

# Application

**Application:** Section 5311 Program (Rural/Non-Urbanized Public Transportation) FY 2021

**Organization:** City of Hobbs

**Application Deadline:** 8/23/2019 11:59:00 PM

**Year:** 2021 **Status:** Submitted

Application Form(s)

Before you can submit this application, you must upload all required documents.

		<u>Documents</u>	
	<a href="#">Download</a>	2021 Application Guide	
<input checked="" type="checkbox"/>		Articles of Incorporation	<a href="#">View</a>
<input checked="" type="checkbox"/>		501(C)3 Certification (Required for Non-Profits)	<a href="#">Attach</a>
<input checked="" type="checkbox"/>		SAM.gov Debarment and Suspension Search Verification	<a href="#">View</a>
<input checked="" type="checkbox"/>		Current Audit (FY 18)	<a href="#">View</a>
<input checked="" type="checkbox"/>		Transit Related Audit Finding Documentation (If Applicable)	<a href="#">Attach</a>
<input checked="" type="checkbox"/>		Procurement Policy (New Applicants and Updated Policies)	<a href="#">View</a>
<input checked="" type="checkbox"/>		Historical and Application Year Budget Information	<a href="#">View</a>
<input checked="" type="checkbox"/>		Map of Service Area	<a href="#">View</a>
<input checked="" type="checkbox"/>		Demographic Information	<a href="#">View</a>
<input checked="" type="checkbox"/>		Ridership and Transit System Statistics	<a href="#">View</a>
<input checked="" type="checkbox"/>		Civil Rights Complaints/Review Activities Documentation	<a href="#">Attach</a>
<input checked="" type="checkbox"/>		Program Coordination	<a href="#">View</a>
<input checked="" type="checkbox"/>		Letter(s) of Resolution of Financial Commitment of Local Match (Include Dollar Amount)	<a href="#">Re-Upload</a>
<input checked="" type="checkbox"/>		Letter(s) of Program Support from Municipality, Board, or Council	<a href="#">View</a>
<input checked="" type="checkbox"/>		Program Justification	<a href="#">View</a>
<input checked="" type="checkbox"/>		Operations Profile	<a href="#">View</a>

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Project(s)

Line Item	Year	Description	Net Project Cost
117900	2021	<a href="#">Project Administration - Project Administration</a>	\$107,175.00
300901	2021	<a href="#">Operating Assistance up to 50% Federal Share</a>	\$789,192.00
111203	2021	<a href="#">Buy Replacement - Bus 30 FT</a>	\$130,000.00

Budget Request Summary

Budget Category	Net Project Cost	Total FTA Portion of Net Project Cost (max. allowed)	Total Minimum Required Local Match	Additional Local Funds
Administration	\$107,175.00	\$85,740.00	\$21,435.00	\$0.00
Less 20% Local Match				
Capital	\$130,000.00	\$104,000.00	\$26,000.00	\$0.00
Less 20% Local Match				
Operating	\$789,192.00	\$394,596.00	\$394,596.00	\$0.00
Less 50% Local Match				
<b>Total</b>	<b>\$1,026,367.00</b>	<b>\$584,336.00</b>	<b>\$442,031.00</b>	<b>\$0.00</b>

Budget Summary

**Expense**

**Supplies**

GOVERNOR'S PROCLAMATION.

THIS PROCLAMATION, made, issued and published this 8 day of June, in the year of Our Lord One Thousand Nine Hundred and Thirty Seven, by the undersigned Clyde Tingley, Governor of the State of New Mexico, WITNESSETH, that:

WHEREAS, on the 31st day of May, A. D. 1937, the incorporated Town of Hobbs, Lea County, New Mexico, by resolution duly enacted, expressed the desire, through its Board of Trustees, to apply to the Governor of the State of New Mexico, to make, issue and publish a proclamation of the fact that the said Town desires and is entitled to become a City as provided by Sections 220 and 221, Chapter 90, New Mexico Statutes Annotated, 1929 Compilation; and

WHEREAS, the Mayor of said Town of Hobbs was designated by the said Board of Trustees to act as Chairman for the purpose of making a sworn statement showing the facts and matters required by law to be stated in such application; and

WHEREAS, the said Chairman, by sworn statement and with the unanimous approval of the said Board of Trustees and with the attestation of the Town Clerk, did state and show the following facts, to-wit:

1. That the corporate name of the proposed is "The City of Hobbs".
2. That the boundaries of the proposed City and the lands to be included therein as shown by the attached plat are as follows:

Commencing at the point where Sections Twenty-seven (27), Twenty-eight (28), Thirty-three (33) and Thirty-four (34) of Township Eighteen (18) South, Range

Thirty-eight (38) East coincide; thence south one-quarter of one mile to the southwest corner of the Northwest Quarter ( $NW\frac{1}{4}$ ) of the Northwest Quarter ( $NW\frac{1}{4}$ ) of Section Thirty-four (34) Township Eighteen (18) South, Range Thirty-eight (38) East, for a point of beginning, which point is the center of the proposed City of Hobbs; thence south one and one-quarter miles to the southwest corner of the Northwest Quarter ( $NW\frac{1}{4}$ ) of Section Three (3) Township Nineteen (19) South, Range Thirty-eight (38) East; thence east one and one-half miles to the center of Section Two (2), Township Nineteen (19) South, Range Thirty-eight (38) East, thence North two and one-half miles to the northeast corner of the Northwest Quarter ( $NW\frac{1}{4}$ ) of Section Twenty-six (26), Township Eighteen (18) South, Range Thirty-eight (38) East; thence west three miles to the Northwest corner of the Northeast Quarter ( $NE\frac{1}{4}$ ) of Section Twenty-nine (29), Township Eighteen (18) South, Range Thirty-eight (38) East; thence south two and one-half miles to the center of Section Five (5), Township Nineteen (19) South, Range Thirty-eight (38) East; thence east one and one-half miles to the southwest corner of the Northwest Quarter ( $NW\frac{1}{4}$ ) of Section Three (3), Township Nineteen (19) South, Range Thirty-eight (38) East; thence north one and one-fourth miles to the point of beginning.

3. That the center of said proposed City as heretofore established by the Board of Trustees of the Town of Hobbs is as follows:

One-fourth of one mile South of that point where Section Twenty-seven (27), Twenty-eight (28), Thirty-three (33), and Thirty-four (34) of Township Eighteen (18) South, Range Thirty-eight (38) East coincide.

4. That the boundaries of said proposed City do not exceed one and one-half miles from the center of said proposed City as set forth above.

5. That the assessed valuation of all property within the limits of said proposed City as shown by the records in the office of the Tax Assessor of Lea County is \$2,265,458.00.

6. That the population of said proposed City is in excess of 14,000.

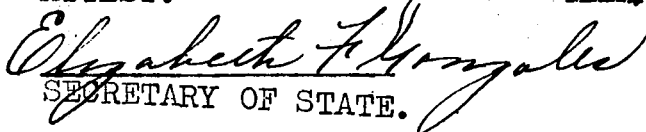
7. That the Town of Hobbs is entitled to become and desires to become a City.

NOW, THEREFORE, in accordance with the laws in this case made and provided and the power vested in me as Governor of the State of New Mexico, the said Town of Hobbs be and hereby is proclaimed to be a City, to be designated as the "City of Hobbs" with all the powers, privileges, duties and liabilities of cities in the State of New Mexico, and that the lands, area and territory hereinabove described be and the same are hereby declared to be within the corporate limits and jurisdiction of the said City of Hobbs, and that this proclamation shall be conclusive evidence of all the facts herein contained and recited.

IN WITNESS WHEREOF I have hereunto affixed my official signature on the day and year in this Proclamation first above written.

  
GOVERNOR OF THE STATE OF NEW MEXICO.

ATTEST:

  
SECRETARY OF STATE.

**SAM Search Results**  
**List of records matching your search for :**

**Record Status: Active**  
**DUNS Number: 079339222**

ENTITY	HOBBS, CITY OF	Status: Active
DUNS: 079339222	+4:	CAGE Code: 4ASG2 DoDAAC:
Expiration Date: 12/11/2019	Has Active Exclusion?: No	Debt Subject to Offset?: No
Address: 200 EAST BROADWAY		
City: HOBBS	State/Province: NEW MEXICO	
ZIP Code: 88240-8302	Country: UNITED STATES	



# HINKLE + LANDERS

Certified Public Accountants + Business Consultants

**STATE OF NEW MEXICO  
CITY OF HOBBS**

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

**For the Year Ended June 30, 2018**



**STATE OF NEW MEXICO  
CITY OF HOBBS  
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For the Year Ended June 30, 2018**

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CITY OF HOBBS  
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**STATE OF NEW MEXICO  
CITY OF HOBBS  
Official Roster  
As of June 30, 2018**

**CITY COMMISSION**

<b>NAME</b>	<b>TITLE</b>
Sam D Cobb	Mayor
Marshall Newman	Commissioner - District #1
Christopher Mills	Commissioner - District #2
Patricia Taylor	Commissioner - District #3
Joseph D. Calderon	Commissioner - District #4
Dwayne Penick	Commissioner - District #5
Don R. Gerth	Commissioner - District #6

**ADMINISTRATIVE OFFICIALS**

<b>NAME</b>	<b>TITLE</b>
Manny Gomez	Acting City Manager
Toby Spears, CPA	Finance Director
Deborah Corral	Assistant Finance Director

## **INDEPENDENT AUDITOR'S REPORT**

Wayne Johnson  
New Mexico State Auditor  
To the City Commission  
City of Hobbs  
Hobbs, New Mexico

### **Report on Financial Statements**

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and major special revenue fund of the City of Hobbs (the City), as of and for the year ended June 30, 2018, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents.

### **Management's Responsibility for the Financial Statements**

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

### **Auditor's Responsibility**

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

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

An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

### **Opinions**

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2018, and the respective changes in financial position and where applicable, cash flows thereof and the respective budgetary comparisons for the general fund and major special revenue fund for the year then ended in accordance with accounting principles generally accepted in the United States of America.

**Emphasis of Matter**

As discussed in Note 22 to the financial statements, the 2018 financial statements have been restated due to misstatements. Our opinion is not modified with respect to this matter.

**Other Matters**

**Required Supplementary Information**

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis, as listed in the table of contents, and the Schedules related to PERA, Net Pension Liabilities, OPEB, and Net OPEB liabilities, 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 *Governmental Accounting Standards Board* who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

**Other Information**

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the City's basic financial statements. The supplementary information, such as the combining and individual nonmajor fund financial statements, 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* (Uniform Guidance), and the other schedules listed as "other supplementary information" in the table of contents, required by 2.2.2 NMAC, 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, the combining and individual nonmajor fund financial statements, and other schedules listed as "other supplementary information" in the table of contents, required by 2.2.2 NMAC, are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the Schedule of Expenditures of Federal Awards, the combining and individual nonmajor fund financial statements, and the other schedules required by 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

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

**Other Reporting Required by Government Auditing Standards**

In accordance with *Government Auditing Standards*, we have also issued our report dated December 10, 2018 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, PC  
Albuquerque, New Mexico  
December 10, 2018

**STATE OF NEW MEXICO  
CITY OF HOBBS  
Management's Discussion and Analysis  
For the Year Ended June 30, 2018**

As management of the City of Hobbs, New Mexico (the City), we offer readers of the City's financial statements this narrative overview and analysis of the financial activities of the City for the fiscal year ended June 30, 2018. Please read in conjunction with the basic financial statements, which follow this section. The discussion and analysis includes comparative data for the prior year.

**Financial Highlights**

- Total gross receipts tax collections in the current year totaled \$56,729,000.
- The assets of the City exceeded its liabilities at June 30, 2018 by \$294,004,000.
- Restricted net position totaled \$10,697,000 at June 30, 2018. Restricted net position amounts are subject to external restrictions on how they may be used.
- Unrestricted net position totaled \$1,451,000 at June 30, 2018.
- Gross receipts taxes increased approximately 25.64% from \$45,152,000 for 2017 to \$56,729,000 for 2018. The increase is related primarily to the increase in the economic activity from the oil and gas industry.

**Overview of the Financial Statements**

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

**Government-Wide Financial Statements.**

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

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

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

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

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

**Fund Financial Statements.**

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

**STATE OF NEW MEXICO  
CITY OF HOBBS  
Management's Discussion and Analysis  
For the Year Ended June 30, 2018**

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

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

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

The budgets of each governmental fund are found in this report as noted in the Table of Contents.

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

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

The basic proprietary fund financial statements are found in this report as noted in the Table of Contents.

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

The basic fiduciary fund financial statements are found in this report as noted in the Table of Contents.

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

### **Government-Wide Financial Analysis**

As noted earlier, net position may serve over time as a useful indicator of a government's financial position. In the case of the City, assets exceeded liabilities by \$233,403,000 at June 30, 2018. Significant reasons for the decrease follow the schedule below.

By far the largest portion of the City's net position (101%, or \$235,881,000) reflects its investment in capital assets (e.g., land and land improvements, buildings, equipment and furniture, infrastructure, and utility system), less any related debt used to acquire those assets that are still outstanding. The City uses these capital assets to provide services to citizens; consequently, these assets are not available for future spending. Although the City's net investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities. Additionally, approximately 4%, or \$9,035,000, of the City's net position is restricted subject to external restrictions on how they may be used, and -5.00%, or \$-11,513,000, of the City's net position is

**STATE OF NEW MEXICO  
CITY OF HOBBS  
Management's Discussion and Analysis  
For the Year Ended June 30, 2018**

available as unrestricted fund balance. It is noted that prior restatements of balances from fiscal year 2017 resulted in a negative unrestricted fund balance.

	Governmental		Business-type		Total	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
Current and other assets	\$ 96,263	98,915	26,867	24,802	123,130	123,718
Capital assets, net of accumulated depreciation	235,881	211,094	74,043	71,377	309,925	282,470
Deferred outflows of resources	12,659	22,204	1,518	2,410	14,177	24,614
Total assets and deferred outflows or resources	<u>344,803</u>	<u>332,213</u>	<u>102,428</u>	<u>98,589</u>	<u>447,232</u>	<u>430,802</u>
Current and other liabilities	\$ 6,365	7,584	5,220	6,358	11,585	13,942
Long-term liabilities outstanding	92,555	88,011	35,343	36,260	127,898	124,271
Deferred inflows of resources	12,480	781	1,265	73	13,745	854
Total liabilities and deferred inflows of resources	<u>\$ 111,400</u>	<u>96,376</u>	<u>41,828</u>	<u>42,690</u>	<u>153,228</u>	<u>139,067</u>
Net investment in capital assets	235,881	211,094	45,974	41,808	281,855	252,902
Restricted	9,035	24,143	1,662	1,921	10,697	26,064
Unrestricted	(11,513)	601	12,964	12,169	1,451	12,769
Total net position	<u>\$ 233,403</u>	<u>235,837</u>	<u>60,601</u>	<u>55,899</u>	<u>294,004</u>	<u>291,735</u>

**Governmental Activities**

- Increased revenues from gross receipts taxes, with offsetting capital purchases and increases in local grant receivables led to lower cash balances at June 30, 2018 compared to June 30, 2017. Gross receipts taxes were \$55,432,000 for the year ended June 30, 2018 compared to \$44,117,000 for the year ended June 30, 2017.
- This year's major capital asset additions for governmental activities included the purchase of various vehicles, buildings, equipment, and numerous street renovations.
- Long-term liabilities increased due to increases in the City's unfunded OPEB liability and the net pension liability which is required to be reported by GASB 68.

**Business-Type Activities**

- This year's major capital asset additions for business-type activities included payment for various water and sewer line replacement projects, the meter replacement project and costs associated with the wastewater treatment plant improvement project.
- Overall long-term debt decreased due to current year principal payments exceeding the new loan amount.

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

The City's total revenues for the years ended June 30, 2018 and 2017, respectively, were \$119,883,000 and \$104,744,000. Total expenses were, respectively, \$98,822,000 and \$109,055,000. The effects of these and other changes to net position can be seen in the following schedules.

The following schedules illustrate the items that comprised the changes in the City's net position for the years ended June 30, 2018 and 2017. Reasons for significant changes follow the schedules.

**STATE OF NEW MEXICO  
CITY OF HOBBS  
Management's Discussion and Analysis  
For the Year Ended June 30, 2018**

	Governmental Activities		Business-type Activities		Total	
	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017	June 30, 2018	June 30, 2017
<b>Revenues</b>						
<b>Program revenues</b>						
Charges for services	\$ 3,376	14,224	17,769	18,809	21,144	33,033
Operating grants and contributions	11,187	1,989	1,347	-	12,533	1,989
Capital grants and contributions	19,647	17,031	-	-	19,647	17,031
<b>General revenues</b>						
Property taxes	2,759	2,676	-	-	2,759	2,676
Gross receipts taxes	55,432	44,117	1,297	1,035	56,729	45,152
Other taxes	4,110	2,919	-	-	4,110	2,919
Investment income	557	404	257	124	815	528
Other	2,126	1,417	21	-	2,147	1,417
Total revenue	99,193	84,776	20,690	19,968	119,883	104,744
<b>Expenses</b>						
General government	21,556	35,037	-	-	21,556	35,037
Public safety	22,366	19,431	-	-	22,366	19,431
Public works	10,233	12,444	-	-	10,233	12,444
Culture and recreation	13,632	11,891	-	-	13,632	11,891
Health and welfare	12,234	10,098	-	-	12,234	10,098
Economic development	479	820	-	-	479	-
Interest on long-term debt	21	-	-	548	21	548
Joint utility	-	-	12,096	12,845	12,096	12,845
Solid waste	-	-	6,205	5,941	6,205	5,941
Total expenses	80,520	89,721	18,301	19,334	98,822	109,055
Transfers	(1,899)	(2,019)	1,899	2,019	-	-
Change in net position	\$ 16,774	(6,964)	4,288	2,653	21,062	(4,311)

**Governmental Activities**

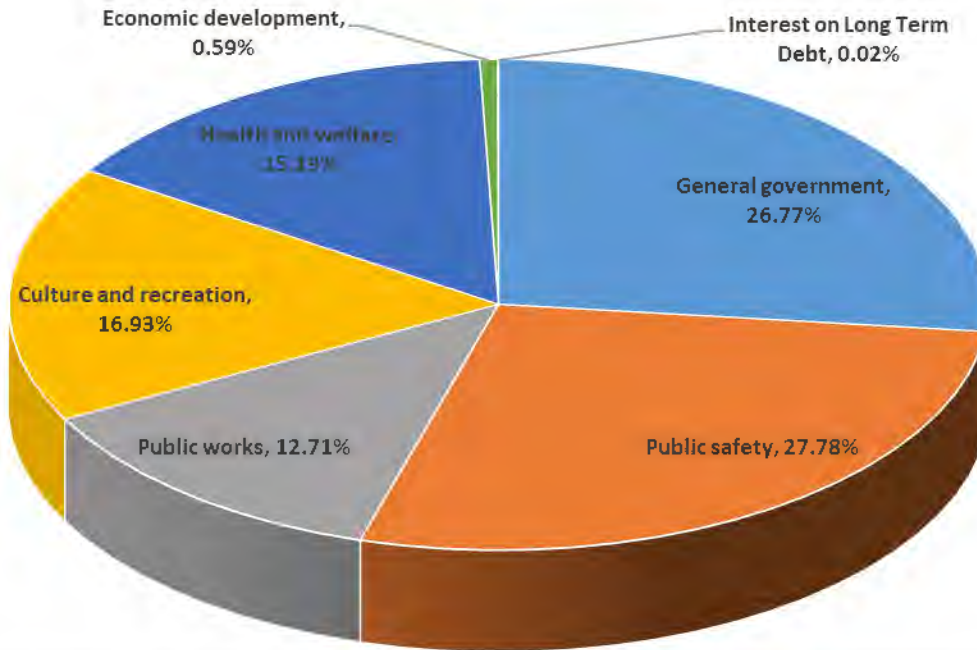
The City's governmental activities' change in net position was \$16,774,000 in the year ended June 30, 2018. The governmental activities' change in net position for the year ended June 30, 2017, was (\$6,964,000). Significant highlights are noted below.

- Increased revenues from gross receipts taxes, with offsetting capital purchases and increases in local grant receivables led to lower cash balances at June 30, 2018 compared to June 30, 2017. Gross receipts tax was \$55,432,000 for the year ended June 30, 2018 compared to \$44,117,000 for the year ended June 30, 2017.
- Total expenses for fiscal year 2018 were \$80,520,000 compared to \$89,721,000 for fiscal year end 2017.

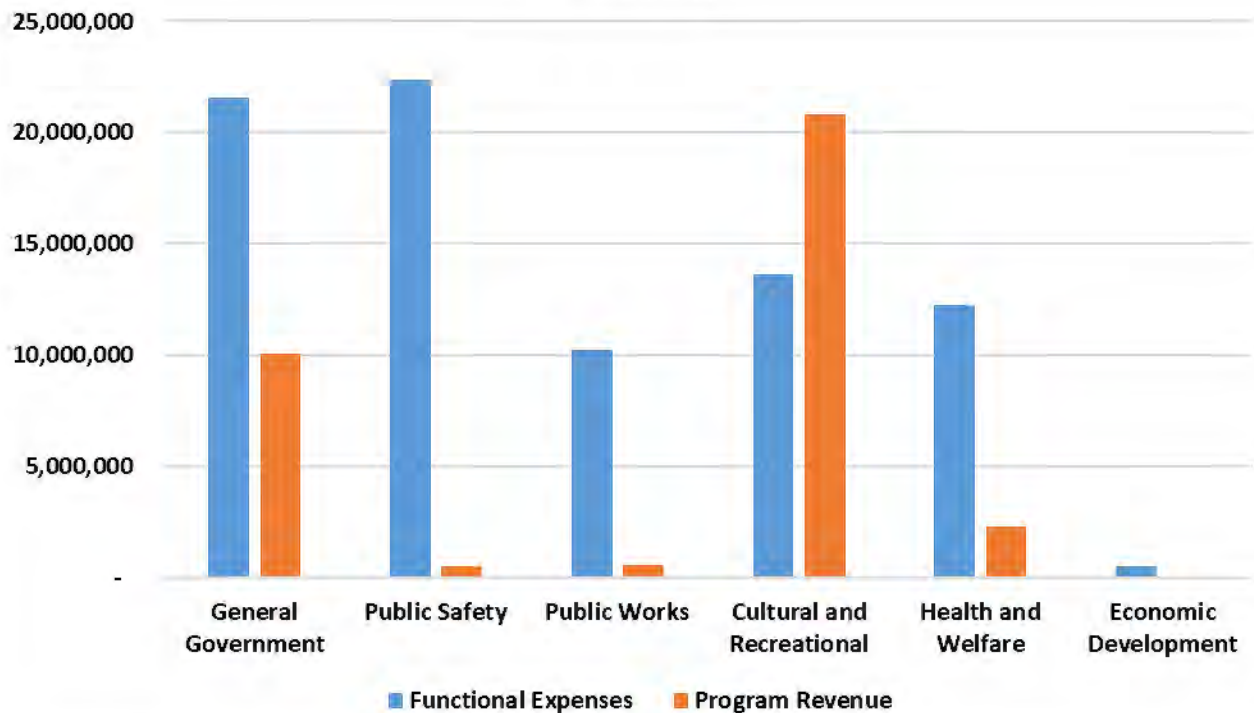


**STATE OF NEW MEXICO  
CITY OF HOBBS  
Management's Discussion and Analysis  
For the Year Ended June 30, 2018**

**Program Expenses - Governmental Activities**



**Program Revenues and Expenses - Governmental Activity**



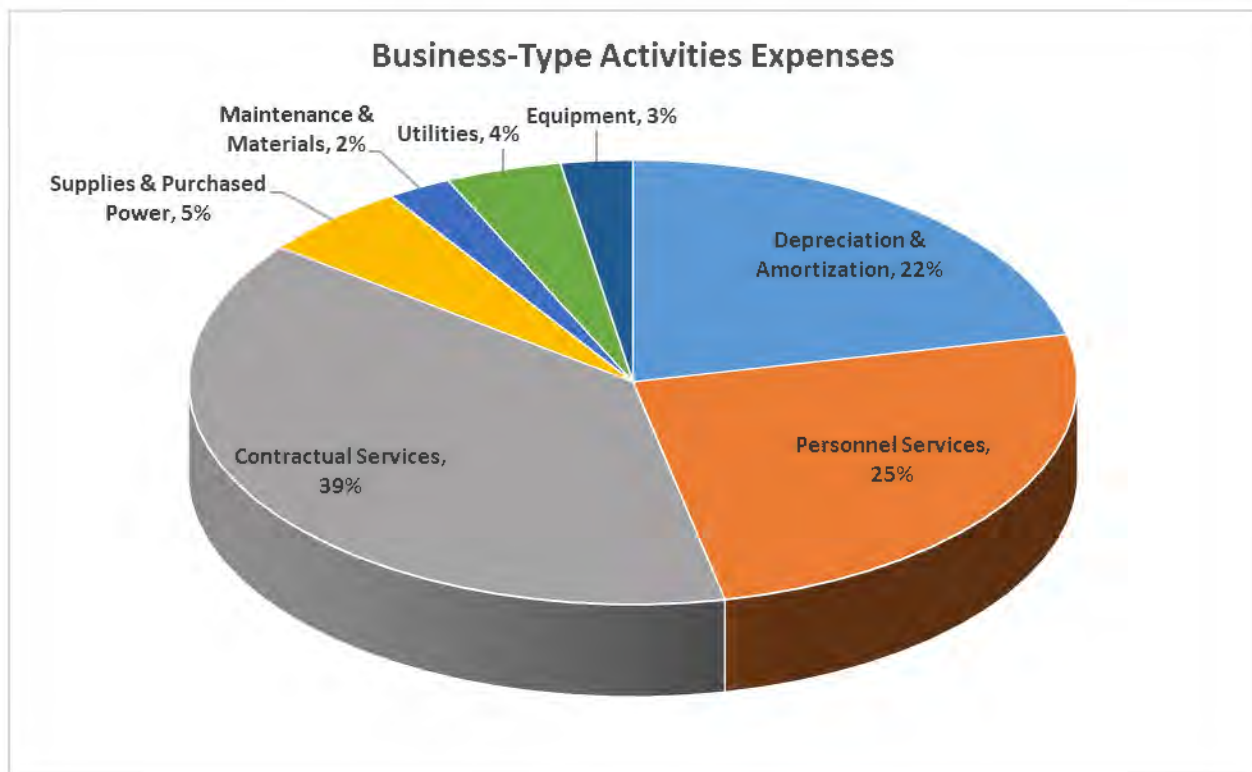
**STATE OF NEW MEXICO  
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Management's Discussion and Analysis  
For the Year Ended June 30, 2018**

***Business-Type Activities***

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

The change in net position contributed by the City's business-type activities was \$4,288,000 in the year ended June 30, 2018, compared to the increase of net position of \$2,653,000 for the year ended June 30, 2017. The increase this year was driven by increases in gross receipt taxes recorded in the joint Utility Enterprise fund along with a decrease in operating expenditures.

***Proprietary funds.*** The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. At June 30, 2018, unrestricted net position totaled \$12,964,000 in the Joint Utility fund as compared to \$12,169,000 at June 30, 2017. Factors concerning the finances of these funds have already been addressed in the discussion of the City's business-type activities.



**Governmental Funds Financial Analysis**

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

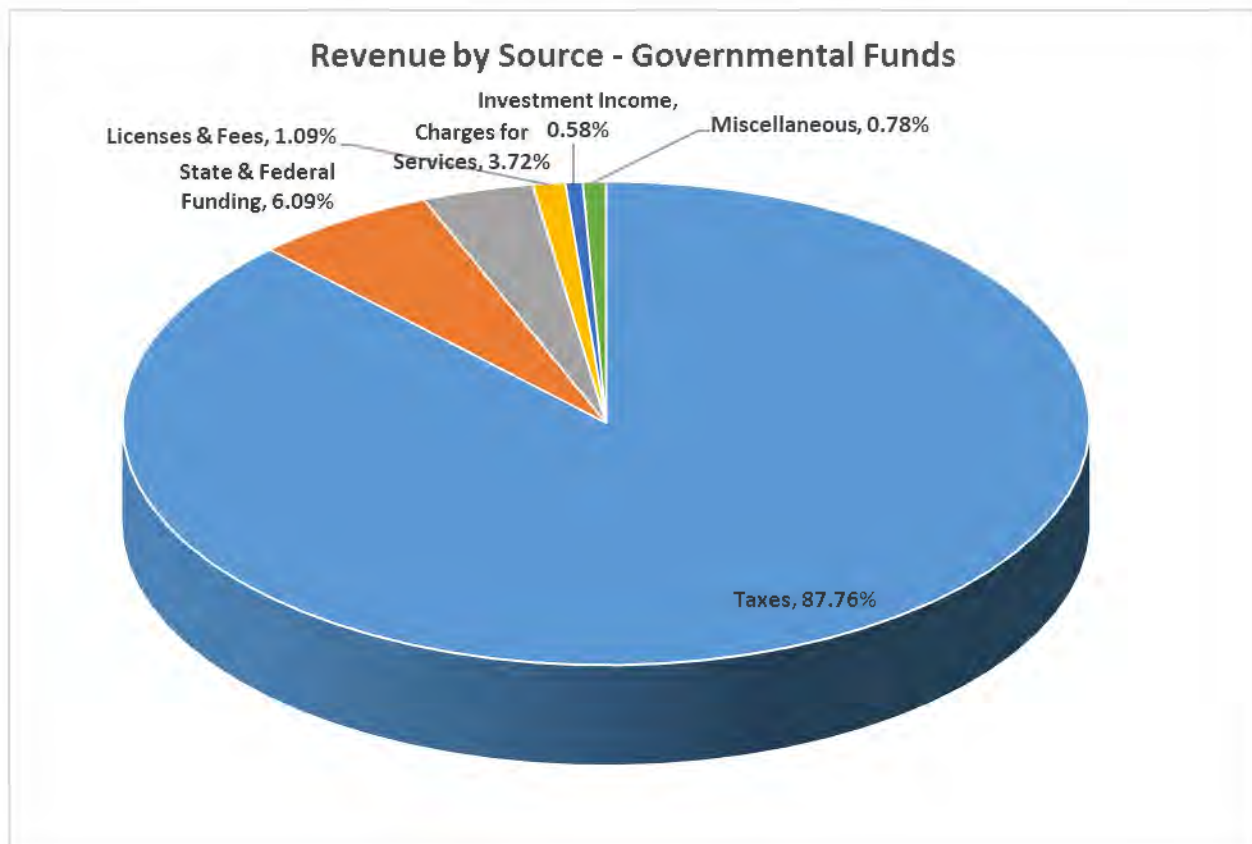
**Governmental funds**

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

**STATE OF NEW MEXICO  
CITY OF HOBBS  
Management's Discussion and Analysis  
For the Year Ended June 30, 2018**

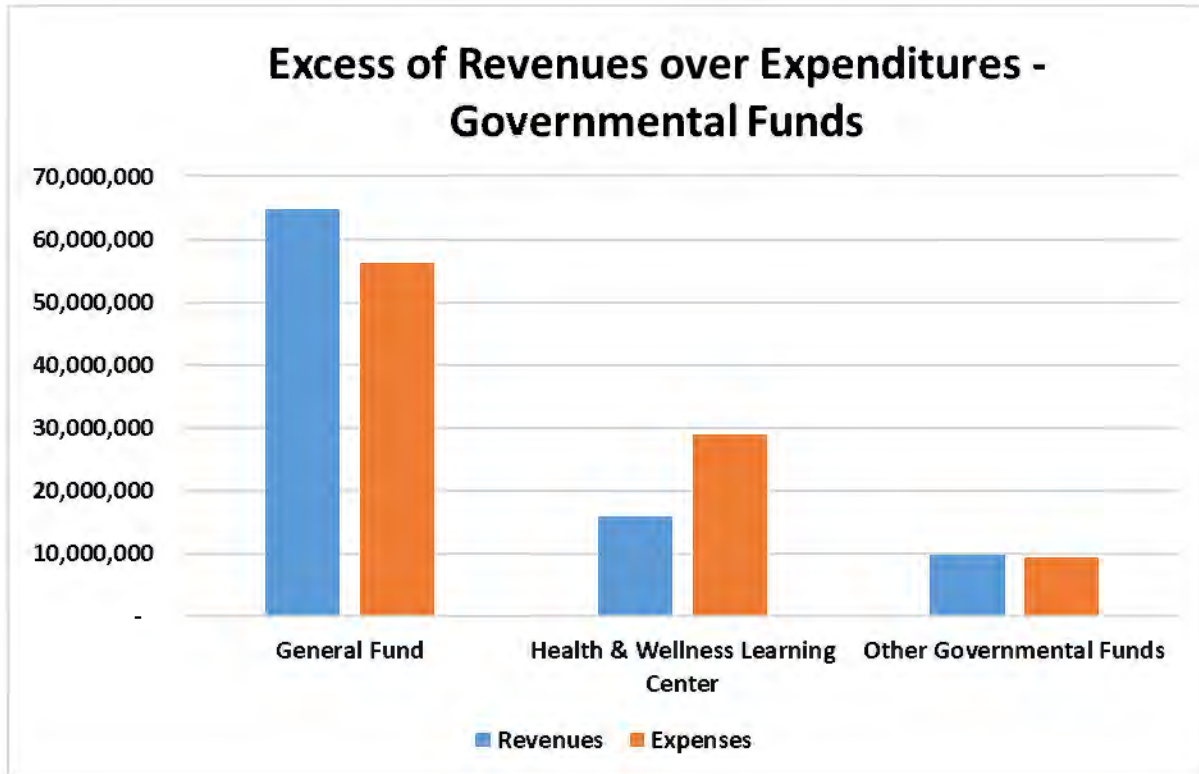
As of June 30, 2018, the City's governmental funds reported combined ending fund balances of \$233,403,000, a decrease of \$2,434,000 from the prior year. Of this amount, \$(11,513,000) approximately - 5% constitutes unassigned fund balance, which is available for spending at the government's discretion. Approximately 4%, or \$9,035,000 constitutes fund balance is restricted for minimum fund balance requirements.

The general fund is the chief operating fund of the City. At the end of the current fiscal year, unassigned fund balance of the general fund was \$62,562,368. As a measure of the general fund's liquidity, it may be useful to compare fund balance to total fund expenditures. Unassigned fund balance represents 92% of the total general fund expenditures. The City's general fund balance, decreased by \$1,910,974 in the current fiscal year.

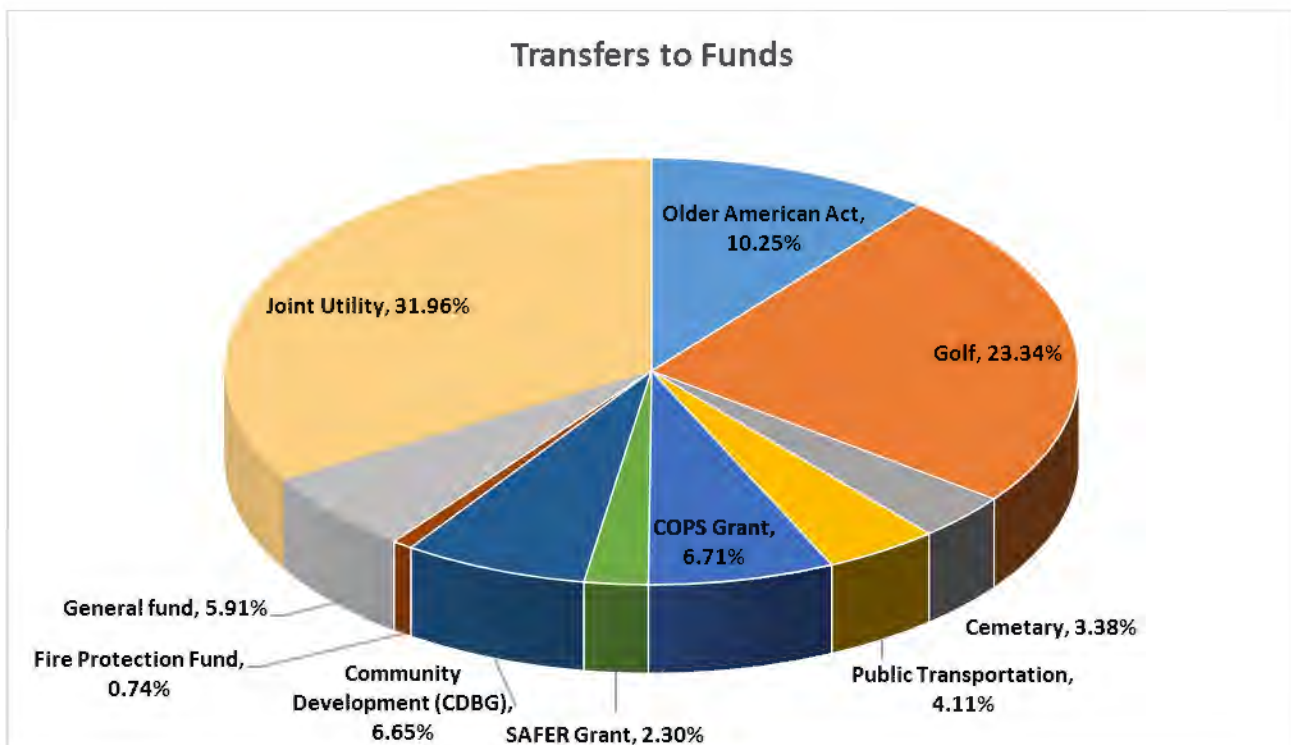


- Taxes include property taxes, franchise taxes, oil and gas production taxes, lodgers' taxes, and municipally-imposed gross receipts taxes.
- Intergovernmental includes grants and state-shared taxes, including a portion of gross receipts tax.
- Charges for services include fees for services and waste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

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CITY OF HOBBS  
Management's Discussion and Analysis  
For the Year Ended June 30, 2018**



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



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For the Year Ended June 30, 2018**

Transfer activity totaled 6,793,608. The graph above details transfers in by fund recipient for the year ended June 30, 2018.

**Budgetary Comparisons**

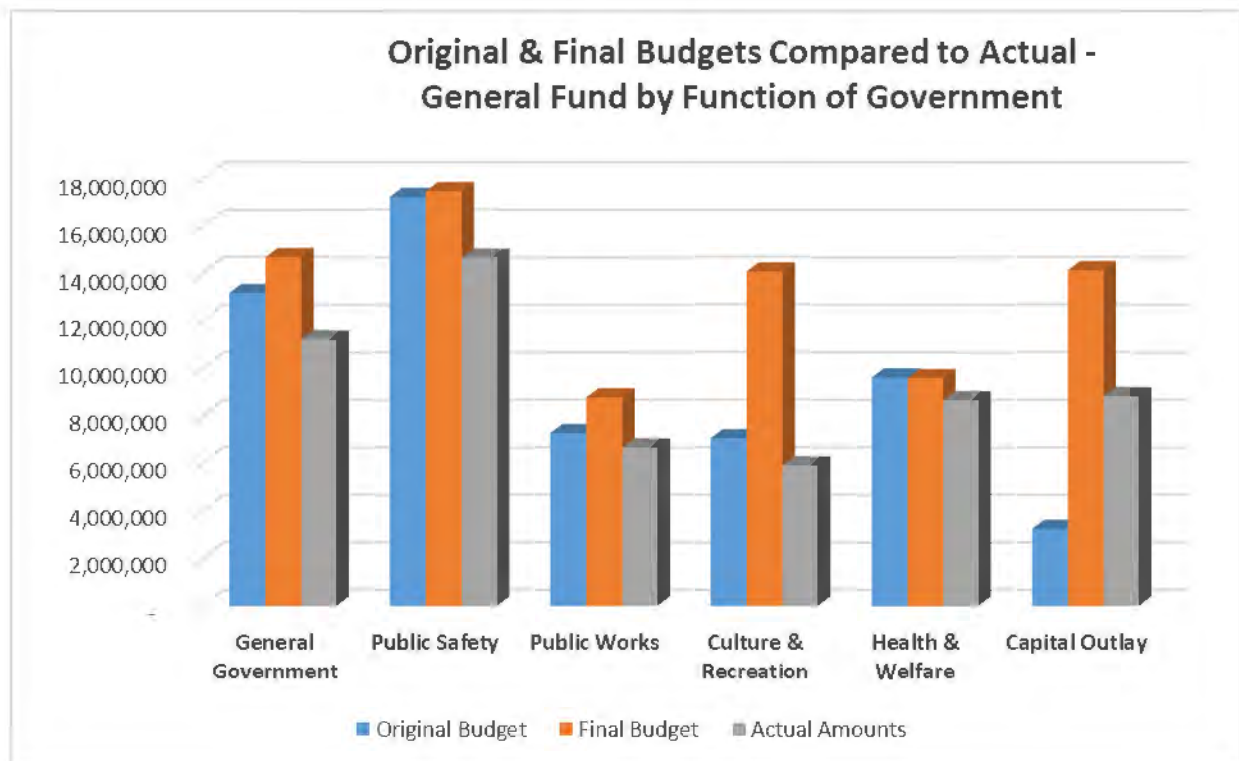
The appropriated general fund budget for the year ended June 30, 2018 was amended by the City Commission throughout the year. These amendments resulted in the following changes:

Excess (deficiency) of revenues over expenditure			
	Original Budget	Final Budget	Actual
General Fund \$	(9,164,727)	(22,100,336)	\$ 3,566,610

As required by the Department of Finance and Administration, the City prepared its final budget so that the beginning budgeted cash equaled the City's prior fiscal year ending cash.

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

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



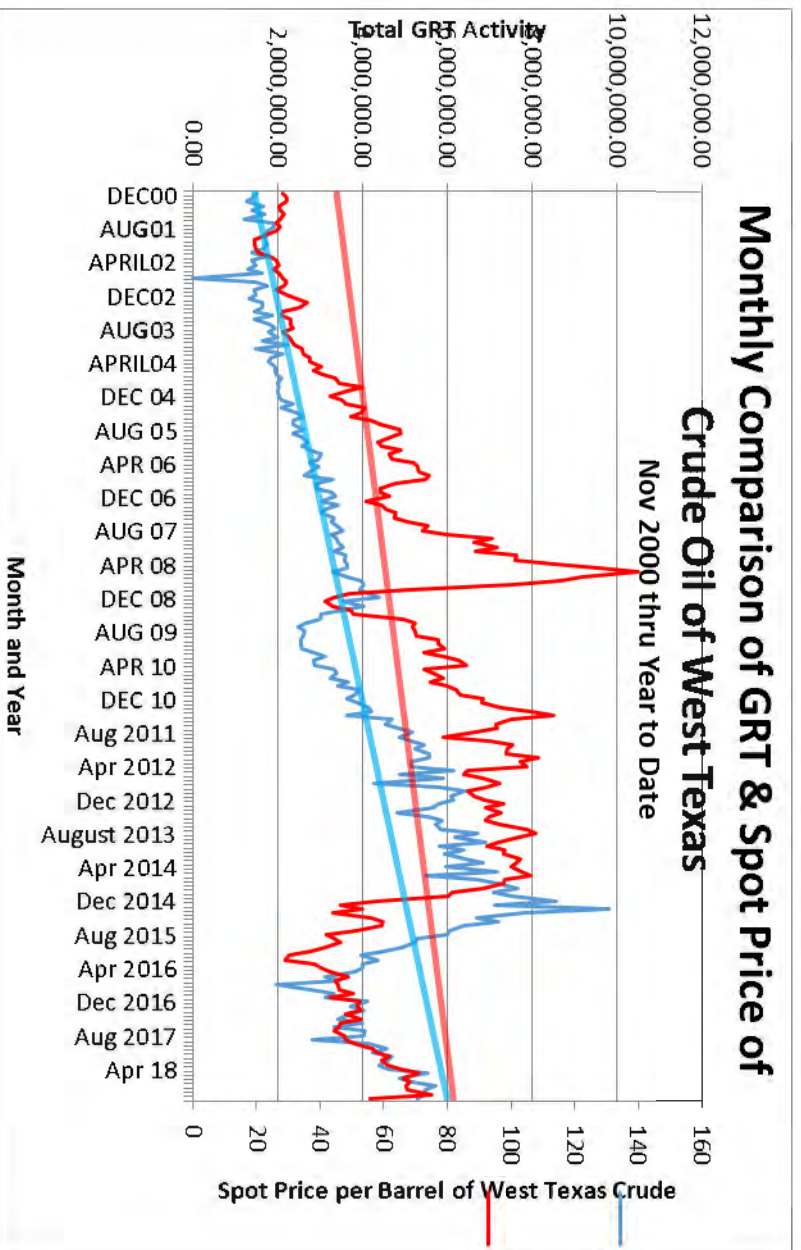
**Current Facts and Future Trends**

Mining continues to be the dominant Gross Receipts Tax category in the data supplied to the City by the New Mexico Taxation and Revenue Department. The annual percentage of mining gross receipt taxes is



**STATE OF NEW MEXICO  
CITY OF HOBBS  
Management's Discussion and Analysis  
For the Year Ended June 30, 2018**

approximately 23% of the total annual gross receipt taxes received. Hobbs is more dependent than any other New Mexico City on mining Gross Receipts Tax Revenue. In other words, the local economy of the City may be less diversified than any other New Mexico City. Due to this situation, the City needs to maintain conservative General Fund reserves and monitor the oil and gas industry closely. The other major categories of gross receipt taxes as a percentage of annual gross receipt taxes are retail trade (22%), services (9%), construction (8%) and wholesale trade (8%). The trending of gross receipts tax from 2018 to 2017 was an increase from 44 million to 55 million, a 25% increase. Currently, Gross Receipts Tax revenue is trending approximately 55 million in 2019. This represents no anticipated increase from 2018. Trend analysis of gross receipt taxes as compared to a spot price barrel of West Texas Intermediate crude oil by month assists management in developing short term and long-term budget plans. Please see trend analysis below:



Zia Park is the closest gaming facility for approximately 1,000,000 Texas residents and is less than two hours away from a 600,000-population base. Staff estimates the operating of this facility has a 1-2% positive impact on the General Fund revenues. The National Enrichment Facility is a gas centrifuge uranium enrichment plant located south of the City. The high average wage payroll of the operation of this facility will diversify the local economy. The National Enrichment Facility also has a potential to attract business for related industries.

The General Fund revenue base is dominated by Gross Receipts Taxes, whereas General Fund expenditures are dominated by Wages and Benefits. The 2003 Legislature passed the Public Employee Bargaining Act. The labor movement continues to be a factor in the financial planning challenges associated with the General Fund. Hiring qualified employees for the City is an ongoing challenge. The City has implemented various incentive programs for CDL drivers, police, fire, and general personnel. It is also to note, expenditures related to all three components of the City Insurance program (employee benefits, worker's compensations and liability) increased at more than double the growth rate of General Fund revenues for several years prior to FY 2008. An actuarial study was performed at June 30, 2018 to measure the City's unfunded benefits liability as it relates to Retiree Health Insurance. The current unfunded liability as of June 2018 is \$44,645,900 million. In addition, GASB No. 68 (Local Portion of Pension Liabilities with regards to PERA)

**STATE OF NEW MEXICO  
CITY OF HOBBS  
Management's Discussion and Analysis  
For the Year Ended June 30, 2018**

requires the City to recognize the local portion of PERA. The total liability regarding this pension is approximately \$50,616,739 million.

On January 1, 2005, a new .0625% Environmental Gross Receipts Tax was implemented. The City Commission has dedicated the revenues from this tax to the Waste Water Treatment Plant debt. Currently, this gross receipt tax supplements approximately 80% of the debt service related to the WWTP. The current total debt for the Enterprise Fund is approximately 28,069,000 million. Future liabilities related to the Enterprise Fund are the dilapidation of concrete sewer lines and the additional infrastructure for an effluent water delivery system. The anticipated future costs for these liabilities are approximately \$15 million dollars.

The City has partnered with various local entities to fund, design and develop a Health and Wellness facility to provide enhanced quality of life in the community. Estimated construction funding level for this project is approximately \$66.7 million dollars. The City is currently under contract with Haydon Construction for construction of this facility. A joint powers agreement has been developed to determine capital contribution levels and ongoing operations of this facility. Funding sources considered for this project are general fund revenues, fees, debt service and restricted donations. Estimated operational expenditures are \$3.2 million dollars with an estimated revenue generation of \$1.6 million. Subsidies are estimated to be fixed at \$1.6 million dollars and will be accounted for in a Special Revenue Fund.

**Contact Information**

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

**STATE OF NEW MEXICO  
CITY OF HOBBS  
Statement of Net Position  
As of June 30, 2018**

	Primary Government		
	Governmental Activities	Business-type Activities	Total
<b>Assets</b>			
Current assets			
Cash and cash equivalents	\$ 75,210,008	22,031,968	97,241,976
Receivables:			
Property taxes	135,699	-	135,699
Other taxes	11,432,184	254,557	11,686,741
Interest receivable	141,943	-	141,943
Other receivables	8,405,671	364,861	8,770,532
Due from customers, net	-	1,673,369	1,673,369
Prepaid expenses and other current assets	705,829	-	705,829
Inventory	132,174	477,796	609,970
Internal balances	91,281	(91,281)	-
Total current assets	<u>96,254,789</u>	<u>24,711,270</u>	<u>120,966,059</u>
Noncurrent assets			
Restricted cash	8,211	2,155,725	2,163,936
Land and work in progress	74,075,416	12,362,968	86,438,384
Capital assets, depreciable	283,269,592	135,890,435	419,160,027
Less: accumulated depreciation	(121,463,833)	(74,210,076)	(195,673,909)
Total noncurrent assets	<u>235,889,386</u>	<u>76,199,052</u>	<u>312,088,438</u>
Total assets	<u>332,144,175</u>	<u>100,910,322</u>	<u>433,054,497</u>
<b>Deferred Outflows of Resources</b>			
Pension deferral	12,266,290	1,474,854	13,741,144
OPEB deferral	392,954	43,136	436,090
Total deferred outflows of resources	<u>12,659,244</u>	<u>1,517,990</u>	<u>14,177,234</u>
Total assets and deferred outflows of resources	<u>\$ 344,803,419</u>	<u>102,428,312</u>	<u>447,231,731</u>
<b>Liabilities</b>			
Current liabilities			
Accounts payable	\$ 3,784,480	681,857	4,466,337
Accrued payroll expenses	1,602,461	138,675	1,741,136
Accrued claims payable	353,130	-	353,130
Accrued interest payable	-	411,277	411,277
Unearned revenue	-	1,427,758	1,427,758
Meter deposits	-	493,407	493,407
Compensated absences, current portion	456,763	164,069	620,832
Notes and loans payable, current portion	-	1,902,978	1,902,978
Capital lease payable, current portion	168,160	-	168,160
Total current liabilities	<u>6,364,994</u>	<u>5,220,021</u>	<u>11,585,015</u>
Noncurrent liabilities			
Compensated absences	1,370,289	-	1,370,289
Notes and loans payable	-	26,166,172	26,166,172
Capital lease payable	338,262	-	338,262
Net pension liability	50,616,730	4,760,647	55,377,377
Net OPEB liability	40,229,761	4,416,139	44,645,900
Total noncurrent liabilities	<u>92,555,042</u>	<u>35,342,958</u>	<u>127,898,000</u>
Total liabilities	<u>98,920,036</u>	<u>40,562,979</u>	<u>139,483,015</u>
<b>Deferred Inflows of Resources</b>			
Pension deferral	6,655,086	625,186	7,280,272
OPEB deferral	5,825,156	639,444	6,464,600
Total deferred inflows of resources	<u>12,480,242</u>	<u>1,264,630</u>	<u>13,744,872</u>
<b>Net Position</b>			
Net investment in capital assets	235,881,175	45,974,177	281,855,352
Restricted for:			
Debt service	-	1,662,318	1,662,318
Capital projects	4,725,424	-	4,725,424
Special revenue	4,309,306	-	4,309,306
Unrestricted	(11,512,764)	12,964,208	1,451,444
Total net position	<u>233,403,141</u>	<u>60,600,703</u>	<u>294,003,844</u>
Total liabilities, deferred inflows of resources, and net position	<u>\$ 344,803,419</u>	<u>102,428,312</u>	<u>447,231,731</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 Activities  
For the Year Ended June 30, 2018**

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		
					Governmental Activities	Business-Type Activities	Total
<b>Primary Government</b>							
General government	\$ 21,556,433	68,525	9,956,904	-	(11,531,004)	-	(11,531,004)
Public safety	22,365,634	18,397	475,806	-	(21,871,431)	-	(21,871,431)
Public works	10,232,705	244,081	-	321,349	(9,667,275)	-	(9,667,275)
Culture and recreation	13,631,995	1,699,630	318,648	18,803,788	7,190,071	-	7,190,071
Health and welfare	12,233,589	1,344,961	435,148	521,470	(9,932,010)	-	(9,932,010)
Economic development	479,306	-	-	-	(479,306)	-	(479,306)
Interest on long-term debt	20,749	-	-	-	(20,749)	-	(20,749)
<i>Total governmental activities</i>	<u>80,520,412</u>	<u>3,375,594</u>	<u>11,186,506</u>	<u>19,646,607</u>	<u>(46,311,705)</u>	<u>-</u>	<u>(46,311,705)</u>
<b>Business-type Activities:</b>							
Joint Utility Fund (600)	12,096,239	11,247,611	1,346,852	-	-	498,224	498,224
Solid Waste (100)	6,205,009	6,521,035	-	-	-	316,026	316,026
<i>Total business-type activities</i>	<u>18,301,248</u>	<u>17,768,646</u>	<u>1,346,852</u>	<u>-</u>	<u>-</u>	<u>814,250</u>	<u>814,250</u>
<i>Total Primary Government</i>	<u>\$ 98,821,660</u>	<u>21,144,240</u>	<u>12,533,358</u>	<u>19,646,607</u>	<u>(46,311,705)</u>	<u>814,250</u>	<u>(45,497,455)</u>
<b>General Revenues:</b>							
Taxes							
Property taxes, levied for general purposes	\$	2,759,047	-	2,759,047			
Gross receipts taxes		55,432,495	1,296,605	56,729,100			
Gas taxes		1,139,314	-	1,139,314			
Franchise tax		962,109	-	962,109			
Lodger's tax		2,008,278	-	2,008,278			
Investment income		557,441	257,252	814,693			
Licenses and fees		1,728,011	-	1,728,011			
Miscellaneous income		397,936	20,746	418,682			
Transfers		(1,898,832)	1,898,832	-			
Total general revenues and transfers		<u>63,085,799</u>	<u>3,473,435</u>	<u>66,559,234</u>			
Change in net position					16,774,094	4,287,685	21,061,779
Net position, beginning					235,836,807	55,898,622	291,735,429
Restatements (Note 22)					(19,207,760)	414,396	(18,793,364)
Net position, beginning restated					<u>216,629,047</u>	<u>56,313,018</u>	<u>272,942,065</u>
Net position, ending	\$				<u>233,403,141</u>	<u>60,600,703</u>	<u>294,003,844</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, 2018**

	<b>(001,002)</b>	<b>(160)</b>		
	<b>General</b>	<b>Health and Wellness</b>	<b>Non-Major</b>	
	<b>Fund</b>	<b>Learning</b>	<b>Governmental</b>	<b>Total</b>
		<b>Center</b>	<b>Funds</b>	
<i>Assets</i>				
Cash and cash equivalents	\$ 54,469,107	75,031	6,858,443	61,402,581
Restricted cash	8,211	-	-	8,211
Receivables:				
Property taxes	135,699	-	-	135,699
GRT receivable	10,366,341	-	509,131	10,875,472
Other taxes	169,957	-	386,755	556,712
Intergovernmental	2,889,160	3,478,948	380,980	6,749,088
Housing incentive receivable	151,441	-	-	151,441
Interest receivable	141,943	-	-	141,943
Accounts receivables, net	1,446,415	-	7,283	1,453,698
Prepaid expenses	705,829	-	-	705,829
Inventory	-	13,245	118,929	132,174
Due from other funds	69,268	-	-	69,268
<i>Total assets</i>	<u>\$ 70,553,371</u>	<u>3,567,224</u>	<u>8,261,521</u>	<u>82,382,116</u>
<i>Liabilities, Deferred Inflows of Resources, and Fund Balances</i>				
<i>Liabilities</i>				
Accounts payable	\$ 1,236,186	2,243,053	283,227	3,762,466
Accrued payroll expenses	1,321,892	129,113	151,457	1,602,462
Due to other funds	-	-	69,268	69,268
<i>Total liabilities</i>	<u>2,558,078</u>	<u>2,372,166</u>	<u>503,952</u>	<u>5,434,196</u>
<i>Deferred inflows of resources</i>				
Deferred inflows - property taxes	<u>48,231</u>	-	-	<u>48,231</u>
<i>Total deferred inflows of resources</i>	<u>48,231</u>	-	-	<u>48,231</u>
<i>Fund balances</i>				
Nonspendable	705,829	13,245	118,929	838,003
Restricted				
Public safety	-	-	1,209,492	1,209,492
Culture and recreation	-	-	7,276	7,276
Transportation and roads	-	-	285,384	285,384
Health and welfare	-	1,181,813	5,692	1,187,505
Economic development	-	-	1,619,649	1,619,649
Capital projects	-	-	4,725,424	4,725,424
Committed				
Subsequent year's expenditures	4,678,865	-	-	4,678,865
Unassigned	62,562,368	-	(214,277)	62,348,091
<i>Total fund balances</i>	<u>67,947,062</u>	<u>1,195,058</u>	<u>7,757,569</u>	<u>76,899,689</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 70,553,371</u>	<u>3,567,224</u>	<u>8,261,521</u>	<u>82,382,116</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 Balance  
to Statement of Net Position  
As of June 30, 2018**

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

Fund balances - total governmental funds	\$ 76,899,689
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).	235,881,175
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	13,483,728
Allocated to business-type activities	91,281
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	5,611,204
Net OPEB related deferrals	(5,432,202)
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	(1,827,052)
Net pension liability	(50,616,730)
Net OPEB liability	(40,229,761)
Capital lease payable	(506,422)
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	48,231
Rounding	-
Net position of governmental activities	\$ <u><u>233,403,141</u></u>

**STATE OF NEW MEXICO  
CITY OF HOBBS  
Statement of Revenues, Expenditures and Changes in Fund Balances  
Governmental Funds  
For the Year Ended June 30, 2018**

	(001,002) General Fund	(160) Health and Wellness Learning Center	Non-Major Governmental Funds	Total
<i>Revenues:</i>				
Taxes:				
Property	\$ 2,710,816	-	-	2,710,816
Gross receipts	52,839,144	-	2,593,351	55,432,495
Gasoline and motor vehicle	345,513	-	793,801	1,139,314
Franchise	962,109	-	-	962,109
Lodger's	-	-	2,008,278	2,008,278
Intergovernmental:				
State operating grants	569,642	-	723,479	1,293,121
State capital grants	3,336,547	15,467,241	100,000	18,903,788
Federal operating grants	37,892	-	1,574,802	1,612,694
Federal capital grants	-	-	91,585	91,585
Charges for services	2,407,757	342,872	1,566,666	4,317,295
Licenses and fees	703,291	-	3,480	706,771
Investment income (loss)	374,168	-	143,932	518,100
Miscellaneous	502,292	5,449	71,139	578,880
<i>Total revenues</i>	<u>64,789,171</u>	<u>15,815,562</u>	<u>9,670,513</u>	<u>90,275,246</u>
<i>Expenditures:</i>				
Current:				
General government	11,323,035	-	-	11,323,035
Public safety	14,728,161	-	1,485,570	16,213,731
Public works	6,650,779	-	1,019,721	7,670,500
Culture and recreation	5,743,438	866,329	3,637,992	10,247,759
Health and welfare	8,691,331	-	177,305	8,868,636
Economic development	-	-	479,303	479,303
Capital outlay	9,009,637	28,006,047	2,553,739	39,569,423
Debt service:				
Principal	-	-	-	-
Interest	-	-	20,749	20,749
<i>Total expenditures</i>	<u>56,146,381</u>	<u>28,872,376</u>	<u>9,374,379</u>	<u>94,393,136</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>8,642,790</u>	<u>(13,056,814)</u>	<u>296,134</u>	<u>(4,117,890)</u>
<i>Other financing sources (uses)</i>				
Proceeds from issuance of debt	-	-	292,766	292,766
Transfers in	331,741	315,761	3,904,858	4,552,360
Transfers out	(4,118,949)	-	(2,433,411)	(6,552,360)
<i>Total other financing sources (uses)</i>	<u>(3,787,208)</u>	<u>315,761</u>	<u>1,764,213</u>	<u>(1,707,234)</u>
<i>Net change in fund balance</i>	4,855,582	(12,741,053)	2,060,347	(5,825,124)
<i>Fund balance, - beginning</i>	61,645,065	13,936,111	5,636,883	81,218,059
<i>Restatement</i>	1,446,415	-	60,339	1,506,754
<i>Fund balance - beginning as restated</i>	<u>63,091,480</u>	<u>13,936,111</u>	<u>5,697,222</u>	<u>82,724,813</u>
<i>Fund balance - ending</i>	<u>\$ 67,947,062</u>	<u>1,195,058</u>	<u>7,757,569</u>	<u>76,899,689</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 Governmental Funds to the Statement of Activities  
For the Year Ended June 30, 2018**

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

Net change in fund balances - total governmental funds	\$ (5,825,124)
Governmental funds report capital outlays as expenditures. However in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense:	
Capital expenditures recorded in capital outlay	32,812,882
Capital expenditures recorded in other expense lines	-
Capital asset transfers from proprietary funds	101,168
Depreciation and amortization expense	(12,297,790)
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	65,000
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.	2,823,900
Expenses in the Statement of Activities that do not consume current financial resources are not reported as expenditures in the funds:	
Change in compensated absences	39,303
The issuance of long-term debt (e.g. bonds, notes, capital 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:	
Capital leases, net	(27,514)
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.	
Pension expense	(3,925,256)
OPEB expense	2,959,294
Revenues in the Statement of Activities that do not provide current financial resources are not reported as revenue in the funds:	
Change in deferred inflows related to property taxes receivable	48,231
Change in net position of governmental activities	\$ 16,774,094

**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, 2018**

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual Amounts</u>	<u>Variance Favorable (Unfavorable)</u>
<i>Revenues:</i>				
Taxes:				
Property	\$ 2,801,281	2,984,327	2,679,878	(304,449)
Gross receipts	40,320,000	44,087,892	50,167,428	6,079,536
Gasoline and motor vehicle	248,195	204,832	328,361	123,529
Franchise	937,000	937,000	970,986	33,986
Intergovernmental:				
State operating grants	572,900	657,286	612,556	(44,730)
State capital grants	-	4,150,000	250,000	(3,900,000)
Federal operating grants	32,500	58,100	31,141	(26,959)
Charges for services	2,144,990	2,145,990	2,407,757	261,767
Licenses and fees	647,700	647,700	702,896	55,196
Investment income (loss)	125,000	125,000	647,361	522,361
Miscellaneous	543,339	553,139	738,887	185,748
<i>Total revenues</i>	<u>48,372,905</u>	<u>56,551,266</u>	<u>59,537,251</u>	<u>2,985,985</u>
<i>Expenditures:</i>				
Current:				
General government	13,149,552	14,656,041	11,218,554	3,437,487
Public safety	17,211,750	17,463,372	14,668,847	2,794,525
Public works	7,266,519	8,770,057	6,668,784	2,101,273
Culture and recreation	7,049,691	14,051,413	5,916,943	8,134,470
Health and welfare	9,614,220	9,591,010	8,662,808	928,202
Capital outlay	3,245,900	14,119,709	8,834,705	5,285,004
<i>Total expenditures</i>	<u>57,537,632</u>	<u>78,651,602</u>	<u>55,970,641</u>	<u>22,680,961</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(9,164,727)</u>	<u>(22,100,336)</u>	<u>3,566,610</u>	<u>(19,694,976)</u>
<i>Other financing sources (uses)</i>				
Transfers in	-	-	331,741	331,741
Transfers out	-	-	(4,068,949)	(4,068,949)
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>(3,737,208)</u>	<u>(3,737,208)</u>
<i>Net change in fund balance</i>	<u>(9,164,727)</u>	<u>(22,100,336)</u>	<u>(170,598)</u>	<u>(23,432,184)</u>
Budgeted cash carryover	<u>9,164,727</u>	<u>22,100,336</u>		
<i>Total</i>	<u>\$ -</u>	<u>-</u>		

**RECONCILIATION FROM BUDGET/ACTUAL TO GAAP**

Change in fund balance (Budget Basis)	\$ (170,598)
To adjust applicable revenue accruals and deferrals	5,251,920
To adjust applicable expenditure accruals	(225,740)
Change in fund balance (GAAP basis)	<u>\$ 4,855,582</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)  
Health and Wellness Learning Center  
For the Year Ended June 30, 2018**

	<b>Original Budget</b>	<b>Final Budget</b>	<b>Actual Amounts</b>	<b>Variance Favorable (Unfavorable)</b>
<i>Revenues:</i>				
Intergovernmental:				
State capital grants	\$ 200,000	23,228,008	16,535,604	(6,692,404)
Charges for services	89,803	164,803	308,420	143,617
Miscellaneous	-	-	5,450	5,450
<i>Total revenues</i>	<u>289,803</u>	<u>23,392,811</u>	<u>16,849,474</u>	<u>(6,543,337)</u>
<i>Expenditures:</i>				
Current:				
Culture and recreation	1,033,100	1,345,050	689,864	655,186
Capital outlay	-	35,658,955	28,997,025	6,661,930
<i>Total expenditures</i>	<u>1,033,100</u>	<u>37,004,005</u>	<u>29,686,889</u>	<u>7,317,116</u>
<i>Excess (deficiency) of revenues     over expenditures</i>	<u>(743,297)</u>	<u>(13,611,194)</u>	<u>(12,837,415)</u>	<u>(13,860,453)</u>
<i>Other financing sources (uses)</i>				
Transfers in	-	-	315,761	315,761
Transfers out	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>315,761</u>	<u>315,761</u>
<i>Net change in fund balance</i>	<u>(743,297)</u>	<u>(13,611,194)</u>	<u>(12,521,654)</u>	<u>(13,544,692)</u>
Budgeted cash carryover	<u>743,297</u>	<u>13,611,194</u>		
<i>Total</i>	<u>\$ -</u>	<u>-</u>		

**RECONCILIATION FROM BUDGET/ACTUAL TO GAAP**

Change in fund balance (Budget Basis)	\$ (12,521,654)
To adjust applicable revenue accruals and deferrals	(1,033,911)
To adjust applicable expenditure accruals	814,512
Change in fund balance (GAAP basis)	<u>\$ (12,741,053)</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, 2018**

				<b>Governmental Activities (640) Risk Management Internal Service Fund</b>
	<b>(600) Joint Utility</b>	<b>(100) Solid Waste Disposal</b>	<b>Total</b>	
<i>Assets</i>				
<i>Current Assets</i>				
Cash and cash equivalents	\$ 20,056,663	1,975,305	22,031,968	13,807,427
Receivables:				
Intergovernmental	364,861	-	364,861	-
Customer receivable, net	1,232,930	440,439	1,673,369	-
GRT receivable	254,557	-	254,557	-
Other receivable	-	-	-	51,445
Inventory	477,796	-	477,796	-
<i>Total current assets</i>	<u>22,386,807</u>	<u>2,415,744</u>	<u>24,802,551</u>	<u>13,858,872</u>
<i>Noncurrent Assets</i>				
Restricted cash - unspent grant proceeds	1,662,318	-	1,662,318	-
Restricted cash - meter deposits	493,407	-	493,407	-
Capital assets	148,253,403	-	148,253,403	-
Less: accumulated depreciation	(74,210,076)	-	(74,210,076)	-
<i>Total noncurrent assets</i>	<u>76,199,052</u>	<u>-</u>	<u>76,199,052</u>	<u>-</u>
<i>Total assets</i>	<u>98,585,859</u>	<u>2,415,744</u>	<u>101,001,603</u>	<u>13,858,872</u>
<i>Deferred Outflows of Resources</i>				
Pension deferral	1,474,854	-	1,474,854	-
OPEB deferral	43,136	-	43,136	-
<i>Total deferred outflows</i>	<u>1,517,990</u>	<u>-</u>	<u>1,517,990</u>	<u>-</u>
<i>Total assets and deferred outflows of resources</i>	<u>\$ 100,103,849</u>	<u>2,415,744</u>	<u>102,519,593</u>	<u>13,858,872</u>
<i>Liabilities, Deferred Inflows of Resources, and Net Position</i>				
<i>Liabilities</i>				
<i>Current liabilities</i>				
Accounts payable	\$ 156,969	524,888	681,857	22,014
Accrued payroll expenses	138,675	-	138,675	-
Other accrued expenses	-	-	-	353,130
Accrued compensated absences	164,069	-	164,069	-
Meter deposits	493,407	-	493,407	-
Accrued interest	411,277	-	411,277	-
Unearned revenue	1,427,758	-	1,427,758	-
Current portion of long-term debt	1,902,978	-	1,902,978	-
<i>Total current liabilities</i>	<u>4,695,133</u>	<u>524,888</u>	<u>5,220,021</u>	<u>375,144</u>
<i>Noncurrent Liabilities</i>				
Long-term debt	26,166,172	-	26,166,172	-
Net pension liability	4,760,647	-	4,760,647	-
Net OPEB liability	4,416,139	-	4,416,139	-
<i>Total noncurrent liabilities</i>	<u>35,342,958</u>	<u>-</u>	<u>35,342,958</u>	<u>-</u>
<i>Total liabilities</i>	<u>40,038,091</u>	<u>524,888</u>	<u>40,562,979</u>	<u>375,144</u>
<i>Deferred Inflows of Resources</i>				
Pension deferral	625,186	-	625,186	-
OPEB deferral	639,444	-	639,444	-
<i>Total deferred inflows of resources</i>	<u>1,264,630</u>	<u>-</u>	<u>1,264,630</u>	<u>-</u>
<i>Net Position</i>				
Net investment in capital assets	45,974,177	-	45,974,177	-
Restricted	1,662,318	-	1,662,318	-
Unrestricted	11,164,633	1,890,856	13,055,489	13,483,728
<i>Total net position</i>	<u>58,801,128</u>	<u>1,890,856</u>	<u>60,691,984</u>	<u>13,483,728</u>
<i>Total liabilities, deferred inflows of resources, and net position</i>	<u>\$ 100,103,849</u>	<u>2,415,744</u>	<u>102,519,593</u>	<u>13,858,872</u>
Adjustment to reflect the consolidation of internal service fund activities for enterprise funds			(91,281)	
Net position of business-type activities			<u>60,600,703</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, 2018**

	<b>(600) Joint Utility</b>	<b>(100) Solid Waste Disposal</b>	<b>Total</b>	<b>Governmental Activities (640) Risk Management Internal Service Fund</b>
<i>Operating revenues:</i>				
Charges for services	\$ 11,247,611	6,521,035	17,768,646	8,765,520
State operating grants	1,346,852	-	1,346,852	-
<i>Total operating revenues</i>	<u>12,594,463</u>	<u>6,521,035</u>	<u>19,115,498</u>	<u>8,765,520</u>
<i>Operating expenses:</i>				
Personnel services	4,469,452	-	4,469,452	-
Contractual services	678,914	6,205,009	6,883,923	5,980,960
Supplies expense	971,153	-	971,153	-
Repairs and maintenance	415,000	-	415,000	-
Utilities	751,914	-	751,914	-
Equipment	458,412	-	458,412	-
Miscellaneous	8,642	-	8,642	-
Depreciation and amortization	3,839,991	-	3,839,991	-
<i>Total operating expenses</i>	<u>11,593,478</u>	<u>6,205,009</u>	<u>17,798,487</u>	<u>5,980,960</u>
<i>Operating income (loss)</i>	<u>1,000,985</u>	<u>316,026</u>	<u>1,317,011</u>	<u>2,784,560</u>
<i>Non-operating revenues (expenses):</i>				
Gross receipts and other taxes	1,296,605	-	1,296,605	-
Investment income	257,252	-	257,252	39,340
Interest expense	(502,761)	-	(502,761)	-
Gain/(loss) on sale of capital assets	-	-	-	-
Miscellaneous income	20,746	-	20,746	-
<i>Total non-operating revenues (expenses)</i>	<u>1,071,842</u>	<u>-</u>	<u>1,071,842</u>	<u>39,340</u>
Transfers	1,898,832	-	1,898,832	-
Federal capital grants	-	-	-	-
State capital grants	-	-	-	-
<i>Net capital grants and transfers</i>	<u>1,898,832</u>	<u>-</u>	<u>1,898,832</u>	<u>-</u>
<i>Change in net position</i>	3,971,659	316,026	4,287,685	2,823,900
<i>Net position, beginning of year</i>	54,577,448	1,412,455	55,989,903	10,530,812
<i>Restatement</i>	252,021	162,375	414,396	129,016
<i>Beginning net position, as restated</i>	<u>54,829,469</u>	<u>1,574,830</u>	<u>56,404,299</u>	<u>10,659,828</u>
<i>Net position, end of year</i>	<u>\$ 58,801,128</u>	<u>1,890,856</u>	<u>60,691,984</u>	<u>13,483,728</u>

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

**STATE OF NEW MEXICO  
CITY OF HOBBS  
Major Proprietary Funds  
Statement of Cash Flows  
For The Year Ended June 30, 2018**

				<b>Governmental Activities (640) Risk Management Internal Service Fund</b>
	<b>(600) Joint Utility</b>	<b>(100) Solid Waste Disposal</b>	<b>Total</b>	
<b>Cash flows from operating activities</b>				
Receipts from customers and users	\$ 12,580,593	6,448,145	19,028,738	8,647,016
Payments to employees	(4,484,751)	-	(4,484,751)	-
Payments to suppliers	(1,663,874)	(6,487,394)	(8,151,268)	(6,199,318)
Other receipts/(payments)	-	-	-	-
<i>Net cash provided (used) by operating activities</i>	<u>6,431,968</u>	<u>(39,249)</u>	<u>6,392,719</u>	<u>2,447,698</u>
<b>Cash flows from non-capital financing activities</b>				
Gross receipts and other taxes	1,296,605	-	1,296,605	-
Miscellaneous revenue	20,746	-	20,746	-
Transfers to other funds	1,898,832	-	1,898,832	-
<i>Net cash provided (used) by noncapital financing activities</i>	<u>3,216,183</u>	<u>-</u>	<u>3,216,183</u>	<u>-</u>
<b>Cash flows from capital and related financing activities</b>				
Purchase of capital assets	(6,607,581)	-	(6,607,581)	-
Transfer out of capital assets	101,168	-	101,168	-
Proceeds from issuance of debt	124,307	-	124,307	-
Principal payments	(1,623,590)	-	(1,623,590)	-
Interest payments	(502,761)	-	(502,761)	-
<i>Net cash provided (used) by capital and related financing activities</i>	<u>(8,508,457)</u>	<u>-</u>	<u>(8,508,457)</u>	<u>-</u>
<b>Cash flows from investing activities</b>				
Proceeds from sale of investments	-	-	-	-
Purchases of investments, net	-	-	-	-
Investment income	257,252	-	257,252	39,340
<i>Net cash provided (used) by investing activities</i>	<u>257,252</u>	<u>-</u>	<u>257,252</u>	<u>39,340</u>
Net increase (decrease) in cash and cash equivalents	1,396,946	(39,249)	1,357,697	2,487,038
Balances - beginning of year	20,815,442	2,014,554	22,829,996	11,320,389
Balances - end of year	<u>\$ 22,212,388</u>	<u>1,975,305</u>	<u>24,187,693</u>	<u>13,807,427</u>
<b>Reconciliation of cash and cash equivalents</b>				
Unrestricted	\$			
Cash and cash equivalents	20,056,663	1,975,305	22,031,968	13,807,427
Restricted				
Unspent grant proceeds	1,662,318	-	1,662,318	-
Meter deposits	493,407	-	493,407	-
Total cash	<u>\$ 22,212,388</u>	<u>1,975,305</u>	<u>24,187,693</u>	<u>13,807,427</u>

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

**STATE OF NEW MEXICO  
CITY OF HOBBS  
Nonmajor Proprietary Funds  
Statement of Cash Flows  
For The Year Ended June 30, 2018**

	<b>(600) Joint Utility</b>	<b>(100) Solid Waste Disposal</b>	<b>Total</b>	<b>Governmental Activities (640) Risk Management Internal Service Fund</b>
<b>Reconciliation of operating income (loss) to net cash provided (used) by operating activities:</b>				
Operating income (loss)	\$ 1,000,985	316,026	1,317,011	2,784,560
<i>Adjustments to reconcile operating income to net cash provided (used) by operating activities:</i>				
Depreciation expense	3,839,991	-	3,839,991	-
Pension expense	369,345	-	369,345	-
OPEB expense	(324,851)	-	(324,851)	-
Restatement	2,918,375	162,375	3,080,750	129,016
(Increase) decrease in:				
Accounts receivable	(665,890)	(72,890)	(738,780)	(118,504)
Inventory	31,612	-	31,612	-
Prepays	-	-	-	-
(Decrease) increase in:				
Accounts payable	(1,290,801)	(444,760)	(1,735,561)	(9,660)
Accrued payroll and related	1,609	-	1,609	-
Customer deposits	(23,607)	-	(23,607)	-
Unearned revenue	675,627	-	675,627	-
Compensated absences	(61,402)	-	(61,402)	-
Other liabilities	(39,025)	-	(39,025)	(337,714)
<i>Net cash provided (used) by operating activities</i>	<u>\$ 6,431,968</u>	<u>(39,249)</u>	<u>6,392,719</u>	<u>2,447,698</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 Assets and Liabilities  
Agency Funds  
As of June 30, 2018**

**ASSETS**

Cash and cash equivalents	\$	<u>372,090</u>
<i>Total assets</i>	\$	<u><u>372,090</u></u>

**LIABILITIES**

Deposits payable	\$	<u>372,090</u>
<i>Total liabilities</i>	\$	<u><u>372,090</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, 2018**

**NOTE 1 – SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

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

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

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

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

***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 Statements No. 14 as amended by No. 39 and No 61. Blended component units, although legally separate entities, are in substance part of the government's operations. Each discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from the government.

The basic-but not the only-criterion for including a potential component unit within the reporting entity is the governing body's ability to exercise oversight responsibility. The most significant manifestation of this ability is financial interdependency. Other manifestations of the ability to exercise oversight responsibility include, but are not limited to, the selection of governing authority, the designation of management, the ability to significantly influence operations, and accountability for fiscal matters. A second criterion used in evaluating potential component units is the scope of public service. Application of this criterion involves considering whether the activity benefits the government and/or its citizens. A third criterion used to evaluate potential component units for inclusion or exclusion from the reporting entity is the existence of special financing relationships, regardless of whether the government is able to exercise oversight responsibilities. Finally, the nature and significance of a potential component unit to the primary government could warrant its inclusion within the reporting entity. Based upon the application of these criteria, the City does not

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have any component units required to be reported under GASB Statements No. 14, No. 39 and No. 61.

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

The government-wide financial statements (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 No. 33, Accounting and Financial Reporting for Non-Exchange Transactions.

In the government-wide statement of net position, both the governmental and business-type activities columns (a) are presented on a consolidated basis by column, (b) and are reported on a full accrual, economic resource basis, which recognized all long-term assets and receivables as well as long-term debt and obligations. The City's net position 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 requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

***C. Measurement Focus, Basis of Accounting, and Financial Statement Presentation***

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting as are the proprietary fund and the statement of fiduciary assets and liabilities. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from exchange and exchange-like transactions should be recognized when the exchange takes place. Revenues, expenses, gains, losses, assets, deferred outflows of resources, liabilities, and deferred inflows of resources resulting from non-exchange transactions should be recognized when the related purpose restriction, eligibility requirement or time requirement is met in accordance with GASB No. 33 and GASB No. 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.

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Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, as well as expenditures related to compensated absences and claims and judgments, are recorded only when payment is due.

Property taxes, franchise taxes, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and so have been recognized as revenues of the current fiscal period. Sales and use taxes are classified as derived tax revenues and are recognized as revenue when the underlying exchange takes place and the revenues are measurable and available. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period.

The government-wide full accrual basis property tax receivables recognize revenues net of estimated refunds and uncollectible amounts, in the period for which the taxes are levied, even if they are not available. All other revenue items are considered to be measurable and available only when cash is received by the City. Unavailable revenue is classified as deferred inflow.

Program revenues included in the statement of activities are derived directly from the program itself or from parties outside the City's taxpayer or citizenry, as a whole; program revenues reduce the cost of the function to be financed from the City's general revenues. Program revenues are categorized as (a) charges for services, which include revenues collected for fees and use of City facilities, (b) program-specific operating grants, which includes revenues received from state and federal sources such as small cities assistance to be used as specified within each program grant agreement, and (c) program-specific capital grants and contributions, which include revenues from state sources to be used for capital projects. Internally dedicated resources are reported as general revenues rather than as program revenues. Likewise, general revenues include all taxes.

The City reports all direct expenses by function in the statement of activities. Direct expenses are those that are clearly identifiable with a function. The City does not currently employ indirect cost allocation systems. Depreciation and amortization expenses are specifically identified by function and included in the direct expense of each function. Interest on general long-term debt is considered an indirect expense and is reported separately on the statement of activities.

Expenditure-driven grants are recognized as revenue when the qualifying expenditures have been incurred and all other grant requirements have been met and the susceptible to accrual criteria have been met.

Governmental funds are used to account for the City's general government activities, including the collection and disbursement of specific or legally restricted monies, the acquisition or construction of capital assets and the servicing of general long-term debt.

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services in connection with the fund's principal ongoing operations. The principal operating revenue of the City's enterprise fund is charges for services for the City's utilities. Operating expenses for enterprise funds include the cost of services, administrative expenses and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses.

The City reports the following major governmental 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.

The 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

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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.

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.

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.

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

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

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

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

***D. Assets, Deferred Outflows of Resources, Liabilities, Deferred 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.



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**Receivables and Payables**

Interfund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported as interfund receivables and payables as appropriate and are subject to elimination upon consolidation. Services provided, deemed to be at market or near market rates, are treated as revenues and expenditures/expenses. Reimbursements are when one fund incurs a cost, charges the appropriate benefiting fund and reduces its related cost as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental or between proprietary funds are netted as part of the reconciliation to the government-wide financial statements.

Advances between funds, as reported in the fund financial statements, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources. All receivables are reported at their gross value and, where appropriate, are reduced by the estimated portion that is expected to be uncollectible. In the government-wide and governmental fund financial statements, delinquent property taxes are recorded when levied.

Property taxes are levied on November 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 on investments is recorded as revenue for the year in which it is earned. This reporting method is used for all funds.

Gross receipts tax revenues are collected by the State of New Mexico on the City's behalf. Amounts held by the State on behalf of the City on June 30, 2018 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, 2018.

**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, 2018 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

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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. No interest was included as part of the cost of capital assets under construction.

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.

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

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

**Accrued Expenses**

Accrued expenses are comprised of payroll expenditures based on amounts earned by the employees through June 30, 2018.

**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 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.

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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 will sometimes report 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. The City has the following deferred outflows of resources during fiscal year 2018:

<b>Deferred Outflows of Resources - GW</b>		
Pension deferrals	\$	13,741,144
OPEB deferrals		436,090
Total deferred outflows of resources	\$	<u>14,177,234</u>

<b>Deferred Outflows of Resources - Fund Financials</b>		
Pension deferrals	\$	1,474,854
OPEB deferrals		43,136
Total deferred inflows of resources	\$	<u>1,517,990</u>

Deferred Inflows of Resources

In addition to liabilities, the statement of net position and/or the balance sheet for the governmental funds will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue. The City has the following deferred inflows of resources during fiscal year 2018:

<b>Deferred Inflows of Resources - GW</b>		
Pension deferrals	\$	7,280,272
OPEB deferrals		6,464,600
Total deferred inflows of resources	\$	<u>13,744,872</u>

<b>Deferred Inflows of Resources - Fund Financials</b>		
Property tax revenue	\$	48,231
Pension deferrals		625,186
OPEB deferrals		639,444
Total deferred inflows of resources	\$	<u>1,312,861</u>

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.

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**Fund Balance Classification Policies and Procedures**

For committed fund balance, the City's highest level of decision-making authority is the City Commission. The formal action that is required to be taken to establish a fund balance commitment is a resolution of the City Commission.

For assigned fund balance, the City Commission or an official or body to which the City Commission delegates the authority is authorized to assign amounts to a specific purpose. Under the current authorization system, for funds other than the general fund, assigned fund balance represents the amount that is not restricted or committed. This indicates that resources in other governmental funds are, at a minimum, intended to be used for the purpose of that fund.

For the classification of fund balances, the City considers restricted or unrestricted amounts to have been spent when an expenditure is incurred for the purposes for which both restricted and unrestricted fund balance is available. Also, for the classification of fund balances, the City considers committed, assigned, or unassigned amounts to have been spent when an expenditure is incurred for purposes for which amounts in any of those unrestricted fund balance classifications could be used.

**Nonspendable Fund Balance**

Nonspendable fund balances represent prepaid expense and inventory balances.

**Restricted Fund Balance**

Restricted fund balances represent balances restricted for various City operations by enabling legislation.

**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:

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

**Interfund Transactions**

Quasi-external transactions are accounted for as revenues, expenditures or expenses. Transactions that constitute reimbursements to a fund from expenditures/expenses initially made from it that

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are properly applicable to another fund, are recorded as expenditures/expenses in the reimbursing fund and as reductions of expenditures/expenses in the fund that is reimbursed.

All other interfund transactions, except quasi-external transactions and reimbursements are reported as transfers. Nonrecurring or 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 and the net pension liability.

**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. Line items within each budget may be over-expended; however, it is not legally permissible to over-expend any budget in total.

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

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

The accompanying statements of revenues, expenditures and changes in fund balance-budget (non-GAAP budgetary basis) and actual and statement of revenues, expenses and changes in net position (non-GAAP budgetary basis) and actual present comparisons of the legally adopted budget with actual data on a budgetary basis. Since accounting principles applied for purposes of developing data on a budgetary basis differ significantly from those used to present financial statements in conformity with generally accepted accounting principles, a reconciliation of resultant basis, perspective, equity and timing differences in the excess (deficiency) of revenues and other sources of financial resources for the year ended June 30, 2018 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, 2018.

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.

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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 supplementary information. The types of collateral allowed are limited to direct obligations of the United States Government and all bonds issued by any agency, district or political subdivision of the State of New Mexico.

**Custodial credit risk**

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, 2018, \$5,484,823 of the City's bank balances of \$5,734,823 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	\$ 824,728
Repurchase agreements	4,910,095
FDIC coverage	(250,000)
Total uninsured public funds	<u>5,484,823</u>
Collateralized by securities held by trust pledging institutions or by its trust department or agency in other than the City's name	5,484,823
Uninsured and uncollateralized	\$ <u>-</u>
Collateral requirement - deposits (50% of uninsured funds)	287,364
Collateral requirement - repurchase agreements (102% of uninsured funds)	5,008,297
Pledged collateral	<u>5,008,297</u>
Over (under) collateralized	\$ <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.

As of June 30, 2018, the City's investment in the LGIP was rated as AAAM by Standard & Poor's.

As of June 30, 2018, the City had the following investments and maturities:

<b>Investment Type</b>	<b>Maturities</b>	<b>Fair Value</b>	<b>Rating</b>
	[50] day WAM (R);		
New Mexico LGIP	[100] day WAM (F) \$	39,221,119	AAAM
U.S. Treasury Securities	659 days \$	55,696,941	AA+

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**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 on page 78 of this report. The New Mexico LGIP fund totaling \$39,221,119 is reported as cash equivalents on the Statement of Net Position. They are considered an investment for disclosure purposes. Treasury Bills U.S. Securities totaling \$55,696,941 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: <ul style="list-style-type: none"> <li>• Quoted prices for similar assets or liabilities in active markets.</li> <li>• Quoted prices for identical or similar assets or liabilities in inactive markets.</li> <li>• Inputs other than quoted prices that are observable for the asset or liability.</li> <li>• Inputs that are derived principally from or corroborated by observable market data by correlation or other means.</li> </ul> |
| 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, 2018:

<b>Description</b>	<b>Level 1</b>	<b>Level 2</b>	<b>Level 3</b>	<b>Total</b>
US Treasury Securities	\$ 55,696,941	-	-	55,696,941
Investments (LGIP) measured at NAV - practical expedient				39,221,119
Investments at fair value				<u>94,918,060</u>

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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:

<b>Cash and investments</b>	<b>Amount</b>
Cash and cash equivalents	
Cash on hand	\$ 25,099
Cash	187,106
Repurchase agreement	4,910,095
NMFA Cash	1,662,318
Reconciling items	(2,562,298)
Subtotal cash and cash equivalents	<u>4,222,320</u>
Investments	
State Treasurer's Investment Pool	39,221,119
Certificates of deposit - maturities > 90 days	637,622
US Agency Securities	55,696,941
Subtotal investments	<u>95,555,682</u>
Total cash and investments	<u>\$ 99,778,002</u>
<b>Cash and investments by fund type</b>	<b>Amount</b>
Governmental funds	\$ 61,410,792
Internal service funds	13,807,427
Subtotal governmental activities	<u>75,218,219</u>
Business-type activities	24,187,693
Fiduciary funds	372,090
Total cash and investments	<u>\$ 99,778,002</u>

**NOTE 4 – RECEIVABLES**

Receivables as of June 30, 2018, including the applicable allowances for uncollectible accounts, are as follows:

	<b>(001,002) General Fund</b>	<b>(160) Health and Wellness Learning Center</b>	<b>Non-Major Governmental Funds</b>	<b>Totals</b>
<b>Governmental Funds</b>				
Property tax	\$ 135,699	-	-	135,699
Other Taxes				
Gross receipts taxes	10,366,341	-	509,131	10,875,472
Gas and oil taxes	34,189	-	140,527	174,716
Franchise and lodgers taxes	135,768	-	246,228	381,996
Interest receivable	141,943	-	-	141,943
Intergovernmental				
Federal	5,949	-	380,980	386,929
State	36,664	-	-	36,664
Local	2,846,547	3,478,948	-	6,325,495
Housing incentive	151,441	-	-	151,441
Accounts				
Ambulance	1,243,749	-	-	1,243,749
Weed mowing	96,427	-	-	96,427
Court fines	563,219	-	-	563,219
Other	-	-	7,283	7,283
Subtotal	<u>15,757,936</u>	<u>3,478,948</u>	<u>1,284,149</u>	<u>20,521,033</u>
Less: Allowance for uncollectibles	<u>(456,980)</u>	<u>-</u>	<u>-</u>	<u>(456,980)</u>
Net receivables	<u>\$ 15,300,956</u>	<u>3,478,948</u>	<u>1,284,149</u>	<u>20,064,053</u>



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<b>Business-Type Funds</b>	<b>(600) Joint Utility</b>	<b>(100) Solid Waste Disposal</b>	<b>Total Business-Type</b>	<b>Internal Service Funds</b>
Water fees	\$ 859,873	-	859,873	-
Sewer fees	646,041	-	646,041	-
Solid waste fees	-	459,095	459,095	-
Other taxes				
Gross receipts tax	254,557	-	254,557	-
Intergovernmental				
State	364,861	-	364,861	-
Other	-	-	-	51,445
Subtotal	2,125,332	459,095	2,584,427	51,445
Less: Allowance for uncollectibles	(272,984)	(18,656)	(291,640)	-
Net receivables	\$ 1,852,348	440,439	2,292,787	51,445

**NOTE 5 – 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:

<b>Transfers Out</b>	<b>Transfers In</b>	<b>Amount</b>
Lodger's Tax fund (230)	General fund (001)	\$ 220,728
Recreational Expendable fund (760)	General fund (001)	111,013
General fund (001)	Safer Grant fund (140)	156,215
General fund (001)	COPS Grant fund (150)	456,031
General fund (001)	H and W Learning Center (160)	252,915
Lodger's Tax fund (230)	H and W Learning Center (160)	62,846
General fund (001)	Older American fund (170)	696,204
General fund (001)	Golf fund (180)	1,546,765
Lodger's Tax fund (230)	Golf fund (180)	38,824
General fund (001)	Cemetery fund (190)	229,678
General fund (001)	Public Transportation fund (270)	279,277
General fund (001)	Fire Protection fund (280)	50,000
General fund (001)	Community Dev fund (370)	451,864
City Comm. Impr. (490)	Joint utility fund (600)	2,000,000
Government-wide fixed asset transfer	Business-type fixed asset transfer	70,040
Business-type fixed asset transfer	Government-wide fixed asset transfer	171,208
		\$ 6,793,608
<b>Due from other funds</b>	<b>Due to other funds</b>	<b>Amount</b>
General Fund (001)	Public Transportation (270)	\$ 69,268

The allocation of internal service fund revenues and expenses to governmental and business activities resulted in a net amount due to the business-type activities from the governmental activities of \$91,281.

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

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**NOTE 6 – CAPITAL ASSETS**

The following is a summary of capital assets and changes occurring during the year ended June 30, 2018:

**Primary Government**

<i>Governmental Activities includes</i>	Balance					Balance
<i>Internal Service Funds</i>	June 30, 2017	Additions	Restatement	Deletions	Transfers	June 30, 2018
Capital assets not being depreciated:						
Land	\$ 8,004,305	-	-	-	-	8,004,305
Construction in progress	33,906,922	28,623,833	3,540,357	-	-	66,071,112
Total capital assets not being depreciated	41,911,227	28,623,833	3,540,357	-	-	74,075,417
Capital assets being depreciated:						
Buildings and improvements	56,248,131	-	-	-	-	56,248,131
Equipment	42,322,562	3,888,029	760,280	(1,342,422)	(70,040)	45,558,409
Land improvements	66,784,880	304,809	-	-	-	67,089,689
Infrastructure	111,533,814	61,211	-	-	171,208	111,766,233
Total capital assets being depreciated	276,889,387	4,254,049	760,280	(1,342,422)	101,168	280,662,462
Total capital assets	318,800,614	32,877,882	4,300,637	(1,342,422)	101,168	354,737,879
Amortizable assets						
Intangible assets	2,607,128	-	-	-	-	2,607,128
Total amortizable assets	2,607,128	-	-	-	-	2,607,128
Less accumulated depreciation:						
Buildings and improvements	(28,823,129)	(2,501,567)	-	-	-	(31,324,696)
Equipment	(27,960,188)	(2,501,394)	(194,245)	1,342,422	-	(29,313,405)
Land improvements	(10,991,568)	(2,571,598)	-	-	-	(13,563,166)
Infrastructure	(40,284,866)	(4,564,408)	-	-	-	(44,849,274)
Total accumulated depreciation	(108,059,751)	(12,138,967)	(194,245)	1,342,422	-	(119,050,541)
Less accumulated amortization						
Intangible assets	(2,254,468)	(158,823)	-	-	-	(2,413,291)
Total accumulated amortization	(2,254,468)	(158,823)	-	-	-	(2,413,291)
Capital assets, net	\$ 211,093,523	20,580,092	4,106,392	-	101,168	235,881,175

Depreciation and amortization expense for the year ended June 30, 2018 was charged to governmental activities as follows:

Governmental activities:	
General government	\$ 2,587,053
Public safety	3,714,885
Public works	1,699,631
Culture and recreation	2,264,246
Health and welfare	2,031,974
Total	12,297,790
Internal Service Fund	-
Total governmental activities	\$ 12,297,790

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<i>Business-Type Activities</i>	Balance June 30, 2017	Additions	Restatement	Deletions	Transfers	Balance June 30, 2018
Capital assets not being depreciated:						
Land	\$ 12,473	-	-	-	-	12,473
Construction in progress	6,130,656	4,953,963	1,265,876	-	-	12,350,495
Total capital assets not being depreciated	6,143,129	4,953,963	1,265,876	-	-	12,362,968
Capital assets being depreciated:						
Buildings and improvements	28,445,723	-	-	(12,598)	-	28,433,125
Equipment	43,867,907	153,204	-	(159,193)	70,040	43,931,958
Land improvements	2,252,333	-	-	-	-	2,252,333
Infrastructure	61,204,689	234,538	-	-	(171,208)	61,268,019
Total capital assets being depreciated	135,770,652	387,742	-	(171,791)	(101,168)	135,885,435
Total capital assets	141,913,781	5,341,705	1,265,876	(171,791)	(101,168)	148,248,403
Amortizable assets						
Intangible assets	5,000	-	-	-	-	5,000
Total amortizable assets	5,000	-	-	-	-	5,000
Less accumulated depreciation:						
Buildings and improvements	(15,008,653)	(917,797)	-	12,598	-	(15,913,852)
Equipment	(35,993,894)	(992,003)	-	159,193	-	(36,826,704)
Land improvements	(1,307,538)	(42,582)	-	-	-	(1,350,120)
Infrastructure	(18,230,906)	(1,887,484)	-	-	-	(20,118,390)
Total accumulated depreciation	(70,540,991)	(3,839,866)	-	171,791	-	(74,209,066)
Less accumulated amortization						
Intangible assets	(885)	(125)	-	-	-	(1,010)
Total accumulated amortization	(885)	(125)	-	-	-	(1,010)
Total capital assets net of depreciation \$	71,376,905	1,501,714	1,265,876	-	(101,168)	74,043,327

Depreciation and amortization expense for the year ended June 30, 2018 was charged to business-type activities as follows:

Business type activities:	
Joint Utility	\$ 3,839,991
Solid waste disposal	-
Total business-type activities	\$ 3,839,991

**NOTE 7 – LONG-TERM DEBT**

During the year ended June 30, 2018, the following changes occurred in the liabilities reported in the government- wide statement of net position:

Governmental Activities

	Balance June 30, 2017	Additions	Deletions	Restatements	Balance June 30, 2018	Due Within One Year
<b>Governmental Activities:</b>						
Capital lease	\$ -	292,766	(265,252)	478,908	506,422	168,160
Compensated Absences	1,866,355	913,941	(953,244)	-	1,827,052	456,763
Net pension liability	61,233,904	-	(10,617,174)	-	50,616,730	-
Net OPEB liability	25,419,278	-	(2,270,915)	17,081,398	40,229,761	-
Total long-term debt	\$ 88,519,537	1,206,707	(14,106,585)	17,560,306	93,179,965	624,923

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As of June 30, 2018, balances of capital leases are as follows:

<b>Capital Leases</b>	<b>Date of Issue</b>	<b>Maturity</b>	<b>Interest Rate</b>	<b>Amount of Original Issue</b>	<b>Balance June 30, 2018</b>
Ambulance	3/24/2014	2/15/2018	3.60%	\$ 281,504	-
Ambulance	4/1/2017	5/1/2020	2.97%	478,776	282,448
Ambulance	10/20/2017	5/20/2021	3.82%	292,766	223,974
				<u>\$ 1,053,046</u>	<u>506,422</u>

The aggregated capital lease payments required on the outstanding capital lease payable of the governmental funds is as follows:

<b>Fiscal Year Ending June 30,</b>	<b>Principal</b>	<b>Interest</b>	<b>Total Debt Service</b>
2019	\$ 168,160	17,197	185,357
2020	248,560	22,642	271,202
2021	89,702	3,513	93,215
2022	-	-	-
2023	-	-	-
	<u>\$ 506,422</u>	<u>43,352</u>	<u>549,774</u>

**Proprietary Funds**

	<b>Balance June 30, 2017</b>	<b>Additions</b>	<b>Deletions</b>	<b>Restatements</b>	<b>Balance June 30, 2018</b>	<b>Due Within One Year</b>
<b>Business-Type Activities:</b>						
NMFA and NMED loans	\$ 29,568,433	124,307	(1,858,150)	234,560	28,069,150	1,902,978
Compensated Absences	225,471	87,609	(149,011)	-	164,069	164,069
Net pension liability	5,759,626	-	(998,979)	-	4,760,647	-
Net OPEB liability	2,790,349	-	(249,285)	1,875,075	4,416,139	-
Total long-term debt	<u>\$ 38,343,879</u>	<u>211,916</u>	<u>(3,255,425)</u>	<u>2,109,635</u>	<u>37,410,005</u>	<u>2,067,047</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.

As of June 30, 2018, balances of NMFA and NMED loans are as follows:

<b>NMFA and NMED Notes Payable</b>	<b>Date of Issue</b>	<b>Maturity</b>	<b>Interest Rate</b>	<b>Original Issue</b>	<b>June 30, 2018</b>
NMED Wastewater Loan	3/7/2011	7/21/2030	2.00%	\$ 31,419,101	\$ 21,805,777
NMFA Clean Drinking Water Loan	5/13/2005	5/1/2023	1.75%	5,226,750	3,246,679
NMFA Water Project Loan	3/22/2013	6/1/2032	0.25%	1,319,488	930,981
NMFA WTB Effluent Refuse Project	6/12/2015	6/1/2035	0.25%	1,280,000	1,093,678
NMFA WTB Effluent Refuse Project	6/12/2016	6/1/2036	0.25%	723,040	633,168
NMFA WTB#8 Water Project	10/14/2016	6/1/2038	0.25%	234,560	234,560
NMED CWSRF 064	10/16/2017	10/31/2038	1.20%	6,143,300	124,307
				<u>\$ 46,346,239</u>	<u>\$ 28,069,150</u>

The City entered into a loan agreement with the New Mexico Finance Authority on May 13, 2005 for a total commitment of \$5,226,750. The loan has an interest rate of 1.75% with an administration fee of .25%. The principal and interest 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.

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

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amended (the Wastewater Facility Construction Loan Act) and the New Mexico Quality Control Commission Regulations. The purpose of the loan is to finance a project to acquire, construct, modify, and otherwise improve the wastewater facilities of the City's joint water and sewer system. The loan has an interest rate of 2% and the principal amount of the loan is not to exceed \$20,000,000. The loan agreement was amended on January 10, 2008, to increase the total available under the loan to \$35,000,000. The loan will be payable and collectible solely from the net revenues to be derived from the operation of the joint water and sewer system.

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

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

The 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.

The City entered into a grant/loan agreement with the New Mexico Finance Authority on October 14, 2016 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 grant portion of the agreement is \$351,840 and the total loan amount is \$234,560 with an interest rate of .25% over the term of the loan. The loan matures on June 1, 2038 and will be payable and collectible solely from the net revenues to be derived from the operation of the joint water and sewer system.

NMFA has subsequently notified the City that the project will expire on October 14, 2018. As of the end of the year, the City's project had a full balance of \$586,400 remaining of the 2016 award. Any funds not drawn prior to the expiration date of October 14, 2018, will revert to the original funding source.

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.

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

<b>Fiscal Year</b>				<b>Total Debt</b>
<b>Ending June 30,</b>		<b>Principal</b>	<b>Interest</b>	<b>Service</b>
2019	\$	1,902,978	509,236	2,412,214
2020		1,938,920	473,292	2,412,212
2021		1,974,604	435,092	2,409,696
2022		2,010,991	401,222	2,412,213
2023		2,048,098	364,114	2,412,212
2024-2028		10,823,340	1,238,171	12,061,511
2029-2033		6,978,944	285,378	7,264,322
Thereafter		391,275	560	391,835
	\$	<u>28,069,150</u>	<u>3,707,065</u>	<u>31,776,215</u>

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**NOTE 8 – LINE OF CREDIT**

On December 7, 2016, the City established a \$634,000 irrevocable letter of credit with Lea County State Bank at .051% in order to meet an insurance requirement. There was no balance outstanding on the line-of-credit as of June 30, 2018. 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 \$634,000 and a maturity date of December 6, 2018.

**NOTE 9 – CONDUIT DEBT OBLIGATIONS**

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

<u>Recipient</u>	<u>Date of Issue</u>	<u>Retirement Date</u>	<u>Amount Issued</u>	<u>Amount Outstanding June 30, 2018</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

**NOTE 10 – OPERATING LEASES**

The City did not have any new or existing operating lease agreements at June 30, 2018.

**NOTE 11 – RISK MANAGEMENT**

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

The City maintains a large deductible workers' compensation policy, which is also accounted for in the Risk Management Internal Service Fund. Claims exceeding \$250,000 per occurrence up to \$1,000,000 annually are covered by commercial insurance. Claims are paid monthly as reported. An estimate for claims incurred but not paid is calculated by the third-party administrator of the policy. This estimated liability was calculated to be \$353,130 at June 30, 2018 and is reported as a liability on the financial statements.

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

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

**NOTE 12 – PENSION PLAN**

**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

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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.

**Benefits Provided** - 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 compressive annual financial report for Contribution provided description.

**Pension Liabilities, Pension Expense, and Deferred Outflows of Resources and Deferred Inflows of Resources Related to Pensions** – At June 30, 2018, the City of Hobbs reported a liability of \$55,377,377 for its proportionate share of the net pension liability. The net pension liability was measured as of June 30, 2017, and the total pension liability used to calculate the net pension liability was determined by an actuarial valuation as of June 30, 2016. The total pension liability was rolled-forward from the valuation date to the plan year ending June 30, 2017 using generally accepted actuarial principles. Therefore, the employer's portion was established as of the measurement date of June 30, 2017. There were no significant events or changes in benefit provision that required an adjustment to the roll-forward liabilities as of June 30, 2017. 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, 2017, the City of Hobbs's proportion was 7.5030%, which was a decrease of 0.0139% from its proportion measured as of June 30, 2016.

**For PERA Fund Division; Municipal General Division**, at June 30, 2018, the City reported a liability of \$22,136,502 for its proportionate share of the net pension liability. At June 30, 2017, the City's proportion was 1.6110%, which was a decrease of 0.0190% from its proportion measured as of June 30, 2017.

For the year ended June 30, 2018, the City of Hobbs recognized pension expense of \$3,177,084. At June 30, 2018, the City of Hobbs reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

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<b>Municipal General Division</b>	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 869,814	1,133,766
Changes of assumptions	1,020,822	228,751
Net difference between projected and actual earnings on pension plan investments	1,816,166	-
Change in proportion and differences between the City contributions and proportionate share of contributions	898,751	-
The City contributions subsequent to the measurement date	1,538,840	-
Total	\$ <u>6,144,393</u>	<u>1,362,517</u>

\$1,538,840 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, 2018. 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
2019	\$ 1,126,333
2020	2,280,865
2021	366,603
2022	(530,765)
2023	-
Thereafter	-

**Municipal Police Division** - At June 30, 2018, the City of Hobbs reported a liability of \$15,745,839 for its proportionate share of the net pension liability. At June 30, 2017, the City of Hobbs's proportion was 2.8342%, which was a decrease of 0.0409% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the City of Hobbs recognized pension expense of \$2,323,018. At June 30, 2018, the City of Hobbs reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>Municipal Police Division</b>	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 956,325	2,941,956
Changes of assumptions	936,824	366,143
Net difference between projected and actual earnings on pension plan investments	1,268,112	-
Change in proportion and differences between the City contributions and proportionate share of contributions	758,278	161,184
The City contributions subsequent to the measurement date	969,107	-
Total	\$ <u>4,888,646</u>	<u>3,469,283</u>

\$969,107 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, 2018. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:



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Year Ended June 30:	Amount
2019	\$ 326,749
2020	990,598
2021	(496,312)
2022	(370,779)
2023	-
Thereafter	-

**Municipal Fire Division** - At June 30, 2018, the City of Hobbs reported a liability of \$17,495,036 for its proportionate share of the net pension liability. At June 30, 2017, the City of Hobbs's proportion was 3.0578%, which was an increase of 0.0080% from its proportion measured as of June 30, 2016.

For the year ended June 30, 2018, the City of Hobbs recognized pension expense of \$1,983,195. At June 30, 2018, the City of Hobbs reported deferred outflows of resources and deferred inflows of resources related to pensions from the following sources:

<b>Municipal Fire Division</b>		Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$	571,247	2,190,667
Changes of assumptions		691,649	109,686
Net difference between projected and actual earnings on pension plan investments		656,747	-
Change in proportion and differences between the City contributions and proportionate share of contributions		108,086	148,119
The City contributions subsequent to the measurement date		680,376	-
Total	\$	<u>2,708,105</u>	<u>2,448,472</u>

\$680,376 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, 2018. 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
2019	\$ 36,562
2020	174,945
2021	(443,031)
2022	(189,219)
2023	-
Thereafter	-

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**Actuarial assumptions** - The total pension liability in the June 30, 2017 actuarial valuation was determined using the following significant actuarial assumptions, applied to all periods included in the measurement:

<b>Actuarial valuation date</b>	June 30, 2016
<b>Actuarial cost method</b>	Entry Age Normal
<b>Amortization method</b>	Level Percent of Pay, Open
<b>Amortization period</b>	Solved for based on statutory rates
<b>Asset valuation method</b>	4 Year Smoothed Market Value
<b>Actuarial assumptions</b>	
Investment rate of return	7.51% annual rate, net of investment expense
Projected benefit payment	100 years
Payroll growth	2.75% for first 9 years, then 3.25 annual rate
Projected salary increases	2.75% to 14.00% annual rate
Includes inflation at	Includes inflation at 2.25% for the first 10 years and 2.75% thereafter
Mortality assumption	RP-2000 Mortality Tables (Combined table for healthy post-retirement, Employee table for active members, and Disabled table for disabled retirees before retirement age) with projection to 2018 using Scale AA.
Experience study dates	July 1, 2008 to June 30, 2013 (demographic) and July 1, 2010 through June 30, 2016 (economic)

The total pension liability, net pension liability, and certain sensitivity information are based on an actuarial valuation performed as of June 30, 2016. The total pension liability was rolled-forward from the valuation date to the plan year ended June 30, 2017. These assumptions were adopted by the Board use in the June 30, 2016 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:

<b>All Funds - Asset Class</b>	<b>Target Allocation</b>	<b>Long-Term Expected Real Rate of Return</b>
Global Equity	43.50%	7.39%
Risk Reduction & Mitigation	21.50%	1.79%
Credit Oriented Fixed Income	15.00%	5.77%
Real Assets	20.00%	7.35%
Total	100.00%	

**Discount rate** – A single discount rate of 7.51% was used to measure the total pension liability as of June 30, 2017. This single discount rate was based on a long-term expected rate of return on pension plan investments of 7.51%, 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 7.51 percent, as well as what the City's proportionate share of the net pension

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liability would be if it were calculated using a discount rate that is 1-percentage-point lower (6.51 percent) or 1-percentage-point higher (8.51 percent) than the current rate:

<b>PERA Fund Division</b>	<b>1% Decrease (6.51%)</b>	<b>Current Discount Rate (7.51%)</b>	<b>1% Increase (8.51%)</b>
Municipal General Division	\$ 34,695,211	22,136,502	11,692,190
Municipal Police Division	\$ 25,110,245	15,745,839	8,060,958
Municipal Fire Division	\$ 23,447,876	17,495,036	12,589,352

**Pension plan fiduciary net position** - Detailed information about the pension plan's fiduciary net position is available in separately issued PERA'S financial reports, available at <http://www.nmpera.org/>.

**NOTE 13 – POSTEMPLOYMENT BENEFITS OTHER THAN PENSIONS (OPEB)**

**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.

**Employees covered by benefit terms** – At June 30, 2018, the following employees were covered by the benefit terms:

Active plan members	569
Inactive plan members or beneficiaries currently receiving benefit payments	118
	<u>687</u>

**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:

	<b>2018</b>	<b>2017</b>	<b>2016</b>
City contributions	\$ 436,090	434,445	417,734
Employee contributions	652,464	640,284	549,524
	<u>\$ 1,088,554</u>	<u>1,074,729</u>	<u>967,258</u>

**Net OPEB Liability**

The City's net OPEB liability was measured as of June 30, 2018, and the total OPEB liability used to calculate the net OPEB liability was determined by an actuarial valuation as of July 01, 2017.

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**Actuarial assumptions** – The total OPEB liability in the June 30, 2018 actuarial valuation was determined using the following actuarial assumptions, applied to all periods included in the measurement, unless otherwise specified:

<b>Actuarial method</b>	Entry Age Normal – Level % of Salary Method
<b>Measurement date</b>	Last day of the fiscal year (i.e. – June 30, 2018)
<b>Measurement period</b>	July 1, 2017 to June 30, 2018
<b>Valuation date</b>	First day of the fiscal year (i.e. - July 1, 2017)
<b>Census data</b>	As of July 1, 2018
<b>Service cost</b>	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 retirement.
<b>Discount rates</b>	For the Fiscal Year Ending June 30, 2018: 3.58% For the Fiscal Year Ending June 30, 2017: 2.85% For the Fiscal Year Ending June 30, 2016: 3.80%
<b>Municipal bond rate basis</b>	Bond Buyer General Obligation 20-Bond Municipal Bond Index
<b>CPI</b>	2.50%
<b>Life insurance administrative load</b>	10.0% (applied only to pre-Medicare retiree life insurance amounts)
<b>Salary scale</b>	3.00%
<b>Health benefits participation</b>	95% of future retirees are assumed to elect participation in the healthcare plan.
<b>Life insurance participation</b>	100% of future retirees are assumed to participate in the life insurance plan.
<b>Spouse age difference &amp; marriage percentage</b>	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
<b>Healthy mortality</b>	RP-2006 Headcount-Weighted Healthy Employee Male / Female Mortality Table with Fully Generational Mortality Improvement Projections from the central year using Scale MP-2017
<b>Disabled mortality</b>	RP-2006 Headcount-Weighted Disabled Male / Female Mortality Table with Fully Generational Improvement Projections from the central year using Scale MP-2017

**Discount rate** – The discount rate used to measure the total OPEB liability was 3.58 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.

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**Changes in the Net OPEB Liability**

		<b>Increase/(Decrease)</b>	
	<b>Total OPEB Liability</b>	<b>Plan Fiduciary Net Position</b>	<b>Net OPEB Liability</b>
<b>June 30, 2017</b>	\$ 47,166,100	-	47,166,100
Changes recognized for the fiscal year			
Service cost	4,329,000	-	4,329,000
Interest on total OPEB liability	1,452,400	-	1,452,400
Changes of benefit terms	-	-	-
Differences between expected and actual experience	-	-	-
Changes of assumptions	(7,226,900)	-	(7,226,900)
Benefit payments	(1,074,700)	(1,074,700)	-
Contributions from the employer	-	434,400	(434,400)
Contributions from the employee	-	640,300	(640,300)
Net investment income	-	-	-
Administrative expense	-	-	-
Net changes	(2,520,200)	-	(2,520,200)
<b>June 30, 2018</b>	\$ 44,645,900	-	44,645,900

***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-percentagepoint higher than the current discount rate:

	<b>1% Decrease (2.58%)</b>	<b>Current Discount Rate (3.58%)</b>	<b>1% Increase (4.58%)</b>
Net OPEB liability \$	\$ 54,779,300	\$ 44,645,900	\$ 37,011,400

***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:

	<b>1% Decrease</b>	<b>Current Trend Rate</b>	<b>1% Increase</b>
Net OPEB liability \$	\$ 36,449,100	\$ 44,645,900	\$ 55,780,100

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

For the year ended June 30, 2018, the City recognized OPEB expense of \$5,019,100. At June 30, 2018, the City reported deferred outflows of resources and deferred inflows of resources related to OPEB from the following sources:

<b>Municipal General Division</b>	<b>Deferred Outflows of Resources</b>	<b>Deferred Inflows of Resources</b>
Differences between expected and actual experience	\$ -	-
Changes of assumptions	-	6,464,600
Net difference between expected and actual earnings on OPEB plan investments	-	-
The City contributions made after the measurement date	436,090	-
Total	\$ 436,090	6,464,600

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

Year Ended June 30:	Amount
2019	\$ (762,300)
2020	(762,300)
2021	(762,300)
2022	(762,300)
2023	(762,300)
Thereafter	(2,653,100)

**NOTE 14 – CONTINGENT LIABILITIES**

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

**NOTE 15 – FEDERAL AND STATE GRANTS**

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

**NOTE 16 – JOINT POWERS AGREEMENTS AND MEMORANDUMS OF UNDERSTANDING**

**Estacado Library Information Network** – The City entered into a joint powers agreement on December 1, 1997 with the City of Lovington, College of the Southwest, New Mexico Junior College, and the Jal Public Library Fund, all of which operate libraries in Lea County, New Mexico to form the 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 an agency 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 promote physical fitness and community recreational opportunities for all other residents in the community. During the time the City has use of the facilities it shall be opened and used for supervised swimming, gymnasium and handball purposes by persons other than students, and shall be under the supervision of the City. This agreement shall continue for a period of five years, and thereafter as mutually agreeable by both parties. Audit responsibility lies with the Hobbs Municipal Schools.

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

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

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

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

The City entered into a joint powers agreement on February 2, 2015 with Hobbs Municipal Schools regarding field turf at Veteran's Memorial Park. This agreement is to continue indefinitely as mutually agreeable by both parties. Audit responsibility lies with the Hobbs Municipal Schools.

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

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

The City entered into an agreement with the State of New Mexico Energy, Minerals and Natural Resources Department (EMNRD) for Wildland Fire Protection and Suppression setting terms for reimbursements of expenses incurred with fighting wildland fires in the region. The agreement provides for up to \$10,000 in reimbursement per year. The agreement may be terminated by either party upon 90 days written notice. Audit responsibility lies with the City of Hobbs.

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

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

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

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

**Lea County and the New Mexico Junior College** – On July 6, 2010, the City of Hobbs, Lea County, and the New Mexico Junior College entered into a memorandum of understanding to jointly provide training to police officers, deputies, corrections officers, civilian police employees, crime scene analysts, and parole and probation officers in and around the Lea County area. The City agreed to provide initial funding of \$10,000 to pay presenters' fees for the training. The College agreed to provide the location for the training and to be responsible for registration and the collection of registration fees, and to reimburse the City the amount of the initial funding or the amount of registration fees collected, whichever is less. In the event that the registration fees are less than the initial funding, the County agreed to reimburse the City for one-half of the difference between the refunded amount and the initial funding. The College acted as the fiscal agent for the expenditure of the funds and audit responsibility lies with the College.

**Lea County Detention Center** – On May 7, 2012, the City authorized the Mayor to execute an agreement with Lea County to house Lea County Detention Facility Prisoners in the Hobbs Detention Facility. In exchange Lea County will pay Hobbs the sum of \$65.50 per day, pro-rated for partial days, from the date of incarceration through the date of release for housing and board and related services rendered at the center. Audit responsibility lies with both Lea County and the City.

**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 2017.

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



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**Justice Assistance Grant Edward Byre** – On July 15, 2013, the City executive an agreement with Lea County regarding application for the Edward Byrne Memorial Justice Assistance Grant program. Under the terms of the agreement, the funding from the grant in the amount of \$17,582 will be distributed to the City of Hobbs Police Department. The City 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 \$61,000,000. Once the HWLC is completed, the parties will share in the cost of utilities and maintenance of the HWLC and the use of the HWLCC will be shared by the parties in accordance with the MOU. The costs of the programs and activities that the City, NMJC, and the District conduct at the HWLC will be paid by the sponsoring entity and will not be shared.

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

NMJC will contribute \$300,000 annually towards facility costs. The 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. The City of Hobbs is the fiscal agent for the HWLC project and there were \$55,300,209 in design and construction costs incurred since the inception of the project through fiscal year ending June 30, 2018. Reimbursement owed to the City by the Maddox Foundation totaled \$3,244,496 at June 30, 2018. All funding for design and construction costs have been received from NMJC and Hobbs Municipal School District as of June 30, 2018. Audit responsibility rest with each individual party described above.

**NOTE 17 – OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES**

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

- A. Deficit fund balance of individual funds. The following funds reported a deficit fund balance as of June 30, 2018:

<b>Fund</b>	<b>Fund Type</b>	<b>Amount</b>
Old American Act fund (170)	Special revenue	\$ (39,382)
Golf fund (180)	Special revenue	(96,442)
Cemetery fund (190)	Special revenue	(11,481)
Public Transportation fund (270)	Special revenue	(32,789)
Community Development fund (370)	Special revenue	(34,183)
		<u>\$ (214,277)</u>

- B. Excess of expenditures over appropriations. The City's Airport fund exceeded approved budgetary authority in the amount of \$15,200 for the year ended June 30, 2018.
- C. Designated cash appropriations in excess of available balances. No funds exceeded approved budgetary authority for the year ended June 30, 2018.

**NOTE 18 – CONSTRUCTION AND OTHER SIGNIFICANT COMMITMENTS**

The City had outstanding construction commitments for construction and infrastructure projects of \$7,763,838 as of June 30, 2018.

**STATE OF NEW MEXICO  
CITY OF HOBBS  
Notes to the Financial Statements  
For the Year Ended June 30, 2018**

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

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

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

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

Once the HWLC is completed, the parties will share in the cost of utilities and maintenance of the HWLC and the use of the HWLC 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.

The City has prepaid housing incentive commitments related to the above program totaling \$438,941 at June 30, 2018 which relates to 10 police officers and 7 firefighters/ems.

**NOTE 19 – CONCENTRATION**

As of June 30, 2018, 72 of the City's 707 employees (10%) are police union employees who work under a collective bargaining agreement approved on June 15, 2015. The term of the agreement expires on June 15, 2020. In addition, the City had 47 of their 707 employees (7%) that were part of a fire union agreement. This agreement was approved on November 3, 2014 and expires on June 30, 2019.

**NOTE 20 - EVALUATION OF SUBSEQUENT EVENTS**

Subsequent events are events or transactions that occur after the statement of financial position/balance sheet date but before the financial statements are issued. The City recognizes in the financial statements the effects of all subsequent events that provide additional evidence about conditions that existed at the date of the statement of financial position/balance sheet, including the estimates inherent in the process of preparing the financial statements. The City's financial statements do not recognize subsequent events that provide evidence about conditions that did not exist at the date of the statement of financial position/balance sheet but arose after the statement of financial position/balance sheet date and before financial statements are available to be issued. The City has evaluated subsequent events through December 10, 2018, which is the date the financial statements were available to be issued.

**NOTE 21 – TAX ABATEMENTS**

The City of Hobbs negotiates property tax abatements on an individual basis. The City has tax abatement agreements with two entities as of June 30, 2018. Each agreement was negotiated under the State of New Mexico Article 32, Industrial Revenue Bonds (IRB'S) allowing local municipal governments to abate

**STATE OF NEW MEXICO  
CITY OF HOBBS  
Notes to the Financial Statements  
For the Year Ended June 30, 2018**

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 of Hobbs is reported. Personal property tax abatement for equipment purchased with IRB's is reported by the recipient. In addition to Note 9 information related to the reduction of property tax abatements affecting the City of Hobbs for fiscal year ended June 30, 2018 is:

	Lea County's Assessed Value	1/3rd Taxable Value	(Non-Residential) City of Hobbs Property Tax Rate	City of Hobbs Property Tax Abated per year	Maturity year of IRB/Bond
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	2020

The City's entire disclosure as an abating agency is presented in the Schedule of Tax Abatements, as stated in the table of contents.

**NOTE 22 – RESTATEMENTS**

Restatements made were as follows:

<b>Fund Description</b>	<b>Fund</b>	<b>Reason</b>	<b>Amount</b>
General fund	001	Correction of ambulance receivables/allowance	\$ 932,812
		Correction of weed mowing receivables/allowance	40,499
		Correction of court fines receivables/allowance	473,105
Street Improvement	480	Correction of fuel tax receivable	60,338
Internal Service	720	Correction of contract receivable account	129,016
		Total governmental funds restatements	1,635,770
Government-wide	N/A	Net pension liability restatement	(1,269,034)
		Restatement of fixed assets due to capital lease, net	87,127
		Net OPEB liability restatement	(23,201,980)
		Capitalize previously expensed CIP	3,540,357
		Total government-wide restatements	(20,843,530)
		Total governmental activities restatements	(19,207,760)
Joint Utility	600	Correction of NMFA cash	273,331
		Correction of NMFA debt	(234,560)
		Net pension liability restatement	(119,406)
		Correction of sewer receivables	684,445
		Correction of water receivables	929,283
		Net OPEB liability restatement	(2,546,948)
		Capitalize previously expenses CIP	1,265,876
Solid Waste	100	Correction of sewer receivables/allowance	162,375
		Total proprietary (business-type) funds	414,396
		Total restatements \$	(18,793,364)

## **REQUIRED SUPPLEMENTARY INFORMATION**

**SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CITY OF HOBBS' PROPORTIONATE SHARE  
OF THE NET PENSION LIABILITY  
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN  
LAST 10 FISCAL YEARS\***

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
	Measurement Date as of			
	<u>June 30, 2017</u>	<u>June 30, 2016</u>	<u>June 30, 2015</u>	<u>June 30, 2014</u>
The City's proportion of the net pension liability (asset) (%)				
Municipal General	1.6110%	1.5920%	1.5029%	1.4202%
Municipal Police	2.8342%	2.8751%	2.6591%	2.4840%
Municipal Fire	3.0578%	3.0498%	3.1095%	3.5300%
	<u>7.5030%</u>	<u>7.5169%</u>	<u>7.2715%</u>	<u>7.4342%</u>
The City's proportionate share of the net pension liability (asset) (\$)				
Municipal General	\$ 22,136,502	25,434,803	15,323,368	11,079,084
Municipal Police	15,745,839	21,213,343	12,786,444	8,097,570
Municipal Fire	17,495,036	20,345,267	16,048,695	12,743,202
	<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	\$ 14,553,082	13,136,395	12,460,381	11,528,643
Municipal Police	6,973,544	6,214,741	5,215,611	4,783,820
Municipal Fire	4,051,918	3,555,033	3,407,308	3,400,537
	<u>\$ 25,578,544</u>	<u>22,906,169</u>	<u>21,083,300</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	152.11%	193.62%	122.98%	96.10%
Municipal Police	225.79%	341.34%	245.16%	169.27%
Municipal Fire	431.77%	572.29%	471.01%	374.74%
Plan fiduciary net position as a percentage of the total pension liability				
Municipal General	73.74%	69.18%	76.99%	81.29%
Municipal Police	73.74%	69.18%	76.99%	81.29%
Municipal Fire	73.74%	69.18%	76.99%	81.29%

\* *Governmental Accounting Standards Board Statement 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.

**SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION  
SCHEDULE OF CITY OF HOBBS' CONTRIBUTIONS  
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN  
LAST 10 FISCAL YEARS\***

	<u>2018</u>	<u>2017</u>	<u>2016</u>	<u>2015</u>
Contractually required contribution				
Municipal General	\$ 1,538,840	1,818,549	1,393,180	1,707,154
Municipal Police	969,107	1,690,531	1,070,700	1,350,091
Municipal Fire	680,376	1,136,782	629,241	1,050,436
	<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 contractually required contribution				
Municipal General	\$ 1,538,840	1,818,549	1,393,180	1,707,154
Municipal Police	969,107	1,690,531	1,070,700	1,350,091
Municipal Fire	680,376	1,136,782	629,241	1,050,436
	<u>\$ 3,188,323</u>	<u>4,645,862</u>	<u>3,093,121</u>	<u>4,107,681</u>
Contribution deficiency (excess)				
Municipal General	\$ -	-	-	-
Municipal Police	-	-	-	-
Municipal Fire	-	-	-	-
	<u>\$ -</u>	<u>-</u>	<u>-</u>	<u>-</u>

\* *Governmental Accounting Standards Board Statement 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, 2018**

**Changes of Benefit Terms:** The PERA and COLA and retirement eligibility benefits changes in recent years are described in Note 1 of PERA's CFAR. <https://www.saonm.org>

**Changes of Assumptions:** The Public Employ Retirement Association of New Mexico Annual Actuarial Valuations as of June 2016 report is available at <http://www.nmpera.org/>

**STATE OF NEW MEXICO  
CITY OF HOBBS  
SCHEDULE OF CHANGES IN THE  
CITY'S NET OPEB LIABILITY AND RELATED RATIOS  
LAST 10 FISCAL YEARS\***

	<b>2018</b>
	<u>Measurement Date as of</u>
	<u>July 01, 2017</u>
<b>Total OPEB liability</b>	
Service cost	\$ 4,329,000
Interest	1,452,400
Changes of benefit terms	-
Differences between expected and actual experience	-
Changes of assumptions	(7,226,900)
Benefit payments	(1,074,700)
Net change in total OPEB liability	<u>(2,520,200)</u>
Total OPEB liability - beginning	47,166,100
<b>Total OPEB liability - ending</b>	<b>\$ <u>44,645,900</u></b>
<b>Plan fiduciary net position</b>	
Contributions - employer**	\$ 434,400
Contributions - member**	640,300
Net investment income	-
Benefit payments	(1,074,700)
Administrative expense	-
Net change in plan fiduciary net position	<u>-</u>
Plan fiduciary net position - beginning	-
<b>Plan fiduciary net position - ending</b>	<b>\$ <u>-</u></b>
<b>City's net OPEB liability - ending</b>	<b>\$ <u>44,645,900</u></b>
<b>Plan fiduciary net position as a percentage of the total OPEB liability</b>	0.00%
<b>Covered-employee payroll</b>	24,015,100
<b>City's net OPEB liability as a percentage of covered-employee payroll</b>	185.91%

\*Governmental Accounting Standards Board Statement 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.

\*\*Employer benefit payments, employer and employee contributions were provided by the City.

**Notes to Schedule**

**Changes of Benefit Terms:** Amounts presented reflect an no increase in the retirees' share of health insurance premiums from 2017 to 2018.

**Changes of Assumptions:** The \$7,981,600 increase in the liability from June 30, 2016 to June 30, 2017 is due to the decrease in the assumed discount rate from 3.80% as of June 30, 2015 to 2.85% as of June 30, 2016. The \$7,226,900 decrease in the liability from June 30, 2017 from June 30, 2018 is due to the increase in the assumed discount rate from 2.85% as of June 30, 2016 to 3.58% as of June 30, 2017.

**STATE OF NEW MEXICO  
CITY OF HOBBS  
SCHEDULE OF CITY CONTRIBUTIONS  
LAST 10 FISCAL YEARS\***

	<b>2018</b>
Actuarially determined contribution	\$ 1,088,600
Contributions in relation to the actuarially determined contribution	1,088,600
Contribution deficiency (excess)	\$ -
Covered-employee payroll	\$ 24,015,100
Contributions as a percentage of covered-employee payroll	4.53%

\*Governmental Accounting Standards Board Statement 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 County is not available prior to fiscal year 2018, the year the statement's requirements became effective.

**Notes to Schedule**

Valuation Date	July 1, 2018
Methods and assumptions used to determine contribution rates:	
Actuarial cost method	Entry Age Normal - Level % of Salary
Asset valuation method	N/A
Salary increases	3.00%
Investment rate of return	N/A
Retirement age**	59
Mortality	RP-2006 headcount- weighted mortality table for healthy and disabled lives with fully generational mortality improvement projections from the central year using Scale MP-2017

\*\*Weighted average retirement age based on July 1, 2018 census data and retirement rates provided in the "Actuarial Assumptions and Methods" section of the report



## **SUPPLEMENTARY INFORMATION**

**STATE OF NEW MEXICO  
CITY OF HOBBS  
Non-Major Funds  
For the Year Ended June 30, 2018**

**NONMAJOR 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.

**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 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.

**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

**STATE OF NEW MEXICO  
CITY OF HOBBS  
Non-Major Funds  
For the Year Ended June 30, 2018**

acquire an aerial ladder fire truck. The fund was authorized by State law and requires the allotment to be used only for fire related purposes.

**Emergency Medical Services (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.

**Expendable Trust Funds:**

**Recreation (760)** – 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)** - To account for contributions from private sources restricted to use by the library for materials and projects. The fund was authorized by City resolution.

**Cemetery (790)** – 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)** – To account for contributions from private sources restricted to use by the City for parks improvements. The fund was authorized by City resolution.

**STATE OF NEW MEXICO  
CITY OF HOBBS  
Non-Major Funds  
For the Year Ended June 30, 2018**

**NONMAJOR 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, 2018**

	<b>Special Revenue Funds</b>	<b>Capital Projects Funds</b>	<b>Total</b>
<i>Assets</i>			
Cash and cash equivalents	\$ 2,782,677	4,075,766	6,858,443
Inventory	118,929	-	118,929
Receivables:			
GRT receivable	-	509,131	509,131
Other taxes	246,228	140,527	386,755
Due from other governments	380,980	-	380,980
Accounts receivables, net	7,283	-	7,283
<i>Total assets</i>	<u>\$ 3,536,097</u>	<u>4,725,424</u>	<u>8,261,521</u>
 <i>Liabilities, Deferred Inflows of Resources, and Fund Balances</i>			
<i>Liabilities</i>			
Accounts payable	\$ 283,227	-	283,227
Accrued payroll expenses	151,457	-	151,457
Due to other funds	69,268	-	69,268
<i>Total liabilities</i>	<u>503,952</u>	<u>-</u>	<u>503,952</u>
 <i>Deferred inflows of resources</i>			
Deferred inflows - property taxes	-	-	-
<i>Total deferred inflows of resources</i>	<u>-</u>	<u>-</u>	<u>-</u>
 <i>Fund balances</i>			
Nonspendable	118,929	-	118,929
Restricted			
Public safety	1,209,492	-	1,209,492
Culture and recreation	7,276	-	7,276
Transportation and roads	285,384	-	285,384
Health and welfare	5,692	-	5,692
Economic development	1,619,649	-	1,619,649
Capital projects	-	4,725,424	4,725,424
Unassigned	(214,277)	-	(214,277)
<i>Total fund balances</i>	<u>3,032,145</u>	<u>4,725,424</u>	<u>7,757,569</u>
 <i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 3,536,097</u>	<u>4,725,424</u>	<u>8,261,521</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 Balance**  
**Non-Major Governmental Funds**  
**For The Year Ended June 30, 2018**

	<b>Special Revenue Funds</b>	<b>Capital Projects Funds</b>	<b>Total</b>
<i>Revenues:</i>			
Taxes:			
Gross receipts	\$ -	2,593,351	2,593,351
Gasoline and motor vehicle	-	793,801	793,801
Lodger's	2,008,278	-	2,008,278
Intergovernmental:			
State operating grants	723,479	-	723,479
State capital grants	-	100,000	100,000
Federal operating grants	1,574,802	-	1,574,802
Federal capital grants	62,987	28,598	91,585
Charges for services	1,566,666	-	1,566,666
Licenses and fees	3,480	-	3,480
Investment income (loss)	84,012	59,920	143,932
Miscellaneous	71,139	-	71,139
<i>Total revenues</i>	<u>6,094,843</u>	<u>3,575,670</u>	<u>9,670,513</u>
<i>Expenditures:</i>			
Current:			
Public safety	1,485,570	-	1,485,570
Public works	1,019,721	-	1,019,721
Culture and recreation	3,637,992	-	3,637,992
Health and welfare	177,305	-	177,305
Economic development	479,303	-	479,303
Capital outlay	2,157,206	396,533	2,553,739
Debt service:			
Principal	-	-	-
Interest	20,749	-	20,749
<i>Total expenditures</i>	<u>8,977,846</u>	<u>396,533</u>	<u>9,374,379</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(2,883,003)</u>	<u>3,179,137</u>	<u>296,134</u>
<i>Other financing sources (uses)</i>			
Proceeds from issuance of debt	292,766	-	292,766
Transfers in	3,904,858	-	3,904,858
Transfers out	(433,411)	(2,000,000)	(2,433,411)
<i>Total other financing sources (uses)</i>	<u>3,764,213</u>	<u>(2,000,000)</u>	<u>1,764,213</u>
<i>Net change in fund balance</i>	881,210	1,179,137	2,060,347
<i>Fund balance, - beginning</i>	2,150,935	3,485,948	5,636,883
<i>Restatement</i>	-	60,339	60,339
<i>Fund balance - beginning as restated</i>	<u>2,150,935</u>	<u>3,546,287</u>	<u>5,697,222</u>
<i>Fund balance - ending</i>	<u>\$ 3,032,145</u>	<u>4,725,424</u>	<u>7,757,569</u>

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

**STATE OF NEW MEXICO  
CITY OF HOBBS  
NON-MAJOR SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEETS  
AS OF JUNE 30, 2018**

	<b>(110) Local Government Corrections Fund</b>	<b>(120) Police Protection Fund</b>	<b>(130) Police Narcotics Fund</b>	<b>(140) Safer Fund</b>	<b>(150) COPS Grant Fund</b>
<i>Assets</i>					
Cash and cash equivalents	\$ 559,796	87,000	1,919	1,000	1,000
Inventory	-	-	-	-	-
Receivables:					
Other taxes	-	-	-	-	-
Intergovernmental	-	-	-	87,351	80,001
Accounts receivables, net	-	-	-	-	-
<i>Total assets</i>	<u>\$ 559,796</u>	<u>87,000</u>	<u>1,919</u>	<u>88,351</u>	<u>81,001</u>
<i>Liabilities, Deferred Inflows of Resources, and Fund Balances</i>					
<i>Liabilities</i>					
Accounts payable	\$ -	6,318	-	-	-
Accrued payroll expenses	-	-	-	20,054	26,361
Due to other funds	-	-	-	-	-
<i>Total liabilities</i>	<u>-</u>	<u>6,318</u>	<u>-</u>	<u>20,054</u>	<u>26,361</u>
<i>Deferred inflows of resources</i>					
Deferred inflows - property taxes	-	-	-	-	-
<i>Total deferred inflows of resources</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances</i>					
Nonspendable	-	-	-	-	-
Restricted					
Public safety	559,796	80,682	1,919	68,297	54,640
Culture and recreation	-	-	-	-	-
Transportation and roads	-	-	-	-	-
Health and welfare	-	-	-	-	-
Economic development	-	-	-	-	-
Unassigned	-	-	-	-	-
<i>Total fund balances</i>	<u>559,796</u>	<u>80,682</u>	<u>1,919</u>	<u>68,297</u>	<u>54,640</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 559,796</u>	<u>87,000</u>	<u>1,919</u>	<u>88,351</u>	<u>81,001</u>

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

**STATE OF NEW MEXICO  
CITY OF HOBBS  
NON-MAJOR SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEETS  
AS OF JUNE 30, 2018**

	<b>(170) Older American Act Fund</b>	<b>(180) Golf Fund</b>	<b>(190) Cemetery Fund</b>	<b>(200) Airport Fund</b>	<b>(230) Lodger's Tax Promotional Fund</b>
<i>Assets</i>					
Cash and cash equivalents	\$ 1,000	397	1,000	288,518	1,382,921
Inventory	-	118,929	-	-	-
Receivables:					
Other taxes	-	-	-	-	246,228
Intergovernmental	22,722	-	-	-	-
Accounts receivables, net	-	7,283	-	-	-
<i>Total assets</i>	<u>\$ 23,722</u>	<u>126,609</u>	<u>1,000</u>	<u>288,518</u>	<u>1,629,149</u>
<i>Liabilities, Deferred Inflows of Resources, and Fund Balances</i>					
<i>Liabilities</i>					
Accounts payable	\$ 40,344	53,197	3,952	3,134	9,500
Accrued payroll expenses	22,760	50,925	8,529	-	-
Due to other funds	-	-	-	-	-
<i>Total liabilities</i>	<u>63,104</u>	<u>104,122</u>	<u>12,481</u>	<u>3,134</u>	<u>9,500</u>
<i>Deferred inflows of resources</i>					
Deferred inflows - property taxes	-	-	-	-	-
<i>Total deferred inflows of resources</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances</i>					
Nonspendable	-	118,929	-	-	-
Restricted					
Public safety	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Transportation and roads	-	-	-	285,384	-
Health and welfare	-	-	-	-	-
Economic development	-	-	-	-	1,619,649
Unassigned	(39,382)	(96,442)	(11,481)	-	-
<i>Total fund balances</i>	<u>(39,382)</u>	<u>22,487</u>	<u>(11,481)</u>	<u>285,384</u>	<u>1,619,649</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 23,722</u>	<u>126,609</u>	<u>1,000</u>	<u>288,518</u>	<u>1,629,149</u>

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**STATE OF NEW MEXICO  
CITY OF HOBBS  
NON-MAJOR SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEETS  
AS OF JUNE 30, 2018**

	<b>(270) Public Transportation Fund</b>	<b>(280) Fire Protection Fund</b>	<b>(290) Emergency Medical Services Fund</b>	<b>(370) Community Development Fund</b>	<b>(760) Recreational Expendable Trust Fund</b>
<i>Assets</i>					
Cash and cash equivalents	\$ -	444,158	11	1,000	-
Inventory	-	-	-	-	-
Receivables:					
Other taxes	-	-	-	-	-
Intergovernmental	61,142	-	-	129,764	-
Accounts receivables, net	-	-	-	-	-
<i>Total assets</i>	<u>\$ 61,142</u>	<u>444,158</u>	<u>11</u>	<u>130,764</u>	<u>-</u>
<i>Liabilities, Deferred Inflows of Resources, and Fund Balances</i>					
<i>Liabilities</i>					
Accounts payable	\$ 1,835	-	-	164,947	-
Accrued payroll expenses	22,828	-	-	-	-
Due to other funds	69,268	-	-	-	-
<i>Total liabilities</i>	<u>93,931</u>	<u>-</u>	<u>-</u>	<u>164,947</u>	<u>-</u>
<i>Deferred inflows of resources</i>					
Deferred inflows - property taxes	-	-	-	-	-
<i>Total deferred inflows of resources</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances</i>					
Nonspendable	-	-	-	-	-
Restricted					
Public safety	-	444,158	-	-	-
Culture and recreation	-	-	-	-	-
Transportation and roads	-	-	-	-	-
Health and welfare	-	-	11	-	-
Economic development	-	-	-	-	-
Unassigned	(32,789)	-	-	(34,183)	-
<i>Total fund balances</i>	<u>(32,789)</u>	<u>444,158</u>	<u>11</u>	<u>(34,183)</u>	<u>-</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 61,142</u>	<u>444,158</u>	<u>11</u>	<u>130,764</u>	<u>-</u>

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**STATE OF NEW MEXICO  
CITY OF HOBBS  
NON-MAJOR SPECIAL REVENUE FUNDS  
COMBINING BALANCE SHEETS  
AS OF JUNE 30, 2018**

	<b>(770) Library Expendable Trust Fund</b>	<b>(790) Cemetery Expendable Trust Fund</b>	<b>(800) Community Parks Expendable Trust Fund</b>	<b>Total Special Revenue Funds</b>
<i>Assets</i>				
Cash and cash equivalents	\$ 5,756	5,681	1,520	2,782,677
Inventory	-	-	-	118,929
Receivables:				
Other taxes	-	-	-	246,228
Intergovernmental	-	-	-	380,980
Accounts receivables, net	-	-	-	7,283
<i>Total assets</i>	<u>\$ 5,756</u>	<u>5,681</u>	<u>1,520</u>	<u>3,536,097</u>
<i>Liabilities, Deferred Inflows of Resources, and Fund Balances</i>				
<i>Liabilities</i>				
Accounts payable	\$ -	-	-	283,227
Accrued payroll expenses	-	-	-	151,457
Due to other funds	-	-	-	69,268
<i>Total liabilities</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>503,952</u>
<i>Deferred inflows of resources</i>				
Deferred inflows - property taxes	-	-	-	-
<i>Total deferred inflows of resources</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Fund balances</i>				
Nonspendable	-	-	-	118,929
Restricted				
Public safety	-	-	-	1,209,492
Culture and recreation	5,756	-	1,520	7,276
Transportation and roads	-	-	-	285,384
Health and welfare	-	5,681	-	5,692
Economic development	-	-	-	1,619,649
Unassigned	-	-	-	(214,277)
<i>Total fund balances</i>	<u>5,756</u>	<u>5,681</u>	<u>1,520</u>	<u>3,032,145</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 5,756</u>	<u>5,681</u>	<u>1,520</u>	<u>3,536,097</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, 2018**

	<b>(110) Local Government Corrections Fund</b>	<b>(120) Police Protection Fund</b>	<b>(130) Police Narcotics Fund</b>	<b>(140) Safer Fund</b>	<b>(150) COPS Grant Fund</b>
<i>Revenues:</i>					
Taxes:					
Lodger's	\$ -	-	-	-	-
Intergovernmental:					
State operating grants	-	87,000	-	-	-
Federal operating grants	-	-	-	378,562	344,084
Federal capital grants	-	-	-	-	-
Charges for services	239,589	-	-	-	-
Licenses and fees	-	-	-	-	-
Investment income (loss)	17,644	-	-	-	-
Miscellaneous	-	-	-	-	-
<i>Total revenues</i>	<u>257,233</u>	<u>87,000</u>	<u>-</u>	<u>378,562</u>	<u>344,084</u>
<i>Expenditures:</i>					
Current:					
Public safety	73,477	88,139	-	531,607	792,347
Public works	-	-	-	-	-
Culture and recreation	-	-	-	-	-
Health and welfare	-	-	-	-	-
Economic development	-	-	-	-	-
Capital outlay	-	-	-	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
<i>Total expenditures</i>	<u>73,477</u>	<u>88,139</u>	<u>-</u>	<u>531,607</u>	<u>792,347</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>183,756</u>	<u>(1,139)</u>	<u>-</u>	<u>(153,045)</u>	<u>(448,263)</u>
<i>Other financing sources (uses)</i>					
Proceeds from issuance of debt	-	-	-	-	-
Transfers in	-	-	-	156,215	456,031
Transfers out	-	-	-	-	-
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>156,215</u>	<u>456,031</u>
<i>Net change in fund balance</i>	183,756	(1,139)	-	3,170	7,768
<i>Fund balance, - beginning</i>	376,040	81,821	1,919	65,127	46,872
<i>Restatement</i>	-	-	-	-	-
<i>Fund balance - beginning as restated</i>	<u>376,040</u>	<u>81,821</u>	<u>1,919</u>	<u>65,127</u>	<u>46,872</u>
<i>Fund balance - ending</i>	<u>\$ 559,796</u>	<u>80,682</u>	<u>1,919</u>	<u>68,297</u>	<u>54,640</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, 2018**

	(170) Older American Act Fund	(180) Golf Fund	(190) Cemetery Fund	(200) Airport Fund	(230) Lodger's Tax Promotional Fund
<i>Revenues:</i>					
Taxes:					
Lodger's	\$ -	-	-	-	2,008,278
Intergovernmental:					
State operating grants	95,009	-	-	-	-
Federal operating grants	71,823	-	-	-	-
Federal capital grants	-	-	-	-	-
Charges for services	-	1,116,645	139,867	33,695	-
Licenses and fees	-	-	3,480	-	-
Investment income (loss)	-	-	-	11,131	24,484
Miscellaneous	62,466	1,500	-	-	-
<i>Total revenues</i>	<u>229,298</u>	<u>1,118,145</u>	<u>143,347</u>	<u>44,826</u>	<u>2,032,762</u>
<i>Expenditures:</i>					
Current:					
Public safety	-	-	-	-	-
Public works	-	-	293,000	-	-
Culture and recreation	939,645	2,698,347	-	-	-
Health and welfare	-	-	-	-	-
Economic development	-	-	-	45,147	434,156
Capital outlay	-	22,166	78,058	-	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	-	-	-	-
<i>Total expenditures</i>	<u>939,645</u>	<u>2,720,513</u>	<u>371,058</u>	<u>45,147</u>	<u>434,156</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(710,347)</u>	<u>(1,602,368)</u>	<u>(227,711)</u>	<u>(321)</u>	<u>1,598,606</u>
<i>Other financing sources (uses)</i>					
Proceeds from issuance of debt	-	-	-	-	-
Transfers in	696,204	1,585,589	229,678	-	-
Transfers out	-	-	-	-	(322,398)
<i>Total other financing sources (uses)</i>	<u>696,204</u>	<u>1,585,589</u>	<u>229,678</u>	<u>-</u>	<u>(322,398)</u>
<i>Net change in fund balance</i>	(14,143)	(16,779)	1,967	(321)	1,276,208
<i>Fund balance, - beginning</i>	(25,239)	39,266	(13,448)	285,705	343,441
<i>Restatement</i>	-	-	-	-	-
<i>Fund balance - beginning as restated</i>	<u>(25,239)</u>	<u>39,266</u>	<u>(13,448)</u>	<u>285,705</u>	<u>343,441</u>
<i>Fund balance - ending</i>	<u>\$ (39,382)</u>	<u>22,487</u>	<u>(11,481)</u>	<u>285,384</u>	<u>1,619,649</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, 2018**

	<b>(270) Public Transportation Fund</b>	<b>(280) Fire Protection Fund</b>	<b>(290) Emergency Medical Services Fund</b>	<b>(370) Community Development Fund</b>	<b>(760) Recreational Expendable Trust Fund</b>
<i>Revenues:</i>					
Taxes:					
Lodger's	\$ -	-	-	-	-
Intergovernmental:					
State operating grants	-	521,470	20,000	-	-
Federal operating grants	650,569	-	-	129,764	-
Federal capital grants	-	-	-	62,987	-
Charges for services	36,870	-	-	-	-
Licenses and fees	-	-	-	-	-
Investment income (loss)	-	30,484	-	-	-
Miscellaneous	6,500	-	-	-	-
<i>Total revenues</i>	<u>693,939</u>	<u>551,954</u>	<u>20,000</u>	<u>192,751</u>	<u>-</u>
<i>Expenditures:</i>					
Current:					
Public safety	-	-	-	-	-
Public works	726,086	-	-	-	-
Culture and recreation	-	-	-	-	-
Health and welfare	-	157,305	20,000	-	-
Economic development	-	-	-	-	-
Capital outlay	313,940	1,063,795	-	679,247	-
Debt service:					
Principal	-	-	-	-	-
Interest	-	20,749	-	-	-
<i>Total expenditures</i>	<u>1,040,026</u>	<u>1,241,849</u>	<u>20,000</u>	<u>679,247</u>	<u>-</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(346,087)</u>	<u>(689,895)</u>	<u>-</u>	<u>(486,496)</u>	<u>-</u>
<i>Other financing sources (uses)</i>					
Proceeds from issuance of debt	-	292,766	-	-	-
Transfers in	279,277	50,000	-	451,864	-
Transfers out	-	-	-	-	(111,013)
<i>Total other financing sources (uses)</i>	<u>279,277</u>	<u>342,766</u>	<u>-</u>	<u>451,864</u>	<u>(111,013)</u>
<i>Net change in fund balance</i>	(66,810)	(347,129)	-	(34,632)	(111,013)
<i>Fund balance, - beginning</i>	34,021	791,287	11	449	111,013
<i>Restatement</i>	-	-	-	-	-
<i>Fund balance - beginning as restated</i>	<u>34,021</u>	<u>791,287</u>	<u>11</u>	<u>449</u>	<u>111,013</u>
<i>Fund balance - ending</i>	<u>\$ (32,789)</u>	<u>444,158</u>	<u>11</u>	<u>(34,183)</u>	<u>-</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, 2018**

	<b>(770) Library Expendable Trust Fund</b>	<b>(790) Cemetery Expendable Trust Fund</b>	<b>(800) Community Parks Expendable Trust Fund</b>	<b>Total Special Revenue Funds</b>
<i>Revenues:</i>				
Taxes:				
Lodger's	\$ -	-	-	2,008,278
Intergovernmental:				
State operating grants	-	-	-	723,479
Federal operating grants	-	-	-	1,574,802
Federal capital grants	-	-	-	62,987
Charges for services	-	-	-	1,566,666
Licenses and fees	-	-	-	3,480
Investment income (loss)	-	212	57	84,012
Miscellaneous	673	-	-	71,139
<i>Total revenues</i>	<u>673</u>	<u>212</u>	<u>57</u>	<u>6,094,843</u>
<i>Expenditures:</i>				
Current:				
Public safety	-	-	-	1,485,570
Public works	635	-	-	1,019,721
Culture and recreation	-	-	-	3,637,992
Health and welfare	-	-	-	177,305
Economic development	-	-	-	479,303
Capital outlay	-	-	-	2,157,206
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	20,749
<i>Total expenditures</i>	<u>635</u>	<u>-</u>	<u>-</u>	<u>8,977,846</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>38</u>	<u>212</u>	<u>57</u>	<u>(2,883,003)</u>
<i>Other financing sources (uses)</i>				
Proceeds from issuance of debt	-	-	-	292,766
Transfers in	-	-	-	3,904,858
Transfers out	-	-	-	(433,411)
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,764,213</u>
<i>Net change in fund balance</i>	38	212	57	881,210
<i>Fund balance, - beginning</i>	5,718	5,469	1,463	2,150,935
<i>Restatement</i>	-	-	-	-
<i>Fund balance - beginning as restated</i>	<u>5,718</u>	<u>5,469</u>	<u>1,463</u>	<u>2,150,935</u>
<i>Fund balance - ending</i>	<u>\$ 5,756</u>	<u>5,681</u>	<u>1,520</u>	<u>3,032,145</u>

See independent auditor's report.  
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**STATE OF NEW MEXICO  
CITY OF HOBBS  
NON-MAJOR CAPITAL PROJECTS FUNDS  
COMBINING BALANCE SHEETS  
AS OF JUNE 30, 2018**

	<b>(460) Capital Projects Fund</b>	<b>(480) Street Improvements Fund</b>	<b>(490) City Commission Improvement Fund</b>	<b>Total Capital Projects Funds</b>
<i>Assets</i>				
Cash and cash equivalents	\$ 1,538,850	2,024,651	512,265	4,075,766
Receivables:				
GRT receivable	-	-	509,131	509,131
Other taxes	-	140,527	-	140,527
<i>Total assets</i>	<u>\$ 1,538,850</u>	<u>2,165,178</u>	<u>1,021,396</u>	<u>4,725,424</u>
<i>Liabilities, Deferred Inflows of Resources, and Fund Balances</i>				
<i>Liabilities</i>				
Accounts payable	\$ -	-	-	-
Accrued payroll expenses	-	-	-	-
<i>Total liabilities</i>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
<i>Deferred inflows of resources</i>				
Deferred inflows - property taxes	-	-	-	-
<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	2,165,178	1,021,396	4,725,424
<i>Total fund balances</i>	<u>1,538,850</u>	<u>2,165,178</u>	<u>1,021,396</u>	<u>4,725,424</u>
<i>Total liabilities, deferred inflows of resources, and fund balances</i>	<u>\$ 1,538,850</u>	<u>2,165,178</u>	<u>1,021,396</u>	<u>4,725,424</u>

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**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, 2018**

	<b>(460) Capital Projects Fund</b>	<b>(480) Street Improvements Fund</b>	<b>(490) City Commission Improvement Fund</b>	<b>Total Capital Projects Funds</b>
<i>Revenues:</i>				
Taxes:				
Gross receipts	\$ -	-	2,593,351	2,593,351
Gasoline and motor vehicle	-	793,801	-	793,801
Intergovernmental:				
State capital grants	-	100,000	-	100,000
Federal capital grants	-	28,598	-	28,598
Investment income (loss)	-	59,920	-	59,920
Miscellaneous	-	-	-	-
<i>Total revenues</i>	<u>-</u>	<u>982,319</u>	<u>2,593,351</u>	<u>3,575,670</u>
<i>Expenditures:</i>				
Current:				
General government	-	-	-	-
Capital outlay	170,206	226,327	-	396,533
Debt service:				
Principal	-	-	-	-
Interest	-	-	-	-
<i>Total expenditures</i>	<u>170,206</u>	<u>226,327</u>	<u>-</u>	<u>396,533</u>
<i>Excess (deficiency) of revenues over expenditures</i>	<u>(170,206)</u>	<u>755,992</u>	<u>2,593,351</u>	<u>3,179,137</u>
<i>Other financing sources (uses)</i>				
Transfers in	-	-	-	-
Transfers out	-	-	(2,000,000)	(2,000,000)
<i>Total other financing sources (uses)</i>	<u>-</u>	<u>-</u>	<u>(2,000,000)</u>	<u>(2,000,000)</u>
<i>Net change in fund balance</i>	(170,206)	755,992	593,351	1,179,137
<i>Fund balance, - beginning</i>	1,709,056	1,348,847	428,045	3,485,948
<i>Restatement</i>	-	60,339	-	60,339
<i>Fund balance - beginning as restated</i>	<u>1,709,056</u>	<u>1,409,186</u>	<u>428,045</u>	<u>3,546,287</u>
<i>Fund balance - ending</i>	<u>\$ 1,538,850</u>	<u>2,165,178</u>	<u>1,021,396</u>	<u>4,725,424</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 Cash, Investments, and Pledged Collateral  
By Bank and Account  
As of June 30, 2018**

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	\$ 47,668	-	-	-	-	(26,088)	21,580
City of Hobbs - Investment for Line of Credit	Certificate of Deposit	634,000	-	-	-	-	-	634,000
City of Hobbs Savings	Repurchase	4,910,095	-	-	-	-	(2,536,210)	2,373,885
Inmate Trust Account	Checking	8,211	-	-	-	-	-	8,211
Hobbs Police Dept. - Evidence Trust	Checking	131,227	-	-	-	-	-	131,227
HPD - Crime Prevention	Certificate of Deposit	3,622	-	-	-	-	-	3,622
City of Hobbs - Taxable Bonds	Investment	-	55,687,162	-	-	-	-	55,687,162
City of Hobbs - Treasury Bills	Investment	-	9,779	-	-	-	-	9,779
Local Government Investment Pool	Investment	-	-	-	39,221,119	-	-	39,221,119
NMFA-Phase II Effluent Refuse Project-Hobbs 5	Trust	-	-	1,662,318	-	-	-	1,662,318
Petty cash	Petty Cash	-	-	-	-	25,099	-	25,099
Subtotal cash and investments		<u>5,734,823</u>	<u>55,696,941</u>	<u>1,662,318</u>	<u>39,221,119</u>	<u>25,099</u>	<u>(2,562,298)</u>	<u>99,778,002</u>
Total amount of deposit in bank		5,734,823	55,696,941	1,662,318	39,221,119	25,099		
FDIC coverage		(250,000)	(55,696,941)	(1,662,318)	(39,221,119)	(25,099)		
Total uninsured public funds		<u>5,484,823</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>		
50% Collateral Requirement (Section 6-10-17 NMSA 1978)		287,364	-	-	-	-		
102% Collateral Requirement (Section 6-10-10(H) NMSA 1978)		<u>5,008,297</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>		
		<u>5,295,661</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>		
Pledged security at:								
Lea County State Bank 1.5% - 912828P79 2/28/2023		4,248,986	-	-	-	-		
Lea County State Bank 1.98% - 3133EHU84 11/22/2021		2,923,722	-	-	-	-		
Lea County State Bank 4.00% - 013595LM3 08/01/2022		513,260	-	-	-	-		
Lea County State Bank 3.7% - 189414HN8 08/01/2025		350,224	-	-	-	-		
Lea County State Bank 4.00% - 364028EU0 08/01/2020		255,880	-	-	-	-		
Lea County State Bank 3.00% - 470143AF5 10/01/2021		310,419	-	-	-	-		
Lea County State Bank 4.00% - 521513AH4 07/15/2018		585,702	-	-	-	-		
Total collateral		<u>9,188,192</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>		
Amount over/(under) collateralized		<u>\$ 3,892,531</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>		
Amount over/(under) collateralized & insured		<u>\$ 4,142,531</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>		
Total book balance		<u>\$ 3,172,525</u>	<u>55,696,941</u>	<u>1,662,318</u>	<u>39,221,119</u>	<u>25,099</u>		

\*Note all bank accounts are interest bearing

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 Tax Abatements - Abating Agency  
As of June 30, 2018**

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 receivable by your agency 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 receivable by a different agency 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

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 Tax Abatements - Abating Agency  
As of June 30, 2018**

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	Not applicable
For any Payments in Lieu of Taxes (PILOTs) or similar payments receivable by your agency 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 receivable by a different agency 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

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 Changes in Fiduciary Assets and Liabilities  
Agency Funds  
For the Year Ended June 30, 2018**

	<u>Balance</u> <u>June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>
<b>MOTOR VEHICLE</b>				
<b>700</b>				
Assets				
Cash and cash equivalents	\$ 26,738	4,811,727	(4,809,973)	28,492
Total assets	<u>26,738</u>	<u>4,811,727</u>	<u>(4,809,973)</u>	<u>28,492</u>
Liabilities				
Deposits payable	26,738	4,811,727	(4,809,973)	28,492
Total liabilities	<u>\$ 26,738</u>	<u>4,811,727</u>	<u>(4,809,973)</u>	<u>28,492</u>
<b>MUNICIPAL JUDGE</b>				
<b>710</b>				
Assets				
Cash and cash equivalents	\$ 171,046	-	(69,473)	101,573
Total assets	<u>171,046</u>	<u>-</u>	<u>(69,473)</u>	<u>101,573</u>
Liabilities				
Deposits payable	171,046	-	(69,473)	101,573
Total liabilities	<u>\$ 171,046</u>	<u>-</u>	<u>(69,473)</u>	<u>101,573</u>
<b>CRIME LAB</b>				
<b>730</b>				
Assets				
Cash and cash equivalents	73,850	100,437	(101,637)	72,650
Total assets	<u>\$ 73,850</u>	<u>100,437</u>	<u>(101,637)</u>	<u>72,650</u>
Liabilities				
Deposits payable	73,850	100,437	(101,637)	72,650
Total liabilities	<u>\$ 73,850</u>	<u>100,437</u>	<u>(101,637)</u>	<u>72,650</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 Changes in Fiduciary Assets and Liabilities  
Agency Funds  
For the Year Ended June 30, 2018**

	<u>Balance</u> <u>June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>
<b>FORECLOSURE TRUST</b>				
<b>750</b>				
Assets				
Cash and cash equivalents	\$ 72	-	-	72
Total assets	<u>72</u>	<u>-</u>	<u>-</u>	<u>72</u>
Liabilities				
Deposits payable	72	-	-	72
Total liabilities	<u>\$ 72</u>	<u>-</u>	<u>-</u>	<u>72</u>
<b>SENIOR CITIZEN</b>				
<b>780</b>				
Assets				
Cash and cash equivalents	\$ 8,465	1,784	(1,161)	9,088
Total assets	<u>8,465</u>	<u>1,784</u>	<u>(1,161)</u>	<u>9,088</u>
Liabilities				
Deposits payable	8,465	1,784	(1,161)	9,088
Total liabilities	<u>\$ 8,465</u>	<u>1,784</u>	<u>(1,161)</u>	<u>9,088</u>
<b>EVIDENCE FUND</b>				
<b>820</b>				
Assets				
Cash and cash equivalents	\$ 128,882	2,355	-	131,237
Total assets	<u>128,882</u>	<u>2,355</u>	<u>-</u>	<u>131,237</u>
Liabilities				
Deposits payable	128,882	2,355	-	131,237
Total liabilities	<u>\$ 128,882</u>	<u>2,355</u>	<u>-</u>	<u>131,237</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 Changes in Fiduciary Assets and Liabilities  
Agency Funds  
For the Year Ended June 30, 2018**

	<u>Balance</u> <u>June 30, 2017</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance</u> <u>June 30, 2018</u>
<b>HOBBS BEAUTIFUL</b>				
<b>830</b>				
Assets				
Cash and cash equivalents	\$ 23,170	900	-	24,070
Total assets	<u>23,170</u>	<u>900</u>	<u>-</u>	<u>24,070</u>
Liabilities				
Deposits payable	23,170	900	-	24,070
Total liabilities	<u>\$ 23,170</u>	<u>900</u>	<u>-</u>	<u>24,070</u>
<b>CITY AGENCY</b>				
<b>860</b>				
Assets				
Cash and cash equivalents	\$ 5,822	845	(1,759)	4,908
Total assets	<u>5,822</u>	<u>845</u>	<u>(1,759)</u>	<u>4,908</u>
Liabilities				
Deposits payable	5,822	845	(1,759)	4,908
Total liabilities	<u>\$ 5,822</u>	<u>845</u>	<u>(1,759)</u>	<u>4,908</u>
<b>TOTALS - ALL AGENCY FUNDS</b>				
Assets				
Cash and cash equivalents	\$ 438,045	4,918,048	(4,984,003)	372,090
Total assets	<u>438,045</u>	<u>4,811,727</u>	<u>(4,809,973)</u>	<u>372,090</u>
Liabilities				
Deposits payable	438,045	4,918,048	(4,984,003)	372,090
Total liabilities	<u>\$ 438,045</u>	<u>4,918,048</u>	<u>(4,984,003)</u>	<u>372,090</u>

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



**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**

Wayne Johnson  
New Mexico State Auditor  
City Commission  
Hobbs, New Mexico

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 each major special revenue fund of the City of Hobbs, (City) as of and for the year ended June 30, 2018, 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 10, 2018.

**Internal Control Over Financial Reporting**

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness: 2018-005.

A *significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompany schedule of findings and questioned costs to be significant deficiencies: 2018-001, 2018-002, and 2018-003.

**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.

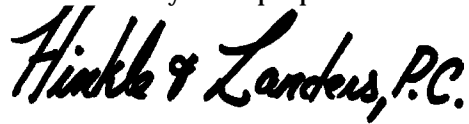
The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items; 2018-003 and 2018-004.

**The City's Response to the Findings**

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

**Purpose of This Report**

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the 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.  
Albuquerque, NM 87102  
December 10, 2018



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

Wayne Johnson  
New Mexico State Auditor  
City Commission  
Hobbs, New Mexico

**Report on Compliance for Each Major Federal Program**

We have audited the City of Hobbs' (City) compliance with the types of compliance requirements described 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, 2018. 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.

**Management's Responsibility**

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

**Auditor's Responsibility**

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and the audit requirements of Title 2 U.S. Code of *Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance). Those standards and the Uniform Guidance require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

**Opinion on Each Major Federal Program**

In our opinion, the City, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2018.

**Report on Internal Control Over Compliance**

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

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

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

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



Hinkle + Landers, P.C.  
Albuquerque, NM  
December 10, 2018

**STATE OF NEW MEXICO  
CITY OF HOBBS  
Schedule of Expenditures of Federal Awards  
For the Year Ended June 30, 2018**

<b>Federal Grantor/Pass Through Grantor/Program Title</b>	<b>CFDA Number</b>	<b>Project/ Pass-Through Number</b>	<b>Federal Expenditures</b>
<b>U.S. Department of Housing and Urban Development</b>			
Community Development Block Grants	14.228	16-C-NR-1-01-G-03	\$ 192,751
<b>Total U.S. Department of Housing and Urban Development</b>			<u>192,751</u>
<b>U.S. Department of Transportation</b>			
Passed through New Mexico Department of Transportation			
Minimum Penalties for Repeat Offenders for Driving While Intoxicated	20.608	18-AL-64-045	14,925
Highway Planning and Construction	20.205	CN: 2100590	28,598
Formula Grants for Rural Areas	* 20.509	MOA FY17	121,471
Formula Grants for Rural Areas	* 20.509	MOA FY18	278,218
DOT Federal Aviation	20.526	MOA FY17	250,880
<b>Total U.S. Department of Transportation</b>			<u>694,092</u>
<b>U.S. Department of Justice</b>			
Bulletproof Vest Partnership Program	16.607		101
Bulletproof Vest Partnership Program	16.607		6,001
Public Safety Partnership and Community Police Grants	16.710	2015UMWX0051	177,689
Public Safety Partnership and Community Police Grants	16.710	2016UMWX0189	166,395
<b>Total U.S. Department of Justice</b>			<u>350,186</u>
<b>U.S. Department of Homeland Security</b>			
Staffing for Adequate Fire and Emergency Response	97.083	EMW-2015-FH-00163	378,561
<b>Total U.S. Department of Homeland Security</b>			<u>378,561</u>
<b>U.S. Department of Health and Human Services</b>			
Direct			
Special Programs for the Aging Title III, Part C Nutrition Services	93.045	2017-18	35,725
Nutrition Services Incentive Program	93.053	2016-17	1,201
Nutrition Services Incentive Program	93.053	2017-18	34,898
Passed through NM Department of Health			
Mosquito Grant	93.323	MOA 18/665.0300.21188	16,865
<b>Total U.S. Department of Health and Human Services</b>			<u>88,689</u>
<b>Total Federal Financial Assistance</b>			<u>\$ 1,704,279</u>

\* = Denotes major program

**Reconciliation to Statement of Revenues, Expenditures, and Changes in Fund Balance - Governmental Funds**

Federal grant revenue per fund financials	\$ 1,704,279
Federal expenditures per SEFA	1,704,279
Difference - not all grants are reimbursement based	<u>\$ -</u>

**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, 2018.

**Note 3 - Subrecipients**

The City did not provide 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.

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 Findings and Questioned Costs  
For the Year Ended June 30, 2018**

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

*Financial Statements:*

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

*Federal Awards:*

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

4. Identification of major programs:

CFDA Numbers Funding Source	Name of Federal Programs	Funding Source
20.509	Formula Grants for Rural Areas	U.S. Department of Transportation

- |   |           |
|---|-----------|
| 5. Dollar threshold used to distinguish between type A and type B programs: | \$750,000 |
| 6. Auditee qualified as low-risk auditee?                                   | Yes       |

**STATE OF NEW MEXICO  
CITY OF HOBBS  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2018**

<b>Reference #</b>	<b>Finding</b>	<b>Status of Current and Prior Year Findings</b>	<b>Type of Finding*</b>
<b>Prior Year Findings</b>			
2017-001	FINANCIAL CLOSE AND REPORTING PROCESS	<b>Resolved</b>	B
<b>Current Year Findings</b>			
2018-001	REVIEW OF PAYROLL TRANSACTION CYCLE	Current	B
2018-002	SEGREGATION OF DUTIES - UTILITY MANAGER	Current	B
2018-003	INTERNAL CONTROLS - CASH RECEIPTS	Current	B, G
2018-004	BUDGET CONTROLS	Current	G
2018-005	RECEIVABLES AND ALLOWANCE FOR DOUBTFUL ACCOUNTS	Current	A

**\* 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 (Other Matters) 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.** 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, 2018**

**PRIOR YEAR FINDINGS**

None

**STATE OF NEW MEXICO  
CITY OF HOBBS  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2018**

**CURRENT YEAR FINDINGS**

**2018-001 - REVIEW OF PAYROLL TRANSACTION CYCLE**

**Type of Finding: B**

**Statement of Condition**

During our process of understanding the entity and its environment, we noted the following:

- Members of the City's payroll department can override wage rates in the City's payroll module independent of the City's HR department or management.

**Criteria**

Professional auditing standards as illustrated in Statement on Auditing Standard (SAS) 115 and its Exhibit B require strong internal controls and these deficiencies and weaknesses are required to be disclosed to management and the governing board.

Improving internal controls reduces the opportunity for mistakes or errors to take place or to be identified and corrected in a timely manner or for reducing the opportunity for fraud to take place.

**Effect**

Erroneous or fraudulent adjustments to pay rates could be made resulting in an increased risk of the possibility of misstated financial statements due to a loss from error or fraud.

**Cause**

While it appears the City's payroll and HR functions are adequately segregated, the accounting system allows for an override via the 'job salary' function.

**Recommendation**

The City should consult with its IT department or the support team from the accounting system to restrict the payroll department's ability to override wage rates. If that is not possible, we recommend that the City develop and implement a process to review changes to the employee master file monthly. Additionally, we recommend that an annual review of employee pay rates be performed to ensure that pay increases performed in the accounting system reconcile to the City's approved pay adjustments.

**View of Responsible Officials and Corrective Action Plan**

Management has contacted software support and obtained from them a plan of action to remove the edit functionality for wage rates that was discovered outside the normal workflow process. Timeline for the correction is immediate and the correction has been completed.

Management further agrees that an annual review of employee pay rates would be beneficial will work with the City's HR department to explore options for this additional control. The Finance Department will reach out to the HR department. A review process will be in place by June 2019.

**Corrective Action Plan Timeline**

Timeline for the correction is immediate and the correction has been completed.

**Designation of Employee Position Responsible for Meeting Deadline**

Finance Director and Assistance Finance Director

**2018-002 – SEGREGATION OF DUTIES – UTILITY MANAGER**

**Type of Finding: B**

**Statement of Condition**

During our process of understanding the entity and its environment, we determined the following weakness was present in relation to the utility department:

**STATE OF NEW MEXICO  
CITY OF HOBBS  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2018**

The Utility Manager does, or has the opportunity to do, the following:

- Collect cash
- Post cash receipts against receivables previously created or as revenue
- Adjust and/or write-off receivables balances without any authorization
- Discretion to file liens against delinquent accounts

**Criteria**

An essential element of any preventative control system is a segregation of functions in such a manner that no single individual can perpetrate an error or misappropriation or illegal act without the error being discovered in a timely manner. Three general categories of functions which should be separated to achieve internal controls are:

- Functions involving custody of assets (e.g. accepting/handling cash, physical control of blank check stock),
- Functions involving recording transactions (e.g. bookkeeping, preparation of bank reconciliations, recording pledges and payments in donor database software) and
- Functions involving authorization (e.g. authority to sign checks, approve purchases, process payroll payments).

When segregation of duties is not practical due to limitations inherent in office environments, compensating controls may be established to mitigate, but not eliminate, deficiencies.

**Effect**

Organizational objectives and assets are at risk when adequate segregation of duties and internal controls are not in place.

**Cause**

The City had not previously been alerted to the need for segregation of duties in relation to the utility department.

**Recommendation**

The City should develop a formal review and approval process for any adjustments and write offs made by the Utility manager.

**View of Responsible Officials and Corrective Action Plan**

Management has put in place a process in which daily adjustments made in the Utility Department are sent via email the following day in a report to the Finance Department. This report is review and any unusual or large items are questioned. Timeline for this correction is immediate as it has been in place as of July 2018.

**Corrective Action Plan Timeline**

Timeline for this correction is immediate as it has been in place as of July 2018.

**Designation of Employee Position Responsible for Meeting Deadline**

Finance Director and Assistance Finance Director

**2018-003—INTERNAL CONTROLS – CASH RECEIPTS**

**Type of Finding: B, G**

**Statement of Condition**

During our process of understanding the entity and its environment, it was determined that several of the City's cash collection sites do not issue customer receipts upon intake of cash. As a result, we are unable to determine if:

- All cash collected is deposited into City's bank accounts
- The City is in compliance with the State's 24-hour deposit rule.



**STATE OF NEW MEXICO  
CITY OF HOBBS  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2018**

**Criteria**

Controls over the intake of revenue should be designed to minimize the risk of errors and improve the safeguarding of assets. Additionally, NMSA 1978, Sections 6-10-3 requires that deposits be made the next business day after receipt.

**Effect**

Lack of adequate internal controls over current cash deposit processes increases the risk that a loss or misappropriation of public funds may occur and not be detected in a timely manner. Additionally, untimely deposits are a direct violation of State statute.

**Cause**

The City had not previously been alerted to the need for issuance of customer receipts for intake of cash at all collection sites.

**Recommendation**

We recommend the following:

- All cash collected should be recorded via a prenumbered receipt and copies of receipts should be provided to customers
- Cash receipt numbers should be tracked and periodically reconciled against cash deposits by members of Finance
- To reduce the risk of cash receipts being “skimmed” and not collected by the City, we recommend a sign be posted at sites where currency and checks are collected that informs the customer that they must receive a receipt and if there are any questions to contact a member of finance
  - Recommended verbiage on sign:
  - Customers must receive a receipt. For any problems or discrepancies with your transaction, please contact the finance department directly at (575)-XXX-XXXX” or xxxxxx@hobbsnm.org.

**View of Responsible Officials and Corrective Action Plan**

Management has procured three part receipt books that have the City of Hobbs logo on them and are sequentially numbered. Management additionally intends to have signs printed for posting at each location that utilizes manual receipts. These pre-numbered receipts will be issued to departments by Finance on an as needed basis and will be audited as part of the Finance department’s quarterly surprise cash audit. Timeline for completion is June 2019.

**Corrective Action Plan Timeline**

Timeline for completion is June 2019.

**Designation of Employee Position Responsible for Meeting Deadline**

Finance Director and Assistance Finance Director

**2018-004—BUDGET CONTROLS**

**Type of Finding: G**

**Statement of Condition**

Actual expenditures exceeded budgeted expenditures in the Airport fund by \$15,200.

**Criteria**

Chapter 6 of the New Mexico Statutes Annotated (NMSA) 1978 requires the Local Government Division (LGD), Financial Management Bureau of New Mexico Department of Finance and Administration to make rules and regulations relating to budgets, records, reports, and the disbursement of public monies. Sections 6-6-6 through 6-6-11 NMSA 1978 Compilation prohibits local governments from making expenditures in excess of the approved budget. The LGD interprets Section 6-6-6 to apply to a fund’s total budget; if the fund’s total budget is overspent, the fund is not in compliance with Section 6-6-6.

**Effect**

The City is in violation of budget controls established for local governments of the State of New Mexico.

**STATE OF NEW MEXICO  
CITY OF HOBBS  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2018**

**Cause**

Oversight of Airport Fund utilities line item detail as it relates to review of quarterly expenditures to budget.

**Recommendation**

We recommend that the City improve controls to prevent the over-expenditure of fund resources.

**View of Responsible Officials and Corrective Action Plan**

Management understands the cause and will put an additional review process in place to ensure that budget is not overspent. The Airport fund rolls up with other funds when reporting to the DFA on a quarterly basis, because the funds it rolls up with were not over budget as a whole, Finance overlooked the single fund with a line item over budget. An additional fund level budget review before rollups will be performed on a quarterly basis to ensure that any necessary budget adjustments are made within the fiscal year. Timeline for completion is June 2019.

**Corrective Action Plan Timeline**

Timeline for completion is June 2019.

**Designation of Employee Position Responsible for Meeting Deadline**

Finance Director and Assistance Finance Director

**2018-005 – RECEIVABLES AND ALLOWANCE FOR DOUBTFUL ACCOUNTS**

**Type of Finding: A**

**Statement of Condition**

The identification, recording, and reconciliation process related to utility and other receivables, including respective allowance for doubtful accounts, is not well established and documented. During the current year, material journal entries were required as follows:

Ambulance AR	\$ 1,243,748
Ambulance doubtful accounts	(310,937)
Weed Mowing AR	96,427
Weed Mowing doubtful accounts	(55,927)
Court Fines AR	563,219
Court Fines doubtful accounts	90,115
Water AR	859,873
Water doubtful accounts	69,410
Sewer AR	646,041
Sewer doubtful accounts	38,404
Solid Waste AR	459,095
Solid Waste doubtful accounts	(162,375)
Net adjustments	\$ 3,537,093

**Criteria**

The Codification of Statements on Auditing Standards (SAS AU) paragraph 110.03 states that the financial statements are management's responsibility. Management is responsible for adopting sound accounting policies, and for establishing and maintaining internal control that will, among other things, initiate, authorize, record, process, and report transactions (as well as events and conditions) consistent with management's assertions embodied in the financial statements.

**Effect**

The lack of reconciliation and review has caused deficiencies that increase the risk of errors and inaccurate or incomplete financial reporting.

**Cause**

No formal policy and standard operating procedures as it relates to accounts receivable and allowance for doubtful accounts.

**STATE OF NEW MEXICO  
CITY OF HOBBS  
Schedule of Findings and Questioned Costs  
For the Year Ended June 30, 2018**

**Recommendation**

The City should establish and document formal reconciliation and reporting processes over utility and other receivables, including allowance for doubtful accounts.

**View of Responsible Officials and Corrective Action Plan**

Management understands the need to establish an all-encompassing accounts receivable policy and procedures inclusive of allowance for doubtful accounts. The policy will detail out procedures as it relates to daily departmental procedures, monthly reconciliations, adjustments, allowance for doubtful accounts and write-offs. This policy will be submitted at a future Commission meeting for approval. Timeline for this correction would be submitted to Commission meeting in June 2019 with an effective start date July 1, 2019.

**Corrective Action Plan Timeline**

Timeline for this correction would be submitted to Commission meeting in June 2019 with an effective start date July 1, 2019.

**Designation of Employee Position Responsible for Meeting Deadline**

Finance Director and Assistance Finance Director

**STATE OF NEW MEXICO  
CITY OF HOBBS  
Exit Conference  
For the Year Ended June 30, 2018**

**A. 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.

**B. EXIT CONFERENCE**

**City of Hobbs**

An exit conference was held in closed session on December 10, 2018, at the City's offices in Hobbs New Mexico. The following individuals were in attendance.

**City of Hobbs Officials**

Sam Cobb

Manny Gomez

Toby Spears, CPA

Deborah Corral

Mayor

Acting City Manager

Finance Director

Assistant Finance Director

**Hinkle + Landers, P.C.**

Farley Vener, CPA, CFE, CGMA

Maclen Enriquez, CPA

President & Managing Shareholder

Senior Audit Manager

PROCUREMENT POLICY ORDINANCE



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CITY OF HOBBS

ORDINANCE NO. 1101

ORDINANCE ESTABLISHING A  
CITY PROCUREMENT POLICY

BE IT HEREBY ORDAINED BY THE GOVERNING BODY OF THE  
CITY OF HOBBS, NEW MEXICO, that:

Chapter 3.20 of the Hobbs Municipal Code is hereby enacted to read as  
follows:

**SECTION I GENERAL PROVISIONS**

- 1.1 **OBJECTIVE** - The objective of this policy is to guide City of Hobbs employees in the legal steps required to purchase quality materials and services needed at competitive prices in accordance with regulations set forth by the Hobbs City Commission and the State of New Mexico.
- 1.2 **ADMINISTRATION** - The City of Hobbs Central Purchasing Office (CPO) staff are charged with the responsibility of procuring all materials and services effectively and efficiently. The City Manager and CPO shall have the responsibility and authority to insure that all provisions of the law and this policy are followed and shall be authorized to issue any supplement consistent with this policy deemed necessary to administer, manage or clarify this policy. Supplements shall be approved by the City Manager and copies of all supplements shall be attached to and made a part of this policy. The CPO shall be responsible for having the knowledge to insure that all provisions of this policy and all other purchasing concerns and activities of the City of Hobbs are appropriate and consistent with the most current, generally accepted purchasing techniques, and all provisions of the law. CPO personnel are available to answer any questions concerning the methods and policies regarding procurement of materials and services.
- 1.3 **SCOPE** - Except as otherwise provided, this procurement policy applies to every expenditure by the City of Hobbs for the procurement of items of tangible personal property, services and construction (13-1-30 NMSA 1978).
- 1.4 **CONSISTENCY WITH STATE PROCUREMENT CODE** - The provisions of this policy are subject to change as per State Procurement Code revisions. Any revision thereof that is inconsistent with the provisions of this policy shall control. All purchase users shall be given a copy of such revisions and notified that they are in effect.
- 1.5 **UNAUTHORIZED PURCHASES** - Any purchase which does not substantially comply with the provisions of this policy shall be considered an unauthorized purchase. Any individual initiating any unauthorized purchase may be subject to disciplinary action and may be held solely responsible for payment.



- 1.6 APPROVAL OF UNAUTHORIZED PURCHASES - All purchases determined to be an unauthorized purchase shall be considered by the City of Hobbs Finance Director, who will make a recommendation to the City Manager to approve or not approve an unauthorized purchase for payment. Unauthorized purchases shall not be processed for payment prior to City Manager approval. The City Manager will make a determination, based on the facts and circumstances of each case, of whether or not to pay for any unauthorized purchase.
- 1.7 CIVIL PENALTIES - Persons knowingly violating the State Procurement code, or this policy based on State law, may be subjected to a penalty not to exceed \$1,000 per occurrence (13-1-196 NMSA 1978).

**Items not specifically identified in this policy are regulated by Chapter 13 NMSA 1978.**

## SECTION II DEFINITIONS

- 2.1 AUTHORIZED DEPARTMENT EMPLOYEES - Authorized department employees are designated and authorized by each Department Head to approve purchases within their department.
- 2.2 CENTRAL PURCHASING OFFICE (CPO) - The Central Purchasing Office(CPO) is defined as the Finance Department and other departmental staff assigned or delegated the responsibility to ensure compliance with the City of Hobbs procurement policy for all purchases. The CPO personnel are responsible to verify that each expenditure is coded to the proper account, and that each expenditure is allowable considering the budget as adopted by the City Commission with amendments.
- 2.3 INVITATION FOR BIDS (IFB) - Invitation for bids means all documents, including those attached or incorporated by reference, utilized for soliciting sealed bids.
- 2.4 MULTI-TERM CONTRACT - "Multi-term contract" means a contract having a term longer than one year.
- 2.5 PURCHASE ORDER - Purchase order means the document issued by the central purchasing office which directs a contractor to delivery items of tangible personal property, services or construction pursuant to an existing contract.
- 2.6 PURCHASE REQUEST - Purchase request means the document by which a using department or division requests that a contract be obtained for a specified service, construction or item of tangible personal property and may include but is not limited to the technical description of the requested item, delivery schedule, transportation requirements, suggested sources of supply and supporting information.
- 2.7 REQUEST FOR PROPOSAL (RFP) - Request for proposal means all documents, including those attached or incorporated by reference, used for soliciting proposals.
- 2.8 PUBLIC WORKS CONTRACTS - Public Works means a construction project of the City of Hobbs, to construct, repair, alter or extend an improvement on real property or to improve real property owned, used or leased by the City of Hobbs.
- 2.9 TOTAL COST - Total cost of the materials or services required is defined as all costs associated with the purchase, including shipping and any applicable taxes.
- 2.10 CONTRACT MODIFICATION (AMENDMENT) - Any written alteration in the provisions of a contract accomplished by mutual action of the parties to the contract.
- 2.11 INDEFINITE QUANTITY CONTRACT - "Indefinite quantity contract" means a contract which requires the contractor to furnish an indeterminate quantity of specified services, items of tangible personal property or construction during a prescribed period of time at a definite unit price or at a specified discount from list or catalogue prices.
- 2.12 COOPERATIVE PROCUREMENT - "Cooperative procurement" means procurement conducted by or on behalf of more than one state agency or local public body, or by a



state agency or local public body with an external procurement unit. This also means purchasing agreements when the agreement has been evaluated through a formal bidding process. (Examples: Cooperative Educational Services, HGAC)

- 2.13 CHANGE ORDER – “Change order” means a written order signed and issued by a procurement officer directing the contractor to make changes which the changes clause of the contract authorizes the procurement officer to order with or without the consent of the contractor.
- 2.14 TASK ORDER - “Task order” means a written contract associated with a multi-award RFP or Bid.
- 2.15 CONSTRUCTION MANAGEMENT AND CONSTRUCTION MANAGER – “Construction management” means consulting services related to the process of management applied to a public works project for any duration from conception to completion of the project for the purpose of controlling time, cost and quality of the project. “Construction manager” means a person who acts as an agent for the City of Hobbs for construction management, for whom the City of Hobbs shall assume all the risks and responsibilities.
- 2.16 CONSTRUCTION MANAGER AT RISK – “construction manager at risk” means a person who, pursuant to a contract with a governing body, provides the preconstruction services and construction management required in a construction manager at risk delivery method.
- 2.17 CONSTRUCTION MANAGER AT RISK DELIVERY METHOD – construction manager at risk delivery method means a construction method for the City of Hobbs wherein a construction manager at risk provides a range of preconstruction services and construction management, including cost estimation and consultation regarding the design of the building project, preparation and coordination of bid packages, scheduling, cost control, value engineering and, while acting as the general contractor during construction, detailing the trade contractor scope of work, holding the trade contracts and other subcontracts, prequalifying the evaluating trade contractors and subcontractors and providing management and construction services, all at a guaranteed maximum price for which the construction manager at risk is financially responsible.
- 2.18 LEASE OPTIONS AND LEASE PURCHASE OPTIONS FOR TANGIBLE EQUIPMENT – lease option means an operating lease for acquiring tangible equipment and lease purchase options means a capital lease for acquiring tangible equipment. The City of Hobbs can enter into either an operating lease or a capital lease in acquiring tangible equipment. Thresholds still apply as to the total value of the leased asset. All lease agreements valued at under \$60,000 must be signed by the City Manager or designee. All lease agreements with tangible equipment valued at over \$60,000 must be processed through bidding, request for proposal, gsa, or cooperative purchasing and be approved by the City Commission.
- 2.19 EXEMPTIONS – means any merchandise for resale is exempt from the bidding and request for proposal process.



### 3.20.040 SECTION III PURCHASING POLICIES

- A CERTIFICATES OF INSURANCE - Vendors must provide a certificate of insurance to the CPO, or have a certificate on file with the City Clerk's office prior to any purchase that includes labor exceeding \$20,000. The Certificate of Insurance shall include all general liability, auto liability, and worker's compensation coverage as required by the CPO. Certificates of insurance may also be required for other purchases as deemed necessary.
- B Certification of Procurement Officer. The City of Hobbs is required to maintain a Certified Public Accountant within the Finance Department. The certification of a procurement officer is optional as it relates to the City of Hobbs Certified Public Accountant status.
- C COMPETITIVE SEALED PROPOSALS (Request for Proposal) - When the City of Hobbs requires competitive sealed proposals, the entire proposal document must be reviewed and approved by the Department Head originating the proposal, CPO, City Attorney, and City Manager. Additional department staff may be required to review the proposal document. Notice of proposals must clearly identify the City of Hobbs, FINANCE DEPARTMENT, 200 E. Broadway, Hobbs, NM 88240 as the location and time for submittal.
1. Public notices must be published at least ten (10) calendar days prior to the deadline for submission and posted to the City of Hobbs website. (13-1-113 NMSA 1978). Proposals will not be opened prior to the scheduled deadline for submission. Proposals are not publicly opened.
  2. After the deadline for submission, proposals will be evaluated based on the evaluation criteria set forth in the proposal document, by an evaluation committee designated by the City Manager or his designee (13-1-114 NMSA 1978). A minimum of 20% cost factor must be included in the evaluation criteria. (Note: only on non-qualification based proposals will the minimum cost factor be applied.)
  3. Any negotiations will be conducted by the City Manager or his designee. Negotiations may be conducted with responsible offeror who submit proposals found to be reasonably likely to be selected for award (13-1-115 NMSA 1978, 1997 Repl.). The contents of any proposal shall not be disclosed so as to be available to competing offeror during the negotiation process (13-1-116 NMSA 1978).
  4. After award, all proposals are subject to the "Inspection of Public Records Act" (14-2-1 through 14-2-12 NMSA 1978).
  5. Proposals that are rejected and never awarded are not subject to the Inspection of Public Records Act (14-2-1 through 14-2-12 NMSA 1978).
  6. In addition to the requirements above, proposals for the services of architects,



engineers, landscape architects and surveyors must also comply with Sections 13-1-120 through 13-1-124 NMSA 1978 (Section 13-1-115 NMSA 1978).

7. If federal grant revenues are associated with a proposal, the proposal must contain language as it relates to the specific federal grant guidelines.
8. All Proposers shall be required to sign an affidavit attesting that collusion has not occurred.
9. All Proposers shall be required to sign a Related Party form, disclosing any financial interest the Proposer may have with the City of Hobbs.
10. All Proposers shall be required to sign a Debarment Certificate disclosing any debarment from the State of New Mexico, Federal Government and or the City of Hobbs.

### 3.2.1 CONSTRUCTION MANAGER AT RISK DELIVERY METHOD

- A. Construction manager at risk delivery method authorized; multiphase selections procedure.
  1. A construction manager at risk delivery method may be used when the City Commission or designee determines that it is in its interest to use that method on a specific project, provided that the construction manager at risk shall be selected pursuant to the provisions described of this section.
  2. The City Commission or designee shall form a selection committee of at least three members with at least one member being an architect or engineer. The selection committee shall develop an evaluation process, including a multiphase procedure consisting of three steps. The three step process shall consist of a request for qualifications, a request for proposals and an interview.
    - a. A request for qualifications shall be published and shall include at a minimum the following:
    - b. A statement of the minimum qualifications for the construction manager at risk, including the requirements for:
    - c. A contractor's license for the type of work to be performed, issued pursuant to the Construction Industries Licensing Act
    - d. Registration pursuant to 13-4-13.1 NMSA 1978; and
    - e. A minimum bond capacity;
    - f. A statement of the scope of work to be performed, including;
    - g. The location of the project and the total amount of money available for the project
    - h. A proposed schedule, including a deadline for submission of the statements of qualification
    - i. Specific project requirements and deliverables;
    - j. The composition of the selection committee;
    - k. A description of the process the selection committee shall use to evaluate qualifications;
    - l. A proposed contract; and
    - m. A detailed statement of the relationships and obligations of all parties, including the construction manager at risk, agents of the City Commission



- or designee, such as an architect or engineer;
  - n. A verification of the maximum allowable construction cost; and
  - o. A request for a proposal bond as required by Section 13-1-146 NMSA 1978.
  - p. All Proposers shall be required to sign an affidavit attesting that collusion has not occurred.
  - q. All Proposers shall be required to sign a Related Party form, disclosing any financial interest the Proposer may have with the City of Hobbs.
  - r. All Proposers shall be required to sign a Debarment Certificate disclosing any debarment from the State of New Mexico, Federal Government and or the City of Hobbs.
3. The selection committee shall evaluate the statements of qualifications submitted and determine the offerors that qualify for the construction manager at risk. The committee shall issue a request for proposal to the offerors that qualify.
  4. The selection committee shall issue a request for proposal and evaluate the proposals pursuant to Sections 13-1-112 through 13-1-117 NMSA 1978 except that:
    - a. the request for proposals shall be sent only to those determined to be qualified.
    - b. the selection committee shall evaluate the proposals and conduct interviews with up to three of the highest-ranked offerors instead of negotiating with responsible offerors found to be reasonably likely to be selected; and
  5. After conducting interviews with the highest-ranked offerors and after considering the factors listed in this section, the selection committee shall recommend to the City Commission the offeror that will be most advantageous to the City of Hobbs. Should the City Commission or designee be unable to negotiate a satisfactory contract with the offeror considered to be the most qualified at a price determined to be fair and reasonable, negotiations with that offeror shall be formally terminated. The City Commission or designee shall then undertake negotiations with the second most qualified offeror. Failing accord with the second most qualified offeror, the City Commission or designee shall formally terminate negotiations with the offeror. The City Commission or designee shall then undertake negotiations with the third most qualified offeror. Should the governing body or designee be unable to negotiate a contract with any of the offerors selected by the committee, additional offerors shall be ranked in order of their qualifications and the City of Hobbs or designee shall continue negotiations in accordance with this section until a contract is signed with a qualified offeror or the procurement process is terminated and a new request for proposal is initiated.
  6. In evaluating and ranking statements of qualifications, proposals and results of interviews, and in the final recommendations of a construction manager at risk, the selection committee shall consider:
    - a. the offer's experience with construction of similar types of projects;



- b. the qualifications and experience of the offeror's personnel and consultants and the role of each in the project;
- c. the plan for management actions to be undertaken on the project, including services to be rendered in connection with safety and the safety plan for the project;
- d. the offeror's experience with the construction manager at risk method; and
- e. all other selection criteria, as stated in the request for qualifications and the request for proposals.

7. Nothing in this section precludes the selection committee from recommending the termination of the selection procedure and repeating the selection process pursuant to this section. Any material received by the selection committee in response to a solicitation that is terminated shall not be disclosed so as to be available to competing offerors.

8. After a contract is awarded, the selection committee shall make the names of all offerors and the names of all offerors selected for interview available for public inspection along with the selection committee's final ranking and evaluation scores. Offerors who were interviewed but not selected for contract award shall be notified in writing within fifteen days of the award.

**B. Responsibilities of construction manager at risk following award of project.**

1. The contract with the construction manager at risk shall specify:

- a. the guaranteed maximum price; and
- b. the percentage of the guaranteed price that the construction manager at risk will perform with its own work force.

2. The construction manager at risk, in cooperation with the City Commission or designee, shall seek to develop subcontractor interest in the project and shall furnish to the City Commission or designee and any architect or engineer representing the City Commission or designee a list of subcontractors who state in writing that they are a responsible bidder or a responsible offeror, including suppliers who are to furnish materials or equipment fabricated to a special design and from whom proposals or bids will be requested for each principal portion of the project. The governing body and its architect or engineer shall promptly reply in writing to the construction manager at risk if the governing body, architect or engineer knows of any objection to a listed subcontractor or supplier, provided that the receipt of the list shall not require the City Commission or designee, architect or engineer to investigate the qualifications of proposed subcontractors or suppliers, nor shall it waive the right of the City Commission or designee, architect or engineer later to object to or reject any proposed subcontractor or supplier.

3. The construction manager at risk shall:

- a. conduct pre-bid or pre-proposal meetings;
- b. advise the City Commission or designee about bidding or proposals;
- c. enter into contracts; (only on City Commission approval) and
- d. assist the City Commission or designee in evaluating submissions by responsible bidders and offerors.

**3.3 COMPETITIVE SEALED BIDS (Invitation for Bids) - When the City of Hobbs requires**



sealed bids, the entire bid document must be reviewed and approved by the Department Head originating the bid, CPO, City Attorney, and City Manager. Additional department staff may be required to review the bid document. Notice of bids must clearly identify the City of Hobbs, FINANCE DEPARTMENT, 200 E. Broadway, Hobbs, NM 88240 as the location and time for submittal.

- A. Public notice must be published at least ten (10) calendar days prior to the scheduled bid opening and posted to the City of Hobbs website. (13-1-104 NMSA 1978). Bids will not be opened prior to the scheduled bid opening. All bids shall be opened publicly in the presence of one or more witnesses. (13-1-107 NMSA 1978). Award shall be made to the lowest responsible bidder. The City reserves the right to waive technicalities and accept the bid deemed to be in the best interest of the City.
- B. Price negotiations can be conducted in order to avoid rejection of all bids only if the lowest responsible bid has otherwise qualified, and if there is no change in the original terms and conditions, if the lowest bid was up to ten percent higher than budgeted project funds. (Section 13-1-105 NMSA 1978).
- B. All bids are subject to the Inspection of Public Records Act" (14-2-1 through 14-2-12 NMSA 1978).
- C. Addendums to bids must be disclosed by the CPO within 24 hours of prior bid opening date.
- D. If federal grant revenues are associated with a bid, the bid must contain language as it relates to the specific federal grant guidelines.
- E. All Proposers shall be required to sign an affidavit attesting that collusion has not occurred
- F. All Proposers shall be required to sign a Related Party form, disclosing any financial interest the Proposer may have with the City of Hobbs
- G. All Proposers shall be required to sign a Debarment Certificate disclosing any debarment from the State of New Mexico, Federal Government and or the City of Hobbs

3.4 EXPENDITURE CATEGORIES - The following policies are to be applied by the CPO for all expenditures of the City of Hobbs. The application of the policy is based on the appropriate cost category that each purchase fits into; as well as the additional requirements for public works contracts, see section IV; and miscellaneous purchases, see section V.

- A. Category #1-Total cost is less than \$20,000  
Price quotes for these purchases are required, however a good faith effort must be made to acquire the materials or services at the best obtainable price. All departments can purchase services, construction or items of tangible personal property having a value not exceeding twenty thousand dollars (\$20,000) by



issuing a direct small purchase order. (Note: all purchase requisitions must have a quote before a conversion to a purchase order) Purchases made in this category must obtain prior approval from an authorized department employee.

- B. Category #2-Total cost is more than \$20,000, but less than \$60,000  
Purchase of services, construction or items of tangible personal property having a value not exceeding sixty thousand dollars, (\$60,000) are accomplished by obtaining three written quotes. The quotes will be turned in to the CPO with a quote/purchase request form for issuance of a purchase order. Purchases made in this category must obtain prior approval from an authorized department employee.
- C. Category #3-Total cost is more than \$60,000  
Purchases of services, construction or items of tangible personal property in this category must be procured using formal sealed bids or competitive sealed proposals through the CPO. Only the CPO can distribute bid and proposal documents, maintain an approved bidder list, or issue any addendum to bids or proposals. Purchases made in this category must obtain prior approval from the Department Head and approved by the City Manager and City Commission.

**Purchases are not to be artificially divided to shift the classification of the purchase into an inappropriate expenditure category. Violation of this policy is subject to possible disciplinary action as defined in the personnel policy.**

3.5 FREIGHT DESIGNATIONS - The City of Hobbs will not accept title of any goods until they are received by an agent of the City of Hobbs (13-1-157, 13-1-158 NMSA 1978).

- H. The shipping terms of all purchases made by the City of Hobbs must be F.O.B. destination or F.O.B. destination, freight prepaid by the vendor.
- I. In most instances, the City of Hobbs will not prepay freight on any purchases. The CPO will make an assessment of the facts and circumstances, and determine if pre-payment of freight is the only available means of purchasing the goods in the best interest of the City of Hobbs.

3.6 GROSS RECEIPTS TAX - In accordance with state law, the City of Hobbs is responsible to pay New Mexico gross receipts tax on all payments for labor (7-9-1 through 7-9-85 NMSA 1978). Some materials for construction projects may also be subject to New Mexico gross receipts tax.

3.7 INDEFINITE QUANTITY CONTRACT PURCHASES - Purchases of the same materials or services at various times during the year may require formal bids if the total cost for the fiscal year exceeds \$60,000 for all departments. Examples of these types of purchases are fertilizer, asphalt, chlorine, lime, concrete, uniforms etc.

- A. The City of Hobbs may procure multiple indefinite quantity construction contracts pursuant to a price agreement for multiple projects under a single RFP, provided that the total amount of a contract and all renewals does not exceed two million dollars (\$2,000,000) over four years and the contract provides that any one



purchase order under the contract may not exceed five hundred thousand dollars (\$500,000). (13-1-154.1 – B)

3.8 MULTI-YEAR CONTRACTS - The City of Hobbs may enter into multi-year contracts that are in the best interest of the City of Hobbs as determined by the CPO.

- J. The maximum length of any contract for tangible personal property, construction or services under \$60,000 is not to exceed four years, over \$60,000 is not to exceed eight years including extensions and renewals.
- K. The maximum length of any contract for professional services is not to exceed four years with all extensions and renewals (13-1-150 NMSA 1978)
- L. The terms of these multi year contracts must be specified in the specifications of the bid or proposal (13-1-150 NMSA 1978).
- M. Task orders can be issued as it relates to multi-award bids and proposals. Task orders ~~below~~ between \$20,000 and \$60,000 shall obtain approval from, the Department Head Committee (Department Head Committee defined as a Department Head and one or more evaluators) and the City Manager. The committee shall have a written justification of why the chosen contractor is in the best interest of the City. Any artificial divide of task orders exceeding the \$60,000 threshold would require City Commission approval. (eg: three task orders to the same contractor, with each task order amount at \$20,000). ~~\$60,000- must obtain prior approval from the Department Head, CPO and City Manager.~~ Task orders exceeding \$60,000 must obtain prior approval from the Department Head and approved by the City Manager and City Commission. In determining the contractor for multi- award task orders exceeding \$60,000, the Department Head Committee will make the recommendation based on the best interest of the City.
- N. The City of Hobbs may procure multiple architectural or engineering services contracts for multiple projects under a single qualifications-based RFP; provided that the total amount of multiple contracts and all renewals for a single contractor does not exceed two million dollars (\$2,000,000) over four years and that a single contract, including any renewals, does not exceed five hundred thousand dollars (\$500,000) (13-1-154.1 - A)

3.9 PROFESSIONAL SERVICES EXPENDITURES - "Professional Services" means the services of architects, archaeologists, engineers, surveyors, landscape architects, medical arts practitioners, scientists, management and systems analysts, certified public accountants, lawyers, psychologists, planners, researchers and persons or businesses providing similar services (13-1-76 NMSA 1978)

Professional services are procured at the direction of the City Manager for contracts under \$60,000 including for the services of architects, landscape architects, engineers or surveyors for state public works projects or local public works projects, in accordance with professional services procurement regulations promulgated by the department of



finance and administration, the general services department or a central purchasing office with the authority to issue regulations. Professional Services between \$20,000 and \$60,000, not related to public works projects, shall obtain three written competitive quotes with justification (when applicable) before the City Manager may approve the contract. Contracts over \$60,000 are procured at the direction of the City Manager with City Commission approval, and are subject to the competitive sealed proposal requirements. The CPO will issue a contract after documentation of the appropriate approval is delivered to the CPO.

NOTE: The City of Hobbs is subject to 2.22 NMAC State Audit Rule in contracting for the audit services.

- 3.9.1 **COOPERATIVE PURCHASING AGREEMENTS** – Cooperative procurement” means procurement conducted by or on behalf of more than one state agency or local public body, or by a state agency or local public body with an external procurement unit. Purchases of services, construction or items of tangible personal property can be made through the use of a “cooperative purchase agreement”. The cooperative Agency agreement must be approved by the City Commission. If multiple purchasing agreements exists with vendors for a project, **and the project exceeds \$200,000, the Department Head must attempt and obtain multiple quotes.** Purchases exceeding \$60,000 must obtain prior approval from the Department Head and approved by the City Manager and City Commission.
- 3.9.2 **AMENDMENTS TO CONTRACTS** – Any amendment exceeding \$60,000 must obtain prior approval from the Department Head and approved by the City Manager and City Commission.
- 3.9.3 **CHANGE ORDERS** – Any change order on a contract exceeding \$60,000 must obtain prior approval from the Department Head and approved by the City Manager and City Commission.
- 3.10 **PURCHASES FROM ELECTED OFFICIALS OR EMPLOYEES** - ~~To avoid any possible appearance of conflicts of interest, elected officials, employees, or their immediate families, i.e., spouse, children, parents, brothers or sisters (13-1-62 NMSA-1978), can not participate in a purchase of goods or services in which they have a financial interest (13-1-190 NMSA 1978). A financial interest is defined as "holding a position in a business as officer, director, trustee or partner or holding any position in management; or ownership of more than five percent interest in a business" (13-1-57 NMSA 1978). Please see City of Hobbs Related Party Policy (City of Hobbs Resolution # 5329) and the State of New Mexico Governmental Conduct and Ethics Policy. The City of Hobbs shall follow the NM Governmental Conduct Act as it relates to purchases from elected officials or employees. Procedures for related party expenditures are in SECTION XII of the City of Hobbs Procurement Ordinance.~~
- 3.11 **QUOTATIONS** - When the City of Hobbs Procurement Policy requires quotations, either written or oral, all vendors must be given the same information concerning the material or service required and any other specifications. Each vendor contacted must be given an equal opportunity to supply the material or service. If an addendum to a request for a quotation is required, it must be provided to all vendors that were asked to respond.



3.12 RESIDENT BIDDERS' PREFERENCE - Vendors registered with the State of New Mexico who have received a resident bidder's preference number are eligible for a 5% preference in the evaluation of their bid price (13-1-21 NMSA 1978). This 5% resident bidders' preference is applicable to formal sealed bids and proposals. The resident bidders' preference does not apply to the expenditure of federal funds (13-1-21 NMSA 1978). The CPO is responsible for the verification of the resident bidders' preference number with the State of New Mexico.

3.12.1 RESIDENT VETERAN BUSINESS PREFERENCE – Vendors registered with the State of New Mexico who have received a resident veteran business preference number are eligible for the follows bidder preference (13-1-21 or 13-1-22 NMSA 1978): (Note: The resident veteran business preference is applicable to formal sealed bids and proposals)

- 1) resident veteran business with annual revenues of ~~one million dollars~~ three million dollars (\$1,000,000) \$3,000,000 or less to be ten percent (10%) lower than the bid actually submitted and a ten percent (10%) factor for a request for proposal
- 2) ~~resident veteran business with annual revenues of more than one million dollars (\$1,000,000) but less than five million dollars (\$5,000,000) to be eight percent (8%) lower than the bid actually submitted~~
- 3) ~~resident veteran business with annual revenues of five million dollars (\$5,000,000) or more to be seven percent (7%) lower than the bid actually submitted.~~

~~The resident veteran business preference does not apply to the expenditure of federal funds (13-1-21 NMSA 1978). The preference of this section shall be limited, in any calendar year, to an aggregate of ten million dollars (\$10,000,000) in purchases by the City of Hobbs from all resident veteran businesses receiving preference. (13-1-21, G)~~ The CPO is responsible for the verification of the resident veteran business preference number with the State of New Mexico.

3.13 SOLE SOURCE AND EMERGENCY PURCHASES -

O. Sole source purchases are defined as a purchase for which there is only one known source for the required service, construction or item of tangible personal property (13-1-126 NMSA 1978). At least thirty days (30) before a sole source contract is awarded, the CPO or designee of either shall post notice of the intent to award a sole source contract on its web site and forwarded to the State of New Mexico Department of Information Technology for posting on the sunshine portal. The notice shall identify at a minimum:

- 1) The parties to the proposed contract
- 2) The nature and quantity of the service, construction or item of tangible personal property being contracted for; and
- 3) The contract amount

Any qualified potential contractor who was not awarded a sole source contract may protest to the CPO. The protest shall be submitted in writing within fifteen calendar days of the notice of intent to award a contract being posted by the CPO. (13-1-126.1, A B, 13-1-128)

P. Emergency purchases are valid only when there exists a threat to public health, welfare, safety or property requiring procurement under emergency conditions (13-1-127 NMSA 1978). An emergency condition creates an immediate and serious need for services, construction or items of tangible personal property that cannot be met through normal procurement methods and the lack of which would seriously threaten:

- 1 – the functioning of government;
  - 2 – the preservation or protection of property; or
  - 3 – the health or safety of any person.
- (13-1-127 NMSA 1978)



- Q. Every effort should be made to purchase competitively if the situation allows (13-1-127 NMSA 1978). A written determination of the basis for the emergency procurement and for the selection of the particular contractor shall be included in the procurement file (13-1-128 NMSA 1978).
- R. Written documentation of these types of purchases must be submitted to the CPO by the Department Head making the purchase (13-1-128 NMSA 1978). This documentation must be maintained for a minimum of three years (13-1-128 NMSA 1978).
- S. Within three (3) business days of awarding an emergency procurement contract, the CPO or designee of either shall post notice of the intent to award the emergency purchase contract on its web site and forwarded to the State of New Mexico Department of Information Technology for posting on the sunshine portal. The notice shall identify at a minimum:
  - 1) The parties to the proposed contract
  - 2) The nature and quantity of the service, construction or item of tangible personal property being contracted for; and
  - 3) The contract amount

3.14 STATE OF NEW MEXICO PURCHASING CONTRACTS AND GSA CONTRACTS - The CPO may make purchases utilizing any State of New Mexico Purchasing Contract, or any GSA Contract deemed to be in the best interest of the City of Hobbs. The CPO is not required to obtain quotes or formal sealed bids for purchases under these contracts regardless of the total cost (13-1-129 NMSA 1978), but may utilize these contracts as one of the price quotes when quotations are required.

- T. When using GSA contracts the contractor (not the distributor) must indicate in writing a willingness to extend to the City of Hobbs the terms and conditions specified in the GSA Contract (13-1-129 NMSA 1978).
- U. The CPO must have a complete copy of the State Contract or GSA Contract (13-1-129 NMSA 1978). The CPO will verify the terms of the contract as well as the effective date of the contract prior to issuance of a purchase order.

#### SECTION IV PUBLIC WORKS CONTRACTS

- Public works contracts are subject to the policies detailed above as well as the following additional procedures.
- All contracts of more than \$60,000, must contain a provision stating the minimum wages to be paid to various classes of laborers and mechanics as determined by State of New Mexico. Contractors must pay the laborers at least weekly, on the job site. The wage scale must be prominently posted by the contractor at the work site (13-4-11 NMSA 1978). If the City of Hobbs is utilizing a cooperative purchase agreement, the determination of wage rates for the agreement must be forwarded and filed with the City of Hobbs CPO. Non-submittal of wage rate determinations from the Cooperative Service Agency could result in a delay of payment.
- For all contracts of more than \$60,000, the City of Hobbs must receive a performance bond from the contractor equal to 100% of the contract price, and a payment bond from the contractor equal to 100% of the contract price.
- The CPO can require performance bonds and payment bonds on any public works contract.
- The City of Hobbs may require a ~~retainage~~ close out fee of no greater than 5% be held from each partial payment to the contractor until the job is completed.
- Any vendor submitting a bid for a public works construction project more than \$5,000, shall submit a subcontractor list of who will perform work or labor or render service. The subcontractor's list shall give in detail the nature of the work which will be done by each subcontractor. Any bid submitted by any person which fails to comply with this policy will be considered a non-responsive bid and will not be accepted by the City of Hobbs (13-4-34 NMSA 1978).
- In order to submit a bid , proposal or to be considered for award of any portion of a public works project greater than sixty thousand dollars (\$60,000), the public works project is subject to the Public Works Minimum Wage Act. The contractor, serving as a prime contractor or not, shall be registered with the labor and industrial division of the labor department. The City shall not accept a bid on a public works project subject to the Public Works Minimum Wage Act from a prime contractor that does not provide proof of required registration for itself.
- The City of Hobbs may procure multiple architectural or engineering services contracts for multiple projects under a single qualifications-based RFP; provided that the total amount of multiple contracts and all renewals for a single contractor does not exceed two million dollars (\$2,000,000) over four years and that a single contract, including any renewals, does not exceed five hundred thousand dollars (\$500,000) (13-1-154.1 – A)



## **SECTION V MISCELLANEOUS EXPENDITURES**

- 1 Some miscellaneous expenditures do not lend themselves to classification as services or materials, and are not handled in the same way as most purchases.
- 2 Travel expenditures, meal reimbursements, postage, dues/subscriptions and registration fees are several examples.
- 3 Check requests can be utilized for these expenditures. It is encouraged to use purchase orders whenever necessary to assure budgeted funds are available.
- 4 Documentation for the expenditure should be attached to the request, and submitted directly to the Finance Department for payment.



## SECTION VI FIXED ASSET POLICY

- 1 Capital outlay items are budgeted annually and approved by the City Commissioners.
- 2 Purchases from funds budgeted as a capital outlay must have an Inventory Data Sheet attached when submitted to the Finance Department for payment.
- 3 All capital expenditures are accounted for in a fixed asset inventory and not charged to an operating expense account.
- 4 Generally, expenditures for items with an original cost of more than \$5,000.00, and an estimated life of more than one year, are classified as fixed assets.
- 5 Generally, expenditures of less than \$5,000.00 are charged to the current year's operating expenses.
- 6 Repairs should be charged to an operating expense account.
- 7 Purchases for shrubbery, trees, sod, fencing, carpeting, roofing, plumbing, etc. should not be considered fixed assets.
- 8 Installation, engineering services, architectural services and repairs extending the life of the asset should be charged and budgeted directly to the fixed asset as to assure proper value of the fixed asset. Note: When budgeting fixed assets, items 6 thru 8 should be considered in the code series of the budgeting process. Operations should be budgeted in the 42000 object code series and capital should be budgeted in the 43000 or higher object code series.
- 9 Disposition of any item requires prior approval from the Department Head (13-6-1 NMSA 1978), and completion of an Inventory Data Sheet – Transfers & Deletions. Items are deemed to have a salvage value and are believed to be sold at a public auction must be specified on the inventory data sheet – transfers and deletions form. The Finance Department is responsible for organizing the auction and will communicate when and where to transport the items before and after the auction.
- 10 Each Department Head is responsible for maintaining an accurate inventory of all fixed assets assigned to their department.
- 11 The results of the physical inventory shall be recorded in a written inventory report, certified as to correctness and signed by the governing authority of the agency. (NMAC 2.20.1.16.E)
- 12 Annexing of property will be evaluated and added to the fixed asset inventory list at the end of every fiscal year (when applicable). The basis for valuation will be determined by reasonable methods determined by GAAP. (Generally Accepted Accounting Principles)

- 13 Donation of property will be evaluated and added to the fixed asset inventory list at the end of every fiscal year (when applicable). The basis for valuation will be determined by reasonable methods determined by GAAP. (Generally Accepted Accounting Principles)



## SECTION VII BUDGETING POLICY/PROCEDURES

- A. In order to comply with Section 6-6-2 NMSA 1978, local governments have the following deadlines to adhere to:

June 1, - Budget (preliminary) requests are due to New Mexico Local Government Division

July 31,- Budget (final) Final Day to submit budget adjustment resolutions for current fiscal year

Final budget requests for next fiscal year including the approving resolution due at New Mexico Local Government Division

Fiscal year-end financial reports due at New Mexico Local Government Division

The New Mexico Local Government Division requires the City of Hobbs to establish and maintain a cash balance in the general fund equal to 1/12<sup>th</sup> of the budgeted expenditures at fiscal year-end (June 30<sup>th</sup>)

The City of Hobbs will hold a minimum of one (1) budget public work session prior to the first Commission meeting in May.

A portion of the general fund cash balance can be reserved in a separate reserve fund by direct action of the City of Hobbs Commission. The action to set up a reserve must specify the purpose, the amount and the expected date for its use. Reserves which remain unused for a period of three years will revert to the General fund.

### Budget Fund Establishment:

General Fund – Accounts for all financial resources, except those required to be accounted for in another fund.

Special Revenue Fund – Accounts for the proceeds of specific revenue sources that are legally restricted to expenditure for specific purposes.

Capital Projects Fund – Accounts for financial resources to be used for the acquisition or construction of major capital facilities.

Debt Service Fund – Accounts for the accumulation of resources for the payment of general obligation and long-term debt principal and interest.

Proprietary Fund – Accounts for operations that are financed and operated in a manner similar to private business enterprises, where the intent of the City Commission is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges.

Internal Service Fund – Accounts for the financing of goods or services provided by one department or agency to other departments or agencies of the City of Hobbs on a cost-reimbursement basis.

Fiduciary Fund (Trust and Agency) – Accounts for assets held by the City of Hobbs in a trustee capacity or as an agent for individuals, private organizations, or other governmental units, and/or other funds.

## ADJUSTMENTS AND RECLASSIFICATIONS

Definition:

Budget Adjustment – means any revenue or expenditure adjustment made after June 1, increasing or decreasing budgeted cash fund balance

Budget Reclassification – means any revenue or expenditure reclassification made after June 1, having no effect on budgeted cash fund balance

Budget Fund Adjustments:

New Mexico Local Government Division approval is required to adjust the budget after the budget is adopted. The following list establishes the criteria:

- 1) Meeting date that the City Commission approved the adjustments
- 2) Fund or funds affected by the adjustments
- 3) Department affected by the adjustments
- 4) The dollar amount of the adjustment and the available resources to fund the adjustment
- 5) A brief explanation stating why the adjustment is necessary

The signature of the mayor, commission chair or designate (manager, finance officer, etc) with attestation by the municipal clerk must be provided.

Budget adjustments requiring Local Government Division Approval include:

- Any budget increases
- Any transfer of budget between funds
- Transfers of cash, both permanent and temporary, between funds
- Any combination of the above

**ALL BUDGET INCREASES, TRANSFERS (PERMANENT AND TEMPORARY) MUST BE APPROVED BY THE NEW MEXICO LOCAL GOVERNMENT DIVISION PRIOR TO MAKING THE ACTUAL INCREASE OR TRANSFER.**

Budget increases or transfers from the general fund requiring the use of cash balances may not be approved if the result reduces estimated ending cash balance below LGD requirements.

Quarterly budget review establishes the second Commission meeting at the end of each quarter. The quarterly review requires the City of Hobbs to examine fiscal performance and make budget adjustments, if needed. The examination should include a comparison of revenues and expenditures to date to the approved budget.

The City of Hobbs establishes budget categories within the Funds and Departments as the following:

- Revenue – (Object code beginning with a 30)
- Personnel and Benefits – (Object code beginning with a 41)
- Operating – (Object code beginning with a 42)



Capital Assets (Tangible Equipment) – (Object code beginning with a 43)  
Capital Projects – (Object code beginning with a 44, includes a project number)  
Debt Service – (Object code beginning with a 46)

All budget reclassifications must be approved by the City Manager or Finance Director. Any budget reclassifications must be between budget categories. (example: reclassifications from personnel to personnel, reclassifications from operating to operating, reclassifications from capital assets to capital assets,) The budgetary cash fiscal impact on reclassifications should be zero with ratification of those adjustments at the quarterly budget review Commission meeting.

Any budget adjustment reducing the budgeted cash by \$60,000, Commission approval must be obtained prior to the adjustment being recorded.

Budget adjustments that do not reduce budgeted cash balance by \$60,000, ratification of the adjustment at the quarterly budget review must be approved by the City Commission.

End of the year fiscal year budget adjustments must be approved by the City Commission and submitted for approval to the local government division by July 31,

## **PROCEDURES FOR SUBMITTING FISCAL YEAR PRELIMINARY BUDGET**

### **SALARY AND BENEFITS:**

1. Finance Department will create the fiscal year budget file (in the MUNIS system) in the **second week in December** for the upcoming fiscal budget year
2. Finance Department will create a point in time, personnel projection file, in the Munis system prior to **January 31**
3. Any added Departments must be approved by Finance Director **prior to January 31**,
4. Department Heads will submit to the Human Resource Department by **January 31**, any added positions or reclassifications of personnel for the upcoming fiscal year budget.
5. The Human Resource Department will update the personnel projection file with changes submitted by Department Heads by the **second week in February**.
6. Once the projection file is updated, the salary projection will be executed and posted **no later than March 1**, The final projection must be compiled in the budget book by FTE by department, with salary amounts and compared to prior year. (Note: State of NM local government division requires FTE counts and salary amounts with an average increase or decrease from prior budget year)
7. Benefit projections will be determined by City Management and updated in the salary/benefit projection prior to **March 1**,

### **OPERATING:**

1. Finance Department will create the fiscal year budget file (in the MUNIS system) in the **second week in December** for the upcoming fiscal year budget year.
2. Departments must input detailed line item budgets (within the Munis system) **no later than March 1** (Note: detail input is required with justifications.)
3. Any additions of departments or object codes must be approved by Finance Director prior to



March 1<sup>st</sup>,

**CAPITAL ASSETS AND CAPITAL PROJECTS:**

1. Finance Department will create the fiscal year budget file (in the MUNIS system) in the **second week in December** for the upcoming fiscal year budget year.
2. Departments adding new fiscal year budgeted projects must submit those projects to Finance no later than March 1<sup>st</sup>. Any grant revenues associated with new projects also needs to be submitted to Finance. (Note: project numbers need to be added within the MUNIS system)
3. Departments must input detailed line item capital asset and capital project budgets **no later than March 1** (Note: detail input is required with justifications.)
4. Existing budgeted projects will be carried over into the next budget year. These existing budgeted should not be re-budgeted in the preliminary budget process unless an enhancement or addition needs to be made to the project after July 1<sup>st</sup>.

Finance Department will project, an input revenues as it relates to the General Fund, Special Revenue Funds, Capital Asset Funds, Debt Service Funds, Enterprise Funds and Fiduciary/Trust Funds by March 1

After March 1, the Finance Department will roll all components of the preliminary budget to the City Manager for review. The City Manager may establish departmental meetings during this review process.

Once City Manager review is complete, the Finance Department will compile preliminary fiscal year budget and create a projected budgeted cash fund balance report. The minimum general fund cash reserve as a percentage of general fund revenues shall be 30%. (Note: City Commission reserves the right to set the reserve % from fiscal year to fiscal year). The State of New Mexico Local Government Division requires 1/12<sup>th</sup> (8.33%) of general fund budgeted expenditures as the cash reserve.

The City of Hobbs preliminary budget will hold two public meetings regarding the preliminary budget. The two public meetings are as follow: 1) Preliminary budget work session discussions and 2) Final adoption of fiscal year preliminary budget. The timeline for work session is the 2<sup>nd</sup> Commission meeting in April and the 1<sup>st</sup> Commission meeting in May.

Once the preliminary budget is adopted, the budget will be cross walked to the required DFA forms and submitted prior to June 1<sup>st</sup>.



Contract Background

Typically, the City of Hobbs requires contracts for any labor/services over \$20,000. There are some cases that might require a contract under \$20,000 if the department and vendor need to detail out certain attributes that would otherwise not reflect on the purchase order (examples of these are timelines, quantity amounts, methods of payment, scope of work, expectations etc.) **Contracts are not to be artificially divided to shift the classification of the purchase into an inappropriate expenditure category.** In obtaining a contract the following procedures must be followed as to make your department and vendor, an enjoyable experience with the Finance Department.

## Procedure:

1. Determine if labor or services are over the \$20,000 dollar threshold.
2. If over the \$20,000 dollar threshold, three written quotes (use quote/purchase request form) must be obtained. (~~Note: Professional services are exempt from three written quotes but cannot exceed \$60,000.~~ Any professional service between \$20,000 and \$60,000, not related to public works projects, should obtain three competitive written quotes with justification (when applicable) before the City Manager can approve the contract. ~~All professional service contracts below \$60,000 must be signed by the City Manager~~)
2. Obtain an electronic version contract on the City's Intra-net page or contact Finance for a pro-forma contract. (Note: the contract pro forma version has been vetted through the Finance Department and Legal Department. Any other contract form used will be subject to additional review by the Legal/Finance Department)
3. Update the contract with the vendor, scope of service, amounts, quantity or any other language is deemed necessary for clarification.
4. Check budget for available funds and update contract with coding instructions.
5. Contract needs to be signed by the Department Head, Finance Director and Vendor before work is to begin. If a contract is obtained through a bidding process or RFP process then the Mayor must sign contract.
6. Once signatures are obtained, the Contract must be forwarded to Purchasing (along with the three written quotes) for encumbering into the MUNIS system. This assures that the City of Hobbs has the most current status of contractual liabilities owed to vendors.
7. Invoices associated with the contracts will be submitted to accounts payable and disseminated to the Department who issued the contract.
8. The Department Head will sign off on the invoice verifying the work was complete and satisfactory. The Department Head will then forward to accounts payable for payment. (**Note: all**

**invoices must be paid within 15 days of receipt of payment per ordinance)**

9. All contracts will be drafted for a one year term with a three year option to re-new (when applicable). Before the contract year, a reminder notice will be sent by the Finance Department to the department who initiated the contract for review. The department will review and update any terms, scope of services, or any other terms set in the initial contract. Once reviewed, the department will sign the contract reminder notice along with the vendor. This constitutes exercising one of the three year options. Any significant changes to the initial contract will need to be reflected in an amendment to the initial contract, identifying any updates. The amended contract must be signed by all parties listed in the initial contract.

#### **Employment Contracts vs. Contracts of Independent Contractors**

All contracts will be subject to review by the City Manager, Personnel Director and Finance Director as it relates to determining whether a contract is considered to be an employment contract or a contract with an independent contractor. (IRS rules apply) Employment contracts will be reviewed annually by the City Manager during his/her evaluation process for the employee. Contracts with an independent contractor will follow the review procedure mentioned in procedure 9 Section VIII of procedures for obtaining a contract.



## SECTION IX PROCEDURES FOR OBTAINING A PURCHASE ORDER

### Section 3.30.085

#### Purchase Order Background

The City of Hobbs requires a purchase order for any tangible property, labor, and services under \$20,000. A purchase order can also be obtained for **any tangible property** over \$20,000 and under \$60,000, however, three (3) written quotes (use quote/purchase request form) must be obtained. (note: in obtaining 3 quotes, the lowest quote does not have to be lowest, but a statement as to why lowest quote was not chosen) A purchase order can be obtained for tangible property or indefinite quantity amounts over \$60,000, but a formal bid, sole source, emergency request, GSA, cooperative purchasing (see ordinance policy) or formal RFP process would have to occur first. **Any purchase orders over \$20,000 needs to be created in the Finance Department - Purchasing.** It is noted the City of Hobbs uses a purchase order system for two reasons, 1) that authorization of public funds has occurred before the purchase, and 2) only authorized personnel from the City of Hobbs can spend public funds. The purchase order system also tracks by department, checks availability of funds and contractually encumbers public funds. The City of Hobbs uses an electronic report and planning system (MUNIS) to obtain a purchase order. The steps involved in the City of Hobbs electronic procurement process is first, creating a requisition, converting to a purchase order, receiving an invoice, department receiving the item indicating the product or service was adequate and then a check is processed. **Purchase orders are not to be artificially divided to shift the classification of the purchase into an inappropriate expenditure category. (example: creating purchase orders to one vendor, same budget line item, 3 different times at \$10,000 per PO making the total purchase to the vendor \$30,000. This purchase should have obtained three written quotes since total purchase to one vendor exceeded \$20,000. In the prior example, if total purchases exceeded \$60,000 then a formal bid or RFP process would need to followed.)** In obtaining a purchase order, the following procedures must be followed as to make your department and vendor, an enjoyable experience with the Finance Department.

#### Procedure:

#### Requisition to Purchase Order

1. Complete a requisition entry in Munis – please include a detailed description of the item or items purchased in the line detail field.
2. **All requisitions must have documentation** (such as a quote or an estimate) attached to justify the price, timeline, and/or quantity needed.
3. Release the requisition in Munis so that it can be processed through the workflow in Munis.
4. Once all approvals have been made, the requisition will be converted into a purchase order.
5. The originator will receive two copies of the purchase order by email – the department copy and the vendor copy. Please provide your vendor with the vendor copy of the purchase order.

## Receiving on a Purchase Order

1. Per the purchase order, the invoice should be received by the finance department.
2. Finance will email a copy of the invoice to the department for authorization to pay
3. Please receive using the Munis receiving module any items on the invoice you have physically received.
  - a. Please contact Finance as soon as possible if you have received an invoice from us and you do not have your merchandise.
  - b. Receiving documentation should be scanned and attached (when applicable) within the receiving module to verify that all merchandise shipped was properly vetted. Examples are to verify that no prepayments exist between the vendor and the City of Hobbs, quantities are correct, and no damage of goods occurred.
4. If you have more than one line item on your purchase order, please ensure that you are receiving on the correct line item.
5. Please do not put a quantity in your receiving record - only a cost.
6. Please utilize the comments section to communicate any necessary information regarding your invoice.
  - a. This is especially useful if you have multiple invoices paying against the same line on your PO. Please provide the invoice number in the comments section for multiple invoices.
7. Please receive one invoice at a time in the receiving record.

Checks are written once per week. (Thursday afternoon). All purchase orders, invoices and receiving must be done by 5:00 pm Tuesday for payment to the vendor on Thursday of that week. (note: during holidays, the check run may be changed )



## SECTION X PROCEDURES FOR OBTAINING A REQUEST FOR PROPOSAL (RFP)

### Section 3.30.090

#### RFP (Request for Proposals) Background:

Request for proposals follow the same procedure noted in the State of NM procurement code. RFP's are done when other factors need to be considered for tangible property, capital projects, professional services and other services. This section of RFP does not fully encompass the process when public works projects are being considered for an RFP. This section details out the basic process, thru RFP, in procuring services **exceeding \$60,000.**

#### Procedure for creating an RFP:

1. Obtain pro forma RFP form on the City's intranet page or request from purchasing an electronic copy of the pro forma request for proposal.
2. Once the department has a working template of the RFP. The following items need to be either updated or changed.
  - a. The proposal number (obtain thru purchasing)
  - b. The specific timeline from publishing to opening of the RFP. The date, time and place of opening (minimum time from publication to opening is 10 business days). Also, note that all RFP's need to be evaluated and submitted to the City Commission for approval.
  - c. A detail description of the scope of service needing to be performed
  - d. Evaluation criteria ranked on a grading scale or point scale. (examples: cost 40%- timeline 20% - personnel experience on similar services 20% - responsiveness to rfp 10%).
  - e. RFP's not related to public works projects shall have a minimum cost factor of 20%.
  - f. Resident preferences of ~~(5%)~~ five percent (5%) and veteran's preferences (~~from 7% to 10%~~) of ten percent (10%) need to be included as an evaluation criteria factor.
  - g. A cost sheet needs to be included in the RFP if cost is an evaluation factor.
  - h. A campaign contribution form needs to be included in the RFP.
  - i. All Proposers shall be required to sign an affidavit attesting that collusion has not occurred.
  - j. All Proposers shall be required to sign a Related Party form, disclosing any financial interest the Proposer may have with the City of Hobbs.
  - k. All Proposers shall be required to sign a Debarment Certificate disclosing any debarment from the State of New Mexico, Federal Government and or the City of Hobbs.
3. The Department will submit a proposer list to purchasing for filing and submission of RFP to prospective proposers.
4. Once the department has updated and completed the RFP, the department will submit to Purchasing for review. Purchasing will then make any suggestions or corrections before a check route is established. (a check route is a sign off sheet in order for complete compliance review). Purchasing creates a check route, with authorized signatures, in the following order:
  1. Author of the RFP
  2. Department Head
  3. Purchasing
  4. Finance Director

5. Legal
6. City Manager
5. The check route needs to contain the budgeted funds available and the account number the RFP is budgeted in.
6. When the check route is complete, the City Manager shall sign the notice to publish. The RFP publication will also be submitted to IT for publication on the City of Hobbs website.
7. Any addendums to the RFP must be submitted 24 hours in advance.

Procedure for evaluating an RFP:

Specific guidelines in evaluating an RFP are detailed in the State of NM Procurement Code. The following procedures establish a benchmark for departments in completing the RFP process:

1. Finance Department will receive all RFP's and time/date stamp.
2. Finance Department will compile an evaluation form specific to the criteria established in the formal RFP.
3. The Department will establish an evaluation committee with a minimum of three evaluators. At least one member needs to be independent of the RFP origination department. (refer to NM State Procurement Code for specific procedures)
4. The evaluation team will score the RFP and submit scoring sheets to the Finance Department. An average score sheet will be calculated and submitted to the Finance Department as well. Any possible proposers deemed non-responsive must be vetted through the Finance Department and Legal Department.
5. The RFP origination Department will create a staff summary and start negotiations of a contract agreement (see contract procedure). If contract negotiations fail with the highest rated proposer, the Department will begin negotiations with the 2<sup>nd</sup> highest proposer. (see detailed RFP negotiations in NM State Procurement Code) The staff summary, average scoring sheet and contract (when necessary) will be submitted to the City Commission for approval.
6. Upon City Commission approval, purchasing will submit an award letter to the highest rated proposer and notify (in writing) the non-successful proposers.
7. Once all contract documents are signed, the Department will submit to purchasing a copy of the contract and enter the document into the MUNIS system. All contracts that are processed through the RFP process must be signed by the Mayor.



## XI PROCEDURES FOR OBTAINING A BID

### Section 3.20.095

#### Bid Background:

Bids follow the same procedure noted in the State of NM procurement code. Bids are done when only costs need to be considered for tangible property, capital projects, and other services deemed necessary for the City of Hobbs. This section of bidding does not fully encompass the process when public works projects are being considered for a bid. It is also noted that a construction manager assigned to assist the City of Hobbs, thru a prior RFP, can process bids, evaluate and make recommendations to the City of Hobbs Commission or designee. This section details out the basic process, thru bidding, in procuring tangible property, capital projects and other services **exceeding \$60,000**.

#### Procedure for creating a BID:

1. Obtain pro forma bid form on the City's intranet page or request from purchasing an electronic copy of the pro forma bid document.
2. Once the department has a working template of the bid document. The following items need to be either updated or changed.
  - a. The bid number (obtain thru purchasing)
  - b. The specific timeline from publishing to opening of the bid. The date, time and place of opening (minimum time from publication to opening is 10 business days). Also, note that all bids need to be evaluated and submitted to the City Commission for approval.
  - c. A detail description of the tangible property, capital project or other service.
  - d. Resident preferences of five percent (5%) and veteran's preferences (~~from 7% to 10%~~) of ten percent (10%) need to be included as a cost factor.
  - e. A cost sheet needs to be included in the bid document.
  - f. A campaign contribution form needs to be included in the bid document.
  - g. All Bidders shall be required to sign an affidavit attesting that collusion has not occurred.
  - h. All Bidders shall be required to sign a Related Party form, disclosing any financial interest the Bidder may have with the City of Hobbs.
  - i. All Bidders shall be required to sign a Debarment Certificate disclosing any debarment from the State of New Mexico, Federal Government and or the City of Hobbs.
3. The Department will submit a bidders list to purchasing for filing and submission of bid to prospective bidders.
4. Once the department has updated and completed the bid document, the department will submit to Purchasing for review. Purchasing will then make any suggestions or corrections before a check route is established. (a check route is a sign off sheet in order for complete compliance review). Purchasing creates a check route, with authorized signatures, in the following order:
  1. Author of the bid document
  2. Department Head
  3. Purchasing
  4. Finance Director

5. Legal
6. City Manager
5. The check route needs to contain the budgeted funds available and the account number the bid is budgeted in.
6. When the check route is complete, the City Manager shall sign the notice to publish. The bid document will also be submitted to IT for publication on the City of Hobbs website.
7. Any addendums to the bid document must be done 24 hours in advance.

Procedure for evaluating a bid:

Specific guidelines in evaluating a bid are detailed in the State of NM Procurement Code. It is also noted that if the City of Hobbs is contracting with a construction manager then the following process does not apply. The following procedures establish a benchmark for departments in completing the bid process (without a construction manager):

1. Finance Department will receive all bids and time/date stamp.
2. Finance Department will compile an evaluation form specific to the cost established in the formal bid process.
3. All bids will be publicly opened and read out loud.
4. The bid will be summarized and checked for completeness. Any possible bidders deemed non-responsive must be vetted through the Finance Department and Legal Department.
5. The bid origination Department will create a staff summary and create a contract agreement (see contract procedure). The staff summary, bidding sheet and contract (when necessary) will be submitted to the City Commission for approval.
6. Upon City Commission approval, purchasing will submit an award letter to the apparent low bidder and notify (in writing) the non-successful bidders.
7. Once all contract documents are signed, the Department will submit to purchasing a copy of the contract and enter the document into the MUNIS system. All contracts that are processed through the bidding process must be signed by the Mayor.



## XII PROCEDURES FOR RELATED PARTY EXPENDITURES

Pursuant to the NM Governmental Conduct Act, the following procedures shall be followed by any employee/elected official conducting business with the City of Hobbs:

1. All employees and elected officials shall be required to submit a Financial Disclosure Form to the Finance Department annually.
2. All signed disclosure forms by employees/elected officials shall be filed in their personnel file.
3. Any possible conflict of interests with employees/elected officials may be reviewed by the Finance Director, City Attorney and City Manager.
4. If a conflict of interest arises with an employee/elected official, any future goods or services provided by the related party shall be subject to a competitive process and disclosed at a future City Commission meeting.
  - a. A competitive process is defined as written quotes with a minimum of three vendors. The dollar amount threshold for the written quotes is \$1,000 dollars to \$60,000 dollars. The recommended vendor, if an employee or elected official, shall require disclosure at a City Commission meeting.
  - b. Formal bid or rfp above 60,000 shall require a formal competitive process of sealed bids/proposals with a disclosure of conflict of interest from the vendor. All formal bids or rfps shall be disclosed at a City Commission meeting.
5. Any change in financial interest during the calendar year, the employee/elected official shall disclose the change to the Finance Department in writing.
6. All new employees/elected officials shall submit a financial disclosure form upon hire or start of election term.

### XIII INVENTORY MANAGEMENT POLICY

#### OBJECTIVE:

The policy aims to achieve the following objectives which are to:

- a) Provide guidelines that employees of the City of Hobbs must follow in the management and control of inventory, including safeguarding and disposal of inventory
- b) Procure inventory in line with the established City of Hobbs Procurement Ordinance
- c) Eliminate any potential misuse of inventory and possible theft.

#### DEFINITIONS:

Cost – shall comprise costs of purchase, costs conversion, shipping and other costs incurred in bringing the inventories to their present location and condition

Inventories – are assets:

In the form of material or supplies to be consumed or distributed in the rendering of services  
Held for sale or distribution in the ordinary course of operations

Warehouse Manager – means the official responsible for the requisition, receipt, issue, recording, safeguarding of inventory and cost-effective and efficient management of inventory.

Obsolete Inventory – means items that have expired, are redundant or damaged

Re-order level – means the level of inventory at which inventory is re-ordered

Net Realizable – Is the estimated selling price in the ordinary course of operations less the estimated costs of completion and estimated costs necessary to make the sale exchange or distribution

Purchase Requisition – Electronic request that performs a budget check and detailing inventory items as to description, quantity, cost, and shipping

Purchase Order – Electronic authorized contract which is converted from a purchase requisition, detailing inventory items as to description, quantity, cost and shipping

Receiving - means ordered inventory items from an authorized purchase order are received by the warehouse manager, against the purchase order by line item

Invoice – means vendor billing document that matches authorized purchase order

#### SCOPE:

This policy applies to City of Hobbs inventory received by the warehouse manager and when applicable, the golf course manager.



## INVENTORY PROCEDURES:

The procedures for inventory must be followed to ensure that:

- a) Inventory is safeguarded at all times
- b) There are accurate records of quantities on hand at all times
- c) Optimum inventory levels are maintained to meet the needs of users
- d) Only authorized issues of inventory are made to users
- e) Items placed in warehouse are secured and only used for the purpose for which they were purchased

## ORDERING OF INVENTORY:

Each department must set its own Inventory reorder levels for all items in consultation with the Utilities Director or Golf Pro Shop Manager, the inventory levels must indicate the minimum and maximum inventory that can be maintained.

Due diligence and care shall be exercised in identifying low value and high value items of inventory

Minimum inventory level of high value items shall be ordered, any maximum order shall be based on specific requirement/need in order to avoid large amount of cash tied up on inventory

The purchase requisition will be requested by the warehouse manager/golf course manager detailing out description, items, cost, shipping and other costs and submitted through the MUNIS system or equivalent.

The purchase requisition will be converted to an authorized purchase order by the Finance Department and forwarded to the warehouse/golf pro shop for the receiving warehouse manager/golf pro manager to match the goods received against the order once goods are delivered

Purchase orders must thereafter be filed in date sequence

This file must form the basis for follow up of orders and for matching goods that are delivered to the warehouse department/golf course pro shop

The orders file should be reviewed weekly by the warehouse manager/golf course manager and any orders, which have not been delivered as per the agreement with the buyer, must be followed up immediately

## RECEIPT OF INVENTORY:

The quantity and quality of the inventory received from suppliers must be according to specifications and information on the purchase order

The warehouse manager/golf course manager must compare the delivery receiving document to the purchase order before accepting the goods

The invoice or delivery receiving document must match the supplier name and order number



The warehouse manager/golf course manager must create an electronic receiving input into the MUNIS system or equivalent to record all the inventory items delivered in good condition

The warehouse manager/golf course manager must ensure that:

- a) All receiving documents or invoices are signed by him/her and the driver
- b) All incorrect delivery items are rejected and clearly identified on both copies of the delivery receiving document and or invoice
- c) The supplier signs all amendments

The inventory received must then be transferred to the secured warehouse/golf course pro shop by the warehouse/golf pro shop designated staff, and the goods received are numbered and quantities captured on the bin by the warehouse manager (when applicable by the golf course manager)

The inventories must be stored in their respective sections once they have been received

The inventory record/database system must be updated on the day the goods are received by the warehouse manager/golf course manager

#### STORAGE OF INVENTORY:

Inventory must be stored in a secured, exclusive use area, under lock and key, furthermore the inventory must be insured

The area must be used exclusively for the storage of inventory, with limited authorized access only  
Inventory must be positioned to facilitate efficient handling and checking

All items must be stored separately, with proper segregation

Inventory must be clearly labeled for easy identification. Inventory tag/bin labels may be used to identify each item and to aid in the physical verification of the items.

Where possible, all items of the same typed and reference must be stored together as per the description on the inventory records

Due diligence and care must be exercised to prevent damage of, or deterioration of inventory

Steps must be taken to ensure safe custody of items, including precautions against loss or theft

The warehouse manager is responsible for the custody and care of inventory and must ensure that in his/her absence, such items, where applicable, are securely stored

No unauthorized persons/officials shall obtain entry to premises, buildings or containers where inventory is kept, unless accompanied by the warehouse manager or designee

#### ISSUING OF INVENTORY:

Only the warehouse manager is authorized to issue inventory from the warehouse

Inventory must only be issued in terms of the approved "pick ticket" form generated by the City of Hobbs MUNIS system

The warehouse manager must update quantities in the MUNIS database any inventory items issued from the "pick ticket"

Inventories must be issued and used for official purposes only

#### OBSOLETE INVENTORY:

The preparatory work for the disposal of obsolete inventory must be undertaken by the warehouse manager and verified by the Utilities Director/Parks Director.



The Finance Officer must approve the disposal of obsolete inventory.

The final approval of write-off of obsolete inventory would be executed by resolution with approval of the Hobbs City Commission

The obsolete inventory must satisfy that:

- a) The inventory has expired and is redundant
- b) The inventory is of a specialized nature and has become outdated due to the introduction of upgraded and more effective products
- c) The inventory cannot be used for the purpose for which it was originally intended
- d)

#### INVENTORY COUNT:

Items may be subject to an inventory spot count on a monthly basis.

Inventory counts may be carried out on a four monthly basis with a full inventory count at the end of each fiscal year

All approved City of Hobbs procedures and processes must be complied with during the inventory count

The warehouse manager/golf course manager must document and report to the Utilities Director, Parks Director and Finance Director, any discrepancies between the inventory records database and the physical inventory

Once reported to the Utilities Director/Parks Director and Finance Director, the amount will be forwarded to City Commission by resolution for write-off of any inventory losses or write ups of surpluses

The appropriate disciplinary action must be instituted when applicable

The inventory record database must be updated accordingly

#### INVENTORY RECORDS:

An inventory record database must be maintained for all inventory items, electronically

All relevant information must be included for the proper management and control of all inventory items. It is recommended that details include but are not limited to:

- a) Order number/date
- b) Item description
- c) Quantity and value of stock on hand
- d) Quantity and value of stock received
- e) Quantity and value of stock issued
- f) Re-order level
- g) Optimum inventory level
- h) Quantity and value of obsolete stock
- i) Opening and closing balance

An inventory database must be printed monthly and the hard copy filed in a chronological order to maintain a proper audit trail

REPORTING:

A report must be submitted at each stock count to the Finance Department, Parks Director and Utilities Director detailing the following:


- a) Any inventory shortages or surpluses and the reasons for such
- b) Any inventory deficits proposed to be written-off
- c) Any obsolete inventory items

Inventories purchased during the fiscal year must be disclosed at cost

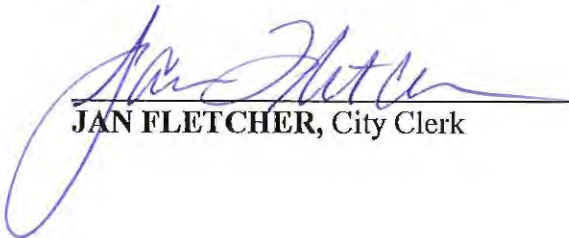
All fiscal year reports must be submitted to the Finance Department which will be forwarded to the City of Hobbs external auditors.

PASSED, ADOPTED AND APPROVED this 17<sup>th</sup> day of April, 2017, to become effective May 1, 2017.



  
\_\_\_\_\_  
SAM D. COBB, Mayor

ATTEST:

  
\_\_\_\_\_  
JAN FLETCHER, City Clerk

08/21/2019 12:02  
 jfletcher

 CITY OF HOBBS  
 ACCOUNT INQUIRY

 P 1  
 glactinq

Org	Object	Proje	Description	2020 Revised Budget	2020 Actual	2019 Actual	2018 Actual
274027	41101		SALARIES	368,113.20	51,596.07	317,915.41	319,280.94
274027	41102		OVERTIME	40,000.00	2,403.30	30,240.73	31,499.89
274027	41106		LONGEVITY PAY	5,731.04	0.00	9,530.16	0.00
274027	41108		CDL/PREMIUM PAY	42,000.40	6,461.60	42,923.42	33,249.31
274027	41109		PTO PAYOUT	3,710.04	0.00	3,710.04	126.72
274027	41110		WORKERS COMPENSATION	7,280.01	585.54	8,530.24	6,787.57
274027	41111		FICA	35,408.40	4,429.55	30,185.87	28,652.44
274027	41111	00231	FICA	0.00	0.00	0.00	0.00
274027	41112		PERA	50,655.89	7,056.28	44,460.91	43,399.93
274027	41112	00231	PERA	0.00	0.00	0.00	0.00
274027	41113		INSURANCE-MEDICAL/DENTAL	99,098.94	16,547.72	104,191.08	103,934.96
274027	41114		LONG-TERM/SHORT-TERM DISABILIT	357.24	60.47	345.16	359.73
274027	41115		BILINGUAL PAY	1,500.00	0.00	3,000.00	3,000.00
274027	41116		CELL PHONE STIPEND	1,800.24	276.96	1,731.00	1,200.16
274027	41117		ON CALL INCENTIVE	0.00	0.00	0.00	0.00
274027	41121		PTO PAYOUT	0.00	0.00	300.05	2,312.38
274027	41122		VACATION PAYOUT	0.00	0.00	0.00	0.00
274027	41123		COMP TIME PAYOUT	0.00	0.00	0.00	0.00
274027	41124		SAFETY INCENTIVE	0.00	0.00	0.00	0.00
274027	41126		ADMIN LEAVE	0.00	0.00	679.36	1,010.36
274027	41126	00231	ADMIN LEAVE	0.00	0.00	0.00	0.00
274027	41127		RECRUITMENT INCENTIVE	0.00	0.00	0.00	0.00
274027	41128		FSA EXPENSE	45.00	3.75	45.00	18.75
274027	42201		UTILITIES	12,000.00	1,613.01	9,294.08	10,309.33
274027	42202		COMMUNICATIONS	7,200.00	1,080.92	6,709.30	5,946.29
274027	42203		DUES AND SUBSCRIPTIONS	1,250.00	1,050.00	1,175.00	525.00
274027	42204		UNIFORMS	2,000.00	0.00	1,561.20	969.63
274027	42206		RENTAL- EQUIPMENT	4,000.00	0.00	0.00	0.00
274027	42208		FUEL	61,200.00	6,919.32	61,499.31	60,838.43
274027	42209		AUDIT	0.00	0.00	0.00	0.00
274027	42225		INSURANCE-AUTOMOBILE LIABILITY	10,200.00	0.00	9,800.00	9,000.00
274027	42232		SERVICE-JANITOR	9,600.00	771.58	9,258.96	9,368.88
274027	42262		PERMITS AND LICENSES	0.00	0.00	0.00	0.00
274027	42301		SUPPLIES-OFFICE	3,600.00	147.40	2,522.53	2,188.14
274027	42302		TRAVEL MEALS AND SCHOOLS	3,500.00	0.00	1,029.49	1,867.64
274027	42303		SUPPLIES-JANITOR	0.00	0.00	0.00	0.00
274027	42304		PRINTING AND DUPLICATING	4,000.00	900.87	3,008.16	1,922.62
274027	42313		SAFETY EQUIPMENT	0.00	0.00	0.00	0.00
274027	42315		FOOD AND LINEN	1,000.00	29.75	0.00	0.00
274027	42324		MISCELLANEOUS AND EMERGENCY	0.00	0.00	0.00	0.00
274027	42326		MOTOR OIL (LUBRICANTS)	3,600.00	170.93	3,756.25	3,537.17
274027	42353		TRAINING	1,800.00	1,423.73	915.00	0.00
274027	42357		ADVERTISING	15,000.00	854.50	18,087.49	13,251.93
274027	42366		SHOP SUPPLIES	3,000.00	519.21	1,673.37	3,284.70
274027	42401		RADIO INSTRUMENTS	10,200.00	0.00	0.00	6,122.20
274027	42402		VEHICLE MAINTENANCE	24,000.00	3,778.35	14,763.24	17,820.62
274027	42406		TIRES AND TUBES	6,000.00	34.00	4,749.36	4,777.66
274027	42501		BUILDING AND GROUNDS	3,600.00	0.00	216.30	1,296.12
274027	42601		PROFESSIONAL SERVICES	0.00	0.00	0.00	0.00
274027	42633	00117	ARRA EXPENDITURES	0.00	0.00	0.00	0.00
274027	42643		CREDIT CARD FEE EXPENDITURE	750.00	179.89	630.49	540.10
274027	42701		COMPUTER/COMP EQUIPMENT	0.00	0.00	0.00	0.00
274027	42704		VEHICLES - NEW	0.00	0.00	0.00	0.00
274027	42706		EQUIPMENT UNDER 5000.00	7,000.00	0.00	0.00	0.00

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CITY OF HOBBS  
ACCOUNT INQUIRY

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Org	Object	Proje	Description	2020 Revised Budget	2020 Actual	2019 Actual	2018 Actual
274027	42707		FURNITURE/APPLIANCE UNDER 5000	0.00	0.00	306.60	0.00
274027	42709		COMMUNICATION EQUIPMENT	0.00	0.00	0.00	0.00
274027	43001		COMPUTER/COMP EQUIPMENT OVER 5	0.00	0.00	0.00	0.00
274027	43003		VEHICLE REPLACEMENT	317,741.07	0.00	117,388.93	234,870.00
274027	43004		VEHICLE - NEW	0.00	0.00	0.00	0.00
274027	43006		EQUIPMENT OVER 5000	10,713.00	0.00	0.00	49,005.00
274027	43007		FURNITURE/APPLIANCE OVER 5000	0.00	0.00	0.00	0.00
274027	43008		IMPROVEMENTS/RENOVATIONS	82,103.00	0.00	0.00	23,942.66
274027	43013		BUILDING IMPROVEMENTS	0.00	0.00	0.00	0.00
274027	43801		VEHICLES (2-25 PASSENGER BUS)	0.00	0.00	0.00	0.00
274027	44901	00117	PUBLIC TRANS BLDG - ARRA	0.00	0.00	0.00	0.00
274027	44901	00127	BUILDING RENOVATION	0.00	0.00	0.00	0.00
274027	44901	00152	SOGR GRANT	0.00	0.00	0.00	0.00
274027	44901	00172	SOGR GRANT - 2012	0.00	0.00	0.00	0.00
274027	44901	00191	SOGR GRANT 2014	0.00	0.00	0.00	0.00

AUG Rev Bud [Total: 0.00 ]  
 AUG Act Bud [Total: 0.00 ]  
 AUG Enc Bud [Total: 0.00 ]  
 AUG Available [Total: 0.00 ]  
 2020 Revised Budget [Total: 1,260,757.47 ]  
 2020 Actual [Total: 108,894.70 ]  
 2020 Encumbrances [Total: 28,704.05 ]  
 2020 Available [Total: 1,123,158.72 ]  
 2020 Original Budget [Total: 986,200.40 ]  
 2019 Revised Budget [Total: 1,237,821.33 ]  
 2019 Actual [Total: 866,133.49 ]  
 2019 Encumbrances [Total: 0.00 ]  
 2019 Available [Total: 371,687.84 ]  
 2019 Percent [Total: 2,900.42 ]  
 2019 Original Budget [Total: 1,004,668.33 ]  
 2018 Revised Budget [Total: 1,342,854.78 ]  
 2018 Actual [Total: 1,036,217.26 ]  
 2018 Encumbrances [Total: 0.00 ]  
 2018 Available [Total: 306,637.52 ]  
 2018 Percent [Total: 2,835.72 ]  
 2018 Original Budget [Total: 951,889.44 ]  
 2021 Revised Budget [Total: 0.00 ]  
 2021 Actual [Total: 0.00 ]  
 2021 Encumbrances [Total: 0.00 ]  
 2021 Available [Total: 0.00 ]  
 2021 Percent [Total: 0.00 ]  
 2021 Original Budget [Total: 0.00 ]

\*\* END OF REPORT - Generated by JAN FLETCHER \*\*



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CITY OF HOBBS  
ACCOUNT INQUIRY

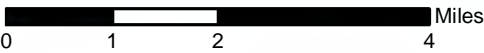
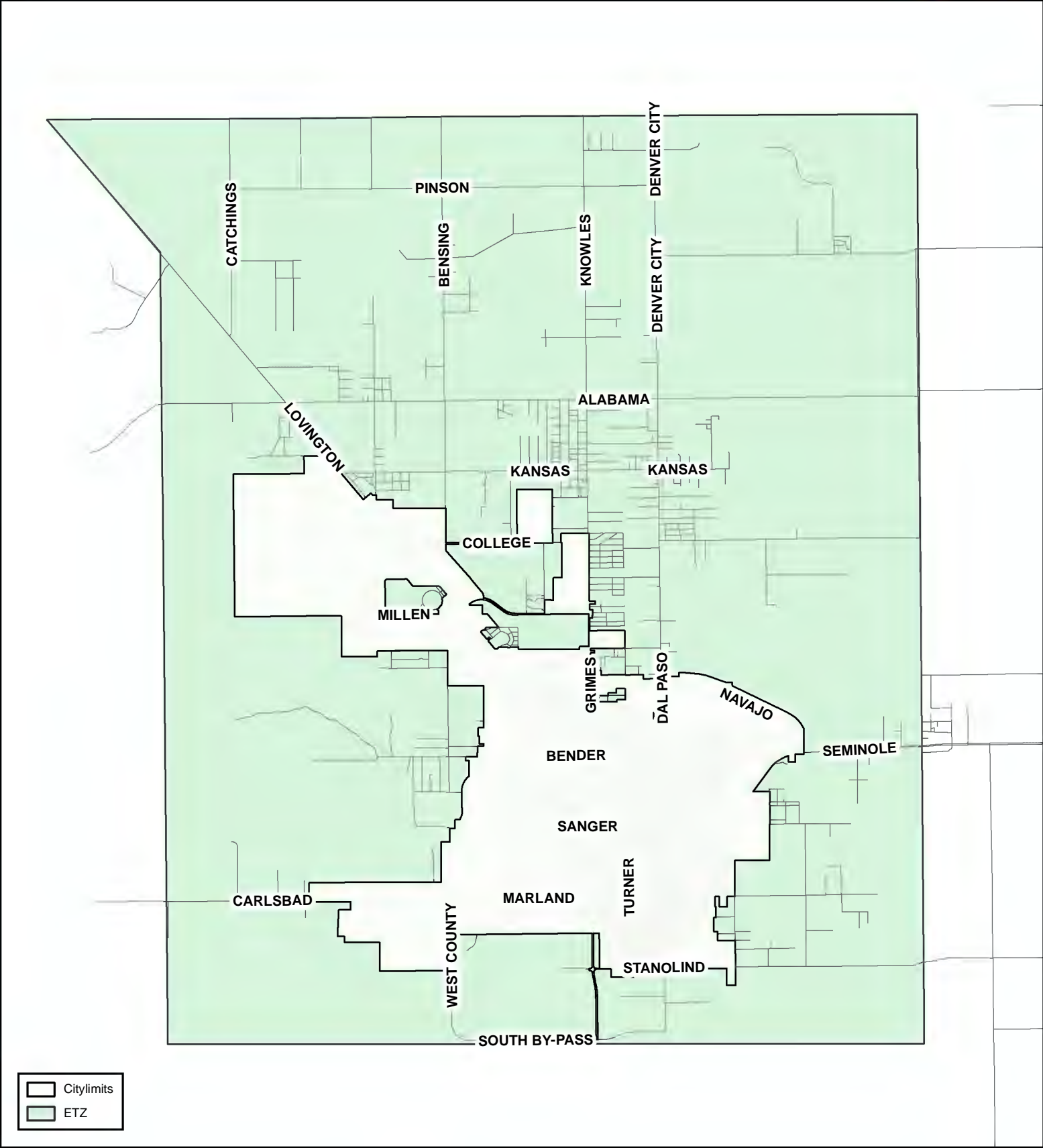
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Org	Object	Proje	Description	2020 Revised Budget	2020 Actual	2019 Actual	2018 Actual
279999	30414		UTILITY PAYMENTS - CITY HALL	0.00	0.00	0.00	0.00
279999	30418		HOBBS EXPRESS	-38,000.00	-4,035.43	-37,311.52	-36,870.01
279999	30427		LEASE PAYMENTS	0.00	0.00	0.00	0.00
279999	30611		MISCELLANEOUS INCOME	0.00	0.00	0.00	-6,500.00
279999	30702	00117	PUBLIC TRANSPORTATION BLDG	0.00	0.00	0.00	0.00
279999	30702	00127	FED APPROPRIATION FUNDS	0.00	0.00	0.00	0.00
279999	30702	00152	SOGR GRANT	0.00	0.00	0.00	0.00
279999	30702	00172	SOGR GRANT 2013	0.00	0.00	0.00	0.00
279999	30702	00191	SOGR GRANT 2014	0.00	0.00	0.00	0.00
279999	30705	00117	PUBLIC TRANSPORTATION - ARRA	0.00	0.00	0.00	0.00
279999	30729		FED/ST FUNDING 27	-1,183,669.99	0.00	-531,033.61	-643,302.55
279999	30814		TRANSFER TO - 1	0.00	0.00	0.00	0.00
279999	30834		TRANSFER FROM - 1	-138,087.48	0.00	-369,795.39	-279,276.67

AUG Rev Bud	[Total: 0.00 ]
AUG Act Bud	[Total: 0.00 ]
AUG Enc Bud	[Total: 0.00 ]
AUG Available	[Total: 0.00 ]
2020 Revised Budget	[Total: -1,359,757.47 ]
2020 Actual	[Total: -4,035.43 ]
2020 Encumbrances	[Total: 0.00 ]
2020 Available	[Total: -1,355,722.04 ]
2020 Original Budget	[Total: -826,620.40 ]
2019 Revised Budget	[Total: -1,441,309.33 ]
2019 Actual	[Total: -938,140.52 ]
2019 Encumbrances	[Total: 0.00 ]
2019 Available	[Total: -503,168.81 ]
2019 Percent	[Total: 251.60 ]
2019 Original Budget	[Total: -684,925.60 ]
2018 Revised Budget	[Total: -1,063,578.11 ]
2018 Actual	[Total: -965,949.23 ]
2018 Encumbrances	[Total: 0.00 ]
2018 Available	[Total: -97,628.88 ]
2018 Percent	[Total: 167.88 ]
2018 Original Budget	[Total: -732,653.58 ]
2021 Revised Budget	[Total: 0.00 ]
2021 Actual	[Total: 0.00 ]
2021 Encumbrances	[Total: 0.00 ]
2021 Available	[Total: 0.00 ]
2021 Percent	[Total: 0.00 ]
2021 Original Budget	[Total: 0.00 ]

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# City of Hobbs



City of Hobbs GIS Division

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## DEMOGRAPHIC INFORMATION

Ethnicity Category	Population	%
Black	2,103	4.9
Hispanic	21,520	49.7
Asian or Pacific Islander	260	0.6
American Indian or Alaskan Native	331	0.8
White	18,659	43.1
Other	432	0.9
	<b>43,305</b>	100%

= TOTAL\* =

%	Population	Elderly/Disabled Category
14.87	6,439	Elderly (non-disabled)
4.13	1,789	Persons with Disabilities (including elderly)
81.00	35,077	Other (everyone else)
100%	<b>*43,305</b>	

\* These totals should equal.

Information obtained from the US Census Bureau.

# Ridership and Transit System Statistics Worksheet

Line #	Category	2019*	2020?	2021 Projected
1	Annual Ridership	56,235	57,000	60,000
2	Annual Mileage	148,631	148,631	150,000
3	Annual Vehicle Hours	11,114	12,000	12,000
4	Annual Revenues	\$ 35,000.00	\$ 36,000.00	\$ 37,000.00
5	Total Administrative Costs	\$ 83,701.33	\$ 87,886.40	\$ 107,175.00
6	Total Operating Costs	\$ 709,242.59	\$ 765,246.00	\$ 789,192.00
7	Total Non-Capital Costs (line 5 + line 6)	\$ 792,943.92	\$ 853,132.40	\$ 896,367.00
8	Fare Box Recovery (line 4/ line 7)	0.04	0.04	0.04
9	Opererating Recovery (line 4/ line 6)	0.05	0.05	0.05
10	Total Cost Per Hour (line 7/ line 3)	71.35	71.09	74.70
11	Operating Cost Per Mile (line 6/ line 2)	4.77	5.15	5.26
12	Operating Cost per Hour (line 6/ line 3)	63.82	63.77	65.77
13	Operating Cost per Trip (line 6/ line 1)	12.61	13.43	13.15
14	Trips per Mile (line 1/ line 2)	0.38	0.38	0.40
15	Trips per Hour (line 1/ line 3)	5.06	4.75	5.00

\*Prorate statistics to end of FY

Hobbs Express

# Program Coordination

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Letters of “Notice of Intent to Apply” for federal funds were sent to the following contacts. All were notified of our intent to apply for federal funding and invited to contact us if they wished to participate or to request a public hearing. Hobbs Express also published our “Notice of Intent to Apply” in the Hobbs News Sun. No responses were received to the letters or the legal notice.

Ramirez Bus Company, Inc.  
Care-A-Van  
Guidance Center of Lea County, Inc.  
B & G Transportation  
Pro-Medical Transport  
777 Transportation  
777 Taxi & Limo Service  
Empire Limo Service, LLC  
M & M Tours, Inc.  
We Care Transportation, LLC  
Safe Ride Services, Inc.

Hobbs Express coordinates transportation services with several organizations. The following are a few of our efforts:

**Senior Citizens Program** – The Hobbs Senior Citizens Center has vehicles of their own that they use to transport seniors to activities such as meetings, to the meal site and out-of-town events, but transportation is very limited and they are not able to meet all of the needs for transportation. Hobbs Express provides transportation for seniors to and from medical appointments, shopping, and any other transit services requested. 10% of the population of Hobbs consist of individuals 65 years of age or older (*Census.gov*). Many of the elderly are not members of the Senior Center and rely on the Hobbs Express for all of their transportation needs. Approximately 9.6% are below the poverty level (*Census.gov*).

**Guidance Center (mental health facility)** - Hobbs Express is utilized by many of the Guidance Center clients to receive services not only from the Guidance Center but to also conduct business with other agencies and businesses throughout the City of Hobbs.

**Leaders (for developmentally disabled individuals)** - Hobbs Express has worked with LEADERS for many, many years coordinating and providing transit for disabled individuals to and from work. We work with LEADERS’ clients teaching them how to ride the route buses to and from their jobs enabling them to be more independent and not as dependent on demand response services or the services of others for their needs.



**Lea Regional Hospital** - Lea Regional Hospital utilizes the services of Hobbs Express for transportation of patients who have been discharged from health care and who have no other means of leaving the hospital. We work with the hospital by accepting their vouchers and transporting people from the hospital so they can immediately access the transportation system and not have to wait until payment is received between the two agencies.

**Carrie Tingley Children's Hospital in Albuquerque** - Transportation is coordinated several times per year for hospital staff to be picked up at the airport and taken to different locations for children in Hobbs to be examined by Carrie Tingley's staff for medical assistance.

**New Mexico Junior College and University of the Southwest** - The New Mexico Junior College and the University of the Southwest are located on the far north side of town, with the University of the Southwest being located six miles outside of town. Many of the student residents who live on campus do not have vehicles. These students need transportation throughout town in order to conduct their business and fulfill their daily personal needs. Hobbs Express continues to work with the USW and NMJC to fulfill that need.

**Boys & Girls Club of Hobbs** - Hobbs Express works extensively with the Boys & Girls Club to create and provide high-demand route transportation services for participants to various activity sites. As a result of this coordination between the Hobbs Municipal Schools and the Boys & Girls Club, more children have been able to attend the after-school activity sites and arts programs. The demand for this type of service is so great that even with our assistance, the Hobbs area still has many children left without transportation service during the latch-key period.

**Two Dialysis Centers** – Hobbs Express assists many passengers to meet their medical appointments, with the greatest of these needs being to dialysis or physical therapy. The majority of these passengers are elderly and/or in wheelchairs and do not have anyone to assist them with their mobility needs.

**Department of Vocational Rehabilitations (DVR)** – DVR assists eligible individuals with documented disabilities and helps them find suitable employment. Hobbs Express coordinates with the DVR to allow for the purchase of bus passes for distribution to individuals that they serve to make sure their clients can access services around town.

**State of New Mexico, Children, Youth and Families Department (CYFD)** - CYFD utilizes Hobbs Express services for many of its clientele. Purchase orders are issued and bus passes are purchased for their clients. We transport individuals for family visitations, counseling sessions and other needed services throughout town.

Other coordinated transportation services occur with these agencies:

- Eagles Unlimited
- Hobbs Probation & Parole Office
- HelpNet LLC
- Integrated Transport Management, Inc.
- STOPS – Specialized Transportation for Outpatient Services, Inc.
- Lea County Regional Airport
- Lea County Family Reunification Court Program
- Option Inc.
- Family Time Visitation Center
- Hobbs Family Health Center
- American Medical
- Manna Outreach
- Isiah's Kitchen
- Hobbs Health Care Center
- Retirement Centers and Assisted Living Centers: Desert Gardens, The Cedars, Country Cottage, Bee Hive Home, and Good Life Senior Care.
- Local Daycares
- Physical Therapy Centers
- CORE (Center of Recreational Excellence)
- Zia Park Casino

CITY OF HOBBS

RESOLUTION NO. 6840

A RESOLUTION AUTHORIZING THE CITY OF HOBBS  
TO SUBMIT A GRANT APPLICATION TO THE NMDOT  
FOR PUBLIC TRANSPORTATION FOR FY 20-21  
UNDER SECTION 5311 OF THE FEDERAL TRANSIT ACT

WHEREAS, the City of Hobbs seeks to continue to offer public transportation to residents and visitors in the City of Hobbs; and

WHEREAS, the State of New Mexico, under Section 5311 of the Federal Transit Act, is requesting applications for grant funding to assist local communities with public transportation needs; and

WHEREAS, the City of Hobbs hereby acknowledges and supports submission of an application for FTA Section 5311 Rural Transportation Grant Funding which provides funding to offset the administrative, operating and capital costs of operating public transportation services in rural areas; and

WHEREAS, the City of Hobbs continues to support the transit program and commits to provide local matching funds in the proposed amount of **\$442,031**.

NOW, THEREFORE, BE IT RESOLVED BY THE GOVERNING BODY OF THE CITY OF HOBBS, NEW MEXICO, that the City Manager be, and he hereby is, authorized and directed to take all necessary and appropriate action to effectuate this resolution and specifically to submit a grant application for FTA Section 5311 Rural Transportation Grant Funding for FY 20-21 to the State of New Mexico, Department of Transportation, for operation of the Hobbs Express public transportation program.

PASSED, ADOPTED AND APPROVED this 19<sup>th</sup> day of August, 2019.



ATTEST:

  
JOSEPH D. CALDERÓN, Mayor Pro Tem

  
JAN FLETCHER, City Clerk



## ***MAYOR'S OFFICE***

200 East Broadway  
Hobbs, New Mexico 88240

575-391-7890  
575-391-7876 fax

**SAM D. COBB**

Mayor

August 20, 2019

Mr. Jason Park  
Regional Transit Planner  
New Mexico Dept. of Transportation  
Transit & Rail Division  
P. O. Box 1149  
Santa Fe, NM 87504-1149

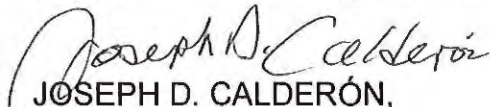
Dear Mr. Park:

Please consider this as the letter of support required for the FTA 5311 operating assistance grant application for the Federal FY 20-21. On August 19, 2019, the Hobbs City Commission voted unanimously in full support of and commitment to the Hobbs Express. We understand and approve the match requirement as approved by resolution of the governing body. We fully support the Transit Department's grant application to your agency for FY 20-21 grant funding. I believe the financial commitment of the City of Hobbs to provide public transportation service to our residents has been and continues to be evident. You may be assured that the City's financial commitment to public transportation will continue at the highest level possible.

We appreciate the work done by Hobbs Express in meeting the needs of our citizens. We look forward to our continued relationship with the New Mexico Department of Transportation and your assistance in providing transit service to our community.

Sincerely yours,

THE CITY OF HOBBS, NEW MEXICO

  
JOSEPH D. CALDERÓN,  
Mayor Pro Tem

JDC/jf

# Program Justification

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**Mission:** It is the mission of Hobbs Express to deliver safe, dependable and affordable transportation services in a courteous and professional manner.

**Goals:**

1. To increase ridership of the program by meeting the demands of the passengers for shorter routes, more routes.
2. To grow and provide a transit facility that promotes economic growth and development by improving mobility and serves all transit passengers, especially those who lack alternative means of transportation.
3. To provide safe and timely transportation service.
4. To maximize service productivity by increasing passengers per revenue vehicle hour.
5. 5. To continue to gain public support for public transportation.

**Objectives:**

1. To continue to maximize accessibility, affordable and convenient transportation services to the residents of the City of Hobbs and surrounding areas.
2. To maintain a safe, comfortable, clean and pleasant environment for all passengers using our transit system.

Hobbs Express is located in Hobbs, New Mexico, in Lea County which is just a few miles west of the Texas border on the eastern edge of the state. In May 2017, LendEDU released a study to find the towns and cities in the U.S. that have seen the most economic growth since 2000 and are projected to continue that growth. Using licensed data, LendEDU analyzed over 25,000 U.S. towns that were seeing the fastest growth in household income. Hobbs ranked as one of the best places in the United States to make more money and grow income according to the report. Hobbs ranked #24 out of over 25,000 U.S. towns. The city is attracting new retail and industrial growth. The City of Hobbs has a projected future job growth over the next ten years of 46.80%. The Hobbs area is growing this year, the oil industry is bringing in large quantities of people who are accustomed to public transportation. Hobbs Express is striving to provide this transportation. Funds from the 5311 program are crucial for continued transportation services and growth to keep up with the demands that are being made for transportation.

Hobbs Express is the only transportation provider offering regularly scheduled routes and demand response paratransit service to the citizens of Hobbs. There is a demand for after-hours transportation and in June of 2016, a local taxi service began operating in the City of Hobbs. Hobbs Express coordinates with the local taxi service when passengers need same-day transportation service or need service after 5:00 p.m. Hobbs Express transportation is serving a great need for the community and strives to keep up with the growing demand for transportation. Hobbs Express averages approximately 1,253 riders per week and is



currently operating with three full-time bus routes, one Rapid line, and one full-time demand response vehicle providing complementary paratransit services. Hours of operation are 7:00 a.m. to 5:00 p.m., Monday through Friday, Saturday 7:00 a.m. to 4:00 p.m. We have five full-time drivers, two part-time drivers, one dispatcher, one Senior Lead Driver, one Assistant Supervisor/Trainer, one Supervisor, and the Program Manager. Due to a severe shortage of CDL drivers, one vacancy still has not been filled, resulting in transit hours being cut on Saturdays. Only one bus route runs on Saturday from 10:00 a.m. to 4:00 p.m. covering the highest trip generators, and the complementary paratransit service runs from 7:00 a.m. to 4:00 p.m. Our greatest need this past year was trying to hire qualified CDL drivers. We have been able to hire two CDL drivers but we are still short one CDL driver. This has helped with the work overload for the staff trying to cover the demand for services. It is vital for the Hobbs Express to continue to provide this transportation service for the community.

The need for public transportation in Hobbs is vast and impacts many groups in our population. Low-income individuals are in need of dependable, affordable transportation in order to get to and from job interviews, work sites, childcare centers, medical appointments, and daily living needs and requirements. Approximately 25% (Census Bureau) of the families with children under the age of 18 in Hobbs are considered under the poverty level. These are the people that are in the most need for public transit. Many families cannot afford transportation or only have one vehicle for family use. Hobbs has nine retirement or assisted living centers, 21 schools, two of which are colleges averaging 3,700 students per year who frequently depend on public transit services. The local Senior Center provides transportation service to its members but often find they are unable to meet all of the daily transportation needs. Members are routinely referred to Hobbs Express so that transportation services can be provided.

There are thirteen elementary schools, three middle schools, one freshman school, one high school, and one alternative learning school with a record enrollment of 10,070 students many of which are low income. Even though the Hobbs Municipal School system contracts with a school bus provider for the transportation needs of school-aged children, Hobbs Express works to fill the gap in service to those who cannot take advantage of the school buses. The parents of many of these children work and are not at home when school dismisses. These parents depend upon day care agencies, the Boys and Girls Club, and after-school programs for supervised after-school care. The Boys and Girls Club called upon Hobbs Express when they were no longer able to compete with the high cost of CDL drivers to transport the children from the schools to their program. The demand for this type of service is so great that even with our assistance, the Hobbs area still has many children left without transportation service to after-school programs.

Hobbs Express provides the citizens of Hobbs with affordable, safe and convenient transportation to employment, medical care, shopping, recreational facilities, colleges and public schools. Hobbs Express is striving to accommodate the needs of the citizens of Hobbs and is, thus, meeting the demand for transportation in the City of Hobbs. Accessibility and affordability are the keys to continued growth and success of the transportation program. Hobbs Express is an economical and reliable bus route and demand response paratransit transportation alternative for residents of Hobbs and the surrounding area. Because the

fares are very competitive, Hobbs Express is affordable to all income levels. Hobbs Express will continue to look for way to improve and expand our services to the needs of the community.

Funds from the 5311 program are crucial to providing transportation to individuals in Hobbs. Hobbs Express is requesting an FTA share of **\$480,336** in non-capital funds to continue to provide transportation services to Hobbs. The increase in administration is for a wage increase for the administrative staff. No increase is requested for operations. Hobbs Express is requesting an FTA share of **\$104,000** in capital funds to replace one vehicle that is in poor condition. The transmission has been replaced and the electrical system is bad. The brake lights, wheelchair lift, turn signals, anything electrical stops working. The vehicle has been in the shop multiple times over the past 7 years trying to find the problem. This vehicle is also in excess of 153,000 miles.

Transit will become even more vital as our population grows to over 110,000 as predicted by 2040, representing a 40% increase in population over 40 years, greatly increasing the demand for service. Providing long-term mobility, connectivity and convenience will help improve our regional economy because having an effective transportation system makes it more attractive for businesses to locate and expand here. Based on the need and the increase in ridership, it is apparent that the citizens of Hobbs and the surrounding area would not have reliable transportation without the funds provided by the New Mexico Department of Transportation, Transit and Rail Division, and the local matching funds from our City leaders. Low-income individuals, who require dependable transportation to get to their jobs, significantly benefit from public transportation, as do employers in the region.

The fare structure for transportation service is as follows:

FIXED ROUTE BUS SERVICE		
Single All Day Trip Fare	\$1.00	All ages, unlimited rides per one day fare
Bus Pass (10 Trips)	\$10.00	All ages
Bus Pass (20 Trips)	\$20.00	All ages
Student Monthly Bus Pass	\$10.00	Children age 6 - 18 unlimited rides per calendar month
Adult Monthly Bus Pass	\$20.00	Unlimited rides per calendar month

DEMAND RESPONSE/ COMPLEMENTARY PARATRANSIT SERVICE		
Demand Response Paratransit Trip Fare	\$2.00	All ages
Demand Response Paratransit Ticket (10 Trips)	\$20.00	All ages
Demand Response Paratransit Ticket (20 Trips)	\$40.00	All ages
Monthly Demand Response Paratransit Pass Unlimited rides	\$40.00	All ages

The City of Hobbs, operating the Hobbs Express, is applying for continued financial assistance under Section 5311 of the Federal Transit Act. Approval of this FY 2020-2021 application would provide funding for the 32nd year of the Hobbs Express program operation.

With this anticipated budget, Hobbs Express is hoping to continue to provide safe, convenient transportation services to the citizens of Hobbs at the current operational level. In the future, Hobbs Express will need to look toward expanding its services by hiring more full-time drivers so that the number of fixed routes within the City can be re-evaluated and increased to shorten the routes that are now available and serve additional areas. Information from a prior survey indicated the need for shorter route times and more routes, enabling passengers to get to destinations quicker. The survey also indicated the need to have bus service available during later hours of the day and possibly on Sundays. Without continued funding from the State, Hobbs Express will not be able to operate at its current level and we will not be able to do planning in the future to expand and provide additional requested transportation services.



# Hobbs Municipal Schools

Central Office

1515 East Sanger

P. O. Box 1030

Hobbs, New Mexico 88241

Phone: (575) 433-0100

Fax: (575) 433-0140

Hobbs High School  
433-0200

Alternative Learning Center  
433-0226

Freshman High School  
433-0300

Highland Middle School  
433-1200

Heizer Middle School  
433-1100

Houston Middle School  
433-1300

Broadmoor Elementary  
433-1500

College Lane Elementary  
433-2600

Coronado Elementary  
433-2300

Edison Elementary  
433-1600

Jefferson Elementary  
433-1700

Mills Elementary  
433-2400

Murray Elementary  
433-2700

Sanger Elementary  
433-1800

Southern Heights  
Elementary  
433-1900

Stone Elementary  
433-2500

Taylor Elementary  
433-2000

B.T. Washington  
Elementary  
433-2100

Will Rogers Elementary  
433-2200

Nutritional Services  
433-0220

Bilingual/Testing  
433-0400

Special Services  
433-0600

HMS Training Center  
433-0247

Warehouse/Maintenance  
433-1728

July 1, 2019

To Whom It May Concern:

Hobbs Municipal Schools utilizes the services of Hobbs Express on a daily basis. Their service is crucial to the success of our After School programs at two schools. Without their assistance, there would be students unable to participate in enrichment opportunities provided by Hobbs Schools.

It is our hope that Hobbs Schools is able to enjoy the relationship with Hobbs Express for many years to come.

Sincerely,

Gene Strickland  
Associate Superintendent  
Hobbs Municipal Schools



## NEW MEXICO JUNIOR COLLEGE

Office of the President

June 25, 2019

To Whom It May Concern,

New Mexico Junior College (NMJC) is very appreciative to the City of Hobbs Public Transportation Department for establishing the Hobbs Express. This program is much needed by our students and constituents. This program has allowed many students to enroll and attend NMJC who may not have the ability to attend due to their transportation issues.

The mission of Hobbs Express to deliver safe, dependable and affordable transportation services is very beneficial to the City of Hobbs and its residents. Their service to our area extends the notion of providing a more educated workforce to the employers within all of Lea County.

I commend the hard work of Hobbs Express and the staff employed there. It is my hope you will continue to support this great service to the citizens.

Sincerely,

Kelvin Sharp, Ed.D.

President





**LEA REGIONAL**  
MEDICAL CENTER

5419 North Lovington Highway  
PO Box 3000  
Hobbs, New Mexico 88240  
575-492-5000  
[www.learegionalmedical.com](http://www.learegionalmedical.com)


June 25, 2019

To whom it may concern,

Lea Regional Medical Center (LRMC) utilizes the Hobbs Express transport bus on a daily basis and is very appreciative to the City of Hobbs Public Transportation Department for establishing this service. This program assists *patients* coming to and from our facility, as well as several of our *staff members*. For many of our patients, this is the only way they can get to our hospital to receive their much needed healthcare.

The mission of Hobbs Express – “to deliver safe, dependable and affordable transportation services” is vital to our hospital and our entire community. I commend the hard work of Hobbs Express and their staff. We can always rely on them to be at our “bus stop” at the times stated on their schedules. It allows any of our patients to wait inside our facility if it is too warm or too cold until their arrival. It is our hope that Hobbs Express will continue to serve our community for many more years.

Sincerely,

  
Dan Springer  
CEO



## Guidance Center of Lea County

June 25, 2019

Ms. Jan Fletcher  
City of Hobbs – Hobbs Express  
Office of Public Transportation  
424 W. Broadway  
Hobbs, NM 88240

To Whom It May Concern:

The Guidance Center of Lea County, Inc. wholeheartedly supports the City of Hobbs – Hobbs Express public transportation services. Continuation of these transportation services is vital to our community, as many of our clients utilize the service for transportation, not only to our agency for mental health services, but also to local medical, grocery, food and other retail establishments. Without transportation services provided, many of our citizens would not otherwise be able to access services.

If I can be of further assistance, please do not hesitate to contact me at (575) 393-3168, extension 249.

Sincerely,

Carrie Cooper  
Chief Executive Officer  
Guidance Center of Lea County, Inc.

Hobbs Office:  
PO Box 907  
Hobbs, NM 88241-0907  
575-393-3168

Humphrey House:  
3821 W. College Lane  
Hobbs, NM 88240  
575-392-2231

Lovington Office:  
315 N. First Street  
Lovington, NM 88260  
575-396-3818



**BOYS & GIRLS CLUB  
OF HOBBS**

Boys & Girls Club  
Of Hobbs, Inc.  
301 E. Broadway  
Hobbs, NM 88240  
Tel 575-393-7905 (Club)  
Tel 575-397-4446 (Office)  
Fax 575-433-0020  
bgchkid@leaco.net  
www.bgchkid.org

July 19, 2019

To Whom It May Concern:

The Boys & Girls Club of Hobbs has enjoyed an excellent partnership with Hobbs Express for over 17 years. Their support and willingness to collaborate with us to get kids to the Boys & Girls Club safely after school is invaluable to the citizens of Hobbs. Their professionalism is second to none and yet they are accessible and willing to do whatever is best for the children we serve.

They have even made special consideration for our peak hours and adjusted their routes to benefit our members.

We absolutely could not serve the 450 children that we serve daily without Hobbs Express.

Sincerely

Mike Clampitt  
Chief Professional Officer  
Boys & Girls Club of Hobbs, NM Inc.





115 W. Dunnam Street  
Hobbs, New Mexico 88240



Telephone: (575) 393-8201  
Facsimile: (575) 393-1318

July 5, 2019

City of Hobbs  
424 W. Broadway  
Hobbs, New Mexico

RE: Hobbs Express

LEADERS Industries supports people with developmental disabilities in daily life skills and assist them to be active citizens in the community. LEADERS encourages these individuals to use supports already available in the community, in order to become more sufficient in meeting their own needs.

Transportation is a support that LEADERS provides; however, we are unable to meet all the needs of the individuals and therefore rely on other means of transportation. Hobbs Express has been able to meet those needs, not only for LEADERS, but the community. Hobbs Express allows for the individuals to become more active in the community, transportation to and from work, shopping, entertainment and doctor appointments. A unique way that Hobbs Express benefits the individuals is by allowing them to set goals on learning how to use this public transportation option and how to get around for their personal needs. This helps them to become more self-sufficient and active in the community. This service has proven to be an asset for LEADERS, and we will continue to use it to enrich the lives of the individuals we serve.

Thank you for providing this valuable service for both LEADERS and our community.

Sincerely,

A handwritten signature in black ink, appearing to read "Phillip Roybal".

Phillip Roybal  
Executive Director



**Facility Address:**

424 West Broadway  
Hobbs, NM 88240  
(575) 397-9290 phone  
(575) 397-9362 fax  
Email: [hobbsexpress@hobbsnm.org](mailto:hobbsexpress@hobbsnm.org)

**Web Addresses:**

City of Hobbs [www.hobbsnm.org](http://www.hobbsnm.org)  
Hobbs Express [www.hobbsnm.org/hobbs\\_express.html](http://www.hobbsnm.org/hobbs_express.html)

**Contacts:** Jan Fletcher, Program Manager

200 E. Broadway  
Hobbs, NM 88240  
(575) 397-9207 phone  
(575) 397-9334 fax  
Email: [jfletcher@hobbsnm.org](mailto:jfletcher@hobbsnm.org)

Jacque Pennington, Transportation Supervisor

424 W. Broadway  
Hobbs, NM 88240  
(575) 397-9290 phone  
(575) 397-9362 fax  
Email: [jpennington@hobbsnm.org](mailto:jpennington@hobbsnm.org)



# HOBBS EXPRESS OPERATIONS PROFILE

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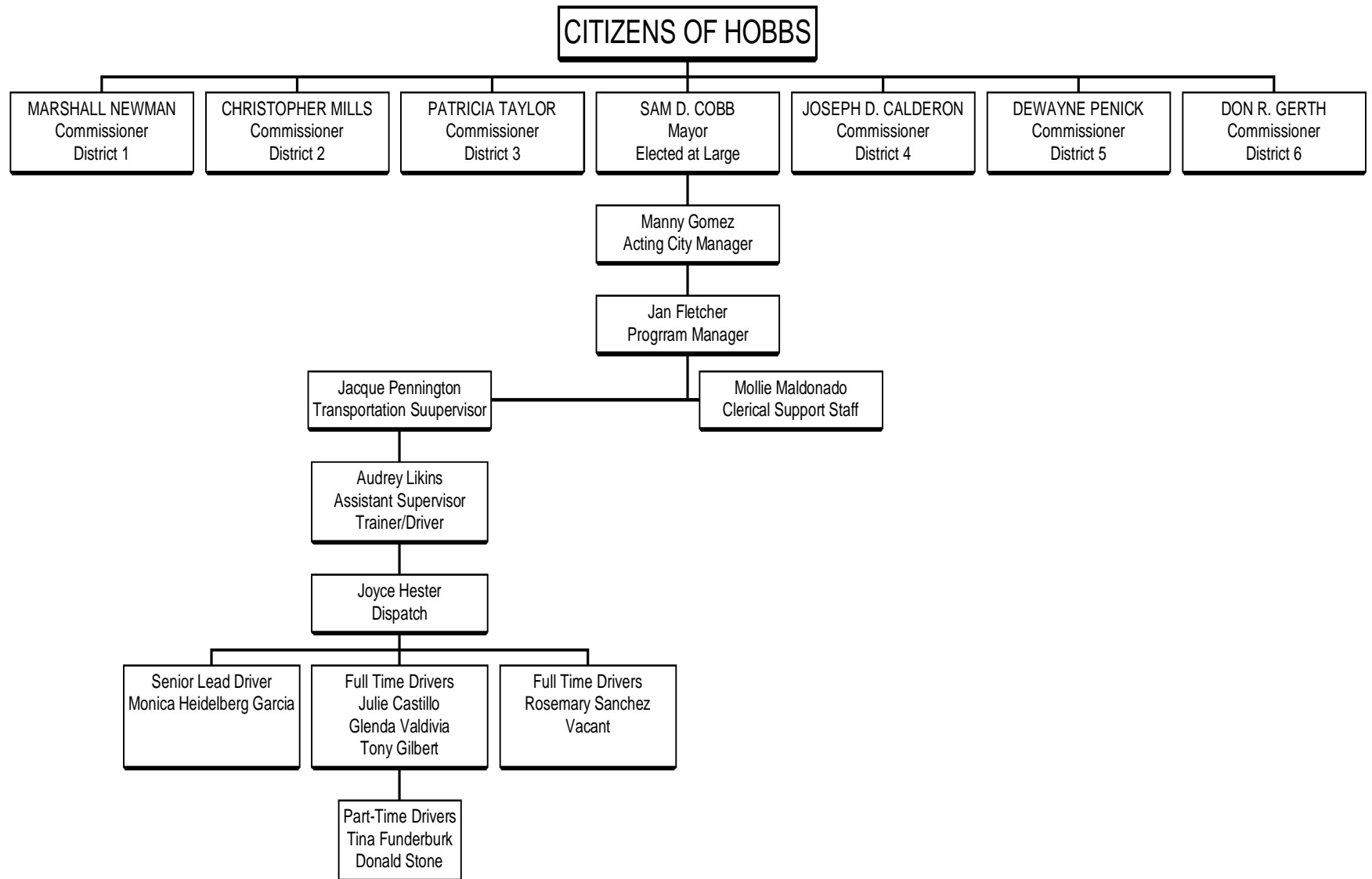
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## HOBBS EXPRESS - ORGANIZATIONAL STRUCTURE



### **3. MISSION STATEMENT**

It is the mission of Hobbs Express to deliver safe, dependable and affordable transportation services in a courteous and professional manner.

### **4. DESCRIPTION OF TRANSIT PROGRAM**

Currently, Hobbs Express provides two types of transportation services: General Public Demand Response/ADA Complementary Paratransit Service, and four Fixed Route public transportation services. All Hobbs Express vehicles are ADA accessible including wheelchair lifts and securement systems. This vital program for the citizens of Hobbs is provided six days per week within the five-mile addressing area for the City of Hobbs.

The General Public Demand Response/ADA Complementary Paratransit transportation service and the fixed routes are available to all members of the Hobbs community on a first-come, first-served basis to employment, medical care, shopping, educational and recreation facilities. The fixed route services have been incorporated to include a summer recreation program, and several after school programs. Passengers on the general public demand response/paratransit service must make reservations at least one day in advance or up to 14 days in advance. Rides may be scheduled for the current week plus one additional week as schedule permits.

#### **a. Service Area**

Hobbs Express serves any location within the city limits of Hobbs and surrounding area. Included in this service area are the Lea County Airport, New Mexico Junior College, Lea Regional Hospital, University of the Southwest, and the Texas/New Mexico State Line.

#### **b. Route Design**

Currently, Hobbs Express is operating a General Public Demand Response and ADA Complementary Paratransit service and four fixed routes. Due to the increased economic development in the City of Hobbs, and the desire to provide a more cost effective service, we continually try to improve and expand transportation availability throughout and around the City of Hobbs. By implementing the fixed route service in the past, we were able to reduce the high cost of demand response service and provide convenient low cost transportation to meet our customer and community needs.

#### **c. Schedule (days and hours of operation)**

Service hours are as follows:

##### **General Public Demand Response/ADA Complementary Paratransit Service**

7:00 a.m. to 5:00 p.m. Monday through Friday

7:00 a.m. to 4:00 p.m. on Saturday

##### **Fixed Route Bus Service**

7:00 a.m. to 5:00 p.m. Monday through Friday

10:00 a.m. to 4:00 p.m. on Saturday

**d. Fare Structure**

**General Public Demand Response  
and ADA Complementary Paratransit Service**

<b>DEMAND RESPONSE PARATRANSIT SERVICE</b>		
Demand Response Paratransit Trip Fare	\$2.00	All ages
Demand Response Paratransit Pass (10 Trips)	\$20.00	All ages
Demand Response Paratransit Pass (20 Trips)	\$40.00	All ages
Monthly Demand Response Paratransit Pass (Unlimited Rides)	\$40.00	All ages

**Fixed Route**

<b>FIXED ROUTE BUS SERVICE</b>		
Daily Route Pass	\$1.00	All ages, unlimited rides
Bus Pass (10 Trips)	\$10.00	All ages
Bus Pass (20 Trips)	\$20.00	All ages
Student Monthly Bus Pass	\$10.00	Children age 6 - 18 unlimited rides per calendar month
Adult Monthly Bus Pass	\$20.00	Unlimited rides per calendar month

Fare structures are determined by governing City Officials.

**e. Advertising/Marketing**

The target market is the residents of Hobbs within the five-mile addressing area. Year-round extensive marketing is required to attract new riders and to make the community aware of the fixed route service. Program advertising is done via newspaper, radio, television, flyers mailed with the back of City utility bills, community billboard, and news releases. Program brochures have been distributed to all passengers and posters placed at various social service agencies, City buildings, swimming pools and local businesses. Advertising is also done by merchandise with the Hobbs Express logo such as pens, pencils, cups, business card magnets, pocket key chains which hold trip passes, grocery bags and book markers. Hobbs Express utilizes its website and social media such as Facebook for marketing purposes.

## **5. ADMINISTRATIVE EMPLOYEES**

### **a. Title and Job Description**

#### **Program Manager**

Jan Fletcher

- Performs a variety of routine and complex administrative work.

#### **Clerical Support Staff**

Mollie Maldonado

- Assists Program Manager with a variety of routine administrative work.

#### **Transportation Supervisor**

Jacque Pennington

- Performs a variety of routine and complex administrative, supervisory work in planning, coordinating and supervising the Transportation Department.

#### **Express Bus Driver/Assistant Supervisor**

Audrey Likins

- Assists Transportation supervisor with a variety of supervisory duties and provides and tracks required training for staff .Maintains preventative maintenance program for vehicles.

#### **Express Transportation Driver/Senior Lead Driver**

Monica Heidelberg Garcia

- Full time driving position. Helps maintain preventative maintenance program for vehicles. Provides back-up support to the Supervisor and Assistant Supervisor.

### **b. Appearance and Conduct**

The Department Head will establish standards regulating dress and conduct for the respective department for the purpose of maintaining either safety standards or a professional working environment.

### **c. Training Plan**

Employees receive a full range of training beginning with NMDOT required Defensive Driving, Substance Abuse, CPR, First Aid, Customer Sensitivity & Assistance, and Crisis Management. New employees must go through an 8-hour orientation and new drivers must also complete a 2-week on-the-job training with the training driver. The city provides monthly OSHA training including Bloodborne pathogens, Hazard Communications, Fire Extinguisher, Workplace Violence, Winter Driving, Active Shooter and Dealing with Difficult People.

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## **6. QUALIFIED DRIVERS AND DISPATCHERS**

- a. Hiring procedure – Yes**
- b. Background check – Yes**
- c. Driver license – Yes**
- d. Driver records – Yes**
- e. Training plan – Yes**
- f. Job Description – Yes**
- g. Appearance and conduct – Yes**

Once qualified candidates are identified and hired, initial and ongoing training is provided to insure proper operations and adherence to the policies and regulations. Driver training will address the following safety related issues appropriate to the type of vehicle and driving assignments:

- Traffic regulations.
- New Hire Training
- Defensive driving and accident prevention.
- Type of vehicle in service - training.
- CPR/First Aid training.
- Customer Sensitivity and Assistance training. This training includes training for personal care attendants, service animals, and portable oxygen tanks.
- Crisis Management training.
- Behind the Wheel Evaluation.
- CDL Training.
- Bloodborne Pathogens
- Hazard Communications
- Fire Extinguisher
- Workplace Violence
- Winter Driving
- Dealing with Difficult People
- Active Shooter
- OSHA required Training
- Other training as appropriate, including on-going/recurring training necessary to reinforce the policies and procedures.
- Transportation Supervisor and Assistant Supervisor will maintain complete and accurate records of all driver training and certifications. Drivers will be required to demonstrate skills and performance competency in the type of vehicle to which they are assigned as a part of training requirements.

## 7. VEHICLE FLEET

### a. Number with NMDOT Lien

1321	2011	Ford	E450 Bus	1FDXE4FS0BDA34690
1426	2013	Ford	E450 Van	1FDXE4FS7DDA28890
1441	2013	Ford	E450 Glaval Bus	1FDXE4FS0DDA72701
1442	2013	Ford	E450 Glaval Bus	1FDXE4FS2DDA72702
1443	2013	Ford	Glaval F450 Bus	1FDGF5GY2DEA18977
1592	2015	Glaval	Entourage 550	1FDGF5GY4FED46257
1593	2016	Glaval	Universal	1FDXE4FS1GDC03302
1643	2016	Glaval	Entourage	1FDGF5GY1GEB80698
1673	2017	Arboc	Spirit of Freedom	1GB6GUBGXH1232249
1674	2017	Arboc	Spirit of Freedom	1GB6GUBG8H1222898
1711	2017	Arboc	Spirit of Freedom	1HA6GUBGXHN011363
1760	2019	Arboc	Spirit of Freedom	1HA6GUBB9KN009891

### b. Number with No Lien by NMDOT

1265	2009	Ford	E450 Bus	1FDXE45S29DA88357
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### c. Maintenance Schedule

#### Preventative Maintenance Inspection Type of Service Defined

##### Type of Service Defined

##### Service Type "A"

##### Every 6,000 miles

1. Leaks, Doors
2. Seat/belt cab interior windows
3. Shifting
4. Starter operation
5. Gauges, charge volts \_\_\_\_\_ V/amps
6. Accessories, horn, heater, w/s wipers, washers, glass, mirrors
7. Steering play \_\_\_\_\_ inches (1.5 max)
8. Parking brake test
9. Drive test to shop rpm testing
10. Lights
11. Legal documents Extinguisher Safety
12. Floor, under dash wiring
13. Tires – inflate, align, matching, run out probe, side walls, depth
14. Wheels – hubs, lug bolts, leaks, etc.
15. Wheel bearing & suspension play
16. Rotate tires on front wheel drive vehicles every 8,000 miles

Revised 7/23/19

17. Fuel cap
18. Fresh accidents
19. Bumpers, reflectors, lenses
20. Hanging wires/splices etc.
21. Van side door
22. Light bar, spot light etc.
23. Drain oil change filters & lube
24. Radiator, engine mounts
25. Steering, tie rods, arms, etc
26. Suspension, springs, shocks, hangers
27. Clutch/transmission linkage adjust
28. Bell Housing, exhaust
29. Drive Line, align, phase, condition
30. Hydraulic lines, hoses & wires
31. Rear end/ brths/lines/ hoses
32. Inspect battery; load test, posts
33. Alternator output
34. Starter Amps.
35. Replace oil, fluids
36. Radiator coolant check
37. Belts – tighten/adjust
38. Hoses – heater / bypass/ rad., etc.
39. Engine Brackets
40. Air Filter
41. Fuel lines – carburetor, linkage, pump
42. Elect. Tests
43. Short distance road test

#### **Wheelchair Lift and or Ramp**

44. Cracks and damage
45. Lubrication
46. Hydraulic Fluid
47. Hydraulic Fluid Leaks

#### **d. Inspection procedures**

Drivers must perform daily pre-trip and post-trip inspections on any vehicle driven during their shift. The department has the following forms utilized for the upkeep of its fleet:

- Inspection Form, a daily pre/post trip inspection is kept for each day of service.
- Maintenance Request
- Maintenance Performed, and signed by the mechanic.
- Maintenance Log, kept separately on each vehicle.
- Preventive Maintenance Log

### **Vehicle Replacement**

All vehicles are scheduled for replacement according to NMDOT guidelines

- Light-Duty Small-Size Buses - 7 Years or 175,000 miles
- Light-Duty Mid-Sized Buses - 8 Years or 240,000 miles

## **8. ACCIDENT/INCIDENT REPORTING PROCEDURES**

### **a. Insurance forms in vehicle – Yes**

All city vehicles are required to carry proper up-to-date insurance forms in each vehicle.

### **b. Accident reporting forms in vehicle - Yes**

The City has an extensive accident/incident reporting system. At the Hobbs Express Facility located near the phones is the Hobbs Express Safety, Security & Emergency Preparedness Protocols reference guide for the Dispatcher to follow. This reference book contains protocols for all types of emergencies including the accident/incident forms that are required by the City. All desks are required to have one by the phone. All Hobbs Express buses have the required forms in the vehicles. If and when an accident occurs, the driver reports the accident to dispatch. Police (ambulance, if needed) and supervisor are dispatched to the scene. Accident photos are taken, another bus dispatched (if passengers are aboard), if necessary the driver transported for testing (following FTA and City protocols) and if the vehicle is able, the vehicle is taken back to the transit facility or City Garage. The driver will complete the Employee's Accident/Incident/Injury report. The supervisor will review the information and complete the Incident/Accident/Investigation Report, Employee Property Damage Report, and any witness statements. Reports must be submitted to Human Resources within 24 hours.

### **PASSENGER POLICY AND PROCEDURE**

Copy of Passenger Policy and Procedure is available.

# **CITY OF HOBBS**

## **FTA Drug and Alcohol Testing Policy**

### **(Zero Tolerance)**

(Revision Date: January 1, 2018)

#### **I. Introduction**

The City of Hobbs is dedicated to providing friendly, safe, dependable and economical transportation services to our transit system passengers. The City of Hobbs is concerned about the effects of the use of illegal drugs, controlled substances and abuse of alcohol upon the health and safety of its employees and passengers. To address these concerns, it is our policy (1) to ensure that employees are not impaired in their ability to perform assigned duties in a safe, productive and healthy manner; (2) to create a workplace environment free from the adverse effects of drug abuse and alcohol misuse; (3) to prohibit the unlawful manufacture, distribution, dispensing, possession or use of controlled substances; and (4) to encourage employees to seek professional assistance anytime personal problems, including alcohol or drug dependency, adversely affect their ability to perform assigned duties.

#### **II. Purpose**

The purpose of this policy is to assure worker's fitness for duty and to protect employees, passengers, and the public from the risks posed by the misuse of alcohol and use of prohibited drugs. This policy is intended to comply with all applicable Federal regulations governing workplace anti-drug programs in the transit industry. **The Federal Transit Administration (FTA) of the U.S. Department of Transportation (DOT) has enacted 49 CFR Part 655, as amended, that mandates urine drug testing and breath alcohol testing for safety-sensitive positions and prevents performance of safety-sensitive functions when there is a positive test result or a refusal to test. The U.S. DOT has enacted CFR 49 Part 40, as amended, that sets standards for the collection, testing and reporting of urine and breath specimens. Part 40 also mandates specific protocols used by the Medical Review Officer (MRO), Substance Abuse Professional (SAP), Collector, Breath Alcohol Technician (BAT) and Third Party Administrator/Consortium (TPA).** The sections of this policy that reflect Parts 655 and 40 will be indicated by the use of **Bold Typeface**. In addition, the Federal Government has enacted 49 CFR part 29, "The Drug-Free Workplace Act" policies and the reporting of certain drug-related offenses to the FTA. These sections will appear in the policy in *Italic Typeface*. This policy also incorporates company (agency) requirements under the authority of the City of Hobbs' policy on the use of alcohol and drugs in the workplace. Anything appearing in the policy is regular typeface will be under the company's own authority. **This policy will be kept current with all the latest federal regulations and interpretations as mandated.**

All provisions set forth in **bold face** print are included consistent with requirements specifically set forth in 49 CFR Part 655, or Part 40, as amended. Provisions set forth in the Drug-Free Workplace Act (49 CFR Part 29) are delineated in *italics*. All other provisions are set forth under the authority of the transit system.

### III. Applicability

**This policy applies to all transit system employees; paid part-time employees; contract employees and contractors when performing any transit-related safety-sensitive duties or when they are on transit property. This policy applies to off-site lunch periods or breaks when an employee is scheduled to return to work.** Visitors, vendors, and contract employees are governed by this policy while on transit premises and will not be permitted to conduct transit business if found to be in violation of this policy.

**A safety-sensitive function is defined as any duty related to the safe operation of mass transit service including the operation of a revenue service vehicle (whether or not the vehicle is in revenue service), control or dispatch of a revenue service vehicle or equipment used in revenue service, (maintenance functions include the repair, overhaul and rebuild of engines, vehicles and/or equipment used in revenue service), security personnel who carry firearms, and any other employee or volunteer who perform duties requiring a CDL and/or performs a safety sensitive function and receives remuneration in excess of their actual expenses. Supervisors performing or who may perform any of the above described functions are considered to be safety-sensitive employees.**

**Participation in the Substance Abuse Program as stated in this policy is a condition of employment. The City of Hobbs has a “Zero Tolerance Policy” which means that any safety sensitive employee who violates this policy by having a confirmed positive drug or alcohol test result or refuses to be tested when required, shall be immediately removed from safety sensitive duty, referred to a Substance Abuse Professional (SAP) and will be terminated.**

**All positions were reviewed for safety-sensitive duties to determine the safety-sensitive positions. Additionally, any new positions created in the future will be reviewed for safety-sensitive duties. A full listing of such employee positions is located on Attachment B of this policy.**

**The FTA anti-drug rule preempts any state or local law, rule, regulation, or order to the extent that: (a) compliance with both the state or local requirement and any requirement in this part is not possible, or (b) compliance with the state or local requirement is an obstacle to the accomplishment and execution of any requirement in this part.**

### IV. Prohibited Substances

Prohibited substances addressed by this policy include the following:

#### A. Illegally Used Controlled Substance or Drugs

*Any illegal drug or any substance identified in Schedules I through V of Section 202 of the Controlled Substance Act (21 U.S.C. 812), and as further defined by 21 CFR 1300.11 through 1300.15. This includes, but is not limited to: marijuana, amphetamines, opiates, phencyclidine (PCP), and cocaine, as well as any drugs not approved for medical use by the U.S. Drug Enforcement Administration or the U.S. Food and Drug Administration. Illegal use includes use of any illegal drug, misuse or*

All provisions set forth in **bold face** print are included consistent with requirements specifically set forth in 49 CFR Part 655, or Part 40, as amended. Provisions set forth in the Drug-Free Workplace Act (49 CFR Part 29) are delineated in *italics*. All other provisions are set forth under the authority of the transit system.



*legally prescribed drugs, and use of illegally obtained prescription drugs. **Safety sensitive employees will be tested for marijuana, cocaine, amphetamines, opiates, and phencyclidine (PCP).*** Use of any products that may result in a positive drug test (hemp oil for example) is prohibited by the Federal Guidelines.

## **B. Legal Drugs**

The appropriate use of legally prescribed drugs and non-prescription medications is not prohibited. However, the use of any substance which carries a warning label or that indicates that mental functioning, motor skills, or judgment may be adversely affected should be reported to supervisory personnel. The employee is required to provide a written release from his/her doctor or pharmacist indicating that the employee can perform safety-sensitive functions. When possible, alternative substances should be requested from the prescribing physician. It is the employee's responsibility to inform the physician the nature of employee's job duties.

Any failure to report the use of such drugs or failure to provide proper evidence of medical authorization may result in disciplinary action.

A legally prescribed drug means that an individual has a prescription or other written approval from a physician for the use of a drug in the course of medical treatment. It must include the patient's name, the name of the substance, quantity/amount to be taken and the period of authorization. The misuse or abuse of legal drugs while performing transit business is prohibited.

## **C. Alcohol**

**The use of beverages containing alcohol or other products containing alcohol including, medication, mouthwash, food, candy, or any other substance, which causes alcohol to be present in the body at a rate of 0.04% alcohol concentration or greater, while performing safety sensitive duties or while on-call to perform a safety sensitive duty, is prohibited.**

## **V. Prohibited Conduct**

### ***A. Manufacture, Trafficking, Ingestion, and Use***

*Any employee engaging in the manufacture, distribution, dispensing, possession or use of prohibited substances on the City of Hobbs' premises, in public transit vehicles, in uniform or while on business related to a public transportation system operated under a contract with the City of Hobbs will be subject to disciplinary action up to and including termination. Ingestion of stated drugs is prohibited at all times. Law enforcement shall be notified, as appropriate, where criminal activity is suspected.*

All provisions set forth in **bold face** print are included consistent with requirements specifically set forth in 49 CFR Part 655, or Part 40, as amended. Provisions set forth in the Drug-Free Workplace Act (49 CFR Part 29) are delineated in *italics*. All other provisions are set forth under the authority of the transit system.

### *Notification of Criminal Drug Conviction*

*All employees are required to notify the transit system of any criminal drug statute conviction for a violation occurring in the workplace within five days after such conviction. Failure to comply with this provision shall result in disciplinary action, up to and including termination. Any safety sensitive employee must also report any circumstances where there was a criminal conviction or loss of driving privileges due to drug or alcohol misuse within 5 days of such conviction or loss of privileges.*

### **B. Intoxication/Under the Influence**

Any safety-sensitive employee who is reasonably suspected of being intoxicated, impaired, under the influence of a prohibited substance, or not fit for duty shall be suspended from job duties pending an investigation and verification of condition. **Safety-sensitive employees found to be under the influence of prohibited substances or who fail to pass a drug or alcohol test shall be removed from duty. In addition to being removed from duty, such employees will receive educational and rehabilitative information and a referral to a Substance Abuse Professional (SAP) and terminated from his/her position consistent with the City of Hobbs' Zero Tolerance Policy.**

**A drug or alcohol test is considered positive if the individual is found to have a quantifiable presence of a prohibited substance in the body above the minimum thresholds defined in 49 CFR Part 40, as amended (see Section VI of this policy for threshold definitions).**

### **C. Alcohol Use and Prohibition**

**No safety-sensitive employee should report for duty or remain on duty when his/her ability to perform assigned functions is adversely affected by alcohol or when his/her alcohol concentration is 0.04 or greater. Part 655 permits alcohol testing just before, during and just following the performance of a safety sensitive duty, the City of Hobbs under its own authority also prohibits the consumption of alcohol all times the employee is on duty. No safety-sensitive employee shall use alcohol while performing safety-sensitive functions, or 4 hours before, just after performing a safety-sensitive function or while on call. If an on-call employee has consumed alcohol, they must acknowledge the use of alcohol at the time that they are called to report for duty. The covered employee will subsequently be relieved of his/her on-call responsibilities. No safety-sensitive employee shall use alcohol for 8 hours following involvement of an accident or until the employee has undergone a required post-accident alcohol test, whichever is first.**

**If the City of Hobbs has actual knowledge of the use of alcohol while the employee is performing safety-sensitive functions, the employee will not be permitted to continue to perform the safety sensitive duty.**

All provisions set forth in **bold face** print are included consistent with requirements specifically set forth in 49 CFR Part 655, or Part 40, as amended. Provisions set forth in the Drug-Free Workplace Act (49 CFR Part 29) are delineated in *italics*. All other provisions are set forth under the authority of the transit system.

#### **D. Compliance with Testing Requirements**

All safety-sensitive employees will be subject to urine drug test and breath alcohol testing as a condition of their employment. Refusal of a drug and/or alcohol test will be treated as a verified positive test result. Any safety sensitive employee who refuses to comply with a request for testing shall be removed from duty immediately, informed of educational and rehabilitation programs available, and referred to an SAP.

##### **Refusals:**

The following behaviors constitute a test refusal:

- Failure to appear for any test (except for pre-employment) within a reasonable time, as determined by the employer;
- Failure to remain at the testing site until the testing process is complete; An applicant who leaves the testing site before the testing process commences for a pre-employment test has not refused to test;
- Failure to attempt to provide a breath or urine specimen.
- Failure to provide a sufficient amount of urine or breath when directed to do so by the MRO or employer;
- Failure to undergo a medical examination when directed to do so by the MRO or employer;
- Failure to cooperate with any part of the testing process (e.g., refuse to empty pockets when directed by the collector, behave in a confrontational way that disrupts the collection process, failure to wash hands after being directed to do so by the collector);
- Failure to permit the observation or monitoring of the specimen collection when required to do so;
- Failure to follow the observer's instructions during an observed collection including instructions to raise your clothing above the waist, lower clothing and underpants, and to turn around to permit the observer to determine if you have any type of prosthetic or other device.
- Failure to take a second test when directed to do so by the employer or collector;
- Possess or wear a prosthetic or other device that could be used to interfere with the collection process;
- Admit to the collector or MRO that you adulterated or substituted the specimen.
- The MRO's verification of a test as adulterated or substituted;
- Refuse to sign the certification at Step 2 of the Alcohol Testing Form (ATF).

##### **Observed Collections:**

Any safety-sensitive employee who is suspected of falsifying test results through tampering, contamination, adulteration, or substitution will be required to

undergo an observed collection. The observation will be done by a person of the same gender. Observed collections are required in the following circumstances:

- All return to duty tests
- All follow up tests
- Anytime the employee is directed to provide another specimen because the temperature on the original specimen was out of the accepted temperature range of 90°F - 100°F;
- Anytime the employee is directed to provide another specimen because the original specimen appeared to have been tampered with;
- Anytime a collector observes materials brought to the collection site or the employee's conduct clearly indicates an attempt to tamper with a specimen;
- Anytime the employee is directed to provide another specimen because the laboratory reported to the MRO that the original specimen was invalid and the MRO determined that there was not an adequate medical explanation for the result;
- Anytime the employee is directed to provide another specimen because the MRO determined that the original specimen was positive, adulterated or substituted, but had to be cancelled because the test of the split specimen could not be performed;

The employee who is being observed will be required to raise his or her shirt, blouse, or dress/skirt, as appropriate, above the waist; and lower clothing and underpants to show the collector, by turning around, that they do not have a prosthetic device.

#### **E. Consequences of a Positive Drug and/or Alcohol Test or a Refusal to Test**

A violation of this policy in the form of a verified positive drug result, a confirmed alcohol result of 0.04 BAC or greater, or a refusal to test will result in the immediate removal of the covered employee from any safety sensitive duties, referral to an SAP and under the City of Hobbs' authority, termination of employment.

### **VI. Testing for Prohibited Substances**

Analytical urine drug testing and breath testing (saliva testing optional for screening) for alcohol may be conducted when circumstances are warranted and as required by Federal regulations. Testing shall be conducted consistent with 49CFR Part 40, as amended in a manner to assure a high degree of accuracy and reliability, using techniques, equipment, and laboratory facilities which have been approved by the U.S. Department of Health and Human Services (DHHS). All testing will be conducted in accordance to the procedures in 49 CFR Part 40, as amended. This will ensure the test results are attributed to the correct employee by following procedures including, picture identification of the employee, the use of the Federal

All provisions set forth in **bold face** print are included consistent with requirements specifically set forth in 49 CFR Part 655, or Part 40, as amended. Provisions set forth in the Drug-Free Workplace Act (49 CFR Part 29) are delineated in *italics*. All other provisions are set forth under the authority of the transit system.

**Drug Custody and Control Form with unique specimen identification number completed by a trained collection site person who insures that the Custody and Control Form is completed correctly and signed and certified by the donor, collection of Split Sample specimens that are sealed and initialed by the donor.**

**Drugs:**

**An employee may be tested for the following prohibited substances anytime while on duty. The drugs that will be tested for include marijuana, cocaine, opiates, amphetamines, and phencyclidine (PCP). An initial drug screen, called an immunoassay test, will be conducted on each urine specimen. For those specimens that are not negative, a confirmatory Gas Chromatography/Mass Spectrometry (GC/MS) test will be performed. The test will be considered positive if the amounts present are above the minimum thresholds established in 49 CFR Part 40, as amended.**

In instances where there is a reason to believe an employee is abusing a substance other than the five drugs listed above, the City of Hobbs reserves the right to request a separate sample and to test for additional drugs under the City of Hobbs' own authority using standard laboratory testing protocols and a non-federal custody and control form. The Company also reserves the right to require a fitness-for-duty examination by a licensed physician when an employee's observable behavior and actions are considered to be inconsistent with a safe, drug free workplace.

**Alcohol:**

Tests confirming alcohol concentration will be conducted utilizing a National Highway Traffic Safety Administration (NHTSA) approved Evidential Breath Test (EBT) device operated by a trained Breath Alcohol Technician (BAT). If the initial test indicated an alcohol concentration of 0.02 or greater, a second test will be performed to confirm the results of the initial test. A safety-sensitive employee who has a confirmed alcohol concentration of 0.02 or greater but less than 0.04 will result in immediate removal from his/her position until the start of the employee's next regularly scheduled duty period, but not less than eight hours unless a retest results in a concentration measure of less than 0.02. An alcohol concentration of 0.04 or greater will be considered a positive alcohol test and in violation of the requirements set forth in 49 CFR Part 655 of this policy.

**MRO:**

All test results from the laboratory will be reported to a Medical Review Officer (MRO). An MRO is a licensed physician who is certified as an MRO, with detailed knowledge of a substance abuse disorders and drug testing and meets the standards defined in 49 CFR part 40 as amended. The MRO will review the test results to ensure the scientific validity of the test and to determine whether there is a legitimate alternative medical explanation for a confirmed positive result. The MRO will contact the employee, notify the employee of the positive laboratory result, and provide the employee with an opportunity to explain the confirmed test result. The MRO will subsequently review the employee's medical history/medical records to determine whether there is a legitimate medical explanation for a positive laboratory result. If no legitimate medical explanation is found, the test will be verified positive and reported to the Designated Employer Representative. If a legitimate explanation is found, the MRO will report the test result as negative. The MRO may also cancel results that are troubled according to the protocol set forth in 49CFR part 40, as amended. The MRO will also inform the employee whose result is positive from the laboratory of his/her rights to have the split sample analyzed at a second SAMHSA laboratory. See part E – Employee Requested Testing.

**All employees/applicants with a negative dilute test result will be required to immediately undergo another test. Should this second test result in a negative dilute result, the test will be considered a negative and no additional testing will be required unless directed to do so by the MRO.** A dilute positive result is treated the same as any other positive drug test result.

**Testing Procedures:**

A copy of 49CFR part 40, as amended, is available for review for complete and detailed laboratory, collection, MRO, and SAP procedures. An employee who would like to review 49 CFR parts 40 and 655 may request a copy from the Designated Employer Representative (DER).



## **VII. Testing Events:**

### **A. Pre-Employment /Reclassification Testing**

**All safety-sensitive applicants shall undergo urine drug testing prior to performing safety sensitive duties. This requirement also affects employees not in safety-sensitive positions who seek reclassification into a safety-sensitive position. Receipt by the City of Hobbs of a negative drug test result is required prior to performing safety sensitive duties in a covered position. A cancelled test result is not acceptable and must be retaken. Hiring into a safety-sensitive position will be completed within one (1) month of a successful pre-employment/reclassification test. If the applicant has a positive pre-employment drug test, he/she cannot be hired for a safety sensitive position.**

**If a current covered employee has not performed a safety sensitive duty for 90 days or longer, and has been removed from the random pool, the employee must submit to a new pre-employment drug test and receive a negative result before resuming safety-sensitive duties.**

**An MRO may report negative pre-employment test results for individuals who are unable to provide sufficient volume due to permanent disability, but has a medical evaluation that indicates no chemical evidence of illegal drug use.**

**All applicants for safety-sensitive positions will be notified in writing that they will be required to undergo pre-employment/reclassification drug testing prior to their employment or performance of any safety sensitive duties and that they will be subject to drug and alcohol testing throughout the period of their employment and the City of Hobbs will retain on file the drug test results of all new hires.**

**When a covered employee or applicant has previously failed a pre-employment drug test, the employee must present to the employer proof of successfully having completed a referral, evaluation and treatment plan as described in Sec. 655.62**

### **B. Reasonable Suspicion Testing**

**All safety-sensitive employees may be subject to a fitness for duty evaluation, to include appropriate urine and/or breath testing when there are reasons to believe that drug or alcohol use is adversely affecting job performance. The City of Hobbs reserves the right to refer an employee to a physician for a fitness for duty examination when the employee's observable behavior and reactions are considered inconsistent to a safe and drug-free workplace.**

**A reasonable suspicion referral for testing, as specified by Part 655, will be made on the basis of documented objective facts and circumstances which are consistent with the long or short-term effects of substance abuse. Reasonable suspicion testing can be done if the observation is made for suspicion of drug use at anytime the employee is on duty however, alcohol testing must be done during, just preceding, or immediately following the performance of a safety sensitive function**

**Reasonable suspicion determinations will be made by one (or more) supervisor(s), in function rather than by title, who has been trained to detect the signs and symptoms of drug and alcohol use and who reasonably concludes that an employee may be adversely affected or impaired in his/her work performance due to prohibited substance abuse or misuse. Criteria for reasonable suspicion testing included specific, contemporaneous, and articulable observations concerning appearance, behavior, speech, or body odors of the covered employee consistent with possible drug or alcohol misuse. Written documentation shall be required for any reasonable suspicion testing. Only trained supervisors who directly observe said reasonably suspicious behavior have justification for requiring reasonable suspicion testing. When a determination has been made for reasonable suspicion testing, the employee will be transported immediately by the supervisor to the collection site. Alcohol tests delayed more than two hours must be accompanied with documentation specifying the reason for such a delay. Attempts to collect an alcohol test must conclude after 8 (eight) hours.**

### **C. Post-Accident Testing**

**Safety-sensitive employees will be required to undergo urine drug and breath alcohol testing if they are involved in an accident with a public transportation system vehicle (regardless of whether or not the vehicle is in revenue service) that results in a fatality. This includes all safety-sensitive employees that are on-duty in the vehicles and any other whose performance could have contributed to the accident, such as surviving operators, dispatchers, maintenance personnel, or other safety sensitive associated employees. Neither a deceased nor an unconscious employee can be tested. Any post-accident testing is stayed while the employee assists in resolution of the accident or receives medical attention following the accident.**

**In addition, a post-accident test will be conducted in situations where there isn't a fatality but the following occurs, (a) an individual requires immediate transportation to a medical treatment facility (as a result of collision or non-collision), (b) any time one or more vehicles incurs disabling damage that prevents any of the vehicles involved from leaving the scene of the occurrence**

in their usual manner in daylight after simple repairs, or (c) with respect to an occurrence in which the mass transit vehicle involved is a rail car, trolley car, trolley bus or vessel and the vehicle is removed from operation. In a non-fatal accident as previously described, post-accident testing will be conducted unless the operator's performance (and any other covered employees whose performance could have contributed to the accident) can be completely discounted as a contributing factor to the accident as determined by employer using the best information at the time of the decision.

Following an accident, the safety-sensitive employee will be tested as soon as possible, but not to exceed eight (8) hours for alcohol testing and 32 hours for drug testing. All accidents will have documentation as to whether or not a test was administered and the rationale for such a decision. If there is a delay of greater than 2 (two) hours for an alcohol test, a reason must be given in writing, retained in a file for possible later referral, and the employer must still attempt to administer the alcohol test, however, all attempts must cease after eight hours. Any safety-sensitive employees subject to post-accident testing must refrain from alcohol use for eight (8) hours following the accident or until he/she undergoes a post-accident alcohol test.

Safety-sensitive employees subject to post-accident testing must remain readily available for testing and the employer must know the whereabouts of those employees at all times until post-accident testing has been completed or until the employee has been completely discounted as a contributing factor.

Written rationale and documentation is required when a decision is made not to test an employee in a FTA nonfatal accident. In the rare event that the employee cannot participate in the FTA collection process, following an accident, the employer may accept the results of a test performed by federal, state, or local officials if results are released.

Procedures will be in place to insure testing can be conducted all hours of operation.

Any safety-sensitive employee who leaves the scene of the accident without justifiable explanation prior to submission to drug and alcohol testing will be considered to have refused the test. In such cases, the employee will be subject to the consequences of a test refusal.

Post accident testing will be stayed while the employee(s) in question receive medical treatment following the accident.

#### **D. Random Testing**

**FTA regulations require random testing of drugs and alcohol for all safety-sensitive employees. Random testing serves as a deterrent against employee beginning or continuing drug use or alcohol misuse. All employees in safety-sensitive positions will be subjected to random, unannounced testing. The selection of safety-sensitive employees for random drug and/or alcohol testing will be made using a scientifically valid method that ensures each covered employee will have an equal chance of being selected each time selections are made and there will be no discretion of the managers as to the selections made. All safety-sensitive employees remain in the selection pool even after being selected for testing thus, employees may be selected more than once a year. The tests are conducted throughout the year in an unpredictable pattern. The random number selection process is conducted in strict confidence to ensure no employee is forewarned and that testing is unannounced. A limited number of individuals will have knowledge of the random selections to insure confidentiality and the integrity of the testing process.**

**The random testing period begins in January. The random tests will be spread throughout the draw period and all shifts that safety-sensitive duties are performed. Federal Alcohol testing can only be performed just before, during, or just after the performance of a safety-sensitive job function, while drug tests can be conducted at any time during an employee's shift (i.e. beginning, middle, end). Employees are required to proceed immediately to the collection site upon notification of their random selection.**

**Only US DOT safety-sensitive employees are included in the random pool. In the event the Designated Employer Representative (DER) is selected for random testing, a secondary contact will notify the DER to report to the collection site for random testing. All safety-sensitive employees shall be notified discreetly to immediately report to the collection site.**

**The City of Hobbs retains records of the date and time of notification that a safety-sensitive employee has been selected and the results of those tests. All information is confidential.**

**As a member of the New Mexico Department of Transportation Consortium, the City of Hobbs shall, during the course of a year, participate in the random testing program to assist in insuring a minimum of 25 percent of USDOT safety-sensitive employees are tested for drug use and a minimum of 10 percent of USDOT safety-sensitive employees are tested for alcohol abuse as part of the goal of the Consortium Pool. This reflects the current random rate. The rates are subject to annual revision based on the FTA regulations. Any changes in the random rate will be reflected in an attachment to this policy.**

## E. Employee Requested Testing

Any safety-sensitive employee who questions the results of a required drug test may request the MRO to forward the split sample to a different DHHS certified laboratory for analysis. The test must be conducted on the split sample that was provided by the employee at the same time as the original sample. Payment for testing of the split specimen is the responsibility of the employee, unless the result of the split sample test invalidates the result of the original test. Testing will not be denied if the employee cannot pay. The City of Hobbs will ensure that the costs for the split specimen are covered in order to complete a timely analysis; however, the City of Hobbs will seek reimbursement for the split analysis from the employee. **The final split specimen result goes to the employer.**

The method of collecting, storing, and testing the split sample will be consistent with the procedures set forth in 49 CFR Part 40, as amended. The employee's request for split sample testing must be made to the Medical Review Officer within 72 hours of notice of the original sample verified test result. The MRO must direct the laboratory in writing to send the split sample with appropriate copies of the chain of custody form and a copy of the MRO's request for testing to another DHHS certified laboratory. Requests after 72 hours will only be accepted if the delay was due to documented facts that were beyond the control of the employee.

## VIII. Employee Assessment

Any safety-sensitive employee or applicant who tests positive for the presence of illegal drugs and/or alcohol above the minimum thresholds set forth in 49 CFR Part 40, as amended, or has refused to submit to a drug or alcohol test (except in the case of an applicant) will be referred to a Substance Abuse Professional (SAP). An SAP shall be either a licensed physician (Medical Doctor or Doctor of Osteopathy), or a licensed or certified psychologist, social worker, or employee assistance professional with knowledge of and clinical experience in the diagnosis and treatment of drug and alcohol related disorders or an addiction counselor certified by the National Association of Alcoholism and Drug Abuse Counselors Certification Commission. The SAP will adhere to the procedure and requirements defined in 49CFR part 40.

The City of Hobbs is not responsible for any costs incurred for the SAP's evaluation, assessment or any treatment recommendation.

## **IX Voluntary Treatment Requirements (prior to any violation of this policy)**

Voluntary requests for treatment must be made prior to any pending drug/alcohol test or disciplinary action. Employees will not be disciplined for requesting treatment, but will be expected to observe job performance standards and work rules as they apply to every employee.

All employees are encouraged to make use of the available resources for treatment for alcohol misuse and illegal drug use problems. Under certain circumstances, employees may be required to undergo treatment for substance abuse or alcohol misuse. Any employee who refuses or fails to comply with transit system requirements for treatment, after care, or return to duty shall be subject to disciplinary action, up to and including termination. The cost of any treatment or rehabilitation services will be paid directly by the employee or their insurance provider. Employees will be allowed to take accumulated sick leave and vacation leave to participate in the prescribed rehabilitation program

## **XI. Information Disclosure**

**The City of Hobbs will strictly adhere to all standards of confidentiality and assure all employees that testing records and results will be released only to those authorized by FTA rules to receive such information. All drug and alcohol testing records will be maintained in a secure manner so that disclosure of information to unauthorized persons does not occur. Privacy of each tested employee shall be strictly maintained.** Information will only be released in the following circumstances:

- 1. to a third party only as directed by specific, written instruction of the employee;**
- 2. to the decision-maker in a lawsuit, grievance, or other proceeding initiated by or on the behalf of the employee tested;**
- 3. to a subsequent employer upon receipt of a written request from the employee;**
- 4. to the National Transportation Safety Board during an accident investigation;**
- 5. to the DOT or any DOT agency with regulatory authority over the employer or any of its employees, or to a State oversight agency authorized to oversee rail fixed-guideway systems; or**
- 6. to the employee, upon written request.**

**Employees have the unqualified right to review their drug and alcohol testing records, to have access to information to dispute the results of any testing outcome, to have access to any pertinent records such as equipment calibration records and records of laboratory certifications.**



## **XII. Employee and Supervisor Training**

All safety sensitive employees will undergo a minimum of 60 minutes of training on the signs and symptoms of drug use including the effects and consequences of drug use on personal health, safety, and the work environment. The training must also include manifestations and behavioral cues that may indicate prohibited drug use. The training will be in the context of prohibited drug use in the workplace, the FTA regulations, and the City of Hobbs' substance abuse policy. The training shall also include information concerning the effects of alcohol misuse on the individual's health, work, and personal life, and signs and symptoms of an alcohol problem. Printed literature concerning prohibited drug use and the effects of drugs and alcohol as well as a service hotline for employees experiencing problems with prohibited drugs and alcohol will be made readily available to all safety-sensitive employees.

Supervisors will also receive 60 minutes of reasonable suspicion training on the physical, behavioral, and performance indicators of probable drug use and 60 minutes of additional reasonable suspicion training on the physical, behavioral, speech, and performance indicators of probable alcohol misuse. Training shall be given to all supervisors concerning: (a) their role and responsibility of reasonable suspicion determinations, (b) procedures for initiating, sustaining, and documenting the referral of reasonable suspicions, (c) instructions for employee intervention, and (d) procedures for record keeping/documenting a reasonable suspicion event. Supervisors will not perform supervisory duties that require reasonable suspicion determination prior to completing supervisor training. Training for non-safety-sensitive employee on the importance of maintaining a drug-free workplace shall also be provided.

Handouts are available providing information concerning the effects of drug use and alcohol misuse on the individual's health, work, and personal life and the signs and symptoms of alcohol misuse.

## **XII. Employee/Employer Communications**

The City of Hobbs' Substance Abuse Policy was originally approved and adopted by it's Board of Directors (or highest official) on November 17, 2003, and became effective November 18, 2003. Anytime this policy is substantively amended or updated due to changes in Federal regulations in the future, the policy will contain the date of adoption of the amended policy by the City of Hobbs' Board of Directors and the date the amended policy, or portion thereof, became effective.

This policy and current and future contracts will be modified to stay within required compliance with FTA regulations.

Copies of this policy will be provided to all safety-sensitive employees. A Confirmation of Receipt shall be signed acknowledging that the employee has

**received the policy and understands that it is the employee's responsibility to abide by the provisions of the policy. Revisions to this policy shall be made aware of to the employee and shall be acknowledged with an updated Confirmation of Receipt. All new hires shall receive the most current policy.**

### **XIII Proper Application of the Policy**

Supervisors/managers are required to use and apply all aspects of this policy in an unbiased and impartial manner. Any supervisor/manager who knowingly disregards the requirements of this policy, or who is found to deliberately misuse the policy in regard to subordinates, shall be subject to disciplinary action, up to and including termination.

## **Attachment A System Contacts**

Any questions regarding this policy or any other aspect of the drug free and alcohol-free transit program should contact the following transit system representative:

### **Designated Employer Representative/Program Manager:**

Name: Nyssa Rodgers  
Title: Human Resources Specialist  
City of Hobbs  
Address: 200 East Broadway  
Hobbs, NM 88240  
Telephone Number: (575) 391-4168 Fax: (575) 397-9212

### **SAMHSA Certified Laboratory**

Name: Quest Diag-Lenexa, KS  
Address: 10101 Renner Blvd  
Lenexa, KS 66219  
Telephone Number: (913) 888-1770

### **Medical Review Officer:**

Name: Dr. Stephen Kracht, MRO  
Address: 8140 Ward Pkwy Suite 275  
Kansas City, MO 64114  
Telephone Number: (855) 355-7056

### **Substance Abuse Professionals**

SAP: Stewart Sroufe, LADAC, NCACII, SAP  
Jared Sloan, LADAC, CADAC, ICADC, SAP  
Agency: Palmer Drug Abuse Program  
Address: 500 N Dalmont  
Hobbs, NM 88240  
Telephone Number: (575) 397-6237

### **Collection Site**

Agency: Legacy Medical  
Address: 1900 N Dal Paso  
Hobbs, NM 88240  
Telephone Number: (575) 964-8550

All provisions set forth in **bold face** print are included consistent with requirements specifically set forth in 49 CFR Part 655, or Part 40, as amended. Provisions set forth in the Drug-Free Workplace Act (49 CFR Part 29) are delineated in *italics*. All other provisions are set forth under the authority of the transit system.

## **Attachment B**

### **Safety-Sensitive Positions at the City of Hobbs**

**All positions at the City of Hobbs were reviewed for safety-sensitive duties, as defined in 49 CFR Part 655, to determine the safety-sensitive positions. Additionally, any new positions created in the future will be reviewed for safety-sensitive duties. The following positions were determined to be safety-sensitive:**

**Express Transportation Supervisor  
Express Transportation Dispatcher  
Express Van Driver/Trainer  
Express Van Driver  
Automotive Specialist  
Automotive Technician  
Automotive Technician Senior  
Automotive Tech Intern  
Garage Superintendent**

All provisions set forth in **bold face** print are included consistent with requirements specifically set forth in 49 CFR Part 655, or Part 40, as amended. Provisions set forth in the Drug-Free Workplace Act (49 CFR Part 29) are delineated in *italics*. All other provisions are set forth under the authority of the transit system.

**EMPLOYEE RECEIPT**  
**DRUG AND ALCOHOL TESTING POLICY**

**Return this completed form to your immediate supervisor**

Employee Name : \_\_\_\_\_  
Print

I have received and will read the City of Hobbs' Drug and Alcohol Abuse Testing Policy. I understand that I will be held responsible for the content of the policy and I agree to abide by drug and alcohol testing policy. If I need any clarification or if I have any questions regarding the substance of the policy, I will address them with the company's program administrator.

This policy adheres to the Federal Transit Administration's mandated regulations for drug and alcohol testing.

Employee Signature: \_\_\_\_\_

Date Signed: \_\_\_\_\_

# DRUG AND ALCOHOL POLICY ADDENDUM

## EFFECTIVE: JANUARY 1, 2018

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The United States Department of Transportation (USDOT) – Office of Drug and Alcohol Policy and Compliance (ODAPC) has issued an update to USDOT’s drug and alcohol testing regulation (49 CFR Part 40). The new regulation has been revised and the changes (summarized below) will become effective on January 1, 2018. Therefore, the City of Hobbs drug and alcohol testing policy is amended as follows:

### 1. CHANGES TO THE DRUG TESTING PANEL

- a. Four new opioids added to the drug testing panel –
  - i. The USDOT drug test remains a “5-panel” drug test; however, the list of opioids for which are tested will expand from three to seven opioids.
  - ii. The “opioid” category will continue to test for codeine, morphine, and heroin; however, the “opioid” testing panel will now be expanded to include four (4) new semi-synthetic opioids:
    1. (1) Hydrocodone, (2) Hydromorphone, (3) Oxycodone, and (4) Oxymorphone.
    2. Common brand names for these semi-synthetic opioids include, but may not be limited to: OxyContin®, Percodan®, Percocet®, Vicodin®, Lortab®, Norco®, Dilaudid®, Exalgo®.
- b. ‘MDA’ will be tested as an initial test analyte
- c. ‘MDEA’ will no longer be tested for under the “amphetamines” category.

### 2. BLIND SPECIMEN TESTING

- a. The USDOT no longer requires blind specimens to be submitted to laboratories.

### 3. ADDITIONS TO THE LIST OF “FATAL FLAWS”

- a. The following three circumstances have been added to the list of “fatal flaws”:
  - i. No CCF received by the laboratory with the urine specimen.
  - ii. In cases where a specimen has been collected, there was no specimen submitted with the CCF to the laboratory.
  - iii. Two separate collections are performed using one CCF.



#### 4. MRO VERIFICATION OF PRESCRIPTIONS

- a. When a tested employee is taking a prescribed medication, after verifying the prescription and immediately notifying the employer of a verified negative result, the MRO must then (after notifying the employee) wait five (5) business days to be contacted by the employee's prescribing physician before notifying the employer of a medical qualification issue or significant safety risk.
  - i. Specifically, in cases where an MRO verifies a prescription is consistent with the Controlled Substances Act, but that the MRO has still made a determination that the prescription may disqualify the employee under other USDOT medical qualification requirements, or that the prescription poses a significant safety-risk, the MRO must advise the employee that they will have five (5) business days from the date the MRO reports the verified negative result to the employer for the employee to have their prescribing physician contact the MRO. The prescribing physician will need to contact the MRO to assist the MRO in determining if the medication can be changed to one that does not make the employee medically unqualified or does not pose a significant safety risk. If in the MRO's reasonable medical judgment, a medical qualification issue or a significant safety risk still remains after the MRO communicates with the employee's prescribing physician, or after five (5) business days, whichever is shorter, the MRO must communicate this issue to the employer consistent with 49 CFR Part 40.327.

#### 5. DEFINITIONS

- a. The term ***"DOT, the Department, DOT Agency"***
  - i. Modified to encompass all DOT agencies, including, but not limited to, FAA, FRA, FMCSA, FTA, PHMSA, NHTSA, Office of the Secretary (OST), and any designee of a DOT agency.
  - ii. For the purposes of testing under 49 CFR Part 40, the USCG (in the Department of Homeland Security) is considered to be a DOT agency for drug testing purposes.
- b. The term ***"Opiate"*** is replaced with the term ***"Opioid"*** in all points of reference.

- c. The definition of “***Alcohol Screening Device*** (ASD)” is modified to include reference to the list of approved devices as listed on ODAPC’s website.
- d. The definition of “***Evidential Breath Testing Device*** (EBT)” is modified to include reference to the list of approved devices as listed on ODAPC’s website.
- e. The definition of “***Substance Abuse Professional*** (SAP)” will be modified to include reference to ODAPC’s website. The fully revised definition includes:
  - i. A licensed physician (medical doctor or doctor of osteopathy) or licensed or certified psychologist, social worker, employee assistance professional, state-licensed or certified marriage and family therapist, or drug and alcohol counselor (certified by an organization listed at <https://www.transportation.gov/odapc/sap>) with knowledge of and clinical experience in the diagnosis and treatment of drug and alcohol related disorders.

NOTE: The revisions listed in this addendum include only those revisions to 49 CFR Part 40 which may be referenced in our drug & alcohol testing policy. A list of all the revisions made to 49 CFR Part 40 can be found at <https://www.transportation.gov/odapc>.

**Addendum Authorization Date:**

**Authorized Official (Printed Name):**

**Signature:** \_\_\_\_\_

**EMPLOYEE RECEIPT**  
**DRUG AND ALCOHOL TESTING POLICY ADDENDUM**

**Return this completed form to your immediate supervisor.**

Employee Name: \_\_\_\_\_

Print

I have received and will read the City of Hobbs' Drug and Alcohol Abuse Testing Policy. I understand that I will be held responsible for the content of the policy and addendum, and I agree to abide by drug and alcohol testing policy. If I need any clarification or if I have any questions regarding the substance of the policy, I will address them with the company's program administrator.

This policy adheres to the Federal Transit Administration's mandated regulations for drug and alcohol testing.

Employee Signature: \_\_\_\_\_

Date Signed: \_\_\_\_\_