued compensated absences	211,824	-	211,824	-
Accrued claims payable	-	-	-	898,117
Meter deposits	731,254	-	731,254	-
Unearned revenue	1,389,489	-	1,389,489	-
Accrued interest	478,001	-	478,001	-
Loans payable	1,824,532	-	1,824,532	-
Total current liabilities	<u>5,693,558</u>	<u>492,063</u>	<u>6,185,621</u>	<u>959,569</u>
Noncurrent liabilities:				
Accrued OPEB liability	2,342,402	-	2,342,402	-
Net pension liability	3,175,300	-	3,175,300	-
Loans payable	29,568,433	-	29,568,433	-
Total noncurrent liabilities	<u>35,086,135</u>	<u>-</u>	<u>35,086,135</u>	<u>-</u>
Total liabilities	<u>40,779,693</u>	<u>492,063</u>	<u>41,271,756</u>	<u>959,569</u>
Deferred inflows				
Net difference between projected and actual investment earnings on pension plan investments				
	3,111	-	3,111	-
Change in assumptions	14,090	-	14,090	-
Total deferred inflows	<u>17,201</u>	<u>-</u>	<u>17,201</u>	<u>-</u>
Net Position				
Net investment in capital assets	38,473,245	-	38,473,245	-
Restricted	3,492,502	-	3,492,502	-
Unrestricted	10,134,029	1,237,448	11,371,477	9,190,854
Total net position	<u>52,099,776</u>	<u>1,237,448</u>	<u>53,337,224</u>	<u>9,190,854</u>
<i>Total liabilities, deferred inflows, and net position</i>	<u>\$ 92,896,670</u>	<u>\$ 1,729,511</u>	<u>\$ 94,626,181</u>	<u>\$ 10,150,423</u>
<i>Adjustment to reflect the consolidation of internal service fund activities for enterprise funds</i>			<u>\$ (91,281)</u>	
<i>Net position of business-type activities</i>			<u>\$ 53,245,943</u>	

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

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STATE OF NEW MEXICO

Exhibit D-2

City of Hobbs

Statement of Revenues, Expenses, and Changes in Net Position

Proprietary Funds

For the Year Ended June 30, 2016

	<u>Joint Utility</u>	<u>Solid Waste Disposal</u>	<u>Total</u>	<u>Risk Management Internal Service Fund</u>
<i>Operating revenues</i>				
Charges for services (net of allowances of \$294,382 and \$188,435 respectively)	\$ 11,632,544	\$ 6,348,997	\$ 17,981,541	\$ 7,472,803
<i>Total operating revenues</i>	<u>11,632,544</u>	<u>6,348,997</u>	<u>17,981,541</u>	<u>7,472,803</u>
<i>Operating expenses</i>				
Depreciation and amortization	3,543,181	-	3,543,181	-
Personnel services	4,326,181	-	4,326,181	-
Contractual services	79,614	5,748,323	5,827,937	8,058,315
Supplies and purchased power	1,306,060	-	1,306,060	-
Maintenance and materials	179,574	-	179,574	-
Utilities	1,270,288	-	1,270,288	-
Equipment	1,736,664	-	1,736,664	-
<i>Total operating expenses</i>	<u>12,441,562</u>	<u>5,748,323</u>	<u>18,189,885</u>	<u>8,058,315</u>
<i>Operating income (loss)</i>	<u>(809,018)</u>	<u>600,674</u>	<u>(208,344)</u>	<u>(585,512)</u>
<i>Non-operating revenues (expenses)</i>				
Gross receipts taxes	1,207,344	-	1,207,344	-
Interest expense	(606,777)	-	(606,777)	-
Investment income	25,123	-	25,123	4,541
<i>Total non-operating revenues (expenses)</i>	<u>625,690</u>	<u>-</u>	<u>625,690</u>	<u>4,541</u>
<i>Income (loss) before contributions and transfers</i>	<u>(183,328)</u>	<u>600,674</u>	<u>417,346</u>	<u>(580,971)</u>
Transfers in	6,468,376	-	6,468,376	-
Capital grants	1,999,061	-	1,999,061	-
<i>Change in net position</i>	<u>8,284,109</u>	<u>600,674</u>	<u>8,884,783</u>	<u>(580,971)</u>
<i>Total net position - beginning of year</i>	<u>43,815,667</u>	<u>636,774</u>	<u>44,452,441</u>	<u>9,771,825</u>
<i>Total net position - end of year</i>	<u>\$ 52,099,776</u>	<u>\$ 1,237,448</u>	<u>53,337,224</u>	<u>\$ 9,190,854</u>
<i>Adjustment to reflect the consolidation of internal service fund activities for enterprise funds</i>			<u>(58,901)</u>	
<i>Change in net position of business-type activities</i>			<u>\$ 8,825,882</u>	

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

STATE OF NEW MEXICO
City of Hobbs
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2016

	<u>Joint Utility</u>	<u>Solid Waste Disposal</u>	<u>Total</u>	<u>Risk Management Internal Service Fund</u>
<i>Cash flows from operating activities:</i>				
Cash received from user charges	\$11,648,856	\$ 6,300,357	\$ 17,949,213	\$ 7,472,803
Cash payments to employees for services	(4,137,698)	-	(4,137,698)	-
Cash payments to suppliers for goods and services	(3,657,735)	(6,166,085)	(9,823,820)	(8,015,835)
<i>Net cash provided (used) by operating activities</i>	<u>3,853,423</u>	<u>134,272</u>	<u>3,987,695</u>	<u>(543,032)</u>
<i>Cash flows from noncapital financing activities</i>				
Gross receipts taxes	1,300,797	-	1,300,797	-
Transfers	6,468,376	-	6,468,376	-
<i>Net cash provided by noncapital financing activities</i>	<u>7,769,173</u>	<u>-</u>	<u>7,769,173</u>	<u>-</u>
<i>Cash flows from investing activities</i>				
Interest on investments	25,123	-	25,123	4,541
<i>Net cash provided by investing activities</i>	<u>25,123</u>	<u>-</u>	<u>25,123</u>	<u>4,541</u>
<i>Cash flows from capital and related financing activities</i>				
Acquisition of capital assets	(10,605,876)	-	(10,605,876)	-
Interest paid	(607,408)	-	(607,408)	-
Capital grants	1,106,772	-	1,106,772	-
Loan proceeds	723,040	-	723,040	-
Principal payments on bonds, loans and notes payable	(1,770,554)	-	(1,770,554)	-
<i>Net cash (used) by capital and related financing activities</i>	<u>(11,154,026)</u>	<u>-</u>	<u>(11,154,026)</u>	<u>-</u>
<i>Net increase (decrease) in cash and cash equivalents</i>	493,693	134,272	627,965	(538,491)
<i>Cash and cash equivalents - beginning of year</i>	<u>20,646,721</u>	<u>1,015,425</u>	<u>21,662,146</u>	<u>10,688,914</u>
<i>Cash and cash equivalents - end of year</i>	<u>\$ 21,140,414</u>	<u>\$ 1,149,697</u>	<u>\$ 22,290,111</u>	<u>\$ 10,150,423</u>
<i>Reconciliation of cash and cash equivalents to Exhibit D-1:</i>				
<i>Unrestricted:</i>				
Cash and cash equivalents	\$ 14,804,129	\$ 1,149,697	\$ 15,953,826	\$ 10,150,423
<i>Restricted:</i>				
Debt service and reserve requirements	3,492,502	-	3,492,502	-
Unspent grant proceeds	1,389,489	-	1,389,489	-
Unspent loan proceeds	723,040	-	723,040	-
Meter deposits	731,254	-	731,254	-
<i>Total Cash per Exhibit D-1</i>	<u>21,140,414</u>	<u>1,149,697</u>	<u>22,290,111</u>	<u>10,150,423</u>

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

	<u>Joint Utility</u>	<u>Solid Waste Disposal</u>	<u>Total</u>	<u>Risk Management Internal Service Fund</u>
<i>Reconciliation of operating income (loss) to net cash provided by operating activities:</i>				
Operating income (loss)	\$ (809,018)	\$ 600,674	\$ (208,344)	\$ (585,512)
Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:				
Depreciation and amortization	3,543,181	-	3,543,181	-
Pension expense	362,560	-	362,560	-
Employer pension contributions	(223,484)	-	(223,484)	-
Changes in assets and liabilities:				
Accounts receivable	16,312	(48,640)	(32,328)	-
Inventory	(45,031)	-	(45,031)	-
Accounts payable	436,667	(417,762)	18,905	35,583
Accrued payroll expenses	31,928	-	31,928	-
Accrued compensated absences	17,479	-	17,479	-
OPEB Liability	446,663	-	446,663	-
Accrued claims payable	-	-	-	6,897
Meter deposits	76,166	-	76,166	-
<i>Net cash provided (used) by operating activities</i>	<u>\$ 3,853,423</u>	<u>\$ 134,272</u>	<u>\$ 3,987,695</u>	<u>\$ (543,032)</u>

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

STATE OF NEW MEXICO
City of Hobbs
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2016

Exhibit E-1

Assets

Cash and cash equivalents	<u>\$ 408,018</u>
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Total assets

\$ 408,018

Liabilities

Deposits held in trust for others	<u>\$ 408,018</u>
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Total liabilities

\$ 408,018

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

STATE OF NEW MEXICO
City of Hobbs
Notes to the Financial Statements
June 30, 2016

NOTE 1. Summary of Significant Accounting Policies

The City of Hobbs, New Mexico (the City) was incorporated in 1929 under provisions of Chapter 3, Article 2, NMSA, 1978 as amended. The City operates under a Commission-Manager form of government and provides the following services as authorized by its charter: public safety (police and fire); highways and streets; water and sewer services; refuse collection; health and social services; culture-recreation; public improvements; planning and zoning; and general administrative services.

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

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

This summary of significant accounting policies of the City is presented to assist in the understanding of the City's financial statements. The financial statements and notes are the representation of the City's management who is responsible for their integrity and objectivity. The financial statements of the City have been prepared in conformity with accounting principles generally accepted in the United States of America (GAAP) as applied to government units. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles.

During the year ended June 30, 2016, the City adopted GASB Statements No. 72, *Fair Value Measurement and Application*, a portion of No 73, *Accounting and Financial Reporting for Pensions and Related Assets that are not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, No. 76, *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, No. 79, *Certain External Investment Pools and Pool Participants* and No. 82 *Pension Issues-an amendment of GASB Statement No. 67, No. 68, and No. 73*. These five Statements are required to be implemented as of June 30, 2016, if applicable.

GASB Statement No. 72 addresses accounting and financial reporting issues related to fair value measurements. The definition of *fair value* is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This Statement provides guidance for determining a fair value measurement for financial reporting purposes. This Statement also provides guidance for applying fair value to certain investments and disclosures related to all fair value measurements. The requirements of this Statement will enhance comparability of financial statements among governments by requiring measurement of certain assets and liabilities at fair value using a consistent and more detailed definition of fair value and accepted valuation techniques. This Statement also will enhance fair value application guidance and related disclosures in order to provide information to financial statement users about the impact of fair value measurements on a government's financial position.

STATE OF NEW MEXICO
City of Hobbs
Notes to the Financial Statements
June 30, 2016

NOTE 1. Summary of Significant Accounting Policies (continued)

A. Financial Reporting Entity

The objective of GASB Statement No. 82 is to address certain issues that have been raised with respect to Statements No. 67, *Financial Reporting for Pension Plans*, No. 68, *Accounting and Financial Reporting for Pensions*, and No. 73, *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*. Specifically, this Statement addresses issues regarding (1) the presentation of payroll-related measures in required supplementary information; (2) the selection of assumptions and the treatment of deviations from the guidance in an Actuarial Standard of Practice for financial reporting purposes, and; (3) the classification of payments made by employers to satisfy employee (plan member) contribution requirements.

The more significant of the City's accounting policies are described below.

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.

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*.

STATE OF NEW MEXICO
City of Hobbs
Notes to the Financial Statements
June 30, 2016

NOTE 1. Summary of Significant Accounting Policies (continued)

B. Government-wide and fund financial statements (continued)

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.

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

The government-wide financial statements are reported using the *economic resources measurement focus* and the *accrual basis of accounting* as are the proprietary fund and 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 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.

STATE OF NEW MEXICO
City of Hobbs
Notes to the Financial Statements
June 30, 2016

NOTE 1. Summary of Significant Accounting Policies (continued)

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

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.

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 *Health and Wellness Learning Center Special Revenue Fund* was authorized by City resolution 6338 on August 25, 2015 to account for the revenues and expenditures associated with the design, construction, operation, and joint use of a health wellness and learning center (HWLC) with the New Mexico Junior College (NMJC), the Board of Education of Hobbs Municipal School District (District), and Lea County (County) pursuant to a memorandum of understanding entered into on September 4, 2015.

STATE OF NEW MEXICO
City of Hobbs
Notes to the Financial Statements
June 30, 2016

NOTE 1. Summary of Significant Accounting Policies (continued)

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

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, construction, or renovation of major capital facilities, as well as for maintenance of facilities.

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,

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.

D. Assets, Liabilities, Deferred outflows, Deferred inflows, 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.

STATE OF NEW MEXICO
City of Hobbs
Notes to the Financial Statements
June 30, 2016

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred outflows, Deferred inflows, and Net Position (continued)

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, 2016 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, 2016.

Inventory: Inventory 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. Inventory is adjusted annually utilizing the consumption method.

Prepaid Items: Payments made to vendors that will benefit periods beyond June 30, 2016 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.

STATE OF NEW MEXICO
City of Hobbs
Notes to the Financial Statements
June 30, 2016

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred outflows, Deferred inflows, and Net Position (continued)

Capital Assets: Capital assets, which include property, plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government and by Section 12-6-10 NMSA 1978 as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Pursuant to the implementation of GASB Statement No. 34, the historical cost of infrastructure assets purchased in the year ended June 30, 2016 are included as part of the governmental capital assets reported in the government wide financial statements. The retroactive reporting of infrastructure capital assets was completed in the year ending June 30, 2006. Donated capital assets are recorded at estimated fair market value at the date of donation. Information technology equipment, including software, is being capitalized in accordance with NMAC 2.20.1.9 C (5). In the proprietary funds, interest incurred during the construction period will be capitalized. There was no capitalized interest in 2016.

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

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

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

<u>Assets</u>	<u>Years</u>
Buildings	20-40
Equipment	5-15
Land improvements	10-20
Infrastructure	30-50
Intangible assets	5-50

Accrued Expenses: Accrued expenses are comprised of payroll expenditures based on amounts earned by the employees through June 30, 2016, along with applicable PERA expenses.

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.

STATE OF NEW MEXICO
City of Hobbs
Notes to the Financial Statements
June 30, 2016

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred outflows, Deferred inflows, and Net Position (continued)

Pensions: For purposes of measuring the net pension liability, deferred outflows of resources and deferred inflows of resources related to pensions, and pension expense, information about the fiduciary net position of the Public Employees Retirement Association (P.E.R.A) and additions to/deductions from P.E.R.A's fiduciary net position have been determined on the same basis as they are reported by P.E.R.A, on the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Inflows of Resources: In addition to liabilities, the balance sheet reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period(s) and so will not be recognized as an inflow of resources (revenue) until that time. Revenue must be susceptible to accrual (measurable and available to finance expenditures of the current fiscal period) to be recognized. 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 inflows of resources. The City typically has one type of deferred inflow which arises under the modified accrual basis of accounting that qualifies for reporting in this category. This amount is deferred and recognized as an inflow of resources in the period that the amount becomes available. The item, unavailable revenue - property taxes is typically reported only in the governmental funds balance sheet. The property tax receivable from Lea County totaled \$142,843 as of June 30, 2016. The uncollected amount 60 days after June 30, 2016 totaled \$55,401 and is considered unavailable revenue. Consequently the City has reported the amount as a deferred inflow at June 30, 2016. In addition, the City has two types of items present on the Statement of Net Position for both the governmental and business-type activities, which arise due to the implementation of GASB 68 and the related net pension liability. Accordingly, the items, net difference between projected and actual investment earnings on pension plan investments of \$103,245 and change in assumptions of \$196,488, are reported on the Statement of Net Position. These amounts are reported as a deferred inflow and amortized into pension expense over the average remaining service life of employees.

Deferred Outflows of Resources: In addition to assets, the balance sheet reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a use of net position that applies to a future period(s) and so will not be recognized as an outflow of resources (expenditure) until that time. The City has four types of items that qualifies for reporting in this category in both the governmental and business-type activities. Accordingly, the first item - employer contributions subsequent to measurement date has been reported as a deferred outflow of resources in the amount of \$3,093,121. This amount is reported in the Statement of Net Position. These amounts will directly reduce the net pension liability in the next fiscal year. Other deferred outflow relates to difference between expected and actual experience of \$1,186,075 and changes in proportion of \$1,108,575 at June 30, 2016. These amounts are amortized into pension expense over the average remaining service life of employees.

Long-term Obligations: In the government-wide fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund type statement of net position. Bond issuance costs are 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.

STATE OF NEW MEXICO
City of Hobbs
Notes to the Financial Statements
June 30, 2016

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred outflows, Deferred inflows, and Net Position (continued)

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, 2016, the City reported \$1,325,737 of fund balances not in spendable form. These fund balances are associated with prepaid expense contracts and inventory.

Restricted Fund Balance: At June 30, 2016, the City has presented restricted fund balance on the governmental funds balance sheet in the amount of \$30,522,319 for various City operations as restricted by enabling legislation (see pages 62 and 110-111).

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. A minimum fund balance policy represents a plan to accumulate resources as opposed to a limitation on purpose for which resources are to be expended. As such a minimum fund balance policy does not affect the classification fund balance and is reported as unassigned.

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.

STATE OF NEW MEXICO
City of Hobbs
Notes to the Financial Statements
June 30, 2016

NOTE 1. Summary of Significant Accounting Policies (continued)

D. Assets, Liabilities, Deferred outflows, Deferred inflows, and Net Position (continued)

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 actuarial estimates included in the calculation of the unfunded OPEB liability and the net pension 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.

Budgetary Information (continued)

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

The accompanying Statements of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual and Statement of Revenues, Expenses and Changes in Net Position (Non-GAAP Budgetary Basis) and Actual present comparisons of the legally adopted budget with actual data on a budgetary basis. Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles, a reconciliation of resultant basis, perspective, equity and timing differences in the excess (deficiency) of revenues and other sources of financial resources for the year ended June 30, 2016 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, 2016.

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.

STATE OF NEW MEXICO
City of Hobbs
Notes to the Financial Statements
June 30, 2016

NOTE 3. Deposits and Investments (continued)

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.

All of the City's accounts are at an insured depository institution, including all noninterest-bearing transaction accounts, which will be insured by the FDIC up to the Standard Maximum Deposit Insurance Amount of \$250,000.

The collateral pledged is listed on Schedule V 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.

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, 2016, \$2,418,587, of the City's bank balances of \$2,668,587 was exposed to custodial credit risk, however all of the amount exposed was uninsured and collateralized by collateral held by the pledging bank's trust department, not in the City's name. None of the City's deposits were uninsured and uncollateralized.

	Lea County State Bank
Deposits	\$ 168,296
Repurchase agreements	2,500,291
FDIC Coverage	(250,000)
Total uninsured public funds	2,418,587
Collateralized by securities held by trust pledging institutions or by its trust department or agent in other than the City's name	2,418,587
Uninsured and uncollateralized	\$ -
Collateral requirement - deposits (50% of uninsured funds)	\$ -
Collateral requirement - repurchase agreement (102% of uninsured funds)	2,550,297
Pledged Collateral	3,459,433
Over (Under) collateralized	\$ 909,136

STATE OF NEW MEXICO
City of Hobbs
Notes to the Financial Statements
June 30, 2016

NOTE 3. Deposits and Investments (continued)

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

As of June 30, 2016, the City’s investment in the State Treasurer Local Government Investment Pool was rated as AAAM by Standard & Poor’s.

As of June 30, 2016, the City had the following investments and maturities:

<u>Investment Type</u>	<u>Maturities</u>	<u>Fair Value</u>	<u>Rating</u>
New MexiGROW LGIP	WAM (F) 77 day	\$ 75,521,119	AAAM
Treasury Bills- U.S. Securities	659 days	\$ 40,396,169	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 investments are listed on Schedule IV of this report. The New MexiGrow LGIP fund totaling \$75,521,119 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 \$40,396,169 are reported as cash on the Statement of Net Position. They are considered an investment for disclosure purposes.

Fair Value Measurement

The fair value framework uses a hierarchy that prioritizes the inputs to the valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (level 1 measurement) and the lowest priority to unobservable inputs (level 3 measurements). The three levels of the fair value hierarchy are described below:

- Level 1 Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the City has the ability to access.
- Level 2 Inputs to the valuation methodology include:
 - Quoted prices for similar assets or liabilities in active markets.
 - Quoted prices for identical or similar assets or liabilities in inactive markets.
 - Inputs other than quoted prices that are observable for the asset or liability.
 - Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

If the asset or liability has a specified (contractual) term, the Level 2 input must be observable for substantially the full term of the asset or liability.

- Level 3 Inputs to the valuation methodology are unobservable and significant to the fair value measurement.

STATE OF NEW MEXICO
City of Hobbs
Notes to the Financial Statements
June 30, 2016

NOTE 3. Deposits and Investments (continued)

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used need to maximize the use of observable inputs and minimize the use of unobservable inputs. See above for discussion of valuation methodologies used to measure fair value of investments.

The valuation methodologies described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the City believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The City maintained a balance of \$75,521,119 in New MexiGROW LGIP and \$40,396,169 in United States Treasury Notes, at year end which required fair value disclosure.

The following table sets forth by level within the fair value hierarchy, the City's assets at fair value as of June 30, 2016:

Level 1	Level 2	Level 3	Total
\$ 115,917,288	\$ -	\$ -	\$ 115,917,288

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	\$ 111,834,444
Restricted cash and cash equivalents per Exhibit A-1:	
Debt service and reserve requirements	3,492,502
Unspent grant proceeds	1,389,489
Unspent loan proceeds	723,040
Meter deposits	731,254
Agency funds cash per Exhibit E-1	408,018
 Total cash and cash equivalents	 118,578,747
Add: outstanding checks	2,241,952
Less: deposits in transit and other reconciling items	(109,411)
Less: LGIP balances held by the New Mexico State Treasurer	(75,521,119)
Less: U.S. agencies and treasury notes held with NMFA	(2,112,587)
 Less: U.S. agencies, treasury notes and cash held with U.S. Bank	 (40,396,169)
Less: petty cash	(12,826)
 Bank balance of deposits	 \$ 2,668,587

STATE OF NEW MEXICO
City of Hobbs
Notes to the Financial Statements
June 30, 2016

NOTE 4. Receivables

Receivables as of June 30, 2016, including the applicable allowances for uncollectible accounts, are as follows:

Governmental Activities:

	<u>General</u>	<u>Health and Wellness Learning Center</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Property taxes	\$ 142,843	\$ -	\$ -	\$ 142,843
Other taxes:				
Gross receipts taxes	7,597,708	-	376,743	7,974,451
Gasoline and oil taxes	50,309	-	66,790	117,099
Franchise and lodgers taxes	132,892	-	74,186	207,078
Interest receivable	83,236	-	-	83,236
Other receivables:				
Intergovernmental-grants:				
State	415,997	-	236,804	652,801
Local	6,725	3,617,328	-	3,624,053
Federal	-	-	281,414	281,414
	<u>-</u>	<u>-</u>	<u>281,414</u>	<u>281,414</u>
Totals	<u>\$ 8,429,710</u>	<u>\$ 3,617,328</u>	<u>\$ 1,035,937</u>	<u>\$ 13,082,975</u>

In accordance with GASB Statement No. 33, the property tax revenues that were not collected within the period of availability, \$55,401, have been reclassified as unavailable revenue in the governmental fund financial statements.

The above receivables are deemed 100% collectible.

Business-Type Activities:

	<u>Joint Utility</u>	<u>Solid Waste</u>	<u>Total</u>
Utility fees	\$ 1,626,673	\$ 870,514	\$ 2,497,187
Less: Allowance for uncollectible accounts	(535,813)	(290,700)	(826,513)
Other taxes receivable			
Gross receipts taxes	188,369	-	188,369
Other receivables:			
State	361,778	-	361,778
	<u>361,778</u>	<u>-</u>	<u>361,778</u>
Totals	<u>\$ 1,641,007</u>	<u>\$ 579,814</u>	<u>\$ 2,220,821</u>

STATE OF NEW MEXICO
City of Hobbs
Notes to the Financial Statements
June 30, 2016

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	Older American Act	\$ 706,318
General Fund	Golf Fund	1,815,540
General Fund	Cemetery	407,165
General Fund	Public Transportation	468,103
General Fund	Community Development	480,000
General Fund	Street Improvements	821,000
General Fund	Joint Utility Fund	3,659,929
General Fund	COPS Grants Fund	137,543
General Fund	Health and Wellness Center	25,059,827
Lodgers Tax Promotional	Golf Fund	172,890
Lodger's Tax Promotional	General Fund	248,238
City Commission Improvements	Joint Utility	2,808,447
Fire Protection	General Fund	365,000
Community Development	General Fund	123,999
Total		<u>\$ 37,273,999</u>

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 \$91,281.

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

STATE OF NEW MEXICO
City of Hobbs
Notes to the Financial Statements
June 30, 2016

NOTE 6. Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2016, 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, 2015	Additions	Deletions
Capital assets not being depreciated:			
Land	\$ 7,143,925	\$ -	\$ -
Construction in progress	38,536,254	9,920,005	-
	<u>45,680,179</u>	<u>9,920,005</u>	<u>-</u>
Capital assets being depreciated:			
Buildings	51,957,277	1,585,920	-
Equipment	40,975,785	2,929,833	-
Land improvements	40,101,519	336,632	-
Infrastructure	100,154,331	182,565	-
	<u>233,188,912</u>	<u>5,034,950</u>	<u>-</u>
Amortizable assets:			
Intangible assets	2,580,627	-	-
Total amortizable assets	<u>2,580,627</u>	<u>-</u>	<u>-</u>
Total capital assets	<u>281,449,718</u>	<u>14,954,955</u>	<u>-</u>
Accumulated depreciation:			
Buildings	22,104,899	3,568,927	-
Equipment	25,274,117	3,688,733	-
Land improvements	4,929,537	3,600,721	-
Infrastructure	30,730,224	4,624,122	-
Total accumulated depreciation	<u>83,038,777</u>	<u>15,482,503</u>	<u>-</u>
Less accumulated amortization:			
Intangible assets	1,735,579	313,181	-
Total accumulated amortization	<u>1,735,579</u>	<u>313,181</u>	<u>-</u>
Total capital assets, net	<u>\$ 196,675,362</u>	<u>\$ (840,729)</u>	<u>\$ -</u>

Additions include a donated capital asset in the amount of \$20,140. Depreciation and amortization expense for governmental activities totaled \$15,795,684 for year ended June 30, 2016. Depreciation and amortization expense for the year ended June 30, 2016 was charged to governmental activities as follows:

General Government	\$ 4,868,857
Public Safety	2,979,734
Public Works	5,388,353
Culture and Recreation	2,431,122
Health and Welfare	<u>127,617</u>
Total	<u>\$ 15,795,684</u>

STATE OF NEW MEXICO
City of Hobbs
Notes to the Financial Statements
June 30, 2016

<u>Transfers</u>	<u>CIP activations</u>	<u>Balance June 30, 2016</u>
\$ -	\$ -	\$ 7,143,925
-	(36,727,087)	11,729,172
<u>-</u>	<u>(36,727,087)</u>	<u>18,873,097</u>
110,422	2,795,245	56,338,442
(269,161)	989,629	44,895,247
-	26,440,930	66,879,081
158,739	6,501,283	106,838,179
<u>-</u>	<u>36,727,087</u>	<u>274,950,949</u>
-	-	2,580,627
<u>-</u>	<u>-</u>	<u>2,580,627</u>
-	-	296,404,673
-	-	25,673,826
-	-	28,962,850
-	-	8,530,258
<u>-</u>	<u>-</u>	<u>35,354,346</u>
<u>-</u>	<u>-</u>	<u>98,521,280</u>
-	-	2,048,760
<u>-</u>	<u>-</u>	<u>2,048,760</u>
<u>\$ -</u>	<u>\$ -</u>	<u>\$ 195,834,633</u>

STATE OF NEW MEXICO
City of Hobbs
Notes to the Financial Statements
June 30, 2016

NOTE 6. Capital Assets (continued)

Business-type Activities:	Balance June 30, 2015	Additions and Adjustments	Deletions
Capital assets not being depreciated:			
Land	\$ 12,473	\$ -	\$ -
Construction in progress	2,170,387	9,280,279	-
	<u>2,182,860</u>	<u>9,280,279</u>	<u>-</u>
Capital assets being depreciated:			
Buildings	28,446,683	19,829	-
Equipment	43,691,469	907,693	-
Land improvements	2,209,236	72,200	-
Infrastructure	49,650,592	325,875	-
	<u>123,997,980</u>	<u>1,325,597</u>	<u>-</u>
Amortizable assets:			
Intangible assets	13,500	-	-
Total amortizable assets	<u>13,500</u>	<u>-</u>	<u>-</u>
Total capital assets	<u>126,194,340</u>	<u>10,605,876</u>	<u>-</u>
Accumulated depreciation:			
Buildings	13,111,586	966,658	-
Equipment	34,807,840	880,579	-
Land improvements	1,949,821	(660,105)	-
Infrastructure	14,235,993	2,354,507	-
Total accumulated depreciation	<u>64,105,240</u>	<u>3,541,639</u>	<u>-</u>
Less accumulated amortization:			
Intangible assets	8,625	1,542	-
Total accumulated amortization	<u>8,625</u>	<u>1,542</u>	<u>-</u>
Total capital assets, net	<u>\$ 62,080,475</u>	<u>\$ 7,062,695</u>	<u>\$ -</u>

Depreciation and amortization expense for business-type activities for the year ended June 30, 2016 were \$3,543,181. The entire amounts were recorded in the Joint Utility Fund.

STATE OF NEW MEXICO
City of Hobbs
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June 30, 2016

<u>Transfers</u>	<u>CIP activations</u>	<u>Balance June 30, 2016</u>
\$ -	\$ -	\$ 12,473
-	(9,879,460)	1,571,206
-	(9,879,460)	1,583,679
-	-	28,466,512
-	169,273	44,768,435
-	-	2,281,436
-	9,710,187	59,686,654
-	9,879,460	135,203,037
-	-	13,500
-	-	13,500
-	-	136,800,216
-	-	14,078,244
-	-	35,688,419
-	-	1,289,716
-	-	16,590,500
-	-	67,646,879
-	-	10,167
-	-	10,167
\$ -	\$ -	\$ 69,143,170

STATE OF NEW MEXICO
City of Hobbs
Notes to the Financial Statements
June 30, 2016

NOTE 7. Long-term Debt

During the year ended June 30, 2016, the following changes occurred in the liabilities reported in the government-wide statement of net position:

Governmental Activities:

	<u>Balance</u> <u>June 30, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2016</u>	<u>Due Within</u> <u>One Year</u>
Unfunded OPEB Liability	\$ 17,510,681	\$ 5,085,369	\$ 1,126,342	\$ 21,469,708	\$ -
Compensated Absences	2,380,976	944,739	989,618	2,336,097	989,618
Total Long-Term Debt	<u>\$ 19,891,657</u>	<u>\$ 6,030,108</u>	<u>\$ 2,115,960</u>	<u>\$ 23,805,805</u>	<u>\$ 989,618</u>

Compensated Absences – Employees of the City are able to accrue a limited amount of vacation and other compensatory time during the year. During fiscal year June 30, 2016, compensated absences decreased \$44,879 from the prior year accrual. 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:

	<u>Balance</u> <u>June 30, 2015</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>June 30, 2016</u>	<u>Due Within</u> <u>One Year</u>
NMFA and NMED Loans	\$ 32,440,479	\$ 723,040	\$ 1,770,554	\$ 31,392,965	\$ 1,824,532
Unfunded OPEB Liability	1,895,739	573,738	127,075	2,342,402	-
Compensated Absences	194,345	84,480	67,001	211,824	211,824
Total Long-Term Debt	<u>\$ 34,530,563</u>	<u>\$ 1,381,258</u>	<u>\$ 1,964,630</u>	<u>\$ 33,947,191</u>	<u>\$ 2,036,356</u>

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, 2016:

Compensated Absences – During fiscal year June 30, 2016, compensated absences for proprietary funds increased \$17,479 from the prior year accrual. Compensated absences for proprietary funds are typically liquidated in the fund where they are recorded.

STATE OF NEW MEXICO
City of Hobbs
Notes to the Financial Statements
June 30, 2016

NOTE 7. Long-term Debt (continued)

The NMFA and NMED loans are as follows:

<u>Description</u>	<u>Date of Issue</u>	<u>Due Date</u>	<u>Interest Rate</u>	<u>Original Amount of Issue</u>	<u>Balance June 30, 2015</u>
NMED Wastewater Loan	03/07/11	07/21/30	2.00%	\$ 31,419,101	\$ 24,689,720
NMFA Clean Drinking Water Loan	05/13/05	05/01/23	1.75%	5,226,750	3,716,675
NMFA Water Project Loan	03/22/13	06/01/32	0.25%	1,319,488	1,061,342
NMFA WTB Effluent Refuse Project	06/12/15	06/01/35	0.25%	1,280,000	1,219,321
NMFA WTB Effluent Refuse Project	6/12/2016	06/01/36	0.25%	723,040	705,907
Total Loans					<u>\$ 31,392,965</u>

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 \$1,351,747 and the interest rate of .25% over the term of the loan. The loan matures on June 1, 2032 and will be payable and collectible solely from the net revenues to be derived from the operation of the joint water and sewer system.

The City entered into a loan/grant agreement with the New Mexico Finance Authority on June 12, 2015 to finance a water conservation and recycling project. The total grant amount totaled \$1,920,000 and the loan amount totaled \$1,280,000. The loan has an interest rate of .25% and is 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/grant agreement with the New Mexico Finance Authority on June 12, 2016 to finance a water conservation and recycling project. The total grant amount totaled \$1,084,560 and the loan amount totaled \$723,040. The loan has an interest rate of .25% and is payable and collectible solely from the net revenues to be derived from the operation of the joint water and sewer system.

STATE OF NEW MEXICO
City of Hobbs
Notes to the Financial Statements
June 30, 2016

NOTE 7. Long-term Debt (continued)

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

<u>Fiscal Year</u> <u>Ending June 30,</u>	<u>Principal</u>	<u>Interest</u>	<u>Total Debt</u> <u>Service</u>
2017	\$ 1,824,532	\$ 575,595	\$ 2,400,127
2018	1,858,151	541,977	2,400,128
2019	1,892,433	507,694	2,400,127
2020	1,927,393	472,732	2,400,125
2021	1,963,048	437,079	2,400,127
2022-2026	10,375,237	1,625,391	12,000,628
2027-2031	11,071,649	621,973	11,693,622
2032-2036	480,522	2,753	483,275
	<u>\$ 31,392,965</u>	<u>\$ 4,785,194</u>	<u>\$ 36,178,159</u>

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

NOTE 8. Line of Credit

On December 10, 2015, the City established a \$550,000 irrevocable letter of credit with Lea County State Bank at .051% in order to meet an insurance requirement. The line of credit expires on December 10, 2016. There was no balance outstanding on the line of credit as of June 30, 2016. 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 \$550,000 and a maturity date of December 10, 2016. The fair value of the collateral is \$551,672 as of June 30, 2016.

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:

<u>Recipient</u>	<u>Date of</u> <u>Issue</u>	<u>Retirement</u> <u>Date</u>	<u>Amount</u> <u>Issued</u>	<u>Amount</u> <u>Outstanding</u> <u>June 30, 2016</u>	<u>Purpose</u>
RMS Foods, Inc.	2005	2035	\$ 7,775,000	\$ 5,000	Acquire Land and Acquire, Construct and Equip a Facility in the City of Hobbs

STATE OF NEW MEXICO
 City of Hobbs
 Notes to the Financial Statements
 June 30, 2016

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, 2016, future minimum lease payments applicable to the operating leases are as follows:

Fiscal year ending June 30,	
2017	\$ 92,649
2018	75,000
	\$ 167,649

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 \$898,117 at June 30, 2016 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

General Information about the Pension Plan

Plan description. The Public Employees Retirement Fund (PERA Fund) is a **cost-sharing, multiple employer defined benefit pension plan**. This fund has six divisions of members, including State General, State Police/Adult Correction Officer, Municipal General, Municipal Police/Detention Officers, Municipal fire, and State Legislative Divisions, and offers 24 different types of coverage within the PERA plan. All assets accumulated may be used to pay benefits, including refunds of member contributions, to any of the plan members or beneficiaries, as defined by the terms of this plan. Certain coverage plans are only applicable to a specific division. Eligibility for membership in the PERA Fund is set forth in the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). Except as provided for in the Volunteer Firefighters Retirement Act (10-11A-1 to 10-11A-7, NMSA 1978), the Judicial Retirement Act (10-12B-1 to 10-12B-19, NMSA 1978), the Magistrate Retirement Act (10-12C-1 to 10-12C-18, NMSA 1978), and the Educational Retirement Act (Chapter 22, Article 11, NMSA 1978), and the provisions of Sections 29-4-1 through 29-4-11, NMSA 1978 governing the State Police Pension Fund, each employee and elected official of every affiliated public employer is required to be a member in the PERA Fund.

PERA issues a publicly available financial report and a comprehensive annual financial report that can be obtained at <http://saonm.org> using the Audit Report Search function for agency 366.

STATE OF NEW MEXICO
City of Hobbs
Notes to the Financial Statements
June 30, 2016

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

Benefits provided. For a description of the benefits provided and recent changes to the benefits see Note 1 in the PERA audited financial statements for the fiscal year ended June 30, 2015 available at http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_FY2015.pdf

Contributions. The contribution requirements of defined benefit plan members and the Agency are established in state statute under Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature. For the employer and employee contribution rates in effect for FY15 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on pages 29 through 32 of the PERA FY15 annual audit report at http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_FY2015.pdf

The PERA coverage options that apply to City of Hobbs are: Municipal General Division, Municipal Police Division and Municipal Fire Division. Statutorily required contributions to the pension plan from City of Hobbs were 3,093,121 for the year ended June 30, 2016.

Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions: The PERA pension liability amounts, net pension liability amounts, and sensitivity information were based on an annual actuarial valuation performed as of June 30, 2014. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2015, using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date June 30, 2015.

The assets of the PERA fund are held in one trust, but there are six distinct membership groups (municipal general members, municipal police members, municipal fire members, state general members, state police members and legislative members) for whom separate contribution rates are determined each year pursuant to chapter 10, Article 11 NMSA 1978. Therefore, the calculations of the net pension liability, pension expense and deferred inflows and outflows were performed separately for each of the membership groups: municipal general members; municipal police members; municipal fire members; state general members; state police members and legislative members. City of Hobbs's proportion of the net pension liability for each membership group that the employer participates in is based on the employer contributing entity's percentage of that membership group's total employer contributions for the fiscal year ended June 30, 2015. Only employer contributions for the pay period end dates that fell within the period of July 1, 2014 to June 30, 2015 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2015 are included in the total contribution amounts. In the event that an employer is behind in reporting to PERA its required contributions, an estimate (receivable) was used to project the unremitted employer contributions. This allowed for fair and consistent measurement of the contributions with the total population. This methodology was used to maintain consistent measurement each year in determining the percentages to be allocated among all the participating employers.

Employer Pickup

During March 2016, Governmental Accounting Standards Board (GASB) issued Statement No. 82, Pension Issues, which clarifies that payments made by an employer to satisfy member contribution requirements should be classified as member contributions for purposes of GASB Statement No. 67. For purposes of applying GASBS68 for fiscal year ending June 30, 2016 amounts paid by the City to satisfy member contributions requirements in the previous year totaling \$1,203,744 have been reclassified as pension expense for fiscal year ending June 30, 2016. The amount had been previously classified as a deferred outflow. This amount is not included in pension expense in PERA's Schedule of Employer Pension Amounts for the year ended June 30, 2015.

STATE OF NEW MEXICO
City of Hobbs
Notes to the Financial Statements
June 30, 2016

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

General Information about the Pension Plan (continued)

Reallocation of Deferred Amounts

Due to Changes in proportion in fiscal year 2015 the beginning deferred inflows and outflows were reclassified due to the employer's change in proportion for fiscal year 2015. The total reallocation of deferred inflows and outflows increased pension expense by \$499,724 for fiscal year ending June 30, 2016. This amount is not included in pension expense in PERA's Schedule of Employer Pension Amounts for the year ended June 30, 2015.

For PERA Fund Municipal General Division, at June 30, 2016, City of Hobbs reported a liability of \$15,323,368 for its proportionate share of the net pension liability. At June 30, 2015, City of Hobbs's proportion was 1.5029 percent, which was increased from its proportion measured as of June 30, 2014, by 0.0827 percent.

For the year ended June 30, 2016, City of Hobbs recognized PERA Fund Municipal General Division pension expense of \$738,907. At June 30, 2016, City of Hobbs reported PERA Fund Municipal General Division deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion	\$ 492,632	\$ -
Differences between expected and actual experience	-	339,420
Net difference between projected and actual earnings on pension plan investments	-	48,472
Changes of assumption	-	5,969
City of Hobbs's contributions subsequent to the measurement date	<u>1,393,180</u>	<u>-</u>
Total	<u>\$ 1,885,812</u>	<u>\$ 393,861</u>

\$1,393,180 reported as deferred outflows of resources related to pensions resulting from City of Hobbs's contributions subsequent to the measurement date June 30, 2015 will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2017	\$ (289,394)
2018	(289,394)
2019	(289,394)
2020	966,953
2021	-
Thereafter	-

STATE OF NEW MEXICO
City of Hobbs
Notes to the Financial Statements
June 30, 2016

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

General Information about the Pension Plan (continued)

For PERA Fund Municipal Police Division, at June 30, 2016, City of Hobbs reported a liability of \$12,786,444 for its proportionate share of the net pension liability. At June 30, 2015, City of Hobbs's proportion was 2.6591 percent, which was increased from its proportion measured as of June 30, 2014, by 0.1751 percent.

For the year ended June 30, 2016, City of Hobbs recognized PERA Fund Municipal Police Division pension expense of \$981,678. At June 30, 2016, City of Hobbs reported PERA Fund Municipal Police Division deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion	\$ 435,864	\$ -
Differences between expected and actual experience	893,464	-
Net difference between projected and actual earnings on pension plan investments	-	35,469
Changes of assumption	-	529,002
City of Hobbs's contributions subsequent to the measurement date	<u>1,070,700</u>	<u>-</u>
Total	<u>\$ 2,400,028</u>	<u>\$ 564,471</u>

\$1,070,700 reported as deferred outflows of resources related to pensions resulting from City of Hobbs's contributions subsequent to the measurement date June 30, 2015 will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2017	\$ (5,833)
2018	(5,833)
2019	(5,833)
2020	782,356
2021	-
Thereafter	-

STATE OF NEW MEXICO
City of Hobbs
Notes to the Financial Statements
June 30, 2016

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

General Information about the Pension Plan (continued)

For PERA Fund Municipal Fire Division, at June 30, 2016, City of Hobbs reported a liability of \$16,048,695 for its proportionate share of the net pension liability. At June 30, 2015, City of Hobbs's proportion was 3.1095 percent, which increased from its proportion measured as of June 30, 2014, by 0.0565 percent.

For the year ended June 30, 2016, City of Hobbs recognized PERA Fund Municipal Fire Division pension expense of \$1,593,951. At June 30, 2016, City of Hobbs reported PERA Fund Municipal Fire Division deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes in proportion	\$ 180,079	\$ -
Differences between expected and actual experience	632,031	-
Net difference between projected and actual earnings on pension plan investments	-	19,304
Changes of assumption	338,483	-
City of Hobbs's contributions subsequent to the measurement date	<u>629,241</u>	<u>-</u>
Total	<u>\$ 1,779,834</u>	<u>\$ 19,304</u>

\$629,241 reported as deferred outflows of resources related to pensions resulting from City of Hobbs's contributions subsequent to the measurement date June 30, 2015 will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2017	\$ 233,147
2018	233,147
2019	233,147
2020	431,848
2021	-
Thereafter	-

Actuarial assumptions. As described above, the PERA Fund member group pension liabilities and net pension liabilities are based on actuarial valuations performed as of June 30, 2014 for each of the membership groups. Then each PERA Fund member group pension liability was rolled forward from the valuation date to the Plan year ending June 30, 2015 using generally accepted actuarial principles. There were no significant events or changes in benefit provisions that required an adjustment to the roll-forward liabilities as of June 30, 2015. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2015 actuarial valuation.

STATE OF NEW MEXICO
City of Hobbs
Notes to the Financial Statements
June 30, 2016

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

General Information about the Pension Plan (continued)

Actuarial valuation date	June 30, 2014
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay
Amortization period	Solved for based on statutory rates
Asset valuation method	Fair value
Actuarial assumptions:	
Investment rate of return	7.75% annual rate, net of investment expense
Projected benefit payment	100 years
Payroll growth	3.50% annual rate
Projected salary increases	3.50 to 14.25% annual rate
Includes inflation at	3.00% annual rate
Mortality assumptions	RP-200 mortality tables (combined table for healthy post-retirements, Employee table for active members, and disabled table for disabled retirees before retirement age) with projections to 2018 using scale AA.
Experience study date	July 1, 2008 to June 30, 2013

The long-term expected rate of return on pension plan investments was determined using a statistical analysis in which best-estimate ranges of expected future real rates of return (expected returns, net of pension plan investment expense and inflation) are developed for each major asset class. These ranges are combined to produce the long-term expected rate of return by weighting the expected future real rates of return by the target asset allocation percentage and by adding expected inflation. The target asset allocation and most recent best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

ALL FUNDS - Asset Class	Target Allocation	Long-Term Expected Real Rate of Return
US Equity	21.10%	5.00%
International Equity	24.80	5.20
Private Equity	7.00	8.20
Core and Global Fixed Income	26.10	1.85
Fixed Income Plus Sectors	5.00	4.80
Real Estate	5.00	5.30
Real Assets	7.00	5.70
Absolute Return	4.00	4.15
Total	100.00%	

Discount rate: The discount rate used to measure the total pension liability was 7.75 percent. The projection of cash flows used to determine the discount rate assumed that future contributions will be made in accordance with statutory rates. On this basis, the pension plan's fiduciary net position together with the expected future contributions are sufficient to provide all projected future benefit payments of current plan members as determined in accordance with GASBS 67. Therefore, the 7.75% assumed long-term expected rate of return on pension plan investments was applied to all periods of projected benefit payments to determine the total pension liability.

STATE OF NEW MEXICO
City of Hobbs
Notes to the Financial Statements
June 30, 2016

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

General Information about the Pension Plan (continued)

Sensitivity of the Employer's proportionate share of the net pension liability to changes in the discount rate. The following tables show the sensitivity of the net pension liability to changes in the discount rate. In particular, the tables present City of Hobbs's net pension liability in each PERA Fund Division that City of Hobbs participates in, under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.75%) or one percentage point higher (8.75%) than the single discount rate.

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
PERA Fund Municipal General Division			
City of Hobbs's proportionate share of the net pension liability	<u>\$ 26,089,615</u>	<u>\$ 15,323,368</u>	<u>\$ 6,371,965</u>
PERA Fund Municipal Police Division			
City of Hobbs's proportionate share of the net pension liability	<u>\$ 21,116,040</u>	<u>\$ 12,786,444</u>	<u>\$ 5,953,353</u>
PERA Fund Municipal Fire Division			
City of Hobbs's proportionate share of the net pension liability	<u>\$ 21,766,006</u>	<u>\$ 16,048,695</u>	<u>\$ 11,336,857</u>

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued FY15 PERA financial report. The report is available at [http://osanm.org/media/audit/366 Public Employees Retirement Association FY 2015.pdf](http://osanm.org/media/audit/366%20Public%20Employees%20Retirement%20Association%20FY%202015.pdf)

Payables to the pension plan. There were no amounts owed to PERA at June 30, 2016. Contractually required contributions are remitted to PERA monthly for the previous month's withholdings. Accrued payroll includes the employer's portion of retirement contributions related to employee services rendered as of June 30, 2016 but paid in July 2016.

NOTE 13. Post-Employment Benefits

Plan Description

The City of Hobbs administers a single-employer defined benefit healthcare plan, the "Retiree Health Plan." The plan provides life, medical, and dental insurance benefits to participating retirees, spouses, children, and survivors. In a June 14, 1991 memorandum, the City Manager informed all city employees that the City Commission "unanimously approved" a Retiree Group Insurance Program during the annual budget process. During the fiscal years ended June 30, 2009 and 2011, the City Commission passed resolutions amending the Retiree Group Insurance Program. The Retiree Health Plan does not issue a financial report available to the public.

The Retiree Health Plan has 213 retirees receiving benefits and a total of 393 active participants.

STATE OF NEW MEXICO
City of Hobbs
Notes to the Financial Statements
June 30, 2016

NOTE 13. Post-Employment Benefits (continued)

Funding Policy

Changes to the Retiree Health Plan must be instigated through City Commission resolution with the necessary budget adjustments. The City pays a service-based portion of the premium for the coverage, while retirees, spouses, and survivors pay the remainder of the premium for their coverage. In the fiscal years ended June 30, 2016, 2015 and 2014 respectively, plan members' contributions totaled \$549,524, \$547,548, and \$577,452. 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, 2016, 2015 and 2014 respectively, the City contributed \$417,734, \$364,924, and \$302,154 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:

	<u>Governmental Activities</u>	<u>Business-type Activities</u>	<u>Total</u>
Annual Required Contribution (ARC)	\$ 4,300,617	\$ 485,202	\$ 4,785,819
Interest on net OPEB obligation	784,752	88,537	873,289
Adjustment to Annual Required Contribution	<u>(750,959)</u>	<u>(84,724)</u>	<u>(835,683)</u>
Annual OPEB cost (expense)	4,334,410	489,015	4,823,425
Actual contribution	<u>(375,383)</u>	<u>(42,351)</u>	<u>(417,734)</u>
Increase in net OPEB obligation	3,959,027	446,664	4,405,691
Net OPEB obligation - beginning of year	17,510,681	1,895,739	19,406,420
Net OPEB obligation - end of year	<u>\$ 21,469,708</u>	<u>\$ 2,342,403</u>	<u>\$ 23,812,111</u>

Funded Status and Funding Progress

The City's annual OPEB cost, the percentage of annual OPEB cost contributed to the plan, and the net OPEB obligation for the fiscal year ended June 30, 2016 were as follows:

Fiscal year ended	Annual OPEB cost	Actual employer contributions	Percentage contributed	Net OPEB obligation
6/30/2016	\$ 4,823,425	\$ 417,734	8.66%	\$ 23,812,111
6/30/2015	\$ 4,331,520	\$ 364,924	8.42%	\$ 19,406,420
6/30/2014	\$ 4,323,727	\$ 302,154	6.99%	\$ 15,439,824

STATE OF NEW MEXICO
City of Hobbs
Notes to the Financial Statements
June 30, 2016

NOTE 13. Post-Employment Benefits (continued)

As of January 1, 2015, the projected actuarial accrued liability (AAL) for benefits for the fiscal 2016 year was \$42,172,285, all of which was unfunded. The covered payroll (the annual payroll of active employees covered by the plan) was \$25,212,650, and the unfunded actuarial accrued liability (UAAL) was 167.27% 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, 2015 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 6.90% for pre-65 and 8.00% for post-65 was used for medical costs and 4% 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 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.

STATE OF NEW MEXICO
City of Hobbs
Notes to the Financial Statements
June 30, 2016

NOTE 14. Contingent Liabilities

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

NOTE 15. Federal and State Grants

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

NOTE 16. Joint Powers Agreements and Memorandums of Understanding

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.

STATE OF NEW MEXICO
City of Hobbs
Notes to the Financial Statements
June 30, 2016

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

Hobbs Municipal Schools (continued)

The City entered into a joint powers agreement on August 5, 1975 with the Hobbs Municipal Schools to unify their resources in the development of neighborhood parks on school land at Sanger, Mills, and Coronado Elementary schools to be used by the citizens of the City, both adults and students, in enhancing community recreational programs. This agreement is to continue for 25 years, and thereafter as mutually agreeable by both parties. Audit responsibility lies with the Hobbs Municipal Schools.

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

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

The City entered into a joint powers agreement on February 2, 2015 with Hobbs Municipal Schools regarding field turf at Veteran's Memorial Park. This agreement is to continue indefinitely 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.

STATE OF NEW MEXICO
City of Hobbs
Notes to the Financial Statements
June 30, 2016

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

Eddy-Lea Energy Alliance

The City established a joint powers agreement with the Eddy-Lea Energy Alliance (ELEA) on October 30, 2006. The goal of this agreement is to evaluate a site for use by the Global Nuclear Energy Partnership and the United States Department of Energy. This is hoped to bring new, higher-wage jobs to the area and strengthen the economic base of the region. The agreement is perpetual, but may be terminated with the written consent of all voting members. Audit responsibility lies with each individual agency.

City of Lovington and Lea County

On June 18, 2007, the City of Hobbs entered into a joint powers agreement with the City of Lovington, New Mexico, and Lea County for the operation and maintenance of an EDACS radio system. The agreement may be terminated by any party with one year written notice. Audit responsibility lies with each individual agency.

Lea County-Emergency Operations Center

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

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

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.

STATE OF NEW MEXICO
City of Hobbs
Notes to the Financial Statements
June 30, 2016

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

Lea County Detention Center

On May 7, 2012 the City authorized the Mayor to execute an agreement with Lea County to house Lea County Detention Facility Prisoners in the Hobbs Detention Facility. In exchange Lea County will pay Hobbs the sum of \$65.50 per day, pro rated for partial days, 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.

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. There were no contributions for fiscal year 2015.

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 \$65.50 for 12-24 hours and does not include medical cost associated with the incarceration. The term of the agreement began on Jul 1, 2015 and ended on June 30, 2015. 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 Byre

On July 15, 2013 the City executive 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.

Health and Wellness Learning Center (HWLC)

On September 4, 2015 the City entered into a MOU for the design, construction, operation, and joint use of a health wellness and learning center (HWLC) with the New Mexico Junior College (NMJC), the Board of Education of Hobbs Municipal School District (District), and Lea County (County). The total estimated cost of the design and construction of the HWLC is \$61,000,000. Once the HWLC is completed, the parties will share in the cost of utilities and maintenance of the HWLC and the use of the HWLCC will be shared by the parties in accordance with the MOU. The costs of the programs and activities that the City, NMJC, and the District conduct at the HWLC will be paid by the sponsoring entity and will not be shared.

The parties project that initially, the annual costs of the utilities, maintenance, repairs and replacements for the HWLC will be \$1,300,000 Facility costs include the direct costs of utilities (electricity, gas, water, sewer and telephone), janitorial service, maintenance, repairs and will be funded by the parties as indicated below:

NMJC will contribute \$300,000 annually towards facility costs. The County will contribute \$300,000 towards facility costs. The District will contribute \$100,000 toward facility costs. The City will contribute \$600,000 toward facility costs. Commencing on July 1, 2019, and on the first day of July thereafter.

STATE OF NEW MEXICO
City of Hobbs
Notes to the Financial Statements
June 30, 2016

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

Health and Wellness Learning Center (HWLC) (continued)

NMJC, the Districts' and the City's facility contribution shall be increased by the percentage increase in the CPI from the prior July 1st, but in no event greater than five (5%) percent in any one year. The City of Hobbs is the fiscal agent for the HWLC project and there were \$4,175,282 in design costs incurred since the inception of the project through fiscal year ending June 30, 2016. Reimbursement owed to the City by NMJC totaled \$3,059,374 and amounts owed to the City by the Maddox Foundation totaled \$557,954 at June 30, 2016. There were no contributions received from NMJC or the District during fiscal year ending June 30, 2016. Audit responsibility rest with each individual party described above.

NOTE 17. Subsequent Events

The date to which events occurring after June 30, 2016, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosures is November 30, 2016, which is the date on which the financial statements were available to be issued.

NOTE 18. Other Required Individual Fund Disclosures

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

- A. Deficit fund balance of individual funds. The following funds reported a deficit fund balance as of June 30, 2016:

Older American Act Special Revenue Fund	\$ 25,939
Cemetery Special Revenue Fund	\$ 33,643

- B. Excess of expenditures over appropriations. No funds exceeded approved budgetary authority for the year ended June 30, 2016.
- C. Designated cash appropriations in excess of available balances. No funds exceeded approved budgetary authority for the year ended June 30, 2016.

NOTE 19. Restricted Net Position

The government-wide Statement of Net Position reports \$38,759,396 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 62 and 110-111.

STATE OF NEW MEXICO
City of Hobbs
Notes to the Financial Statements
June 30, 2016

NOTE 20. Construction and Other Significant Commitments

The City had outstanding construction commitments for construction and infrastructure projects of \$6,756,634 as of June 30, 2016.

Commencing on July 1, 2019, and on the first day of July thereafter, NMJC, the Districts' and the City's facility contribution shall be increased by the percentage increase in the CPI from the prior July 1st, but in no event greater than five (5%) percent in any one year. The City of Hobbs is the fiscal agent for the HWLC project and there were \$4,175,282 in design costs incurred since the inception of the project through fiscal year ending June 30, 2016. Reimbursement owed to the City by NMJC totaled \$3,059,374 and amounts owed to the City by the Maddox Foundation totaled \$557,954 at June 30, 2016. There were no contributions received from NMJC or the District during fiscal year ending June 30, 2016. Audit responsibility rest with each individual party described above.

On September 4, 2015 the City entered into a MOU for the design, construction, operation, and joint use of a health wellness and learning center (HWLC) with the New Mexico Junior College (NMJC), the Board of Education of Hobbs Municipal School District (District), and Lea County (County). The total estimated cost of the design and construction of the HWLC is \$61,000,000.

The City has committed \$50,000,000 toward the cost to design, construct, and equip the Wellness center which consists of \$25,000,000 of private grant funds from the Maddox Foundation. The City will also contribution to the ongoing maintenance and repair of the HWLC.

NMJC has committed \$5,000,000 for the proceeds of the general obligation bonds approved by the voters in New Mexico in November of 2015, subject to approval of the contributions by the New Mexico Higher Education Department towards the cost to design and construction of HWLC. \$50,000 of the bond proceeds must be spent in Art in Public Places. An additional \$5,000,000 was committed towards the cost of design and construction of the HWLC from mill levy funds. NMJC will also contribute to the ongoing maintenance and repair of the HWLC.

The District has committed \$1,000,000 of local bond funds towards the costs to design and construct the HWLC. The District will also contribute to the ongoing maintenance and repair of the HWLC.

The County will contribute to the ongoing maintenance and repair of the HWLC. The County is not contributing any funds to the capital costs for the HWLC because it is leading and funding other qualify of life initiatives in Lea County.

Once the HWLC is completed, the parties will share in the cost of utilities and maintenance of the HWLC and the use of the HWLCC will be shared by the parties in accordance with the MOU. The costs of the programs and activities that the City, NMJC, and the District conduct at the HWLC will be paid by the sponsoring entity and will not be shared.

The parties project that initially, the annual costs of the utilities, maintenance, repairs and replacements for the HWLC will be \$1,300,000 Facility costs include the direct costs of utilities (electricity, gas, water, sewer and telephone), janitorial service, maintenance, repairs and will be funded by the parties as indicated below:

NMJC will contribute \$300,000 annually towards facility costs.

The County will contribute \$300,000 towards facility costs.

The District will contribute \$100,000 toward facility costs.

The City will contribute \$600,000 toward facility costs.

STATE OF NEW MEXICO
City of Hobbs
Notes to the Financial Statements
June 30, 2016

NOTE 20. Construction and Other Significant Commitments (continued)

The City has prepaid housing incentive commitments related to the above program totaling \$894,173 at June 30, 2016 which relates to 25 police officers and the city manager

NOTE 21. Concentration

As of June 30, 2016, 90 of the City's 653 employees (14%) are police union employees who work under a collective bargaining agreement approved on June 15, 2015. The term of the agreement expires on June 15, 2020. In addition, the City had 42 of their 653 employees (7%) that were part of a fire union agreement. This agreement was approved on November 3, 2014 and expires on June 30, 2019.

NOTE 22. Subsequent Pronouncements

In June 2015, GASB Statement No. 73 *Accounting and Financial Reporting for Pensions and Related Assets That Are Not within the Scope of GASB Statement 68, and Amendments to Certain Provisions of GASB Statements 67 and 68*, was issued. Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2016. Earlier application is encouraged. The City is still evaluating how this pronouncement will affect the financial statements.

In June 2015, GASB Statement No. 74 *Financial Reporting for Postemployment Benefit Plans Other Than Pension Plans*, was issued. Effective Date: The provisions of this Statement are effective for fiscal years beginning after June 15, 2016. This pronouncement will not affect the City's financial statements.

In June 2015, GASB Statement No. 75 *Accounting and Financial Reporting for Postemployment Benefits Other Than Pensions*, was issued. Effective Date: The provisions of this Statement are effective for fiscal years beginning after June 15, 2017. The standard will be implemented during the fiscal year ended June 30, 2018. This pronouncement will not affect the City's financial statements.

In August 2015, GASB Statement No. 77 *Tax Abatement Disclosures*, was issued. Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after December 15, 2015. Earlier application is encouraged. The City will implement this standard during the fiscal year ended June 30, 2017. The City is still evaluating how this pronouncement will affect the financial statements.

In December 2015, GASB Statement No. 78 *Pensions Provided through Certain Multiple-Employer Defined Benefit Pension Plan* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2015. Earlier application is encouraged. The City is still evaluating how this pronouncement will affect the financial statements.

In January 2016, GASB Statement No. 80 *Blending Requirements for Certain Component Units-an amendment of GASB Statement No. 14* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after June 15, 2016. Earlier application is encouraged. The City is still evaluating how this pronouncement will affect the financial statements.

In March 2016, GASB Statement No. 81 *Irrevocable Split-Interest Agreements* was issued. Effective Date: The requirements of this Statement are effective for reporting periods beginning after December 15, 2016. Earlier application is encouraged. The City is still evaluating how this pronouncement will affect the financial statements.

**REQUIRED SUPPLEMENTARY INFORMATION
POSTEMPLOYMENT BENEFIT PLAN**

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STATE OF NEW MEXICO
City of Hobbs
Schedule of OPEB Funding Progress
June 30, 2016

Schedule I

Actuarial valuation date	Actuarial value of assets	Actuarial accrued liability AAL - Entry age	Unfunded actuarial accrued liability AAL- UAAL	Funded ratio	Covered payroll	UAAL as a percentage of covered payroll
	a	b	b-a	a/b	c	(b-a)/c
June 30, 2016	\$ -	\$ 42,172,285	\$ 42,172,285	\$ -	\$ 25,212,650	167.27%
June 30, 2015	\$ -	\$ 37,766,594	\$ 37,766,594	\$ -	\$ 24,928,159	151.50%
June 30, 2014	\$ -	\$ 33,799,998	\$ 33,799,998	\$ -	\$ 23,152,024	145.99%

Fiscal year ended	Annual OPEB cost	Actual employer contributions	Percentage contributed
June 30, 2016	\$ 4,823,425	\$ 417,734	8.66%
June 30, 2015	\$ 4,331,520	\$ 364,924	8.42%
June 30, 2014	\$ 4,323,727	\$ 302,154	6.99%

See independent auditors' report.

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**REQUIRED SUPPLEMENTARY INFORMATION
PENSION PLAN**

STATE OF NEW MEXICO

City of Hobbs

Schedule II

Page 1 of 3

Schedule of City of Hobbs's Proportionate Share of the Net Pension Liability
of PERA Municipal General Division
Public Employees Retirement Association (PERA) Plan
Last 10 Fiscal Years*

	2016	2015
	Measurement	Measurement
	Date As of and for	Date As of and for
	the Year Ended	the Year Ended
	June 30, 2015	June 30, 2014
City of Hobbs's proportion of the net pension liability	1.5029%	1.4202%
City of Hobbs's proportionate share of the net pension liability	\$ 15,323,368	\$ 11,079,084
City of Hobbs's covered-employee payroll	\$ 12,460,381	\$ 11,528,643
City of Hobbs's proportionate share of the net pension liability as a percentage of its covered-employee payroll	122.98%	96.10%
Plan fiduciary net position as a percentage of the total pension liability	76.99%	81.29%

* The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, City of Hobbs will present information for those years for which information is available.

See independent auditors' report.
See notes to required supplementary information.

STATE OF NEW MEXICO

City of Hobbs

Schedule II

Page 2 of 3

Schedule of City of Hobbs's Proportionate Share of the Net Pension Liability
of PERA Municipal Police Division
Public Employees Retirement Association (PERA) Plan
Last 10 Fiscal Years*

	2016	2015
	Measurement	Measurement
	Date As of and for	Date As of and for
	the Year Ended	the Year Ended
	June 30, 2015	June 30, 2014
City of Hobbs's proportion of the net pension liability	2.6591%	2.4840%
City of Hobbs's proportionate share of the net pension liability	\$ 12,786,444	\$ 8,097,570
City of Hobbs's covered-employee payroll	\$ 5,215,611	\$ 4,783,820
City of Hobbs's proportionate share of the net pension liability as a percentage of its covered-employee payroll	245.16%	169.27%
Plan fiduciary net position as a percentage of the total pension liability	76.99%	81.29%

* The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, City of Hobbs will present information for those years for which information is available.

See independent auditors' report.
See notes to required supplementary information.

STATE OF NEW MEXICO

City of Hobbs

Schedule II

Page 3 of 3

Schedule of City of Hobbs's Proportionate Share of the Net Pension Liability
of PERA Municipal Fire Division
Public Employees Retirement Association (PERA) Plan
Last 10 Fiscal Years*

	2016	2015
	Measurement	Measurement
	Date As of and for	Date As of and for
	the Year Ended	the Year Ended
	June 30, 2015	June 30, 2014
City of Hobbs's proportion of the net pension liability	3.1095%	3.0530%
City of Hobbs's proportionate share of the net pension liability	\$ 16,048,695	\$ 12,743,202
City of Hobbs's covered-employee payroll	\$ 3,407,308	\$ 3,400,537
City of Hobbs's proportionate share of the net pension liability as a percentage of its covered-employee payroll	471.01%	374.74%
Plan fiduciary net position as a percentage of the total pension liability	76.99%	81.29%

* The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, City of Hobbs will present information for those years for which information is available.

See independent auditors' report.
See notes to required supplementary information.

STATE OF NEW MEXICO
City of Hobbs
Schedule of Employer Contributions
Public Employees Retirement Association (PERA) Plan
PERA Municipal General Division
Last 10 Fiscal Years*

	As of and for the Year Ended June 30, 2016	As of and for the Year Ended June 30, 2015
Contractually required contributions	\$ 1,393,180	\$ 1,707,154
Contributions in relation to the contractually required contribution	(1,393,180)	(1,707,154)
Contribution deficiency (excess)	\$ -	\$ -
City of Hobbs's covered-employee payroll	\$ 13,136,395	\$ 12,460,381
Contributions as a percentage of covered-employee payroll	11%	14%

* The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, City of Hobbs will present information for those years for which information is available.

See independent auditors' report.
See notes to required supplementary information.

STATE OF NEW MEXICO
City of Hobbs
Schedule of Employer Contributions
Public Employees Retirement Association (PERA) Plan
PERA Municipal Police Division
Last 10 Fiscal Years*

	As of and for the Year Ended June 30, 2016	As of and for the Year Ended June 30, 2015
Contractually required contributions	\$ 1,070,700	\$ 1,350,091
Contributions in relation to the contractually required contribution	(1,070,700)	(1,350,091)
Contribution deficiency (excess)	\$ -	\$ -
City of Hobbs's covered-employee payroll	\$ 6,214,741	\$ 5,215,611
Contributions as a percentage of covered-employee payroll	17%	26%

* The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, City of Hobbs will present information for those years for which information is available.

See independent auditors' report.
See notes to required supplementary information.

STATE OF NEW MEXICO
City of Hobbs
Schedule of Employer Contributions
Public Employees Retirement Association (PERA) Plan
PERA Municipal Fire Division
Last 10 Fiscal Years*

	As of and for the Year Ended June 30, 2016	As of and for the Year Ended June 30, 2015
Contractually required contributions	\$ 629,241	\$ 1,050,436
Contributions in relation to the contractually required contribution	(629,241)	(1,050,436)
Contribution deficiency (excess)	\$ -	\$ -
City of Hobbs's covered-employee payroll	\$ 3,555,033	\$ 3,407,308
Contributions as a percentage of covered-employee payroll	18%	31%

* The amounts presented were determined as of June 30. This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, City of Hobbs will present information for those years for which information is available.

See independent auditors' report.
See notes to required supplementary information.

STATE OF NEW MEXICO
City of Hobbs
Notes to Required Supplementary Information
June 30, 2016

Changes of benefit terms. The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 on pages 40-42 of the PERA FY15 audit available at http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_FY2015.pdf.

Changes of assumptions. The Public Employees Retirement Association (PERA) of the NEW Mexico Annual Actuarial Valuation as of June 30, 2015 is available at <http://www.nmpera.org/assets/uploads/downloads/retirement-fund-valuation-reports/6-30-2015-PERA-Valuation-Report-FINAL.pdf>. See Appendix B on pages 53-61 of the report which summarizes actuarial assumptions and methods effective with the June 30, 2014 valuation.

Changes in assumptions resulted in a decrease of \$91.8 million to the total pension liability for the PERA Fund and an increase of 0.42% to the funded ratio for the year ended June 30, 2015. See more details of actuarial methods and assumptions on Note 2 on page 34 of PERA's Schedule of Employer Allocations and Pension amounts at http://osanm.org/media/audits/366-B_PERA_Schedule_of_Employer_Allocations_FY2015.pdf

See independent auditors' report.

SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
City of Hobbs
Nonmajor Governmental Fund Descriptions
June 30, 2016

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.

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

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

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

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

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

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.

STATE OF NEW MEXICO
City of Hobbs
Nonmajor Governmental Fund Descriptions
June 30, 2016

SPECIAL REVENUE FUNDS (CONTINUED)

Expendable Trust Funds:

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

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

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

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

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, 2016

	Special Revenue			
	Local Government Corrections	Police Protection	Police Narcotics	COPS Grant Fund
<i>Assets</i>				
Cash and cash equivalents	\$ 208,018	\$ 66,756	\$ 1,919	\$ 1,000
Receivables:				
Other taxes	-	-	-	-
Other receivables	-	87,000	-	44,690
Inventory	-	-	-	-
<i>Total assets</i>	<u>\$ 208,018</u>	<u>\$ 153,756</u>	<u>\$ 1,919</u>	<u>\$ 45,690</u>
<i>Liabilities</i>				
Accounts payable	\$ -	\$ 2,875	\$ -	\$ -
Accrued payroll expenses	-	-	-	4,848
<i>Total liabilities</i>	<u>-</u>	<u>2,875</u>	<u>-</u>	<u>4,848</u>
<i>Fund balances</i>				
Nonspendable:				
Inventory	-	-	-	-
Spendable:				
Restricted for:				
Public safety	208,018	150,881	1,919	40,842
Culture and recreation	-	-	-	-
Transportation and roads	-	-	-	-
Health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital projects	-	-	-	-
Unassigned	-	-	-	-
<i>Total fund balances</i>	<u>208,018</u>	<u>150,881</u>	<u>1,919</u>	<u>40,842</u>
<i>Total liabilities and fund balances</i>	<u>\$ 208,018</u>	<u>\$ 153,756</u>	<u>\$ 1,919</u>	<u>\$ 45,690</u>

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

Special Revenue

<u>Older American Act</u>	<u>Golf</u>	<u>Cemetery</u>	<u>Airport</u>	<u>Lodger's Tax Promotional</u>	<u>Public Transportation</u>
\$ 1,000	\$ 414	\$ 1,000	\$ 295,033	\$ 188,955	\$ 1,000
-	-	-	-	74,186	-
8,788	-	-	-	-	141,016
-	133,003	-	-	-	-
<u>\$ 9,788</u>	<u>\$ 133,417</u>	<u>\$ 1,000</u>	<u>\$ 295,033</u>	<u>\$ 263,141</u>	<u>\$ 142,016</u>
\$ 20,328	\$ 53,521	\$ 28,365	\$ 3,412	\$ 35,375	\$ -
15,399	37,822	6,278	-	-	17,326
<u>35,727</u>	<u>91,343</u>	<u>34,643</u>	<u>3,412</u>	<u>35,375</u>	<u>17,326</u>
-	42,074	-	-	-	-
-	-	-	-	-	-
-	-	-	291,621	-	124,690
-	-	-	-	-	-
-	-	-	-	227,766	-
-	-	-	-	-	-
(25,939)	-	(33,643)	-	-	-
<u>(25,939)</u>	<u>42,074</u>	<u>(33,643)</u>	<u>291,621</u>	<u>227,766</u>	<u>124,690</u>
<u>\$ 9,788</u>	<u>\$ 133,417</u>	<u>\$ 1,000</u>	<u>\$ 295,033</u>	<u>\$ 263,141</u>	<u>\$ 142,016</u>

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

STATE OF NEW MEXICO
City of Hobbs
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2016

	Special Revenue			
	Fire Protection	Emergency Medical Services	Community Development	Recreation Expendable Trust
<i>Assets</i>				
Cash and cash equivalents	\$ 567,071	\$ 11	\$ 1,000	\$ 103,033
Receivables:				
Other taxes	-	-	-	-
Other receivables	-	-	-	-
Inventory	-	-	-	-
<i>Total assets</i>	<u>\$ 567,071</u>	<u>\$ 11</u>	<u>\$ 1,000</u>	<u>\$ 103,033</u>
<i>Liabilities</i>				
Accounts payable	\$ -	\$ -	\$ -	\$ -
Accrued payroll expenses	-	-	-	-
<i>Total liabilities</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances</i>				
Nonspendable:				
Inventory	-	-	-	-
Spendable:				
Restricted for:				
Public safety	567,071	-	-	-
Culture and recreation	-	-	-	103,033
Transportation and roads	-	-	-	-
Health and welfare	-	11	-	-
Economic development	-	-	1,000	-
Capital projects	-	-	-	-
Unassigned	-	-	-	-
<i>Total fund balances</i>	<u>567,071</u>	<u>11</u>	<u>1,000</u>	<u>103,033</u>
<i>Total liabilities and fund balances</i>	<u>\$ 567,071</u>	<u>\$ 11</u>	<u>\$ 1,000</u>	<u>\$ 103,033</u>

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

Special Revenue			Capital Projects		
Library Expendable Trust	Cemetery Expendable Trust	Community Parks Expendable Trust	Capital Projects	Street Improvements	City Commission Improvement
\$ 5,029	\$ 5,354	\$ 1,432	\$ 1,732,740	\$ 1,555,270	\$ 1,000
-	-	-	-	66,790	376,743
-	-	-	-	236,724	-
-	-	-	-	-	-
<u>\$ 5,029</u>	<u>\$ 5,354</u>	<u>\$ 1,432</u>	<u>\$ 1,732,740</u>	<u>\$ 1,858,784</u>	<u>\$ 377,743</u>
\$ -	\$ -	\$ -	\$ 6,391	\$ 135,276	\$ -
-	-	-	-	-	-
-	-	-	6,391	135,276	-
-	-	-	-	-	-
-	-	-	-	-	-
5,029	-	1,432	-	-	-
-	5,354	-	-	-	-
-	-	-	-	-	-
-	-	-	1,726,349	1,723,508	377,743
-	-	-	-	-	-
<u>5,029</u>	<u>5,354</u>	<u>1,432</u>	<u>1,726,349</u>	<u>1,723,508</u>	<u>377,743</u>
<u>\$ 5,029</u>	<u>\$ 5,354</u>	<u>\$ 1,432</u>	<u>\$ 1,732,740</u>	<u>\$ 1,858,784</u>	<u>\$ 377,743</u>

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

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STATE OF NEW MEXICO
City of Hobbs
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2016

	Total Nonmajor Governmental Funds
<i>Assets</i>	
Cash and cash equivalents	\$ 4,737,035
Receivables:	
Other taxes	517,719
Other receivables	518,218
Inventory	133,003
<i>Total assets</i>	<u>\$ 5,905,975</u>
<i>Liabilities</i>	
Accounts payable	\$ 285,543
Accrued payroll expenses	81,673
<i>Total liabilities</i>	<u>367,216</u>
<i>Fund balances</i>	
Nonspendable:	
Inventory	42,074
Spendable:	
Restricted for:	
Public safety	968,731
Culture and recreation	109,494
Transportation and roads	416,311
Health and welfare	5,365
Economic development	228,766
Capital projects	3,827,600
Unassigned	(59,582)
<i>Total fund balances</i>	<u>5,538,759</u>
<i>Total liabilities and fund balances</i>	<u>\$ 5,905,975</u>

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

STATE OF NEW MEXICO
City of Hobbs
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2016

	Special Revenue			
	Local Government Corrections	Police Protection	Police Narcotics	COPS Grant Fund
<i>Revenues</i>				
Taxes:				
Gross receipts	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	78,857
Federal capital grants	-	-	-	-
State operating grants	-	87,000	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	247,746	-	-	-
Investment income	849	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>248,595</u>	<u>87,000</u>	<u>-</u>	<u>78,857</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	117,346	63,760	10,444	167,780
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	-	10,790	-	-
<i>Total expenditures</i>	<u>117,346</u>	<u>74,550</u>	<u>10,444</u>	<u>167,780</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>131,249</u>	<u>12,450</u>	<u>(10,444)</u>	<u>(88,923)</u>
<i>Other financing sources (uses)</i>				
Transfers in	-	-	-	137,543
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>137,543</u>
<i>Net change in fund balances</i>	131,249	12,450	(10,444)	48,620
<i>Fund balances-beginning of year</i>	<u>76,769</u>	<u>138,431</u>	<u>12,363</u>	<u>(7,778)</u>
<i>Fund balances - end of year</i>	<u>\$ 208,018</u>	<u>\$ 150,881</u>	<u>\$ 1,919</u>	<u>\$ 40,842</u>

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

Special Revenue

Older American Act	Golf	Cemetery	Airport	Lodger's Tax Promotional	Public Transportation
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	1,095,583	-
87,128	-	-	-	-	589,144
-	-	-	-	-	-
66,545	-	-	-	-	-
-	-	-	-	-	-
58,236	1,072,589	171,852	32,857	-	35,195
-	-	-	-	-	-
-	-	-	1,437	1,637	-
-	-	3,500	-	-	-
<u>211,909</u>	<u>1,072,589</u>	<u>175,352</u>	<u>34,294</u>	<u>1,097,220</u>	<u>624,339</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	2,941,765	-	29,789	-	-
842,978	-	443,289	-	-	670,079
-	-	-	-	1,244,087	-
101,188	127,788	162,074	-	-	249,036
<u>944,166</u>	<u>3,069,553</u>	<u>605,363</u>	<u>29,789</u>	<u>1,244,087</u>	<u>919,115</u>
<u>(732,257)</u>	<u>(1,996,964)</u>	<u>(430,011)</u>	<u>4,505</u>	<u>(146,867)</u>	<u>(294,776)</u>
706,318	1,988,430	407,165	-	-	468,103
-	-	-	-	(421,128)	-
<u>706,318</u>	<u>1,988,430</u>	<u>407,165</u>	<u>-</u>	<u>(421,128)</u>	<u>468,103</u>
(25,939)	(8,534)	(22,846)	4,505	(567,995)	173,327
-	50,608	(10,797)	287,116	795,761	(48,637)
<u>\$ (25,939)</u>	<u>\$ 42,074</u>	<u>\$ (33,643)</u>	<u>\$ 291,621</u>	<u>\$ 227,766</u>	<u>\$ 124,690</u>

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

STATE OF NEW MEXICO
City of Hobbs
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2016

	Special Revenue			
	Fire Protection	Emergency Medical Services	Community Development	Recreation Expendable Trust
<i>Revenues</i>				
Taxes:				
Gross receipts	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	293,403	-
State operating grants	582,680	20,000	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	10,420
Investment income	3,658	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>586,338</u>	<u>20,000</u>	<u>293,403</u>	<u>10,420</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	130,274	-	-	-
Public works	-	-	1,297	-
Culture and recreation	-	-	-	-
Health and welfare	-	20,490	-	-
Economic development	-	-	-	-
Capital outlay	197,250	-	852,718	-
<i>Total expenditures</i>	<u>327,524</u>	<u>20,490</u>	<u>854,015</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>258,814</u>	<u>(490)</u>	<u>(560,612)</u>	<u>10,420</u>
<i>Other financing sources (uses)</i>				
Transfers in	-	-	480,000	-
Transfers out	(365,000)	-	(123,999)	-
<i>Total other financing sources (uses)</i>	<u>(365,000)</u>	<u>-</u>	<u>356,001</u>	<u>-</u>
<i>Net change in fund balances</i>	(106,186)	(490)	(204,611)	10,420
<i>Fund balances-beginning of year</i>	<u>673,257</u>	<u>501</u>	<u>205,611</u>	<u>92,613</u>
<i>Fund balances - end of year</i>	<u>\$ 567,071</u>	<u>\$ 11</u>	<u>\$ 1,000</u>	<u>\$ 103,033</u>

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

Special Revenue			Capital Projects		
Library Expendable Trust	Cemetery Expendable Trust	Community Parks Expendable Trust	Capital Projects	Street Improvements	City Commission Improvement
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 2,415,456
-	-	-	-	835,958	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	1,296,708	-
-	-	-	-	-	-
-	-	-	-	105,807	-
-	-	-	-	-	-
559	-	-	-	-	-
-	26	7	-	6,764	-
-	-	-	-	-	-
<u>559</u>	<u>26</u>	<u>7</u>	<u>-</u>	<u>2,245,237</u>	<u>2,415,456</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	7,727	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
265	-	-	146,455	2,544,690	-
<u>265</u>	<u>-</u>	<u>-</u>	<u>154,182</u>	<u>2,544,690</u>	<u>-</u>
<u>294</u>	<u>26</u>	<u>7</u>	<u>(154,182)</u>	<u>(299,453)</u>	<u>2,415,456</u>
-	-	-	-	821,000	-
-	-	-	-	-	(2,808,447)
-	-	-	-	821,000	(2,808,447)
294	26	7	(154,182)	521,547	(392,991)
<u>4,735</u>	<u>5,328</u>	<u>1,425</u>	<u>1,880,531</u>	<u>1,201,961</u>	<u>770,734</u>
<u>\$ 5,029</u>	<u>\$ 5,354</u>	<u>\$ 1,432</u>	<u>\$ 1,726,349</u>	<u>\$ 1,723,508</u>	<u>\$ 377,743</u>

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

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STATE OF NEW MEXICO
City of Hobbs
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2016

	Total Nonmajor Governmental Funds
<i>Revenues</i>	
Taxes:	
Gross receipts	\$ 2,415,456
Gasoline and motor vehicle	835,958
Other	1,095,583
Intergovernmental:	
Federal operating grants	755,129
Federal capital grants	1,590,111
State operating grants	756,225
State capital grants	105,807
Charges for services	1,370,729
Licenses and fees	258,725
Investment income	14,378
Miscellaneous	3,500
<i>Total revenues</i>	9,201,601
<i>Expenditures</i>	
Current:	
General government	-
Public safety	489,604
Public works	9,024
Culture and recreation	2,971,554
Health and welfare	1,976,836
Economic development	1,244,087
Capital outlay	4,392,254
<i>Total expenditures</i>	11,083,359
<i>Excess (deficiency) of revenues over expenditures</i>	(1,881,758)
<i>Other financing sources (uses)</i>	
Transfers in	5,008,559
Transfers out	(3,718,574)
<i>Total other financing sources (uses)</i>	1,289,985
<i>Net change in fund balances</i>	(591,773)
<i>Fund balances-beginning of year</i>	6,130,532
<i>Fund balances - end of year</i>	\$ 5,538,759

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

STATE OF NEW MEXICO

Statement B-1

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, 2016

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes:				
Gross receipts	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	180,000	180,000	247,746	67,746
Investment income	100	100	849	749
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>180,100</u>	<u>180,100</u>	<u>248,595</u>	<u>68,495</u>
<i>Expenditures</i>				
Current:				
Public safety	137,500	137,506	117,346	20,160
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>137,500</u>	<u>137,506</u>	<u>117,346</u>	<u>20,160</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>42,600</u>	<u>42,594</u>	<u>131,249</u>	<u>88,655</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	(42,600)	(42,594)	-	42,594
Loan proceeds	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(42,600)</u>	<u>(42,594)</u>	<u>-</u>	<u>42,594</u>
<i>Net change in fund balance</i>	-	-	131,249	131,249
<i>Fund balance - beginning of year</i>	-	-	76,769	76,769
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 208,018</u>	<u>\$ 208,018</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ 131,249	
No adjustments to revenues			-	
No adjustments to expenditures			-	
<i>Net change in fund balance (GAAP)</i>			<u>\$ 131,249</u>	

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

STATE OF NEW MEXICO

Statement B-2

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, 2016

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
State operating grants	88,000	88,000	87,600	(400)
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>88,000</u>	<u>88,000</u>	<u>87,600</u>	<u>(400)</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	88,000	88,000	74,660	13,340
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>88,000</u>	<u>88,000</u>	<u>74,660</u>	<u>13,340</u>
<i>Excess (deficiency) of revenues over expenditures</i>	-	-	12,940	12,940
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	-	-	-	-
Loan proceeds	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	-	-	12,940	12,940
<i>Fund balance - beginning of year</i>	-	-	53,816	53,816
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 66,756</u>	<u>\$ 66,756</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ 12,940	
Adjustments to revenues for grant accruals			(600)	
Adjustments to expenditures for equipment			110	
<i>Net change in fund balance (GAAP)</i>			<u>\$ 12,450</u>	

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

STATE OF NEW MEXICO

Statement B-3

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, 2016

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	-	31,863	29,944	1,919
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>31,863</u>	<u>29,944</u>	<u>1,919</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>(31,863)</u>	<u>(29,944)</u>	<u>1,919</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	-	31,863	-	(31,863)
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>31,863</u>	<u>-</u>	<u>(31,863)</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>(29,944)</u>	<u>(29,944)</u>
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>31,863</u>	<u>31,863</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,919</u>	<u>\$ 1,919</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ (29,944)	
No adjustments to revenues			-	
Adjustments to expenditures for supplies			19,500	
<i>Net change in fund balance (GAAP)</i>			<u>\$ (10,444)</u>	

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

STATE OF NEW MEXICO

Statement B-4

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, 2016

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		
<i>Revenues</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	461,224	521,347	34,167	(487,180)
State operating grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>461,224</u>	<u>521,347</u>	<u>34,167</u>	<u>(487,180)</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	-	202,213	171,710	30,503
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>202,213</u>	<u>171,710</u>	<u>30,503</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>461,224</u>	<u>319,134</u>	<u>(137,543)</u>	<u>(456,677)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	(461,224)	(456,677)	-	456,677
Transfers in	-	137,543	137,543	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(461,224)</u>	<u>(319,134)</u>	<u>137,543</u>	<u>456,677</u>
<i>Net change in fund balance</i>	-	-	-	-
<i>Fund balance - beginning of year</i>	-	-	1,000	1,000
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,000</u>	<u>\$ 1,000</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ -	
Adjustments to revenues for federal grant			44,690	
Adjustments to expenditures for insurance			3,930	
<i>Net change in fund balance (GAAP)</i>			<u>\$ 48,620</u>	

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

STATE OF NEW MEXICO

Statement B-5

City of Hobbs

Older American Act Special Revenue Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	86,726	88,385	85,426	(2,959)
State operating grants	56,427	57,742	63,474	5,732
Charges for services	48,100	48,100	58,236	10,136
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>191,253</u>	<u>194,227</u>	<u>207,136</u>	<u>12,909</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	920,330	938,151	811,266	126,885
Capital outlay	170,000	170,000	101,188	68,812
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>1,090,330</u>	<u>1,108,151</u>	<u>912,454</u>	<u>195,697</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(899,077)</u>	<u>(913,924)</u>	<u>(705,318)</u>	<u>208,606</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	(15,521)	(674)	-	674
Transfers in	914,598	914,598	706,318	(208,280)
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>899,077</u>	<u>913,924</u>	<u>706,318</u>	<u>(207,606)</u>
<i>Net change in fund balance</i>	-	-	1,000	1,000
<i>Fund balance - beginning of year</i>	-	-	-	-
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,000</u>	<u>\$ 1,000</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ 1,000	
Adjustments to revenues for federal operating grants			4,773	
Adjustments to expenditures for utilities			(31,712)	
<i>Net change in fund balance (GAAP)</i>			<u>\$ (25,939)</u>	

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

STATE OF NEW MEXICO

Statement B-6

City of Hobbs

Golf Special Revenue Fund

Statement of Revenues, Expenditures, and Changes in Fund Balance

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gross receipts	-	-	-	-
Intergovernmental:				
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	1,237,750	1,327,750	1,045,469	(282,281)
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>1,237,750</u>	<u>1,327,750</u>	<u>1,045,469</u>	<u>(282,281)</u>
<i>Expenditures</i>				
Current:				
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	2,761,038	3,389,774	2,884,762	505,012
Economic development	-	-	-	-
Capital outlay	131,350	201,371	148,723	52,648
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>2,892,388</u>	<u>3,591,145</u>	<u>3,033,485</u>	<u>557,660</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(1,654,638)</u>	<u>(2,263,395)</u>	<u>(1,988,016)</u>	<u>275,379</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	(608,758)	(1)	-	1
Transfers in	2,263,396	2,263,396	1,988,430	(274,966)
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>1,654,638</u>	<u>2,263,395</u>	<u>1,988,430</u>	<u>(274,965)</u>
<i>Net change in fund balance</i>	-	-	414	414
<i>Fund balance - beginning of year</i>	-	-	-	-
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 414</u>	<u>\$ 414</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ 414	
Adjustments to charges for services for inventory adjustment			27,120	
Adjustments to expenditures for supplies			(36,068)	
<i>Net change in fund balance (GAAP)</i>			<u>\$ (8,534)</u>	

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

STATE OF NEW MEXICO

Statement B-7

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, 2016

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	382,775	508,542	171,852	(336,690)
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	3,500	3,500
<i>Total revenues</i>	<u>382,775</u>	<u>508,542</u>	<u>175,352</u>	<u>(333,190)</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	352,500	352,501	342,533	9,968
Economic development	-	-	-	-
Capital outlay	385,000	446,091	239,984	206,107
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>737,500</u>	<u>798,592</u>	<u>582,517</u>	<u>216,075</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(354,725)</u>	<u>(290,050)</u>	<u>(407,165)</u>	<u>(117,115)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	(52,440)	(117,115)	-	117,115
Transfers in	407,165	407,165	407,165	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>354,725</u>	<u>290,050</u>	<u>407,165</u>	<u>117,115</u>
<i>Net change in fund balance</i>	-	-	-	-
<i>Fund balance - beginning of year</i>	-	-	1,000	1,000
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,000</u>	<u>\$ 1,000</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ -	
No adjustments to revenues			-	
Adjustments to expenditures for payroll accruals and supplies			(22,846)	
<i>Net change in fund balance (GAAP)</i>			<u>\$ (22,846)</u>	

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

STATE OF NEW MEXICO

Statement B-8

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, 2016

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	38,000	38,000	32,857	(5,143)
Licenses and fees	-	-	-	-
Investment income	300	300	1,437	1,137
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>38,300</u>	<u>38,300</u>	<u>34,294</u>	<u>(4,006)</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	64,640	93,819	30,085	63,734
Health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>64,640</u>	<u>93,819</u>	<u>30,085</u>	<u>63,734</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(26,340)</u>	<u>(55,519)</u>	<u>4,209</u>	<u>59,728</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	26,340	55,519	-	(55,519)
Loan proceeds	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>26,340</u>	<u>55,519</u>	<u>-</u>	<u>(55,519)</u>
<i>Net change in fund balance</i>	-	-	4,209	4,209
<i>Fund balance - beginning of year</i>	-	-	290,824	290,824
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 295,033</u>	<u>\$ 295,033</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ 4,209	
No adjustments to revenues			-	
Adjustments to expenditures for utilities			296	
<i>Net change in fund balance (GAAP)</i>			<u>\$ 4,505</u>	

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

STATE OF NEW MEXICO

Statement B-9

City of Hobbs

Lodgers' 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, 2016

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes:				
Lodgers' taxes	\$ 1,750,000	\$ 1,275,000	\$ 1,166,404	\$ (108,596)
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	1,200	1,200	1,637	437
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>1,751,200</u>	<u>1,276,200</u>	<u>1,168,041</u>	<u>(108,159)</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Economic development	1,500,000	1,731,450	1,271,502	459,948
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>1,500,000</u>	<u>1,731,450</u>	<u>1,271,502</u>	<u>459,948</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>251,200</u>	<u>(455,250)</u>	<u>(103,461)</u>	<u>351,789</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	(351,200)	455,250	-	(455,250)
Transfers in	-	-	-	-
Transfers out	100,000	-	(421,128)	(421,128)
<i>Total other financing sources (uses)</i>	<u>(251,200)</u>	<u>455,250</u>	<u>(421,128)</u>	<u>(876,378)</u>
<i>Net change in fund balance</i>	-	-	(524,589)	(524,589)
<i>Fund balance - beginning of year</i>	-	-	713,544	713,544
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 188,955</u>	<u>\$ 188,955</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ (524,589)	
Adjustments to revenues for tax accruals			(70,821)	
Adjustments to expenditures for advertising			27,415	
<i>Net change in fund balance (GAAP)</i>			<u>\$ (567,995)</u>	

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

STATE OF NEW MEXICO

Statement B-10

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, 2016

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	610,000	633,937	478,498	(155,439)
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	35,000	35,000	35,195	195
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	5,000	5,000	-	(5,000)
<i>Total revenues</i>	<u>650,000</u>	<u>673,937</u>	<u>513,693</u>	<u>(160,244)</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	853,344	856,947	732,760	124,187
Economic development	-	-	-	-
Capital outlay	-	296,094	249,036	47,058
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>853,344</u>	<u>1,153,041</u>	<u>981,796</u>	<u>171,245</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(203,344)</u>	<u>(479,104)</u>	<u>(468,103)</u>	<u>11,001</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	203,344	79,104	-	(79,104)
Transfers in	-	400,000	468,103	68,103
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>203,344</u>	<u>479,104</u>	<u>468,103</u>	<u>(11,001)</u>
<i>Net change in fund balance</i>	-	-	-	-
<i>Fund balance - beginning of year</i>	-	-	1,000	1,000
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,000</u>	<u>\$ 1,000</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ -	
Adjustments to revenues for grant accruals			110,646	
Adjustments to expenditures for payroll accruals			62,681	
<i>Net change in fund balance (GAAP)</i>			<u>\$ 173,327</u>	

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

STATE OF NEW MEXICO

Statement B-11

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, 2016

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	385,000	481,090	582,680	101,590
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	800	800	3,658	2,858
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>385,800</u>	<u>481,890</u>	<u>586,338</u>	<u>104,448</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	223,800	219,600	207,290	12,310
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	-	136,379	120,234	16,145
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>223,800</u>	<u>355,979</u>	<u>327,524</u>	<u>28,455</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>162,000</u>	<u>125,911</u>	<u>258,814</u>	<u>132,903</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	(162,000)	(125,911)	-	125,911
Transfers in	-	-	-	-
Transfers out	-	-	(365,000)	(365,000)
<i>Total other financing sources (uses)</i>	<u>(162,000)</u>	<u>(125,911)</u>	<u>(365,000)</u>	<u>(239,089)</u>
<i>Net change in fund balance</i>	-	-	(106,186)	(106,186)
<i>Fund balance - beginning of year</i>	-	-	673,257	673,257
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 567,071</u>	<u>\$ 567,071</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ (106,186)	
No adjustments to revenues			-	
No adjustments to expenditures			-	
<i>Net change in fund balance (GAAP)</i>			<u>\$ (106,186)</u>	

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

STATE OF NEW MEXICO

Statement B-12

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, 2016

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		
<i>Revenues</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	20,500	20,500	20,000	(500)
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>20,500</u>	<u>20,500</u>	<u>20,000</u>	<u>(500)</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	20,500	20,500	20,490	10
Economic development	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>20,500</u>	<u>20,500</u>	<u>20,490</u>	<u>10</u>
<i>Excess (deficiency) of revenues over expenditures</i>	-	-	(490)	(490)
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	-	-	-	-
<i>Net change in fund balance</i>	-	-	(490)	(490)
<i>Fund balance - beginning of year</i>	-	-	501	501
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11</u>	<u>\$ 11</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ (490)	
No adjustments to revenues			-	
No adjustments to expenditures			-	
<i>Net change in fund balance (GAAP)</i>			<u>\$ (490)</u>	

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

STATE OF NEW MEXICO

Statement B-13

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, 2016

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	-	500,000	500,000	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>500,000</u>	<u>500,000</u>	<u>-</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	-	1,096,916	856,001	240,915
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>1,096,916</u>	<u>856,001</u>	<u>240,915</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>(596,916)</u>	<u>(356,001)</u>	<u>240,915</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	-	116,916	-	(116,916)
Transfers in	-	480,000	480,000	-
Transfers out	-	-	(123,999)	(123,999)
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>596,916</u>	<u>356,001</u>	<u>(240,915)</u>
<i>Net change in fund balance</i>	-	-	-	-
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>1,000</u>	<u>1,000</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,000</u>	<u>\$ 1,000</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ -	
Adjustments to revenues for capital grants			(206,597)	
Adjustments to expenditures for equipment			1,986	
<i>Net change in fund balance (GAAP)</i>			<u>\$ (204,611)</u>	

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

STATE OF NEW MEXICO

Statement B-14

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, 2016

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	2,000	2,000	10,420	8,420
<i>Total revenues</i>	<u>2,000</u>	<u>2,000</u>	<u>10,420</u>	<u>8,420</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>2,000</u>	<u>2,000</u>	<u>10,420</u>	<u>8,420</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	(2,000)	(2,000)	-	2,000
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(2,000)</u>	<u>(2,000)</u>	<u>-</u>	<u>2,000</u>
<i>Net change in fund balance</i>	-	-	10,420	10,420
<i>Fund balance - beginning of year</i>	-	-	92,613	92,613
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 103,033</u>	<u>\$ 103,033</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ 10,420	
No adjustments to revenues			-	
No adjustments to expenditures			-	
<i>Net change in fund balance (GAAP)</i>			<u>\$ 10,420</u>	

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

STATE OF NEW MEXICO

Statement B-15

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, 2016

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	4,000	4,000	559	(3,441)
<i>Total revenues</i>	<u>4,000</u>	<u>4,000</u>	<u>559</u>	<u>(3,441)</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	4,000	4,000	265	3,735
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>4,000</u>	<u>4,000</u>	<u>265</u>	<u>3,735</u>
<i>Excess (deficiency) of revenues over expenditures</i>	-	-	294	294
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	-	-	-	-
<i>Net change in fund balance</i>	-	-	294	294
<i>Fund balance - beginning of year</i>	-	-	4,735	4,735
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,029</u>	<u>\$ 5,029</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ 294	
No adjustments to revenues			-	
No adjustments to expenditures			-	
<i>Net change in fund balance (GAAP)</i>			<u>\$ 294</u>	

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

STATE OF NEW MEXICO

Statement B-16

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, 2016

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		
<i>Revenues</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	10	10	26	16
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>10</u>	<u>10</u>	<u>26</u>	<u>16</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>10</u>	<u>10</u>	<u>26</u>	<u>16</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	(10)	(10)	-	10
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(10)</u>	<u>(10)</u>	<u>-</u>	<u>10</u>
<i>Net change in fund balance</i>	-	-	26	26
<i>Fund balance - beginning of year</i>	-	-	5,328	5,328
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,354</u>	<u>\$ 5,354</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ 26	
No adjustments to revenues			-	
No adjustments to expenditures			-	
<i>Net change in fund balance (GAAP)</i>			<u>\$ 26</u>	

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

STATE OF NEW MEXICO

Statement B-17

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, 2016

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable) Final to Actual
	Original	Final		
<i>Revenues</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	7	7
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>7</u>	<u>7</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>7</u>	<u>7</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	-	-	7	7
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>1,425</u>	<u>1,425</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,432</u>	<u>\$ 1,432</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ 7	
No adjustments to revenues			-	
No adjustments to expenditures			-	
<i>Net change in fund balance (GAAP)</i>			<u>\$ 7</u>	

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

STATE OF NEW MEXICO

Statement B-18

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, 2016

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Local sources	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	-	1,304,724	147,791	1,156,933
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>1,304,724</u>	<u>147,791</u>	<u>1,156,933</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>(1,304,724)</u>	<u>(147,791)</u>	<u>1,156,933</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	-	(3,495,276)	-	3,495,276
Transfers in	-	4,800,000	-	(4,800,000)
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>1,304,724</u>	<u>-</u>	<u>(1,304,724)</u>
<i>Net change in fund balance</i>	-	-	(147,791)	(147,791)
<i>Fund balance - beginning of year</i>	-	-	1,880,531	1,880,531
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,732,740</u>	<u>\$ 1,732,740</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ (147,791)	
No adjustments to revenues			-	
Adjustments to expenditures for capital outlay			(6,391)	
<i>Net change in fund balance (GAAP)</i>			<u>\$ (154,182)</u>	

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

STATE OF NEW MEXICO

Statement B-19

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, 2016

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	660,000	660,000	856,261	196,261
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	-	1,814,990	1,437,915	(377,075)
State operating grants	-	-	-	-
State capital grants	60,000	283,370	-	(283,370)
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	1,500	1,500	6,764	5,264
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>721,500</u>	<u>2,759,860</u>	<u>2,300,940</u>	<u>(458,920)</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	80,000	3,838,882	2,584,406	1,254,476
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>80,000</u>	<u>3,838,882</u>	<u>2,584,406</u>	<u>1,254,476</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>641,500</u>	<u>(1,079,022)</u>	<u>(283,466)</u>	<u>795,556</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	(641,500)	258,022	-	(258,022)
Transfers in	-	821,000	821,000	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(641,500)</u>	<u>1,079,022</u>	<u>821,000</u>	<u>(258,022)</u>
<i>Net change in fund balance</i>	-	-	537,534	537,534
<i>Fund balance - beginning of year</i>	-	-	1,017,736	1,017,736
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,555,270</u>	<u>\$ 1,555,270</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ 537,534	
Adjustments to revenues for grant and gasoline tax accruals			(55,704)	
Adjustments to expenditures for accounts payable accruals			39,717	
<i>Net change in fund balance (GAAP)</i>			<u>\$ 521,547</u>	

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

STATE OF NEW MEXICO

Statement B-20

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, 2016

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>Revenues</i>				
Taxes:				
Gross receipts	\$ 3,200,000	\$ 2,522,874	\$ 2,602,443	\$ 79,569
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>3,200,000</u>	<u>2,522,874</u>	<u>2,602,443</u>	<u>79,569</u>
<i>Expenditures</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>3,200,000</u>	<u>2,522,874</u>	<u>2,602,443</u>	<u>79,569</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	(3,200,000)	(2,522,874)	-	2,522,874
Transfers in	-	-	-	-
Transfers out	-	-	(2,808,447)	(2,808,447)
<i>Total other financing sources (uses)</i>	<u>(3,200,000)</u>	<u>(2,522,874)</u>	<u>(2,808,447)</u>	<u>(285,573)</u>
<i>Net change in fund balance</i>	-	-	(206,004)	(206,004)
<i>Fund balance - beginning of year</i>	-	-	207,004	207,004
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,000</u>	<u>\$ 1,000</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ (206,004)	
Adjustments to revenues for tax accruals			(186,987)	
No adjustments to expenditures			-	
<i>Net change in fund balance (GAAP)</i>			<u>\$ (392,991)</u>	

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

STATE OF NEW MEXICO

Statement C-1

City of Hobbs

Joint Utility Fund

Statement of Revenues, Expenses, and Changes in Net Position

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>Operating revenues:</i>				
Charges for services	\$ 14,235,300	\$ 13,985,300	\$ 11,679,991	\$ (2,305,309)
<i>Total operating revenues</i>	<u>14,235,300</u>	<u>13,985,300</u>	<u>11,679,991</u>	<u>(2,305,309)</u>
<i>Operating expenses:</i>				
Personnel services	3,863,578	3,863,578	3,691,035	172,543
Contractual services	423,050	430,490	98,349	332,141
Supplies and purchased power	1,925,699	1,926,578	1,289,902	636,676
Maintenance and materials	429,275	429,779	178,573	251,206
Miscellaneous	396,000	421,462	543,264	(121,802)
Utilities	825,602	825,602	1,286,545	(460,943)
Equipment	212,400	407,696	109,176	298,520
<i>Total operating expenses</i>	<u>8,075,604</u>	<u>8,305,185</u>	<u>7,196,844</u>	<u>1,108,341</u>
<i>Operating income (loss)</i>	<u>6,159,696</u>	<u>5,680,115</u>	<u>4,483,147</u>	<u>(1,196,968)</u>
<i>Non-operating revenues (expenses):</i>				
Capital outlay	(10,225,406)	(27,976,662)	(11,235,600)	16,741,062
Principal payments	(1,753,426)	(1,753,426)	(1,770,560)	(17,134)
Loan proceeds	-	1,280,000	723,040	(556,960)
Interest expense	(606,602)	(606,602)	(607,402)	(800)
Investment income	3,500	3,500	25,123	21,623
Government contributions	1,600,000	1,261,437	1,300,797	39,360
<i>Total non-operating revenues (expenses)</i>	<u>(10,981,934)</u>	<u>(27,791,753)</u>	<u>(11,564,602)</u>	<u>16,227,151</u>
Capital grants	-	3,008,000	22,212	(2,985,788)
Transfers in	-	3,659,929	6,468,376	2,808,447
Transfers out	-	-	-	-
<i>Change in net position</i>	<u>\$ (4,822,238)</u>	<u>\$ (15,443,709)</u>	<u>(590,867)</u>	<u>\$ 14,852,842</u>
<i>Reconciliation to GAAP basis:</i>				
Adjustments to revenues for charges for services, taxes, and loan proceeds			1,407,291	
Adjustments to expenditures for personnel costs, debt service, depreciation, and contractual services			<u>7,467,685</u>	
<i>Change in net position per Exhibit D-2</i>			<u>8,284,109</u>	
<i>Total net position, beginning of year</i>			<u>43,815,667</u>	
<i>Total net position, end of year</i>			<u>\$ 52,099,776</u>	

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

STATE OF NEW MEXICO

Statement C-2

City of Hobbs

Solid Waste Disposal Fund

Statement of Revenues, Expenses, and Changes in Net Position
 Budget (Non-GAAP Budgetary Basis) and Actual
 For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>Operating revenues:</i>				
Charges for services	\$ 6,136,657	\$ 6,136,657	\$ 6,488,792	\$ 352,135
<i>Total operating revenues</i>	<u>6,136,657</u>	<u>6,136,657</u>	<u>6,488,792</u>	<u>352,135</u>
<i>Operating expenses:</i>				
Personnel services	-	-	-	-
Utilities	-	-	-	-
Contractual services	6,336,657	6,336,657	6,166,085	170,572
Supplies	-	-	-	-
Maintenance and materials	-	-	-	-
Gross receipts taxes	-	-	-	-
Other costs	-	-	-	-
<i>Total operating expenses</i>	<u>6,336,657</u>	<u>6,336,657</u>	<u>6,166,085</u>	<u>170,572</u>
<i>Operating income (loss)</i>	<u>(200,000)</u>	<u>(200,000)</u>	<u>322,707</u>	<u>522,707</u>
<i>Non-operating revenues (expenses):</i>				
Interest expense	-	-	-	-
Investment income	-	-	-	-
Miscellaneous income	-	-	-	-
<i>Total non-operating revenues (expenses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Government contributions	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Change in net position</i>	<u>\$ (200,000)</u>	<u>\$ (200,000)</u>	<u>322,707</u>	<u>\$ 522,707</u>
<i>Reconciliation to GAAP basis:</i>				
Adjustments to revenues for accounts receivable accruals			(139,795)	
Adjustments to expenses for accounts payable accruals			417,762	
<i>Change in net position per Exhibit D-2</i>			<u>600,674</u>	
<i>Total net position, beginning of year</i>			<u>636,774</u>	
<i>Total net position, end of year</i>			<u>\$ 1,237,448</u>	

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

STATE OF NEW MEXICO

Statement C-3

City of Hobbs

Risk Management Internal Service Fund

Statement of Revenues, Expenses, and Changes in Net Position

Budget (Non-GAAP Budgetary Basis) and Actual

For the Year Ended June 30, 2016

	Budgeted Amounts		Actual	Variances
	Original	Final		Favorable (Unfavorable) Final to Actual
<i>Operating revenues</i>				
Charges for services	\$ 7,168,845	\$ 7,168,845	\$ 7,472,803	\$ 303,958
<i>Total operating revenues</i>	<u>7,168,845</u>	<u>7,168,845</u>	<u>7,472,803</u>	<u>303,958</u>
<i>Operating expenses:</i>				
Personnel services	-	-	-	-
Utilities	-	-	-	-
Contractual services	8,370,345	8,370,345	8,067,374	302,971
Supplies	-	-	-	-
Maintenance and materials	-	-	-	-
Gross receipts taxes	-	-	-	-
Other costs	-	-	-	-
<i>Total operating expenses</i>	<u>8,370,345</u>	<u>8,370,345</u>	<u>8,067,374</u>	<u>302,971</u>
<i>Operating income (loss)</i>	<u>(1,201,500)</u>	<u>(1,201,500)</u>	<u>(594,571)</u>	<u>606,929</u>
<i>Non-operating revenues (expenses):</i>				
Interest expense	-	-	-	-
Investment income	1,500	1,500	4,541	3,041
Miscellaneous income	-	-	-	-
<i>Total non-operating revenues (expenses)</i>	<u>1,500</u>	<u>1,500</u>	<u>4,541</u>	<u>3,041</u>
Government contributions	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Change in net position</i>	<u>\$ (1,200,000)</u>	<u>\$ (1,200,000)</u>	<u>(590,030)</u>	<u>\$ 609,970</u>
<i>Reconciliation to GAAP basis:</i>				
No adjustments to revenues			-	
Adjustments to expenditures for claims payable			9,059	
<i>Change in net position per Exhibit D-2</i>			(580,971)	
<i>Total net position, beginning of year</i>			<u>9,771,825</u>	
<i>Total net position, end of year</i>			<u>\$ 9,190,854</u>	

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

SUPPORTING SCHEDULES

STATE OF NEW MEXICO

Schedule IV

City of Hobbs
Schedule of Deposits
June 30, 2016

Bank Name/Account Name	Account Type	Bank Balance	Deposits in Transit	Outstanding Checks	Reconciled Balance
Lea County State Bank					
City of Hobbs - Motor Vehicle Department	Checking	\$ 4,183	\$ -	\$ 3,183	\$ 1,000
City of Hobbs - Investment Account	Money Market	27,021	-	-	27,021
City of Hobbs	Checking	1	109,411	2,238,769	(2,129,357)
City of Hobbs Savings	Repurchase	2,500,291	-	-	2,500,291
Inmate Trust Account	Checking	2,733	-	-	2,733
Inmate Trust Account #2	Checking	11,811	-	-	11,811
Hobbs Police Dept - Evidence Trust	Checking	122,465	-	-	122,465
HPD - Crime Prevention	CD	82	-	-	82
Total Lea County State Bank		<u>2,668,587</u>	<u>109,411</u>	<u>2,241,952</u>	<u>536,046</u>
US Bank					
City of Hobbs - Taxable Bonds	Investment	40,304,508	-	-	40,304,508
City of Hobbs - Treasury Bills	Investment	91,661	-	-	91,661
Total US Bank		<u>40,396,169</u>	<u>-</u>	<u>-</u>	<u>40,396,169</u>
New Mexico State Treasurer					
Local Government Investment Pool (LGIP)	Investment	75,521,119	-	-	75,521,119
Total LGIP		<u>75,521,119</u>	<u>-</u>	<u>-</u>	<u>75,521,119</u>
New Mexico Finance Authority					
Phase II Effluent Refuse Project-Hobbs 5	Trust	58	-	-	58
Water Conservation, Recycling					
Refuse-Hobbs 6	Trust	304,929	-	-	304,929
Water Conservation, Recycling					
Refuse-Hobbs 7	Trust	1,807,600	-	-	1,807,600
Total New Mexico Finance Authority		<u>2,112,587</u>	<u>-</u>	<u>-</u>	<u>2,112,587</u>
<i>Total all banks</i>		<u>\$ 120,698,462</u>	<u>\$ 109,411</u>	<u>\$ 2,241,952</u>	<u>\$ 118,565,921</u>
Plus: petty cash					\$ 12,826
Less: restricted cash and cash equivalents per Exhibit A-1					
Debt service and reserve requirements					(3,492,502)
Unspent grant proceeds					(1,389,489)
Unspent loan proceeds					(723,040)
Meter deposits					(731,254)
Less: agency cash per Exhibit E-1					<u>(408,018)</u>
<i>Cash and cash equivalents per Exhibit A-1</i>					<u>\$111,834,444</u>

* Note all bank accounts are interest bearing

See independent auditors' report.

STATE OF NEW MEXICO

Schedule V

City of Hobbs

Schedule of Collateral Pledged by Depository for Public Funds

June 30, 2016

Name of Depository	Description of Pledged Collateral	Type of Pledged Collateral	Maturity	CUSIP Number	FMV Value at June 30, 2016	Name and Location of Safekeeper
Lea County State Bank						
	Belen NM SD 4.00% Artesia NM	Muni	8/1/2017	077581MM5	\$ 150,456	1st Security Bank, Salt Lake City, UT
	Wtr Swr 4.00%	Muni	6/1/2023	04310LAPS	758,684	1st Security Bank, Salt Lake City, UT
	US Treasury	T-Bill	3/31/2018	912828QB9	<u>2,550,293</u>	1st Security Bank, Salt Lake City, UT
	<i>Total Pledged Collateral</i>				<u>\$ 3,459,433</u>	

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, 2016

	Balance at June 30, 2015	Receipts	Disbursements	Balance at June 30, 2016
Motor Vehicle				
Assets				
Cash and cash equivalents	\$ 990	\$ 1,191,449	\$ 1,191,102	\$ 1,337
<i>Total assets</i>	\$ 990	\$ 1,191,449	\$ 1,191,102	\$ 1,337
Liabilities				
Deposits held in trust for others	\$ 990	\$ 1,191,449	\$ 1,191,102	\$ 1,337
<i>Total liabilities</i>	\$ 990	\$ 1,191,449	\$ 1,191,102	\$ 1,337
 Municipal Judge				
Assets				
Cash and cash equivalents	\$ 200,244	\$ 174,035	\$ 200,690	\$ 173,589
<i>Total assets</i>	\$ 200,244	\$ 174,035	\$ 200,690	\$ 173,589
Liabilities				
Deposits held in trust for others	\$ 200,244	\$ 174,035	\$ 200,690	\$ 173,589
<i>Total liabilities</i>	\$ 200,244	\$ 174,035	\$ 200,690	\$ 173,589
 Crime Lab				
Assets				
Cash and cash equivalents	\$ 61,613	\$ 306,912	\$ 293,954	\$ 74,571
<i>Total assets</i>	\$ 61,613	\$ 306,912	\$ 293,954	\$ 74,571
Liabilities				
Deposits held in trust for others	\$ 61,613	\$ 306,912	\$ 293,954	\$ 74,571
<i>Total liabilities</i>	\$ 61,613	\$ 306,912	\$ 293,954	\$ 74,571

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, 2016

	Balance at June 30, 2015	Receipts	Disbursements	Balance at June 30, 2016
Senior Citizen				
Assets				
Cash and cash equivalents	\$ 7,264	\$ 2,118	\$ 1,329	\$ 8,053
<i>Total assets</i>	\$ 7,264	\$ 2,118	\$ 1,329	\$ 8,053
Liabilities				
Deposits held in trust for others	\$ 7,264	\$ 2,118	\$ 1,329	\$ 8,053
<i>Total liabilities</i>	\$ 7,264	\$ 2,118	\$ 1,329	\$ 8,053
 Hobbs Beautiful				
Assets				
Cash and cash equivalents	\$ 22,574	\$ 110	\$ -	\$ 22,684
<i>Total assets</i>	\$ 22,574	\$ 110	\$ -	\$ 22,684
Liabilities				
Deposits held in trust for others	\$ 22,574	\$ 110	\$ -	\$ 22,684
<i>Total liabilities</i>	\$ 22,574	\$ 110	\$ -	\$ 22,684
 City Agency				
Assets				
Cash and cash equivalents	\$ 4,940	\$ 1,486	\$ 1,179	\$ 5,247
<i>Total assets</i>	\$ 4,940	\$ 1,486	\$ 1,179	\$ 5,247
Liabilities				
Deposits held in trust for others	\$ 4,940	\$ 1,486	\$ 1,179	\$ 5,247
<i>Total liabilities</i>	\$ 4,940	\$ 1,486	\$ 1,179	\$ 5,247

See independent auditors' report.

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STATE OF NEW MEXICO
City of Hobbs
Schedule of Changes in Fiduciary Assets and Liabilities
Agency Funds
For the Year Ended June 30, 2016

	Balance at June 30, 2015	Receipts	Disbursements	Balance at June 30, 2016
Evidence Fund				
Assets				
Cash and cash equivalents	\$ 121,878	\$ 587	\$ -	\$ 122,465
<i>Total assets</i>	\$ 121,878	\$ 587	\$ -	\$ 122,465
Liabilities				
Deposits held in trust for others	\$ 121,878	\$ 587	\$ -	\$ 122,465
<i>Total liabilities</i>	\$ 121,878	\$ 587	\$ -	\$ 122,465
 Foreclosure Trust				
Assets				
Cash and cash equivalents	\$ 72	\$ -	\$ -	\$ 72
<i>Total assets</i>	\$ 72	\$ -	\$ -	\$ 72
Liabilities				
Deposits held in trust for others	\$ 72	\$ -	\$ -	\$ 72
<i>Total liabilities</i>	\$ 72	\$ -	\$ -	\$ 72
 Total - All Agency Funds				
Assets				
Cash and cash equivalents	\$ 419,575	\$ 1,676,697	\$ 1,688,254	\$ 408,018
<i>Total assets</i>	\$ 419,575	\$ 1,676,697	\$ 1,688,254	\$ 408,018
Liabilities				
Deposits held in trust for others	\$ 419,575	\$ 1,676,697	\$ 1,688,254	\$ 408,018
<i>Total liabilities</i>	\$ 419,575	\$ 1,676,697	\$ 1,688,254	\$ 408,018

See independent auditors' report.

STATE OF NEW MEXICO

City of Hobbs

Schedule of Vendor Information for Purchases Exceeding \$60,000 (Excluding GRT)

For the Year Ended June 30, 2016

RFB#/RFP# (If applicable)	Type of Procurement	Vendor Name	Did Vendor Win Contract ?	\$ Amount of Awarded Contract	\$ Amount of Amended Contract
1537-16	BID	FILE CONSTRUCTION	YES	\$ 568,453.00	\$ -
1537-16	BID	CENTURY CLUB CONSTRUCTION	NO	\$ -	\$ -
1537-16	BID	SMITHCO CONSTRUCTION	NO	\$ -	\$ -
1538-16	BID	LASCO CONSTRUCTION	YES	\$ 244,264.00	\$ -
1538-16	BID	DALCO	NO	\$ -	\$ -
1541-16	BID	SMITHCO CONSTRUCTION	YES	\$ 827,490.00	\$ -
1541-16	BID	ABRAHAM'S CONSTRUCTION INC	NO	\$ -	\$ -
1541-16	BID	CONSTRUCTOR'S INC	NO	\$ -	\$ -
1541-16	BID	ENTRENCH INC	NO	\$ -	\$ -
1541-16	BID	J & H SERVICES	NO	\$ -	\$ -
1542-16	BID	K M INTERNATIONAL	YES	\$ 71,120.00	\$ -
1542-16	BID	RONOVA INDUSTRIES	NO	\$ -	\$ -
1543-16	BID	NO INFO		\$ -	\$ -
1544-16	BID	WHB/WEST TEXAS WATER WELL SERVICE	YES	\$ 103,000.00	\$ -
1546-16	BID	DUCROSS	YES	\$ 286,514.84	\$ -

See independent auditors' report.

Physical address of vendor (City, State)	Did the Vendor provide documentation of eligibility for in-state preference?	Did the Vendor provide documentation of eligibility for veterans' preference?	Brief Description of the Scope of Work	If the procurement is attributable to a Component Unit, Name of Component Unit
Albuquerque, NM	YES	NO	DEL NORTE PUMP STATION PROJECT	
Albuquerque, NM	YES	YES	DEL NORTE PUMP STATION PROJECT	
Caballo, NM	YES	NO	DEL NORTE PUMP STATION PROJECT	
Hobbs, NM	YES	NO	RENOVATIONS AT FIRE STATION #2	
Hobbs, NM	YES		RENOVATIONS AT FIRE STATION #2	
Caballo, NM	YES	NO	HWLC DRAINAGE IMPROVEMENTS & RR CORRIDOR	
Albuquerque, NM	YES	NO	HWLC DRAINAGE IMPROVEMENTS & RR CORRIDOR	
Carlsbad, NM	YES	NO	HWLC DRAINAGE IMPROVEMENTS & RR CORRIDOR	
Hobbs, NM	YES	NO	HWLC DRAINAGE IMPROVEMENTS & RR CORRIDOR	
Albuquerque, NM	YES	NO	HWLC DRAINAGE IMPROVEMENTS & RR CORRIDOR	
North Branch, MI	NO	NO	FURNISH NEW(1) ASPHALT RECYCLER	
Charlotte, NC	NO	NO	FURNISH NEW(1) ASPHALT RECYCLER	
	No info	No info	PHASE 10 WATER LINE REPLACEMENT PROJECT	
Odessa, TX	NO	NO	FURNISH LABOR & PARTS FOR PUMP REPAIR	
Las Cruces, NM	YES	NO	EFFLUENT PIPELINE PHASE I MODIFICATIONS	

See independent auditors' report.

STATE OF NEW MEXICO

City of Hobbs

Schedule of Vendor Information for Purchases Exceeding \$60,000 (Excluding GRT)

For the Year Ended June 30, 2016

RFB#/RFP# (If applicable)	Type of Procurement	Vendor Name	Did Vendor Win Contract ?	\$ Amount of Awarded Contract	\$ Amount of Amended Contract
1546-16	BID	SMITHCO CONSTRUCTION	NO	\$ -	\$ -
1546-16	BID	FILE CONSTRUCTION	NO	\$ -	\$ -
1546-16	BID	J & H SERVICES	NO	\$ -	\$ -
1546-16	BID	M & M EXCAVATING	NO	\$ -	\$ -
1546-16	BID	ENTRENCH INC	NO	\$ -	\$ -
1547-16	BID			\$ -	\$ -
1548-16	BID	ENTRENCH INC	YES	\$ 649,992.50	\$ -
1548-16	BID	ABRAHAM'S CONSTRUCTION INC	NO	\$ -	\$ -
1549-16				\$ -	\$ -
480-16	RFP	PARKHILL SMITH & COOPER	YES	\$ 100,000.00	\$ -
480-16	RFP	WILSON & COMPANY	YES	\$ 100,000.00	\$ -
480-16	RFP	PETTIGREW & ASSOCIATES	YES	\$ 100,000.00	\$ -
480-16	RFP	SOUDER, MILLER & ASSOCIATES	YES	\$ 100,000.00	\$ -

See independent auditors' report.

Physical address of vendor (City, State)	Did the Vendor provide documentation of eligibility for in-state preference?	Did the Vendor provide documentation of eligibility for veterans' preference?	Brief Description of the Scope of Work	If the procurement is attributable to a Component Unit, Name of Component Unit
Caballo, NM	YES	NO	EFFLUENT PIPELINE PHASE I MONDIFICATIONS	
Albuquerque, NM	YES	NO	EFFLUENT PIPELINE PHASE I MONDIFICATIONS	
Albuquerque, NM	YES	NO	EFFLUENT PIPELINE PHASE I MONDIFICATIONS	
Carlsbad, NM	YES	NO	EFFLUENT PIPELINE PHASE I MONDIFICATIONS	
Hobbs, NM	YES	NO	EFFLUENT PIPELINE PHASE I MONDIFICATIONS	
		NO		
Hobbs, NM	YES	NO	MAIN STREET SIDEWALK & ADA IMPROVEMENTS	
Albuquerque, NM	YES	NO	MAIN STREET SIDEWALK & ADA IMPROVEMENTS	
		NO		
Lubbock, TX	NO	NO	PROFESSIONAL ENGINEERING SERVICES EFFLUENT REUSE PROJECT, PHASE III	
Albuquerque, NM	YES	NO	PROFESSIONAL ENGINEERING SERVICES EFFLUENT REUSE PROJECT, PHASE III	
Hobbs, NM	YES	NO	PROFESSIONAL ENGINEERING SERVICES EFFLUENT REUSE PROJECT, PHASE III	
Albuquerque, NM	YES	NO	PROFESSIONAL ENGINEERING SERVICES EFFLUENT REUSE PROJECT, PHASE III	

See independent auditors' report.

STATE OF NEW MEXICO

City of Hobbs

Schedule of Vendor Information for Purchases Exceeding \$60,000 (Excluding GRT)

For the Year Ended June 30, 2016

<i>RFB#/RFP# (If applicable)</i>	<i>Type of Procurement</i>	<i>Vendor Name</i>	<i>Did Vendor Win Contract ?</i>	<i>\$ Amount of Awarded Contract</i>	<i>\$ Amount of Amended Contract</i>
480-16	RFP	MOLZEN CORBIN	YES	\$ 100,000.00	\$ -
480-16	RFP	WEST TEXAS CONSULTANTS	YES	\$ 100,000.00	\$ -
481-16	RFP	COMMUNITY MAINTENANCE	YES		\$ -
	GSA	DUSTROL INC	YES	\$ 762,562.26	\$ -
	GSA	RELIABLE CHEVROLET INC	YES	\$ 424,236.00	\$ -
	GSA	4 RIVERS EQUIPMENT	YES	\$ 289,428.32	\$ -
	GSA	BOB TURNER FORD COUNTRY	YES	\$ 304,437.00	\$ -
	GSA	ENERGY CONTROL GROUP	YES	\$ 280,052.28	\$ -
	GSA	DELL MARKETING	YES	\$ 186,771.82	\$ -
	GSA	NATIONAL BUS SALES & LEASING INC	YES	\$ 249,036.00	\$ -
	GSA	TYMCO	YES	\$ 207,140.00	\$ -
	GSA	NM EMERGENCY PRODUCTS	YES	\$ 128,537.26	\$ -
	GSA	TOM LOFTUS INC	YES	\$ 137,004.45	\$ -
	GSA	GADES GALES COMPANY	YES	\$ 88,462.80	\$ -

See independent auditors' report.

<i>Physical address of vendor (City, State)</i>	<i>Did the Vendor provide documentation of eligibility for in-state preference?</i>	<i>Did the Vendor provide documentation of eligibility for veterans' preference?</i>	<i>Brief Description of the Scope of Work</i>	<i>If the procurement is attributable to a Component Unit, Name of Component Unit</i>
Albuquerque, NM	YES	NO	PROFESSIONAL ENGINEERING SERVICES EFFLUENT REUSE PROJECT, PHASE III	
Andrews, TX	NO	NO	PROFESSIONAL ENGINEERING SERVICES EFFLUENT REUSE PROJECT, PHASE III	
Hobbs, NM	YES	NO	JANITORAL SERVICES, MULTIPLE BUILDINGS	
Towando, KS	NO		ASPHALT	
Albuquerque, NM	YES		AUTOMOBILES	
Greeley, CO	NO		EQUIPMENT	
Albuquerque, NM	YES		AUTOMOBILES	
Rio Rancho, NM	YES		INSTALLATION OF DIGITAL CONTROLS	
Dallas, TX	NO		COMPUTERS	
Marietta, GA	NO		BUS LEASE	
Waco, TX	NO		STREET SWEEPER	
Albuquerque, NM	YES		EMERGENCY LIGHTING EQUIPMENT	
Marble Falls, TX	NO		TRACTORS	
Wichita, KS	NO		LED MODULES, BACK UP BATTERIES SYSTEM	

See independent auditors' report.

STATE OF NEW MEXICO

City of Hobbs

Schedule of Vendor Information for Purchases Exceeding \$60,000 (Excluding GRT)

For the Year Ended June 30, 2016

<i>RFB#/RFP# (If applicable)</i>	<i>Type of Procurement</i>	<i>Vendor Name</i>	<i>Did Vendor Win Contract ?</i>	<i>\$ Amount of Awarded Contract</i>	<i>\$ Amount of Amended Contract</i>
	GSA	ARTESIA FIRE EQUIPMENT INC	YES	\$ 120,234.00	\$ -
	GSA	RICHARDSON INVESTMENTS INC	YES	\$ 134,310.00	\$ -
	GSA	MWI INC	YES	\$ 84,851.85	\$ -
	GSA	TRIPLE M RECREATION LLC	YES	\$ 110,000.00	\$ -
	GSA	BUSINESS ENVIRONMENTS	YES	\$ 50,332.23	\$ -
	GSA	CREATIVE BUS SALES, INC	YES	\$ 101,188.00	\$ -
	GSA	ALBUQUERQUE MOTOR COMPANY INC	YES	\$ 89,981.00	\$ -
	GSA	GT DISTRIBUTORS INC	YES	\$ 66,816.60	\$ -
	GSA	AES PRECAST CO INC	YES	\$ 74,288.09	\$ -

See independent auditors' report.

<i>Physical address of vendor (City, State)</i>	<i>Did the Vendor provide documentation of eligibility for in-state preference?</i>	<i>Did the Vendor provide documentation of eligibility for veterans' preference?</i>	<i>Brief Description of the Scope of Work</i>	<i>If the procurement is attributable to a Component Unit, Name of Component Unit</i>
Artesia, NM	YES		CARBON CYLINDER, REGULATOR, FIRE	
Albuquerque, NM	YES		AUTOMOBILES	
Albuquerque, NM	YES		LED REPLACEMENT	
Scottsdale, AZ	NO		PLAYGROUND EQUIPMENT	
Albuquerque, NM	YES		CARPET REMOVAL AND INSTALLATION	
Chino, CA	NO		BUSES	
Albuquerque, NM	YES		AUTOMOBILES	
Austin, TX	NO		AMUNITION	
Northport, AL	NO		PRECAST RESTROOMS	

See independent auditors' report.

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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

Timothy Keller
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, 2016, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and the combining and individual funds and related budgetary comparisons of the City, presented as supplementary information, and have issued our report thereon dated November 30, 2016.

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. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

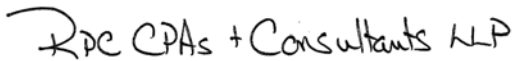
We noted certain matters that are required to be reported per section 12-6-5 NMSA 1978 that we have described in the accompanying schedule of Section 12-6-5 NMSA 1978 Findings as items FS 2015-002, FS 2015-004, NM 2016-001, NM 2016-002, NM-2016-003, NM 2016-004, and NM 2016-005.

City's Responses to Findings

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

Purpose of this Report

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



RPC CPAs + Consultants, LLP
Albuquerque, New Mexico
November 30, 2016

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FEDERAL FINANCIAL ASSISTANCE

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM AND ON INTERNAL
CONTROL OVER COMPLIANCE REQUIRED BY THE UNIFORM GUIDANCE**

INDEPENDENT AUDITORS' REPORT

Timothy M. Keller
New Mexico State Auditor
The U.S. Office of Management and Budget and
The City Commission
City of Hobbs
Hobbs, New Mexico

Report on Compliance for the Major Federal Program

We have audited the City of Hobbs's (the City) compliance with the types of compliance requirements described in the *OMB Compliance Supplement* that could have a direct and material effect on the City's major federal program for the year ended June 30, 2016. The City's major federal program is identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditors' Responsibility

Our responsibility is to express an opinion on compliance for the City's major federal program 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 the audit requirements of Title 2 U.S. *Code of Federal Regulations* Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance 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 its major federal program for the year ended June 30, 2016.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on the major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for the major federal program and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

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

RPC CPAs + Consultants LLP

RPC CPAs + Consultants, LLP
Albuquerque, New Mexico
November 30, 2016

STATE OF NEW MEXICO
City of Hobbs
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

Federal Grantor/Pass Through Grantor/Program Title	CFDA Number	Federal Grantors Number
U.S. Department of Agriculture		
Special Programs for the Aging_ Title III Part C_ Nutrition	93.045	2014- 15-60827
Total U.S. Department of Agriculture		
U.S. Department of Justice		
VOCA Crime Victim Assistance Discretionary Grant Program	16.807	2014-DJ-BX-1000
VOCA Crime Victim Assistance Discretionary Grant Program	16.807	2015-DJ-DB-0905
VOCA Crime Victim Assistance Discretionary Grant Program	16.807	2012-DJ-BX-1000
Bulletproof Vest Partnership Program	16.607	
Public Safety Partnership and Community Policing Grants	16.710	2010UMWX
Total U.S. Department of Justice		
U.S. Department of Transportation		
Passed through NM Department of Transportation		
State and Community Highway Safety	20.600	16-DD-02-045
Formula Grants for Rural Areas	20.509	MOA FY 15
Formula Grants for Rural Areas	20.509	MOA FY16
Formula Grants for Rural Areas	20.509	MOA FY 14 Carryover
Formula Grants for Rural Areas	20.509	MOA FY 15 Carryover
Highway Planning and Construction (1)	20.205	CN2100310
Highway Planning and Construction (1)	20.205	CN: 2100590
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	15-AL-64-045
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	16-AL-64-045
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	15-DS-EE-045
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	15-DD-02-045
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	16-0P-RF-045
Total U.S. Department of Transportation		
Department of Housing and Urban Development		
CDBG/State's program Non-Entitlement Grants in Hawaii	14.228	13-C-NR-I-01-G-025
Total Department of Housing and Urban Development		

Total Federal Financial Assistance

(1) Denotes Major Federal Financial Assistance Program

See independent auditors' report.
See accompanying notes to Schedule of Expenditures of Federal Awards.

<u>Expenditures</u>	<u>Funds Provided to Subrecipients</u>	<u>Noncash Assistance</u>
\$ 86,726	\$ -	\$ -
<u>86,726</u>	<u>-</u>	<u>-</u>
7,918	-	-
9,213	-	-
-	-	-
11,535	-	-
78,857	-	-
<u>107,523</u>	<u>-</u>	<u>-</u>
4,961	-	-
95,728	-	-
335,726	-	-
90,869	-	-
66,820	-	-
1,116,557	-	-
1,538	-	-
14,777	-	-
13,693	-	-
4,987	-	-
4,253	-	-
5,311	-	-
<u>1,755,220</u>	<u>-</u>	<u>-</u>
293,403	-	-
<u>293,403</u>	<u>-</u>	<u>-</u>
<u>\$ 2,242,872</u>	<u>\$ -</u>	<u>\$ -</u>

See independent auditors' report.
See accompanying notes to Schedule of Expenditures of Federal Awards.

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STATE OF NEW MEXICO
City of Hobbs
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016

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 a cash basis of accounting, which is a different basis as was used to prepare the fund financial statements. The information in this Schedule is presented in accordance with the requirements of *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

2. Loans

The City did not expend federal awards related to loans or loan guarantees during the year.

3. 10% de minimus Indirect Cost Rate

The City did not elect to use the allowed 10% indirect cost rate.

4. Federally Funded Insurance

The City has no federally funded insurance.

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

Total federal awards expended per Schedule of Expenditures of Federal Awards	\$ 2,242,872
Total expenditures funded by other sources	<u>69,486,484</u>
<i>Total expenditures of governmental funds</i>	<u><u>\$ 71,729,356</u></u>

See independent auditors' report.

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STATE OF NEW MEXICO
City of Hobbs
Schedule of Findings and Questioned Costs
June 30, 2016

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? | None noted |
| b. Significant deficiencies identified not considered to be material weaknesses? | None noted |
| c. Noncompliance material to the financial statements noted? | None noted |

Federal Awards:

- | | | | | | |
|---|-----------------------------------|-----------------|--------|-----------------------------------|--|
| 1. Type of auditors’ report issued on compliance for major programs | Unmodified | | | | |
| 2. Internal control over major programs: | | | | | |
| a. Material weaknesses identified? | None noted | | | | |
| b. Significant deficiencies identified not considered to be material weaknesses? | None noted | | | | |
| 3. Any audit findings disclosed that are required to be reported in accordance with 2 CFR section 200.516(a)? | None noted | | | | |
| 4. Identification of major programs: | | | | | |
| <table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 50%; text-align: center;">CFDA
Number</td> <td style="width: 50%; text-align: center;">Federal Program</td> </tr> <tr> <td style="text-align: center;">20.205</td> <td style="text-align: center;">Highway Planning and Construction</td> </tr> </table> | CFDA
Number | Federal Program | 20.205 | Highway Planning and Construction | |
| CFDA
Number | Federal Program | | | | |
| 20.205 | Highway Planning and Construction | | | | |
| 5. Dollar threshold used to distinguish between type A and type B programs: | \$750,000 | | | | |
| 6. Auditee qualified as low-risk auditee? | Yes | | | | |

STATE OF NEW MEXICO
City of Hobbs
Schedule of Findings and Questioned Costs
June 30, 2016

Section II – Prior Year Audit Findings

Prior Year Audit Findings

Financial Statement Findings

Disposition

FS 2015-001 Additional Work Performed Without a Contract Amendment in Place

Resolved

FS 2015-002 Payroll Internal Controls

Repeated and Modified

FS 2014-003 Utility Bag Receipt Not Signed off by Employees

Resolved

FS 2015-004 Golf Course Cash Receipts not Reconciled Daily

Repeated and Modified

FS 2014-005 Disposals of Capital Assets Prior to an Approved Resolution

Resolved

Section III – Findings - Financial Statement Audit (continued)

None noted

Section IV –Section NMSA 12-6-5 Findings

FS 2015-002 Payroll Internal Controls-(finding that does not rise to the level of significant deficiency) (Repeated and Modified)

Condition: During our testwork of internal controls surrounding the City’s payroll processes we noted 1 employee out of 8 tested in which the employee’s leave usage was not approved in the electronic time keeping system. Time for this member of executive management was approved via email by the City Mayor; however, it was noted that the approved leave usage was not reconciled periodically to leave balances in the payroll system. The employee was a salaried employee and the total dollar amount associated with the payroll for this employee was \$6,667. In fiscal year 2016, the City’s progress towards remediating find FS 2015-002 includes discontinuance of the manual time keeping system and implementation of an electronic time keeping system that interfaces electronically with the City’s accounting system. The City’s approval of time is now evidenced electronically rather than manual signatures for employees who are not members of executive management.

Criteria: Good internal controls require effective review of time in comparison with leave balances in the payroll system on a bi-weekly basis to ensure accurate pay and leave balances (PTO).

Effect: The potential impact of lack of review of this specific employee’s time is that the employee could have inaccurate PTO balances. Leave could be taken and not recorded in the City’s payroll system.

Cause: Management did not deem it necessary to reconcile the approved time to the PTO balances in the payroll system.

Auditors’ Recommendation: We recommend the Finance Department review and reconcile time approved to the PTO balances in the payroll system on a bi-weekly basis.

Management’s response: The timeline for corrective action is immediate and the City Manager, Mayor, and City Commission are responsible for corrective action. Historically City Manager time off requests are submitted via email and would then be approved by the Mayor and/or City Commissioner. This corrective action has been in place since the summer of 2014. Once the problem described above was identified, the City Manager immediately put in place a corrective action in the form of an informal policy change. This policy dictates that as the Mayor and/or Elected Officials do not have access to the time keeping system, they will manually sign a print out of the electronic time sheet that will be kept on file. This is currently in use and will continue to be used pending the adoption of a formal policy moving forward.

Section IV –Section NMSA 12-6-5 Findings (continued)

**FS 2015-004 Golf Course Cash Receipts not Reconciled Daily (finding that does not rise to the level of significant deficiency)
(Repeated and Modified)**

Condition: During our review of the City's Golf Course cash receipting process, we noted that the City's Golf Course was not counting and reconciling actual cash on hand to cash reported per the EZ Links accounting system daily resulting in multiple variances throughout the year between the daily cash deposit and the deposit per EZ Links. Some of the variance we identifiable and could be attributed to valid reconciling items while others could not. As part of our follow-up procedures we looked at the entire Golf Course Annual Deposit Log noting 12 instances in which actual deposits was not reconciled to the EZ Links accounting system with an associated dollar amount of \$2,165.33 in the prior year audit. In the current year FY16 audit we looked at the entire Golf Course Annual Deposit Log noting 81 instances in which actual deposits was not reconciled to the EZ Links accounting system with an associated net variance of \$3.86. There does not appear to be any significant progress made towards corrective action from the prior year audit.

Criteria: The City's Cash Handling and Receipting Policy and Procedures dated June 1, 2015 section V item B (2) Accountability for Cash receipts item A states "All cash must be counted daily and all cash drawers must be balanced at the end of each day or shift."

Effect: Lack of daily reconciliation of cash on-hand could cause errors or fraud in the accounting for cash receipts and makes reconciliation of cash more difficult given that cash is reconciled after the fact.

Cause: Improper training and supervision of Golf Course employees is the primary reason deposits were not being reconciled to the EZ Links accounting system daily.

Auditors' Recommendation: We recommend City conduct surprise cash counts unannounced to ensure the Golf Course is adhering to the City's cash handling polices. We recommend the Golf Course employees attend training on cash handling to ensure cash reconciliation procedures are performed accurately and timely.

Management's response: The timeline for corrective action is June 30, 2017 and the golf course's management is responsible for reiterating to its staff the importance of internal controls surrounding the golf course cash receipting process and ensuring those controls are implemented and operating effectively. The Finance Department will conduct surprise cash counts unannounced at the Golf Course and provide training on cash handling procedures. The Finance Department will also review the current cash handling procedures in relation to the City's cash handling policy and make procedural changes as necessary to ensure that cash handling and daily reconciliation procedures are performed accurately and timely.

Section IV –Section NMSA 12-6-5 Findings (continued)

NM 2016-001 Purchase of K-9 Police Dog Without an Approved Purchase Order in Place-(finding that does not rise to the level of significant deficiency)

Condition: At the onset of fieldwork the Finance Director brought to our attention one instance in which a Dual Purpose Police Service Dog-German Shepard (K9 King) was purchased without an approved purchase order in place. In October 9th 2015 the police officer returned from training in Kansas with the K9 that cost the City \$10,660.

Criteria: The City's procurement policy with an effective date of December 1, 2014 required a purchase order to be in place prior to the additional work being performed.

Section 3.20.085 Purchase Order Policy/Procedure requires use of the purchase order system to track expenditures by department, check for the availability of funds, and contractually encumber public funds.

Effect: The actual impact was that the City violated its own procurement policy because an approved purchase order was not in place. Unauthorized purchases, fraud, waste, and abuse potentially could occur if the City's procurement guidelines are not adhered to.

Cause: The original travel /training request submitted in August of 2015 to attend the K9 instructor course in Lonford Kansas included a request to purchase the K9; however the Police Department failed to create a purchase order document for review and approval.

Auditors' Recommendation: We recommend the Police Department review its internal administrative procedures to ensure purchase order documents are created, reviewed, and approved prior to procuring goods and services.

Management's response: The timeline for corrective action is June 30, 2017 and the Chief of Police is responsible for corrective action. City of Hobbs Procurement Ordinance currently addresses obtaining a purchase order prior to the purchase of tangible equipment. This particular instance was an oversight by the department and will be addressed through additional training of the procurement ordinance.

Section IV –Section NMSA 12-6-5 Findings (continued)

NM 2016-002 Quotes Obtained After Meters and Radio Equipment Were Purchased (finding that does not rise to the level of significant deficiency)

Condition: At the onset of audit fieldwork the Finance Director brought to our attention an instance in which quotes from multiple vendors were obtained after meters and radio equipment were purchased from the vendor. The initial purchase order was authorized on July 7, 2015 in the amount of \$13,806 to a single vendor for the purchase of meters and radios. Since the initial purchase was below \$20,000 no quotes were obtained. A second purchase order was authorized on August 6, 2016 in the amount of \$19,731 for meters and radio equipment. Quotes from multiple vendors were then obtained from three vendors as the total purchase had exceeded \$20,000 on August 6, 2016.

Criteria: Section 3.4 Expenditures Categories of the City’s Procurement Policy with an effective date of December 1, 2014 required that the Department to obtain a minimum of three quotes prior to the establishment of a purchase order since the total purchase exceeded \$20,000. It states as follows:

Category #2-Total cost is more than \$20,000, but less than \$60,000

Purchase of services, construction or items of tangible personal property having a value not exceeding \$60,000 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.

Effect: The actual impact was that the City violated its own procurement policy because quotes were obtained after the initial purchase order was established. Also, the City may not have maximized the purchasing value of public funds for the procurement detailed above as the quotes from the other vendors were lower than the quote from the vendor awarded.

Cause: The City’s utility department did not anticipate the total cost of the meters and radio equipment exceeded the \$20,000 category # 2 threshold and therefore did not request multiple quotes from vendors in accordance with City policy.

Auditors’ Recommendation: We recommend the City’s utility department request quotes from multiple vendors for all future purchases of meters and radio equipment. We further recommend the City to estimate its annual purchases of equipment and supplies during the budget process and take steps to ensure quotes are received prior to the establishment of purchase orders.

Management’s response: The timeline for corrective action is June 30, 2017 and the City’s Utility Department is responsible for corrective action. Purchase orders with indefinite quantity items will be reviewed annually. Currently, the ordinance prohibits the artificially dividing of purchase orders for purchases exceeding required thresholds. Departments will be notified and trained regarding indefinite quantity purchases that may or may not exceed the current dollar thresholds.

Section IV –Section NMSA 12-6-5 Findings (continued)

NM 2016-003 Golf Course Inventory Received in the Purchasing System Prior to Actual Receipt (finding that does not rise to the level of significant deficiency)

Condition: At the onset of the audit the Finance Director brought to our attention an instance in which the City's Rockwinds Golf Course received goods in City's Purchasing system prior to the actual receipt date. The cost of the goods was \$818 and was received in the City's purchasing system on June 30, 2016; however, the UPS tracking detail indicated the goods were actually delivered to the Golf Course on July 1, 2016.

Criteria: Section 3.20.085 Purchase Order Policy/Procedure of the City's Procurement Policy with an effective date of December 1, 2014 required that the Department to ensure the goods were received in the City's receiving module on the correct date.

Effect: Misappropriation of assets or theft could occur if goods are not verified as received by the City.

Cause: The Golf Course management received the goods in the receiving module once the invoices were received from the vendor without physically verifying the actual receipt of the goods.

Auditors' Recommendation: The person responsible for receiving goods and services should document within the purchasing system a receiving record that indicates the date the goods and services were received and the individual who received them. Payment of invoices should not occur until the receiving record is complete.

Management's response: The timeline for corrective action is June 30, 2017 and the City's Golf Course Manager is responsible for corrective action. The Procurement Policy is currently being updated. Within the policy, the receiving procedure will be updated and adopted at a future commission meeting. It will be used as a tool to more consistently document and verify actual receipt of goods and services within the City's Central Accounting System.

Section IV –Section NMSA 12-6-5 Findings (continued)

NM 2016-004 Golf Course Purchase Missing Purchase Order (finding that does not rise to the level of significant deficiency)

Condition: At the onset of the audit the City's Finance Director brought to our attention an instance in which an invoice was received from a vendor without an approved purchase order in place. The City's Rockwinds Golf Course received an invoice totaling \$1,187 for custom fitting wedges on May 24, 2016; however, there was not purchase order in place to process the invoice against.

Criteria: Section 3.4 Expenditures Categories of the City's Procurement Policy with an effective date of December 1, 2014 required that the Department to issue a direct small purchase order prior to the goods and services being received. It states as follows:

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 twenty thousand dollars (\$20,000) by issuing a direct small purchase order. (Note: all purchase requisitions must have a quote before a conversion to a purchase order) Purchases made in this category must obtain prior approval from an authorized department employee.

Effect: The actual impact was that the City violated its own procurement policy because an approved purchase order was not in place. Unauthorized purchases, fraud, waste, and abuse potentially could occur if the City's procurement guidelines are not adhered to.

Cause: The general manager did not expect the goods to delivered and invoice received prior to fiscal year-end. The items were expected to be delivered in the subsequent fiscal year so a purchase order was not established for fiscal year 2016.

Auditors' Recommendation: We recommend Golf Course Management review its internal administrative procedures to ensure purchase order documents are created, reviewed, and approved prior to procuring goods and services.

Management's response: The timeline for corrective action is June 30, 2017 and the General Manager of the City's Golf Course is responsible for corrective action. City of Hobbs Procurement Ordinance currently addresses obtaining a purchase order prior to the purchase of tangible equipment. This particular instance was an oversight by the department and will be addressed through additional training of the procurement ordinance.

Section IV –Section NMSA 12-6-5 Findings (continued)

NM 2016-005 Purchases from Elected Officials or Employees (other noncompliance)

Condition: During the course of audit fieldwork, the City's Finance Director brought to our attention that the City was currently doing business with vendors who were owned by City Commission members. There were 32 invoices noted in fiscal year 2016 with an associated dollar amount of \$40,502.17. We determined that the transactions were handled at arms-length and no procurement issues were noted.

Criteria: Section 3.10 of the City's procurement ordinance titled Purchases From Elected Officials or Employees prohibits elected officials or employees for providing goods and services to the City.

Effect: The effect of the condition is that there is possible appearance of conflicts of interest and violation of the City's procurement ordinance.

Cause: The City was unaware that it was doing business with one vendor owned by a City Commissioner and was aware that they were doing business as a sole source vendor owned by a Commissioner under \$20,000 (small PO).

Auditors' Recommendation: We recommend the City cross references its vendor listing within its procurement module against businesses that are known to be owned by City Commission members and City employees.

Management's response: The Department managers are responsible for corrective action and it is estimated corrective action will occur by February 2016. A related party policy is currently being updated to coincide with the updated City of Hobbs Procurement Ordinance. The policy will be presented at a future Commission meeting for adoption. Once adopted the policy will be distributed to all departments – training will be provided on an as needed basis.

Section V –Federal Award Findings

None noted

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STATE OF NEW MEXICO

City of Hobbs
Other Disclosures
June 30, 2016

Exit Conference

An exit conference was held on November 30, 2016. In attendance were the following:

Representing the City of Hobbs:

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

Representing RPC CPAs + Consultants, LLP:

Morgan Browning, CPA, CGFM	Manager
Cindy Bryan	Partner

Auditor Prepared Financial Statements

RPC CPAs + Consultants, 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.