



**CITY OF HOBBS**

**INDEPENDENT AUDITOR'S  
REPORT AND FINANCIAL  
STATEMENTS**

**For the Year Ended June 30, 2022**

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**STATE OF NEW MEXICO  
CITY OF HOBBS  
TABLE OF CONTENTS**

<b>INTRODUCTORY SECTION</b>	<b>Page</b>
Table of Contents	i-ii
Official Roster	1
 <b>FINANCIAL SECTION</b>	
Independent Auditor's Report	2-6
Basic Financial Statements	
Government-wide Financial Statements:	
Statement of Net Position	7-8
Statement of Activities	9
Fund Financial Statements:	
Balance Sheet – Governmental Funds	10
Reconciliation of the Balance Sheet to the Statement of Net Position	11
Statement of Revenues, Expenditures, and Changes in Fund Balances	
– Governmental Funds	12
Reconciliation of the Statement of Revenues, Expenditures and Changes	
in Fund Balances of Governmental Funds to the Statement of Activities	13
Statement of Revenues, Expenditures, and Changes in Fund Balance	
– Budget (Non-GAAP Budgetary Basis) and Actual	
General Fund	14
ARPA Fund	15
Statement of Net Position – Proprietary Funds	16
Statement of Revenues, Expenses, and Changes in Fund Net Position	
– Proprietary Funds	17
Statement of Cash Flows – Proprietary Funds	18-19
Statement of Fiduciary Net Position - Custodial Funds	20
Statement of Changes in Fiduciary Net Position - Custodial Funds	21
Notes to the Financial Statements	22-78
 <b>REQUIRED SUPPLEMENTARY INFORMATION</b>	
Schedule of the City's Proportionate Share of PERA's Net Pension Liability	79
Schedule of the City's Pension Contributions (PERA)	80
Schedule of Changes in the City's Net OPEB Liability and Related Ratios	81
Schedule of the City's OPEB Contributions (OPEB)	82
 <b>SUPPLEMENTARY INFORMATION</b>	
Non-Major Governmental Fund Descriptions	83-86
Combining and Individual Fund Statements:	
Combining Balance Sheet – Non-Major Governmental Funds	87
Combining Statement of Revenues, Expenditures, and Changes in Fund Balances	
– Non-Major Governmental Funds	88
Combining Balance Sheet – Non-Major Special Revenue Funds	89-94

**STATE OF NEW MEXICO  
CITY OF HOBBS  
TABLE OF CONTENTS**

<b>SUPPLEMENTARY INFORMATION, <i>continued</i></b>	<u>Page</u>
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non-Major Special Revenue Funds	95-100
Combining Balance Sheet – Non-Major Capital Project Funds	101
Combining Statement of Revenues, Expenditures and Changes in Fund Balances – Non-Major Capital Project Funds	102
Internal Service Fund Descriptions	103
Combining Statement of Net Assets – Internal Service Funds	104
Combining Statement of Revenues, Expenses, and Changes in Fund Net Assets – Internal Service Funds	105
Combining Statement of Cash Flows – Internal Service Funds	106
Custodial Fund Descriptions	107
Combining Statement of Fiduciary Net Position - Custodial Funds	108-109
Combining Statement of Changes in Fiduciary Net Position - Custodial Funds	110-111
 <b>OTHER SUPPLEMENTARY INFORMATION</b>	
Schedule of Cash, Investments, and Pledged Collateral	112
 <b>FEDERAL COMPLIANCE SECTION</b>	
Schedule of Expenditures of Federal Awards	113-114
Independent Auditor's Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with <i>Government Auditing Standards</i>	115-116
Independent Auditor's Report on Compliance For Each Major Federal Program and on Internal Control Over Compliance Required by the Uniform Guidance	117-120
Schedule of Findings and Questioned Costs	120-124
 <b>EXIT CONFERENCE</b>	 125

**STATE OF NEW MEXICO  
CITY OF HOBBS  
OFFICIAL ROSTER  
AS OF JUNE 30, 2022**

CITY COMMISSION

NAME	TITLE
Sam D. Cobb	Mayor
R. Finn Smith	Commissioner - District #1
Christopher Mills	Commissioner - District #2
Larron B. Fields	Commissioner - District #3
Joseph D. Calderon	Commissioner - District #4
Ron Dwayne Penick	Commissioner - District #5
Don R. Gerth	Commissioner - District #6

ADMINISTRATIVE OFFICIALS

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

**INDEPENDENT AUDITOR'S REPORT**

To the City Commission  
City of Hobbs  
and  
Mr. Brian Colón, New Mexico State Auditor

**Opinions**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue fund of the City of Hobbs (the "City"), as of and for the year ended June 30, 2022, and the related notes to the financial statements which collectively comprise the City's basic financial statements as listed in the table of contents.

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, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue fund of the City, as of June 30, 2022, and the respective changes in financial position and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Basis for Opinions**

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. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Financial Statements section of our report. We are required to be independent of the City, and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

**Emphasis of Matter****Adoption of New Accounting Guidance**

As discussed in Note 1 to the financial statements, the City has adopted the new accounting guidance Governmental Accounting Standards Board (GASB) Statement No. 87 *Leases*. Our opinions are not modified with respect to this matter.

**Responsibilities of Management for the Financial Statements**

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

In preparing the financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for twelve months beyond the financial statement date, including any currently known information that may raise substantial doubt shortly thereafter.

**Auditor's Responsibilities for the Audit of the Financial Statements**

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinions. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards and *Government Auditing Standards* will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the financial statements.

In performing an audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.

- Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements.
- Obtain an understanding of internal control relevant to the audit 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 City's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the City's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control-related matters that we identified during the audit.

#### **Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the schedules of the City's proportionate share of the net pension and OPEB liabilities and the City's contributions, listed as "*Required Supplementary Information*" in the table of contents, be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the GASB, 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.

Management has omitted Management's Discussion and Analysis that accounting principles generally accepted in the United States of America requires to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial

statements, is required by the GASB, who considers it to be an essential part of the financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context.

The City normally includes the MD & A in its annual audited financial statements but due to the adoption of GASB 87, *Leases*, the time and effort needed to restate the prior year summarized comparative financial statements was not considered practicable. Our opinions on the basic financial statements are not affected by this missing information.

#### **Supplementary and Other Supplementary Information**

Our audit was conducted for the purpose of forming opinions on the financial statements, that collectively comprise the City's basic financial statements. The Supplementary Information, as listed in the table of contents, are presented for purposes of additional analysis and are not a required part of the basic financial statements. The schedule of expenditures of federal awards, as required by Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, as listed in the table of contents under the Federal Compliance Section, is presented for purposes of additional analysis and is not a required part of the basic financial statements. The Other Supplementary Information, as required by 2.2.2 NMAC, as listed in the table of contents, is also presented for purposes of additional analysis and are not a required part of the basic financial statements.

Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. The 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 auditing standards generally accepted in the United States of America. In our opinion, the supplementary and other supplementary information was fairly stated, in all material respects, in relation to the basic financial statements as a whole.

#### **Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 12, 2022, 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.

*Hinkle & Landers, P.C.*

Hinkle + Landers, PC

Albuquerque, NM

December 12, 2022

STATE OF NEW MEXICO  
CITY OF HOBBS  
STATEMENT OF NET POSITION  
AS OF JUNE 30, 2022

	Primary Government		
	Governmental Activities	Business-type Activities	Total
Assets			
Current assets			
Cash and cash equivalents	\$ 110,234,358	29,876,049	140,110,407
Receivables:			
Taxes	10,298,905	224,499	10,523,404
Intergovernmental	443,548	600,000	1,043,548
Other	2,512,393	-	2,512,393
Due from customers, net	-	950,870	950,870
Lease receivable	197,448	-	197,448
Prepaid expenses	639,121	-	639,121
Inventory	104,877	490,240	595,117
Total current assets	<u>124,430,650</u>	<u>32,141,658</u>	<u>156,572,308</u>
Noncurrent assets			
Restricted cash	28,665	726,239	754,904
Restricted cash - customer deposits	-	388,675	388,675
Lease receivable, noncurrent	532,139	-	532,139
Land and work in progress	9,211,085	3,205,594	12,416,679
Capital assets, depreciable	377,457,550	166,493,331	543,950,881
Less: accumulated depreciation	(174,700,016)	(92,974,012)	(267,674,028)
Right-to-use leased assets, net	222,404	-	222,404
Total noncurrent assets	<u>212,751,827</u>	<u>77,839,827</u>	<u>290,591,654</u>
Total assets	<u>337,182,477</u>	<u>109,981,485</u>	<u>447,163,962</u>
Deferred outflows of resources			
Pension deferral	5,953,705	864,984	6,818,689
OPEB deferral	9,649,348	915,544	10,564,892
Total deferred outflows of resources	<u>15,603,053</u>	<u>1,780,528</u>	<u>17,383,581</u>
Total assets and deferred outflows of resources	<u>\$ 352,785,530</u>	<u>111,762,013</u>	<u>464,547,543</u>

See independent auditor's report. The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO  
CITY OF HOBBS  
STATEMENT OF NET POSITION  
AS OF JUNE 30, 2022

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Liabilities</b>			
<b>Current liabilities</b>			
Accounts payable	\$ 802,219	898,517	1,700,736
Accrued payroll expenses	966,453	48,959	1,015,412
Accrued claims payable	880,390	-	880,390
Accrued interest payable	-	326,061	326,061
Grant advances	-	726,239	726,239
Meter deposits	-	388,675	388,675
Lease liability, current portion	15,903	-	15,903
Compensated absences, current portion	556,979	166,784	723,763
Notes and loans payable, current portion	-	2,318,592	2,318,592
<b>Total current liabilities</b>	<b>3,221,944</b>	<b>4,873,827</b>	<b>8,095,771</b>
<b>Noncurrent liabilities</b>			
Lease liability	208,246	-	208,246
Compensated absences	1,670,935	-	1,670,935
Notes and loans payable	-	23,239,996	23,239,996
Net pension liability	45,479,443	4,247,488	49,726,931
Net OPEB liability	25,581,573	2,925,327	28,506,900
<b>Total noncurrent liabilities</b>	<b>72,940,197</b>	<b>30,412,811</b>	<b>103,353,008</b>
<b>Total liabilities</b>	<b>76,162,141</b>	<b>35,286,638</b>	<b>111,448,779</b>
<b>Deferred inflows of resources</b>			
Leases	729,001	-	729,001
Pension deferral	15,279,533	1,451,682	16,731,215
OPEB deferral	40,888,528	4,142,472	45,031,000
<b>Total deferred inflows of resources</b>	<b>56,897,062</b>	<b>5,594,154</b>	<b>62,491,216</b>
<b>Net position</b>			
Net investment in capital assets	211,966,874	51,166,325	263,133,199
Restricted for:			
Debt service	-	1,114,914	1,114,914
Capital projects	14,662,629	-	14,662,629
Special revenue	4,275,462	-	4,275,462
Unrestricted	(11,178,638)	18,599,982	7,421,344
<b>Total net position</b>	<b>219,726,327</b>	<b>70,881,221</b>	<b>290,607,548</b>
<b>Total liabilities, deferred inflows of resources, and net position</b>	<b>\$ 352,785,530</b>	<b>111,762,013</b>	<b>464,547,543</b>

See independent auditor's report. The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO  
CITY OF HOBBS  
STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2022**

Functions/Programs	Expenses	Program Revenues			Net (Expense) Revenue and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		Total
					Governmental Activities	Business-Type Activities	
<b>Primary Government</b>							
General government	\$ 31,757,026	11,131,067	1,587,818	-	(19,038,141)	-	(19,038,141)
Public safety	29,701,428	18,000	5,013,114	1,887,607	(22,782,707)	-	(22,782,707)
Public works	9,453,653	122,678	-	396,893	(8,934,082)	-	(8,934,082)
Culture and recreation	16,889,016	2,912,101	233,747	506,200	(13,236,968)	-	(13,236,968)
Health and welfare	13,604,796	2,753,985	87,787	562,005	(10,201,019)	-	(10,201,019)
Economic development	473,807	-	-	-	(473,807)	-	(473,807)
Interest on long-term obligations	754	-	-	-	(754)	-	(754)
<i>Total governmental activities</i>	<u>101,880,480</u>	<u>16,937,831</u>	<u>6,922,466</u>	<u>3,352,705</u>	<u>(74,667,478)</u>	<u>-</u>	<u>(74,667,478)</u>
<b>Business-Type Activities:</b>							
Joint Utility Fund (600)	14,106,404	14,747,856	60,771	1,235,736	-	1,937,959	1,937,959
Solid Waste (100)	7,657,883	7,710,362	-	-	-	52,479	52,479
Interest on long-term obligations	448,820	-	-	-	-	(448,820)	(448,820)
<i>Total business-type activities</i>	<u>22,213,107</u>	<u>22,458,218</u>	<u>60,771</u>	<u>1,235,736</u>	<u>-</u>	<u>1,541,618</u>	<u>1,541,618</u>
<i>Total Primary Government</i>	<u>\$ 124,093,587</u>	<u>39,396,049</u>	<u>6,983,237</u>	<u>4,588,441</u>	<u>(74,667,478)</u>	<u>1,541,618</u>	<u>(73,125,860)</u>
<b>General Revenues:</b>							
<b>Taxes</b>							
Property taxes, levied for general purposes				\$ 3,103,422	-		3,103,422
Gross receipts taxes				56,970,879	1,291,111		58,261,990
Gas taxes				1,462,692	-		1,462,692
Franchise tax				1,087,503	-		1,087,503
Lodger's tax				1,191,097	-		1,191,097
Cannabis excise tax				141,402	-		141,402
Investment income				(1,126,139)	9,266		(1,116,873)
Licenses, fees, and permits				1,498,345	-		1,498,345
Miscellaneous income				3,599,499	-		3,599,499
Gain/(loss) on disposition of assets				(162,342)	(616,423)		(778,765)
Transfers				(1,395,692)	1,395,692		-
Total general revenues and transfers				<u>66,370,666</u>	<u>2,079,646</u>		<u>68,450,312</u>
Change in net position				(8,296,812)	3,621,264		(4,675,548)
Net position, beginning				228,023,139	67,259,957		295,283,096
Net position, ending				<u>\$ 219,726,327</u>	<u>70,881,221</u>		<u>290,607,548</u>

See independent auditor's report. The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO  
CITY OF HOBBS  
BALANCE SHEET  
GOVERNMENTAL FUNDS  
AS OF JUNE 30, 2022**

	(001,002) General Fund	(220) ARPA Fund	Non-Major Governmental Funds	Total
<i>Assets</i>				
Cash and cash equivalents	\$ 68,816,326	4,835,516	18,020,873	91,672,715
Restricted cash	28,665	-	-	28,665
Receivables:				
Property taxes	124,787	-	-	124,787
GRT receivable	9,261,046	-	448,999	9,710,045
Other taxes	209,733	-	254,339	464,072
Intergovernmental	170,193	-	273,355	443,548
Housing incentive receivable	128,642	-	-	128,642
Accounts receivables, net	2,380,148	-	3,603	2,383,751
Lease receivable	323,958	-	405,628	729,586
Prepaid expenses	426,908	-	-	426,908
Inventory	-	-	104,877	104,877
Due from other funds	4,835,516	-	-	4,835,516
<i>Total assets</i>	<u>\$ 86,705,922</u>	<u>4,835,516</u>	<u>19,511,674</u>	<u>111,053,112</u>
<i>Liabilities, deferred inflows of resources, and fund balances</i>				
<i>Liabilities</i>				
Accounts payable	\$ 593,884	-	108,599	702,483
Accrued payroll expenses	889,913	-	76,540	966,453
Due to other funds	-	4,835,516	-	4,835,516
<i>Total liabilities</i>	<u>1,483,797</u>	<u>4,835,516</u>	<u>185,139</u>	<u>6,504,452</u>
<i>Deferred inflows of resources</i>				
Deferred inflows - property taxes	57,850	-	-	57,850
Deferred inflows - leases	329,675	-	399,326	729,001
<i>Total deferred inflows of resources</i>	<u>387,525</u>	<u>-</u>	<u>399,326</u>	<u>786,851</u>
<i>Fund balances</i>				
Nonspendable	421,191	-	104,877	526,068
Restricted				
Public safety	-	-	2,192,708	2,192,708
Culture and recreation	-	-	30,430	30,430
Transportation and roads	-	-	766,317	766,317
Health and welfare	-	-	11,116	11,116
Economic development	-	-	1,274,891	1,274,891
Capital projects	-	-	14,662,629	14,662,629
Committed				
Subsequent year's expenditures	5,049,732	-	-	5,049,732
Assigned	-	-	-	-
Unassigned	79,363,677	-	(115,759)	79,247,918
<i>Total fund balances</i>	<u>84,834,600</u>	<u>-</u>	<u>18,927,209</u>	<u>103,761,809</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 86,705,922</u>	<u>4,835,516</u>	<u>19,511,674</u>	<u>111,053,112</u>

See independent auditor's report. The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO  
CITY OF HOBBS  
RECONCILIATION OF THE GOVERNMENTAL FUND BALANCES  
TO THE STATEMENT OF NET POSITION  
AS OF JUNE 30, 2022

Amounts reported for governmental activities in the statement of net position are different because:

Fund balances - total governmental funds	\$	103,761,809
Capital assets used in governmental activities are not current financial resources and therefore are not reported in the governmental funds balance sheet (less Internal Service Funds).		211,968,619
Right-to-use leased assets (net of amortization) used in governmental activities are not financial resources and therefore are not reported in the funds.		(1,745)
Internal service funds are used by management to charge the cost of certain activities, such as insurance and fleet management to individual funds. The assets and liabilities of the internal service funds are included in governmental activities in the government-wide statement of net position. Internal Service Fund balances not included in other reconciling items:		
Total net position, ending		17,793,732
Deferred outflows and inflows of resources related to pensions are applicable to future periods and therefore, are not reported in funds:		
Net pension related deferrals		(9,325,828)
Net OPEB related deferrals		(31,239,180)
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:		
Compensated absences		(2,227,914)
Net pension liability		(45,479,443)
Net OPEB liability		(25,581,573)
Revenues not collected within sixty days after year end are considered "available" revenues and are considered to be "unavailable" revenues in the fund financial statements, but are considered revenue in the Statement of Activities:		
Property taxes		57,850
Rounding		-
Net position of governmental activities	\$	219,726,327

STATE OF NEW MEXICO  
CITY OF HOBBS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2022

	(001,002) General Fund	(220) ARPA Fund	Non-Major Governmental Funds	Total
<i>Revenues:</i>				
Taxes:				
Property	\$ 3,088,241	-	-	3,088,241
Gross receipts	54,388,632	-	2,582,247	56,970,879
Gasoline and motor vehicle	618,394	-	844,297	1,462,691
Franchise	1,087,503	-	-	1,087,503
Lodger's	-	-	1,191,097	1,191,097
Cannabis excise	141,402	-	-	141,402
Intergovernmental:				
State operating grants	684,003	-	256,549	940,552
State capital grants	160,000	-	3,266,312	3,426,312
Federal operating grants	40,826	4,835,516	895,406	5,771,748
Charges for services	3,051,414	-	3,019,242	6,070,656
Licenses and fees	1,340,002	-	158,342	1,498,344
Investment income (loss)	(1,136,746)	-	9,355	(1,127,391)
Miscellaneous	384,847	-	64,432	449,279
<i>Total revenues</i>	<u>63,848,518</u>	<u>4,835,516</u>	<u>12,287,279</u>	<u>80,971,313</u>
<i>Expenditures:</i>				
Current:				
General government	13,554,219	-	75,470	13,629,689
Public safety	16,298,052	4,835,516	287,751	21,421,319
Public works	5,608,605	-	1,225,905	6,834,510
Culture and recreation	4,757,244	-	7,432,901	12,190,145
Health and welfare	9,445,411	-	323,878	9,769,289
Economic development	-	-	415,283	415,283
Capital outlay	10,915,014	-	2,823,140	13,738,154
Debt service:				
Principal	17,489	-	-	17,489
Interest	754	-	-	754
<i>Total expenditures</i>	<u>60,596,788</u>	<u>4,835,516</u>	<u>12,584,328</u>	<u>78,016,632</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>3,251,730</u>	<u>-</u>	<u>(297,049)</u>	<u>2,954,681</u>
<i>Other financing sources (uses)</i>				
Transfers in	1,215,367	-	5,218,814	6,434,181
Transfers out	(6,949,728)	-	(3,275,465)	(10,225,193)
<i>Total other financing sources (uses)</i>	<u>(5,734,361)</u>	<u>-</u>	<u>1,943,349</u>	<u>(3,791,012)</u>
<i>Net change in fund balance</i>	(2,482,631)	-	1,646,300	(836,331)
<i>Fund balance, - beginning</i>	87,317,231	-	17,280,909	104,598,140
<i>Fund balance - ending</i>	<u>\$ 84,834,600</u>	<u>-</u>	<u>18,927,209</u>	<u>103,761,809</u>

See independent auditor's report. The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO  
CITY OF HOBBS  
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES  
IN FUND BALANCES OF GOVERNEMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES  
FOR THE YEAR ENDED JUNE 30, 2022

Amounts reported for governmental activities in the statement of activities are different because:

Net change in fund balances - total governmental funds	\$	(836,331)
<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 and amortization expense:</p>		
Capital expenditures recorded in capital outlay		7,102,004
Loss on disposition of assets		(162,342)
Depreciation and amortization expense		(16,043,377)
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		3,286,780
Internal service funds are used by management to charge the costs of certain activities, such as insurance and fleet management to individual funds. The net change of the internal service funds resulting from transactions not recorded with governmental funds.		534,879
<p>Expenses in the Statement of Activities that do not consume current financial resources are not reported as expenditures in the funds:</p>		
Change in compensated absences		(24,555)
<p>The issuance of long-term obligations (e.g. bonds, notes, leases) provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction, however, has any effect on net position. Also, governmental funds report the effect of premiums and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities:</p>		
Principal payments on bonds, loans, and lease payables		17,489
<p>Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.</p>		
Pension expense		(942,874)
OPEB expense		(1,243,668)
<p>Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds:</p>		
Change in deferred inflows related to property taxes receivable		15,181
Rounding		2
Change in net position of governmental activities	\$	<u><u>(8,296,812)</u></u>

STATE OF NEW MEXICO  
CITY OF HOBBS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
GENERAL FUND  
FOR THE YEAR ENDED JUNE 30, 2022

	Original Budget	Final Budget	Actual Amounts	Variance Favorable (Unfavorable)
<i>Revenues:</i>				
Taxes:				
Property	\$ 2,800,000	3,082,193	3,110,755	28,562
Gross receipts	42,153,887	47,742,520	53,527,102	5,784,582
Gasoline and motor vehicle	232,189	518,953	589,059	70,106
Franchise	946,000	946,000	950,962	4,962
Cannabis excise	-	-	52,146	52,146
Intergovernmental:				
State operating grants	662,253	828,467	100,551	(727,916)
State capital grants	-	160,000	50,000	(110,000)
Federal operating grants	-	4,848,668	21,893	(4,826,775)
Charges for services	1,737,750	1,737,750	1,881,043	143,293
Licenses and fees	1,681,100	1,681,100	1,359,863	(321,237)
Investment income (loss)	850,000	850,000	571,710	(278,290)
Miscellaneous	635,050	690,050	614,568	(75,482)
<i>Total revenues</i>	<u>51,698,229</u>	<u>63,085,701</u>	<u>62,829,652</u>	<u>(256,049)</u>
<i>Expenditures:</i>				
Current:				
General government	15,924,299	22,806,225	14,855,185	7,951,040
Public safety	22,133,274	23,092,927	19,002,587	4,090,340
Public works	7,133,592	7,104,545	6,201,165	903,380
Culture and recreation	6,455,389	6,870,296	5,394,132	1,476,164
Health and welfare	11,409,679	11,580,494	10,823,005	757,489
Capital outlay	5,239,347	20,060,487	10,959,136	9,101,351
<i>Total expenditures</i>	<u>68,295,580</u>	<u>91,514,974</u>	<u>67,235,210</u>	<u>24,279,764</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>(16,597,351)</u>	<u>(28,429,273)</u>	<u>(4,405,558)</u>	<u>24,023,715</u>
<i>Other financing sources (uses)</i>				
Transfers in	8,150,000	8,903,766	1,215,367	18,269,133
Transfers out	(8,413,468)	(16,475,878)	(6,949,727)	(31,839,073)
<i>Total other financing sources (uses)</i>	<u>(263,468)</u>	<u>(7,572,112)</u>	<u>(5,734,360)</u>	<u>(13,569,940)</u>
<i>Net change in fund balance</i>	<u>(16,860,819)</u>	<u>(36,001,385)</u>	<u>(10,139,918)</u>	<u>10,453,775</u>
Budgeted cash carryover	<u>16,860,819</u>	<u>36,001,385</u>		
<i>Total</i>	<u>\$ -</u>	<u>-</u>		
RECONCILIATION FROM BUDGET/ACTUAL TO GAAP				
Change in fund balance (Budget Basis)			\$ (10,139,918)	
To adjust applicable revenue accruals and deferrals			1,018,864	
To adjust applicable expenditure accruals			6,638,423	
Change in fund balance (GAAP basis)			<u>\$ (2,482,631)</u>	

See independent auditor's report. The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO  
CITY OF HOBBS  
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
BUDGET AND ACTUAL (NON-GAAP BUDGETARY BASIS)  
ARPA FUND  
FOR THE YEAR ENDED JUNE 30, 2022

	Original Budget	Final Budget	Actual Amounts	Variance Favorable (Unfavorable)
<i>Revenues:</i>				
Taxes:				
Property	\$ -	-	-	-
Gross receipts	-	-	-	-
Gasoline and motor vehicle	-	-	-	-
Franchise	-	-	-	-
Intergovernmental:				
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Federal operating grants	4,150,000	4,835,516	4,835,516	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income (loss)	-	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>4,150,000</u>	<u>4,835,516</u>	<u>4,835,516</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Economic development	-	-	-	-
Capital outlay	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>4,835,516</u>	<u>-</u>	<u>4,835,516</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>4,150,000</u>	<u>-</u>	<u>4,835,516</u>	<u>4,835,516</u>
<i>Other financing sources (uses)</i>				
Transfers in	-	4,150,000	-	4,150,000
Transfers out	(4,150,000)	(4,150,000)	-	(8,300,000)
<i>Total other financing sources (uses)</i>	<u>(4,150,000)</u>	<u>-</u>	<u>-</u>	<u>(4,150,000)</u>
<i>Net change in fund balance</i>	<u>-</u>	<u>-</u>	<u>4,835,516</u>	<u>685,516</u>
Budgeted cash carryover	-	-		
<i>Total</i>	<u>\$ -</u>	<u>-</u>		
RECONCILIATION FROM BUDGET/ACTUAL TO GAAP				
Change in fund balance (Budget Basis)			\$ 4,835,516	
To adjust applicable revenue accruals and deferrals			-	
To adjust applicable expenditure accruals			(4,835,516)	
Change in fund balance (GAAP basis)			<u>\$ -</u>	

See independent auditor's report. The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO  
CITY OF HOBBS  
STATEMENT OF NET POSITION  
PROPRIETARY FUNDS  
AS OF JUNE 30, 2022**

	(600) Joint Utility	(100) Solid Waste Disposal	Total	Gov't Activities Internal Service Funds
<i>Assets</i>				
<i>Current assets</i>				
Cash and cash equivalents	\$ 27,192,971	2,683,078	29,876,049	18,561,645
Receivables:				
Intergovernmental	600,000	-	600,000	-
Customer receivable, net	709,264	241,607	950,871	-
GRT receivable	224,499	-	224,499	-
Inventory	490,240	-	490,240	-
Prepaid expenses	-	-	-	212,213
<i>Total current assets</i>	<u>29,216,974</u>	<u>2,924,685</u>	<u>32,141,659</u>	<u>18,773,858</u>
<i>Noncurrent assets</i>				
Restricted cash - unspent grant proceeds	726,239	-	726,239	-
Restricted cash - meter deposits	388,675	-	388,675	-
Capital assets	169,698,925	-	169,698,925	-
Less: accumulated depreciation	<u>(92,974,012)</u>	<u>-</u>	<u>(92,974,012)</u>	<u>-</u>
<i>Total noncurrent assets</i>	<u>77,839,827</u>	<u>-</u>	<u>77,839,827</u>	<u>-</u>
<i>Total assets</i>	<u>107,056,801</u>	<u>2,924,685</u>	<u>109,981,486</u>	<u>18,773,858</u>
<i>Deferred outflows of resources</i>				
Pension deferral	864,984	-	864,984	-
OPEB deferral	915,544	-	915,544	-
<i>Total deferred outflows</i>	<u>1,780,528</u>	<u>-</u>	<u>1,780,528</u>	<u>-</u>
<i>Total assets and deferred outflows of resources</i>	<u>\$ 108,837,329</u>	<u>2,924,685</u>	<u>111,762,014</u>	<u>18,773,858</u>
<i>Liabilities, deferred inflows of resources, and net position</i>				
<i>Current liabilities</i>				
Accounts payable	\$ 260,726	637,791	898,517	99,736
Accrued payroll expenses	48,959	-	48,959	-
Other accrued expenses	-	-	-	880,390
Accrued compensated absences	166,784	-	166,784	-
Meter deposits	388,675	-	388,675	-
Accrued interest	326,061	-	326,061	-
Grant advances	726,239	-	726,239	-
Current portion of long-term obligations	2,318,592	-	2,318,592	-
<i>Total current liabilities</i>	<u>4,236,036</u>	<u>637,791</u>	<u>4,873,827</u>	<u>980,126</u>
<i>Noncurrent liabilities</i>				
Long-term debt	23,239,996	-	23,239,996	-
Net pension liability	4,247,488	-	4,247,488	-
Net OPEB liability	2,925,327	-	2,925,327	-
<i>Total noncurrent liabilities</i>	<u>30,412,811</u>	<u>-</u>	<u>30,412,811</u>	<u>-</u>
<i>Total liabilities</i>	<u>34,648,847</u>	<u>637,791</u>	<u>35,286,638</u>	<u>980,126</u>
<i>Deferred inflows of resources</i>				
Pension deferral	1,451,682	-	1,451,682	-
OPEB deferral	4,142,472	-	4,142,472	-
<i>Total deferred inflows of resources</i>	<u>5,594,154</u>	<u>-</u>	<u>5,594,154</u>	<u>-</u>
<i>Net position</i>				
Net investment in capital assets	51,166,325	-	51,166,325	-
Restricted	1,114,914	-	1,114,914	-
Unrestricted	16,313,089	2,286,894	18,599,983	17,793,732
<i>Total net position</i>	<u>68,594,328</u>	<u>2,286,894</u>	<u>70,881,222</u>	<u>17,793,732</u>
<i>Total liabilities, deferred inflows of resources, and net position</i>	<u>\$ 108,837,329</u>	<u>2,924,685</u>	<u>111,762,014</u>	<u>18,773,858</u>

See independent auditor's report. The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO  
CITY OF HOBBS  
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2022**

	(600) Joint Utility	(100) Solid Waste Disposal	Total	Gov't Activities Internal Service Funds
<i>Operating revenues:</i>				
Charges for services	\$ 14,747,856	7,710,362	22,458,218	10,867,175
State operating grants	60,771	-	60,771	-
<i>Total operating revenues</i>	<u>14,808,627</u>	<u>7,710,362</u>	<u>22,518,989</u>	<u>10,867,175</u>
<i>Operating expenses:</i>				
Personnel services	4,134,471	-	4,134,471	-
Contractual services	322,214	7,657,884	7,980,098	12,722,182
Supplies expense	1,410,426	-	1,410,426	-
Repairs and maintenance	453,195	-	453,195	-
Utilities	1,045,357	-	1,045,357	-
Equipment	145,975	-	145,975	-
Miscellaneous	910,834	-	910,834	-
Depreciation and amortization	5,683,930	-	5,683,930	-
<i>Total operating expenses</i>	<u>14,106,402</u>	<u>7,657,884</u>	<u>21,764,286</u>	<u>12,722,182</u>
<i>Operating income (loss)</i>	<u>702,225</u>	<u>52,478</u>	<u>754,703</u>	<u>(1,855,007)</u>
<i>Non-operating revenues (expenses):</i>				
Gross receipts and other taxes	1,291,111	-	1,291,111	-
Investment income	9,266	-	9,266	1,253
Interest expense	(448,820)	-	(448,820)	-
Miscellaneous income	-	-	-	-
<i>Total non-operating revenues (expenses)</i>	<u>235,134</u>	<u>-</u>	<u>235,134</u>	<u>1,253</u>
<i>Capital grants and transfers:</i>				
Transfers	1,395,692	-	1,395,692	2,388,633
State/local capital grants	1,235,736	-	1,235,736	-
<i>Net capital grants and transfers</i>	<u>2,631,428</u>	<u>-</u>	<u>2,631,428</u>	<u>2,388,633</u>
<i>Change in net position</i>	3,568,787	52,478	3,621,265	534,879
<i>Net position, beginning of year</i>	65,025,541	2,234,416	67,259,957	17,258,853
<i>Net position, end of year</i>	<u>\$ 68,594,328</u>	<u>2,286,894</u>	<u>70,881,222</u>	<u>17,793,732</u>

See independent auditor's report. The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO  
CITY OF HOBBS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2022**

	(600) Joint Utility	(100) Solid Waste Disposal	Total	Gov't Activities Internal Service Funds
<b>Cash flows from operating activities</b>				
Receipts from customers and users	\$ 13,795,672	7,613,170	21,408,842	10,957,556
Payments to employees	(4,059,498)	-	(4,059,498)	-
Payments to suppliers	(4,373,398)	(7,614,799)	(11,988,197)	(12,497,334)
<i>Net cash provided (used) by operating activities</i>	<u>5,362,776</u>	<u>(1,629)</u>	<u>5,361,147</u>	<u>(1,539,778)</u>
<b>Cash flows from non-capital financing activities</b>				
Gross receipts and other taxes	1,291,111	-	1,291,111	-
Transfers from/(to) other funds	1,395,692	-	1,395,692	2,388,633
<i>Net cash provided (used) by noncapital financing activities</i>	<u>2,686,803</u>	<u>-</u>	<u>2,686,803</u>	<u>2,388,633</u>
<b>Cash flows from capital and related financing activities</b>				
Purchase of capital assets	(3,544,780)	-	(3,544,780)	-
Proceeds from issuance of debt	21,407	-	21,407	-
Principal payments	(2,278,170)	-	(2,278,170)	-
Interest payments	(448,820)	-	(448,820)	-
Capital grant revenue	1,235,736	-	1,235,736	-
<i>Net cash provided (used) by capital and related financing activities</i>	<u>(5,014,627)</u>	<u>-</u>	<u>(5,014,627)</u>	<u>-</u>
<b>Cash flows from investing activities</b>				
Investment income	9,266	-	9,266	1,253
<i>Net cash provided (used) by investing activities</i>	<u>9,266</u>	<u>-</u>	<u>9,266</u>	<u>1,253</u>
Net increase (decrease) in cash and cash equivalents	3,044,218	(1,629)	3,042,589	850,108
Balances - beginning of year	25,263,667	2,684,707	27,948,374	17,711,537
Balances - end of year	<u>\$ 28,307,885</u>	<u>2,683,078</u>	<u>30,990,963</u>	<u>18,561,645</u>
<b>Reconciliation of cash and cash equivalents</b>				
<b>Unrestricted</b>				
Cash and cash equivalents	27,192,971	2,683,078	29,876,049	18,561,645
<b>Restricted</b>				
Unspent grant proceeds	726,239	-	726,239	-
Meter deposits	388,675	-	388,675	-
Total cash	<u>\$ 28,307,885</u>	<u>2,683,078</u>	<u>30,990,963</u>	<u>18,561,645</u>

See independent auditor's report. The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO  
CITY OF HOBBS  
STATEMENT OF CASH FLOWS  
PROPRIETARY FUNDS  
FOR THE YEAR ENDED JUNE 30, 2022

	(600) Joint Utility	(100) Solid Waste Disposal	Total	Gov't Activities Internal Service Funds
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:				
Operating income (loss)	\$ 702,225	52,478	754,703	(1,855,007)
<i>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</i>				
Depreciation expense	5,683,930	-	5,683,930	-
Pension expense	89,847	-	89,847	-
OPEB expense	119,086	-	119,086	-
(Increase) decrease in:				
Accounts receivable	(959,198)	(97,192)	(1,056,390)	90,381
Inventory	10,126	-	10,126	-
Prepays	-	-	-	(49,912)
(Decrease) increase in:				
Accounts payable	(72,711)	43,085	(29,626)	52,119
Accrued payroll and related	(127,464)	-	(127,464)	-
Customer deposits	(53,757)	-	(53,757)	-
Compensated absences	(6,496)	-	(6,496)	-
Other liabilities	(22,812)	-	(22,812)	222,641
<i>Net cash provided (used) by operating activities</i>	<u>\$ 5,362,776</u>	<u>(1,629)</u>	<u>5,361,147</u>	<u>(1,539,778)</u>

See independent auditor's report. The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO  
CITY OF HOBBS  
STATEMENT OF FIDUCIARY NET POSITION  
CUSTODIAL FUNDS  
AS OF JUNE 30, 2022

	Custodial Funds
Assets	
Cash	\$ 420,868
Total assets	420,868
Liabilities	
Accounts payable	5,778
Bonds held for others	106,028
Other liabilities	72
Total liabilities	111,878
Net position	
Restricted for:	
Individuals, other governments	308,990
Total net position	\$ 308,990

See independent auditor's report. The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO  
CITY OF HOBBS  
STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
CUSTODIAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2022

		Custodial Funds
<b>Additions</b>		
Licenses	\$	4,778,572
Fees		51,308
Evidence activity		-
Total additions		<u>4,829,880</u>
<b>Deductions</b>		
License payments		4,785,547
Fee payments		52,518
Evidence activity		51,904
Total deductions		<u>4,889,969</u>
Net increase (decrease) in fiduciary net position		(60,089)
Net position, beginning		<u>369,079</u>
Net position, ending	\$	<u><u>308,990</u></u>

See independent auditor's report. The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO  
CITY OF HOBBS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

**NOTE 1 – ENTITY AND 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.

**GASB Statement 87, Leases**

GASB 87 was adopted in fiscal year 2022 and requires recognition of lease assets and liabilities for non-cancellable agreements greater than one year in duration. The City has entered into lease agreements as both the lessor and lessee, and as such has recognized the corresponding

**STATE OF NEW MEXICO  
CITY OF HOBBS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

receivables, payables, intangible assets, and deferred inflows required under this statement. The lease agreements have been recorded at the present value of the future lease payments as of the date of their inception or, for leases existing prior to the implementation year at the remaining terms of the agreement, using the facts and circumstances available at July 1, 2021. It was not considered practicable to restate beginning balances in the capital assets and lease liability tables.

**A. Financial Reporting Entity**

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

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

In evaluating how to define the City, for financial reporting purposes, management has considered all potential component units. The decision to include any potential component units in the financial reporting entity was made by applying the criteria set forth in GASB 14, 39, 61, 80, and 90, as well as other applicable GASB Statements. 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 basis, 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

**STATE OF NEW MEXICO  
CITY OF HOBBS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

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 14, 39, 61, 80, and 90, as well as other applicable GASB Statements.

**B. Government-Wide and Fund Financial Statements**

The government-wide financial statements (statement of net position and the statement of activities) report information on all of the non-fiduciary 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 33, *Accounting and Financial Reporting for Non-Exchange Transactions*.

In the government-wide statement of net position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognized all long-term assets and receivables as well as long-term debt and obligations. The City's net position is 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

**STATE OF NEW MEXICO  
CITY OF HOBBS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

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 fiduciary financial statements. 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 non-exchange 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.

**STATE OF NEW MEXICO  
CITY OF HOBBS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

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 a deferred inflow.

Program revenues included in the statement of activities are derived directly from the program itself or from parties outside the City's taxpayer or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the City's general revenues. Program revenues are categorized as (a) charges for services, which include revenues collected for fees and use of City facilities, (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 obligations is considered an indirect expense and is reported separately on the statement of activities.

**STATE OF NEW MEXICO  
CITY OF HOBBS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

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 obligations.

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 and solid waste disposal. 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 funds:

The General Fund (001,002) 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.

ARPA Fund (220) –To account for American Rescue Plan Act federal funding in accordance with State Audit Rule and Department of Finance and Administration guidelines.

The City reports its proprietary funds as major funds. Proprietary funds include:

The Joint Utility Fund (600) accounts for fees generated from charges for utilities.

**STATE OF NEW MEXICO  
CITY OF HOBBS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

The Solid Waste Disposal Fund (100) accounts for fees generated from charges for garbage collection, construction, or renovation of major capital facilities, as well as for maintenance of facilities.

Additionally, the City reports the following fund types:

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

Nonmajor Capital Projects Funds are used to account for financial resources to be used for the acquisition or construction of major capital assets.

Internal Service Funds are used to account for the financing of goods or services provided by an activity to other departments of the City on a cost-reimbursement basis. Because the principal users of the internal services are the City's governmental activities, the financial statement of the internal service fund is consolidated into the governmental column when presented in the government-wide financial statements.

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 statement because the resources of those funds are not available to support the City's own programs. The statements of fiduciary activities are presented using the economic resources measurement focus and the accrual basis of accounting. The statement of fiduciary net position reports assets, deferred outflows of resources, liabilities, deferred inflows of resources, and fiduciary net position of custodial funds. The statement of changes in fiduciary net position is used to report additions and deductions from the City's custodial funds. The City has no pension, employee benefit trust funds, investment trust funds, or private-purpose funds.

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.

**STATE OF NEW MEXICO  
CITY OF HOBBS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

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/Inflows of Resources, 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 THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

Property taxes are levied on November 1st based on the assessed value of property as listed on the previous January 1st 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 Lea County 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 from 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, 2022 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, 2022.

Lease Receivables

The City's lease receivable is measured at the present value of lease payments expected to be received during the lease term. Under the lease agreement, the City may receive variable lease payments that are dependent upon the lessee's revenue. The variable payments are recorded as an inflow of resources in the period the payment is received.

A deferred inflow of resources is recorded for the lease. The deferred inflow of resources is recorded at the initiation of the lease in an amount equal to the initial recording of the lease receivable. The deferred inflow of resources is amortized on a straight-line basis over the term of the lease.

**STATE OF NEW MEXICO  
CITY OF HOBBS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

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, 2022 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 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 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. Donated capital assets are recorded at estimated fair market value at the date of donation. Information technology equipment, including software, is capitalized in accordance with NMAC 2.20.1.9 C (5). Major outlays for capital assets and improvements are capitalized as projects are constructed.

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 THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

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

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

Right-to-Use Leased Assets

The City has recorded right to use lease assets as a result of implementing GASB 87. Lease payables are capitalized as a right-to-use asset when the leased asset has a cost of \$50,000 or greater and an estimated useful life of more than one year. Right-to-use leased assets are recorded at the present value of payments expected to be made during the lease term plus any upfront payments and ancillary charges paid to place the leased asset in service. Amortization for right-to-use leased assets is computed using the straight-line method over the shorter of the lease term or the asset's estimated useful life.

Accrued Expenses

Accrued expenses are comprised of payroll expenditures based on amounts earned by the employees through June 30, 2022.

Compensated Absences

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

**STATE OF NEW MEXICO  
CITY OF HOBBS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

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 (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same basis as they are reported by PERA's. 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.

Postemployment Benefits Other Than Pensions (OPEB)

For purposes of measuring the net OPEB liability, deferred outflows of resources and deferred inflows of resources related to OPEB, and OPEB expense, information about the fiduciary net position of the City's Retiree Health Plan (RHP) and additions to/deductions from the City's RHP's fiduciary net position have been determined on the same basis as they are reported by the City's RHP. For this purpose, the City's RHP recognizes benefit payments when due and payable in accordance with the benefit terms. Investments are reported at fair value, except for money market investments and participating interest-earning investment contracts that have a maturity at the time of purchase of one year or less, which are reported at cost.

Deferred Outflows of Resources

In addition to assets, the statement of net position and/or the balance sheet for the governmental funds reports a separate section for deferred outflows of resources. This separate financial statement element, deferred outflows of resources, represents a consumption of net position/fund balance that applies to a future period and so will not be recognized as an expense or expenditure until then.

Deferred Inflows of Resources

In addition to liabilities, the statement of net position and/or the balance sheet for the governmental funds reports a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents

**STATE OF NEW MEXICO  
CITY OF HOBBS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

an acquisition of net position that applies to a future period and so will not be recognized as revenue.

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.

Governmental Fund Balances

The following classifications describe the nature and extent of spending constraints placed on governmental fund balances:

- *Nonspendable*
  - Amounts not in a spendable form, such as prepaid expenses, inventories, or long-term portion of receivables or property held for resale, if the use of the proceeds from the collection/sale of property held for resale is not otherwise constrained. Nonspendable amounts also include amounts legally or contractually required to remain intact, such as the principal of a permanent fund.
  - Leases – portion of fund balance that is not an available resource because it represents the year-end balance of the lease receivable in excess of the deferred inflow of resources for the lease receivable, which is not a spendable resource.
- *Restricted* – Amounts constrained to specific purposes that are externally imposed or imposed by law through constitutional provisions or enabling legislation (such as taxpayers, grantors, bondholders, and higher levels of government).
- *Committed* – Amounts constrained to specific purposes by the governmental entity's highest level of decision-making authority (the City Commission). To be reported as committed, amounts cannot be used for any other purpose unless the City Commission takes the same highest-level action to remove or change the constraint.

**STATE OF NEW MEXICO  
CITY OF HOBBS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

- *Assigned* – Amounts constrained by the City intends to be used for a specific purpose. Intent can be expressed by the governing body (City Commission) or an official or body to which the governing body delegates authority.
  
- *Unassigned* – Balances available for any purpose. Positive amounts are reported only in 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 1/12<sup>th</sup> of the General Fund final budgeted expenditures. A minimum fund balance policy represents a plan to accumulate resources as opposed to a limitation on purpose for which resources are to be expended. As such a minimum fund balance policy does not affect the classification fund balance and is reported as unassigned.

Government-wide Statements

Net position is reported in the government-wide statements in three components:

- 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.
- 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.
- 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

**STATE OF NEW MEXICO  
CITY OF HOBBS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

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 non-routine 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, the net pension liability, and the calculation of lease liabilities, and related right-to-use assets, in accordance with incremental borrowing rates.

**NOTE 2 – STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY**

Annual budgets of the City are prepared prior to June 1st 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.

Budgetary Compliance – Budgetary control is required to be maintained at the individual fund level. 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.

**STATE OF NEW MEXICO  
CITY OF HOBBS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

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, 2022 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 of New Mexico investment requirements as of June 30, 2022.

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.

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

The collateral pledged is listed in the schedule of cash, investments, and pledged collateral as identified in the table of contents. The types of collateral allowed are limited to direct

**STATE OF NEW MEXICO  
CITY OF HOBBS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

obligations of the United States Government and all bonds issued by any agency, district or political subdivision of the State of New Mexico.

Custodial Credit Risk

Custodial credit risk for deposits 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, 2022, \$5,822,003 of the City's bank balances of \$5,572,003 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.

Deposits	\$	914,156
Repurchase agreements		4,907,847
FDIC coverage		<u>(250,000)</u>
Total uninsured public funds		5,572,003
Collateralized by securities held by trust pledging institutions or by its trust department or agency in other than the City's name		5,572,003
Uninsured and uncollateralized	\$	<u><u>-</u></u>
Collateral requirement - deposits (50% of uninsured funds)		332,078
Collateral requirement - repurchase agreements (102% of uninsured funds)		<u>5,006,004</u>
Pledged collateral		<u>5,006,004</u>
Over (under) collateralized	\$	<u><u>-</u></u>

New Mexico Local Government Investment Pool (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(1) 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.

**STATE OF NEW MEXICO  
CITY OF HOBBS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

As of June 30, 2022, the City's investment in the LGIP was rated as AAAm by Standard & Poor's.

As of June 30, 2022, the City had the following investments and maturities:

<u>Investment Type</u>	<u>Maturities</u>	<u>Fair Value</u>	<u>Rating</u>
	[49] day WAM (R);		
New Mexico LGIP	[89] day WAM (F)	\$ 78,221,383	AAAm
U.S. Treasury Securities	< 3 years	\$ 58,335,511	AA+

**Custodial Credit Risk**

For an investment, custodial 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 that are in the possession of an outside party. The City's policy related to investments is to comply with the state statute as put forth in the Public Money Act (Section 6-10-1 to 6-10-63, NMSA 1978).

The investments are listed in the schedule of cash, investments and pledged collateral by bank and account, as identified in the table of contents. The New Mexico LGIP fund totaling \$78,221,383 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 \$58,335,511 are reported as cash on the Statement of Net Position. They are considered an investment for disclosure purposes.

**Fair Value Measurement**

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

- Level 1      Inputs to the valuation methodology are unadjusted quoted prices for identical assets or liabilities in active markets that the City has the ability to access.
- Level 2      Inputs to the valuation methodology include:
  - Quoted prices for similar assets or liabilities in active markets.

**STATE OF NEW MEXICO  
CITY OF HOBBS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

- Quoted prices for identical or similar assets or liabilities in inactive markets.
- Inputs other than quoted prices that are observable for the asset or liability.
- Inputs that are derived principally from or corroborated by observable market data by correlation or other means.

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

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

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

The following table sets forth by level within the fair value hierarchy, the City's assets at fair value as of June 30, 2022:

<u>Description</u>	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
US Treasury Securities	\$ 58,335,511	-	-	58,335,511
Investments (LGIP) measured at NAV - practical expedient				78,221,383
Investments at fair value				<u>\$ 136,556,894</u>

**STATE OF NEW MEXICO  
CITY OF HOBBS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

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:

<u>Cash and investments</u>	<u>Amount</u>
Cash and cash equivalents	
Cash on hand	\$ 16,199
Cash	295,739
Repurchase agreement	4,907,847
NMFA Cash	726,240
Reconciling items	<u>(1,446,482)</u>
Subtotal cash and cash equivalents	<u>4,499,543</u>
Investments	
State Treasurer's Investment Pool	78,221,383
Certificates of deposit - maturities > 90 days	618,417
US Agency Securities	<u>58,335,511</u>
Subtotal investments	<u>137,175,311</u>
Total cash and investments	<u>\$ 141,674,854</u>
<u>Cash and investments by fund type</u>	<u>Amount</u>
Governmental funds	\$ 91,701,380
Internal service funds	<u>18,561,645</u>
Subtotal governmental activities	110,263,025
Business-type activities	30,990,961
Fiduciary funds	<u>420,868</u>
Total cash and investments	<u>\$ 141,674,854</u>

**NOTE 4 – RECEIVABLES**

Receivables as of June 30, 2022, including the applicable allowances for uncollectible accounts, are as follows:

<u>Governmental Funds</u>	<u>(001,002) General Fund</u>	<u>(220) ARPA Fund</u>	<u>Non-Major Governmental Funds</u>	<u>Totals</u>
Taxes				
Property tax	\$ 124,787	-	-	124,787
Gross receipts taxes	9,261,046	-	448,999	9,710,045
Gas and oil taxes	69,340	-	137,090	206,430
Franchise and lodger's taxes	<u>140,393</u>	-	<u>117,249</u>	<u>257,642</u>
Total taxes	9,595,566	-	703,338	10,298,904

**STATE OF NEW MEXICO  
CITY OF HOBBS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

**NOTE 4 – RECEIVABLES, continued**

Governmental Funds	(001,002) General Fund	(220) ARPA Fund	Non-Major Governmental Funds	Totals
Intergovernmental				
Federal	-	-	165,244	165,244
State	60,193	-	17,730	77,923
Local	110,000	-	90,381	200,381
Total intergovernmental	170,193	-	273,355	443,548
Other				
Accounts				
Ambulance	2,307,006	-	-	2,307,006
Weed mowing/condemnation	395,263	-	-	395,263
Court fines	563,219	-	-	563,219
Other	-	-	3,603	3,603
Less: Allowance for uncollectibles	(885,340)	-	-	(885,340)
Housing incentive	128,642	-	-	128,642
Leases	323,958	-	405,628	729,586
Total other, net	2,832,748	-	409,231	3,241,979
Net receivables	\$ 12,598,507	-	1,385,924	13,984,431
Business-Type Funds	(600) Joint Utility	(100) Solid Waste Disposal	Total Business-Type	Internal Service Funds
Taxes	\$			
Gross receipts tax	224,499	-	224,499	-
Intergovernmental				
Local	600,000	-	600,000	-
Other	-	-	-	-
Due from customers				
Water fees	805,467	-	805,467	-
Sewer fees	499,800	-	499,800	-
Solid waste fees	-	522,225	522,225	-
Less: Allowance for uncollectibles	(596,003)	(280,618)	(876,621)	-
Total due from customers, net	709,264	241,607	950,871	-
Net receivables	\$ 1,533,763	241,607	1,775,370	-

**STATE OF NEW MEXICO  
CITY OF HOBBS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

Lease Receivables

The City is entered into multiple land and building leases. The City's lessor leasing arrangements on June 30, 2022 are summarized below (excluding short-term leases):

	<u>Receivable Balance June 30, 2022</u>	<u>Current Portion</u>	<u>Number of Lease Contracts</u>	<u>Lease Terms*</u>	<u>Interest Rates</u>
<u>Governmental Activities</u>					
Lessor					
Buildings	\$ 459,431	\$ 159,011	3	2-9 years	0.500%
Land	270,156	38,437	1	8 years	0.500%
Total governmental activities	\$ 729,587	197,448			

\*The lease terms represent the range of remaining terms in each lease.

During the year the City did not recognize any variable payment amounts. For the year ended June 30, 2022, the City recognized the following in lease income and interest earned on leases:

<u>Governmental Activities</u>	<u>2022</u>
Lease income	\$ 246,654
Lease interest	3,861

The future minimum lease payment and the net present value of these minimum lease payments as of June 30, 2022, were as follows:

<u>Year Ending June 30,</u>	<u>Principal Reduction</u>	<u>Interest Revenue</u>	<u>Total</u>
2023	\$ 197,448	2,804	200,252
2024	89,134	2,525	91,659
2025	72,206	2,141	74,347
2026	73,272	1,775	75,047
2027	74,356	1,406	75,762
2028-2032	223,171	2,031	225,202
	<u>\$ 729,587</u>	<u>12,682</u>	<u>742,269</u>

**STATE OF NEW MEXICO  
CITY OF HOBBS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

**NOTE 5 – CAPITAL ASSETS**

The following is a summary of capital assets and changes occurring during the year ended June 30, 2022:

Primary Government <i>Governmental Activities includes</i> <i>Internal Service Funds</i>	Balance 06/30/21	Additions	Deletions	Reclass	Balance 06/30/22
Capital assets not being depreciated:					
Land	\$ 7,558,686	-	-	-	7,558,686
Construction in progress	4,789,609	286,382	-	(3,423,592)	1,652,399
Total capital assets not being depreciated	<u>12,348,295</u>	<u>286,382</u>	<u>-</u>	<u>(3,423,592)</u>	<u>9,211,085</u>
Capital assets being depreciated:					
Buildings and improvements	103,670,867	3,512,942	(150,354)	-	107,033,455
Equipment	55,710,995	3,746,245	(11,986)	-	59,445,254
Land improvements	73,283,035	1,658,372	(35,009)	192,321	75,098,719
Infrastructure	<u>128,871,231</u>	<u>1,184,843</u>	<u>-</u>	<u>2,972,817</u>	<u>133,028,891</u>
Total capital assets being depreciated	<u>361,536,128</u>	<u>10,102,402</u>	<u>(197,349)</u>	<u>3,165,138</u>	<u>374,606,319</u>
Total capital assets	<u>373,884,423</u>	<u>10,388,784</u>	<u>(197,349)</u>	<u>(258,454)</u>	<u>383,817,404</u>
Amortizable assets					
Intangible assets	2,592,777	-	-	258,454	2,851,231
Right-to-use leased land	<u>-</u>	<u>241,639</u>	<u>-</u>	<u>-</u>	<u>241,639</u>
Total amortizable assets	<u>2,592,777</u>	<u>241,639</u>	<u>-</u>	<u>258,454</u>	<u>3,092,870</u>
Less accumulated depreciation:					
Buildings and improvements	(39,318,090)	(3,436,317)	-	-	(42,754,407)
Equipment	(33,866,546)	(3,537,292)	-	-	(37,403,838)
Land improvements	(21,635,647)	(2,864,939)	35,009	-	(24,465,577)
Right-to-use leased land	<u>(61,384,273)</u>	<u>(6,141,762)</u>	<u>-</u>	<u>-</u>	<u>(67,526,035)</u>
Total accumulated depreciation	<u>(156,204,556)</u>	<u>(15,980,310)</u>	<u>35,009</u>	<u>-</u>	<u>(172,149,857)</u>
Less accumulated amortization					
Intangible assets	(2,506,327)	(43,832)	-	-	(2,550,159)
Right-to-use leased land	<u>-</u>	<u>(19,235)</u>	<u>-</u>	<u>-</u>	<u>(19,235)</u>
Total accumulated amortization	<u>(2,506,327)</u>	<u>(63,067)</u>	<u>-</u>	<u>-</u>	<u>(2,569,394)</u>
Capital assets, net	<u>\$ 217,766,317</u>	<u>(5,412,954)</u>	<u>(162,340)</u>	<u>-</u>	<u>212,191,023</u>

The City recorded multiple right-to-use leased assets relating to leased land. The related lease liability is discussed in Note 6. The right-to-use leased assets are amortized on a straight-line basis over the terms of the related leases.

**STATE OF NEW MEXICO  
CITY OF HOBBS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

Depreciation and amortization expense for the year ended June 30, 2022 was charged to governmental activities as follows:

<u>Governmental activities:</u>	
General government	\$ 3,436,650
Public safety	5,367,874
Public works	1,708,538
Culture and recreation	3,052,315
Health and welfare	<u>2,458,765</u>
Total	16,024,142
 <u>Internal Service Fund</u>	
Total governmental activities	<u>\$ 16,024,142</u>

<i>Business-Type Activities</i>	Balance <u>06/30/21</u>	Additions	Deletions	Reclass	Balance <u>06/30/22</u>
Capital assets not being depreciated:					
Land	\$ 12,473	-	-	-	12,473
Construction in progress	<u>16,740,711</u>	<u>2,243,862</u>	<u>(616,423)</u>	<u>(15,175,029)</u>	<u>3,193,121</u>
Total capital assets not being depreciated	<u>16,753,184</u>	<u>2,243,862</u>	<u>(616,423)</u>	<u>(15,175,029)</u>	<u>3,205,594</u>
Capital assets being depreciated:					
Buildings and improvements	28,439,363	6,126	-	-	28,445,489
Equipment	45,116,771	386,995	(9,572)	-	45,494,194
Land improvements	2,341,196	-	-	-	2,341,196
Infrastructure	<u>74,124,626</u>	<u>907,797</u>	-	<u>15,175,029</u>	<u>90,207,452</u>
Total capital assets being depreciated	<u>150,021,956</u>	<u>1,300,918</u>	<u>(9,572)</u>	<u>15,175,029</u>	<u>166,488,331</u>
Total capital assets	<u>166,775,140</u>	<u>3,544,780</u>	<u>(625,995)</u>	-	<u>169,693,925</u>
Amortizable assets					
Intangible assets	<u>5,000</u>	-	-	-	<u>5,000</u>
Total amortizable assets	<u>5,000</u>	-	-	-	<u>5,000</u>
Less accumulated depreciation:					
Buildings and improvements	(17,916,441)	(558,128)	-	-	(18,474,569)
Equipment	(39,257,638)	(383,994)	9,572	-	(39,632,060)
Land improvements	(1,487,274)	(44,382)	-	-	(1,531,656)
Infrastructure	<u>(28,636,916)</u>	<u>(4,697,301)</u>	-	-	<u>(33,334,217)</u>
Total accumulated depreciation	<u>(87,298,269)</u>	<u>(5,683,805)</u>	<u>9,572</u>	-	<u>(92,972,502)</u>
Less accumulated amortization					
Intangible assets	<u>(1,385)</u>	<u>(125)</u>	-	-	<u>(1,510)</u>
Total accumulated amortization	<u>(1,385)</u>	<u>(125)</u>	-	-	<u>(1,510)</u>
Total capital assets net of depreciation	<u>\$ 79,480,486</u>	<u>(2,139,150)</u>	<u>(616,423)</u>	-	<u>76,724,913</u>

**STATE OF NEW MEXICO  
CITY OF HOBBS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

Depreciation and amortization expense for the year ended June 30, 2022 was charged to business-type activities as follows:

<u>Business type activities:</u>	
Joint utility	\$ 5,683,930
Solid waste disposal	-
Total business-type activities	<u>\$ 5,683,930</u>

**NOTE 6 – LONG-TERM OBLIGATIONS**

During the year ended June 30, 2022, the following changes occurred in the liabilities reported in the government-wide statement of net position:

Governmental Activities

	Balance 06/30/21	Additions	Deletions	Balance 06/30/22	Due Within One Year
<u>Governmental Activities:</u>					
Lease liability	\$ -	224,149	-	224,149	15,903
Compensated absences	2,203,359	3,880,633	(3,856,078)	2,227,914	556,979
Net pension liability	70,331,945	7,984	(24,860,486)	45,479,443	-
Net OPEB liability	52,827,737	-	(27,246,164)	25,581,573	-
Total long-term obligations	<u>\$ 125,363,041</u>	<u>4,112,766</u>	<u>(55,962,728)</u>	<u>73,513,079</u>	<u>572,882</u>

Proprietary Funds

	Balance 06/30/21	Additions	Deletions	Balance 06/30/22	Due Within One Year
<u>Business-Type Activities:</u>					
NMFA and NMED loans	\$ 27,815,351	21,407	(2,278,170)	25,558,588	2,318,592
Compensated absences	173,280	308,103	(314,599)	166,784	166,784
Net pension liability	6,615,689	761	(2,368,962)	4,247,488	-
Net OPEB liability	5,534,263	-	(2,608,936)	2,925,327	-
Total long-term obligations	<u>\$ 40,138,583</u>	<u>330,271</u>	<u>(7,570,667)</u>	<u>32,898,187</u>	<u>2,485,376</u>

The Joint Utility fund has incurred various forms of debt which were used for the purposes of constructing, expanding, repairing, and making improvements to its property, plant and equipment.

**STATE OF NEW MEXICO  
CITY OF HOBBS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

As of June 30, 2022, balances of NMFA and NMED loans are as follows:

<u>NMFA/NMED Notes Payable</u>	<u>Date of Issue</u>	<u>Maturity</u>	<u>Int. Rate</u>	<u>Original Issue</u>	<u>06/30/22</u>
NMED Wastewater Loan	3/7/2011	7/21/2030	2.00%	\$ 31,419,101	\$ 15,683,649
NMFA Clean Drinking Water Loan	10/1/2010	5/1/2030	1.75%	5,019,965	2,248,957
NMFA Water Project Loan	3/22/2013	6/1/2032	0.25%	1,319,488	668,299
NMFA WTB Effluent Refuse Project	6/12/2015	6/1/2035	0.25%	1,280,000	840,502
NMFA WTB Effluent Refuse Project	6/12/2016	6/1/2036	0.25%	723,040	486,596
NMED CWSRF 064	10/16/2017	10/31/2038	1.20%	6,143,300	5,630,585
				<u>\$ 45,904,894</u>	<u>\$ 25,558,588</u>

NMED Wastewater Loan

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-l 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.

This debt is secured with legally pledged revenues. There are no finance-related default consequences, termination event consequences, or subjective acceleration clauses specified in the debt agreement.

NMFA Clean Drinking Water Loan

The City entered into a loan agreement with the New Mexico Finance Authority on October 1, 2010 for a total commitment of \$5,019,965. The loan has an interest rate of 1.75% with an administration fee of .25%. The principal and interest are 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.

This debt is secured with legally pledged revenues. There are no finance-related default consequences, termination event consequences, or subjective acceleration clauses specified in the debt agreement.

**STATE OF NEW MEXICO  
CITY OF HOBBS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

NMFA Water Project Loan

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.

This debt is secured with legally pledged revenues. There are no finance-related default consequences, termination event consequences, or subjective acceleration clauses specified in the debt agreement.

NMFA WTB Effluent Refuse Project 2015

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.

This debt is secured with legally pledged revenues. There are no finance-related default consequences, termination event consequences, or subjective acceleration clauses specified in the debt agreement.

NMFA WTB Effluent Refuse Project 2016

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

This debt is secured with legally pledged revenues. There are no finance-related default consequences, termination event consequences, or subjective acceleration clauses specified in the debt agreement.

**STATE OF NEW MEXICO  
CITY OF HOBBS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

NMED CWSRF 064

The City entered into a revolving loan agreement with the New Mexico Environment Department on October 26, 2017, 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 1.20% and the principal amount of the loan is not to exceed \$6,143,300. 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.

This debt is secured with legally pledged revenues. There are no finance-related default consequences, termination event consequences, or subjective acceleration clauses specified in the debt agreement.

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
2023	\$ 2,318,592	431,208	2,749,800
2024	2,359,792	390,009	2,749,801
2025	2,401,780	348,021	2,749,801
2026	2,444,574	305,227	2,749,801
2027	2,488,188	261,613	2,749,801
2028-2032	10,583,385	630,122	11,213,507
2033-2037	1,937,934	122,081	2,060,015
Thereafter	1,024,343	24,682	1,049,025
	<u>\$ 25,558,588</u>	<u>2,512,963</u>	<u>28,071,551</u>

Lease Liability

The City is entered into multiple land leases. The City's leasing arrangements at June 30, 2022 are summarized below (excluding short-term leases):

<u>Classification</u>	<u># of Lease Contracts</u>	<u>Remaining Lease Terms</u>	<u>Interest Rate</u>
Right-to-use Land	2	~5-18.5 years	.75%-1.75%

\*The lease terms represent the range of remaining terms in each lease.

**STATE OF NEW MEXICO  
CITY OF HOBBS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

During the year ended June 30, 2022, the City did not recognize any variable payment amounts.

The future minimum lease obligations and the net present value of these minimum lease payments as of June 30, 2022, were as follows:

Fiscal Year Ending June 30,	Principal	Interest	Total
2023	\$ 15,903	4,075	19,978
2024	17,038	3,198	20,236
2025	17,483	3,018	20,502
2026	17,960	2,815	20,776
2027	18,444	2,613	21,058
2028-2032	42,364	10,619	52,983
2033-2037	54,929	6,490	61,419
Thereafter	40,028	1,423	41,451
	<u>\$ 224,149</u>	<u>34,251</u>	<u>258,401</u>

**NOTE 7 – INTERFUND BALANCES AND TRANSFERS**

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

Transfers In	Transfers Out	Amount
General fund (001)	Lodger's Tax fund (230)	\$ 232,059
General fund (001)	City Commission Impr. (490)	983,309
H and W Learning Center (160)	Lodger's Tax fund (230)	594,820
H and W Learning Center (160)	General fund (001)	1,565,317
Older American fund (170)	General fund (001)	771,421
Golf fund (180)	General fund (001)	1,816,778
Golf fund (180)	Lodger's Tax fund (230)	62,899
Cemetery fund (190)	General fund (001)	346,801
Legislative Approp. fund (210)	General fund (001)	17,774
Public Transp. fund (270)	General fund (001)	43,003
Self Insurance fund (740)	General fund (001)	2,388,633
Joint Utility (600)	City Commission Impr. (490)	1,402,378
Government-Wide	Joint Utility (600)	6,687
		<u>\$ 10,231,879</u>
<u>Due from other funds</u>	<u>Due to other funds</u>	<u>Amount</u>
General Fund (001)	ARPA (220)	<u>\$ 4,835,516</u>

**STATE OF NEW MEXICO  
CITY OF HOBBS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

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

**NOTE 8 – LINE OF CREDIT**

On December 14, 2021, the City established a \$612,000 irrevocable letter of credit with Lea County State Bank at 0.1249% in order to meet an insurance requirement. There was no balance outstanding on the line-of-credit as of June 30, 2022. 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 \$612,000 and a maturity date of December 15, 2022.

**NOTE 9 – CONDUIT DEBT OBLIGATIONS**

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

<u>Recipient</u>	<u>Date of Issue</u>	<u>Retirement Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding 06/30/22</u>	<u>Purpose</u>
RMS Foods, Inc.	2005	2035	\$ 7,775,000	\$ 5,000	Acquire land and acquire, construct, and equip a facility in the City of Hobbs
Washington Place Apartments	2015	2050	\$ 6,500,000	5,340,000	Rehabilitation, improvement, and equipping a multifamily rental housing development
Four Seasons Apartments	2020	3037	\$ 8,400,000	8,299,365	Rehabilitation, improvement, and equipping an 80 unit multifamily housing project

**NOTE 10 – 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

**STATE OF NEW MEXICO  
CITY OF HOBBS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

\$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 \$880,390 at June 30, 2022 and is reported as a liability on the financial statements.

The City maintains a large, self-insured retention program for all third-party policies related to general and police liability insurance. General liability claims exceeding \$500,000 per occurrence up to \$6,000,000 annually are covered by commercial insurance. Police liability claims exceeding \$250,000 per occurrence up to \$5,000,000 annually are also covered by commercial insurance. Claims are paid monthly as reported and charged to the various departments. There were no significant claim payments subsequent to June 30, 2022.

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

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

**NOTE 11 – PENSION PLAN**

General Information about the Pension Plan

Plan description - Public Employees Retirement 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 Officers, 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 Public Employees Retirement 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), each employee and elected official of every affiliated public employer is required to be a member in the Public Employees Retirement Fund, unless specifically excluded. PERA issues a publicly available Annual

**STATE OF NEW MEXICO  
CITY OF HOBBS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

Comprehensive Financial Report that can be obtained at <https://www.nmpera.org/financial-overview/>.

*Benefits Provided* - Benefits are generally available at age 65 with five or Benefits are generally available at age 65 with five or more years of service or after 25 years of service regardless of age for TIER I members. Provisions also exist for retirement between ages 60 and 65, with varying amounts of service required. Certain police and fire members may retire at any age with 20 or more years of service for Tier I members. Generally, the amount of retirement pension is based on final average salary, which is defined under Tier I as the average of salary for the 36 consecutive months of credited service producing the largest average; credited service; and the pension factor of the applicable coverage plan. Monthly benefits vary depending upon the plan under which the member qualifies, ranging from 2% to 3.5% of the member's final average salary per year of service. The maximum benefit that can be paid to a retiree may not exceed a range of 60% to 90% of the final average salary, depending on the division. Benefits for duty and non-duty death and disability and for post-retirement survivors' annuities are also available.

*TIER II* - The retirement age and service credit requirements for normal retirement for PERA state and municipal general members hired increased effective July 1, 2013 with the passage of Senate Bill 27 in the 2013 Legislative Session. Under the new requirements (Tier II), general members are eligible to retire at any age if the member has at least eight years of service credit and the sum of the member's age and service credit equals at least 85 or at age 67 with 8 or more years of service credit. General members hired on or before June 30, 2013 (Tier I) remain eligible to retire at any age with 25 or more years of service credit. Under Tier II, police and firefighters in Plans 3, 4 and 5 are eligible to retire at any age with 25 or more years of service credit. State police and adult correctional officers, peace officers and municipal juvenile detention officers will remain in 25-year retirement plans, however, service credit will no longer be enhanced by 20%. All public safety members in Tier II may retire at age 60 with 6 or more years of service credit. Generally, under Tier II pension factors were reduced by .5%, employee Contribution increased 1.5 percent and effective July 1, 2014, employer contributions were raised .05 percent. The computation of final average salary increased as the average of salary for 60 consecutive months.

Contributions – See PERA's Annual Comprehensive Financial Report that can be obtained on PERA's Web Site for Contribution Description.

**STATE OF NEW MEXICO  
CITY OF HOBBS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

*Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions* – At June 30, 2022, the City of Hobbs reported a liability of \$49,726,931 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2021, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2020. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2021 using generally accepted actuarial principles. Therefore, the employer’s portion was established as of the measurement date of June 30, 2020. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2021. The City’s proportion of the net pension liability was based on a projection of the City’s long-term share of contributions to the pension plan relative to the projected contributions of all participating entities, actuarially determined. At June 30, 2021, the City’s proportion was 2.209248%, which was an increase of 0.0938% from its proportion measured as of June 30, 2020.

*Municipal General Division* - At June 30, 2022, the City reported a liability of \$19,118,033 for its proportionate share of the net pension liability. At June 30, 2021, the City’s proportion was 1.696866%, which was a decrease of 0.0167% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the City recognized pension expense of \$1,933,178. At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<u>Municipal General Division</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ 475,915	65,454
Changes of assumptions	6,286	-
Net difference between projected and actual earnings on pension plan investments	-	7,856,414
Change in proportion and differences between the City contributions and proportionate share of contributions	437,006	601,327
The City contributions subsequent to the measurement	1,630,098	-
Total	<u>\$ 2,549,305</u>	<u>8,523,195</u>

**STATE OF NEW MEXICO  
CITY OF HOBBS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

\$1,630,098 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	Amount
2023	\$ 1,321,814
2024	1,304,802
2025	1,754,071
2026	3,223,655
2027	-
Thereafter	-

*Municipal Police Division* - At June 30, 2022, the City reported a liability of \$12,856,843 for its proportionate share of the net pension liability. At June 30, 2021, the City's proportion was 2.486041%, which was an increase of 0.1247% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the City recognized pension expense of \$1,288,521. At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Municipal Police Division		
Differences between expected and actual experience	\$ 971,998	-
Changes of assumptions	5,006	-
Net difference between projected and actual earnings on pension plan investments	-	4,660,435
Change in proportion and differences between the City contributions and proportionate share of contributions	910,685	572,179
The City contributions subsequent to the measurement	1,075,567	-
Total	\$ 2,963,256	5,232,614

**STATE OF NEW MEXICO  
CITY OF HOBBS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

\$1,075,567 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30:</u>	<u>Amount</u>
2023	\$ 485,806
2024	206,904
2025	751,524
2026	1,900,575
2027	-
Thereafter	-

*Municipal Fire Division* - At June 30, 2022, the City reported a liability of \$17,752,055 for its proportionate share of the net pension liability. At June 30, 2021, the City's proportion was 2.924435%, which was an increase of 0.0139% from its proportion measured as of June 30, 2020.

For the year ended June 30, 2022, the City recognized pension expense of \$1,476,739. At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

	Deferred Outflows of Resources	Deferred Inflows of Resources
Municipal Fire Division		
Differences between expected and actual experience	\$ 265,969	24,638
Changes of assumptions	2,625	-
Net difference between projected and actual earnings on pension plan investments	-	2,591,890
Change in proportion and differences between the City contributions and proportionate share of contributions	68,736	358,878
The City contributions subsequent to the measurement	968,798	-
Total	\$ 1,306,128	2,975,406

**STATE OF NEW MEXICO  
CITY OF HOBBS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

\$968,798 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date will be recognized as a reduction of the net pension liability in the year ended June 30, 2022. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

<u>Year Ended June 30:</u>	<u>Amount</u>
2023	\$ 607,127
2024	427,686
2025	544,302
2026	1,058,723
2027	-
Thereafter	-

*Actuarial assumptions* - The total pension liability in the June 30, 2020 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

Actuarial valuation date	June 30, 2020
Actuarial cost method	Entry Age Normal
Amortization period	Level Percent of Pay
Asset valuation method	Solved for based on statutory rates
Actuarial assumptions:	
Investment rate of return	7.25% annual rate, net of investment expense
Projected benefit payment	100 years
Payroll growth	3.00%
Projected salary increases	3.25% to 13.50% annual rate
Includes inflation at	2.50%
	2.75% all other years
Mortality assumption	The mortality assumptions are based on the RPH-2014 Blue Collar mortality table with female ages set forward one year. Future improvement in mortality rates is assumed using 60% of the MP-2017 projection scale generational. For nonpublic safety groups, 25% of in-service deaths are assumed to be duty related and 35% are assumed to be duty-related for public safety groups.
Experience study dates	July 1, 2008 to June 30, 2017 (demographic) and July 1, 2013 through June 30, 2017 (economic)

**STATE OF NEW MEXICO  
CITY OF HOBBS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2020. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2021. These assumptions were adopted by the Board use in the June 30, 2020 actuarial valuation.

The long-term expected rate of return on pension plan investments was determined using a building-block method 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 allocation and best estimates of arithmetic real rates of return for each major asset class are summarized in the following table:

<u>All Funds - Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
Global Equity	35.50%	5.90%
Risk Reduction & Mitigation	19.50%	1.00%
Credit Oriented Fixed Income	15.00%	4.20%
Real Assets	20.00%	6.00%
Multi-Risk Allocation	10.00%	6.40%
Total	<u>100.00%</u>	

*Discount rate.* A single discount rate of 7.25% was used to measure the total pension liability as of June 30, 2021. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.25%, compounded annually, net of expense. Based on the stated assumptions and the projection of cash flows, the plan’s fiduciary net position and future contributions were projected to be available to finance all projected future benefit payments of current plan members. Therefore, the long-term expected rate of return on pension plan investments was applied to all period of projected benefit payments to determine the total pension liability.

The projections of cash flows used to determine this single discount rate assumed that plan member and employer contributions will be made at the current statutory levels.

*Sensitivity of the City’s proportionate share of the net pension liability to changes in the discount rate.* The following presents the City’s proportionate share of the net pension liability calculated using the discount rate of 7.25 percent, as well as what the City’s proportionate share of the net

**STATE OF NEW MEXICO  
CITY OF HOBBS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

pension liability would be if it were calculated using a discount rate that is 1 percentage point lower (6.25 percent) or 1 percentage point higher (8.25 percent) than the current rate:

<u>PERA Fund Division</u>	<u>1% Decrease (6.25%)</u>	<u>Current Discount Rate (7.25%)</u>	<u>1% Increase (8.25%)</u>
Municipal General Division	\$ 34,293,543	19,118,033	6,529,501
Municipal Police Division	\$ 22,508,882	12,856,843	4,958,274
Municipal Fire Division	\$ 24,506,271	17,752,055	12,201,038

*Pension plan fiduciary net position* - Detailed information about the pension plan's fiduciary net position is available in separately issued PERA'S financial reports.

*Payables to the pension plan*- At June 30, 2022, the City reported a payable of \$262,763 for outstanding contributions due to PERA for the year ended June 30, 2022.

**NOTE 12 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

The City has elected to fund their OPEB plan on a “pay as they go” basis with assets not being held in a trust.

**General Information about the OPEB Plan**

*Plan description* – The City 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.

*Benefits Provided* – The plan provides life, medical, and dental insurance benefits to participating retirees, spouses, children, and survivors.

**STATE OF NEW MEXICO  
CITY OF HOBBS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

*Employees covered by benefit terms* – At June 30, 2022, the following employees were covered by the benefit terms:

	Healthcare Participants	Life Insurance Participants
Active participants	503	503
Inactive participant or beneficiaries currently receiving benefit payments	73	255
Total participants	576	758

*Contributions* – 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. 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. The plan is financed on a pay-as-you-go basis. The following table details the contributions made as of June 30:

	2022
City contributions	\$ 468,192
Employee contributions	645,600
	\$ 1,113,792

Net OPEB Liability

The City’s net OPEB liability was measured as of June 30, 2022, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 01, 2021.

**STATE OF NEW MEXICO  
CITY OF HOBBS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

*Actuarial assumptions* – The total OPEB liability in the June 30, 2022 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

Actuarial method	Entry Age Normal – Level Percent of Pay Method
Measurement date	First day of the fiscal year (i.e. – July 1, 2021)
Measurement period	July 1, 2020 to June 30, 2021
Valuation date	Last day of the fiscal year (i.e. - June 30, 2021)
Census data	As of July 1, 2022
Service cost	Determined for each active employee as the Actuarial Present Value of benefits allocated to the valuation year. The benefit attributed to the valuation year is that incremental portion of the total projected benefit earned during the year in accordance with the Plan’s benefit formula. This allocation is based on each individual’s service between the date of hire and the expected date of
Discount rates	For the Fiscal Year Ending June 30, 2022: 2.16%, For the Fiscal Year Ending June 30, 2021: 2.21%, For the Fiscal Year Ending June 30, 2020: 3.50%
Municipal bond rate basis	Bond Buyer General Obligation 20-Bond Municipal Bond
CPI	2.50%
Life insurance administrative load	10.00%
Salary scale	3.00%
Health benefits participation	50% of future eligible retirees are assumed to elect participation in the healthcare plan.

**STATE OF NEW MEXICO  
CITY OF HOBBS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

Life insurance participation	100% of future eligible retirees are assumed to participate in the life insurance plan.
Spouse age difference & marriage percentage	Future Retiree male participants were 3 years older than spouses and active female participants were 2 years younger than spouses. 65% of future retirees are assumed to have spouses. Actual data is used for current retirees.
Future Retiree Healthy Mortality	<u>Fire</u> : PUB-2010 Healthy "Safety" classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021. <u>Police</u> : PUB-2010 Healthy "Safety" classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021. <u>Municipal</u> : PUB-2010 Healthy "General" classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021.
Current Retiree Healthy Mortality	<u>Current Retirees</u> : PUB-2010 "General" classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021.
Disabled mortality	<u>Current Disabled Retirees</u> : PUB-2010 "General" classification headcount-weighted disabled mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021.

*Discount rate* – The discount rate used to measure the total OPEB liability was 2.16 percent. The projection of cash flows used to determine the discount rate assumed that City contributions will be made at rates equal to the actuarially determined contribution rates. Based on those assumptions, the OPEB plan’s fiduciary net position was projected to be available to make all projected OPEB payments for current active and inactive employees. Therefore, the long-term expected rate of return on OPEB plan investments was applied to all periods of projected benefit payments to determine the total OPEB liability.

**STATE OF NEW MEXICO  
CITY OF HOBBS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

Changes in the Net OPEB Liability

	Increase/(Decrease)		
	Total OPEB Liability	Plan Fiduciary Net Position	Net OPEB Liability
Balance recognized at 6/30/2021 (Based on 7/1/2020 Measurement Date)	\$ 58,362,000	-	58,362,000
Changes recognized for the fiscal year:			
Service cost	7,184,400	N/A	7,184,400
Interest on total OPEB liability	1,443,400	N/A	1,443,400
Changes of benefit terms	-	N/A	-
Differences between expected and actual experience	(19,133,200)	N/A	(19,133,200)
Changes of assumptions	(18,880,500)	N/A	(18,880,500)
Benefit payments	(1,114,800)	(1,114,800)	-
Contributions from the employer	N/A	469,200	(469,200)
Contributions from the employee	645,600	645,600	-
Net investment income	N/A	-	-
Administrative expense	N/A	-	-
Net changes	(29,855,100)	-	(29,855,100)
Balance recognized at 6/30/2022 (Based on 7/1/2021 Measurement Date)	\$ 28,506,900	-	28,506,900

*Sensitivity of the net OPEB liability to changes in the discount rates* – The following presents the net OPEB liability of the City, as well as what the City’s net OPEB liability would be if it were calculated using a discount rate that is 1-percentage-point lower or 1-percentage point higher than the current discount rate:

	1% Decrease (1.16%)	Current Discount Rate (2.16%)	1% Increase (3.16%)
Net OPEB liability	\$ 34,778,900	\$ 28,506,900	\$ 23,764,000

**STATE OF NEW MEXICO  
CITY OF HOBBS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

*Sensitivity of the net OPEB liability to changes in the health-care cost trend rates* – The following presents the total OPEB liability of the City, as well as what the City’s total OPEB liability would be if it were calculated using health care cost trend rates that are 1-percentage-point lower or 1 percentage-point higher than the current health care cost trend rates:

	<u>1% Decrease</u>	<u>Current Trend Rate</u>	<u>1% Increase</u>
Net OPEB liability	\$ 23,697,600	\$ 28,506,900	\$ 34,960,500

**OPEB Expense and Deferred Outflows/Inflows of Resources Related to OPEB**

For the year ended June 30, 2022, the City recognized OPEB expense of \$1,831,100. At June 30, 2022, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<u>Municipal General Division</u>	<u>Deferred Outflows of Resources</u>	<u>Deferred Inflows of Resources</u>
Differences between expected and actual experience	\$ -	23,376,200
Changes of assumptions	10,096,700	21,654,800
Net difference between expected and actual earnings on OPEB plan investments	-	-
The City contributions made after the measurement date	468,192	-
Total	<u>\$ 10,564,892</u>	<u>45,031,000</u>

Amounts reported as deferred outflows of resources and deferred inflows of resources related to OPEB will be recognized in OPEB expense as follows:

<u>Year Ended June 30:</u>	<u>Amount</u>
2023	\$ (6,796,800)
2024	(6,796,800)
2025	(6,796,800)
2026	(6,796,800)
2027	(6,400,700)
Thereafter	(1,346,400)

*Payable Changes in the Net OPEB Liability* - At June 30, 2022, the City reported a payable of \$33,315 for outstanding contributions due to various insurance providers for the year ended June 30, 2022.

**STATE OF NEW MEXICO  
CITY OF HOBBS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

**NOTE 13 – 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 14 – 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 15 – 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 Estacada 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 a fiduciary fund. The County also issues a separate, publicly 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

**STATE OF NEW MEXICO  
CITY OF HOBBS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

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. Note: The swimming pool and handball courts are no longer in operation by the Hobbs Municipal Schools.

The City entered into a joint powers agreement on November 20, 1972 with the Hobbs Municipal Schools to erect two little league baseball fields at Jefferson Elementary. The fields will be used for sports activities sponsored by the Parks and Recreation Department, and furthering athletic and recreational programs in the Hobbs Municipal Schools. This agreement shall continue as mutually agreeable by both parties. Audit responsibility lies with the Hobbs Municipal Schools.

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

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

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. Currently, the tennis courts are maintained by the Hobbs Municipal Schools. Audit responsibility lies with the Hobbs Municipal Schools.

**STATE OF NEW MEXICO  
CITY OF HOBBS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

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

**STATE OF NEW MEXICO  
CITY OF HOBBS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

members. Audit responsibility lies with each individual agency. During fiscal year 2021, the City of Carlsbad became the fiscal agent for this entity.

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. On December 14, 2021, the JPA was modified whereby the City will pay up to \$1,500,000 annually or 50% of the administrative and operational expenses of LCCA whichever is less. The maximum annual contribution will be adjusted by the Consumer Price Index (CPI) each fiscal year. The County will

**STATE OF NEW MEXICO  
CITY OF HOBBS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

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.

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 2019.

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. Lea County and Hobbs have the option of renewing the contract at the

**STATE OF NEW MEXICO  
CITY OF HOBBS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

end of every year. There is no audit responsibility incorporated into the terms of this specific agreement.

Justice Assistance Grant Edward Byre – On August 16th, 2021, the City executed an agreement with Lea County regarding a grant award for the Edward Byrne Memorial Justice Assistance Grant program. Under the terms of the agreement, the funding from the grant in the amount of \$20,035 will be distributed to the City of Hobbs Police Department in the amount of \$12,021 and \$8,014 to the Lea County Sheriff's Department. The City will act as the fiscal agent and the agreement will remain in effect until the project is completed. There is no audit responsibility incorporated into the terms of this specific agreement.

Health and Wellness Learning Center (HWLC) – On September 4, 2015, the City entered into a MOU for the design, construction, operation, and joint use of a health wellness and learning center (HWLC) with the New Mexico Junior College (NMJC) and the Board of Education of Hobbs Municipal School District (District). The total estimated cost of the design and construction of the HWLC is \$61,500,000. Once the HWLC is completed, the parties will share in the cost of utilities and maintenance of the HWLC and the use of the HWLCC will be shared by the parties in accordance with the MOU. The costs of the programs and activities that the City, NMJC, and the District conduct at the HWLC will be paid by the sponsoring entity and will not be shared.

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

NMJC will contribute \$300,000 annually towards facility costs. The District will contribute \$100,000 toward facility costs. The City will contribute \$900,000 toward facility costs. Commencing on July 1, 2018, and on the first day of July thereafter.

NMJC, the Districts' and the City's facility contribution shall be increased by the percentage increase in the CPI from the prior July 1st, but in no event greater than 5% in any one year.

Lea County - The City of Hobbs entered into a joint powers agreement on June 4th, 2018 with the County of Lea. The agreement is to provide for Fire, EMS, Library, Senior Center and any other services made available by the City to the County. The agreement also includes services for addressing, permitting, inspecting and certifying for occupancy any new structures proposed to

**STATE OF NEW MEXICO  
CITY OF HOBBS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

be constructed within the Extra Territorial Jurisdiction and animal services at the Hobbs Animal Adoption Center. The County of Lea will contribute a fixed amount of \$625,000 annually to these services and will expire on June 30, 2023. Audit responsibility lies with the City of Hobbs.

**NOTE 16 – OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES**

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

Excess of expenditures over appropriations. The City’s did not have any funds which exceeded approved budgetary authority for the year ended June 30, 2022.

Deficit fund balance of individual funds. The following funds reported a deficit fund balance as of June 30, 2022:

<u>Fund</u>	<u>Fund Type</u>	<u>Amount</u>
HWLC fund (160)	Special revenue	\$ (56,509)
Cemetery fund (190)	Special revenue	<u>(4,734)</u>
		<u>\$ (61,243)</u>

Designated cash appropriations in excess of available balances. No funds exceeded approved budgetary authority for the year ended June 30, 2022.

**NOTE 17 – CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS**

The City had outstanding construction commitments for construction and infrastructure projects of \$3,729,290 as of June 30, 2022.

The City has entered into multiple contracts to design and construct joint utility line extensions in the amount of \$1,564,771. Total funding spent to date for these projects are approximately \$866,501. Remaining construction commitment is \$698,270. Funding for these projects are general fund transfers.

The City has entered into a paving construction contract for micro-surfacing City streets. Outstanding commitments as of June 30, 2022 are \$122,501.

The City has entered into a building security upgrade project in the amount of \$500,000. Remaining outstanding encumbrance is \$382,309.

**STATE OF NEW MEXICO  
CITY OF HOBBS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

**NOTE 18 – UNION AGREEMENTS**

The City of Hobbs established a collective bargaining ordinance on July 7th, 2003. The City of Hobbs currently has three labor unions: The Hobbs Police Officer Association, The Hobbs Sergeant Association, and the Hobbs Professional Firefighter Association.

Hobbs Police Officer Association: As of June 30, 2022, the collective bargaining agreement has 38 members (6%) of the City's 617 employees. A new agreement was approved in fiscal year 2022 and will expire on June 30, 2025.

Hobbs Sergeant Association: As of June 30, 2022, the collective bargaining agreement has 11 members (2%) of the City's 617 employees. A first-time agreement was approved in fiscal year 2022 and will expire on June 30, 2025.

Hobbs Professional Firefighter Association: As of June 30, 2022, the collective bargaining agreement has 24 members (4%) of the City's 617 employees. A new agreement was approved in fiscal year 2022 and will expire on June 30, 2025.

**NOTE 19 – LOAN AGREEMENTS WITH AFFORDABLE HOUSING DEVELOPERS**

Yes Housing, Inc. - On November 7, 2014, the City entered into an affordable housing loan agreement with YES, Housing, Inc. The purpose of the agreement is to develop an affordable, mixed income, rental housing for the citizens of the City. The property is located at the intersection of East Marland and 9th Street and is named "New Leaf Community". The Developer was also allocated land per resolution # 6085 passed by the Commission on December 16, 2013. The amount loaned to the developer was \$1,300,000 plus land in the amount of \$67,003.05 (historical value). The terms of the agreement started on June 1, 2016, 12% interest per year with a total final payment amount due in 45 years. It should be noted that the promissory note and interest will be forgiven at the end of the term providing that the Developer does not default on the restrictive covenants within the Developer loan agreement.

Parkside Terrace CIC, LLLP - On October 19, 2015, the City entered into an affordable housing loan agreement with Parkside Terrace CIC, LLLP. The purpose of the agreement is to develop an affordable, mixed income, rental housing for the citizens of the City. The property is located at the intersection of Dunnam and Fowler and is named "Parkside Terrace". The Developer was also allocated land per resolution # 6077 passed by the Commission on November 18, 2013. The amount loaned to the developer was \$1,965,000 plus land in the amount of \$873,737.80

**STATE OF NEW MEXICO  
CITY OF HOBBS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

(historical value). The terms of the agreement started on December 1, 2017, 12% interest per year with a total final payment amount due in 45 years. It should be noted that the promissory note and interest will be forgiven at the end of the term providing that the Developer does not default on the restrictive covenants within the Developer loan agreement.

Tierra Realty Trust, LLC - On June 15, 2015, the City entered into an affordable housing loan agreement with Tierra Realty Trust, LLC. The purpose of the agreement is to develop an affordable, mixed income, rental housing for the citizens of the City. The property is located at the southwest intersection of Yeso and Jefferson and is named "Playa Escondida". The amount loaned to the developer was \$1,100,000 but it should be noted that the promissory note and interest will be forgiven at the end of the term providing that the Developer does not default on the restrictive covenants within the Developer loan agreement.

Yes Housing, Inc. - On December 18, 2019, the City entered into an affordable housing loan agreement with Yes Housing, Inc. The purpose of the agreement is to develop an affordable, mixed income, rental housing for the citizens of the City. At June 30, 2021, the developer completed construction for the affordable housing project. The property is located at the southwest intersection of Yeso and Jefferson and is named "Skyview Terrace". The amount of pass-thru loan paid to the developer was \$1,570,000 but it should be noted that the promissory note and interest will be forgiven at the end of the term providing that the Developer does not default on the restrictive covenants within the Developer loan agreement.

The likelihood of repayment for the loans/interest noted above is remote and therefore will not be recorded.

**NOTE 20 – TAX ABATEMENTS**

The City negotiates property tax abatements on an individual basis. The City has tax abatement agreements with two entities as of June 30, 2022. Each agreement was negotiated under the State of New Mexico Article 32, Industrial Revenue Bonds (IRB'S) allowing local municipal governments to abate property taxes and other state taxes such as investment tax credits (ITC's) for a variety of economic development purposes. The taxable value is 1/3 of this amount and the rate for the City is reported. Personal property tax abatement for equipment purchased with IRB's is reported by the recipient.

**STATE OF NEW MEXICO  
CITY OF HOBBS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

In addition to Note 9 information related to the reduction of property tax abatements affecting the City for fiscal year ended June 30, 2022 is:

	<u>Lea County's Assessed Value</u>	<u>1/3rd Taxable Value</u>	<u>(Non-Residential) City of Hobbs Prop. Tax Rate</u>	<u>City of Hobbs Property Tax Abated per year</u>	<u>Maturity year of IRB/Bond</u>
RMS Foods - Industrial Revenue Bonds	\$ 545,514	181,838	0.005555	1,010	2035
Washington Place Apartments - Low Income Housing Tax Credit Bonds	\$ 1,151,253	383,751	0.005555	2,132	2050
Four Seasons Apartments - Low Income Housing Tax Credit Bonds	\$ 1,209,528	403,176	0.005555	2,240	2037

Washington Place Apartments – On June 15th, 2015, the City authorized the issuance and sale of the City of Hobbs, New Mexico Multifamily Housing Revenue Bonds, in one or more tax-exempt or taxable series in an amount not to exceed \$6,500,000. The purpose of the bonds is to provide funds for the rehabilitation, improvement and equipping of a multifamily rental housing development. The balance of the bonds at June 30, 2022 is \$5,340,000 with the bonds maturing in 2050. The Washington Place Apartment development required a prepayment of property taxes in the amount of \$120,000. The property taxes were estimated at over a 15-year term and was receipted by the City of Hobbs in October 2015.

Four Seasons Apartments – On June 15th, 2020, the City authorized the issuance and sale of the City of Hobbs, New Mexico Multifamily Housing Revenue Bonds, in one or more tax-exempt or taxable series in an amount not to exceed \$8,400,000. The purpose of the bonds is to provide funds for the rehabilitation, improvement and equipping an 80-unit multifamily housing project. The balance of the bonds at June 30, 2022 is \$8,299,565 with the bonds maturing in 2037. Subsequently, the issuance closed in the month of September 2020 and required a prepayment of property taxes in the amount of \$200,000. The property taxes were estimated at over a 15-year term and was receipted by the City of Hobbs in September 2020.

The City’s entire disclosure as an abating agency is presented on the following pages.

**STATE OF NEW MEXICO  
CITY OF HOBBS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

Agency Number	6086
Agency Name	City of Hobbs
Agency Type	Municipal Government
Tax Abatement Agreement Name	RMS Foods, Inc. \$7,775,000 Tax-Exempt Industrial Revenue Bonds
Recipient(s) of tax abatement	RMS Foods, Inc.
Parent company(ies) of recipient(s) of tax abatement	RMS Foods, Inc.
Tax abatement program (name and brief description)	RMS Foods, Inc. - Industrial Revenue Bond Project (manufacturing of food products)
Specific Tax(es) Being Abated	Property Tax on real property and personal property used in business
Legal authority under which tax abatement agreement was entered into	State of New Mexico Statutes/Section 3-32-1 through 3-22-16 and Sections 6-18-1 to 6-18-16
Criteria that make a recipient eligible to receive a tax abatement	See attached City of Hobbs Ordinance # 940
How are the tax abatement recipient's taxes reduced? (For example: through a reduction of assessed value)	Tax-exempt property taxes (assessed values/tangible equip) through the life of the IRB
How is the amount of the tax abatement determined? For example, this could be a specific dollar amount, a percentage of the tax liability, etc.	Abatement is determined by applying current tax year property rates for the City of Hobbs against the assessed value as determined by the County Assessor
Are there provisions for recapturing abated taxes? (Yes or No)	No
If there are provisions for recapturing abated taxes, describe them, including the conditions under which abated taxes become eligible for recapture.	Not applicable
List each specific commitment made by the recipient of the abatement.	IRB project for RMS Foods, Inc. where industrial revenue bonds are issued and sold in order to provide funds for equipping, construction and expansion of RMS Foods, Inc.
Gross dollar amount, on an accrual basis, by which the government's tax revenues were reduced during the reporting period as a result of the tax abatement agreement.	\$1,010
For any Payments in Lieu of Taxes (PILOTs) or similar payments receivable by your agency or another agency in association with the foregone tax revenue, list the authority for and describe the payment, including the agency that is supposed to receive the payment	Not applicable
For any Payments in Lieu of Taxes (PILOTs) or similar payments <u>receivable by your agency</u> in association with the foregone tax revenue, list the amount of payments received in the current fiscal year	Not applicable
For any Payments in Lieu of Taxes (PILOTs) or similar payments <u>receivable by a different agency</u> in association with the foregone tax revenue, list the name of the agency and the amount of payments received in the current fiscal year	Not applicable
List each specific commitment made by your agency or any other government, other than the tax abatement.	RMS Food, Inc. will continuously operate the project property to the expiration of the term of the IRB's Once IRB's mature, property taxes will commence being assessed.
Are any other governments affected by this tax abatement agreement? (Yes or No) If yes, list each affected agency and complete an intergovernmental disclosure for each such agency.	No
If your agency is omitting any information required in this spreadsheet or by GASB 77, cite the legal basis for such omission.	Not applicable
In the report disclosure is this abatement aggregated?	No
Threshold amount for aggregation	Not applicable

**STATE OF NEW MEXICO  
CITY OF HOBBS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

Agency Number	6086
Agency Name	City of Hobbs
Agency Type	Municipal Government
Tax Abatement Agreement Name	Washington Place Apartments - \$6,500,000 NM Multifamily Housing Revenue Bonds
Recipient(s) of tax abatement	Washington Place Apartments - \$6,500,000
Parent company(ies) of recipient(s) of tax abatement	Washington Place Apartments
Tax abatement program (name and brief description)	Washington Place Apartments - rehabilitation, improvement and equipping a 76 unit multifamily housing project
Specific Tax(es) Being Abated	Property Tax on real property and personal property used in business
Legal authority under which tax abatement agreement was entered into	State of New Mexico Revenue Bond Act, Sections 3-31-1 through 3-31-12 NMSA 1978 and Municipal Housing Law Act, Section 3-45-1 through 3-45-25 NMSA 1978
Criteria that make a recipient eligible to receive a tax abatement	See attached City of Hobbs Ordinance # 1087
How are the tax abatement recipient's taxes reduced? (For example: through a reduction of assessed value)	Tax-exempt property taxes (assessed values/tangible equip) through the life of the revenue bonds
How is the amount of the tax abatement determined? For example, this could be a specific dollar amount, a percentage of the tax liability, etc.	Abatement is determined by applying current tax year property rates for the City of Hobbs against the assessed value as determined by the County Assessor
Are there provisions for recapturing abated taxes? (Yes or No)	No
If there are provisions for recapturing abated taxes, describe them, including the conditions under which abated taxes become eligible for recapture.	Not applicable
List each specific commitment made by the recipient of the abatement.	NM Multifamily Housing Revenue Bonds project for Washington Place Apartments where housing revenue bonds are issued and sold in order to provide funds for rehabilitating, improving and equipping a 76 unit housing project.
Gross dollar amount, on an accrual basis, by which the government's tax revenues were reduced during the reporting period as a result of the tax abatement agreement.	\$2,132
For any Payments in Lieu of Taxes (PILOTs) or similar payments receivable by your agency or another agency in association with the foregone tax revenue, list the authority for and describe the payment, including the agency that is supposed to receive the payment	City of Hobbs - based on current development agreement, City of Hobbs received payment in fiscal year 2015 for \$120,000
For any Payments in Lieu of Taxes (PILOTs) or similar payments <u>receivable by your agency</u> in association with the foregone tax revenue, list the amount of payments received in the current fiscal year	\$0
For any Payments in Lieu of Taxes (PILOTs) or similar payments <u>receivable by a different agency</u> in association with the foregone tax revenue, list the name of the agency and the amount of payments received in the current fiscal year	Not applicable
List each specific commitment made by your agency or any other government, other than the tax abatement.	Washington Place Apartments will continuously operate the project property to the expiration of the term of the Multifamily Housing Revenue Bonds. Once bonds mature, property taxes will commence being assessed.
Are any other governments affected by this tax abatement agreement? (Yes or No) If yes, list each affected agency and complete an intergovernmental disclosure for each such agency.	No
If your agency is omitting any information required in this spreadsheet or by GASB 77, cite the legal basis for such omission.	Not applicable
In the report disclosure is this abatement aggregated?	No
Threshold amount for aggregation	Not applicable

**STATE OF NEW MEXICO  
CITY OF HOBBS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

Agency Number	6086
Agency Name	City of Hobbs
Agency Type	Municipal Government
Tax Abatement Agreement Name	Four Seasons Apartments - \$8,400,000 NM Multifamily Housing Revenue Bonds
Recipient(s) of tax abatement	Four Seasons Apartments - \$8,400,000
Parent company(ies) of recipient(s) of tax abatement	Four Seasons Apartments
Tax abatement program (name and brief description)	Four Seasons Apartments - rehabilitation, improvement and equipping multifamily housing project
Specific Tax(es) Being Abated	Property Tax on real property and personal property used in business
Legal authority under which tax abatement agreement was entered into	State of New Mexico Revenue Bond Act, Sections 3-31-1 through 3-31-12 NMSA 1978 and Municipal Housing Law Act, Section 3-45-1 through 3-45-25 NMSA 1978
Criteria that make a recipient eligible to receive a tax abatement	See attached City of Hobbs Ordinance # 1124
How are the tax abatement recipient's taxes reduced? (For example: through a reduction of assessed value)	Tax-exempt property taxes (assessed values/tangible equip) through the life of the revenue bonds
How is the amount of the tax abatement determined? For example, this could be a specific dollar amount, a percentage of the tax liability, etc.	Abatement is determined by applying current tax year property rates for the City of Hobbs against the assessed value as determined by the County Assessor
Are there provisions for recapturing abated taxes? (Yes or No)	No
If there are provisions for recapturing abated taxes, describe them, including the conditions under which abated taxes become eligible for recapture.	Not applicable
List each specific commitment made by the recipient of the abatement.	NM Multifamily Housing Revenue Bonds project for Four Seasons Apartments where housing revenue bonds are issued and sold in order to provide funds for rehabilitating, improving and equipping multi-family housing project.
Gross dollar amount, on an accrual basis, by which the government's tax revenues were reduced during the reporting period as a result of the tax abatement agreement.	\$2,240
For any Payments in Lieu of Taxes (PILOTs) or similar payments receivable by your agency or another agency in association with the foregone tax revenue, list the authority for and describe the payment, including the agency that is supposed to receive the payment	City of Hobbs - based on current development agreement
For any Payments in Lieu of Taxes (PILOTs) or similar payments <u>receivable by your agency</u> in association with the foregone tax revenue, list the amount of payments received in the current fiscal year	\$200,000
For any Payments in Lieu of Taxes (PILOTs) or similar payments <u>receivable by a different agency</u> in association with the foregone tax revenue, list the name of the agency and the amount of payments received in the current fiscal year	Not applicable
List each specific commitment made by your agency or any other government, other than the tax abatement.	Four Seasons Apartments will continuously operate the project property to the expiration of the term of the Multifamily Housing Revenue Bonds. Once bonds mature, property taxes will commence being assessed.
Are any other governments affected by this tax abatement agreement? (Yes or No) If yes, list each affected agency and complete an intergovernmental disclosure for each such agency.	No
If your agency is omitting any information required in this spreadsheet or by GASB 77, cite the legal basis for such omission.	Not applicable
In the report disclosure is this abatement aggregated?	No
Threshold amount for aggregation	Not applicable

**STATE OF NEW MEXICO  
CITY OF HOBBS  
NOTES TO THE FINANCIAL STATEMENTS  
FOR THE YEAR ENDED JUNE 30, 2022**

**NOTE 21 – SUBSEQUENT EVENTS**

**Opioid Settlements**

Nationwide settlements have been reached to resolve all opioids litigation brought by states and local political subdivisions against the three largest pharmaceutical distributors and Johnson & Johnson (J&J). In October and November 2022, the City received a total of \$115,586 including distributor and J&J payments. The City is expected to receive annual payments from the distributors until the year 2039 however, the amount per year is expected to fluctuate.

These settlements will provide substantial funds to states and local governments for abatement of the opioids epidemic across the country and will impose transformative changes in the way the settling defendants conduct their business. Of the funds going directly to participating states and subdivisions, at least 85% must be used for abatement of the opioid epidemic, with the overwhelming bulk of the proceeds restricted to funding future abatement efforts by state and local governments.

**REQUIRED SUPPLEMENTARY INFORMATION**

**STATE OF NEW MEXICO  
CITY OF HOBBS  
SCHEDULE OF THE CITY'S PENSION CONTRIBUTIONS  
ALL CITY PERA PLANS  
LAST 10 FISCAL YEARS\***

	2022	2021	2020	2019	2018	2017	2016	2015
	Measurement Date as of							
	June 30, 2021	June 30, 2020	June 30, 2019	June 30, 2018	June 30, 2017	June 30, 2016	June 30, 2015	June 30, 2014
The City's proportion of the net pension liability (asset) (%)								
Municipal General	1.696866%	1.7136%	1.6551%	1.7869%	1.6110%	1.5920%	1.5029%	1.4202%
Municipal Police	2.486041%	2.3613%	2.2595%	2.6704%	2.8342%	2.8751%	2.6591%	2.4840%
Municipal Fire	2.924435%	2.9105%	2.9247%	3.1425%	3.0578%	3.0498%	3.1095%	3.5300%
	<u>2.209248%</u>	<u>2.1154%</u>	<u>2.0729%</u>	<u>2.2911%</u>	<u>2.2135%</u>	<u>2.2312%</u>	<u>2.1898%</u>	<u>2.0952%</u>
The City's proportionate share of the net pension liability (asset) (\$)								
Municipal General	\$ 19,118,033	34,652,887	28,651,427	28,489,800	22,136,502	25,434,803	15,323,368	11,079,084
Municipal Police	12,856,843	20,280,489	16,690,226	18,220,253	15,745,839	21,213,343	12,786,444	8,097,570
Municipal Fire	17,752,055	22,014,259	20,099,616	20,113,971	17,495,036	20,345,267	16,048,695	12,743,202
	<u>\$ 49,726,931</u>	<u>76,947,635</u>	<u>65,441,269</u>	<u>66,824,024</u>	<u>55,377,377</u>	<u>66,993,413</u>	<u>44,158,507</u>	<u>31,919,856</u>
The City's covered payroll								
Municipal General	\$ 16,032,908	16,119,694	15,063,613	16,113,508	19,042,398	14,588,272	17,875,958	11,528,643
Municipal Police	6,003,640	5,545,655	5,022,529	5,127,550	8,944,608	5,665,079	7,143,339	4,783,820
Municipal Fire	4,200,100	4,050,658	3,891,598	3,142,614	5,250,725	2,906,425	4,851,898	3,400,537
	<u>\$ 26,236,648</u>	<u>25,716,007</u>	<u>23,977,740</u>	<u>24,383,672</u>	<u>33,237,731</u>	<u>23,159,776</u>	<u>29,871,195</u>	<u>19,713,000</u>
The City's proportionate share of the net pension liability (asset) as a percentage of its covered payroll								
Municipal General	119.24%	214.97%	190.20%	176.81%	116.25%	129.64%	95.59%	96.10%
Municipal Police	214.15%	365.70%	332.31%	355.34%	352.66%	168.58%	168.58%	169.27%
Municipal Fire	422.66%	543.47%	516.49%	640.04%	572.29%	270.42%	330.77%	374.74%
Plan fiduciary net position as a percentage of the total pension liability								
Municipal General	77.25%	66.36%	70.52%	71.13%	73.74%	69.18%	76.99%	81.29%
Municipal Police	77.25%	66.36%	70.52%	71.13%	73.74%	69.18%	76.99%	81.29%
Municipal Fire	77.25%	66.36%	70.52%	71.13%	73.74%	69.18%	76.99%	81.29%

\* GASB 68 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the City is not available prior to fiscal year 2015, the year the statement's requirements became effective.

See independent auditor's report. The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO  
CITY OF HOBBS  
SCHEDULE OF THE CITY'S PENSION CONTRIBUTIONS  
ALL CITY PERA PLANS  
LAST 10 FISCAL YEARS\***

	2022	2021	2020	2019	2018	2017	2016	2015
Statutory required contribution								
Municipal General	\$ 1,630,098	1,571,225	1,579,730	1,438,575	1,538,840	1,818,549	1,393,180	1,707,154
Municipal Police	1,075,567	1,149,697	1,061,993	949,258	969,107	1,690,531	1,070,700	1,350,091
Municipal Fire	968,798	919,822	887,094	842,531	680,376	1,136,782	629,241	1,050,436
	<u>\$ 3,674,463</u>	<u>3,640,744</u>	<u>3,528,817</u>	<u>3,230,364</u>	<u>3,188,323</u>	<u>4,645,862</u>	<u>3,093,121</u>	<u>4,107,681</u>
Contributions in relation to the statutorily required contribution								
Municipal General	\$ 1,630,098	1,571,225	1,579,730	1,438,575	1,538,840	1,818,549	1,393,180	1,707,154
Municipal Police	1,075,567	1,149,697	1,061,993	949,258	969,107	1,690,531	1,070,700	1,350,091
Municipal Fire	968,798	919,822	887,094	842,531	680,376	1,136,782	629,241	1,050,436
	<u>\$ 3,674,463</u>	<u>3,640,744</u>	<u>3,528,817</u>	<u>3,230,364</u>	<u>3,188,323</u>	<u>4,645,862</u>	<u>3,093,121</u>	<u>4,107,681</u>
Annual contribution deficiency (excess)								
Municipal General	\$ -	-	-	-	-	-	-	-
Municipal Police	-	-	-	-	-	-	-	-
Municipal Fire	-	-	-	-	-	-	-	-
	<u>\$ -</u>	<u>-</u>						

\*GASB 68 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the City is not available prior to fiscal year 2015, the year the statement's requirements became effective.

NOTES TO REQUIRED SUPPLEMENTARY INFORMATION  
For The Year Ended June 30, 2022

*Changes of Benefit Terms:* The PERA and COLA and retirement eligibility benefits changes in recent years are described in Note 1 of PERA's ACFR. <https://www.nmpera.org/financial-overview/>.  
*Changes of Assumptions:* The Public Employees Retirement Association of New Mexico Annual Actuarial Valuations as of June 2021 report is available at <http://www.nmpera.org/>.

**STATE OF NEW MEXICO  
CITY OF HOBBS  
SCHEDULE OF THE CITY'S OPEB CONTRIBUTIONS  
LAST 10 FISCAL YEARS\***

	2022	2021	2020	2019	2018
	Measurement Date as of				
	July 01, 2021	July 01, 2020	July 01, 2019	July 01, 2018	July 01, 2017
Total OPEB liability					
Service cost	\$ 7,184,400	4,709,200	3,309,100	3,596,400	4,329,000
Interest	1,443,400	1,538,400	1,903,300	1,719,300	1,452,400
Changes of benefit terms	-	-	-	-	-
Differences between expected and actual experience	(19,133,200)	-	(10,976,200)	-	-
Changes of assumptions	(18,880,500)	13,106,100	(423,000)	(3,451,800)	(7,226,900)
Benefit payments	(1,114,800)	(1,114,800)	(1,001,000)	(1,088,600)	(1,074,700)
Contributions from employer	-	-	-	-	-
Contributions from employee	645,600	645,700	591,500	652,500	-
Net change in total OPEB liability	(29,855,100)	18,884,600	(6,596,300)	1,427,800	(2,520,200)
Total OPEB liability - beginning	58,362,000	39,477,400	46,073,700	44,645,900	47,166,100
Total OPEB liability - ending	<u>\$ 28,506,900</u>	<u>58,362,000</u>	<u>39,477,400</u>	<u>46,073,700</u>	<u>44,645,900</u>
Plan fiduciary net position					
Contributions - employer**	\$ 469,200	469,100	409,500	(436,100)	434,400
Contributions - member**	645,600	645,700	591,500	(652,500)	640,300
Net investment income	-	-	-	-	-
Benefit payments	(1,114,800)	(1,114,800)	(1,001,000)	1,088,600	(1,074,700)
Administrative expense	-	-	-	-	-
Net change in plan fiduciary net position	-	-	-	-	-
Plan fiduciary net position - beginning	-	-	-	-	-
Plan fiduciary net position - ending	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
City's net OPEB liability - ending	<u>\$ 28,506,900</u>	<u>58,362,000</u>	<u>39,477,400</u>	<u>46,073,700</u>	<u>44,645,900</u>
Plan fiduciary net position as a percentage of the total OPEB liability	0.00%	0.00%	0.00%	0.00%	0.00%
Covered-employee payroll*	25,649,000	25,063,000	24,564,400	24,725,700	24,015,100
City's net OPEB liability as a percentage of covered-employee payroll	111.14%	232.86%	160.71%	186.34%	185.91%

Notes to Schedule

*Benefit Changes:* None

*Differences Between Expected and Actual Experience:* The \$19,133,200 decrease in liability from June 30, 2021 to June 30, 2022 is due to changes in census data, claims and premiums data.

*Changes in Assumptions:* The \$13,106,100 increase in the liability from June 30, 2020 to June 30, 2021 is due to the decrease in the assumed discount rate as of the measurement date from 3.50% to 2.21%. The \$18,880,500 decrease in the liability from June 30, 2021 to June 30, 2022 is due to updates in medical coverage election and other demographic assumptions, which are slightly offset by the decrease in the assumed discount rate as of the measurement date from 2.21% to 2.16%.

GASB 75 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the City is not available prior to fiscal year 2018, the year the statement's requirements became effective.

**STATE OF NEW MEXICO  
CITY OF HOBBS  
SCHEDULE OF THE CITY'S OPEB CONTRIBUTIONS  
LAST 10 FISCAL YEARS\***

	2022	2021	2020	2019	2018
Actuarially determined contribution	\$ 1,105,000	1,114,800	1,114,800	1,001,000	1,088,600
contribution	<u>1,105,000</u>	<u>1,114,800</u>	<u>1,114,800</u>	<u>1,001,000</u>	<u>1,088,600</u>
Contribution deficiency (excess)	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Covered-employee payroll	\$ 25,649,000	25,063,000	24,564,400	24,725,700	24,015,100
payroll	4.31%	4.45%	4.54%	4.05%	4.53%

\*GASB 75 requires ten years of historical information be presented; however, until a full 10-year trend is compiled, the statement only requires presentation of information for those years that information is available. Complete information for the City is not available prior to fiscal year 2018, the year the statement's requirements became effective.

Notes to Schedule

Valuation Date: July 1, 2022

Methods and assumptions used to determine contribution rates:

Actuarial cost method	Entry Age Normal
Asset valuation method	N/A
Salary increases	3.00%
Investment rate of return	N/A

Mortality PUB-2010 "General" and "Safety" classification headcount-weighted mortality table with fully generational mortality improvement projections from the central year using Scale MP-2021

**SUPPLEMENTARY INFORMATION**

**STATE OF NEW MEXICO  
CITY OF HOBBS  
NON-MAJOR FUNDS  
FOR THE YEAR ENDED JUNE 30, 2022**

**NON-MAJOR SPECIAL REVENUE FUNDS**

Local Government Corrections (110) – 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 (120) – 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 (130) - 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.

SAFER Fund (140) – To account for house salary expenses and grant reimbursement on a 7 firefighter 2-year federal grant under the SAFER (Staffing for Adequate Fire and Emergency Response) program issued by the US Department of Homeland Security (DHS), the Federal Emergency Management Agency (FEMA), and Grants Programs Directorate (GPD) under the Fire Prevention and Control Act of 1974.

COPS Grant Fund (150) - 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.

Health and Wellness Learning Center Special Revenue Fund (160) - was authorized by City Resolution 6338 on August 25, 2015 to account for the revenues and expenditures associated with the design, construction, operation, and joint use of a health wellness and learning center (HWLC) with the New Mexico Junior College (NMJC), the Board of Education of Hobbs Municipal School District (District), and Lea County (County) pursuant to a memorandum of understanding entered into on September 4, 2015.

Older American Act (170) - 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

**STATE OF NEW MEXICO  
CITY OF HOBBS  
NON-MAJOR FUNDS  
FOR THE YEAR ENDED JUNE 30, 2022**

Grants (both State and Federal), user donations, and City funding designated specifically for senior citizen activities. The fund was authorized by City resolution.

Golf (180) – 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 have been designated a special revenue fund by City resolution, the revenues are restricted to golf course operations.

Cemetery (190) - 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 (200) – 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.

Legislative Appropriations Fund (210) – to account for the State of New Mexico legislative appropriations in accordance with State Audit Rule and Department of Finance and Administration guidelines.

Lodger's Tax Promotional (230) - To account for expenditures for advertising, publicizing and promoting certain recreational and tourist activities in the area. Financing is provided by a specific tax on taxable rent for lodging. The fund has been designated a special revenue fund by City ordinance.

Public Transportation (270) – 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 (280) - 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.

**STATE OF NEW MEXICO  
CITY OF HOBBS  
NON-MAJOR FUNDS  
FOR THE YEAR ENDED JUNE 30, 2022**

Emergency Medical Services (290) - 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 (370) - 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.

Recreation (760) (Expendable Trust Fund) - To account for contributions from private sources restricted to use by the City for recreation equipment. The fund was authorized by City resolution.

Library (770) (Expendable Trust Fund) - To account for contributions from private sources restricted to use by the library for materials and projects. The fund was authorized by City resolution.

Senior Citizen Fund (780)- To account for the collection and use of Senior Center Donations for directed projects as determined by the nature of the donation and its appropriate use/expense.

Cemetery (790) (Expendable Trust Fund) - 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 (800) (Expendable Trust Fund) - To account for contributions from private sources restricted to use by the City for parks improvements. The fund was authorized by City resolution.

Hobbs Beautiful Fund (830)- To account for expenses and grant revenue as related to the Hobbs Beautiful Grant funded by the NM Clean and Beautiful Grant Program.

City Agency Fund (860)- To account for revenue collected from vending machines at City Hall – the proceeds are used to fund employee retiree parties.

**STATE OF NEW MEXICO  
CITY OF HOBBS  
NON-MAJOR FUNDS  
FOR THE YEAR ENDED JUNE 30, 2022**

**NON-MAJOR CAPITAL PROJECTS FUNDS**

Capital Projects Fund (460) - 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 (480) – 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 (490) - 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  
COMBINING BALANCE SHEET  
NON-MAJOR GOVERNMENTAL FUNDS  
AS OF JUNE 30, 2022

	Special Revenue Funds	Capital Projects Funds	Total
	<u>          </u>	<u>          </u>	<u>          </u>
<i>Assets</i>			
Cash and cash equivalents	\$ 3,944,333	14,076,540	18,020,873
Receivables:			
GRT receivable	-	448,999	448,999
Other taxes	117,249	137,090	254,339
Due from other governments	273,355	-	273,355
Accounts receivables, net	3,603	-	3,603
Lease receivable	405,628	-	405,628
Inventory	104,877	-	104,877
<i>Total assets</i>	<u>\$ 4,849,045</u>	<u>14,662,629</u>	<u>19,511,674</u>
 <i>Liabilities, deferred inflows of resources, and fund balances</i>			
<i>Liabilities</i>			
Accounts payable	\$ 108,599	-	108,599
Accrued payroll expenses	76,540	-	76,540
<i>Total liabilities</i>	<u>185,139</u>	<u>-</u>	<u>185,139</u>
 <i>Deferred inflows of resources</i>			
Deferred inflows - property taxes	-	-	-
Deferred inflows - leases	399,326	-	399,326
<i>Total deferred inflows of resources</i>	<u>399,326</u>	<u>-</u>	<u>399,326</u>
 <i>Fund balances</i>			
Nonspendable	104,877	-	104,877
Restricted			
Public safety	2,192,708	-	2,192,708
Culture and recreation	30,430	-	30,430
Transportation and roads	766,317	-	766,317
Health and welfare	11,116	-	11,116
Economic development	1,274,891	-	1,274,891
Capital projects	-	14,662,629	14,662,629
Unassigned	(115,759)	-	(115,759)
<i>Total fund balances</i>	<u>4,264,580</u>	<u>14,662,629</u>	<u>18,927,209</u>
 <i>Total liabilities, deferred inflows of resources, and fund balances</i>	 <u>\$ 4,849,045</u>	 <u>14,662,629</u>	 <u>19,511,674</u>

See independent auditor's report. The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO  
CITY OF HOBBS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
NON-MAJOR GOVERNMENTAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2022

	Special Revenue Funds	Capital Projects Funds	Total
<i>Revenues:</i>			
Taxes:			
Gross receipts	\$ -	2,582,247	2,582,247
Gasoline and motor vehicle	-	844,297	844,297
Lodger's	1,191,097	-	1,191,097
Intergovernmental:			
State operating grants	256,549	-	256,549
State capital grants	3,029,419	236,893	3,266,312
Federal operating grants	895,406	-	895,406
Charges for services	3,019,242	-	3,019,242
Licenses and fees	158,342	-	158,342
Investment income (loss)	4,277	5,078	9,355
Miscellaneous	64,432	-	64,432
<i>Total revenues</i>	<u>8,618,764</u>	<u>3,668,515</u>	<u>12,287,279</u>
<i>Expenditures:</i>			
Current:			
General government	-	75,470	75,470
Public safety	287,751	-	287,751
Public works	1,225,905	-	1,225,905
Culture and recreation	7,432,901	-	7,432,901
Health and welfare	323,878	-	323,878
Economic development	415,283	-	415,283
Capital outlay	2,557,265	265,875	2,823,140
Debt service:			
Principal	-	-	-
Interest	-	-	-
<i>Total expenditures</i>	<u>12,242,983</u>	<u>341,345</u>	<u>12,584,328</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>(3,624,219)</u>	<u>3,327,170</u>	<u>(297,049)</u>
<i>Other financing sources (uses)</i>			
Transfers in	5,218,814	-	5,218,814
Transfers out	(889,778)	(2,385,687)	(3,275,465)
<i>Total other financing sources (uses)</i>	<u>4,329,036</u>	<u>(2,385,687)</u>	<u>1,943,349</u>
<i>Net change in fund balance</i>	704,817	941,483	1,646,300
<i>Fund balance, - beginning</i>	3,559,763	13,721,146	17,280,909
<i>Fund balance - ending</i>	<u>\$ 4,264,580</u>	<u>14,662,629</u>	<u>18,927,209</u>

See independent auditor's report. The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO  
CITY OF HOBBS  
COMBINING BALANCE SHEETS  
NON-MAJOR SPECIAL REVENUE FUNDS  
AS OF JUNE 30, 2022

	(110) Local Government Corrections Fund	(120) Police Protection Fund	(130) Police Narcotics Fund	(140) Safer Fund
<i>Assets</i>				
Cash and cash equivalents	\$ 1,074,296	15,820	1,919	-
Inventory	-	-	-	-
Receivables:				
Other taxes	-	-	-	-
Intergovernmental	-	-	-	-
Accounts receivables, net	-	-	-	-
Lease receivable	-	-	-	-
<i>Total assets</i>	<u>\$ 1,074,296</u>	<u>15,820</u>	<u>1,919</u>	<u>-</u>
<i>Liabilities, deferred inflows of resources, and fund balances</i>				
<i>Liabilities</i>				
Accounts payable	\$ -	-	-	-
Accrued payroll expenses	-	-	-	-
Due to other funds	-	-	-	-
<i>Total liabilities</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Deferred inflows of resources</i>				
Deferred inflows - property taxes	-	-	-	-
Deferred inflows - leases	-	-	-	-
<i>Total deferred inflows of resources</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances</i>				
Nonspendable	-	-	-	-
Restricted				
Public safety	1,074,296	15,820	1,919	-
Culture and recreation	-	-	-	-
Transportation and roads	-	-	-	-
Health and welfare	-	-	-	-
Economic development	-	-	-	-
Unassigned	-	-	-	-
<i>Total fund balances</i>	<u>1,074,296</u>	<u>15,820</u>	<u>1,919</u>	<u>-</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 1,074,296</u>	<u>15,820</u>	<u>1,919</u>	<u>-</u>

See independent auditor's report. The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO  
CITY OF HOBBS  
COMBINING BALANCE SHEETS  
NON-MAJOR SPECIAL REVENUE FUNDS  
AS OF JUNE 30, 2022

	(150) COPS Grant Fund	(160) Health and Wellness Learning Center Fund	(170) Older American Act Fund	(180) Golf Fund
<i>Assets</i>				
Cash and cash equivalents	\$ 26,251	2,211	1,000	401
Inventory	-	10,087	-	94,790
Receivables:				
Other taxes	-	-	-	-
Intergovernmental	8,882	-	12,803	-
Accounts receivables, net	-	-	-	3,603
Lease receivable	-	-	-	-
<i>Total assets</i>	<u>\$ 35,133</u>	<u>12,298</u>	<u>13,803</u>	<u>98,794</u>
<i>Liabilities, deferred inflows of resources, and fund balances</i>				
<i>Liabilities</i>				
Accounts payable	\$ -	32,508	2,005	28,204
Accrued payroll expenses	-	36,299	7,313	20,229
Due to other funds	-	-	-	-
<i>Total liabilities</i>	<u>-</u>	<u>68,807</u>	<u>9,318</u>	<u>48,433</u>
<i>Deferred inflows of resources</i>				
Deferred inflows - property taxes	-	-	-	-
Deferred inflows - leases	-	-	-	-
<i>Total deferred inflows of resources</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances</i>				
Nonspendable	-	10,087	-	94,790
Restricted				
Public safety	35,133	-	-	-
Culture and recreation	-	-	-	-
Transportation and roads	-	-	-	-
Health and welfare	-	-	4,485	-
Economic development	-	-	-	-
Unassigned	-	(66,596)	-	(44,429)
<i>Total fund balances</i>	<u>35,133</u>	<u>(56,509)</u>	<u>4,485</u>	<u>50,361</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 35,133</u>	<u>12,298</u>	<u>13,803</u>	<u>98,794</u>

See independent auditor's report. The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO  
CITY OF HOBBS  
COMBINING BALANCE SHEETS  
NON-MAJOR SPECIAL REVENUE FUNDS  
AS OF JUNE 30, 2022

	(190) Cemetery Fund	(200) Airport Fund	(210) Legislative Appropriations Fund	(230) Lodger's Tax Promotional Fund
<i>Assets</i>				
Cash and cash equivalents	\$ 1,000	477,532	1,000	1,086,936
Inventory	-	-	-	-
Receivables:				
Other taxes	-	-	-	117,249
Intergovernmental	-	-	90,381	-
Accounts receivables, net	-	-	-	-
Lease receivable	-	405,628	-	-
<i>Total assets</i>	<u>\$ 1,000</u>	<u>883,160</u>	<u>91,381</u>	<u>1,204,185</u>
<i>Liabilities, deferred inflows of resources, and fund balances</i>				
<i>Liabilities</i>				
Accounts payable	\$ 1,920	-	-	39,715
Accrued payroll expenses	3,814	-	-	-
Due to other funds	-	-	-	-
<i>Total liabilities</i>	<u>5,734</u>	<u>-</u>	<u>-</u>	<u>39,715</u>
<i>Deferred inflows of resources</i>				
Deferred inflows - property taxes	-	-	-	-
Deferred inflows - leases	-	399,326	-	-
<i>Total deferred inflows of resources</i>	<u>-</u>	<u>399,326</u>	<u>-</u>	<u>-</u>
<i>Fund balances</i>				
Nonspendable	-	-	-	-
Restricted				
Public safety	-	-	-	-
Culture and recreation	-	-	-	-
Transportation and roads	-	483,834	91,381	-
Health and welfare	-	-	-	-
Economic development	-	-	-	1,164,470
Unassigned	(4,734)	-	-	-
<i>Total fund balances</i>	<u>(4,734)</u>	<u>483,834</u>	<u>91,381</u>	<u>1,164,470</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 1,000</u>	<u>883,160</u>	<u>91,381</u>	<u>1,204,185</u>

See independent auditor's report. The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO  
CITY OF HOBBS  
COMBINING BALANCE SHEETS  
NON-MAJOR SPECIAL REVENUE FUNDS  
AS OF JUNE 30, 2022

	(270) Public Transportation Fund	(280) Fire Protection Fund	(290) Emergency Medical Services Fund	(370) Community Development Fund
<i>Assets</i>				
Cash and cash equivalents	\$ 46,433	1,069,787	792	110,421
Inventory	-	-	-	-
Receivables:				
Other taxes	-	-	-	-
Intergovernmental	153,554	-	-	-
Accounts receivables, net	-	-	-	-
Lease receivable	-	-	-	-
<i>Total assets</i>	<u>\$ 199,987</u>	<u>1,069,787</u>	<u>792</u>	<u>110,421</u>
<i>Liabilities, deferred inflows of resources, and fund balances</i>				
<i>Liabilities</i>				
Accounts payable	\$ -	4,247	-	-
Accrued payroll expenses	8,885	-	-	-
Due to other funds	-	-	-	-
<i>Total liabilities</i>	<u>8,885</u>	<u>4,247</u>	<u>-</u>	<u>-</u>
<i>Deferred inflows of resources</i>				
Deferred inflows - property taxes	-	-	-	-
Deferred inflows - leases	-	-	-	-
<i>Total deferred inflows of resources</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances</i>				
Nonspendable	-	-	-	-
Restricted				
Public safety	-	1,065,540	-	-
Culture and recreation	-	-	-	-
Transportation and roads	191,102	-	-	-
Health and welfare	-	-	792	-
Economic development	-	-	-	110,421
Unassigned	-	-	-	-
<i>Total fund balances</i>	<u>191,102</u>	<u>1,065,540</u>	<u>792</u>	<u>110,421</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 199,987</u>	<u>1,069,787</u>	<u>792</u>	<u>110,421</u>

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STATE OF NEW MEXICO  
CITY OF HOBBS  
COMBINING BALANCE SHEETS  
NON-MAJOR SPECIAL REVENUE FUNDS  
AS OF JUNE 30, 2022

	(760) Recreational Expendable Trust Fund	(770) Library Expendable Trust Fund	(780) Senior Citizen Fund	(790) Cemetery Expendable Trust Fund
<i>Assets</i>				
Cash and cash equivalents	\$ -	6,220	4,700	5,839
Inventory	-	-	-	-
Receivables:				
Other taxes	-	-	-	-
Intergovernmental	-	-	-	-
Accounts receivables, net	-	-	-	-
Lease receivable	-	-	-	-
<i>Total assets</i>	<u>\$ -</u>	<u>6,220</u>	<u>4,700</u>	<u>5,839</u>
<i>Liabilities, deferred inflows of resources, and fund balances</i>				
<i>Liabilities</i>				
Accounts payable	\$ -	-	-	-
Accrued payroll expenses	-	-	-	-
Due to other funds	-	-	-	-
<i>Total liabilities</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Deferred inflows of resources</i>				
Deferred inflows - property taxes	-	-	-	-
Deferred inflows - leases	-	-	-	-
<i>Total deferred inflows of resources</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances</i>				
Nonspendable	-	-	-	-
Restricted				
Public safety	-	-	-	-
Culture and recreation	-	6,220	4,700	-
Transportation and roads	-	-	-	-
Health and welfare	-	-	-	5,839
Economic development	-	-	-	-
Unassigned	-	-	-	-
<i>Total fund balances</i>	<u>-</u>	<u>6,220</u>	<u>4,700</u>	<u>5,839</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ -</u>	<u>6,220</u>	<u>4,700</u>	<u>5,839</u>

See independent auditor's report. The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO  
CITY OF HOBBS  
COMBINING BALANCE SHEETS  
NON-MAJOR SPECIAL REVENUE FUNDS  
AS OF JUNE 30, 2022

	(800) Community Parks Expendable Trust Fund	(830) Hobbs Beautiful Fund	(860) City Agency Fund	Total Special Revenue Funds
<i>Assets</i>				
Cash and cash equivalents	\$ 1,562	8,043	2,170	3,944,333
Inventory	-	-	-	104,877
Receivables:				
Other taxes	-	-	-	117,249
Intergovernmental	-	7,735	-	273,355
Accounts receivables, net	-	-	-	3,603
Lease receivable	-	-	-	405,628
<i>Total assets</i>	<u>\$ 1,562</u>	<u>15,778</u>	<u>2,170</u>	<u>4,849,045</u>
<i>Liabilities, deferred inflows of resources, and fund balances</i>				
<i>Liabilities</i>				
Accounts payable	\$ -	-	-	108,599
Accrued payroll expenses	-	-	-	76,540
Due to other funds	-	-	-	-
<i>Total liabilities</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>185,139</u>
<i>Deferred inflows of resources</i>				
Deferred inflows - property taxes	-	-	-	-
Deferred inflows - leases	-	-	-	399,326
<i>Total deferred inflows of resources</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>399,326</u>
<i>Fund balances</i>				
Nonspendable	-	-	-	104,877
Restricted				
Public safety	-	-	-	2,192,708
Culture and recreation	1,562	15,778	2,170	30,430
Transportation and roads	-	-	-	766,317
Health and welfare	-	-	-	11,116
Economic development	-	-	-	1,274,891
Unassigned	-	-	-	(115,759)
<i>Total fund balances</i>	<u>1,562</u>	<u>15,778</u>	<u>2,170</u>	<u>4,264,580</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 1,562</u>	<u>15,778</u>	<u>2,170</u>	<u>4,849,045</u>

See independent auditor's report. The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO  
CITY OF HOBBS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
NON-MAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2022

	(110) Local Government Corrections Fund	(120) Police Protection Fund	(130) Police Narcotics Fund	(140) Safer Fund
<i>Revenues:</i>				
Taxes:				
Lodger's	\$ -	-	-	-
Intergovernmental:				
State operating grants	-	79,200	-	-
State capital grants	-	-	-	-
Federal operating grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	144,182	-	-	-
Investment income (loss)	1,198	-	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>145,380</u>	<u>79,200</u>	<u>-</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	80,632	102,454	-	-
Public works	-	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>80,632</u>	<u>102,454</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>64,748</u>	<u>(23,254)</u>	<u>-</u>	<u>-</u>
<i>Other financing sources (uses)</i>				
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>	64,748	(23,254)	-	-
<i>Fund balance, - beginning</i>	1,009,548	39,074	1,919	-
<i>Fund balance - ending</i>	<u>\$ 1,074,296</u>	<u>15,820</u>	<u>1,919</u>	<u>-</u>

See independent auditor's report. The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO  
CITY OF HOBBS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
NON-MAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2022

	(150) COPS Grant Fund	(160) Health and Wellness Learning Center Fund	(170) Older American Act Fund	(180) Golf Fund
<i>Revenues:</i>				
Taxes:				
Lodger's	\$ -	-	-	-
Intergovernmental:				
State operating grants	-	-	105,427	-
State capital grants	-	431,200	-	-
Federal operating grants	27,459	-	73,567	-
Charges for services	-	1,510,763	-	1,096,726
Licenses and fees	-	-	-	-
Investment income (loss)	-	-	-	-
Miscellaneous	-	19,206	38,576	980
<i>Total revenues</i>	<u>27,459</u>	<u>1,961,169</u>	<u>217,570</u>	<u>1,097,706</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	104,665	-	-	-
Public works	-	-	-	-
Culture and recreation	-	3,729,957	865,349	2,816,826
Health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	-	47,687	103,915	122,239
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>104,665</u>	<u>3,777,644</u>	<u>969,264</u>	<u>2,939,065</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>(77,206)</u>	<u>(1,816,475)</u>	<u>(751,694)</u>	<u>(1,841,359)</u>
<i>Other financing sources (uses)</i>				
Transfers in	-	2,160,138	771,421	1,879,677
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>2,160,138</u>	<u>771,421</u>	<u>1,879,677</u>
<i>Net change in fund balance</i>	(77,206)	343,663	19,727	38,318
<i>Fund balance, - beginning</i>	112,339	(400,172)	(15,242)	12,043
<i>Fund balance - ending</i>	<u>\$ 35,133</u>	<u>(56,509)</u>	<u>4,485</u>	<u>50,361</u>

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STATE OF NEW MEXICO  
CITY OF HOBBS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
NON-MAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2022

	(190) Cemetery Fund	(200) Airport Fund	(210) Legislative Appropriations Fund	(230) Lodger's Tax Promotional Fund
<i>Revenues:</i>				
Taxes:				
Lodger's	-	-	-	1,191,097
Intergovernmental:				
State operating grants	-	-	-	-
State capital grants	-	-	2,036,214	-
Federal operating grants	-	-	-	-
Charges for services	233,532	178,221	-	-
Licenses and fees	14,160	-	-	-
Investment income (loss)	-	485	-	1,338
Miscellaneous	-	2,156	-	-
<i>Total revenues</i>	<u>247,692</u>	<u>180,862</u>	<u>2,036,214</u>	<u>1,192,435</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	470,953	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Economic development	-	2,864	-	412,419
Capital outlay	115,462	-	1,962,607	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>586,415</u>	<u>2,864</u>	<u>1,962,607</u>	<u>412,419</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>(338,723)</u>	<u>177,998</u>	<u>73,607</u>	<u>780,016</u>
<i>Other financing sources (uses)</i>				
Transfers in	346,801	-	17,774	-
Transfers out	-	-	-	(889,778)
<i>Total other financing sources (uses)</i>	<u>346,801</u>	<u>-</u>	<u>17,774</u>	<u>(889,778)</u>
<i>Net change in fund balance</i>	8,078	177,998	91,381	(109,762)
<i>Fund balance, - beginning</i>	(12,812)	305,836	-	1,274,232
<i>Fund balance - ending</i>	<u>\$ (4,734)</u>	<u>483,834</u>	<u>91,381</u>	<u>1,164,470</u>

See independent auditor's report. The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO  
CITY OF HOBBS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
NON-MAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2022

	(270) Public Transportation Fund	(280) Fire Protection Fund	(290) Emergency Medical Services Fund	(370) Community Development Fund
<i>Revenues:</i>				
Taxes:				
Lodger's	\$ -	-	-	-
Intergovernmental:				
State operating grants	-	25,000	31,225	-
State capital grants	-	562,005	-	-
Federal operating grants	794,380	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income (loss)	-	1,234	-	-
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>794,380</u>	<u>588,239</u>	<u>31,225</u>	<u>-</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	754,378	-	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	304,087	19,791	-
Economic development	-	-	-	-
Capital outlay	-	118,358	11,225	75,772
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>754,378</u>	<u>422,445</u>	<u>31,016</u>	<u>75,772</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>40,002</u>	<u>165,794</u>	<u>209</u>	<u>(75,772)</u>
<i>Other financing sources (uses)</i>				
Transfers in	43,003	-	-	-
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>43,003</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net change in fund balance</i>	83,005	165,794	209	(75,772)
<i>Fund balance, - beginning</i>	<u>108,097</u>	<u>899,746</u>	<u>583</u>	<u>186,193</u>
<i>Fund balance - ending</i>	<u>\$ 191,102</u>	<u>1,065,540</u>	<u>792</u>	<u>110,421</u>

See independent auditor's report. The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO  
CITY OF HOBBS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
NON-MAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2022

	(760) Recreational Expendable Trust Fund	(770) Library Expendable Trust Fund	(780) Senior Citizen Fund	(790) Cemetery Expendable Trust Fund
<i>Revenues:</i>				
Taxes:				
Lodger's	\$ -	-	-	-
Intergovernmental:				
State operating grants	-	-	-	-
State capital grants	-	-	-	-
Federal operating grants	-	-	-	-
Charges for services	-	-	-	-
Licenses and fees	-	-	-	-
Investment income (loss)	-	-	-	6
Miscellaneous	-	810	1,380	-
<i>Total revenues</i>	<u>-</u>	<u>810</u>	<u>1,380</u>	<u>6</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	-
Public works	-	574	-	-
Culture and recreation	-	-	-	-
Health and welfare	-	-	-	-
Economic development	-	-	-	-
Capital outlay	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>574</u>	<u>-</u>	<u>-</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>-</u>	<u>236</u>	<u>1,380</u>	<u>6</u>
<i>Other financing sources (uses)</i>				
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>	-	236	1,380	6
<i>Fund balance, - beginning</i>	-	5,984	3,320	5,833
<i>Fund balance - ending</i>	<u>\$ -</u>	<u>6,220</u>	<u>4,700</u>	<u>5,839</u>

See independent auditor's report. The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO  
CITY OF HOBBS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
NON-MAJOR SPECIAL REVENUE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2022

	(800) Community Parks Expendable Trust Fund	(830) Hobbs Beautiful Fund	(860) City Agency Fund	Total Special Revenue Funds
<i>Revenues:</i>				
Taxes:				
Lodger's	-	-	-	1,191,097
Intergovernmental:				
State operating grants	-	15,697	-	256,549
State capital grants	-	-	-	3,029,419
Federal operating grants	-	-	-	895,406
Charges for services	-	-	-	3,019,242
Licenses and fees	-	-	-	158,342
Investment income (loss)	2	14	-	4,277
Miscellaneous	-	-	1,324	64,432
<i>Total revenues</i>	<u>2</u>	<u>15,711</u>	<u>1,324</u>	<u>8,618,764</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Public safety	-	-	-	287,751
Public works	-	-	-	1,225,905
Culture and recreation	-	19,493	1,276	7,432,901
Health and welfare	-	-	-	323,878
Economic development	-	-	-	415,283
Capital outlay	-	-	-	2,557,265
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>19,493</u>	<u>1,276</u>	<u>12,242,983</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>2</u>	<u>(3,782)</u>	<u>48</u>	<u>(3,624,219)</u>
<i>Other financing sources (uses)</i>				
Transfers in	-	-	-	5,218,814
Transfers out	-	-	-	(889,778)
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>4,329,036</u>
<i>Net change in fund balance</i>	2	(3,782)	48	704,817
<i>Fund balance, - beginning</i>	1,560	19,560	2,122	3,559,763
<i>Fund balance - ending</i>	<u>\$ 1,562</u>	<u>15,778</u>	<u>2,170</u>	<u>4,264,580</u>

See independent auditor's report. The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO  
CITY OF HOBBS  
COMBINING BALANCE SHEETS  
NON-MAJOR CAPITAL PROJECTS FUNDS  
AS OF JUNE 30, 2022

	(460) Capital Projects Fund	(480) Street Improvements Fund	(490) City Commission Improvement Fund	Total Capital Projects Funds
<i>Assets</i>				
Cash and cash equivalents	\$ 1,538,850	4,817,037	7,720,653	14,076,540
Receivables:				
GRT receivable	-	-	448,999	448,999
Other taxes	-	137,090	-	137,090
Due from other funds	-	-	-	-
<i>Total assets</i>	<u>\$ 1,538,850</u>	<u>4,954,127</u>	<u>8,169,652</u>	<u>14,662,629</u>
<i>Liabilities, deferred inflows of resources, and fund balances</i>				
<i>Liabilities</i>				
Accounts payable	\$ -	-	-	-
<i>Total liabilities</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Deferred inflows of resources</i>				
Deferred inflows - property taxes	-	-	-	-
Deferred inflows - leases	-	-	-	-
<i>Total deferred inflows of resources</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances</i>				
Nonspendable	-	-	-	-
Restricted				
Capital projects	1,538,850	4,954,127	8,169,652	14,662,629
<i>Total fund balances</i>	<u>1,538,850</u>	<u>4,954,127</u>	<u>8,169,652</u>	<u>14,662,629</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 1,538,850</u>	<u>4,954,127</u>	<u>8,169,652</u>	<u>14,662,629</u>

See independent auditor's report. The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO  
CITY OF HOBBS  
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES  
NON-MAJOR CAPITAL PROJECTS FUNDS  
FOR THE YEAR ENDED JUNE 30, 2022

	(460) Capital Projects Fund	(480) Street Improvements Fund	(490) City Commission Improvement Fund	Total Capital Projects Funds
<i>Revenues:</i>				
Taxes:				
Gross receipts	-	-	2,582,247	2,582,247
Gasoline and motor vehicle	-	844,297	-	844,297
Investment income (loss)	-	5,078	-	5,078
<i>Total revenues</i>	<u>-</u>	<u>1,086,268</u>	<u>2,582,247</u>	<u>3,668,515</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	75,470	75,470
Capital outlay	-	265,875	-	265,875
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>-</u>	<u>265,875</u>	<u>75,470</u>	<u>341,345</u>
<i>Excess (deficiency) of revenues over (under) expenditures</i>	<u>-</u>	<u>820,393</u>	<u>2,506,777</u>	<u>3,327,170</u>
<i>Other financing sources (uses)</i>				
Transfers in	-	-	-	-
Transfers out	-	-	(2,385,687)	(2,385,687)
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>(2,385,687)</u>	<u>(2,385,687)</u>
<i>Net change in fund balance</i>	-	820,393	121,090	941,483
<i>Fund balance, - beginning</i>	<u>1,538,850</u>	<u>4,133,734</u>	<u>8,048,562</u>	<u>13,721,146</u>
<i>Fund balance - ending</i>	<u>\$ 1,538,850</u>	<u>4,954,127</u>	<u>8,169,652</u>	<u>14,662,629</u>

See independent auditor's report. The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO  
CITY OF HOBBS  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2022**

**INTERNAL SERVICE FUNDS**

Medical Insurance Fund (640) - 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.

Risk Insurance Fund (740) – To account for the cost of providing property, general liability, claims insurance, and worker's compensation coverage and liability claims against the City. Such costs are billed to the other departments at actual cost.

STATE OF NEW MEXICO  
CITY OF HOBBS  
COMBINING STATEMENT OF NET ASSETS  
INTERNAL SERVICE FUNDS  
AS OF JUNE 30, 2022

	(640) Medical Insurance Fund	(740) Risk Insurance Fund	Total Internal Service Funds
<i>Assets</i>			
<i>Current Assets</i>			
Cash and cash equivalents	\$ 13,277,438	5,284,207	18,561,645
Prepaid expenses	-	212,213	212,213
<i>Total current assets</i>	<u>13,277,438</u>	<u>5,496,420</u>	<u>18,773,858</u>
<i>Noncurrent Assets</i>			
Capital assets, net	-	-	-
<i>Total noncurrent assets</i>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total assets</i>	<u>13,277,438</u>	<u>5,496,420</u>	<u>18,773,858</u>
<i>Deferred Outflows of Resources</i>			
Pension deferral	-	-	-
OPEB deferral	-	-	-
<i>Total deferred outflows</i>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total assets and deferred outflows of resources</i>	<u>\$ 13,277,438</u>	<u>5,496,420</u>	<u>18,773,858</u>
<i>Liabilities, deferred inflows of resources, and net position</i>			
<i>Liabilities</i>			
<i>Current liabilities</i>			
Accounts payable	\$ 33,898	65,838	99,736
Other accrued expenses	880,390	-	880,390
<i>Total current liabilities</i>	<u>914,288</u>	<u>65,838</u>	<u>980,126</u>
<i>Noncurrent liabilities</i>			
Net pension liability	-	-	-
Net OPEB liability	-	-	-
<i>Total noncurrent liabilities</i>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Total liabilities</i>	<u>914,288</u>	<u>65,838</u>	<u>980,126</u>
<i>Deferred inflows of resources</i>			
Pension deferral	-	-	-
OPEB deferral	-	-	-
<i>Total deferred inflows of resources</i>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Net position</i>			
Net investment in capital assets	-	-	-
Restricted	-	-	-
Unrestricted	12,363,150	5,430,582	17,793,732
<i>Total net position</i>	<u>12,363,150</u>	<u>5,430,582</u>	<u>17,793,732</u>
<i>Total liabilities, deferred inflows of resources, and net position</i>	<u>\$ 13,277,438</u>	<u>5,496,420</u>	<u>18,773,858</u>

See independent auditor's report. The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO  
CITY OF HOBBS  
COMBINING STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN NET ASSETS  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2022

	(640) Medical Insurance Fund	(740) Risk Insurance Fund	Total Internal Service Funds
<i>Operating revenues:</i>			
Charges for services	\$ 9,035,517	1,831,658	10,867,175
State operating grants	-	-	-
<i>Total operating revenues</i>	<u>9,035,517</u>	<u>1,831,658</u>	<u>10,867,175</u>
<i>Operating expenses:</i>			
Personnel services	-	-	-
Contractual services	10,896,117	1,826,065	12,722,182
Depreciation and amortization	-	-	-
<i>Total operating expenses</i>	<u>10,896,117</u>	<u>1,826,065</u>	<u>12,722,182</u>
<i>Operating income (loss)</i>	<u>(1,860,600)</u>	<u>5,593</u>	<u>(1,855,007)</u>
<i>Non-operating revenues (expenses):</i>			
Investment income	1,253	-	1,253
<i>Total non-operating revenues (expenses)</i>	<u>1,253</u>	<u>-</u>	<u>1,253</u>
Transfers	-	2,388,633	2,388,633
<i>Net capital grants and transfers</i>	<u>-</u>	<u>2,388,633</u>	<u>2,388,633</u>
<i>Change in net position</i>	(1,859,347)	2,394,226	534,879
<i>Net position, beginning of year</i>	14,222,497	3,036,356	17,258,853
<i>Net position, end of year</i>	<u>\$ 12,363,150</u>	<u>5,430,582</u>	<u>17,793,732</u>

See independent auditor's report. The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO  
CITY OF HOBBS  
COMBINING STATEMENT OF CASH FLOWS  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2022

	(640) Medical Insurance Fund	(740) Risk Insurance Fund	Total Internal Service Funds
Cash flows from operating activities			
Receipts from customers and users	\$ 9,125,898	1,831,658	10,957,556
Payments to suppliers	(10,664,792)	(1,832,542)	(12,497,334)
<i>Net cash provided (used) by operating activities</i>	<u>(1,538,894)</u>	<u>(884)</u>	<u>(1,539,778)</u>
Cash flows from non-capital financing activities			
Transfers to other funds	-	2,388,633	2,388,633
<i>Net cash provided (used) by noncapital financing activities</i>	<u>-</u>	<u>2,388,633</u>	<u>2,388,633</u>
Cash flows from capital and related financing activities			
None			
<i>Net cash provided (used) by capital and related financing activities</i>	<u>-</u>	<u>-</u>	<u>-</u>
Cash flows from investing activities			
Investment income	1,253	-	1,253
<i>Net cash provided (used) by investing activities</i>	<u>1,253</u>	<u>-</u>	<u>1,253</u>
Net increase (decrease) in cash and cash equivalents	(1,537,641)	2,387,749	850,108
Balances - beginning of year	14,815,079	2,896,458	17,711,537
Balances - end of year	<u>\$ 13,277,438</u>	<u>5,284,207</u>	<u>18,561,645</u>
Reconciliation of cash and cash equivalents			
Unrestricted			
Cash and cash equivalents	\$ 13,277,438	5,284,207	18,561,645
Total cash	<u>\$ 13,277,438</u>	<u>5,284,207</u>	<u>18,561,645</u>
Reconciliation of operating income (loss) to net cash provided (used) by operating activities:			
Operating income (loss)	\$ (1,860,600)	5,593	(1,855,007)
(Increase) decrease in:			
Accounts receivable	90,381	-	90,381
Prepays	-	(49,912)	(49,912)
(Decrease) increase in:			
Accounts payable	8,684	43,435	52,119
Other liabilities	222,641	-	222,641
<i>Net cash provided (used) by operating activities</i>	<u>\$ (1,538,894)</u>	<u>(884)</u>	<u>(1,539,778)</u>

See independent auditor's report. The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO  
CITY OF HOBBS  
CUSTODIAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2022**

**CUSTODIAL FUNDS**

Motor Vehicle Fund (700) - To account for collections and payments of motor vehicle fees from and on behalf of the public.

Municipal Judge Fund (710) - To account for collections and payments of court fines, criminal bonds and other fees from and on behalf of the public.

Crime Lab Fund (730) - To account for collections and payments of crime lab fees from and on behalf of the public.

Foreclosure Trust Fund (750) - To account for collections and payments of foreclosure fees from and on behalf of the public.

Evidence Fund (820) - To account for collections and payments of confiscated evidence from and on behalf of the public.

STATE OF NEW MEXICO  
CITY OF HOBBS  
COMBINING STATEMENT OF FIDUCIARY NET POSITION  
CUSTODIAL FUNDS  
AS OF JUNE 30, 2022

	(700) Motor Vehicle Fund	(710) Municipal Judge Fund	(730) Crime Lab Fund
Assets			
Cash	\$ 29,229	105,582	75,261
Total assets	<u>29,229</u>	<u>105,582</u>	<u>75,261</u>
Liabilities			
Accounts payable	-	-	5,778
Bonds held for others	-	106,028	-
Other liabilities	-	-	-
Total liabilities	<u>-</u>	<u>106,028</u>	<u>5,778</u>
Net position			
Restricted for:			
Individuals, other governments	29,229	(446)	69,483
Total net position	<u>\$ 29,229</u>	<u>(446)</u>	<u>69,483</u>

See independent auditor's report. The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO  
CITY OF HOBBS  
COMBINING STATEMENT OF FIDUCIARY NET POSITION  
CUSTODIAL FUNDS  
AS OF JUNE 30, 2022

	(750) Foreclosure Trust Fund	(820) Evidence Fund	Total
Assets			
Cash	\$ 72	210,724	420,868
Total assets	<u>72</u>	<u>210,724</u>	<u>420,868</u>
Liabilities			
Accounts payable	-	-	5,778
Bonds held for others	-	-	106,028
Other liabilities	72	-	72
Total liabilities	<u>72</u>	<u>-</u>	<u>111,878</u>
Net position			
Restricted for:			
Individuals, other governments	-	210,724	308,990
Total net position	<u>\$ -</u>	<u>210,724</u>	<u>308,990</u>

See independent auditor's report. The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO  
CITY OF HOBBS  
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
CUSTODIAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2022

	(700) Motor Vehicle Fund	(710) Municipal Judge Fund	(730) Crime Lab Fund
<b>Additions</b>			
Licenses	\$ 4,778,572	-	-
Fees	-	-	51,308
Evidence activity	-	-	-
Total additions	<u>4,778,572</u>	<u>-</u>	<u>51,308</u>
<b>Deductions</b>			
License payments	4,785,547	-	-
Fee payments	-	-	52,518
Evidence activity	-	-	-
Total deductions	<u>4,785,547</u>	<u>-</u>	<u>52,518</u>
Net increase (decrease) in fiduciary net position	(6,975)	-	(1,210)
Net position, beginning	<u>36,204</u>	<u>(446)</u>	<u>70,693</u>
Net position, ending	<u>\$ 29,229</u>	<u>(446)</u>	<u>69,483</u>

See independent auditor's report. The accompanying notes are an integral part of these financial statements.

STATE OF NEW MEXICO  
CITY OF HOBBS  
COMBINING STATEMENT OF CHANGES IN FIDUCIARY NET POSITION  
CUSTODIAL FUNDS  
FOR THE YEAR ENDED JUNE 30, 2022

	(750) Foreclosure Trust Fund	(820) Evidence Fund	Total
Additions			
Licenses	\$ -	-	4,778,572
Fees	-	-	51,308
Evidence activity	-	-	-
Total additions	<u>-</u>	<u>-</u>	<u>4,829,880</u>
Deductions			
License payments	-	-	4,785,547
Fee payments	-	-	52,518
Evidence activity	-	51,904	51,904
Total deductions	<u>-</u>	<u>51,904</u>	<u>4,889,969</u>
Net increase (decrease) in fiduciary net position	-	(51,904)	(60,089)
Net position, beginning	<u>-</u>	<u>262,628</u>	<u>369,079</u>
Net position, ending	<u>\$ -</u>	<u>210,724</u>	<u>308,990</u>

See independent auditor's report. The accompanying notes are an integral part of these financial statements.

**OTHER SUPPLEMENTARY INFORMATION**

**STATE OF NEW MEXICO  
CITY OF HOBBS  
SCHEDULE OF CASH, INVESTMENTS, AND PLEDGED COLLATERAL  
BY BANK AND ACCOUNT  
AS OF JUNE 30, 2022**

Account Name	Account Type	Lea County State Bank	US Bank	New Mexico Finance Authority	NM Local Government Investment Pool	Petty cash	Reconciling Items	Book Balance
Cash, cash equivalents, and investments								
City of Hobbs - Motor Vehicle Department	Checking	\$ 51,839	-	-	-	-	(29,523)	22,316
City of Hobbs - Investment for Line of Credit	CD	* 612,000	-	-	-	-	-	612,000
City of Hobbs Savings	Repurchase	* 4,907,847	-	-	-	-	(1,416,959)	3,490,888
Inmate Trust Account	Checking	28,665	-	-	-	-	-	28,665
HPD - Contingency	Checking	4,511	-	-	-	-	-	4,511
HPD - Evidence Trust	Checking	* 210,724	-	-	-	-	-	210,724
HPD - Crime Prevention	Checking	* 6,417	-	-	-	-	-	6,417
City of Hobbs - Taxable Bonds	Investment	-	58,294,179	-	-	-	-	58,294,179
City of Hobbs - Treasury Bills	Investment	-	41,332	-	-	-	-	41,332
Local Government Investment Pool	Investment	-	-	-	78,221,383	-	-	78,221,383
NMFA-Phase II Effluent Refuse Project-Hobbs 5	Trust	-	-	726,240	-	-	-	726,240
Petty cash	Petty Cash	-	-	-	-	16,199	-	16,199
Subtotal cash and investments		<u>5,822,003</u>	<u>58,335,511</u>	<u>726,240</u>	<u>78,221,383</u>	<u>16,199</u>	<u>(1,446,482)</u>	<u>141,674,854</u>
Total amount of deposit in bank		5,822,003	58,335,511	726,240	78,221,383	16,199		
FDIC coverage		(250,000)	(58,335,511)	(726,240)	(78,221,383)	(16,199)		
Total uninsured public funds		5,572,003	-	-	-	-		
50% Collateral Requirement (Section 6-10-17 NMSA 1978)		332,078	-	-	-	-		
102% Collateral Requirement (Section 6-10-10(H) NMSA 1978)		5,006,004	-	-	-	-		
		<u>5,338,082</u>	-	-	-	-		
Pledged security at:								
1st Security Bank, Salt Lake City, UT Hobbs, NM SD#16 3.5% - 433866FZ8 09/15/22		216,017	-	-	-	-		
1st Security Bank, Salt Lake City, UT UNM 3.0% - 914696DW6 08/01/28		230,715	-	-	-	-		
1st Security Bank, Salt Lake City, UT NMMI Roswell 4% - 647183BN1 06/01/24		505,237	-	-	-	-		
1st Security Bank, Salt Lake City, UT Loving, NM SD 4.25% - 547413CX0 7/15/23		307,422	-	-	-	-		
1st Security Bank, Salt Lake City, UT US Treasury 1.500% - 91282CDL2 11/30/28		4,483,205	-	-	-	-		
1st Security Bank, Salt Lake City, UT US Treasury 1.375% - 91282CDP3 12/31/28		4,449,415	-	-	-	-		
Total collateral		<u>10,192,011</u>	-	-	-	-		
Amount over/(under) collateralized		<u>\$ 4,853,929</u>	-	-	-	-		
Amount over/(under) collateralized & insured		<u>\$ 5,103,929</u>	-	-	-	-		
Total book balance		<u>\$ 4,375,521</u>	<u>58,335,511</u>	<u>726,240</u>	<u>78,221,383</u>	<u>16,199</u>		

\* Denotes interest-bearing accounts

See independent auditor's report. The accompanying notes are an integral part of these financial statements.

**FEDERAL COMPLIANCE SECTION**

**STATE OF NEW MEXICO  
CITY OF HOBBS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2022**

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>AL Number</u>	<u>Project/ Pass-Through #</u>	<u>Federal Expenditures</u>
<u>U.S. Department of the Treasury</u>			
Passed through New Mexico Department of Finance and Administration			
COVID-19-Coronavirus State and Local Fiscal Recovery Funds	* 21.027	FRF-HOBBS-045	\$ 4,835,516
Total U.S. Department of the Treasury			<u>4,835,516</u>
<u>U.S. Department of Transportation</u>			
Passed through New Mexico Department of Transportation			
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	01-AL-64-045	1,188
Formula Grants for Rural Areas	20.509	MOA FY20	582,848
COVID-19-Formula Grants for Rural Areas (CARES)	20.509	MOA FY21	211,532
Total U.S. Department of Transportation			<u>795,568</u>
<u>U.S. Department of Justice</u>			
Direct			
COVID-19-Coronavirus Emergency Supplemental Funding Program	16.034	2020-VD-BX-1187	38,352
Edward Byrne Memorial Justice Assistance Grant Program	16.738	2020-DJ-BX-0122	10,346
Bulletproof Vest Partnership Program	16.607	2020	780
Bulletproof Vest Partnership Program	16.607	2019	995
Public Safety Partnership and Community Police Grants	16.710	2016UMWX0189	27,459
Total U.S. Department of Justice			<u>77,932</u>
<u>U.S. Department of Health and Human Services</u>			
Passed through North Central NM Economic Development District			
Aging Cluster			
Special Programs for the Aging Title III, Part C Nutrition Services	93.045	FY 2021	73,567
Total Aging Cluster			<u>73,567</u>
Total U.S. Department of Health and Human Services			<u>73,567</u>
Total Federal Financial Assistance			<u>\$ 5,782,583</u>

\* = Denotes major program

<u>Reconciliation to Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds</u>		
Federal grant revenue per fund financials		\$ 5,771,748
Federal expenditures per SEFA		<u>5,782,583</u>
Difference		(10,835)
Less: Non-cost reimbursable DOJ and ARPA revenue in excess of expenditures		(37,863)
Add: Non-cost reimbursable HHS expenditures in excess of revenues		48,698
Net difference		<u>\$ -</u>

See independent auditor's report. The accompanying notes are an integral part of these financial statements.

**STATE OF NEW MEXICO  
CITY OF HOBBS  
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2022**

Notes to Schedule of Expenditures of Federal Awards

Note 1 - Basis of Presentation

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the City of Hobbs, and is presented on the accrual basis of accounting. The information in this schedule is presented in accordance with the requirements of Title 2 U.S. Code of Federal Regulations (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*.

Note 2 - Non-Cash Federal Assistance

No non-cash federal assistance was received during the year ended June 30, 2022.

Note 3 - Subrecipients

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

Note 4 - Federal Insurance

The City has no federally funded insurance.

Note 5 - Indirect Cost Rate

The City did not use the 10 percent de minimis indirect cost rate.

Note 6 - Loans and Loan Guarantees

Federal reporting requirements for the Clean Water Fund Program include financial statements prepared in accordance with generally accepted accounting principles, as well as information regarding loan recipients, loan amounts, loan terms, project categories of eligible costs, and similar details on other forms of assistance. New federally funded loans provided under these programs are included as expenditures in the Schedule of Expenditures of Federal Awards. The following table shows the balance of loans outstanding as of June 30, 2022.

<u>Federal Grantor/Pass Through Grantor/Program Title</u>	<u>AL Number</u>	<u>Project/ Pass-Through #</u>	<u>Balance at June 30, 2022</u>
Clean Water State Revolving Funds (CWSRF)	66.458	CWSRF 064	\$ <u><u>5,630,585</u></u>

**INDEPENDENT AUDITOR'S 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**

To the City Commission  
City of Hobbs  
and  
Mr. Brian Colón, New Mexico State Auditor

We have audited, in accordance with the 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 comparisons of the general fund and major special revenue fund of the City of Hobbs, (City) as of and for the year ended June 30, 2022, and the related notes to the financial statements, which collectively comprise the City's basic financial statements and have issued our report thereon dated December 12, 2022.

**Report on 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 entity's financial statements will not be prevented, or detected and corrected, on a timely basis. A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of internal control was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses or significant deficiencies may exist that were not identified.

#### **Report on Compliance and Other Matters**

As part of obtaining reasonable assurance about whether the City financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

#### **Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity'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 entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

*Hinkle & Landers, P.C.*

Hinkle + Landers, P.C.

Albuquerque, NM

December 12, 2022

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

To the City Commission  
City of Hobbs  
and  
Mr. Brian Colón, New Mexico State Auditor

**Opinion on Each Major Federal Program**

We have audited the City's compliance with the types of compliance requirements identified as subject to audit in the OMB Compliance Supplement that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2022. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

In our opinion, the City complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2022.

**Basis for Opinion on Each Major Federal Program**

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards (Uniform Guidance). Our responsibilities under those standards and the Uniform Guidance are further described in the Auditor's Responsibilities for the Audit of Compliance section of our report.

We are required to be independent of the City and to meet our other ethical responsibilities, in accordance with relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion on compliance for each major federal program. Our audit does not provide a legal determination of the City's compliance with the compliance requirements referred to above.

**Responsibilities of Management for Compliance**

Management is responsible for compliance with the requirements referred to above and for the design, implementation, and maintenance of effective internal control over compliance with the requirements of laws, statutes, regulations, rules, and provisions of contracts or grant agreements applicable to the City's federal programs.

**Auditor's Responsibilities for the Audit of Compliance**

Our objectives are to obtain reasonable assurance about whether material noncompliance with the compliance requirements referred to above occurred, whether due to fraud or error, and express an opinion on the City's compliance based on our audit. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance will always detect material noncompliance when it exists. The risk of not detecting material noncompliance resulting from fraud is higher than for that resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Noncompliance with the compliance requirements referred to above is considered material if there is a substantial likelihood that, individually or in the aggregate, it would influence the judgment made by a reasonable user of the report on compliance about the City's compliance with the requirements of each major federal program as a whole.

In performing an audit in accordance with generally accepted auditing standards, Government Auditing Standards, and the Uniform Guidance, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material noncompliance, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the City's compliance with the compliance requirements referred to above and performing such other procedures as we considered necessary in the circumstances.
- Obtain an understanding of the City's internal control over compliance relevant to the audit in order to design audit procedures that are appropriate in the circumstances and to test and report on internal control over compliance in accordance with the Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of the City's internal control over compliance. Accordingly, no such opinion is expressed.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit and any significant deficiencies and material weaknesses in internal control over compliance that we identified during the audit.

**Report on 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 a 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 Auditor's Responsibilities for the Audit of Compliance section above and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies in internal control over compliance. Given these limitations, during our audit we did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses, as defined above. However, material weaknesses or significant deficiencies in internal control over compliance may exist that were not identified.

Our audit was not designed for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, no such opinion is expressed.

December 12, 2022

INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH  
MAJOR FEDERAL PROGRAM AND ON INTERNAL CONTROL OVER  
COMPLIANCE REQUIRED BY UNIFORM GUIDANCE, continued

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

*Hinkle & Landers, P.C.*

Hinkle + Landers, P.C.

Albuquerque, NM

December 12, 2022

**STATE OF NEW MEXICO  
CITY OF HOBBS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2022**

**A. SUMMARY OF AUDITOR'S RESULTS**

*Financial Statements:*

1.Type of auditor's report issued	<b>Unmodified</b>
2. Internal control over financial reporting:	
a. Material weakness identified?	<b>No</b>
b. Significant deficiencies identified not considered to be material weaknesses?	<b>No</b>
c. Noncompliance material to the financial statements noted?	<b>No</b>

*Federal Awards:*

1.Internal control over major programs:	
a. Material weaknesses identified?	<b>No</b>
b. Significant deficiencies identified not considered to be material weaknesses?	<b>No</b>
2.Type of auditor's report issued on compliance for major programs	<b>Unmodified</b>
3.Any audit findings disclosed that are required to be reported in accordance with section 2 CFR section 200.516(a)?	<b>None</b>

4.Identification of major programs:

AL Number	Name of Federal Programs	Funding Source
21.027	Coronavirus State and Local Fiscal Recovery Funds	U.S. Department of the Treasury

Dollar threshold used to distinguish between type A and type B programs: \$750,000

Auditee qualified as low-risk auditee? Yes

STATE OF NEW MEXICO  
CITY OF HOBBS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2022

**B. SUMMARY OF AUDIT FINDINGS**

<u>Reference #</u>	<u>Finding</u>	<u>Status of Current and Prior Year Findings</u>	<u>Type of Finding*</u>
Prior Year Findings			
2021-001 [2018-005]	RECEIVABLES AND ALLOWANCE FOR DOUBTFUL ACCOUNTS	<b>Resolved</b>	B

Current Year Findings

None

\* Legend for Type of Findings

- A. Material Weakness in Internal Control Over Financial Reporting
- B. Significant Deficiency in Internal Control Over Financial Reporting
- C. Finding that Does Not Rise to the Level of a Significant Deficiency Involving Internal Control Over Financial Reporting
- D. Material Weakness in Internal Control Over Compliance of Federal Awards
- E. Significant Deficiency in Internal Control Over Compliance of Federal Awards
- F. Instance of Noncompliance related to Federal Awards
- G. Other Non-compliance with State Audit Rule, NM State Statutes, NMAC, or Other Entity Compliance
- H. Instance of Material Non-Compliance

STATE OF NEW MEXICO  
CITY OF HOBBS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2022

**PRIOR YEAR FINDINGS**

None

STATE OF NEW MEXICO  
CITY OF HOBBS  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2022

**CURRENT YEAR FINDINGS**

None

**EXIT CONFERENCE**

**STATE OF NEW MEXICO  
CITY OF HOBBS  
EXIT CONFERENCE  
FOR THE YEAR ENDED JUNE 30, 2022**

**AUDITOR PREPARED FINANCIAL STATEMENTS**

The accompanying financial statements are the responsibility of the City and are based on information from the City's financial records. Assistance was provided by Hinkle + Landers, PC to the City in preparing the financial statements.

**EXIT CONFERENCE**

City of Hobbs

A remote exit conference was held in closed session on December 12, 2022. The following individuals were in attendance.

City of Hobbs Officials

Sam Cobb	Mayor
Manny Gomez	City Manager
Toby Spears, CPA	Finance Director
Deborah Corral	Assistant Finance Director

Hinkle + Landers, P.C.

Farley Vener, CPA, CFE, CGMA	President & Managing Shareholder
Maclen Enriquez, CPA	Senior Audit Manager