

State of New Mexico
City of Hobbs

Annual Financial
Report

June 30, 2015



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INTRODUCTORY SECTION

STATE OF NEW MEXICO
City of Hobbs
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For the Year Ended June 30, 2015

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STATE OF NEW MEXICO

City of Hobbs

Official Roster

June 30, 2015

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

Administration

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

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FINANCIAL SECTION



Accounting & Consulting Group.LLP
Certified Public Accountants

INDEPENDENT AUDITORS' REPORT

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 comparison for the General Fund of City of Hobbs, New Mexico (the City), as of and for the year ended June 30, 2015, 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, 2015, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2015, and the respective changes in financial position and where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental fund of the City, as of June 30, 2015, 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 12 through 29, *Supporting Schedules I through III*, and the notes to the required supplementary information to be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

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

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

The introductory section 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 December 4, 2015 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Accounting & Consulting Group, LLP

Accounting & Consulting Group, LLP
Albuquerque, New Mexico
December 4, 2015

STATE OF NEW MEXICO
City of Hobbs
Management's Discussion And Analysis
For the Year Ended June 30, 2015
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, 2015. 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 \$90,360,657.
- The assets of the City of Hobbs exceeded its liabilities at June 30, 2015 by \$300,176,198.
- Restricted net position totaled \$12,184,537 at June 30, 2015. Restricted net position amounts are subject to external restrictions on how they may be used.
- Unrestricted net position totaled \$61,676,304 at June 30, 2015.
- Gross receipts taxes increased approximately 13.7% from \$79,420,273 for 2014 to \$90,360,657 for 2015. The increase is related primarily to the increase in the economic activity from construction and the oil and gas industry.

Overview of the Financial Statements

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

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Government-wide financial statements

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

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

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

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

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

Fund financial statements

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

Governmental funds

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

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

STATE OF NEW MEXICO
City of Hobbs
Management's Discussion And Analysis
For the Year Ended June 30, 2015
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Governmental funds (continued)

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

Proprietary funds

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

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

Fiduciary funds

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

Notes to the financial statements

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

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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 \$300,176,198 at June 30, 2015. 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
Investments	-	-	-
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>\$ 317,497,235</u>	<u>\$ 86,496,719</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)

On June 30, 2014, assets exceeded liabilities by \$295,310,013. Significant reasons for the increase follow the schedule below.

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

STATE OF NEW MEXICO
City of Hobbs
Management's Discussion And Analysis
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Government-wide Financial Analysis (continued)

By far the largest portion of the City of Hobbs' net position (75%, or \$226,315,357) reflects its investment in capital assets (e.g., land and land improvements, buildings, equipment and furniture, infrastructure, and utility system), less any related debt used to acquire those assets that are still outstanding. The City of Hobbs uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City of Hobbs' net investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Additionally, approximately 4%, or \$12,184,537, of the City of Hobbs' net position is restricted subject to external restrictions on how they may be used, and 20.5%, or \$61,676,304, of the City of Hobbs' net position is available as unrestricted and available for any use the governing body may deem appropriate.

Governmental activities

- Increased revenues from taxes, grants, and charges for services led to higher balances for assets such as cash and investments.
- This year's major capital asset additions for governmental activities included the purchase of various vehicles, buildings, equipment, and numerous street renovations.
- Long-term liabilities increased due to increases in the City's compensated absences balances and unfunded OPEB liability, and the implementation of GASB 68 which required the City to report its proportionate share of the Public Employee Retirement Associations Net Pension Liability at June 30, 2015.

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, 2015 and 2014, respectively, were \$126,695,771 and \$111,294,309. Total expenses were, respectively, \$83,711,069 and \$78,757,083. 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, 2015 and 2014. Reasons for significant changes follow the schedules.

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

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

Functions/Programs	June 30, 2015		
	Primary Government		
	Governmental Activities	Business-type Activities	Total
Primary government:			
General government	\$ 24,410,532	\$ -	\$ 24,410,532
Public safety	24,420,842	-	24,420,842
Public works	3,216,222	-	3,216,222
Economic development	1,521,431	-	1,521,431
Health and welfare	3,174,752	-	3,174,752
Culture and recreation	9,530,440	-	9,530,440
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
Total primary government	\$ (56,547,278)	\$ 1,372,620	\$ (55,174,658)
General revenues:			
Taxes:			
Property taxes - general purposes	\$ 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
Total general revenues	96,094,014	2,065,346	98,159,360
Excess (deficiency) before contributions, special items, and transfers	39,546,736	3,437,966	42,984,702
Net operating transfers in (out)	(5,200,680)	5,196,383	(4,297)
Total contributions, special items, and transfers	(5,200,680)	5,196,383	(4,297)
Change in net position	34,346,056	8,634,349	42,980,405
Net position - beginning	256,788,670	38,521,343	295,310,013
Prior period adjustment	(35,378,589)	(2,735,631)	(38,114,220)
Net position - ending	\$ 255,756,137	\$ 44,420,061	\$ 300,176,198

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

STATE OF NEW MEXICO
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<u>Functions/Programs</u>	June 30, 2014		
	Primary Government		
	Governmental Activities	Business-type Activities	Total
Primary government:			
General government	\$ 23,099,763	\$ -	\$ 23,099,763
Public safety	10,601,761	-	10,601,761
Public works	6,796,643	-	6,796,643
Economic development	1,322,870	-	1,322,870
Health and welfare	2,569,413	-	2,569,413
Culture and recreation	17,284,590	-	17,284,590
Solid waste sanitation	-	5,957,771	5,957,771
Joint utility enterprise	-	11,124,272	11,124,272
Less charges for services	4,996,810	16,285,056	21,281,866
Less operating grants and contributions	1,554,179	-	1,554,179
Less capital grants and contributions	82,330	1,475,048	1,557,378
	<u>\$ (55,041,721)</u>	<u>\$ 678,061</u>	<u>\$ (54,363,660)</u>
General revenues:			
Taxes:			
Property taxes - general purpose	\$ 2,230,245	\$ -	\$ 2,230,245
Gross receipts taxes	77,607,157	1,813,116	79,420,273
Franchise taxes	1,856,640	-	1,856,640
Other taxes	2,552,877	-	2,552,877
Unrestricted investment earnings	85,717	3,659	89,376
Donated capital asset	523,571	-	523,571
Miscellaneous	227,904	-	227,904
	<u>85,084,111</u>	<u>1,816,775</u>	<u>86,900,886</u>
Excess (deficiency) before contributions, special items, and transfers	<u>30,042,390</u>	<u>2,494,836</u>	<u>32,537,226</u>
Net operating transfers in (out)	<u>(5,634,236)</u>	<u>5,633,833</u>	<u>(403)</u>
Total contributions, special items, and transfers	<u>(5,634,236)</u>	<u>5,633,833</u>	<u>(403)</u>
Change in net position	<u>24,408,154</u>	<u>8,128,669</u>	<u>32,536,823</u>
Net position - beginning	232,380,516	30,392,674	262,773,190
Prior period adjustment	-	-	-
Net position - ending	<u>\$ 256,788,670</u>	<u>\$ 38,521,343</u>	<u>\$ 295,310,013</u>

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City of Hobbs
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Governmental activities

The City of Hobbs's governmental activities' change in net position was \$34,346,056 in the year ended June 30, 2015. The governmental activities' change in net position for the year ended June 30, 2014, was \$24,408,154. Significant highlights are noted below.

- Increases in tax revenues, including gross receipts taxes contributed to the increase in net position.
- The increase in tax revenues was offset by the increase in expenses. Total expenses for fiscal year 2015 and 2014 were \$66,274,219 and \$61,675,404 respectively.
- Property tax revenues have continued to climb due to high demand for residential and business properties in the area, which continues to drive real estate values and prices higher.

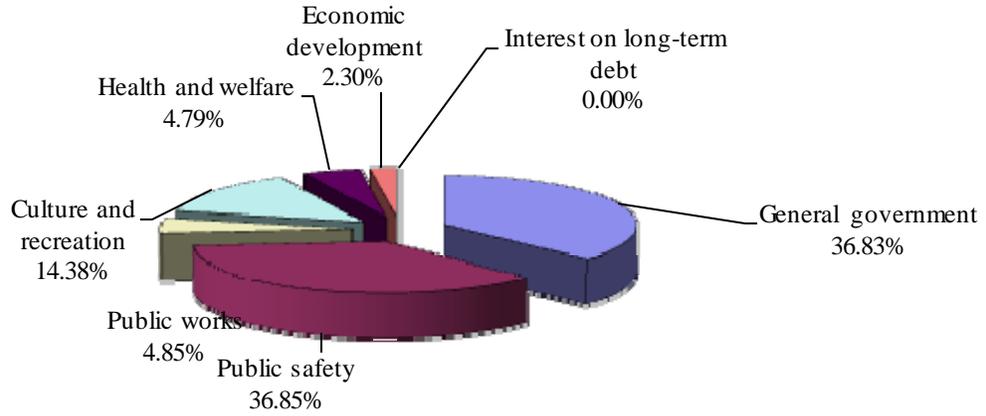
Business-type activities

The change in net position contributed by the City's business-type activities was \$8,634,349 in the year ended June 30, 2015, compared to the increase of net position of \$8,128,669 for the year ended June 30, 2014. The increase this year was driven by a number of factors, including:

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

STATE OF NEW MEXICO
City of Hobbs
Management's Discussion And Analysis
For the Year Ended June 30, 2015
Unaudited

PROGRAM EXPENSES - GOVERNMENTAL ACTIVITIES

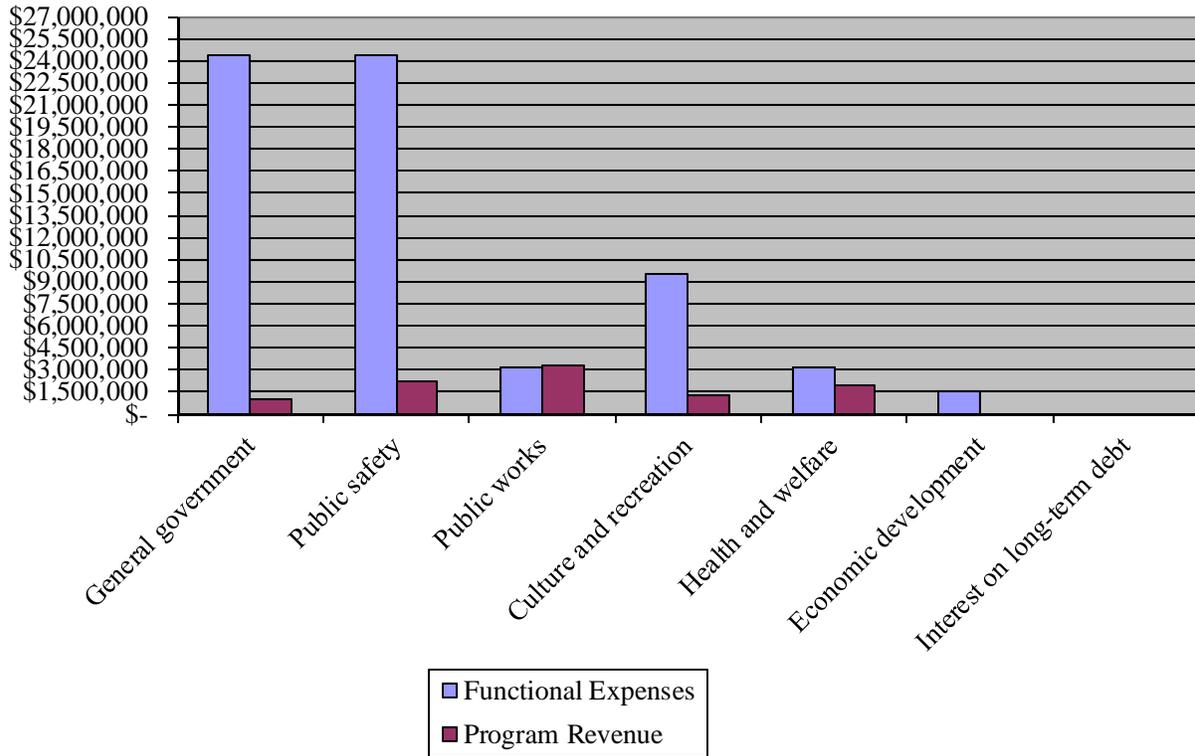


Business-type activities

Business-type activities increased the City of Hobbs' net position by \$8,634.349 in the current year, and include the Water and Wastewater Joint Utility System and the Solid Waste Fund. Revenues arise primarily from charges for services and expenses from operational costs. The City of Hobbs maintains a rate structure and pricing policies that call for a periodic review and adjustment of the rates to occur annually. The proprietary fund statements show these activities in greater detail.

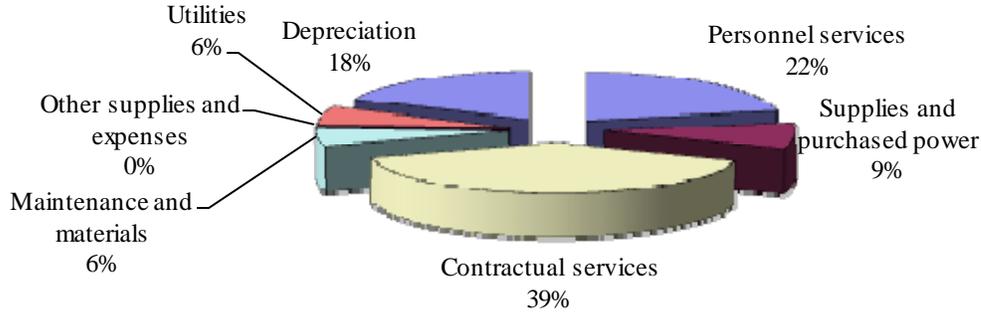
STATE OF NEW MEXICO
 City of Hobbs
 Management's Discussion And Analysis
 For the Year Ended June 30, 2015
 Unaudited

**PROGRAM REVENUES AND EXPENSES - GOVERNMENTAL
 ACTIVITIES**



STATE OF NEW MEXICO
City of Hobbs
Management's Discussion And Analysis
For the Year Ended June 30, 2015
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BUSINESS-TYPE ACTIVITIES EXPENSES



Governmental Funds Financial Analysis

As noted earlier, the City of Hobbs uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental funds

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

STATE OF NEW MEXICO
City of Hobbs
Management's Discussion And Analysis
For the Year Ended June 30, 2015
Unaudited

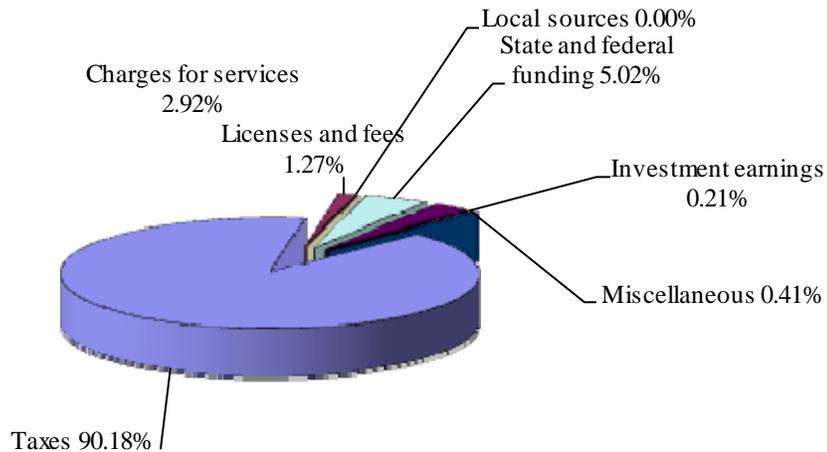
Governmental funds (continued)

As of June 30, 2015, the City of Hobbs governmental funds reported combined ending fund balances of \$103,618,891, an increase of \$23,745,283 from the prior year. Of this amount, \$88,312,168 or approximately 85% constitutes unassigned fund balance, which is available for spending at the government's discretion. Approximately 7.5%, or \$7,821,597 constitutes fund balance committed to meet minimum fund balance requirements, and approximately .1 percent, or \$1,337,990 is not in spendable form because it is in the form of contracts for prepaid expenses. The remainder of fund balance - \$6,147,136 - 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 \$88,379,380. 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 131% of the total general fund expenditures.

The City's general fund balance increased by \$25,479,616 in the current fiscal year. The key factor in this increase is an increase in gross tax receipts as discussed previously.

REVENUE BY SOURCE - GOVERNMENTAL FUNDS

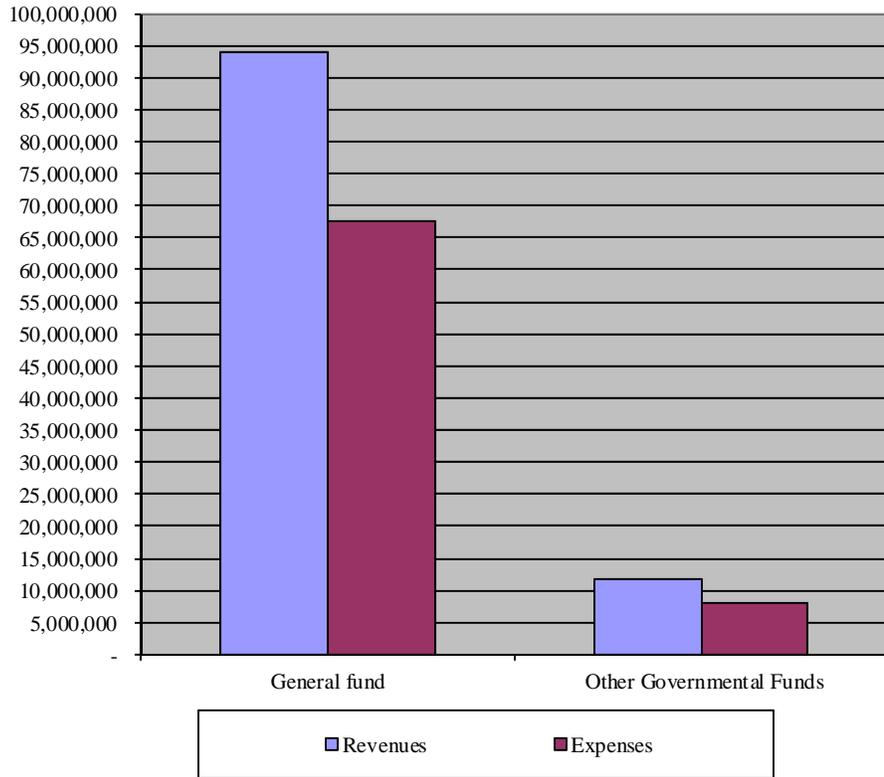


STATE OF NEW MEXICO
 City of Hobbs
 Management's Discussion And Analysis
 For the Year Ended June 30, 2015
 Unaudited

Governmental funds (continued)

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

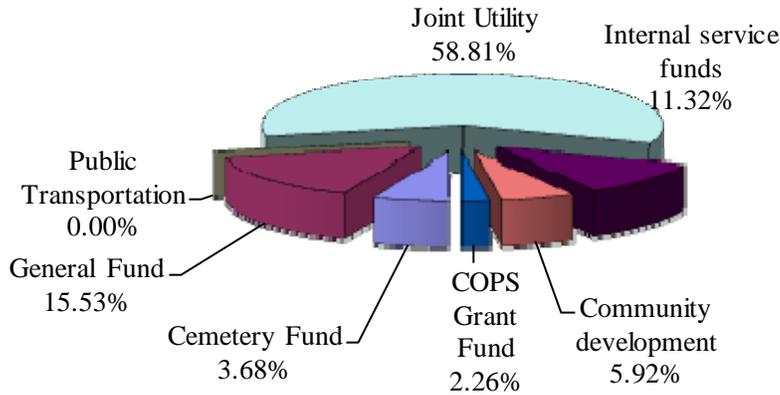
EXCESS OF REVENUES OVER EXPENDITURES - GOVERNMENTAL FUNDS



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

STATE OF NEW MEXICO
 City of Hobbs
 Management's Discussion And Analysis
 For the Year Ended June 30, 2015
 Unaudited

TRANSFERS TO FUNDS



activity totaled 8,835,313. The graph above details transfers in by fund recipient for the year ended June 30, 2015. Transfer

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, 2015, unrestricted net position totaled \$8,073,510 in the Joint Utility fund and \$636,774 in the Solid Waste fund. Factors concerning the finances of these funds have already been addressed in the discussion of the City of Hobbs business-type activities.

Budgetary Comparisons

The appropriated general fund budget for the year ended June 30, 2015 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	\$ 6,985,216	\$ (9,396,271)	\$ 26,532,950

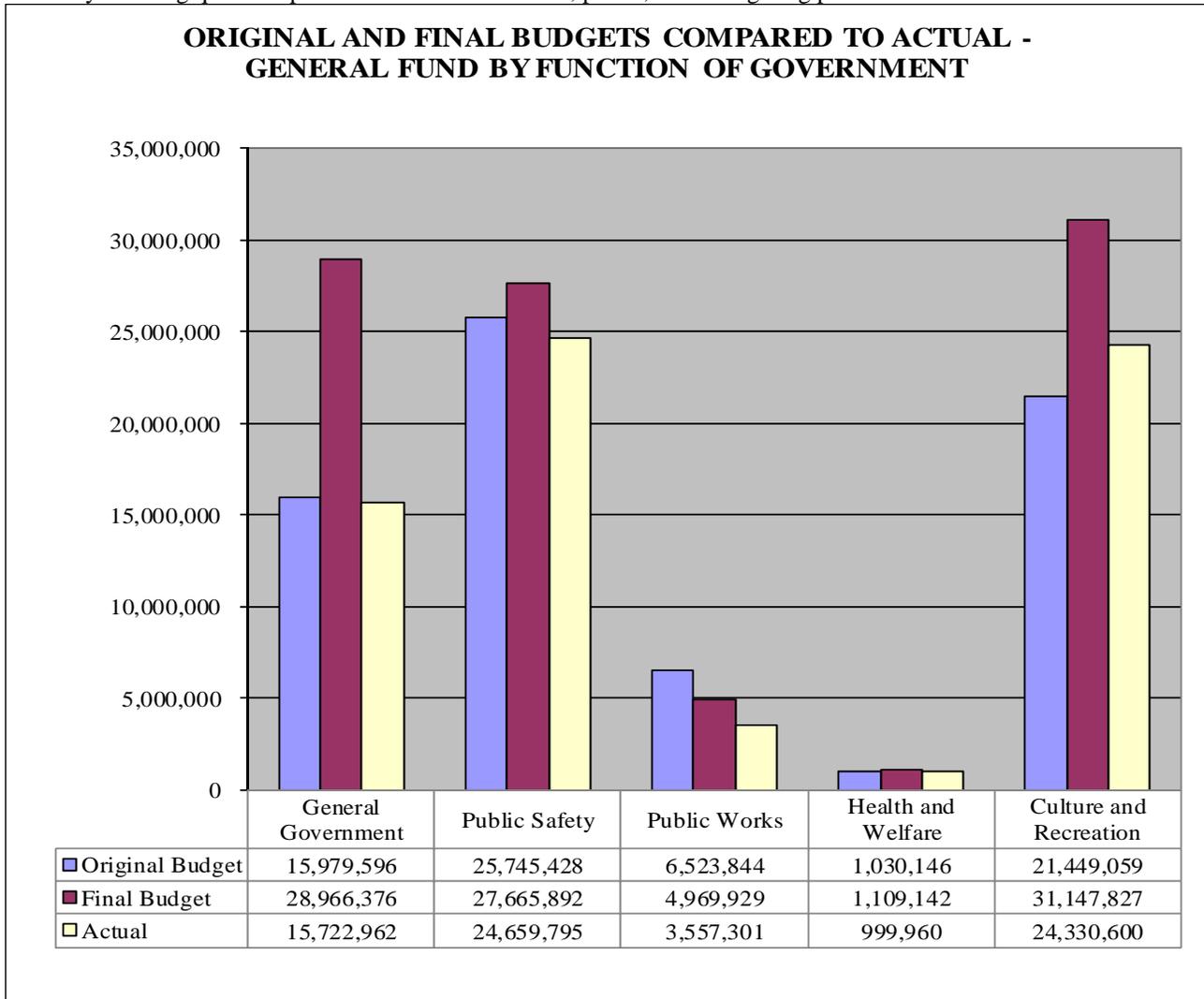
STATE OF NEW MEXICO
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Budgetary Comparisons (continued)

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

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

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



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STATE OF NEW MEXICO
City of Hobbs
Management's Discussion And Analysis
For the Year Ended June 30, 2015
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 39% 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 (13%), services (8%), construction (7%) and wholesale trade (7%). Currently, Gross Receipts Tax revenue is trending approximately 27% lower in 2016 than 2015. Zia Park is a small step in Hobbs' efforts to diversify the local economy.

Zia Park is the closest gaming facility for approximately 1,000,000 Texas residents and is less than two hours away from a 600,000-population base. Staff estimates the operating of this facility has a 1-2% positive impact on the General Fund revenues. The National Enrichment Facility is a gas centrifuge uranium enrichment plant located south of Hobbs. 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. With the expansion of the local economy, the City is experiencing labor shortages, coupled with housing shortages. To remain competitive, 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 2013 to measure the City of Hobbs unfunded benefits liability as it relates to Retiree Health Insurance. The current unfunded liability as of June 2015 is \$19,406,420. 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 liability portion regarding this pension is approximately \$31 million. The total unfunded employee liability at June 30, 2015 is approximately \$51 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. 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 \$21 million and \$7.5 million, respectively. In 2015, the City of Hobbs approved an increase of water and sewer rates to offset increased operating and infrastructure costs.

Transportation, utility, beautification, renovation and expansion projects are also in various stages of completion. These projects include water line, sewer line, and infrastructure improvements of \$14.8 million; beautification incentive projects of \$8.1 million, Taylor Ranch Park Project (18 million), Rock wind Community Links Golf Course and Trail project of \$13.2 million, City wide surveillance project of \$2 million and General Fund infrastructure and park projects of \$24 million. Portions of these projects will also reduce the City's unfunded liability pursuant to GASB 34. The City of Hobbs, with the expansion of the oil and gas industry has experienced a shortage of housing.

The City has instituted various housing incentive programs totaling \$9 million to help offset this shortfall. The City of Hobbs is in the process of partnering 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 \$61 million dollars. The City of Hobbs is currently under contract with an architectural firm for design 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.

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, 2015

	Primary Government		Total
	Governmental Activities	Business-type Activities	
Assets			
Current assets			
Cash and cash equivalents	\$ 101,433,564	\$ 14,969,657	\$ 116,403,221
Property taxes receivable	100,304	-	100,304
Other taxes receivable	12,481,161	-	12,481,161
Interest receivable	33,967	-	33,967
Due from customers, net of allowance	-	1,638,346	1,638,346
Other receivables	673,982	281,822	955,804
Prepaid expenses	1,287,382	-	1,287,382
Inventory	105,883	539,732	645,615
Internal balances	32,380	(32,380)	-
Total current assets	116,148,623	17,397,177	133,545,800
Noncurrent assets			
Restricted cash and cash equivalents	-	6,692,489	6,692,489
Restricted investments	449,772	-	449,772
Capital assets	281,449,718	126,194,340	407,644,058
Less: accumulated depreciation and amortization	(84,774,357)	(64,113,865)	(148,888,222)
Total noncurrent assets	197,125,133	68,772,964	265,898,097
Deferred outflows			
Employer contributions subsequent to the measurement date	3,812,854	294,827	4,107,681
Change in assumptions	410,625	31,751	442,376
Total deferred outflows	4,223,479	326,578	4,550,057
Total assets and deferred outflows	\$ 317,497,235	\$ 86,496,719	\$ 403,993,954

The accompanying notes are an integral part of these financial statements

	Primary Government		Total
	Governmental Activities	Business-type Activities	
Liabilities			
Current liabilities			
Accounts payable	\$ 1,459,888	\$ 1,421,107	\$ 2,880,995
Accrued payroll expenses	770,131	78,581	848,712
Accrued compensated absences	746,561	194,345	940,906
Accrued claims payable	891,220	-	891,220
Funds held for others	25,246	-	25,246
Meter deposits	-	655,088	655,088
Unearned revenue	-	1,920,000	1,920,000
Accrued interest	-	478,632	478,632
Loans payable	-	1,753,426	1,753,426
Total current liabilities	3,893,046	6,501,179	10,394,225
Noncurrent liabilities			
Accrued compensated absences	1,634,415	-	1,634,415
Accrued OPEB liability	17,510,681	1,895,739	19,406,420
Net pension liability	29,628,822	2,291,034	31,919,856
Loans payable	-	30,687,053	30,687,053
Total noncurrent liabilities	48,773,918	34,873,826	83,647,744
Total liabilities	52,666,964	41,375,005	94,041,969
Deferred inflows			
Net difference between actual and projected investment earnings on pension plan investments			
	8,456,578	653,901	9,110,479
Change in assumptions	617,556	47,752	665,308
Total deferred inflows	9,074,134	701,653	9,775,787
Net Position			
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	255,756,137	44,420,061	300,176,198
Total liabilities, deferred inflows, and net position	\$ 317,497,235	\$ 86,496,719	\$ 403,993,954

STATE OF NEW MEXICO
City of Hobbs
Statement of Activities
For the Year Ended June 30, 2015

<u>Functions/Programs</u>	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government				
General government	\$ 16,401,099	\$ 909,291	\$ 90,001	\$ -
Public safety	26,605,006	704,104	1,477,318	-
Public works	7,165,919	162,963	-	3,126,213
Culture and recreation	11,312,468	1,143,547	167,734	20,426
Health and welfare	3,268,296	1,502,247	423,097	-
Economic development	1,521,431	-	-	-
<i>Total governmental activities</i>	<u>66,274,219</u>	<u>4,422,152</u>	<u>2,158,150</u>	<u>3,146,639</u>
Business-type Activities:				
Joint Utility	10,870,801	12,327,732	-	360,045
Solid Waste	6,463,784	6,019,428	-	-
<i>Total business-type activities</i>	<u>17,334,585</u>	<u>18,347,160</u>	<u>-</u>	<u>360,045</u>
<i>Total</i>	<u>\$ 83,608,804</u>	<u>\$ 22,769,312</u>	<u>\$ 2,158,150</u>	<u>\$ 3,506,684</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
Transfers to agency fund
 Total general revenues and transfers
 Change in net position
 Net Position, beginning
 Net Position, restatement (Note 23)
 Net Position, as restated
 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
\$ (15,401,807)	\$ -	\$ (15,401,807)
(24,423,584)	-	(24,423,584)
(3,876,743)	-	(3,876,743)
(9,980,761)	-	(9,980,761)
(1,342,952)	-	(1,342,952)
(1,521,431)	-	(1,521,431)
<u>(56,547,278)</u>	<u>-</u>	<u>(56,547,278)</u>
-	1,816,976	1,816,976
-	(444,356)	(444,356)
<u>-</u>	<u>1,372,620</u>	<u>1,372,620</u>
(56,547,278)	1,372,620	(55,174,658)
2,509,587	-	2,509,587
88,301,064	2,060,593	90,361,657
1,598,790	-	1,598,790
2,920,530	-	2,920,530
223,241	4,753	227,994
112,000	-	112,000
428,802	-	428,802
(5,196,383)	5,196,383	-
(4,297)	-	(4,297)
<u>90,893,334</u>	<u>7,261,729</u>	<u>98,155,063</u>
34,346,056	8,634,349	42,980,405
256,788,670	38,521,343	295,310,013
<u>(35,378,589)</u>	<u>(2,735,631)</u>	<u>(38,114,220)</u>
<u>221,410,081</u>	<u>35,785,712</u>	<u>257,195,793</u>
<u>\$ 255,756,137</u>	<u>\$ 44,420,061</u>	<u>\$ 300,176,198</u>

STATE OF NEW MEXICO

City of Hobbs
Governmental Funds
Balance Sheet
June 30, 2015Exhibit B-1
Page 1 of 2

	General Fund	Other Governmental Funds	Total
<i>Assets</i>			
Cash and cash equivalents	\$ 85,690,704	\$ 5,053,946	\$ 90,744,650
Investments	449,772	-	449,772
Receivables:			
Property taxes	100,304	-	100,304
Other taxes	11,685,331	795,830	12,481,161
Interest receivable	33,967	-	33,967
Other receivables	25,580	648,402	673,982
Prepaid expenses	1,287,382	-	1,287,382
Inventory	-	105,883	105,883
<i>Total assets</i>	<u>\$ 99,273,040</u>	<u>\$ 6,604,061</u>	<u>\$ 105,877,101</u>
<i>Liabilities, deferred inflows of resources and fund balances</i>			
<i>Liabilities</i>			
Accounts payable	\$ 984,900	\$ 449,119	\$ 1,434,019
Accrued payroll expenses	745,721	24,410	770,131
Funds held for others	25,246	-	25,246
<i>Total liabilities</i>	<u>1,755,867</u>	<u>473,529</u>	<u>2,229,396</u>
<i>Deferred inflows of resources</i>			
Unavailable revenues	28,814	-	28,814
<i>Total deferred inflows of resources</i>	<u>28,814</u>	<u>-</u>	<u>28,814</u>
<i>Fund balances</i>			
<i>Nonspendable</i>			
Prepaid expenses	1,287,382	-	1,287,382
Inventory	-	50,608	50,608
<i>Spendable</i>			
<i>Restricted for:</i>			
Public safety	-	900,820	900,820
Culture and recreation	-	384,464	384,464
Transportation and roads	-	1,425	1,425
Health and welfare	-	5,829	5,829
Economic development	-	1,001,372	1,001,372
Capital projects	-	3,853,226	3,853,226
<i>Committed to:</i>			
Minimum fund balance	7,821,597	-	7,821,597
Unassigned	88,379,380	(67,212)	88,312,168
<i>Total fund balances</i>	<u>97,488,359</u>	<u>6,130,532</u>	<u>103,618,891</u>
<i>Total liabilities deferred inflows of resources and fund balances</i>	<u>\$ 99,273,040</u>	<u>\$ 6,604,061</u>	<u>\$ 105,877,101</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, 2015

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	\$ 103,618,891
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the funds.	196,675,361
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.	28,814
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	3,812,854
Deferred outflows of resources related to changes in assumptions	410,625
Deferred inflows of resources related to the net difference between actual and projected investment earnings on pension plan investments	(8,456,578)
Deferred inflows of resources related to changes in assumptions	(617,556)
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	9,771,825
Allocated to business-type activities	32,380
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	(2,380,976)
Accrued OPEB liability	(17,510,681)
Net pension liability	(29,628,822)
Net position of governmental activities	\$ 255,756,137

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, 2015

Exhibit B-2
Page 1 of 2

	General Fund	Other Governmental Funds	Total
<i>Revenues:</i>			
<i>Taxes:</i>			
Property	\$ 2,491,975	\$ -	\$ 2,491,975
Gross receipts	84,179,372	4,121,692	88,301,064
Gasoline and motor vehicle	788,243	810,547	1,598,790
Other	1,048,413	1,872,117	2,920,530
<i>Intergovernmental</i>			
Federal operating grants	118,213	546,184	664,397
Federal capital grants	-	2,356,067	2,356,067
State operating grants	893,766	599,987	1,493,753
State capital grants	20,426	770,146	790,572
Charges for services	2,776,035	304,896	3,080,931
Licenses and fees	1,122,705	218,516	1,341,221
Investment income	218,120	5,121	223,241
Miscellaneous	424,802	4,000	428,802
<i>Total revenues</i>	94,082,070	11,609,273	105,691,343
<i>Expenditures:</i>			
<i>Current:</i>			
General government	11,215,239	-	11,215,239
Public safety	21,791,479	803,327	22,594,806
Public works	2,920,555	203,509	3,124,064
Culture and recreation	8,880,010	95,697	8,975,707
Health and welfare	1,773,421	1,124,378	2,897,799
Economic development	-	1,521,431	1,521,431
Capital outlay	21,123,261	4,293,073	25,416,334
<i>Total expenditures</i>	67,703,965	8,041,415	75,745,380
<i>Excess (deficiency) of revenues over expenditures</i>	26,378,105	3,567,858	29,945,963
<i>Other financing sources (uses)</i>			
Transfers in	1,372,369	1,266,561	2,638,930
Transfers out	(2,266,561)	(6,568,752)	(8,835,313)
Transfer to agency fund	(4,297)	-	(4,297)
<i>Total other financing sources (uses)</i>	(898,489)	(5,302,191)	(6,200,680)
<i>Net change in fund balance</i>	25,479,616	(1,734,333)	23,745,283
<i>Fund balance - beginning of year</i>	72,008,743	7,864,865	79,873,608
<i>Fund balance - end of year</i>	\$ 97,488,359	\$ 6,130,532	\$ 103,618,891

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, 2015

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	\$	23,745,283
<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		25,416,334
Depreciation and amortization expense		(11,578,336)
Loss on disposal of capital assets		(802,202)
<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>		
		112,000
<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>		
		(732,422)
<p>Funds transferred to the internal service fund decrease financial resources at the governmental fund level, but have no effect on the Statement of Activities as the internal service fund is included in governmental activities in the Statement of Activities.</p>		
		1,000,000
<p>Revenues in the statement of activities that do not provide current financial resources are not reported as revenue in the funds:</p>		
Increase in deferred inflows related to property taxes receivable		17,612
<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		3,812,854
Pension expense		(2,913,742)
<p>Expenses in the Statement of Activities that do not require current financial resources are not reported as expenditures in the funds:</p>		
Increase in accrued compensated absences		(140,369)
Increase in accrual for other post-employment benefits		(3,590,956)
		(3,731,325)
Change in net position of governmental activities	\$	34,346,056

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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<i>Revenues:</i>				
Taxes	\$ 72,527,000	\$ 78,597,439	\$ 90,279,784	\$ 11,682,345
Fines and forfeitures	406,000	406,000	494,081	88,081
Licenses and permits	474,000	474,000	628,624	154,624
Intergovernmental	758,439	929,191	1,045,313	116,122
Charges for services	3,064,750	3,573,165	2,776,035	(797,130)
Investment earnings	200,000	200,000	154,569	(45,431)
Miscellaneous	283,100	283,100	424,802	141,702
<i>Total revenues</i>	<u>77,713,289</u>	<u>84,462,895</u>	<u>95,803,208</u>	<u>11,340,313</u>
<i>Expenditures:</i>				
Current:				
General Government:				
Legislative and land acquisition:				
Personnel services	177,505	193,057	262,131	(69,074)
Operating expenses	994,594	4,605,810	1,038,769	3,567,041
Capital outlay	1,250,000	7,243,537	1,392,897	5,850,640
<i>Total legislative and land acquisition</i>	<u>2,422,099</u>	<u>12,042,404</u>	<u>2,693,797</u>	<u>9,348,607</u>
Executive:				
Personnel services	342,240	445,771	455,488	(9,717)
Operating expenses	188,660	254,660	124,600	130,060
<i>Total executive</i>	<u>530,900</u>	<u>725,431</u>	<u>580,088</u>	<u>145,343</u>
Planning:				
Personnel services	179,787	179,787	185,645	(5,858)
Operating expenses	119,386	119,386	61,645	57,741
Capital outlay	-	-	-	-
<i>Total planning</i>	<u>299,173</u>	<u>299,173</u>	<u>247,290</u>	<u>51,883</u>
Mapping				
Personnel services	185,904	185,904	71,881	114,023
Operating expenses	257,160	57,160	37,313	19,847
Capital outlay	-	32,518	-	32,518
<i>Total mapping</i>	<u>443,064</u>	<u>275,582</u>	<u>109,194</u>	

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

STATE OF NEW MEXICO

City of Hobbs

General Fund

Exhibit C-1

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Statement of Revenues, Expenditures, and Changes in
Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual
For the year ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<i>Expenditures: (continued)</i>				
General Government: (continued)				
City Clerk:				
Personnel services	336,521	336,521	349,563	(13,042)
Operating expenses	97,940	131,440	115,969	15,471
Capital outlay	25,000	-	-	-
Total city clerk	459,461	467,961	465,532	2,429
Elections:				
Personnel services	-	-	-	-
Operating expenses	-	18,200	16,412	1,788
Total elections	-	18,200	16,412	1,788
Finance and Purchasing:				
Personnel services	684,627	690,242	614,090	76,152
Operating expenses	372,658	376,675	252,795	123,880
Capital outlay	50,000	50,000	35,911	14,089
Total finance and purchasing	1,107,285	1,116,917	902,796	214,121
Computer Operations:				
Personnel services	532,659	537,659	566,346	(28,687)
Operating expenses	291,800	347,826	276,986	70,840
Capital outlay	222,700	258,625	185,395	73,230
Total computer operations	1,047,159	1,144,110	1,028,727	115,383
Judicial:				
Personnel services	340,880	340,880	338,096	2,784
Operating expenses	151,750	151,750	103,920	47,830
Capital outlay	5,000	5,000	-	5,000
Total judicial	497,630	497,630	442,016	55,614
Legal:				
Personnel services	453,999	432,186	371,459	60,727
Operating expenses	144,450	141,950	45,935	96,015
Capital outlay	-	-	-	-
Total legal	598,449	574,136	417,394	156,742

STATE OF NEW MEXICO

City of Hobbs

General Fund

Exhibit C-1
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Statement of Revenues, Expenditures, and Changes in
Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual
For the year ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<i>Expenditures: (continued)</i>				
General Government: (continued)				
Personnel Services:				
Personnel services	357,435	357,435	336,915	20,520
Operating expenses	483,693	495,893	353,358	142,535
Capital outlay	25,000	-	-	-
Total personnel services	866,128	853,328	690,273	163,055
Risk Management:				
Operating expenses	-	-	-	-
Total risk management	-	-	-	-
Insurance:				
Operating expenses	2,224,434	2,229,434	1,664,494	564,940
Total insurance	2,224,434	2,229,434	1,664,494	564,940
Motor Vehicle:				
Personnel services	419,540	419,540	440,604	(21,064)
Operating expenses	29,742	34,225	34,045	180
Total motor vehicle	473,282	477,765	474,649	3,116
Warehouse:				
Personnel services	140,152	140,152	140,609	(457)
Operating expenses	60,600	60,600	44,930	15,670
Capital outlay	-	5,760	2,745	3,015
Total warehouse	200,752	206,512	188,284	18,228
Garage:				
Personnel services	618,521	618,521	643,306	(24,785)
Operating expenses	1,502,209	1,502,209	1,217,254	284,955
Capital outlay	-	-	-	-
Total garage	2,120,730	2,120,730	1,860,560	260,170

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

STATE OF NEW MEXICO

City of Hobbs

General Fund

Exhibit C-1

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Statement of Revenues, Expenditures, and Changes in
Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual
For the year ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<i>Expenditures: (continued)</i>				
General Government: (continued)				
Building Maintenance:				
Personnel services	509,450	509,450	444,817	64,633
Operating expenses	483,600	1,030,342	774,313	256,029
Capital outlay	1,696,000	4,377,271	2,722,326	1,654,945
Total building maintenance	2,689,050	5,917,063	3,941,456	1,975,607
<i>Total General Government</i>	15,979,596	28,966,376	15,722,962	13,077,026
Public Works:				
Engineering:				
Personnel services	703,360	703,360	608,212	95,148
Operating expenses	400,880	126,715	100,644	26,071
Capital outlay	-	70,033	2,760	67,273
Total engineering	1,104,240	900,108	711,616	188,492
Highways and Streets:				
Personnel services	1,533,900	1,533,900	1,483,001	50,899
Operating expenses	3,096,805	1,661,502	550,866	1,110,636
Capital outlay	388,899	474,419	329,009	145,410
Total highways and streets	5,019,604	3,669,821	2,362,876	1,306,945
Street Lighting:				
Operating expenses	400,000	400,000	482,809	(82,809)
Total street lighting	400,000	400,000	482,809	(82,809)
<i>Total Public Works</i>	6,523,844	4,969,929	3,557,301	1,412,628
Health and Welfare:				
Environmental Services:				
Personnel services	653,977	653,977	650,306	3,671
Operating expenses	349,061	363,864	313,648	50,216
Capital outlay	27,108	27,108	-	27,108
Total environmental services	1,030,146	1,044,949	963,954	80,995

STATE OF NEW MEXICO

City of Hobbs

General Fund

Exhibit C-1
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Statement of Revenues, Expenditures, and Changes in
Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual
For the year ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<i>Expenditures: (continued)</i>				
Health and Welfare: (continued)				
Public Information:				
Operating expenses	-	64,193	36,006	28,187
Capital outlay	-	-	-	-
Total public information	-	64,193	36,006	28,187
<i>Total Health and Welfare</i>	1,030,146	1,109,142	999,960	109,182
Culture and Recreation:				
Libraries:				
Personnel services	770,906	770,906	778,152	(7,246)
Operating expenses	250,319	251,319	232,970	18,349
Capital outlay	147,387	152,356	130,085	22,271
Total libraries	1,168,612	1,174,581	1,141,207	33,374
Parks:				
Personnel services	1,945,113	1,945,113	1,512,638	432,475
Operating expenses	883,160	828,510	1,595,556	(767,046)
Capital outlay	4,069,225	4,754,701	487,996	4,266,705
Total parks	6,897,498	7,528,324	3,596,190	3,932,134
Sports Field:				
Personnel services	289,701	289,701	250,012	39,689
Operating expenses	217,507	208,618	125,632	82,986
Capital outlay	3,722,000	5,536,090	5,413,966	122,124
Total sports field	4,229,208	6,034,409	5,789,610	244,799
Recreation:				
Personnel services	979,038	979,038	564,503	414,535
Operating expenses	663,850	666,466	1,606,906	(940,440)
Capital outlay	2,019,000	2,510,506	8,326	2,502,180
Total recreation	3,661,888	4,156,010	2,179,735	1,976,275

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

STATE OF NEW MEXICO

City of Hobbs

General Fund

Exhibit C-1

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Statement of Revenues, Expenditures, and Changes in
Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual
For the year ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<i>Expenditures: (continued)</i>				
Culture and Recreation: (continued)				
Teen Center:				
Personnel services	258,581	258,581	317,938	(59,357)
Operating expenses	88,866	102,266	66,453	35,813
Capital outlay	294,500	-	-	-
Total teen center	641,947	360,847	384,391	(23,544)
Pools:				
Personnel services	410,006	410,006	446,365	(36,359)
Operating expenses	257,600	696,584	669,104	27,480
Capital outlay	-	92,816	86,748	6,068
Total pools	667,606	1,199,406	1,202,217	(2,811)
Harry McAdams Park:				
Personnel services	268,191	268,191	277,519	(9,328)
Operating expenses	177,160	161,660	142,161	19,499
Capital outlay	55,500	53,653	-	53,653
Total Harry McAdams Park	500,851	483,504	419,680	63,824
Golf:				
Personnel services	846,601	935,148	1,085,669	(150,521)
Operating expenses	1,396,572	7,680,377	7,102,937	577,440
Capital outlay	555,400	564,620	494,777	69,843
Total golf	2,798,573	9,180,145	8,683,383	496,762
Older American Act:				
Personnel services	522,596	522,596	498,941	23,655
Operating expenses	300,280	347,495	292,558	54,937
Capital outlay	60,000	160,510	142,688	17,822
Total Older American Act	882,876	1,030,601	934,187	96,414
<i>Total Culture and Recreation</i>	<i>21,449,059</i>	<i>31,147,827</i>	<i>24,330,600</i>	<i>6,817,227</i>

STATE OF NEW MEXICO

City of Hobbs

General Fund

Exhibit C-1

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Statement of Revenues, Expenditures, and Changes in
Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual
For the year ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<i>Expenditures: (continued)</i>				
Public Safety:				
Police Field Services:				
Personnel services	434,564	434,564	457,701	(23,137)
Operating expenses	523,800	1,123,907	953,990	169,917
Capital outlay	-	96,200	11,200	85,000
Total police field services	958,364	1,654,671	1,422,891	231,780
Police CID:				
Personnel services	6,561,429	6,561,429	6,977,169	(415,740)
Operating expenses	231,669	217,533	203,852	13,681
Capital outlay	-	59,391	53,251	6,140
Total police CID	6,793,098	6,838,353	7,234,272	(395,919)
Police Technical Services:				
Personnel services	2,563,577	2,563,577	2,031,442	532,135
Operating expenses	79,000	79,000	61,547	17,453
Capital outlay	72,000	72,000	71,265	735
Total police technical services	2,714,577	2,714,577	2,164,254	550,323
Police Support Services:				
Personnel services	1,497,927	1,625,067	1,137,600	487,467
Operating expenses	152,500	143,655	110,090	33,565
Capital outlay	71,000	954,953	234,525	720,428
Total police support services	1,721,427	2,723,675	1,482,215	1,241,460
Admin Services Certified:				
Personnel services	-	-	-	-
Operating expenses	1,671,537	1,671,537	1,386,102	285,435
Capital outlay	1,259,500	1,259,500	754,640	504,860
Total admin services certified	2,931,037	2,931,037	2,140,742	790,295

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

STATE OF NEW MEXICO

City of Hobbs

General Fund

Exhibit C-1
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Statement of Revenues, Expenditures, and Changes in
Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual
For the year ended June 30, 2015

	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	788,659	788,659	830,512	(41,853)
Operating expenses	207,000	107,000	105,959	1,041
Capital outlay	-	-	-	-
Total police CID non-certified	<u>995,659</u>	<u>895,659</u>	<u>936,471</u>	<u>(40,812)</u>
Fire and Ambulance:				
Personnel services	7,196,587	7,196,587	6,826,844	369,743
Operating expenses	750,000	756,948	689,796	67,152
Capital outlay	158,000	605,059	596,861	8,198
Total fire and ambulance	<u>8,104,587</u>	<u>8,558,594</u>	<u>8,113,501</u>	<u>445,093</u>
Emergency Management:				
Operating expenses	-	2,000	5,007	(3,007)
Total emergency management	<u>-</u>	<u>2,000</u>	<u>5,007</u>	<u>(3,007)</u>
Hazardous Materials Responses:				
Operating expenses	-	-	-	-
Total hazardous materials responses	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Traffic:				
Personnel services	270,427	270,427	261,613	8,814
Operating expenses	507,660	329,660	277,341	52,319
Capital outlay	110,000	93,424	86,823	6,601
Total traffic	<u>888,087</u>	<u>693,511</u>	<u>625,777</u>	<u>67,734</u>
Code Enforcement:				
Personnel services	454,884	521,107	470,213	50,894
Operating expenses	156,600	101,600	60,663	40,937
Capital outlay	27,108	27,108	-	27,108
Total code enforcement	<u>638,592</u>	<u>649,815</u>	<u>530,876</u>	<u>118,939</u>

STATE OF NEW MEXICO

City of Hobbs

General Fund

Exhibit C-1
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Statement of Revenues, Expenditures, and Changes in
Fund Balance - Budget (Non-GAAP Budgetary Basis) and Actual
For the year ended June 30, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<i>Expenditures: (continued)</i>				
Public Safety: (continued)				
Crime Lab:				
Personnel services	-	-	-	-
Operating expenses	-	4,000	3,789	211
Capital outlay	-	-	-	-
Total crime lab	-	4,000	3,789	211
<i>Total Public Safety</i>	25,745,428	27,665,892	24,659,795	3,006,097
<i>Total expenditures</i>	70,728,073	93,859,166	69,270,618	24,422,160
<i>Excess (deficiency) of revenues over expenditures</i>	6,985,216	(9,396,271)	26,532,590	35,762,473

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, 2015

	Budgeted Amounts		Actual Amounts	Variance with Final Budget - Favorable (Unfavorable)
	Original	Final		
<i>Other financing sources:</i>				
Operating transfers in:				
Local Government Corrections Fund	-	-	-	-
Lodgers' Tax Promotional Fund	724,613	748,671	748,671	-
Golf Fund	-	-	-	-
Capital Improvement Fund	-	-	-	-
McAdams Park fund	-	-	-	-
Public Transportation Fund	-	623,698	623,698	-
City Commission Improvement Fund	-	-	-	-
Retiree Health Insurance Fund	-	-	-	-
1980 Mortgage Revenue Bond	-	-	-	-
Industrial Park Construction Fund	-	-	-	-
Capital Improvement Fund	-	-	-	-
Emergency Medical Services	-	-	-	-
	<u>724,613</u>	<u>1,372,369</u>	<u>1,372,369</u>	<u>-</u>
<i>Total other financing sources</i>				
<i>Other financing uses:</i>				
Operating transfers out:				
COPS Grant Fund	436,273	199,723	199,723	-
Older American Act Fund	-	-	-	-
Golf Fund	-	-	-	-
Cemetery Fund	557,698	544,106	544,106	-
Public Transportation Fund	-	-	-	-
Community Development Fund	300,000	522,732	522,732	-
Industrial Park Construction Fund	3,550,000	-	-	-
Vehicle Replacement Fund	1,510,819	-	-	-
Street Improvement Fund	-	-	-	-
Risk Management Internal Service	1,000,000	1,000,000	1,000,000	-
City Commission Improvement	-	-	-	-
Joint Utility Fund	342,933	-	-	-
Recreational Expendable Trust	2,000,000	-	-	-
Motor Vehicle Department Trust	-	4,297	4,297	-
	<u>9,697,723</u>	<u>2,270,858</u>	<u>2,270,858</u>	<u>\$ -</u>
<i>Total other financing uses</i>				
<i>Net change in fund balance</i>	<u>\$ (1,987,894)</u>	<u>\$ (10,294,760)</u>	<u>25,634,101</u>	
<i>Prior year cash balance</i>	<u>60,428,461</u>	<u>60,428,461</u>	<u>-</u>	
<i>Reconciliation to GAAP Basis:</i>				
Adjustments to revenue for tax, grant, and other accruals			(1,721,138)	
Adjustments to expenditures for accounts payable and payroll accruals			<u>1,566,653</u>	
<i>Net change in fund balance</i>			<u>\$ 25,479,616</u>	

STATE OF NEW MEXICO

City of Hobbs
Statement of Net Position
Proprietary Funds
June 30, 2015

	Joint Utility	Solid Waste Disposal	Total	Risk Management Internal Service Fund
<i>Assets</i>				
<i>Current assets</i>				
Cash and cash equivalents	\$ 13,954,232	\$ 1,015,425	\$ 14,969,657	\$ 10,688,914
Accounts receivable (net of allowance for doubtful accounts of \$241,431 and \$102,265, respectively)	1,107,172	531,174	1,638,346	-
Other receivables	281,822	-	281,822	-
Inventory	539,732	-	539,732	-
<i>Total current assets</i>	<u>15,882,958</u>	<u>1,546,599</u>	<u>17,429,557</u>	<u>10,688,914</u>
<i>Noncurrent assets</i>				
Restricted cash and cash equivalents	6,692,489	-	6,692,489	-
Capital assets	126,194,340	-	126,194,340	-
Accumulated depreciation and amortization	(64,113,865)	-	(64,113,865)	-
<i>Total noncurrent assets</i>	<u>68,772,964</u>	<u>-</u>	<u>68,772,964</u>	<u>-</u>
<i>Deferred outflows</i>				
Employer contributions subsequent to the measurement date	294,827	-	294,827	-
Change in assumptions	31,751	-	31,751	-
<i>Total deferred outflows</i>	<u>326,578</u>	<u>-</u>	<u>326,578</u>	<u>-</u>
<i>Total assets and deferred outflows</i>	<u>\$ 84,982,500</u>	<u>\$ 1,546,599</u>	<u>\$ 86,529,099</u>	<u>\$ 10,688,914</u>

The accompanying notes are an integral part of these financial statements

	Joint Utility	Solid Waste Disposal	Total	Risk Management Internal Service Fund
<i>Liabilities, Deferred Inflows and Net Position</i>				
<i>Liabilities</i>				
<i>Current liabilities</i>				
Accounts payable	\$ 511,282	\$ 909,825	\$ 1,421,107	\$ 25,869
Accrued payroll expenses	78,581	-	78,581	-
Accrued compensated absences	194,345	-	194,345	-
Accrued claims payable	-	-	-	891,220
Meter deposits	655,088	-	655,088	-
Unearned revenue	1,920,000	-	1,920,000	-
Accrued interest	478,632	-	478,632	-
Loans payable	1,753,426	-	1,753,426	-
<i>Total current liabilities</i>	<u>5,591,354</u>	<u>909,825</u>	<u>6,501,179</u>	<u>917,089</u>
<i>Noncurrent liabilities</i>				
Accrued OPEB liability	1,895,739	-	1,895,739	-
Net pension liability	2,291,034	-	2,291,034	-
Loans payable	30,687,053	-	30,687,053	-
<i>Total noncurrent liabilities</i>	<u>34,873,826</u>	<u>-</u>	<u>34,873,826</u>	<u>-</u>
<i>Total liabilities</i>	<u>40,465,180</u>	<u>909,825</u>	<u>41,375,005</u>	<u>917,089</u>
<i>Deferred inflows</i>				
Net difference between projected and actual investment earnings on pension plan investments	653,901	-	653,901	-
Change in assumptions	47,752	-	47,752	-
<i>Total deferred inflows</i>	<u>701,653</u>	<u>-</u>	<u>701,653</u>	<u>-</u>
<i>Net Position</i>				
Net investment in capital assets	29,639,996	-	29,639,996	-
Restricted	6,037,401	-	6,037,401	-
Unrestricted	8,138,270	636,774	8,775,044	9,771,825
<i>Total net position</i>	<u>43,815,667</u>	<u>636,774</u>	<u>44,452,441</u>	<u>9,771,825</u>
<i>Total liabilities, deferred inflows, and net position</i>	<u>\$ 84,982,500</u>	<u>\$ 1,546,599</u>	<u>\$ 86,529,099</u>	<u>\$ 10,688,914</u>
<i>Adjustment to reflect the consolidation of internal service fund activities for enterprise funds</i>			<u>(32,380)</u>	
<i>Net position of business-type activities</i>			<u>\$ 44,420,061</u>	

STATE OF NEW MEXICO
City of Hobbs
Statement of Revenues, Expenses and Changes in Net Position
Proprietary Funds
For the Year Ended June 30, 2015

	<u>Joint Utility</u>	<u>Solid Waste Disposal</u>	<u>Total</u>
<i>Operating revenues:</i>			
Charges for services (net of allowances of \$241,431 and \$102,265 respectively)	\$ 12,327,732	\$ 6,019,428	\$ 18,347,160
<i>Total operating revenues</i>	<u>12,327,732</u>	<u>6,019,428</u>	<u>18,347,160</u>
<i>Operating expenses:</i>			
Depreciation and amortization	3,073,534	-	3,073,534
Personnel services	3,676,761	-	3,676,761
Contractual services	126,454	6,463,784	6,590,238
Supplies and purchased power	1,436,606	-	1,436,606
Maintenance and materials	196,194	-	196,194
Utilities	936,186	-	936,186
Equipment	739,737	-	739,737
<i>Total operating expenses</i>	<u>10,185,472</u>	<u>6,463,784</u>	<u>16,649,256</u>
<i>Operating income (loss)</i>	<u>2,142,260</u>	<u>(444,356)</u>	<u>1,697,904</u>
<i>Non-operating revenues (expenses):</i>			
Gross receipts taxes	2,060,593	-	2,060,593
Interest expense	(608,712)	-	(608,712)
Investment income	4,753	-	4,753
<i>Total non-operating revenues (expenses)</i>	<u>1,456,634</u>	<u>-</u>	<u>1,456,634</u>
<i>Income (loss) before contributions and transfers</i>	<u>3,598,894</u>	<u>(444,356)</u>	<u>3,154,538</u>
Transfers in	5,196,383	-	5,196,383
Capital grants	360,045	-	360,045
<i>Change in net position</i>	<u>9,155,322</u>	<u>(444,356)</u>	<u>8,710,966</u>
<i>Total net position, beginning, as previously stated</i>	37,395,976	1,081,130	38,477,106
<i>Prior period adjustment (see note 23)</i>	<u>(2,735,631)</u>	<u>-</u>	<u>(2,735,631)</u>
<i>Total net position, beginning, as restated</i>	34,660,345	1,081,130	35,741,475
<i>Total net position, end of year</i>	<u>\$ 43,815,667</u>	<u>\$ 636,774</u>	44,452,441
<i>Adjustment to reflect the consolidation of internal service fund activities for enterprise funds</i>			(76,617)
<i>Change in net position of business-type activities</i>			<u>\$ 8,634,349</u>

The accompanying notes are an integral part of these financial statements

Risk Management
Internal Service
Fund

\$ 6,747,285

6,747,285

-

-

7,557,938

-

-

-

-

7,557,938

(810,653)

-

-

1,614

1,614

(809,039)

1,000,000

-

190,961

9,580,864

-

9,580,864

\$ 9,771,825

STATE OF NEW MEXICO
City of Hobbs
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2015

	Joint Utility	Solid Waste Disposal	Total
<i>Cash flows from operating activities:</i>			
Cash received from user charges	\$ 12,442,914	\$ 6,087,295	\$ 18,530,209
Cash payments to employees for services	(3,747,718)	-	(3,747,718)
Cash payments to suppliers for goods and services	(2,930,344)	(6,438,395)	(9,368,739)
<i>Net cash provided (used) by operating activities</i>	<u>5,764,852</u>	<u>(351,100)</u>	<u>5,413,752</u>
<i>Cash flows from noncapital financing activities:</i>			
Gross receipts taxes	2,060,593	-	2,060,593
Transfers	5,196,383	-	5,196,383
<i>Net cash provided by noncapital financing activities</i>	<u>7,256,976</u>	<u>-</u>	<u>7,256,976</u>
<i>Cash flows from investing activities:</i>			
Interest on investments	4,753	-	4,753
<i>Net cash provided by investing activities</i>	<u>4,753</u>	<u>-</u>	<u>4,753</u>
<i>Cash flows from capital and related financing activities:</i>			
Acquisition of capital assets	(4,427,423)	-	(4,427,423)
Interest paid	(635,572)	-	(635,572)
Capital grants	2,280,045	-	2,280,045
Loan proceeds	1,280,000	-	1,280,000
Principal payments on bonds, loans and notes payable	(1,660,669)	-	(1,660,669)
<i>Net cash (used) by capital and related financing activities</i>	<u>(3,163,619)</u>	<u>-</u>	<u>(3,163,619)</u>
<i>Net increase (decrease) in cash and cash equivalents</i>	9,862,962	(351,100)	9,511,862
<i>Cash and cash equivalents - beginning of year</i>	<u>10,783,759</u>	<u>1,366,525</u>	<u>12,150,284</u>
<i>Cash and cash equivalents - end of year</i>	<u>\$ 20,646,721</u>	<u>\$ 1,015,425</u>	<u>\$ 21,662,146</u>
<i>Reconciliation of operating income (loss) to net cash provided by operating activities:</i>			
Operating income (loss)	\$ 2,142,260	\$ (444,356)	\$ 1,697,904
<i>Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:</i>			
Depreciation and amortization	3,073,534	-	3,073,534
Pension expense	225,304	-	225,304
Employer pension contributions	(294,827)	-	(294,827)
<i>Changes in assets and liabilities</i>			
Receivables	115,182	67,867	183,049
Inventory	(108,887)	-	(108,887)
Accounts payable	122,408	25,389	147,797
Accrued payroll expenses	11,546	-	11,546
Accrued compensated absences	(12,980)	-	(12,980)
OPEB Liability	375,640	-	375,640
Accrued claims payable	-	-	-
Meter deposits	115,672	-	115,672
<i>Net cash provided (used) by operating activities</i>	<u>\$ 5,764,852</u>	<u>\$ (351,100)</u>	<u>\$ 5,413,752</u>

The accompanying notes are an integral part of these financial statements

Risk Management Internal Service Fund	
\$	6,747,285
	-
	<u>(7,457,571)</u>
	<u>(710,286)</u>
	-
	<u>1,000,000</u>
	1,000,000
	<u>1,614</u>
	<u>1,614</u>
	-
	-
	-
	-
	-
	-
	-
	-
	-
	291,328
	<u>10,397,586</u>
\$	<u>10,688,914</u>
\$	(810,653)
	-
	-
	-
	-
	-
	(46,500)
	-
	-
	-
	146,867
	-
\$	<u>(710,286)</u>

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STATE OF NEW MEXICO
City of Hobbs
Statement of Fiduciary Assets and Liabilities
Agency Funds
June 30, 2015

Exhibit E-1

<i>Assets</i>	
Cash and cash equivalents	\$ 419,575
<i>Total assets</i>	<u>\$ 419,575</u>
<i>Liabilities</i>	
Deposits held in trust for others	\$ 419,575
<i>Total liabilities</i>	<u>\$ 419,575</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Hobbs
Notes to Financial Statements
June 30, 2015

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, 2015, the City adopted GASB Statements No. 68, Accounting and Financial Reporting for Pensions – an Amendment of GASB Statement No. 27 (“GASB 68”), and No. 71, Pension Transition for Contributions Made Subsequent to the Measurement Date – an Amendment of GASB Statement No. 68 (“GASB 71”). These two Statements are required to be implemented at the same time. GASB 68 addresses accounting and financial reporting for pensions that are provided to the employees of state and local governments through pension plans that are administered through trusts that have the following characteristics:

- Contributions from employers and nonemployer contributing entities to the pension plan and earnings on those contributions are irrevocable.
- Pension plan assets are dedicated to providing pensions to plan members in accordance with the benefit terms.
- Pension plan assets are legally protected from the creditors of employers, nonemployer contributing entities, and the pension plan administrator. If the plan is a defined benefit plan, plan assets are also legally protected from creditors of the plan members.

GASB 68 establishes standards for measuring and recognizing liabilities, deferred outflows of resources, deferred inflows of resources, and expense/expenditures related to pensions. For defined benefit pensions, this Statement identifies the methods and assumptions that should be used to project benefit payments, discount projected benefit payments to their actuarial present value, and attribute that present value to periods of employee service. As a result of the implementation of GASB 68, the government recognized a net pension liability (“NPL”) measured as of a date no later than the end of its prior fiscal year. If the government employer makes a contribution to the pension plan subsequent to the measurement date but prior to the end of the current fiscal year, GASB 68 requires the government to recognize that contribution as a deferred outflow of resources. In addition, GASB 68 requires the recognition of deferred outflows of resources and deferred inflows of resources for changes in the NPL that arise from other types of events, but does not require the government to recognize beginning deferred outflows of resources or deferred inflows of resources if the amounts are not practical to estimate.

STATE OF NEW MEXICO
City of Hobbs
Notes to Financial Statements
June 30, 2015

NOTE 1. Summary of Significant Accounting Policies (continued)

At transition to Statement 68, Statement 71 requires the employer or nonemployer contributing entity to recognize a beginning deferred outflow of resources for its pension contributions made subsequent to the measurement date of the beginning net pension liability but before the start of the government's fiscal year, thus avoiding possible understatement of an employer or nonemployer contributing entity's beginning net position and expense in the initial period of implementation.

This pronouncement has materially impacted the financial statements and additional disclosures are included in the notes to the financial statements to highlight the effects of adopting this statement.

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

A. Financial Reporting Entity

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

In evaluating how to define the City, for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB Statements No. 14 as amended by No. 39 and No 61. Blended component units, although legally separate entities, are in substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

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 Financial Statements
June 30, 2015

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. 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.

STATE OF NEW MEXICO
City of Hobbs
Notes to Financial Statements
June 30, 2015

NOTE 1. Summary of Significant Accounting Policies (continued)

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

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 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.

STATE OF NEW MEXICO
City of Hobbs
Notes to Financial Statements
June 30, 2015

NOTE 1. Summary of Significant Accounting Policies (continued)

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

Additionally, the City reports the following fund types:

Nonmajor Special Revenue Funds are used to account for the proceeds of specific revenue sources, other than major capital projects, that are legally restricted to expenditures for specified purposes.

Nonmajor Capital Projects Funds are used to account for financial resources to be used for the acquisition, construction, or renovation of major capital facilities, as well as for maintenance of facilities.

The *Internal Service Fund* is used to account for employer and employee contributions to a minimum premium medical insurance program, employer contributions to a minimum premium workers' compensation insurance program, and employer and retiree contributions for the other post-employment benefit retiree health care plan. The unexpended balance at the policy year end is retained in the fund to reduce subsequent year contributions.

Fiduciary Funds are used to account for monies held by the City in a capacity as an agent for various organizations and other outside parties. Agency Funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

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

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

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.

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.

STATE OF NEW MEXICO
City of Hobbs
Notes to Financial Statements
June 30, 2015

NOTE 1. Summary of Significant Accounting Policies (continued)

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

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, 2015 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, 2015.

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, 2015 are recorded as prepaid expenses. These payments consist of prepaid annual rental expense for ambulances, prepaid housing assistance incentive payments to certified police officers and various prepaid insurance premiums.

Restricted Assets: Restricted assets consist of those funds expendable for operating purposes but restricted by donors or other outside agencies as to the specific purpose for which they may be expended. Certain cash investment balances in the Joint Utility Fund are classified as restricted assets on the statement of net position because they are set aside for debt service requirements and as a reserve for customer deposits. In addition, the City has pledged a Treasury bill investment to secure a line of credit with a local area bank.

Capital Assets: Capital assets, which include property, plant, and equipment, are reported in the applicable governmental column in the government-wide financial statements. Capital assets are defined by the government and by Section 12-6-10 NMSA 1978 as assets with an initial, individual cost of more than \$5,000 (amount not rounded) and an estimated useful life in excess of one year. Such assets are recorded at historical cost or estimated historical cost 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, 2015 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 2015.

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.

STATE OF NEW MEXICO
City of Hobbs
Notes to Financial Statements
June 30, 2015

NOTE 1. Summary of Significant Accounting Policies (continued)

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

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, 2015, 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.

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.

STATE OF NEW MEXICO
City of Hobbs
Notes to Financial Statements
June 30, 2015

NOTE 1. Summary of Significant Accounting Policies (continued)

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

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 \$100,304 as of June 30, 2015. The uncollected amount 60 days after June 30, 2015 totaled \$28,814 and is considered unavailable revenue. Consequently the City has reported the amount as a deferred inflow at June 30, 2015. 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 \$9,110,479 and change in assumptions of \$665,308, 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 two 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 \$4,107,681. This amount is reported in the Statement of Net Position. These amounts will directly reduce the net pension liability in the next fiscal year. The second item relates to changes in assumptions and totals \$442,376 at June 30, 2015. This amount is 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.

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.

STATE OF NEW MEXICO
City of Hobbs
Notes to Financial Statements
June 30, 2015

NOTE 1. Summary of Significant Accounting Policies (continued)

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

Nonspendable Fund Balance: At June 30, 2015, the City reported \$1,337,990 of fund balances not in spendable form. These fund balances are associated with prepaid expense contracts and inventory.

Restricted and Committed Fund Balance: At June 30, 2015, the City has presented restricted fund balance on the governmental funds balance sheet in the amount of \$ 6,147,136 for various City operations as restricted by enabling legislation (see pages 104-107). The City has also presented committed fund balance on the governmental funds balance sheet in the amount of \$7,821,597 to meet minimum fund balance requirements for the General Fund.

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

Equity Classifications

Government-wide Statements

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

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

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

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

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

STATE OF NEW MEXICO
City of Hobbs
Notes to Financial Statements
June 30, 2015

NOTE 2. Stewardship, Compliance and Accountability

Budgetary Information

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

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

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

The accompanying Statements of Revenues, Expenditures and Changes in Fund Balance – Budget (Non-GAAP Budgetary Basis) and Actual and Statement of Revenues, Expenses and Changes in Net Position (Non-GAAP Budgetary Basis) and Actual present comparisons of the legally adopted budget with actual data on a budgetary basis. Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles, a reconciliation of resultant basis, perspective, equity and timing differences in the excess (deficiency) of revenues and other sources of financial resources for the year ended June 30, 2015 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, 2015.

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

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

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

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

The collateral pledged is listed on Schedule 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.

STATE OF NEW MEXICO
City of Hobbs
Notes to Financial Statements
June 30, 2015

NOTE 3. Deposits and Investments (continued)

Custodial Credit Risk – Deposits. Custodial credit risk is the risk that in the event of a bank failure, the City’s deposits may not be returned to it. The City does not have a deposit policy for custodial credit risk, other than following state statutes as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). At June 30, 2015, \$2,805,401, of the City’s bank balances of \$3,055,401 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	\$ 390,909
Repurchase agreements	2,664,492
FDIC Coverage	(250,000)
Total uninsured public funds	2,805,401
Collateralized by securities held by pledging institutions or by its trust department or agent in other than the City's name	
Uninsured and uncollateralized	\$ -
Collateral requirement - deposits (50% of uninsured funds)	
	\$ 70,455
Collateral requirement - repurchase agreement (102% of uninsured funds)	
	2,717,782
Pledged Collateral	3,610,552
Over (Under) collateralized	\$ 822,316

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, 2015, the City’s investment in the State Treasurer Local Government Investment Pool was rated as AAAM by Standard & Poor’s.

STATE OF NEW MEXICO
City of Hobbs
Notes to Financial Statements
June 30, 2015

NOTE 3. Deposits and Investments (continued)

As of June 30, 2015, 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	54.6 days	\$ 88,471,119	AAAm
Treasury Bills- U.S. Securities	659 days	\$ 33,349,719	AA+

Custodial Credit Risk - Investments For an investment, custodial credit risk is the risk that, in the event of the failure of the counterparty, the City will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. The City's policy related to investments is to comply with the state statute as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978). The carrying value of the City's investments at June 30, 2015 was \$449,772 which has been pledged as collateral by the City to secure a line of credit with a local area bank (See note 8).

The investments are listed on Schedule IV of this report. The New MexiGrow LGIP fund totaling \$88,471,119 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 \$33,349,719 are reported as cash on the Statement of Net Position. They are considered an investment for disclosure purposes.

Reconciliation to the Statement of Net position

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

Cash and cash equivalents per Exhibit A-1	\$ 116,403,221
Restricted cash and cash equivalents per Exhibit A-1	6,692,489
Agency funds cash per Exhibit E-1	<u>419,575</u>
Total cash and cash equivalents	<u>123,515,285</u>
Add: outstanding checks	1,445,182
Less: deposits in transit and other reconciling items	(71,598)
Less: LGIP balances held by the New Mexico State Treasurer	(88,471,119)
Less: U.S. agencies and treasury notes held with NMFA	(3,200,045)
Less: U.S. agencies and treasury notes held with U.S. Bank	(30,149,674)
Less: petty cash	<u>(12,630)</u>
Bank balance of deposits	<u>\$ 3,055,401</u>

STATE OF NEW MEXICO
City of Hobbs
Notes to Financial Statements
June 30, 2015

NOTE 4. Receivables

Receivables as of June 30, 2015, including the applicable allowances for uncollectible accounts, are as follows:

Governmental Activities:

	<u>General</u>	<u>Other Governmental Funds</u>	<u>Total</u>
Property taxes	\$ 100,304	\$ -	\$ 100,304
Other taxes:			
Gross receipts taxes	11,495,212	563,730	12,058,942
Gasoline and oil taxes	53,156	87,093	140,249
Franchise and lodgers taxes	136,963	145,007	281,970
Interest receivable	33,967	-	33,967
Other receivables:			
Intergovernmental-grants:			
State	25,580	121,985	147,565
Federal	-	526,417	526,417
Totals	<u>\$ 11,845,182</u>	<u>\$ 1,444,232</u>	<u>\$ 13,289,414</u>

In accordance with GASB Statement No. 33, the property tax revenues that were not collected within the period of availability, \$28,814, 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	\$ 1,348,603	\$ 633,439	\$ 1,982,042
Less: Allowance for uncollectible accounts	(241,431)	(102,265)	(343,696)
Other receivables:			
Gross receipts taxes	<u>281,822</u>	<u>-</u>	<u>281,822</u>
Totals	<u>\$ 1,388,994</u>	<u>\$ 531,174</u>	<u>\$ 1,920,168</u>

STATE OF NEW MEXICO
City of Hobbs
Notes to Financial Statements
June 30, 2015

NOTE 5. Interfund Receivables, Payables, and Transfers

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

Transfers Out	Transfers In	Amount
General Fund	Risk Management Internal Service Fund	\$ 1,000,000
General Fund	COPS Grant Fund	199,723
General Fund	Cemetery	544,106
General Fund	Community Development	522,732
Lodgers' Tax Promotional	General Fund	748,671
City Commission Improvement	Joint Utility	5,196,383
Public Transportation	General Fund	<u>623,698</u>
Total		<u>\$ 8,835,313</u>

Transfers Out	Transfers In	Amount
General Fund	Agency Fund	<u>\$ 4,297</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 \$32,380.

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

STATE OF NEW MEXICO
City of Hobbs
Notes to Financial Statements
June 30, 2015

NOTE 6. Capital Assets

A summary of capital assets and changes occurring during the year ended June 30, 2015, 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, 2014	Additions	Deletions	Balance June 30, 2015
Capital assets not being depreciated:				
Land	\$ 5,978,515	\$ 1,165,410	\$ -	\$ 7,143,925
Construction in progress	46,206,239	14,751,809	22,421,794	38,536,254
	<u>52,184,754</u>	<u>15,917,219</u>	<u>22,421,794</u>	<u>45,680,179</u>
Capital assets being depreciated:				
Buildings	42,743,126	9,247,272	33,121	51,957,277
Equipment	36,414,962	5,699,506	1,138,683	40,975,785
Land improvements	24,231,652	15,869,867	-	40,101,519
Infrastructure	99,848,377	305,954	-	100,154,331
	<u>203,238,117</u>	<u>31,122,599</u>	<u>1,171,804</u>	<u>233,188,912</u>
Amortizable assets				
Intangible assets	2,472,518	108,109	-	2,580,627
Total amortizable assets	<u>2,472,518</u>	<u>108,109</u>	<u>-</u>	<u>2,580,627</u>
Total capital assets	<u>257,895,389</u>	<u>47,147,927</u>	<u>23,593,598</u>	<u>281,449,718</u>
Accumulated depreciation:				
Buildings	19,307,523	2,830,497	33,121	22,104,899
Equipment	23,490,112	2,922,688	1,138,683	25,274,117
Land improvements	3,829,354	1,100,183	-	4,929,537
Infrastructure	26,253,358	4,476,867	-	30,730,225
Total accumulated depreciation	<u>72,880,347</u>	<u>11,330,235</u>	<u>1,171,804</u>	<u>83,038,778</u>
Less accumulated amortization:				
Intangible assets	1,487,478	248,101	-	1,735,579
Total accumulated amortization	<u>1,487,478</u>	<u>248,101</u>	<u>-</u>	<u>1,735,579</u>
Total capital assets, net	<u>\$ 183,527,564</u>	<u>\$ 35,569,591</u>	<u>\$ 22,421,794</u>	<u>\$ 196,675,361</u>

Additions include a donated capital asset in the amount of \$112,000. Cancelled projects included in Construction in Progress deletion amounts totaled \$802,202 for fiscal year 2015. Depreciation and amortization expense for governmental activities totaled \$11,578,336 for year ended June 30, 2015. Depreciation and amortization expense for the year ended June 30, 2015 was charged to governmental activities as follows:

General Government	\$ 3,568,903
Public Safety	2,184,164
Public Works	3,949,697
Culture and Recreation	1,782,028
Health and Welfare	<u>93,544</u>
Total	<u>\$ 11,578,336</u>

STATE OF NEW MEXICO
City of Hobbs
Notes to Financial Statements
June 30, 2015

NOTE 6. Capital Assets (continued)

Business-type Activities:	Balance <u>June 30, 2014</u>	Additions	Deletions	Balance <u>June 30, 2015</u>
Capital assets not being depreciated:				
Land	\$ 12,473	\$ -	\$ -	\$ 12,473
Construction in progress	<u>18,049,192</u>	<u>3,426,955</u>	<u>19,305,760</u>	<u>2,170,387</u>
	<u>18,061,665</u>	<u>3,426,955</u>	<u>19,305,760</u>	<u>2,182,860</u>
Capital assets being depreciated:				
Buildings	16,453,256	11,993,427	-	28,446,683
Equipment	43,669,976	274,357	252,864	43,691,469
Land improvements	2,310,609	11,295	112,668	2,209,236
Infrastructure	41,623,443	8,027,149	-	49,650,592
	<u>104,057,284</u>	<u>20,306,228</u>	<u>365,532</u>	<u>123,997,980</u>
Amortizable assets				
Intangible assets	<u>13,500</u>	-	-	<u>13,500</u>
Total amortizable assets	<u>13,500</u>	-	-	<u>13,500</u>
Total capital assets	<u>122,132,449</u>	<u>23,733,183</u>	<u>19,671,292</u>	<u>126,194,340</u>
Accumulated depreciation:				
Buildings	12,523,912	587,674	-	13,111,586
Equipment	33,827,667	1,233,037	252,864	34,807,840
Land improvements	2,021,608	40,881	112,668	1,949,821
Infrastructure	13,024,176	1,211,817	-	14,235,993
Total accumulated depreciation	<u>61,397,363</u>	<u>3,073,409</u>	<u>365,532</u>	<u>64,105,240</u>
Less accumulated amortization:				
Intangible assets	<u>8,500</u>	125	-	<u>8,625</u>
Total accumulated amortization	<u>8,500</u>	<u>125</u>	<u>-</u>	<u>8,625</u>
Total capital assets, net	<u>\$ 60,726,586</u>	<u>\$ 20,659,649</u>	<u>\$ 19,305,760</u>	<u>\$ 62,080,475</u>

Depreciation and amortization expense for business-type activities for the year ended June 30, 2015 were \$3,073,534. The entire amounts were recorded in the Joint Utility Fund.

STATE OF NEW MEXICO
City of Hobbs
Notes to Financial Statements
June 30, 2015

NOTE 7. Long-term Debt

During the year ended June 30, 2015, the following changes occurred in the liabilities reported in the government-wide statement of net position:

Governmental Activities:

	Balance June 30, 2014	Additions	Retirements	Balance June 30, 2015	Due Within One Year
Unfunded OPEB Liability	\$ 13,919,725	\$ 4,523,230	\$ 932,274	\$ 17,510,681	\$ -
Compensated Absences	2,240,607	886,930	746,561	2,380,976	746,561
Total Long-Term Debt	\$ 16,160,332	\$ 5,410,160	\$ 1,678,835	\$ 19,891,657	\$ 746,561

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, 2015, compensated absences increased \$140,369 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

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, 2015:

	Balance June 30, 2014	Additions	Retirements	Balance June 30, 2015	Due Within One Year
NMFA and NMED Loans	\$ 32,821,148	\$ 1,280,000	\$ 1,660,669	\$ 32,440,479	\$ 1,753,426
Unfunded OPEB Liability	1,520,099	473,163	97,523	1,895,739	-
Compensated Absences	207,325	73,542	86,522	194,345	194,345
Total Long-Term Debt	\$ 34,548,572	\$ 1,826,705	\$ 1,844,714	\$ 34,530,563	\$ 1,947,771

Compensated Absences – During fiscal year June 30, 2015, compensated absences for proprietary funds decreased \$12,980 from the prior year accrual. Compensated absences for proprietary funds are typically liquidated in the fund where they are recorded.

The NMFA and NMED loans are as follows:

Description	Date of Issue	Due Date	Interest Rate	Original Amount of Issue	Balance June 30, 2015
NMED Wastewater Loan	03/07/11	07/21/30	2.00%	\$ 31,419,101	\$ 26,089,416
NMFA Clean Drinking Water Loan	05/13/05	05/01/23	1.75%	5,226,750	3,944,784
NMFA Water Project Loan	03/22/13	06/01/32	0.25%	1,319,488	1,126,279
NMFA WTB Effluent Refuse Project	06/12/15	06/01/35	0.25%	1,280,000	1,280,000
Total Loans					\$ 32,440,479

STATE OF NEW MEXICO
City of Hobbs
Notes to Financial Statements
June 30, 2015

NOTE 7. Long-term Debt – (continued)

The City entered into a loan agreement with the New Mexico Finance Authority on May 13, 2005 for a total commitment of \$5,226,750. The loan has an interest rate of 1.75% with an administration fee of .25%. The principal and interest is payable from the net system revenues of the City’s joint water and wastewater system, and money derived from the City’s state share gross receipts tax revenue. The proceeds will be used for the renovation and expansion of the City’s water system including but not necessarily limited to repairs of its elevated storage tanks, construction of new storage tanks, and installation of an automated meter reading system.

The City entered into a loan agreement with the New Mexico Environment Department on March 7, 2011, in order to obtain funds through the provisions of Section 74-6a-1 NMSA 1078, as amended and hereafter amended (the Wastewater Facility Construction Loan Act) and the New Mexico Quality Control Commission Regulations. The purpose of the loan is to finance a project to acquire, construct, modify, and otherwise improve the wastewater facilities of the City’s joint water and sewer system. The loan has an interest rate of 2% and the principal amount of the loan is not to exceed \$20,000,000. The loan agreement was amended on January 10, 2008, to increase the total available under the loan to \$35,000,000. The loan will be payable and collectible solely from the net revenues to be derived from the operation of the joint water and sewer system.

The City entered into a loan agreement with the New Mexico Finance Authority on March 22, 2013 to assist in financing a water conservation, treatment, recycling project which will include construction of the initial phase of the City’s Effluent Reuse Project. The total loan amount is \$1,319,488 and the interest rate of .25% over the term of the loan. The loan matures on June 1, 2032 and will be payable and collectible solely from the net revenues to be derived from the operation of the joint water and sewer system.

The 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 grant amount remains unspent as of June 30, 2015 and is reported as unearned revenue in the statement of net position.

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

Fiscal Year Ending June 30,	Principal	Interest	Total Debt Service
2016	\$ 1,753,426	\$ 606,602	\$ 2,360,028
2017	1,788,208	573,830	2,362,038
2018	1,821,736	540,303	2,362,039
2019	1,855,927	506,111	2,362,038
2020	1,890,796	471,241	2,362,037
2021-2025	10,001,736	1,808,450	11,810,186
2026-2030	10,983,344	826,843	11,810,187
2031-2035	2,345,306	40,636	2,385,942
	<u>\$ 32,440,479</u>	<u>\$ 5,374,016</u>	<u>\$ 37,814,495</u>

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

NOTE 8. Line of Credit

On December 10, 2014, the City established a \$450,000 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, 2015. There was no balance outstanding on the line of credit as of June 30, 2015. The City authorized the insurance carrier (Liberty Mutual) to draw upon the account. The line of credit is secured by a U.S. Treasury bill with a par value of \$450,000 and a maturity date of December 10, 2015. The fair value of the collateral is \$449,773 as of June 30, 2015, and is included in the restricted investments reported on the Statement of Net Position.

STATE OF NEW MEXICO
City of Hobbs
Notes to Financial Statements
June 30, 2015

NOTE 9. Conduit Debt Obligations

From time to time, the City issues Industrial Revenue Bonds to provide financial assistance to private-sector entities for the acquisition and construction of industrial and commercial facilities deemed to be in the public interest. The Bonds are secured by the property financed and are payable solely from payments received on the underlying mortgage loans. Upon repayment of the bonds, ownership of the acquired facilities transfers to the entities served by the bond issuance. Neither the City, the State, nor any political subdivision thereof is obligated in any manner for repayment of the bonds. Accordingly, the bonds are not reported as liabilities in the accompanying financial statements. The following outstanding industrial revenue bonds were issued in the City's name:

Recipient	Date of Issue	Retirement Date	Amount Issued	Amount Outstanding June 30, 2015	Purpose
Evangelical Lutheran Good Samaritan Society	1996	2026	\$ 5,955,000	\$ 4,205,000	Expansion of Health Care Facility
RMS Foods, Inc.	2005	2035	\$ 7,775,000	\$ 7,775,000	Acquire Land and Acquire, Construct and Equip a Facility in the City of Hobbs

NOTE 10. Operating Leases

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

At June 30, 2015, future minimum lease payments applicable to the operating leases are as follows:

Fiscal year ending June 30,	
2016	\$ 92,649
2017	92,649
2018	<u>75,000</u>
	<u>\$ 260,298</u>

NOTE 11. Risk Management

Blue Cross Blue Shield of New Mexico has been retained as the City's medical insurer. Under the plan, the City is fully covered under a commercial health insurance policy. The City accounts for the medical plan in the Risk Management Internal Service Fund. The City is exposed to various risks of loss related to torts; theft of, or damage to and destruction of assets; errors and omissions; injuries to employees; and natural disasters.

The City maintains a large deductible workers' compensation policy, which is also accounted for in the Risk Management Internal Service Fund. Claims exceeding \$250,000 per occurrence up to \$1,000,000 annually are covered by commercial insurance. Claims are paid monthly as reported. An estimate for claims incurred but not paid is calculated by the third party administrator of the policy. This estimated liability was calculated to be \$891,220 at June 30, 2015 and is reported as a liability on the financial statements.

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

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

STATE OF NEW MEXICO
City of Hobbs
Notes to Financial Statements
June 30, 2015

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.

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://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2014.pdf.

Contributions. The contribution requirements of defined benefit plan members and the City of Hobbs 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 FY 14 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 31 of the PERA FY14 annual audit report at http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_2014.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 the City of Hobbs were \$2,877,967 and there were \$1,229,714 in employer paid member benefits that were “picked up” by the employer for the year ended June 30, 2015.

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, 2013. The PERA pension liability amounts for each division were rolled forward from the valuation date to the Plan year ending June 30, 2014, using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date June 30, 2014.

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, 2014. Only employer contributions for the pay period end dates that fell within the period of July 1, 2013 to June 30, 2014 were included in the total contributions for a specific employer. Regular and any adjustment contributions that applied to FY 2014 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.

STATE OF NEW MEXICO
City of Hobbs
Notes to Financial Statements
June 30, 2015

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

General Information about the Pension Plan (continued)

For PERA Fund Municipal General Division, at June 30, 2015, City of Hobbs reported a liability of \$11,079,084 for its proportionate share of the net pension liability. At June 30, 2014, City of Hobbs's proportion was 1.4202% percent, which was unchanged from its proportion measured as of June 30, 2013, due to the insignificance of the difference.

For the year ended June 30, 2015, City of Hobbs recognized PERA Fund Municipal General Division pension expense of \$923,364. At June 30, 2015, 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 of assumptions	\$ -	\$ 7,509
Net difference between projected and actual earnings on pension plan investments	-	4,334,430
City of Hobbs's contributions subsequent to the measurement date	1,707,154	-
Total	<u>\$ 1,707,154</u>	<u>\$ 4,341,939</u>

\$1,707,154 reported as deferred outflows of resources related to pensions resulting from City of Hobbs's contributions subsequent to the measurement date June 30, 2014 will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$ (1,085,475)
2017	(1,085,475)
2018	(1,085,475)
2019	(1,085,475)
2020	(39)
Thereafter	-

For PERA Fund Municipal Police Division, at June 30, 2015, City of Hobbs reported a liability of \$8,097,570 for its proportionate share of the net pension liability. At June 30, 2014, City of Hobbs's proportion was 2.4840% percent, which was unchanged from its proportion measured as of June 30, 2013, due to the insignificance of the difference.

For the year ended June 30, 2015, City of Hobbs recognized PERA Fund Municipal Police Division pension expense of \$877,070. At June 30, 2015, 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:

STATE OF NEW MEXICO
City of Hobbs
Notes to Financial Statements
June 30, 2015

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

General Information about the Pension Plan (continued)

	Deferred Outflows of Resources	Deferred Inflows of Resources
Changes of assumptions	\$ -	\$ 657,799
Net difference between projected and actual earnings on pension plan investments	-	3,011,034
City of Hobbs's contributions subsequent to the measurement date	<u>1,350,091</u>	<u>-</u>
Total	<u><u>\$ 1,350,091</u></u>	<u><u>\$ 3,668,833</u></u>

\$1,350,091 reported as deferred outflows of resources related to pensions resulting from City of Hobbs's contributions subsequent to the measurement date June 30, 2014 will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$ (916,390)
2017	(916,390)
2018	(916,390)
2019	(916,390)
2020	(3,273)
Thereafter	-

For PERA Fund Municipal Fire Division, at June 30, 2015, City of Hobbs reported a liability of \$12,743,202 for its proportionate share of the net pension liability. At June 30, 2014, City of Hobbs's proportion was 3.0530 percent, which was unchanged from its proportion measured as of June 30, 2013, due to the insignificance of the difference.

For the year ended June 30, 2015, City of Hobbs recognized PERA Fund Municipal Fire Division pension expense of \$1,338,613. At June 30, 2015, 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 of assumptions	\$ 442,376	
Net difference between projected and actual earnings on pension plan investments	-	1,765,015
City of Hobbs's contributions subsequent to the measurement date	<u>1,050,436</u>	<u>-</u>
Total	<u><u>\$ 1,492,812</u></u>	<u><u>\$ 1,765,015</u></u>

STATE OF NEW MEXICO
City of Hobbs
Notes to Financial Statements
June 30, 2015

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

General Information about the Pension Plan (continued)

\$1,050,436 reported as deferred outflows of resources related to pensions resulting from City of Hobbs's contributions subsequent to the measurement date June 30, 2014 will be recognized as a reduction of the net pension liability in the year ended June 30, 2016. Other amounts reported as deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year ended June 30:	
2016	\$ (331,210)
2017	(331,210)
2018	(331,210)
2019	(331,210)
2020	2,201
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, 2013 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, 2014 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, 2014. These actuarial methods and assumptions were adopted by the Board for use in the June 30, 2014 actuarial valuation.

Actuarial valuation date	June 30, 2013
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
Payroll growth	3.50% annual rate
Projected salary increases	3.50 to 14.25% annual rate
Includes inflation at	3.00% annual rate

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:

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City of Hobbs
Notes to Financial Statements
June 30, 2015

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

General Information about the Pension Plan (continued)

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%	

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June 30, 2015

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

General Information about the Pension Plan (continued)

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.

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.

PERA Fund Municipal General Division

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
City of Hobbs's proportionate share of the net pension liability	\$ 20,886,565	\$ 11,079,084	\$ 3,502,336

PERA Fund Municipal Police Division

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
City of Hobbs's proportionate share of the net pension liability	\$ 15,442,078	\$ 8,097,570	\$ 2,613,525

PERA Fund Municipal Fire Division

	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
City of Hobbs's proportionate share of the net pension liability	\$ 18,005,190	\$ 12,743,202	\$ 8,862,283

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued FY14 Restated PERA financial report. The report is available at <http://www.pera.state.nm.us/publications.html>.

Payables to the pension plan. There were no amounts owed to PERA at June 30, 2015. 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, 2015 but paid in July 2015.

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City of Hobbs
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June 30, 2015

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

Funding Policy

Changes to the Retiree Health Plan must be instigated through City Commission resolution with the necessary budget adjustments. The City pays a service-based portion of the premium for the coverage, while retirees, spouses, and survivors pay the remainder of the premium for their coverage. In the fiscal years ended June 30, 2015, 2014 and 2013 respectively, plan members’ contributions totaled \$547,548, \$577,452, and \$618,592. 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, 2015, 2014 and 2013 respectively, the City contributed \$364,924, \$302,154, and \$365,545 to the plan. The plan is financed on a pay-as-you-go basis.

Annual OPEB Cost and Net OPEB Obligation

The City’s annual Other Post-Employment Benefit (OPEB) cost (expense) is calculated based on the annual required contribution of the employer (ARC), an amount actuarially determined in accordance with the parameters of GASB Statement No. 45. The ARC represents a level of funding that, if paid on an ongoing basis, is projected to cover normal cost each year and amortize any unfunded actuarial liabilities (or funding excess) over a period not to exceed thirty years. The following table shows the components of the City’s annual OPEB cost for the year, the amount actually contributed to the plan, and changes in the City’s net OPEB obligation for the Retiree Health Plan:

	Governmental Funds	Enterprise Funds	Total
Annual Required Contribution (ARC)	\$ 3,894,235	\$ 407,366	\$ 4,301,601
Interest on net OPEB obligation	628,995	65,797	694,792
Adjustment to Annual Required Contribution	(601,909)	(62,964)	(664,873)
Annual OPEB cost (expense)	<u>3,921,321</u>	<u>410,199</u>	<u>4,331,520</u>
Actual contribution	(330,365)	(34,559)	(364,924)
Increase in net OPEB obligation	<u>3,590,956</u>	<u>375,640</u>	<u>3,966,596</u>
Net OPEB obligation - beginning of year	13,919,725	1,520,099	15,439,824
Net OPEB obligation - end of year	<u>\$ 17,510,681</u>	<u>\$ 1,895,739</u>	<u>\$ 19,406,420</u>

STATE OF NEW MEXICO
City of Hobbs
Notes to Financial Statements
June 30, 2015

NOTE 13. Post-Employment Benefits (continued)

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, 2015 were as follows:

Fiscal year ended	Annual OPEB cost	Actual employer contributions	Percentage contributed	Net OPEB obligation
6/30/2015	\$ 4,331,520	\$ 364,924	8.42%	\$ 19,406,420
6/30/2014	\$ 4,323,724	\$ 302,154	6.99%	\$ 15,439,824
6/30/2013	\$ 2,732,016	\$ 365,545	13.38%	\$ 11,418,251

As of January 1, 2013, the projected actuarial accrued liability (AAL) for benefits for the fiscal 2015 year was \$37,766,594, all of which was unfunded. The covered payroll (the annual payroll of active employees covered by the plan) was \$24,928,159, and the unfunded actuarial accrued liability (UAAL) was 151.50% percent of the covered payroll.

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

Actuarial Methods and Assumptions

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

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

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

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

STATE OF NEW MEXICO
City of Hobbs
Notes to Financial Statements
June 30, 2015

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.

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.

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City of Hobbs
Notes to Financial Statements
June 30, 2015

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

Hobbs Municipal Schools-(continued)

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

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

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.

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.

STATE OF NEW MEXICO
City of Hobbs
Notes to Financial Statements
June 30, 2015

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

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.

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.

STATE OF NEW MEXICO
City of Hobbs
Notes to Financial Statements
June 30, 2015

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

DWI Program

On July 2, 2012 the City of Hobbs entered into a Memorandum of Understanding with Lea County, City of Lovington, City of Jal, City of Eunice, Town of Tatum and New Mexico State Police regarding the Community DWI Prevention Program. The purpose of the agreement is to combine funds and resources in achieving a common goal of removing the DWI from the streets and highways of Lea County thus reducing highway traffic accidents that are alcohol related. Lea County is the fiscal agent and there is no requirement for matching funds for the City. There is no audit responsibility. 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 County 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 executed an agreement with Lea County regarding application for 2013 Edward Byrne Memorial Justice Assistance Grant program. Under the terms of the agreement the funding from the grant in the amount of 17,582 will be distributed to the City of Hobbs Police Department. The City of Hobbs will act as the fiscal agent and the agreement will remain in effect until the project is completed. There is no audit responsibility incorporated into the terms of this specific agreement.

NOTE 17. Subsequent Events

The date to which events occurring after June 30, 2015, the date of the most recent balance sheet, have been evaluated for possible adjustment to the financial statements or disclosures is December 4, 2015, 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, 2015:

Cops Grant Fund	\$ 7,778
Cemetery	\$ 10,797
Public Transportation	\$ 48,637

B. Excess of expenditures over appropriations. No funds exceeded approved budgetary authority for the year ended June 30, 2015.

C. Designated cash appropriations in excess of available balances. No funds exceeded approved budgetary authority for the year ended June 30, 2015.

STATE OF NEW MEXICO
City of Hobbs
Notes to Financial Statements
June 30, 2015

NOTE 19. Restricted Net Position

The government-wide Statement of Net Position reports \$12,184,537 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 104-107.

NOTE 20. Construction and Other Significant Commitments

The City had outstanding construction commitments for water line and infrastructure projects of \$18,508,882 as of June 30, 2015.

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

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

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

Both options are subject to the following limitations:

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

The City has prepaid housing incentive commitments related to the above program totaling \$913,443 at June 30, 2015 which relates to 22 police officers and the city manager.

NOTE 21. Concentration

As of June 30, 2015 76 of the City's 459 employees (17%) are police union employees who work under a collective bargaining agreement executed on August 15, 2011. The term of the agreement expires on March 15, 2016.

NOTE 22. Subsequent Pronouncements

In February 2015, GASB Statement No. 72 *Fair Value Measurement and Application*, was issued. Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2015. Earlier application is encouraged. The City will implement this standard during the fiscal year ended June 30, 2016. The City is still evaluating how this pronouncement will affect the financial statements.

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 City's 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 effect the City's financial statements.

STATE OF NEW MEXICO
City of Hobbs
Notes to Financial Statements
June 30, 2015

NOTE 22. Subsequent Pronouncements (continued)

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. The City is still evaluating how this pronouncement will affect the City.

In June 2015, GASB Statement No. 76 *The Hierarchy of Generally Accepted Accounting Principles for State and Local Governments*, was issued. Effective Date: The provisions of this Statement are effective for financial statements for periods beginning after June 15, 2015. Earlier application is encouraged. The City will implement this standard during the fiscal year ended June 30, 2016. The City is still evaluating how this pronouncement will 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 effect the financial statements.

NOTE 23. Net Position Restatement

The City has recorded a prior period adjustment in the amount of \$(41,784,125) to record the beginning balance of the net pension liability and a prior period adjustment of \$3,669,905 to record a beginning deferred outflow for employer contributions after the beginning measurement date of June 30, 2013 but before July 1, 2014. These adjustments were required for implementation of GASBS 68 and GASBS 71. The net effect of these adjustments totals \$(38,114,220) and is reported as a prior period adjustment in the statement of activities.

**REQUIRED SUPPLEMENTARY INFORMATION
POSTEMPLOYEMENT BENEFIT PLAN**

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STATE OF NEW MEXICO
City of Hobbs
Schedule of OPEB Funding Progress
June 30, 2015

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, 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%
June 30, 2013	\$ -	\$ 29,778,425	\$ 29,778,425	\$ -	\$ 22,916,930	129.94%

Fiscal year ended	Annual OPEB cost	Actual employer contributions	Percentage contributed
June 30, 2015	\$ 4,331,520	\$ 364,924	8.42%
June 30, 2014	\$ 4,323,727	\$ 302,154	6.99%
June 30, 2013	\$ 2,732,016	\$ 365,545	13.38%

See independent auditors' report

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**REQUIRED SUPPLEMENTARY INFORMATION
PENSION PLAN**

STATE OF NEW MEXICO

City of Hobbs

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*

	2015 Measurement Date As of and for the Year Ended <u>June 30, 2014</u>
City of Hobbs's proportion of the net pension liability	1.4202%
City of Hobbs's proportionate share of the net pension liability	\$ 11,079,084
City of Hobbs's covered-employee payroll	\$ 11,528,643
City of Hobbs's proportionate share of the net pension liability as a percentage of its covered-employee payroll	96.10%
Plan fiduciary net position as a percentage of the total pension liability	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 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*

	2015 Measurement Date As of and for the Year Ended <u>June 30, 2014</u>
City of Hobbs's proportion of the net pension liability	2.4840%
City of Hobbs's proportionate share of the net pension liability	\$ 8,097,570
City of Hobbs's covered-employee payroll	\$ 4,783,820
City of Hobbs's proportionate share of the net pension liability as a percentage of its covered-employee payroll	169.27%
Plan fiduciary net position as a percentage of the total pension liability	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 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*

	2015 Measurement Date As of and for the Year Ended <u>June 30, 2014</u>
City of Hobbs's proportion of the net pension liability	3.0530%
City of Hobbs's proportionate share of the net pension liability	\$ 12,743,202
City of Hobbs's covered-employee payroll	\$ 3,400,537
City of Hobbs's proportionate share of the net pension liability as a percentage of its covered-employee payroll	374.74%
Plan fiduciary net position as a percentage of the total pension liability	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 <u>June 30, 2015</u>
Contractually required contributions	\$ 1,707,154
Contributions in relation to the contractually required contribution	(1,707,154)
Contribution deficiency (excess)	<u>\$ -</u>
City of Hobbs's covered-employee payroll	\$12,460,381
Contributions as a percentage of covered-employee payroll	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 <u>June 30, 2015</u>
Contractually required contributions	\$ 1,350,091
Contributions in relation to the contractually required contribution	(1,350,091)
Contribution deficiency (excess)	<u>\$ -</u>
City of Hobbs's covered-employee payroll	\$ 5,215,611
Contributions as a percentage of covered-employee payroll	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 <u>June 30, 2015</u>
Contractually required contributions	\$ 1,050,436
Contributions in relation to the contractually required contribution	(1,050,436)
Contribution deficiency (excess)	<u>\$ -</u>
City of Hobbs's covered-employee payroll	\$ 3,407,308
Contributions as a percentage of covered-employee payroll	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, 2015

Changes of benefit terms. The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY14 audit available at http://www.pera.state.nm.us/pdf/AuditFinancialStatements/366_Public_Employees_Retirement_Association_2014.pdf.

Changes of assumptions. The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2014 report is available at http://www.pera.state.nm.us/pdf/Investments/RetirementFundValuationReports/6-30-2014%20PERA%20Valuation%20Report_FINAL.pdf.

The summary of Key Findings for the PERA Fund (on page 2 of the report) states “based on a recent experience study for the five-year period ending June 30, 2013, the economic and demographic assumptions were updated for this valuation. The changes in assumptions resulted in a decrease of \$30.8 million to Fund liabilities and an increase of 0.13% to the funded ratio. For details about changes in the actuarial assumptions, see Appendix B on page 60 of the report.

See independent auditors’ report

SUPPLEMENTARY INFORMATION

STATE OF NEW MEXICO
City of Hobbs
Nonmajor Fund Descriptions
June 30, 2015

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.

STATE OF NEW MEXICO
City of Hobbs
Nonmajor Fund Descriptions
June 30, 2015

Special Revenue Funds (continued)

Public Transportation

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

Fire Protection

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

Emergency Medical Services

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

Community Development

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

Expendable Trust Funds

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

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

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

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

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STATE OF NEW MEXICO
City of Hobbs
Nonmajor Fund Descriptions
June 30, 2015

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, 2015

Special Revenue

	Local Government Corrections	Police Protection	Police Narcotics	COPS Grant Fund
<i>Assets</i>				
Cash and cash equivalents	\$ 76,769	\$ 53,816	\$ 31,863	\$ 1,000
Receivables:				
Other taxes	-	-	-	-
Other receivables	-	87,600	-	-
Inventory	-	-	-	-
<i>Total assets</i>	<u>\$ 76,769</u>	<u>\$ 141,416</u>	<u>\$ 31,863</u>	<u>\$ 1,000</u>
<i>Liabilities</i>				
Accounts payable	\$ -	\$ 2,985	\$ 19,500	\$ -
Accrued payroll expenses	-	-	-	8,778
<i>Total liabilities</i>	<u>-</u>	<u>2,985</u>	<u>19,500</u>	<u>8,778</u>
<i>Fund balances</i>				
Nonspendable				
Inventory	-	-	-	-
Spendable				
Restricted for:				
Public safety	76,769	138,431	12,363	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital projects	-	-	-	-
Unassigned	-	-	-	(7,778)
<i>Total fund balances</i>	<u>76,769</u>	<u>138,431</u>	<u>12,363</u>	<u>(7,778)</u>
<i>Total liabilities and fund balances</i>	<u>\$ 76,769</u>	<u>\$ 141,416</u>	<u>\$ 31,863</u>	<u>\$ 1,000</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
\$ -	\$ -	\$ 1,000	\$ 290,824	\$ 713,544	\$ 1,000
-	-	-	-	145,007	-
4,015	-	-	-	-	30,370
-	105,883	-	-	-	-
<u>\$ 4,015</u>	<u>\$ 105,883</u>	<u>\$ 1,000</u>	<u>\$ 290,824</u>	<u>\$ 858,551</u>	<u>\$ 31,370</u>
\$ 4,015	\$ 55,275	\$ 8,298	\$ 3,708	\$ 62,790	\$ 67,874
-	-	3,499	-	-	12,133
<u>4,015</u>	<u>55,275</u>	<u>11,797</u>	<u>3,708</u>	<u>62,790</u>	<u>80,007</u>
-	50,608	-	-	-	-
-	-	-	-	-	-
-	-	-	287,116	-	-
-	-	-	-	-	-
-	-	-	-	795,761	-
-	-	-	-	-	-
-	-	(10,797)	-	-	(48,637)
-	50,608	(10,797)	287,116	795,761	(48,637)
<u>\$ 4,015</u>	<u>\$ 105,883</u>	<u>\$ 1,000</u>	<u>\$ 290,824</u>	<u>\$ 858,551</u>	<u>\$ 31,370</u>

STATE OF NEW MEXICO
City of Hobbs
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2015

Special Revenue

	<u>Fire Protection</u>	<u>Emergency Medical Services</u>	<u>Community Development</u>	<u>Recreation Expendable Trust</u>
<i>Assets</i>				
Cash and cash equivalents	\$ 673,257	\$ 501	\$ 1,000	\$ 92,613
Receivables:				
Other taxes	-	-	-	-
Other receivables	-	-	206,597	-
Inventory	-	-	-	-
<i>Total assets</i>	<u>\$ 673,257</u>	<u>\$ 501</u>	<u>\$ 207,597</u>	<u>\$ 92,613</u>
<i>Liabilities</i>				
Accounts payable	\$ -	\$ -	\$ 1,986	\$ -
Accrued payroll expenses	-	-	-	-
<i>Total liabilities</i>	<u>-</u>	<u>-</u>	<u>1,986</u>	<u>-</u>
<i>Fund balances</i>				
Nonspendable				
Inventory	-	-	-	-
Spendable				
Restricted for:				
Public safety	673,257	-	-	-
Culture and recreation	-	-	-	92,613
Health and welfare	-	501	-	-
Economic development	-	-	205,611	-
Capital projects	-	-	-	-
Unassigned	-	-	-	-
<i>Total fund balances</i>	<u>673,257</u>	<u>501</u>	<u>205,611</u>	<u>92,613</u>
<i>Total liabilities and fund balances</i>	<u>\$ 673,257</u>	<u>\$ 501</u>	<u>\$ 207,597</u>	<u>\$ 92,613</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
\$ 4,735	\$ 5,328	\$ 1,425	\$ 1,880,531	\$ 1,017,736	\$ 207,004
-	-	-	-	87,093	563,730
-	-	-	-	319,820	-
-	-	-	-	-	-
<u>\$ 4,735</u>	<u>\$ 5,328</u>	<u>\$ 1,425</u>	<u>\$ 1,880,531</u>	<u>\$ 1,424,649</u>	<u>\$ 770,734</u>
\$ -	\$ -	\$ -	\$ -	\$ 222,688	\$ -
-	-	-	-	-	-
-	-	-	-	222,688	-
-	-	-	-	-	-
-	-	-	-	-	-
4,735	-	1,425	-	-	-
-	5,328	-	-	-	-
-	-	-	-	-	-
-	-	-	1,880,531	1,201,961	770,734
-	-	-	-	-	-
<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>\$ 4,735</u>	<u>\$ 5,328</u>	<u>\$ 1,425</u>	<u>\$ 1,880,531</u>	<u>\$ 1,424,649</u>	<u>\$ 770,734</u>

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STATE OF NEW MEXICO
City of Hobbs
Nonmajor Governmental Funds
Combining Balance Sheet
June 30, 2015

	<u>Total Nonmajor Governmental Funds</u>
<i>Assets</i>	
Cash and cash equivalents	\$ 5,053,946
Receivables:	
Other taxes	795,830
Other receivables	648,402
Inventory	<u>105,883</u>
<i>Total assets</i>	<u>\$ 6,604,061</u>
<i>Liabilities</i>	
Accounts payable	\$ 449,119
Accrued payroll expenses	<u>24,410</u>
<i>Total liabilities</i>	<u>473,529</u>
<i>Fund balances</i>	
Nonspendable	
Inventory	50,608
Spendable	
Restricted for:	
Public safety	900,820
Culture and recreation	384,464
Transportation and roads	1,425
Health and welfare	5,829
Economic development	1,001,372
Capital projects	3,853,226
Unassigned	<u>(67,212)</u>
<i>Total fund balances</i>	<u>6,130,532</u>
<i>Total liabilities and fund balances</i>	<u>\$ 6,604,061</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, 2015

	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	-	-	-	170,470
Federal capital grants	-	-	-	-
State operating grants	-	87,600	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	213,029	-	20	-
Investment income	70	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>213,099</u>	<u>87,600</u>	<u>20</u>	<u>170,470</u>
<i>Expenditures:</i>				
Current:				
Public safety	91,915	54,584	27,713	407,029
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	45,415	-	-	-
<i>Total expenditures</i>	<u>137,330</u>	<u>54,584</u>	<u>27,713</u>	<u>407,029</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>75,769</u>	<u>33,016</u>	<u>(27,693)</u>	<u>(236,559)</u>
<i>Other financing sources (uses)</i>				
Transfers in	-	-	-	199,723
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>199,723</u>
<i>Net change in fund balances</i>	75,769	33,016	(27,693)	(36,836)
<i>Fund balances-beginning of year</i>	<u>1,000</u>	<u>105,415</u>	<u>40,056</u>	<u>29,058</u>
<i>Fund balances - end of year</i>	<u>\$ 76,769</u>	<u>\$ 138,431</u>	<u>\$ 12,363</u>	<u>\$ (7,778)</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
\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
-	-	-	-	-	-
-	-	-	-	1,872,117	-
4,015	-	-	-	-	371,699
-	-	-	-	-	900,000
-	-	-	-	-	-
-	-	-	-	-	-
-	105,883	163,938	35,075	-	-
-	-	-	-	-	-
-	-	-	393	1,770	-
-	-	4,000	-	-	-
<u>4,015</u>	<u>105,883</u>	<u>167,938</u>	<u>35,468</u>	<u>1,873,887</u>	<u>1,271,699</u>
-	-	-	-	-	-
-	-	-	-	-	-
-	55,275	-	39,457	-	-
4,015	-	342,692	-	-	752,024
-	-	-	-	1,521,431	-
-	-	374,812	-	-	-
<u>4,015</u>	<u>55,275</u>	<u>717,504</u>	<u>39,457</u>	<u>1,521,431</u>	<u>752,024</u>
-	50,608	(549,566)	(3,989)	352,456	519,675
-	-	544,106	-	-	-
-	-	-	-	(748,671)	(623,698)
-	-	544,106	-	(748,671)	(623,698)
-	50,608	(5,460)	(3,989)	(396,215)	(104,023)
-	-	(5,337)	291,105	1,191,976	55,386
<u>\$ -</u>	<u>\$ 50,608</u>	<u>\$ (10,797)</u>	<u>\$ 287,116</u>	<u>\$ 795,761</u>	<u>\$ (48,637)</u>

STATE OF NEW MEXICO
City of Hobbs
Nonmajor Governmental Funds
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances
For the Year Ended June 30, 2015

	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	-	-	333,151	-
State operating grants	486,740	25,647	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	4,525
Investment income	1,025	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	487,765	25,647	333,151	4,525
<i>Expenditures:</i>				
Current:				
Public safety	222,086	-	-	-
Public works	-	-	1,986	-
Culture and recreation	-	-	-	-
Health and welfare	-	25,647	-	-
Economic development	-	-	-	-
Capital outlay	26,196	-	670,901	-
<i>Total expenditures</i>	248,282	25,647	672,887	-
<i>Excess (deficiency) of revenues over expenditures</i>	239,483	-	(339,736)	4,525
<i>Other financing sources (uses)</i>				
Transfers in	-	-	522,732	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	-	-	522,732	-
<i>Net change in fund balances</i>	239,483	-	182,996	4,525
<i>Fund balances-beginning of year</i>	433,774	501	22,615	88,088
<i>Fund balances - end of year</i>	\$ 673,257	\$ 501	\$ 205,611	\$ 92,613

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
\$ -	\$ -	\$ -	\$ -	\$ -	\$ 4,121,692
-	-	-	-	810,547	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	1,122,916	-
-	-	-	-	-	-
-	-	-	170,730	599,416	-
-	-	-	-	-	-
942	-	-	-	-	-
-	7	2	-	1,854	-
-	-	-	-	-	-
<u>942</u>	<u>7</u>	<u>2</u>	<u>170,730</u>	<u>2,534,733</u>	<u>4,121,692</u>
-	-	-	-	-	-
-	-	-	-	201,523	-
965	-	-	-	-	-
-	-	-	-	-	-
-	-	-	-	-	-
-	-	-	548,101	2,627,648	-
<u>965</u>	<u>-</u>	<u>-</u>	<u>548,101</u>	<u>2,829,171</u>	<u>-</u>
<u>(23)</u>	<u>7</u>	<u>2</u>	<u>(377,371)</u>	<u>(294,438)</u>	<u>4,121,692</u>
-	-	-	-	-	-
-	-	-	-	-	(5,196,383)
-	-	-	-	-	<u>(5,196,383)</u>
(23)	7	2	(377,371)	(294,438)	(1,074,691)
<u>4,758</u>	<u>5,321</u>	<u>1,423</u>	<u>2,257,902</u>	<u>1,496,399</u>	<u>1,845,425</u>
<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>

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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, 2015

Statement A-2

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	Total Nonmajor Governmental Funds
<i>Revenues:</i>	
Taxes:	
Gross receipts	\$ 4,121,692
Gasoline and motor vehicle	810,547
Other	1,872,117
Intergovernmental:	
Federal operating grants	546,184
Federal capital grants	2,356,067
State operating grants	599,987
State capital grants	770,146
Charges for services	304,896
Licenses and fees	218,516
Investment income	5,121
Miscellaneous	4,000
<i>Total revenues</i>	11,609,273
<i>Expenditures:</i>	
Current:	
Public safety	803,327
Public works	203,509
Culture and recreation	95,697
Health and welfare	1,124,378
Economic development	1,521,431
Capital outlay	4,293,073
<i>Total expenditures</i>	8,041,415
<i>Excess (deficiency) of revenues over expenditures</i>	3,567,858
<i>Other financing sources (uses)</i>	
Transfers in	1,266,561
Transfers out	(6,568,752)
<i>Total other financing sources (uses)</i>	(5,302,191)
<i>Net change in fund balances</i>	(1,734,333)
<i>Fund balances-beginning of year</i>	7,864,865
<i>Fund balances - end of year</i>	\$ 6,130,532

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Hobbs
Local Government Corrections Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes:				
Gross receipts	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	180,000	180,000	213,029	33,029
Investment income	200	200	70	(130)
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>180,200</u>	<u>180,200</u>	<u>213,099</u>	<u>32,899</u>
<i>Expenditures:</i>				
Current:				
Public safety	137,500	137,506	116,915	20,591
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	25,000	25,000	20,415	4,585
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>162,500</u>	<u>162,506</u>	<u>137,330</u>	<u>25,176</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>17,700</u>	<u>17,694</u>	<u>75,769</u>	<u>58,075</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	(17,700)	(17,694)	-	17,694
Loan proceeds	-	-	-	-
Proceeds from sale of capital assets	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(17,700)</u>	<u>(17,694)</u>	<u>-</u>	<u>17,694</u>
<i>Net change in fund balance</i>	-	-	75,769	75,769
<i>Fund balance - beginning of year</i>	-	-	1,000	1,000
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 76,769</u>	<u>\$ 76,769</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ 75,769	
No adjustments to revenues.			-	
No adjustments to expenditures.			-	
Net change in fund balance (GAAP)			<u>\$ 75,769</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Hobbs
Police Protection Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final	(Non-GAAP Budgetary Basis)	Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	80,400	80,400	80,400	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	80,400	80,400	80,400	-
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	80,400	80,400	51,599	28,801
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	80,400	80,400	51,599	28,801
<i>Excess (deficiency) of revenues over expenditures</i>	-	-	28,801	28,801
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	-	-	-	-
Loan proceeds	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	-	-	-	-
<i>Net change in fund balance</i>	-	-	28,801	28,801
<i>Fund balance - beginning of year</i>	-	-	25,015	25,015
<i>Fund balance - end of year</i>	\$ -	\$ -	\$ 53,816	\$ 53,816
Net change in fund balance (non-GAAP budgetary basis)			\$ 28,801	
Adjustments to revenues for grant accruals.			7,200	
Adjustments to expenditures for equipment.			(2,985)	
Net change in fund balance (GAAP)			\$ 33,016	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Hobbs
Police Narcotics Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	20	20
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>20</u>	<u>20</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	10,000	10,000	8,213	1,787
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>10,000</u>	<u>10,000</u>	<u>8,213</u>	<u>1,787</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(10,000)</u>	<u>(10,000)</u>	<u>(8,193)</u>	<u>1,807</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	10,000	10,000	-	(10,000)
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>10,000</u>	<u>10,000</u>	<u>-</u>	<u>(10,000)</u>
<i>Net change in fund balance</i>	-	-	(8,193)	(8,193)
<i>Fund balance - beginning of year</i>	-	-	40,056	40,056
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 31,863</u>	<u>\$ 31,863</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ (8,193)	
No adjustments to revenues.			-	
Adjustments to expenditures for supplies.			(19,500)	
Net change in fund balance (GAAP)			<u>\$ (27,693)</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Hobbs
COPS Grant Fund Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final	(Non-GAAP Budgetary Basis)	Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	705,924	664,724	170,470	(494,254)
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>705,924</u>	<u>664,724</u>	<u>170,470</u>	<u>(494,254)</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	680,974	680,974	406,052	274,922
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>680,974</u>	<u>680,974</u>	<u>406,052</u>	<u>274,922</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>24,950</u>	<u>(16,250)</u>	<u>(235,582)</u>	<u>(219,332)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	(24,950)	(183,473)	-	183,473
Transfers in	-	199,723	199,723	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(24,950)</u>	<u>16,250</u>	<u>199,723</u>	<u>183,473</u>
<i>Net change in fund balance</i>	-	-	(35,859)	(35,859)
<i>Fund balance - beginning of year</i>	-	-	36,859	36,859
<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)			\$ (35,859)	
No adjustments to revenues.			-	
Adjustments to expenditures for insurance.			(977)	
Net change in fund balance (GAAP)			<u>\$ (36,836)</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Hobbs
Older American Act Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	-	-	-	-
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	-	-	-	-
<i>Excess (deficiency) of revenues over expenditures</i>	-	-	-	-
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	-	-	-	-
<i>Net change in fund balance</i>	-	-	-	-
<i>Fund balance - beginning of year</i>	-	-	-	-
<i>Fund balance - end of year</i>	\$ -	\$ -	\$ -	\$ -
Net change in fund balance (non-GAAP budgetary basis)			\$ -	
Adjustments to revenues for federal operating grants.			4,015	
Adjustments to expenditures for utilities.			(4,015)	
Net change in fund balance (GAAP)			\$ -	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Hobbs
Golf Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	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	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Economic development	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	-	-	-	-
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ -	
Adjustments to charges for services for inventory adjustment.			105,883	
Adjustments to expenditures for supplies.			<u>(55,275)</u>	
Net change in fund balance (GAAP)			<u>\$ 50,608</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Hobbs
Cemetery Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final	(Non-GAAP Budgetary Basis)	Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	382,775	508,542	163,938	(344,604)
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	4,000	4,000
<i>Total revenues</i>	<u>382,775</u>	<u>508,542</u>	<u>167,938</u>	<u>(340,604)</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	385,198	411,199	337,232	73,967
Economic development	-	-	-	-
Capital outlay	339,000	411,948	374,812	37,136
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>724,198</u>	<u>823,147</u>	<u>712,044</u>	<u>111,103</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(341,423)</u>	<u>(314,605)</u>	<u>(544,106)</u>	<u>(229,501)</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	(202,683)	(229,501)	-	229,501
Transfers in	544,106	544,106	544,106	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>341,423</u>	<u>314,605</u>	<u>544,106</u>	<u>229,501</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.			(5,460)	
Net change in fund balance (GAAP)			<u>\$ (5,460)</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Hobbs
Airport Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	38,000	38,000	35,075	(2,925)
Licenses and fees	-	-	-	-
Investment income	300	300	393	93
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>38,300</u>	<u>38,300</u>	<u>35,468</u>	<u>(2,832)</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	63,500	66,499	35,749	30,750
Health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>63,500</u>	<u>66,499</u>	<u>35,749</u>	<u>30,750</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(25,200)</u>	<u>(28,199)</u>	<u>(281)</u>	<u>27,918</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	25,200	28,199	-	(28,199)
Loan proceeds	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>25,200</u>	<u>28,199</u>	<u>-</u>	<u>(28,199)</u>
<i>Net change in fund balance</i>	-	-	(281)	(281)
<i>Fund balance - beginning of year</i>	-	-	291,105	291,105
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 290,824</u>	<u>\$ 290,824</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ (281)	
No adjustments to revenues.			-	
Adjustments to expenditures for utilities.			(3,708)	
Net change in fund balance (GAAP)			<u>\$ (3,989)</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Hobbs
Lodger's Tax Promotional Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances</u>
	<u>Original</u>	<u>Final</u>	<u>(Non-GAAP Budgetary Basis)</u>	<u>Favorable (Unfavorable) Final to Actual</u>
<i>Revenues:</i>				
Taxes:				
Lodgers' taxes	\$ 1,300,000	\$ 1,300,000	\$ 1,885,088	\$ 585,088
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	1,800	1,800	1,770	(30)
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>1,301,800</u>	<u>1,301,800</u>	<u>1,886,858</u>	<u>585,058</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Economic development	1,446,197	1,496,197	1,470,831	25,366
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>1,446,197</u>	<u>1,496,197</u>	<u>1,470,831</u>	<u>25,366</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(144,397)</u>	<u>(194,397)</u>	<u>416,027</u>	<u>610,424</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	869,010	943,068	-	(943,068)
Transfers in	-	-	-	-
Transfers out	(724,613)	(748,671)	(748,671)	-
<i>Total other financing sources (uses)</i>	<u>144,397</u>	<u>194,397</u>	<u>(748,671)</u>	<u>(943,068)</u>
<i>Net change in fund balance</i>	-	-	(332,644)	(332,644)
<i>Fund balance - beginning of year</i>	-	-	1,046,188	1,046,188
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 713,544</u>	<u>\$ 713,544</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ (332,644)	
Adjustments to revenues for tax accruals.			(12,971)	
Adjustments to expenditures for advertising.			(50,600)	
Net change in fund balance (GAAP)			<u>\$ (396,215)</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Hobbs
Public Transportation Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	689,690	452,877	404,322	(48,555)
Federal capital grants	-	900,000	900,000	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	12,000	12,000	-	(12,000)
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	5,000	5,000	-	(5,000)
<i>Total revenues</i>	<u>706,690</u>	<u>1,369,877</u>	<u>1,304,322</u>	<u>(65,555)</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	1,047,650	1,146,595	680,624	465,971
Economic development	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>1,047,650</u>	<u>1,146,595</u>	<u>680,624</u>	<u>465,971</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(340,960)</u>	<u>223,282</u>	<u>623,698</u>	<u>400,416</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	(1,973)	416	-	(416)
Transfers in	342,933	400,000	-	(400,000)
Transfers out	-	(623,698)	(623,698)	-
<i>Total other financing sources (uses)</i>	<u>340,960</u>	<u>(223,282)</u>	<u>(623,698)</u>	<u>(400,416)</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.			(32,623)	
Adjustments to expenditures for payroll accruals.			(71,400)	
Net change in fund balance (GAAP)			<u>\$ (104,023)</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Hobbs
Fire Protection Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final	(Non-GAAP Budgetary Basis)	Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	385,000	385,000	486,740	101,740
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	870	870	1,025	155
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>385,870</u>	<u>385,870</u>	<u>487,765</u>	<u>101,895</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	258,300	258,052	220,767	37,285
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	-	45,245	45,033	212
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>258,300</u>	<u>303,297</u>	<u>265,800</u>	<u>37,497</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>127,570</u>	<u>82,573</u>	<u>221,965</u>	<u>139,392</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	(127,570)	(82,573)	-	82,573
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>(127,570)</u>	<u>(82,573)</u>	<u>-</u>	<u>82,573</u>
<i>Net change in fund balance</i>	-	-	221,965	221,965
<i>Fund balance - beginning of year</i>	-	-	451,292	451,292
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 673,257</u>	<u>\$ 673,257</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ 221,965	
No adjustments to revenues.			-	
Adjustments to expenditures for supplies.			17,518	
Net change in fund balance (GAAP)			<u>\$ 239,483</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Hobbs
Emergency Medical Services Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	20,000	25,647	25,647	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	20,000	25,647	25,647	-
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	20,000	25,647	25,647	-
Economic development	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	20,000	25,647	25,647	-
<i>Excess (deficiency) of revenues over expenditures</i>	-	-	-	-
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	-	-	-	-
Transfers in	-	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	-	-	-	-
<i>Net change in fund balance</i>	-	-	-	-
<i>Fund balance - beginning of year</i>	-	-	501	501
<i>Fund balance - end of year</i>	\$ -	\$ -	\$ 501	\$ 501
Net change in fund balance (non-GAAP budgetary basis)			\$ -	
No adjustments to revenues.			-	
No adjustments to expenditures.			-	
Net change in fund balance (GAAP)			\$ -	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Hobbs
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, 2015

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final	(Non-GAAP Budgetary Basis)	Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	-	750,000	149,169	(600,831)
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>750,000</u>	<u>149,169</u>	<u>(600,831)</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	12,521	-	12,521
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	300,000	1,757,528	670,901	1,086,627
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>300,000</u>	<u>1,770,049</u>	<u>670,901</u>	<u>1,099,148</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(300,000)</u>	<u>(1,020,049)</u>	<u>(521,732)</u>	<u>498,317</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	-	(2,683)	-	2,683
Transfers in	300,000	1,022,732	522,732	(500,000)
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>300,000</u>	<u>1,020,049</u>	<u>522,732</u>	<u>(497,317)</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 capital grants.			183,982	
Adjustments to expenditures for equipment.			(1,986)	
Net change in fund balance (GAAP)			<u>\$ 182,996</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Hobbs
Recreation Expendable Trust Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	6,000	6,000	4,525	(1,475)
<i>Total revenues</i>	<u>6,000</u>	<u>6,000</u>	<u>4,525</u>	<u>(1,475)</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	6,000	6,000	-	6,000
Health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>6,000</u>	<u>6,000</u>	<u>-</u>	<u>6,000</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>4,525</u>	<u>4,525</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>	<u>-</u>	<u>-</u>	<u>4,525</u>	<u>4,525</u>
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>88,088</u>	<u>88,088</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 92,613</u>	<u>\$ 92,613</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ 4,525	
No adjustments to revenues.			-	
No adjustments to expenditures.			-	
Net change in fund balance (GAAP)			<u>\$ 4,525</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Hobbs
Library Expendable Trust Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	4,000	4,000	942	(3,058)
<i>Total revenues</i>	<u>4,000</u>	<u>4,000</u>	<u>942</u>	<u>(3,058)</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	4,000	4,000	965	3,035
Health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>4,000</u>	<u>4,000</u>	<u>965</u>	<u>3,035</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>-</u>	<u>-</u>	<u>(23)</u>	<u>(23)</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>	<u>-</u>	<u>-</u>	<u>(23)</u>	<u>(23)</u>
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>4,758</u>	<u>4,758</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 4,735</u>	<u>\$ 4,735</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ (23)	
No adjustments to revenues.			-	
No adjustments to expenditures.			-	
Net change in fund balance (GAAP)			<u>\$ (23)</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Hobbs
Cemetery Expendable Trust Special Revenue Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	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>	<u>-</u>	<u>-</u>	<u>7</u>	<u>7</u>
<i>Fund balance - beginning of year</i>	<u>-</u>	<u>-</u>	<u>5,321</u>	<u>5,321</u>
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 5,328</u>	<u>\$ 5,328</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ 7	
No adjustments to revenues.			-	
No adjustments to expenditures.			-	
Net change in fund balance (GAAP)			<u>\$ 7</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Hobbs
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, 2015

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	-	-	2	2
Miscellaneous	-	-	-	-
<i>Total revenues</i>	-	-	2	2
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	-	-	-	-
<i>Excess (deficiency) of revenues over expenditures</i>	-	-	2	2
<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>	-	-	2	2
<i>Fund balance - beginning of year</i>	-	-	1,423	1,423
<i>Fund balance - end of year</i>	\$ -	\$ -	\$ 1,425	\$ 1,425
Net change in fund balance (non-GAAP budgetary basis)			\$ 2	
No adjustments to revenues.			-	
No adjustments to expenditures.			-	
Net change in fund balance (GAAP)			\$ 2	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Hobbs
Capital Projects Capital Projects Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variances
	Original	Final	(Non-GAAP Budgetary Basis)	Favorable (Unfavorable) Final to Actual
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	-	-	-	-
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	-	-	-	-
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Local sources	-	162,641	162,641	-
Charges for services	-	-	-	-
Investment income	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>162,641</u>	<u>162,641</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	3,550,000	4,778,903	548,101	4,230,802
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>3,550,000</u>	<u>4,778,903</u>	<u>548,101</u>	<u>4,230,802</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(3,550,000)</u>	<u>(4,616,262)</u>	<u>(385,460)</u>	<u>4,230,802</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	-	(183,738)	-	183,738
Transfers in	3,550,000	4,800,000	-	(4,800,000)
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>3,550,000</u>	<u>4,616,262</u>	<u>-</u>	<u>(4,616,262)</u>
<i>Net change in fund balance</i>	-	-	(385,460)	(385,460)
<i>Fund balance - beginning of year</i>	-	-	2,265,991	2,265,991
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,880,531</u>	<u>\$ 1,880,531</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ (385,460)	
Adjustments to revenues for state capital grants.			8,089	
No adjustments to expenditures.			-	
Net change in fund balance (GAAP)			<u>\$ (377,371)</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Hobbs
Street Improvements Capital Projects Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2015

	<u>Budgeted Amounts</u>		<u>Actual</u>	<u>Variances</u>
	<u>Original</u>	<u>Final</u>	<u>(Non-GAAP Budgetary Basis)</u>	<u>Favorable (Unfavorable) Final to Actual</u>
<i>Revenues:</i>				
Taxes:				
Property	\$ -	\$ -	\$ -	\$ -
Gasoline and motor vehicle	660,000	660,000	783,386	123,386
Other	-	-	-	-
Intergovernmental:				
Federal operating grants	-	-	-	-
Federal capital grants	-	2,405,990	803,096	(1,602,894)
State operating grants	-	-	-	-
State capital grants	185,000	1,179,225	607,666	(571,559)
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income	1,000	1,000	1,854	854
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>846,000</u>	<u>4,246,215</u>	<u>2,196,002</u>	<u>(2,050,213)</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	2,530,000	7,238,414	2,623,006	4,615,408
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>2,530,000</u>	<u>7,238,414</u>	<u>2,623,006</u>	<u>4,615,408</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(1,684,000)</u>	<u>(2,992,199)</u>	<u>(427,004)</u>	<u>2,565,195</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	173,181	1,481,380	-	(1,481,380)
Transfers in	1,510,819	1,510,819	-	(1,510,819)
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>1,684,000</u>	<u>2,992,199</u>	<u>-</u>	<u>(2,992,199)</u>
<i>Net change in fund balance</i>	-	-	(427,004)	(427,004)
<i>Fund balance - beginning of year</i>	-	-	1,444,740	1,444,740
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,017,736</u>	<u>\$ 1,017,736</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ (427,004)	
Adjustments to revenues for grant and gasoline tax accruals.			338,731	
Adjustments to expenditures for accounts payable accruals.			(206,165)	
Net change in fund balance (GAAP)			<u>\$ (294,438)</u>	

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
City of Hobbs
City Commission Improvement Capital Projects Fund
Statement of Revenues, Expenditures and Changes in Fund Balance
Budget (Non-GAAP Budgetary Basis) and Actual
For the Year Ended June 30, 2015

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final	(Non-GAAP Budgetary Basis)	Final to Actual
<i>Revenues:</i>				
Taxes:				
Gross receipts	\$ 3,500,000	\$ 4,000,000	\$ 4,207,004	\$ 207,004
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>3,500,000</u>	<u>4,000,000</u>	<u>4,207,004</u>	<u>207,004</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>3,500,000</u>	<u>4,000,000</u>	<u>4,207,004</u>	<u>207,004</u>
<i>Other financing sources (uses)</i>				
Designated cash (budgeted cash increase)	-	1,196,383	-	(1,196,383)
Transfers in	-	-	-	-
Transfers out	(3,500,000)	(5,196,383)	(5,196,383)	-
<i>Total other financing sources (uses)</i>	<u>(3,500,000)</u>	<u>(4,000,000)</u>	<u>(5,196,383)</u>	<u>(1,196,383)</u>
<i>Net change in fund balance</i>	-	-	(989,379)	(989,379)
<i>Fund balance - beginning of year</i>	-	-	1,196,383	1,196,383
<i>Fund balance - end of year</i>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 207,004</u>	<u>\$ 207,004</u>
Net change in fund balance (non-GAAP budgetary basis)			\$ (989,379)	
Adjustments to revenues for tax accruals.			(85,312)	
No adjustments to expenditures.			-	
Net change in fund balance (GAAP)			<u>\$ (1,074,691)</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, 2015

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final		
<i>Operating revenues:</i>				
Charges for services	\$ 10,805,000	\$ 10,805,000	\$ 12,515,931	\$ 1,710,931
<i>Total operating revenues</i>	<u>10,805,000</u>	<u>10,805,000</u>	<u>12,515,931</u>	<u>1,710,931</u>
<i>Operating expenses:</i>				
Personnel services	3,801,569	3,813,569	3,372,077	441,492
Contractual services	304,100	321,500	118,721	202,779
Supplies and purchased power	1,652,249	1,831,749	1,458,331	373,418
Maintenance and materials	352,700	363,700	194,330	169,370
Miscellaneous	4,321,800	6,779,693	1,626,777	5,152,916
Utilities	816,270	817,770	805,379	12,391
Equipment	195,000	556,754	224,274	332,480
<i>Total operating expenses</i>	<u>11,443,688</u>	<u>14,484,735</u>	<u>7,799,889</u>	<u>6,684,846</u>
<i>Operating income (loss)</i>	<u>(638,688)</u>	<u>(3,679,735)</u>	<u>4,716,042</u>	<u>8,395,777</u>
<i>Non-operating revenues (expenses):</i>				
Capital outlay	(10,974,000)	(15,820,529)	(3,315,772)	12,504,757
Principal payments	(1,688,112)	(1,688,112)	(1,660,667)	27,445
Loan proceeds	2,200,000	1,280,000	1,280,000	-
Interest expense	(608,134)	(608,134)	(635,576)	(27,442)
Investment income	3,800	3,800	4,753	953
Government contributions	1,750,000	2,000,000	2,103,248	103,248
<i>Total non-operating revenues (expenses)</i>	<u>(9,316,446)</u>	<u>(14,832,975)</u>	<u>(2,224,014)</u>	<u>12,608,961</u>
Capital grants	4,188,000	3,368,000	360,045	(3,007,955)
Transfers in	17,508,801	5,196,384	5,196,383	(1)
Transfers out	-	-	-	-
<i>Change in net position</i>	<u>\$ 11,741,667</u>	<u>\$ (9,948,326)</u>	<u>8,048,456</u>	<u>\$ 17,996,782</u>
<i>Reconciliation to GAAP basis:</i>				
Adjustments to revenues for charges for services, taxes, and loan proceeds			(1,269,423)	
Adjustments to expenditures for personnel costs, debt service, depreciation, and contractual services			2,376,289	
<i>Change in net position per Exhibit D-2</i>			<u>9,155,322</u>	
<i>Total net position, beginning of year</i>			37,395,976	
<i>Prior period adjustment (see Note 23)</i>			(2,735,631)	
<i>Total net position, beginning of year, as restated</i>			<u>34,660,345</u>	
<i>Total net position, end of year</i>			<u>\$ 43,815,667</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, 2015

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final		
<i>Operating revenues:</i>				
Charges for services	\$ 6,190,000	\$ 6,190,000	\$ 6,189,560	\$ (440)
<i>Total operating revenues</i>	<u>6,190,000</u>	<u>6,190,000</u>	<u>6,189,560</u>	<u>(440)</u>
<i>Operating expenses:</i>				
Personnel services	-	-	-	-
Utilities	-	-	-	-
Contractual services	6,490,000	6,490,000	6,438,395	51,605
Supplies	-	-	-	-
Maintenance and materials	-	-	-	-
Gross receipts taxes	-	-	-	-
Other costs	-	-	-	-
<i>Total operating expenses</i>	<u>6,490,000</u>	<u>6,490,000</u>	<u>6,438,395</u>	<u>51,605</u>
<i>Operating income (loss)</i>	<u>(300,000)</u>	<u>(300,000)</u>	<u>(248,835)</u>	<u>51,165</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>\$ (300,000)</u>	<u>\$ (300,000)</u>	<u>(248,835)</u>	<u>\$ 51,165</u>
<i>Reconciliation to GAAP basis:</i>				
Adjustments to revenues for accounts receivable accruals			(170,132)	
Adjustments to expenses for accounts payable accruals			<u>(25,389)</u>	
<i>Change in net position per Exhibit D-2</i>			(444,356)	
<i>Total net position, beginning of year</i>			<u>1,081,130</u>	
<i>Total net position, end of year</i>			<u>\$ 636,774</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, 2015

	Budgeted Amounts		Actual	Variances Favorable (Unfavorable)
	Original	Final		
<i>Operating revenues:</i>				
Charges for services	\$ 6,394,900	\$ 6,394,900	\$ 6,747,285	\$ 352,385
<i>Total operating revenues</i>	<u>6,394,900</u>	<u>6,394,900</u>	<u>6,747,285</u>	<u>352,385</u>
<i>Operating expenses:</i>				
Personnel services	-	-	-	-
Utilities	-	-	-	-
Contractual services	7,596,400	7,596,400	7,467,651	128,749
Supplies	-	-	-	-
Maintenance and materials	-	-	-	-
Gross receipts taxes	-	-	-	-
Other costs	-	-	-	-
<i>Total operating expenses</i>	<u>7,596,400</u>	<u>7,596,400</u>	<u>7,467,651</u>	<u>128,749</u>
<i>Operating income (loss)</i>	<u>(1,201,500)</u>	<u>(1,201,500)</u>	<u>(720,366)</u>	<u>481,134</u>
<i>Non-operating revenues (expenses):</i>				
Interest expense	-	-	-	-
Investment income	1,500	1,500	1,614	114
Miscellaneous income	-	-	-	-
<i>Total non-operating revenues (expenses)</i>	<u>1,500</u>	<u>1,500</u>	<u>1,614</u>	<u>114</u>
Government contributions	-	-	-	-
Transfers in	1,000,000	1,000,000	1,000,000	-
Transfers out	-	-	-	-
<i>Change in net position</i>	<u>\$ (200,000)</u>	<u>\$ (200,000)</u>	281,248	<u>\$ 481,248</u>
<i>Reconciliation to GAAP basis:</i>				
No adjustments to revenues			-	
No adjustments to expenditures			<u>(90,287)</u>	
<i>Change in net position per Exhibit D-2</i>			190,961	
<i>Total net position, beginning of year</i>			<u>9,580,864</u>	
<i>Total net position, end of year</i>			<u>\$ 9,771,825</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, 2015

Bank Name/Account Name	Account Type	Bank Balance	Deposits in Transit	Outstanding Checks	Book Balance
Lea County State Bank					
City of Hobbs - Motor Vehicle Department	Checking	\$ 117,687	\$ -	\$ 118,532	\$ (845)
City of Hobbs - Investment Account	Money Market	131,651	-	-	131,651
City of Hobbs	Checking	1	71,596	1,326,650	(1,255,053)
City of Hobbs Savings	Repurchase	2,664,492	2	-	2,664,494
Inmate Trust Account	Checking	19,357	-	-	19,357
Hobbs Police Dept - Evidence Trust	Checking	121,878	-	-	121,878
HPD - Crime Prevention	CD	335	-	-	335
Total Lea County State Bank		<u>3,055,401</u>	<u>71,598</u>	<u>1,445,182</u>	<u>1,681,817</u>
US Bank					
City of Hobbs - Taxable Bonds	Investment	29,920,435	-	-	29,920,435
City of Hobbs - Treasury Bills	Investment	229,239	-	-	229,239
Total US Bank		<u>30,149,674</u>	<u>-</u>	<u>-</u>	<u>30,149,674</u>
New Mexico State Treasurer					
Local Government Investment Pool (LGIP)	Investment	88,471,119	-	-	88,471,119
Total LGIP		<u>88,471,119</u>	<u>-</u>	<u>-</u>	<u>88,471,119</u>
New Mexico Finance Authority					
Phase II Effluent Refuse Project-Hobbs 5 Water Conservation, Recycling	Trust	45	-	-	45
Refuse-Hobbs 6	Trust	3,200,000	-	-	3,200,000
Total New Mexico Finance Authority		<u>3,200,045</u>	<u>-</u>	<u>-</u>	<u>3,200,045</u>
Total all banks		<u>\$ 124,876,239</u>	<u>\$ 71,598</u>	<u>\$ 1,445,182</u>	<u>\$123,502,655</u>
Plus: petty cash					12,630
Less: restricted cash and cash equivalents per Exhibit A-1					(6,692,489)
Less: agency cash per Exhibit E-1					(419,575)
Cash and cash equivalents per Exhibit A-1					<u>\$116,403,221</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, 2015

Name of Depository	Description of Pledged Collateral	Type of Pledged Collateral	Maturity	CUSIP Number	FMV Value at June 30, 2015	Name and Location of Safekeeper
Lea County State Bank						
	Belen NM SD 4.00% Artesia NM	Muni	8/1/2017	077581MM5	\$ 155,297	1st Security Bank, Salt Lake City, UT
	Wtr Swr 4.00%	Muni	6/1/2023	04310LAPS	737,477	1st Security Bank, Salt Lake City, UT
	US Treasury	T-Bill	3/31/2018	912828QB9	<u>2,717,778</u>	1st Security Bank, Salt Lake City, UT
Total Pledged Collateral					<u><u>\$ 3,610,552</u></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, 2015

	Balance at June 30, 2014	Receipts	Disbursements	Balance at June 30, 2015
Motor Vehicle				
Assets				
Cash and cash equivalents	\$ -	\$ 4,088,316	\$ 4,087,326	\$ 990
Total assets	\$ -	\$ 4,088,316	\$ 4,087,326	\$ 990
Liabilities				
Deposits held in trust for others	\$ -	\$ 4,088,316	\$ 4,087,326	\$ 990
Total liabilities	\$ -	\$ 4,088,316	\$ 4,087,326	\$ 990
Municipal Judge				
Assets				
Cash and cash equivalents	\$ 177,077	\$ 451,253	\$ 428,086	\$ 200,244
Total assets	\$ 177,077	\$ 451,253	\$ 428,086	\$ 200,244
Liabilities				
Deposits held in trust for others	\$ 177,077	\$ 451,253	\$ 428,086	\$ 200,244
Total liabilities	\$ 177,077	\$ 451,253	\$ 428,086	\$ 200,244
Crime Lab				
Assets				
Cash and cash equivalents	\$ 58,468	\$ 111,593	\$ 108,448	\$ 61,613
Total assets	\$ 58,468	\$ 111,593	\$ 108,448	\$ 61,613
Liabilities				
Deposits held in trust for others	\$ 58,468	\$ 111,593	\$ 108,448	\$ 61,613
Total liabilities	\$ 58,468	\$ 111,593	\$ 108,448	\$ 61,613

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, 2015

	Balance at June 30, 2014	Receipts	Disbursements	Balance at June 30, 2015
Senior Citizen				
Assets				
Cash and cash equivalents	\$ 6,388	\$ 3,144	\$ 2,268	\$ 7,264
Total assets	\$ 6,388	\$ 3,144	\$ 2,268	\$ 7,264
Liabilities				
Deposits held in trust for others	\$ 6,388	\$ 3,144	\$ 2,268	\$ 7,264
Total liabilities	\$ 6,388	\$ 3,144	\$ 2,268	\$ 7,264
Hobbs Beautiful				
Assets				
Cash and cash equivalents	\$ 20,666	\$ 1,908	\$ -	\$ 22,574
Total assets	\$ 20,666	\$ 1,908	\$ -	\$ 22,574
Liabilities				
Deposits held in trust for others	\$ 20,666	\$ 1,908	\$ -	\$ 22,574
Total liabilities	\$ 20,666	\$ 1,908	\$ -	\$ 22,574
City Agency				
Assets				
Cash and cash equivalents	\$ 3,853	\$ 2,363	\$ 1,276	\$ 4,940
Total assets	\$ 3,853	\$ 2,363	\$ 1,276	\$ 4,940
Liabilities				
Deposits held in trust for others	\$ 3,853	\$ 2,363	\$ 1,276	\$ 4,940
Total liabilities	\$ 3,853	\$ 2,363	\$ 1,276	\$ 4,940

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, 2015

	<u>Balance at June 30, 2014</u>	<u>Receipts</u>	<u>Disbursements</u>	<u>Balance at June 30, 2015</u>
Evidence Fund				
Assets				
Cash and cash equivalents	\$ 106,726	\$ 18,805	\$ 3,653	\$ 121,878
Total assets	<u>\$ 106,726</u>	<u>\$ 18,805</u>	<u>\$ 3,653</u>	<u>\$ 121,878</u>
Liabilities				
Deposits held in trust for others	\$ 106,726	\$ 18,805	\$ 3,653	\$ 121,878
Total liabilities	<u>\$ 106,726</u>	<u>\$ 18,805</u>	<u>\$ 3,653</u>	<u>\$ 121,878</u>
Foreclosure Trust				
Assets				
Cash and cash equivalents	\$ 72	\$ -	\$ -	\$ 72
Total assets	<u>\$ 72</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 72</u>
Liabilities				
Deposits held in trust for others	\$ 72	\$ -	\$ -	\$ 72
Total liabilities	<u>\$ 72</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 72</u>
Total - All Agency Funds				
Assets				
Cash and cash equivalents	\$ 373,250	\$ 4,677,382	\$ 4,631,057	\$ 419,575
Total assets	<u>\$ 373,250</u>	<u>\$ 4,677,382</u>	<u>\$ 4,631,057</u>	<u>\$ 419,575</u>
Liabilities				
Deposits held in trust for others	\$ 373,250	\$ 4,677,382	\$ 4,631,057	\$ 419,575
Total liabilities	<u>\$ 373,250</u>	<u>\$ 4,677,382</u>	<u>\$ 4,631,057</u>	<u>\$ 419,575</u>

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, 2015

Prepared by: City of Hobbs
Title: Finance Director
Date: August 11, 2015

Bid/ RFP #	Type of Procurement	Awarded Vendor	\$ Amount of Awarded Contract	\$ Amount of Amended Contract	Name and Physical Address per the procurement documentation, of ALL Vendor(s) that responded
1527-15	BID	Yes	\$ 332,903.30		J & H Services 615 MARTINEZ LANE NE, ALBUQUERQUE, NM 87107
1527-15	BID	NO			THE ROSS GROUP 410 N DAL PASO, HOBBS NM 88240
1527-15	BID	NO			DUCROSS CONSTRUCTION LLC 250 CRAWFORD BLVD, LAS CRUCES NM 88007
1527-15	BID	NO			A.A.C. CONSTRUCTION LLC 18 LA LUNA RD, SANTA FE NM 87507
1528-15	BID	NO	ON HOLD		
1529-15	BID	YES	\$ 6,604,498.86		SMITHCO CONSTRUCTION INC 1010 KING CANYON LOOP, CABALLO , NM 87931
1529-15	BID	NO			J& H SERVICES 615 MARTINEZ LANE NE, ALBUQUERQUE, NM 87107
1529-15	BID	NO			AUI INC PO BOX 9825 ALBUQUERQUE NM 87119-9825
1529-15	BID	NO			ENTRENCH INC 3311 N GRIMES, HOBBS NM 88240
1530-15	BID	NO	CANCELLED		PRO SHOT 13865 ALTON PARKWAY SUITE 100, IRVINE CA 92618
1530-15	BID	NO	CANCELLED		CART TRAC PO BOX 540005, OMAHA NE 68154
1530-15	BID	NO	CANCELLED		TAG TOUCH 11601 WILSHIRE BLVD, 5TH FLOOR, LOS ANGELES CA 90025
1531-15	BID	YES	\$ 7,520.00		RAMIREZ AND SONS INC 3404 N ENTERPRISE DR, HOBBS NM 88240

See independent auditors' report

In-State/ Out-of-State Vendor (Y or N) (Based on Statutory Definition)	Was the vendor in-state and chose Veteran's preference (Y or N). For federal funds answer N/A	Brief Description of the Scope of Work
YES	NO	E SANGER SEWER/FORCEMAIN EXTENSION PROJECT 2015
YES	NO	E SANGER SEWER/FORCEMAIN EXTENSION PROJECT 2015
YES	NO	E SANGER SEWER/FORCEMAIN EXTENSION PROJECT 2015
YES	NO	E SANGER SEWER/FORCEMAIN EXTENSION PROJECT 2015
YES	NO	MAIN STREET SIDEWALK & ADA IMPROVEMENTS
YES	NO	EFFLUENT REUSE PROJECT
YES	NO	EFFLUENT REUSE PROJECT
YES	YES	EFFLUENT REUSE PROJECT
YES	NO	EFFLUENT REUSE PROJECT
NO	NO	GOLF CART GPS UNITS
NO	NO	GOLF CART GPS UNITS
NO	NO	GOLF CART GPS UNITS
YES	NO	ANNUAL PAVEMENT AND CONCRETE WORK

STATE OF NEW MEXICO
City of Hobbs
Schedule of Vendor Information for Purchases Exceeding \$60,000 (Excluding GRT)
For the Year Ended June 30, 2015

Prepared by: City of Hobbs
Title: Finance Director
Date: August 11, 2015

Bid/ RFP #	Type of Procurement	Awarded Vendor	\$ Amount of Awarded Contract	\$ Amount of Amended Contract	Name and Physical Address per the procurement documentation, of ALL Vendor(s) that responded
1531-15	BID	NO			CONSTRUCTORS INC 3003 S BOYD DR, CARLSBAD NM 88220
1532-15	BID	NO			J & H SERVICES 615 MARTINEZ LANE NE, ALBUQUERQUE, NM 87107
1532-15	BID	YES	\$ 286,402.77		ENTRENCH 3311 N GRIMES, HOBBS NM 88240
1532-15	BID	NO			LASCO PO BOX 877, HOBBS NM 88241
1533-15	BID	NO	ON HOLD		
1534-15	BID	NO	CANCELLED		BRADBURY STAMM CONSTRUCTION INC 7110 2ND ST NW, ALBUQUERQUE NM 87107
1534-15	BID	NO	CANCELLED		SMITHCO CONSTRUCTION INC 1010 KING CANYON LOOP, CABALLO, NM 87931
464-15	RFP	YES	\$ 800,000.00		BRS (BARKER RINKER SEACAT) 3457 RINGSBY COURT UNIT 200, DENVER CO 80216
464-15	RFP	NO			STUDIO ARCHITECTS 2101 MOUNTAIN RD NW ALBUQUERQUE NM 87104
464-15	RFP	NO			SQUARE 6501 AMERICAS PKWY NE STE 300 ALBUQUERQUE NM 87110
465-15	RFP	NO			MORROW REAREDON WILKINSON MILLER 210 LA VETA DR NE, ALBUQUERQUE NM 87108
465-15	RFP	NO			HALFF 1201 NORTH BOWSER ROAD, RICHARDSON TX 75081
465-15	RFP	YES	\$ 1,019,200.68		WILSON & COMPANY 4900 LANG ANVENU NE, ALBUQUERQUE NM 87109
466-15	RFP	YES	\$ 30,000.00		REAL, HOBBS NM 88240

See independent auditors' report

In-State/ Out-of-State Vendor (Y or N) (Based on Statutory Definition)	Was the vendor in-state and chose Veteran's preference (Y or N). For federal funds answer N/A	Brief Description of the Scope of Work
YES	NO	ANNUAL PAVEMENT AND CONCRETE WORK
YES	NO	WATER SUPPLY WELL #13 PHASE 2
YES	NO	WATER SUPPLY WELL #13 PHASE 2
YES	NO	WATER SUPPLY WELL #13 PHASE 2
YES	NO	EFFLUENT PIPELINE PHASE I MODIFICATIONS
YES	NO	WWTP ANOXIC MIXER REPLACEMENT PROJECT
YES	NO	WWTP ANOXIC MIXER REPLACEMENT PROJECT
NO	NO	NEW MULTI- GENERATIONAL/RECREATIONAL FACILITY
YES	NO	NEW MULTI- GENERATIONAL/RECREATIONAL FACILITY
YES	NO	NEW MULTI- GENERATIONAL/RECREATIONAL FACILITY
YES	NO	TAYLOR RANCH PARK IMPROVEMENTS
NO	NO	TAYLOR RANCH PARK IMPROVEMENTS
YES	NO	TAYLOR RANCH PARK IMPROVEMENTS
YES	NO	REQUEST FOR MANAGERIAL SERVICES

STATE OF NEW MEXICO
City of Hobbs
Schedule of Vendor Information for Purchases Exceeding \$60,000 (Excluding GRT)
For the Year Ended June 30, 2015

Prepared by: City of Hobbs
Title: Finance Director
Date: August 11, 2015

Bid/ RFP #	Type of Procurement	Awarded Vendor	\$ Amount of Awarded Contract	\$ Amount of Amended Contract	Name and Physical Address per the procurement documentation, of ALL Vendor(s) that responded
467-15	RFP	YES	\$ 135,000.00		GREAT WESTERN DINING SERVICE 111 W MONLTEAU, TIPTON MO 65081
468-15	RFP	NO			INTERMOUNTAIN GOLF TRAVEL LLC 860 EAST DUSTY ROCK CIRCLE, SANDY UT 84094-5301
468-15	RFP	NO			CLEAR CUT 602 SHAWN LANE, PROSPECT HEIGHTS IL 60070
468-15	RFP	NO			COURSE TRENDS 9111 JOLLYVILLE RD SUITE 108, AUSTIN TX 78759
468-15	RFP	YES			ON COURSE ONE TURKEY HILL ROAD SOUTH SUITE 2K, WESTPORT CT 06880
469-15	RFP	YES	\$ 4,601,717.86		SPRINTURF 900 CIRCLE 75 PARKWAY STE 1750, ATLANTA GA 30339
469-15	RFP	NO			SCG SPORTS FIELD SPECIALIST 10303 BRECKSVILLE ROAD, BRECKSVILLE OH 44141
469-15	RFP	NO			LONE MOUNTAIN CONTRACTING 125 BOSQUE FARMS BLVD, BOSQUE FARMS NM 87068
469-15	RFP	NO			FIELDTURF USA 7445 COTE-DE-LIESSE RD SUITE 200, MONTREAL, QUEBEC H4T 1G2
469-15	RFP	NO			AK SALES AND CONSULTING INC 115 E COUNTRY CLUB RD, ROSWELL NM 88201
469-15	RFP	NO			HELLAS12710 RESEARCH BLVD SUITE 240, AUSTIN TX 78759
469-15	RFP	NO			MID-AMERICAN GOLF AND LANDSCAPE 1621 SE SUMMIT ST, LEES SUMMIT MO 64081
470-15	RFP	YES	\$ 535,000.00		BRAVO LIGHTING1751 PANORAMA POINT UNIT E, LAFAYETTE CO 80026
470-15	RFP	NO			DR, LAS CRUCES NM 88007

See independent auditors' report

In-State/ Out-of-State Vendor (Y or N) (Based on Statutory Definition)	Was the vendor in-state and chose Veteran's preference (Y or N). For federal funds answer N/A	Brief Description of the Scope of Work
NO	NO	MEAL SEVICES SENIOR CENTER
NO	YES	ROCKWIND MARKETING SEVICES
NO	NO	ROCKWIND MARKETING SEVICES
NO	NO	ROCKWIND MARKETING SEVICES
NO	NO	ROCKWIND MARKETING SEVICES
NO	NO	SYNTHIC TURF
NO	NO	SYNTHIC TURF
YES	NO	SYNTHIC TURF
NO	YES	SYNTHIC TURF
YES	NO	SYNTHIC TURF
NO	NO	SYNTHIC TURF
NO	NO	SYNTHIC TURF
NO	NO	LED LIGHTING
YES	NO	LED LIGHTING

STATE OF NEW MEXICO
City of Hobbs
Schedule of Vendor Information for Purchases Exceeding \$60,000 (Excluding GRT)
For the Year Ended June 30, 2015

Prepared by: City of Hobbs
Title: Finance Director
Date: August 11, 2015

Bid/ RFP #	Type of Procurement	Awarded Vendor	\$ Amount of Awarded Contract	\$ Amount of Amended Contract	Name and Physical Address per the procurement documentation, of ALL Vendor(s) that responded
470-15	RFP	NO			B & D INDUSTRIES INC9720 BELL SE, ALBUQUERQUE NM 87123
471-15	RFP	YES	\$ 106,085.10		JAMES COOKE & HOBSON IN3810 ACADEMY PKWY S NE, ALBUQUERQUE NM 87109-4453
471-15	RFP	NO			ALPHA SOUTHWEST INC PO BOX 9263, ALBUQUERQUE NM 87119
472-15	RFP	NO	ON HOLD		
473-15	RFP	NO			AUI INC 7420 READING AVE SE ALBUQUERQUE NM 87105
473-15	RFP	YES	\$ 1,323,163.80		J & H Services 516 MARTINEZ LANE NE, ALBUQWERQUE NM 87107
473-15	RFP	NO			SMITHCO CONSTRUCTION INC 1010 KING CANYON LOOP, CABALLO, NM 87931
474-15	RFP		CANCELLED		NO PROPOSALS RECEIVED
475-15	RFP		CANCELLED		NO PROPOSALS RECEIVED
476-76	RFP	YES	CONTRACT PENDING		VIP SYSTEMS 2973 BINGLE RD, HOUSTON TX 77055
477-15	RFP	NO			BRADBURY STAMM CONSTRUCTION7110 2ND ST NW, ALBUQUERQUE NM 87107
477-15	RFP	NO			JAYNES2906 BROADWAY NE, ALBUQUERQUE NM 87107
477-15	RFP	NO			HB CONSTRUCTION5301 BEVERLY HILLS AVE NE, ALBUQUERQUE NM 87113
477-15	RFP	NO			LUBBOCK TX 79423

See independent auditors' report

In-State/ Out-of-State Vendor (Y or N) (Based on Statutory Definition)	Was the vendor in-state and chose Veteran's preference (Y or N). For federal funds answer N/A	Brief Description of the Scope of Work
YES	NO	LED LIGHTING
NO	NO	INFLUENT SUBMERSIBLE PUMP REPLACEMENT
NO	NO	INFLUENT SUBMERSIBLE PUMP REPLACEMENT
		TAXI SERVICE
YES	YES	2014 TRUNK LINE F REPLACEMENT PROJECT
YES	NO	2014 TRUNK LINE F REPLACEMENT PROJECT
YES	NO	2014 TRUNK LINE F REPLACEMENT PROJECT
		DOWNTOWN ESSENTIAL WORKFORCE 9% LIHTC
		COMPENSATION PLAN
NO	NO	EAGLE IC
YES	NO	HEALTH WELLNES LEARNING CENTER/CMAR
YES	NO	HEALTH WELLNES LEARNING CENTER/CMAR
YES	NO	HEALTH WELLNES LEARNING CENTER/CMAR
NO	NO	CENTER/CMAR

STATE OF NEW MEXICO
City of Hobbs
Schedule of Vendor Information for Purchases Exceeding \$60,000 (Excluding GRT)
For the Year Ended June 30, 2015

Prepared by: City of Hobbs
Title: Finance Director
Date: August 11, 2015

<u>Bid/ RFP #</u>	<u>Type of Procurement</u>	<u>Awarded Vendor</u>	<u>\$ Amount of Awarded Contract</u>	<u>\$ Amount of Amended Contract</u>	<u>Name and Physical Address per the procurement documentation, of ALL Vendor(s) that responded</u>
477-15	RFP	NO			MCCARTHY 1717 LOUISIANA BLVD NE, ALBUQUERQUE NM 87110
477-15	RFP	NO			FLINTCO 6020 INDIAN SCHOOL ROAD NE, ALBUQUERQUE NM 87110-4124
477-15	RFP	NO			LYNESS CONSTRUCTION 1501 S MAIN STREET, CLEBURNE TX 76033
477-15	RFP	YES	\$ 250,000.00		HAYDON BUILDING CORP 4640 E COTTON GIN LOOP, PHOENIX AZ 85040
478-15	RFP	YES	\$ 1,524,772.00		EMS BILLING SERVICES PO BOX 641880, OMAHA NE 68164
478-15	RFP	NO			INTERMEDIX 78 REGENCY PARKWAY, MANSFIELD TX 76063
478-15	RFP	NO			EMERGENCY REVENUE RESOURCES PO BOX 2444, STEPHENVILLE TX 76401
478-15	RFP	NO			SYSTEM DESIGN PO BOX 3510, SILVERDAL WA 98383
478-15	RFP	NO			WITTMAN ENTERPRISES 1701 NORTH COLLNS BOULEVARD SUITE 200, RICHARDSON TX 75080
478-15	RFP	NO			RAM SOFTWARE SERVICES 892 NEW CASTLE RD, SLPPERY ROC PA 16057
479-15	RFP	NO	HAS NOT GONE TO COMMISION		ARTHUR J GALLEGHER & CO THE GALLAGHER CENTRE 2 PIERCE PLACE, ITASCA IL 60143
479-15	RFP	NO	HAS NOT GONE TO COMMISION		WOODS INSURANCE 4801 N BUTLER AVE SUITE 12101, FARMING NM 87401
479-15	RFP	NO	HAS NOT GONE TO COMMISION		AON DEPT 9832, LOS ANGELES CA 90084-9832
30-805-13-09913	GSA		\$ 63,950.88		ALBUQUERQUE NM 87190

See independent auditors' report

In-State/ Out-of-State Vendor (Y or N) (Based on Statutory Definition)	Was the vendor in-state and chose Veteran's preference (Y or N). For federal funds answer N/A	Brief Description of the Scope of Work
YES	NO	HEALTH WELLNES LEARNING CENTER/CMAR
YES	NO	HEALTH WELLNES LEARNING CENTER/CMAR
NO	NO	HEALTH WELLNES LEARNING CENTER/CMAR
NO	NO	HEALTH WELLNES LEARNING CENTER/CMAR
NO	NO	EMS BILLING
YES	NO	HEALTH & LIFE INSURANCE
YES	NO	HEALTH & LIFE INSURANCE
YES	NO	HEALTH & LIFE INSURANCE TRAFFIC SIGNAL

STATE OF NEW MEXICO

City of Hobbs

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

For the Year Ended June 30, 2015

Prepared by: City of Hobbs

Title: Finance Director

Date: August 11, 2015

<u>Bid/ RFP #</u>	<u>Type of Procurement</u>	<u>Awarded Vendor</u>	<u>\$ Amount of Awarded Contract</u>	<u>\$ Amount of Amended Contract</u>	<u>Name and Physical Address per the procurement documentation, of ALL Vendor(s) that responded</u>
50-805-14-11786	GSA		\$ 90,869.00		NATIONAL BUS SALES & LEASING INC PO BOX 6549, MARIETTA GA 30065
50-805-14-11788	GSA		\$ 66,820.00		NATIONAL BUS SALES & LEASING INC PO BOX 6549, MARIETTA GA 30065
40-000-14-00060	GSA		\$ 30,334.00		RELIABLE CHEVORLET 9901 COORS RD NW, ALBURQUERQUE NM 87114
40-000-13-00013	GSA		\$ 31,282.00		RELIABLE CHEVORLET 9901 COORS RD NW, ALBURQUERQUE NM 87114
40-000-13-00012	GSA		\$ 24,397.00		RELIABLE CHEVORLET 9901 COORS RD NW, ALBURQUERQUE NM 87114
50-80515-12592	GSA		\$ 885,956.28		DUSTROL INC PO BOX 309, TOWANDO KS 67144
702940	GSA		\$ 39,465.35		HIGHWAY SUPPLY LLC 6221 CHAPPELL RD NE ALBUQUERQUE NM 87113
20-000-00-00027	GSA		\$ 40,317.00		GT DISTRIBUTORS PO BOX 16080, AUSTIN TX 78761

See independent auditors' report

In-State/ Out-of-State Vendor (Y or N) (Based on Statutory Definition)	Was the vendor in-state and chose Veteran's preference (Y or N). For federal funds answer N/A	Brief Description of the Scope of Work
NO	NO	GLAVAL ENTOURAGE 28 PASSENGER BUS
NO	NO	GLAVAL UNIVERSAL 18 PASSENGER BUS
YES	NO	2015 POLICE PURSUIT TAHOE
YES	NO	2015 CHEVROLET SIVERADO 1500 CREW CAB
YES	NO	2015 CHEVROLET EXPRESS CARGO VAN
No	NO	HOT IN PLACE RECYCLE VARIOUS CITY STREET ARTERIAL STREETS
YES	NO	THEROMO STRIPES AND INSTALL X WALK STOPBARS, REMOVAL OF THERMO STRIPES
NO	NO	FEDERAL CARTRIDGE 40. CAL 165

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COMPLIANCE SECTION



Accounting & Consulting Group, LLP
Certified Public Accountants

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

INDEPENDENT AUDITORS' REPORT

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, 2015, 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 supplemental information, and have issued our report thereon dated December 4, 2015.

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 preceding paragraph and was not designed to identify all deficiencies in internal control that might be material weaknesses or significant deficiencies and therefore, material weaknesses or significant deficiencies may exist that were not identified. 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 instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items FS 2015-001, FS 2015-002, FS 2015-003, FS 2015-004 and FS 2015-005.

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.

Accounting & Consulting Group, LLP

Accounting & Consulting Group, LLP
Albuquerque, New Mexico
December 4, 2015

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FEDERAL FINANCIAL ASSISTANCE



Accounting & Consulting Group, LLP
Certified Public Accountants

**REPORT ON COMPLIANCE FOR EACH MAJOR FEDERAL PROGRAM;
REPORT ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133**

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 Compliance for the Major Federal Program

We have audited the City of Hobbs, New Mexico's (the City) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal program for the year ended June 30, 2015. The City's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for the major federal programs. However, our audit does not provide a legal determination of the City's compliance.

Opinion on the Major Federal Program

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on the major federal program for the year ended June 30, 2015.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on each major federal program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing an opinion on compliance for each major federal program and to test and report on internal control over compliance in accordance with OMB Circular A-133, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the City's internal control over compliance.

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

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

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

Accounting & Consulting Group, LLP

Accounting & Consulting Group, LLP
Albuquerque, New Mexico
December 4, 2015

STATE OF NEW MEXICO
City of Hobbs
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

Federal Grantor/Pass Through Grantor/Program Title	CFDA Number	Federal Grantors Number	Expenditures
U.S. Department of Agriculture			
Emergency Food Assistance Program	10.569	2014- 15-60827	\$ 81,838
Total U.S. Department of Agriculture			<u>81,838</u>
U.S. Department of Justice			
VOCA Crime Victim Assistance Discretionary Grant Program	16.807	2011-DJ-BX-2203	7,460
VOCA Crime Victim Assistance Discretionary Grant Program	16.807	2013-DJ-DB-0940	17,745
VOCA Crime Victim Assistance Discretionary Grant Program	16.807	2012-DJ-BX-1000	12,607
Bulletproof Vest Partnership Program	16.607		756
Public Safety Partnership and Community Policing Grants	16.710	2010UMWX	170,497
Total U.S. Department of Justice			<u>209,065</u>
U.S. Department of Transportation			
Passed through NM Department of Transportation			
Formula Grants for Rural Areas	20.509	MOA FY 14	67,330
Formula Grants for Rural Areas	20.509	MOA FY15	267,749
Highway Planning and Construction (1)	20.205	CN 2100670	427,200
Highway Planning and Construction (1)	20.205	CN2100231	135,000
Highway Planning and Construction (1)	20.205	CN2100310	1,110,821
Highway Planning and Construction (1)	20.205	CN: 2100590	3,845
Highway Planning and Construction (1) - Safe Routes to School	20.205	CNW200061	126,554
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	14-AL-64-045	5,777
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	15-AL-64-045	6,289
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	15-OP-RF-045	4,528
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	15-DD-02-045	5,595
Total U.S. Department of Transportation			<u>2,160,688</u>
Department of Housing and Urban Development			
CDBG/State's program Non-Entitlement Grants in Hawaii	14.228	13-C-NR-I-01-G-025	206,597
Total Department of Housing and Urban Development			<u>206,597</u>
Total Federal Financial Assistance			<u>\$ 2,658,188</u>

(1) Denotes Major Federal Financial Assistance Program

STATE OF NEW MEXICO
City of Hobbs
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2015

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 OMB Circular A-133, *Audits of States, Local Governments and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of the financial statements.

2. Subrecipients

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

3. Noncash Assistance

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

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

Total federal awards expended per Schedule of Expenditures of Federal Awards	\$ 2,658,188
Total expenditures funded by other sources	<u>73,087,192</u>
Total expenditures of governmental funds	<u><u>\$ 75,745,380</u></u>

STATE OF NEW MEXICO
City of Hobbs
Schedule of Findings and Questioned Costs
June 30, 2015

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. Internal control over major programs: | |
| a. Material weaknesses identified? | None noted |
| b. Significant deficiencies identified not considered to be material weaknesses? | None noted |
| 2. Type of auditors’ report issued on compliance for major programs | Unmodified |
| 3. Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of Circular A-133? | None noted |
| 4. Identification of major programs: | |

<u>CFDA</u>		<u>Federal Program</u>
<u>Number</u>		
20.205		Highway Planning and Construction

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

STATE OF NEW MEXICO
City of Hobbs
Schedule of Findings and Questioned Costs
June 30, 2015

Schedule IX
Page 2 of 8

Section II – Prior Year Audit Findings

Prior Year Audit Findings

Financial Statement Findings

Disposition

FS 2014-001 Vendor Billing in Excess of Approved Purchase Order Amounts

Resolved

FS 2014-002 Wedding Chair Covers Ordered For Wedding Ceremony

Resolved

FS 2014-003 Fire Protection Fund Reimbursement

Resolved

FS 2014-004 Animal Adoption Center Cash Shortage

Resolved

FS 2014-005 Internal Control over Payroll

Resolved

Section III – Findings - Financial Statement Audit

FS 2015-001 Additional Work Performed Without a Contract Amendment in Place (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 three instances in which a vendor performed additional work outside of the initial scope of the contract without a proper contract amendment in place.

In the first instance, the scope of initial contract dated July 9, 2013 was for control programming, data transfer protocol, and development of HMI screens for the Snyder Reservoir. The total not-to-exceed amount for those series totaled \$40,754. During May of 2015 additional work was performed to develop chlorine dosing control strategy based on well status/reservoir flow, including the respective control/data transfer programming without a proper contract amendment in place. The invoices for the additional services outside of the scope of the initial contract totaled \$7,440.50

In the second instance, the General Services Department wanted to add lighting to the employee parking lot and requested additional services to be performed by the vendor. The costs of the additional labor and materials to install an additional light pole and tie power into the existing parking lots including cutting and patching totaled \$6,775 which exceeded the CES contract and purchase order amount. The work was performed on April 3, 2015 and the change order was requested on April 30, 2015.

In the third instance, construction labor services to repair a metal roof on the west equipment storage shed were procured in excess of the approved purchase order and contract amount in July of 2014. The dollar amount of invoices in excess of the contract amount totaled \$1,976.03.

Criteria: The City's procurement policy with an effective date of December 1, 2014 required a contract and 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 the additional work was performed without a contract amendment in place. Also, the City may not have maximized the purchasing value of public funds for the procurement detailed above.

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

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

Views of Responsible Officials and Planned Corrective Actions: Specific procurement guidelines are set through the City of Hobbs procurement ordinance as it relates to written authorization. Contracts need to be implemented, with authorized signatures, prior to any work being performed. This also is important as it relates to unrecorded liabilities to the City of Hobbs. Contracts need to be encumbered perpetually to ensure proper allocation of funds and also reduce the risk of over allocating departmental budgets. The City will reiterate to its staff the importance of contract thresholds, procurement guidelines and prior written contract obligations to warrant the safeguarding and trust of public funds. The timeline for corrective action is June 30, 2016 and each department director is responsible for reiterating to its staff the importance procurement polices and ensuring those polices are adhered to.

Section III – Findings - Financial Statement Audit (continued)

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

Condition: During our testwork of internal controls surrounding the City’s payroll processes we noted the following conditions:

- 2 out of 40 payroll transmittal sheets (used to transmit employee hours to payroll) tested did not agree to the approved time card (see check number 58310 and 58766).
 - In the first instance the transmittal sheet was 1 hour less than what the approved time card indicated. The dollar amount associated with the missing hour was \$16.45.
 - In the second instance the time card showed 9 hours, but the transmittal sheet showed the employee was paid for 10 hours. In addition the paid time off (PTO) hours were not transferred from the time card to the transmittal sheet correctly. The time cards indicated 8 PTO hours were taken by the employee; however, the transmittal sheet shows 0 PTO hours were paid. The dollar amount associated with the hours discrepancies totaled \$154.64.
- 2 out of 40 employee pay rates tested (see check number 61101) did not reflect merit increases that were effective in July of 2014.
 - In one instance the pay rate paid was \$17.98 but the correct pay rate should have been \$18.34. The dollar amount associated with the pay rate variance totaled \$28.80.
 - In the other instance the actual pay rate was \$28.13 but the pay rate should have been \$28.97. The dollar amount associated with pay rate variance totaled \$67.20.
- 1 out of 40 employee time cards reviewed was missing the supervisor’s signature (see check number 66626). The dollar amount of gross pay associated with the time card totaled \$486.08.

Criteria: Good internal controls require effective review to ensure the transmittal sheet accurately reflects the approved time card and to ensure the required approvals are evidenced on each employee’s time card prior to processing payroll. In additional internal controls should be sufficient to ensure actual pay rates include approved merit pay increases.

Effect:

- the actual outcome regarding the discrepancy between the payroll transmittal sheets in comparison with the time card for the first instance resulted in an underpayment to the employee of \$16.45.
- the actual outcome regarding the discrepancy between the payroll transmittal sheets in comparison with the time card for the second instance resulted in an overpayment to the employee of \$154.64 and zero PTO hours were deducted for the pay period.
- the actual outcome regarding the pay rate discrepancy in the first instance resulted in an underpayment to the employee in the amount of \$28.80.
- the actual outcome regarding the pay rate discrepancy in the second instance resulted in an underpayment to the employee in the amount of \$67.20.
- the actual outcome regarding the missing supervisor’s signature was that time was that the external auditors could not determine if the employees time was approved and unauthorized pay in the amount of \$486.08 could have occurred.

The potential impact of ineffective review of payroll transmittal sheets in comparison with the approve time cards and ineffective review of employee’s rate of pay is that employees could be overpaid or underpaid or have inaccurate PTO balances

Section III – Findings - Financial Statement Audit (continued)

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

Cause: Ineffective review of employee time cards in comparison with the employee transmittal sheets and employee rates of pay by the supervisor contributed to the discrepancies identified above. Also the City's manual timekeeping system exposes the City to clerical input errors.

Auditors' Recommendation: We recommend the City move towards implementing a timekeeping system that is electronically interfaced with the City's payroll system. We further recommend the City conduct training on proper review of employee timesheets and employee rate of pay.

Management's response: The timeline for corrective action is June 30, 2016 and each department director is responsible for reiterating to its staff the importance of internal controls surrounding the payroll process and ensuring those controls are implemented and operating effectively.

Section III – Findings - Financial Statement Audit (continued)

2015-003 Utility Bag Receipt Not Signed off by Employees (finding that does not rise to the level of significant deficiency)

Condition: During our testwork of internal controls surrounding the City's utility cash receipts process we noted 8 instances out of 40 utility receipts tested in which the employee who put the cash deposit in the bag (used to transfer money from the City hall to the armored car company for deposit to the bank) did not sign the bag receipt. The dollar amount associated with the utility payments totaled \$386.37. The bag receipt when properly filed out evidences a control activity has occurred and documents the employee who prepared the deposit and balanced the deposit to the drawer balance.

Criteria: Good internal controls required employees to evidence their control activities through sign-offs of bank bag receipts in order to preserve a documented audit trail and to enable the City to resolve any discrepancies between the actual deposit per the bank and the reconciled deposit.

Effect: The external auditors were unable to ascertain the timing of controls activities including the preparation and reconciliation of the 8 receipts documented above.

Cause: The employees who prepared the deposits failed to sign the bag receipts. Inadequate supervision of utility employees also contributed to lack of sign offs on the bag receipts.

Auditors' Recommendation: We recommend the Utility Department re-train its employees to properly fill out the bag receipts or come up with a new documentation tool that evidences who prepared and reconciled the individual deposit.

Management's response: The timeline for corrective action is June 30, 2016 and each department director is responsible for reiterating to its staff the importance of internal controls surrounding the utility cash receipting process and ensuring those controls are implemented and operating effectively.

Section III – Findings - Financial Statement Audit (continued)

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

Condition: During the course of audit fieldwork, the Finance Director brought to our attention 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.

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, 2016 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.

Section III – Findings - Financial Statement Audit (continued)

2015-005 Disposals of Capital Assets Prior to an Approved Resolutions (finding that does not rise to the level of significant deficiency)

Condition: During our testwork of capital asset disposals we noted two instances in which the capital assets were traded in for newer items prior to an approved resolution by the governing authority. The cost of the two capital assets traded in was \$38,056 and related to a conflict monitor tester and a reconditioned grinder.

Criteria: Section 13-6-1 NMSA 1978 Disposition of Obsolete, Worn-Out or Unusable Tangible Personal Property states

“ The governing authority of each state agency, local public body, school district and state educational institution may dispose of any item of tangible personal property belonging to that authority and delete the item from its public inventory upon a specific finding by the authority that the item of property is:

- (1) of a current resale value of five thousand dollars (\$5,000) or less; and
- (2) worn out, unusable or obsolete to the extent that the item is no longer economical or safe for continued use by the body.”

Effect: The City was not in compliance with Section 13-6-1 NMSA 1978. The City Commission had no knowledge of the capital assets that were traded in and did not have the opportunity to discuss the merits of the proposed trade-ins and whether or not it was in the best interest of the City to dispose of the items.

Cause: The Department employees responsible for the trade-ins were not aware that the trade-ins required City Commission approval.

Auditors' Recommendation: We recommend the City conduct training on proper procedures regarding the disposal of capital assets and proper adherence to Section 13-6-1 NMSA 1978.

Management's response: The timeline for corrective action is June 30, 2016 and the Department's management is responsible for reiterating to its staff the importance of internal controls surrounding the fixed asset disposal process and ensuring those controls are implemented and operating effectively.

STATE OF NEW MEXICO

City of Hobbs
Other Disclosures
June 30, 2015

Exit Conference

An exit conference was held on December 14, 2015. In attendance were the following:

Representing the City of Hobbs:

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

Representing Accounting & Consulting Group, LLP:

Morgan Browning, CPA, CGFM	Manager
Carol Snider, CPA	Manager

Auditor Prepared Financial Statements

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