



HINKLE + LANDERS

Certified Public Accountants + Business Consultants

**STATE OF NEW MEXICO
CITY OF CARLSBAD**

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

For The Year Ended June 30, 2016

**STATE OF NEW MEXICO
CITY OF CARLSBAD
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For the Year Ended June 30, 2016**

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**STATE OF NEW MEXICO
CITY OF CARLSBAD
Official Roster
As of June 30, 2016**

ELECTED OFFICIALS

NAME	TITLE
Dale Janway	Mayor
Richard "Dick" W. Doss	Mayor Pro-Tem
Edward T. Rodriguez	City Councilor
Lisa Anaya-Flores	City Councilor
Vacant	City Councilor
Jason G. Shirley	City Councilor
JR Doporto	City Councilor
Wesley Carter	City Councilor
Janell E. Whitlock	City Councilor

DEPARTMENT HEADS

NAME	TITLE
Steven V. McCutcheon	City Administrator
Stephanie Shumsky	Deputy City Administrator
Vacant	Director of Finance/ City Treasurer
Annette Barrick	City Clerk
D. Kent Waller	Chief of Police
Richard Lopez	Fire Chief
Scot Bendixsen	Human Resources Director
Luis Camero	Director of Utilities
Janet F. Ellis	Municipal Judge
Eileen P. Riordan	City Attorney
Patsy Jackson-Christopher	Director of Arts and Culture
Steve Hendley	Director of Sports and Recreation
Jeff Patterson	Director of Planning, Engineering, and Regulations Department
Sam Plumlee	Director of IT
Tom Carlson	Director of Public Works



INDEPENDENT AUDITOR’S REPORT

Tim Keller
New Mexico State Auditor
To the Mayor and City Council
The City of Carlsbad
Carlsbad, New Mexico

Report on Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparison for the general fund of the City of Carlsbad (the City), as of and for the year ended June 30, 2016, and the related notes to the financial statements which collectively comprise the City’s basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the City’s nonmajor governmental, internal service funds, fiduciary funds, and the budgetary comparisons for the major capital project fund, major proprietary funds, and all nonmajor funds presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2016, as listed in the table of contents.

Management’s Responsibility for the Financial Statements

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

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, 2016, and the respective changes in financial position and where applicable, cash flows thereof and the respective budgetary comparison for the general fund for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental, internal service, and fiduciary fund of the City as of June 30, 2016, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the major capital project fund, major proprietary funds, and all nonmajor funds 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 10 to the financial statements, the 2016 financial statements have been restated due to misstatements. Our opinion is not modified with respect to this matter.

Other Matters

Required Supplementary Information

Management has omitted the management, discussion, and analysis that accounting principles generally accepted in the United States of America require to be presented to supplement the basic financial. Statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. Our opinion on the basic financial statements is not affected by this missing information.

Accounting principles generally accepted in the United States of America require that the Schedules related to PERA and Net Pension Liabilities, listed as “*Required Supplemental 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 City’s financial statements, the combining and individual fund financial statements, the schedule of changes in assets and liabilities - agency funds, and the budgetary comparisons. The Schedule of Expenditures of Federal Awards is presented for purposes of additional analysis 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* 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 and other schedules listed as “other supplementary information (audited)” 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 additional schedules and the Schedule of Expenditures of Federal Awards are fairly stated, in all material respects in relation to the basic financial statements as a whole.

The other schedules listed as “other supplementary information (unaudited)” in the table of contents, have not been subjected to the auditing procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated December 14, 2016 on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.



Hinkle + Landers, PC
Albuquerque, New Mexico
December 14, 2016

**STATE OF NEW MEXICO
CITY OF CARLSBAD
STATEMENT OF NET POSITION
As of June 30, 2016**

	Primary Government		Total
	Governmental Activities	Business-Type Activities	
Assets			
Current assets			
Cash	\$ 41,814,049	21,517,452	63,331,501
Receivables, net	8,132,101	2,465,723	10,597,824
Prepaid expenses	-	10,321	10,321
Inventory	-	602,386	602,386
Internal balance	14,160	(14,160)	-
Total current assets	<u>49,960,310</u>	<u>24,581,722</u>	<u>74,542,032</u>
Noncurrent assets			
Restricted cash	952,276	8,075,386	9,027,662
Restricted cash held by fiscal agent	4,891,076	1,161,649	6,052,725
Restricted investments	-	6,209,355	6,209,355
Prepaid bond insurance premiums	812	63,992	64,804
Capital assets:			
Land and construction in progress	9,546,548	37,339,269	46,885,817
Other capital assets, net of depreciation	<u>104,882,652</u>	<u>64,550,181</u>	<u>169,432,833</u>
Total noncurrent assets	<u>120,273,364</u>	<u>117,399,832</u>	<u>237,673,196</u>
Deferred outflows of resources			
Pension related	5,692,415	684,710	6,377,125
Charges related to advance refunding	-	92,891	92,891
Total deferred outflows of resources	<u>5,692,415</u>	<u>777,601</u>	<u>6,470,016</u>
Total assets and deferred outflows of resources	<u>\$ 175,926,089</u>	<u>142,759,155</u>	<u>318,685,244</u>
Liabilities			
Current liabilities:			
Accounts payable	\$ 2,294,074	2,454,097	4,748,171
Accrued salaries	737,714	169,299	907,013
Accrued liabilities	65,899	64,011	129,910
Accrued interest payable	46,807	1,491,390	1,538,197
Deposits payable	700	627,605	628,305
Current maturities of:			
Bonds payable	590,671	927,483	1,518,154
Notes payable	436,431	820,174	1,256,605
Compensated absences	<u>504,765</u>	<u>112,981</u>	<u>617,746</u>
Total current liabilities	<u>4,677,061</u>	<u>6,667,040</u>	<u>11,344,101</u>
Noncurrent liabilities			
Bonds payable	4,724,711	14,460,986	19,185,697
Notes payable	5,462,011	32,554,917	38,016,928
Compensated absences	1,295,161	190,706	1,485,867
Landfill closure and post-closure	-	349,854	349,854
Net pension liability	<u>37,724,844</u>	<u>5,360,497</u>	<u>43,085,341</u>
Total noncurrent liabilities	<u>49,206,727</u>	<u>52,916,960</u>	<u>102,123,687</u>
Total liabilities	<u>53,883,788</u>	<u>59,584,000</u>	<u>113,467,788</u>
Deferred inflows of resources			
Pension related	<u>751,029</u>	<u>137,783</u>	<u>888,812</u>
Net Position			
Net investment in capital assets	103,215,376	53,125,890	156,341,266
Restricted for:			
Debt service	362,246	4,218,262	4,580,508
Endowment:			
Expendable	-	8,417,064	8,417,064
Unrestricted	<u>17,713,650</u>	<u>17,276,156</u>	<u>34,989,806</u>
Total net position	<u>121,291,272</u>	<u>83,037,372</u>	<u>204,328,644</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 175,926,089</u>	<u>142,759,155</u>	<u>318,685,244</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
CITY OF CARLSBAD
STATEMENT OF ACTIVITIES
For the Year Ended June 30, 2016**

Functions/Programs	Expenses	Program Revenues			Primary Government Net (Expenses) Revenues and Changes in Net Position		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
Primary government:							
Governmental activities:							
General government	\$ 10,206,243	513,975	-	50,000	(9,642,268)	-	(9,642,268)
Public safety	24,332,160	958,238	1,205,364	446,478	(21,722,080)	-	(21,722,080)
Public works	9,595,526	94,041	-	278,888	(9,222,597)	-	(9,222,597)
Culture and recreation	9,260,935	615,467	38,762	195,726	(8,410,980)	-	(8,410,980)
Health and welfare	307,037	-	-	-	(307,037)	-	(307,037)
Economic development	13,793	-	-	-	(13,793)	-	(13,793)
Interest on long-term debt	349,756	-	-	-	(349,756)	-	(349,756)
Total governmental activities	54,065,450	2,181,721	1,244,126	971,092	(49,668,511)	-	(49,668,511)
Business-type activities							
Water	7,018,537	6,891,471	-	340,110	-	213,044	213,044
Solid waste	3,959,841	5,246,264	-	111,000	-	1,397,423	1,397,423
Wastewater	3,653,199	4,080,474	-	-	-	427,275	427,275
Museum	7,759	1,452	-	-	-	(6,307)	(6,307)
Municipal transit	1,064,122	83,659	449,719	-	-	(530,744)	(530,744)
Performing arts center	199,754	11,389	-	-	-	(188,365)	(188,365)
Cemetery	860,140	151,874	75,000	-	-	(633,266)	(633,266)
Interest on long-term debt	1,421,312	-	-	-	-	(1,421,312)	(1,421,312)
Total business-type activities	18,184,664	16,466,583	524,719	451,110	-	(742,252)	(742,252)
Total primary government	\$ 72,250,114	18,648,304	1,768,845	1,422,202	(49,668,511)	(742,252)	(50,410,763)
General Revenues:							
Sales taxes					41,163,668	800,333	41,964,001
Property taxes, levied for general purposes					2,549,979	-	2,549,979
Lodgers' taxes					1,859,533	-	1,859,533
Franchise taxes					724,925	-	724,925
Public service taxes					624,166	-	624,166
Interest income					25,796	171,568	197,364
Donations					462,107	227,617	689,724
Insurance recoveries					17,248	10,484	27,732
Special item - Gain on disposal of asset					122,904	2,105	125,009
Transfers					2,749,105	(2,749,105)	-
Total general revenues, special items, and transfers					50,299,431	(1,536,998)	48,762,433
Change in net position					630,920	(2,279,250)	(1,648,330)
Net position, beginning of year					122,902,353	85,423,535	208,325,888
Restatements					(2,242,001)	(106,913)	(2,348,914)
Net position, beginning of year, restated					120,660,352	85,316,622	205,976,974
Net position, end of year					\$ 121,291,272	83,037,372	204,328,644

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
CITY OF CARLSBAD
BALANCE SHEET
GOVERNMENTAL FUNDS
As of June 30, 2016**

	General Fund	GRT Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
Assets				
Cash	\$ 16,491,419	9,643,265	12,345,573	38,480,257
Receivables, net	6,564,161	201,994	1,364,933	8,131,088
Due from other funds	440,591	-	14,160	454,751
Restricted:				
Cash	700	-	-	700
Cash held by fiscal agent	-	-	4,891,076	4,891,076
Total assets	\$ 23,496,871	9,845,259	18,615,742	51,957,872
 Liabilities:				
Accounts payable	\$ 385,999	740,129	1,146,091	2,272,219
Accrued salaries	723,437	-	14,277	737,714
Accrued liabilities	65,453	-	446	65,899
Deposits payable	700	-	-	700
Due to other funds	-	-	440,591	440,591
Total liabilities	1,175,589	740,129	1,601,405	3,517,123
 Deferred Inflows of Resources:				
Unavailable property tax revenue	129,650	-	-	129,650
Unavailable charges for services	196,430	-	-	196,430
Unavailable grant revenue	-	-	190,000	190,000
Total deferred inflows	326,080	-	190,000	516,080
 Fund Balances				
Restricted for:				
Debt service	-	-	362,246	362,246
State mandated per statutes	-	-	1,659,454	1,659,454
State mandated budget reserve	3,630,658	-	-	3,630,658
Construction and improvements	-	-	4,811,559	4,811,559
Committed for:				
City budget reserve	3,630,658	-	-	3,630,658
Subsequent years' expenditures	440,283	9,105,130	9,643,384	19,188,797
Assigned	-	-	418,603	418,603
Unassigned	14,293,603	-	(70,909)	14,222,694
Total fund balances	21,995,202	9,105,130	16,824,337	47,924,669
 Total liabilities, deferred inflows of resources and fund balances	\$ 23,496,871	9,845,259	18,615,742	51,957,872

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
CITY OF CARLSBAD**

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

Total fund balance, governmental funds	\$	47,924,669
Amounts reported for governmental activities in the Statement of Net Assets are different because:		
Capital assets used in governmental activities are not current financial resources and therefore are not reported in this fund financial statement, but are reported in the governmental activities of the Statement of Net Assets.		114,429,200
Insurance premiums paid during the issuance of bonds are not expensed in the year of issuance. These costs are capitalized, in the statement of net position and are not reported in the governmental funds.		812
Deferred outflows of resources related to pensions are applicable to future periods and, there are not reported in the funds.		5,692,415
Certain accrued interest expenses are not due and payable in the current period and, therefore not reported in the governmental funds.		(46,807)
		(13,013,750)
Long-term obligations applicable to the City's governmental activities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		(37,724,844)
Long-term pension obligations applicable to the City's governmental activities are not due and payable in the current period and, therefore, are not reported in the governmental funds.		(751,029)
Deferred inflows of resources related to pensions are applicable to future periods and, there are not reported in the funds.		516,080
Recognition of certain revenues are reflected on the full accrual basis within the statement of net position. Governmental funds recognize these revenues on the modified accrual basis. The current years revenues are property taxes, \$129,650; charges for service, \$196,430; and grant revenue, \$190,000.		4,264,526
Residual balances of the internal service funds are included within the governmental activities and are not reported in the governmental funds.		4,264,526
Total Net Position of Governmental Activities	\$	<u><u>121,291,272</u></u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
CITY OF CARLSBAD
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
GOVERNMENTAL FUNDS
For the Year Ended June 30, 2016**

	General Fund	GRT Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
Revenues				
Sales taxes	\$ 36,846,715	2,716,332	1,600,621	41,163,668
Property taxes	2,560,790	-	-	2,560,790
Franchise taxes	724,925	-	-	724,925
Lodgers' taxes	-	-	1,859,533	1,859,533
Public service taxes	-	-	624,166	624,166
Intergovernmental:				
Federal	110,856	-	214,850	325,706
State	714,812	-	984,838	1,699,650
Charges for services	771,550	-	298,585	1,070,135
Licenses and permits	354,708	-	94,002	448,710
Fines and forfeitures	425,944	-	-	425,944
Interest	11,222	1,439	21,275	33,936
Miscellaneous	100,970	-	419,449	520,419
Total revenues	<u>42,622,492</u>	<u>2,717,771</u>	<u>6,117,319</u>	<u>51,457,582</u>
Expenditures				
Current:				
General government	8,895,611	-	59,374	8,954,985
Public safety	20,495,966	-	490,052	20,986,018
Public works	6,060,243	2,736	1,064,838	7,127,817
Culture and recreation	5,124,975	27,843	2,311,579	7,464,397
Health and welfare	346,532	-	-	346,532
Economic development	-	-	13,793	13,793
Capital outlay	4,406,607	4,822,622	11,566,815	20,796,044
Debt service:				
Principal	-	-	1,066,177	1,066,177
Interest and other charges	-	-	341,815	341,815
Total expenditures	<u>45,329,934</u>	<u>4,853,201</u>	<u>16,914,443</u>	<u>67,097,578</u>
Excess (deficiency) of revenues over expenditures	(2,707,442)	(2,135,430)	(10,797,124)	(15,639,996)
Other Financing Sources (Uses)				
Transfers in	6,094,724	-	10,080,429	16,175,153
Transfers (out)	(9,237,030)	(2,221,514)	(1,880,923)	(13,339,467)
Note payable proceeds	-	-	5,710,429	5,710,429
Cost of note issuance	-	-	(42,828)	(42,828)
Total other financing sources and (uses)	<u>(3,142,306)</u>	<u>(2,221,514)</u>	<u>13,867,107</u>	<u>8,503,287</u>
Special Item				
Proceeds from sale of assets	181,472	-	14,160	195,632
Net change in fund balances	(5,668,276)	(4,356,944)	3,084,143	(6,941,077)
Fund balance, beginning of year	27,670,020	13,462,074	14,940,848	56,072,942
Restatement	(6,542)	-	(1,200,654)	(1,207,196)
Fund balance, beginning of year restated	<u>27,663,478</u>	<u>13,462,074</u>	<u>13,740,194</u>	<u>54,865,746</u>
Fund balance, end of year	<u>\$ 21,995,202</u>	<u>9,105,130</u>	<u>16,824,337</u>	<u>47,924,669</u>

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
CITY OF CARLSBAD
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, 2016

Net change in fund balances - total governmental funds: \$ (6,941,077)

Amounts reported for Governmental Activities in the Statement of Activities are different because:

Governmental funds report outlays for capital assets as expenditures because such outlays use current financial resources. In contrast, the Statement of Activities reports only a portion of the outlay as expense. The outlay is allocated over the assets' estimated useful lives as depreciation expense for the period. 15,042,592

Governmental funds report revenues not collected within 60 days as deferred revenues until subsequently collected. These transactions are recorded as revenues when earned in the statement of activities

Property taxes	(10,811)
Charges for services	196,430
Grant revenues	190,000

Within the statement of activities, the basis of capital assets disposed of are netted with the gross proceeds to report a gain or loss. The disposal of capital assets are not considered use of financial resources and, therefore, are not reported as expenditures in the governmental funds. (72,728)

The issuance of long-term debt (notes, bonds, leases) provides current 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, discounts, and similar items when debt is first issued, whereas amounts are deferred and amortized in the statement of activities:

Note proceeds received	(5,710,429)
Bond and note obligation principal payments	1,066,177
Net effects of bond premiums, discounts, and deferred amounts on refunding	(2,936)

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 the governmental funds:

Change in compensated absences	(190,023)
Change in accrued interest payable	(15,193)
Pension expense	(927,632)

During the current year the City recorded amortization expense in respect to the bond insurance premium. The expense is reflected within the statement of activities however, the expense does not use a current financial resource. (1,391)

Internal service funds are used by management to charge the costs of certain activities, such as fleet maintenance and information technology, to individual funds. The net revenue (expense) of certain internal service funds is reported with governmental activities. (1,992,059)

Change in net assets of governmental activities \$ 630,920

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
CITY OF CARLSBAD
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
For the Year Ended June 30, 2016**

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance with Final Budget Over (Under)
	Original	Final				
Revenues						
Sales taxes	\$ 35,764,098	35,764,098	37,358,712	(511,997)	36,846,715	1,594,614
Property taxes	2,359,920	2,359,920	2,568,893	(8,103)	2,560,790	208,973
Franchise taxes	777,100	777,100	726,993	(2,068)	724,925	(50,107)
Intergovernmental:						
Federal	100,000	100,000	130,398	(19,542)	110,856	30,398
State	842,825	872,825	667,920	46,892	714,812	(204,905)
Charges for services	1,207,411	1,207,411	1,325,892	(554,342)	771,550	118,481
Licenses and permits	325,550	325,550	354,909	(201)	354,708	29,359
Fines and forfeitures	384,600	384,600	425,708	236	425,944	41,108
Interest	6,000	6,000	9,622	1,600	11,222	3,622
Miscellaneous	10,400	10,400	179,343	(78,373)	100,970	168,943
Total revenues	<u>41,777,904</u>	<u>41,807,904</u>	<u>43,748,390</u>	<u>(1,125,898)</u>	<u>42,622,492</u>	<u>1,940,486</u>
Expenditures						
Current:						
General government	10,027,269	10,451,812	9,053,437	(157,826)	8,895,611	1,398,375
Public safety	21,070,310	21,913,938	20,854,875	(358,909)	20,495,966	1,059,063
Public works	6,658,076	6,884,582	6,051,427	8,816	6,060,243	833,155
Culture and recreation	5,627,646	5,837,982	5,266,422	(141,447)	5,124,975	571,560
Health and welfare	386,114	393,258	350,108	(3,576)	346,532	43,150
Capital outlay	7,087,476	7,294,567	5,101,212	(694,605)	4,406,607	2,193,355
Total expenditures	<u>50,856,891</u>	<u>52,776,139</u>	<u>46,677,481</u>	<u>(1,347,547)</u>	<u>45,329,934</u>	<u>6,098,658</u>
Excess (deficiency) of revenues over expenditures	(9,078,987)	(10,968,235)	(2,929,091)	221,649	(2,707,442)	8,039,144
Other Financing Sources (Uses)						
Transfers in	5,877,428	7,310,110	6,094,724	-	6,094,724	(1,215,386)
Transfers (out)	(8,459,641)	(9,238,982)	(9,237,030)	-	(9,237,030)	1,952
Total other financing sources and (uses)	<u>(2,582,213)</u>	<u>(1,928,872)</u>	<u>(3,142,306)</u>	<u>-</u>	<u>(3,142,306)</u>	<u>(1,213,434)</u>
Special Item						
Proceeds from sale of assets	1,000	1,000	222,451	(40,979)	181,472	221,451
Net change	<u>(11,660,200)</u>	<u>(12,896,107)</u>	<u>(5,848,946)</u>	<u>180,670</u>	<u>(5,668,276)</u>	<u>7,047,161</u>
Cash balance, beginning of year	22,781,656	22,781,656	22,781,656			-
Cash advanced to other funds	-	-	(440,591)			(440,591)
Cash balance, end of year	<u>\$ 11,121,456</u>	<u>9,885,549</u>	<u>16,492,119</u>			<u>6,606,570</u>
Explanation of Differences:						
Change in receivables				(905,304)		
Change in accounts payable				1,343,758		
Change in accrued salaries				(57,250)		
Change in accrued liabilities				(15,685)		
Change in amounts due to others				50		
Change in deferred revenues				(184,899)		
				<u>180,670</u>		

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
CITY OF CARLSBAD
STATEMENT OF NET POSITION- PROPRIETARY FUNDS
For the Year Ended June 30, 2016

	Business-Type Activities - Enterprise Funds				Governmental
	Solid Waste Fund	Joint Water and Sewer Fund	Other Enterprise Funds	Total	Activities Internal Service Funds
Assets					
Current assets:					
Cash	\$ 4,464,939	15,852,191	1,200,322	21,517,452	3,333,792
Receivables, net	695,451	1,744,465	25,807	2,465,723	1,013
Prepaid expenses	-	10,321	-	10,321	-
Inventory	-	602,386	-	602,386	-
Total current assets	5,160,390	18,209,363	1,226,129	24,595,882	3,334,805
Noncurrent assets:					
Restricted cash	-	8,075,386	-	8,075,386	951,576
Restricted cash held by fiscal agent	1,161,649	-	-	1,161,649	-
Restricted investments	-	6,209,355	-	6,209,355	-
Prepaid bond insurance premium	-	63,992	-	63,992	-
Capital Assets:					
Land and construction in progress	10,000	37,127,792	201,477	37,339,269	-
Other capital assets, net of accumulated depreciation	3,097,682	57,882,314	3,570,185	64,550,181	-
Total noncurrent assets	4,269,331	109,358,839	3,771,662	117,399,832	951,576
Deferred Outflows of Resources					
Pension related	141,156	451,953	91,601	684,710	-
Charges related to advance refunding	-	92,891	-	92,891	-
Total deferred outflows of resources	141,156	544,844	91,601	777,601	-
Total assets and deferred outflows of resources	\$ 9,570,877	128,113,046	5,089,392	142,773,315	4,286,381
Liabilities:					
Current Liabilities:					
Accounts payable	\$ 259,836	2,049,827	144,434	2,454,097	21,855
Accrued salaries	45,676	113,887	9,736	169,299	-
Accrued liabilities	-	63,996	15	64,011	-
Accrued interest payable	2,251	1,489,139	-	1,491,390	-
Customer deposits	-	627,605	-	627,605	-
Due to other funds	13,520	640	-	14,160	-
Current maturities of liabilities:					
Bonds payable	-	927,483	-	927,483	-
Notes payable	113,042	707,132	-	820,174	-
Compensated absences	23,428	69,432	20,121	112,981	-
Total current liabilities	457,753	6,049,141	174,306	6,681,200	21,855
Noncurrent liabilities:					
Bonds payable	-	14,460,986	-	14,460,986	-
Notes payable	940,862	31,614,055	-	32,554,917	-
Compensated absences	44,760	111,076	34,870	190,706	-
Landfill closure and post-closure	349,854	-	-	349,854	-
Net pension liability	1,105,088	3,538,273	717,136	5,360,497	-
Total noncurrent liabilities	2,440,564	49,724,390	752,006	52,916,960	-
Total liabilities	2,898,317	55,773,531	926,312	59,598,160	21,855
Deferred Inflows of Resources					
Pension related	28,405	90,945	18,433	137,783	-
Net Position					
Net investment in capital assets	3,215,427	47,300,450	3,771,662	54,287,539	-
Restricted:					
Debt service	125,892	4,092,370	-	4,218,262	-
Endowment:					
Expendable	-	8,417,064	-	8,417,064	-
Unrestricted	3,302,836	12,438,686	372,985	16,114,507	4,264,526
Total net position	6,644,155	72,248,570	4,144,647	83,037,372	4,264,526
Total liabilities, deferred inflows of resources and net position	\$ 9,570,877	128,113,046	5,089,392	142,773,315	4,286,381

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
CITY OF CARLSBAD
STATEMENT OF REVENUES, EXPENSES, AND CHANGES IN FUND NET POSITION
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	Business - Type Activities - Enterprise Funds				Governmental Activities Internal Service Funds
	Solid Waste Fund	Joint Water and Sewer Fund	Other Enterprise Funds	Total	
Operating Revenues					
Charges for services	\$ 5,246,264	10,971,945	248,374	16,466,583	6,187,751
Operating Expenses					
Personnel services	1,670,640	5,186,203	1,026,666	7,883,509	-
Utilities	228	653,079	131,445	784,752	-
Contractual services	110,900	234,474	503,246	848,620	11,208
Repairs and maintenance	926,478	1,032,201	66,277	2,024,956	-
Insurance claims and expenses	-	-	-	-	6,212,318
Other supplies and expenses	922,179	847,857	151,080	1,921,116	1,874,887
Depreciation and amortization	329,416	2,712,870	253,061	3,295,347	-
Total operating expenses	<u>3,959,841</u>	<u>10,666,684</u>	<u>2,131,775</u>	<u>16,758,300</u>	<u>8,098,413</u>
Operating income (loss)	1,286,423	305,261	(1,883,401)	(291,717)	(1,910,662)
Non-Operating Revenues (Expenses)					
Sales taxes	800,333	-	-	800,333	-
Intergovernmental	111,000	340,110	524,719	975,829	-
Investment income	17,039	99,070	-	116,109	5,184
Miscellaneous	-	10,484	6,621	17,105	-
Gain (Loss) on sale of assets	5,520	(5,495)	2,080	2,105	-
Gain on investments	-	55,459	-	55,459	-
Amortization expense	-	(5,052)	-	(5,052)	-
Interest expense	(14,893)	(1,406,419)	-	(1,421,312)	-
Total non-operating revenue (expenses)	<u>918,999</u>	<u>(911,843)</u>	<u>533,420</u>	<u>540,576</u>	<u>5,184</u>
Income (loss) before capital contributions and transfers	2,205,422	(606,582)	(1,349,981)	248,859	(1,905,478)
Capital Contributions and Transfers					
Capital contributions	-	196,369	24,627	220,996	-
Transfers in	222,653	567,378	1,597,393	2,387,424	2,144,999
Transfers (out)	(1,899,380)	(3,217,149)	(20,000)	(5,136,529)	(2,231,580)
Total capital contributions and transfers	<u>(1,676,727)</u>	<u>(2,453,402)</u>	<u>1,602,020</u>	<u>(2,528,109)</u>	<u>(86,581)</u>
Change in net position	528,695	(3,059,984)	252,039	(2,279,250)	(1,992,059)
Net position, beginning of year	6,123,523	75,401,446	3,898,566	85,423,535	6,285,582
Restatements	(8,063)	(92,892)	(5,958)	(106,913)	(28,997)
Net position, beginning of year, restated	<u>6,115,460</u>	<u>75,308,554</u>	<u>3,892,608</u>	<u>85,316,622</u>	<u>6,256,585</u>
Net position, end of year	\$ <u>6,644,155</u>	<u>72,248,570</u>	<u>4,144,647</u>	<u>83,037,372</u>	<u>4,264,526</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
CITY OF CARLSBAD
STATEMENT OF CASH FLOWS
PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	Business-Type Activities - Enterprise Funds			Total	Governmental Activities
	Solid Waste Fund	Joint Water and Sewer Fund	Other Enterprise Funds		Internal Service Funds
Cash Flows From Operating Activities					
Cash received from customers	\$ 5,224,510	11,488,167	251,355	16,964,032	-
Internal activity - receipts from other funds	-	-	-	-	6,187,751
Cash payments to suppliers for goods and services	(1,988,613)	(2,814,988)	(851,104)	(5,654,705)	-
Cash payments to employees for services	(1,834,005)	(5,105,639)	(1,078,717)	(8,018,361)	(8,120,729)
Net cash provided (used) by operating activities	1,401,892	3,567,540	(1,678,466)	3,290,966	(1,932,978)
Cash Flows for Non-Capital and Financing Activities					
Cash received from sales taxes	802,591	-	-	802,591	-
Intergovernmental revenues	111,000	340,110	576,386	1,027,496	-
Utility deposit, sales taxes and miscellaneous receipts	-	834,748	6,621	841,369	-
Utility deposits and sales taxes remitted	-	(1,259,571)	-	(1,259,571)	-
Net transfers in (out)	(1,676,727)	(2,649,771)	1,577,393	(2,749,105)	(169,343)
Net cash provided (used) by non-capital and related financing acti	(763,136)	(2,734,484)	2,160,400	(1,337,220)	(169,343)
Cash Flows for Capital and Financing Activities					
Proceeds from the sale of assets	19,040	31,345	2,080	52,465	-
Acquisition of capital assets	(1,761,669)	(7,203,278)	(264,270)	(9,229,217)	-
Long term debt proceeds	-	1,890,945	-	1,890,945	-
Principal payments on capital debt	(111,363)	(954,327)	-	(1,065,690)	-
Interest on capital debt	(15,429)	(1,027,763)	-	(1,043,192)	-
Net cash (used) by capital and related financing activities	(1,869,421)	(7,263,078)	(262,190)	(9,394,689)	-
Cash Flows From Investing Activities					
Investment income	17,195	98,635	-	115,830	4,775
Loss on redemption of investments and bank charges	-	(25,808)	-	(25,808)	-
Purchase of investments	-	(266,146)	-	(266,146)	-
Time deposits considered cash equivalents	-	-	-	-	-
Time deposits not considered cash equivalents	-	-	-	-	-
Net cash provided (used) by investing activities	17,195	(193,319)	-	(176,124)	4,775
Net increase (decrease) in cash	(1,213,470)	(6,623,341)	219,744	(7,617,067)	(2,097,546)
Cash and cash equivalents, beginning of year	5,682,854	29,249,342	980,578	35,912,774	5,481,338
Restatement	1,157,204	-	-	1,157,204	-
Cash and cash equivalents, beginning of year, restated	6,840,058	29,249,342	980,578	37,069,978	5,481,338
Cash and cash equivalents, end of year	\$ 5,626,588	22,626,001	1,200,322	29,452,911	3,383,792
Displayed as					
Cash	\$ 4,464,939	15,852,191	1,200,322	21,517,452	3,333,792
Restricted cash	-	8,075,386	-	8,075,386	951,576
Restricted cash held be fiscal agent	1,161,649	-	-	1,161,649	-
Time deposits not considered cash equivalents	-	(1,301,576)	-	(1,301,576)	(901,576)
	\$ 5,626,588	22,626,001	1,200,322	29,452,911	3,383,792
Reconciliation of Operating Income to Net Cash Provided by Operating Activities					
Operating Income (Loss)	\$ 1,286,423	305,261	(1,883,401)	(291,717)	(1,910,662)
Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities:					
Depreciation	329,416	2,712,870	253,061	3,295,347	-
Bad debts	7,881	15,244	-	23,125	-
Landfill closure & post closure liability	(69,486)	-	-	(69,486)	-
Change in Assets and Liabilities					
(Increase) decrease in accounts receivable	(29,635)	516,222	2,058	488,645	364
Decrease in inventories	-	34,177	-	34,177	-
(Increase) in deferred outflows of resources related to pension	(47,447)	(190,172)	(33,590)	(271,209)	-
Increase (decrease) in accounts payable	40,658	(96,798)	1,862	(54,278)	(22,680)
Increase (decrease) in accrued salaries	11,181	8,656	(12,344)	7,493	-
Increase (decrease) in accrued liabilities	-	-	5	5	-
Increase (decrease) in compensated absences	8,431	(36,180)	5,971	(21,778)	-
Increase (decrease) in net pension liability	193,371	1,145,179	179,989	1,518,539	-
Increase (decrease) in deferred inflows of resources related to pension	(328,901)	(846,919)	(192,077)	(1,367,897)	-
Total adjustments	115,469	3,262,279	204,935	3,582,683	(22,316)
Net cash provided (used) by operating activities	\$ 1,401,892	3,567,540	(1,678,466)	3,290,966	(1,932,978)

The accompanying notes are an integral part of these financial statements

CITY OF CARLSBAD
STATEMENT OF FIDUCIARY ASSETS AND LIABILITIES --
AGENCY FUNDS
FOR THE YEAR ENDED JUNE 30, 2016

Assets

Cash	\$	31,053
Note receivable		<u>675,000</u>
	\$	<u><u>706,053</u></u>

Liabilities

Due to others	\$	<u><u>706,053</u></u>
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The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
CITY OF CARLSBAD
Notes to Financial Statements
For the Year Ended June 30, 2016**

NOTE 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the City of Carlsbad (the "City") have been prepared in conformity with generally accepted accounting principles (GAAP) as applied to governmental units. The Governmental Accounting Standards Board (GASB) is responsible for establishing GAAP for state and local governments through its pronouncements (Statements and Interpretations). The significant accounting policies of the City are described below.

A. Reporting Entity

The City of Carlsbad, established on March 25, 1918, is a political subdivision of the state of New Mexico, and operates under the mayor-council form of government. The City provides the following authorized services: public safety (police and fire), public works, water, sanitation, health and welfare, social services, culture and recreation, public improvements, planning and zoning, and general administrative services. The City's basic financial statements include all activities and accounts of the City's financial reporting entity.

The financial reporting entity consists of the primary government, and any other organization 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.

The definition of the reporting entity is based primarily on the notion of financial accountability. A primary government is financially accountable for the organizations that make up its legal entity. It is also financially accountable for legally separate organizations if its officials appoint a voting majority of an organization's governing body, and either it is able to impose its will on that organization, or there is a potential for the organization to provide specific financial benefits to, or impose specific financial burdens, on the primary government. A primary government may also be financially accountable for governmental organizations that are fiscally dependent on it.

A primary government has the ability to impose its will on an organization if it can significantly influence the programs, projects, activities, or level of services performed or provided by the organization. A financial benefit or burden relationship exists if the primary government (a) is entitled to the organization's resources; (b) is legally obligated or has otherwise assumed the obligation to finance the deficits of, or provide financial support to, the organization; or (c) is obligated in some manner for the debt of the organization. Based on this criterion, there are no component units of the City.

B. Basis of Presentation

Government-Wide and Fund Financial Statements—The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The government-wide financial statements (i.e., the statement of net position and the statement of activities) report information on all of the non-fiduciary activities of the government. For the most part, the effect of inter-fund activity has been removed from these statements.

Governmental activities, which normally are supported by truces and intergovernmental revenues, are reported separately from the business-type activities, which rely to a significant extent on fees and charges for support. 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 in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Non-Exchange Transactions*.

**STATE OF NEW MEXICO
CITY OF CARLSBAD
Notes to Financial Statements
For the Year Ended June 30, 2016**

The government-wide statement of activities demonstrates the degree to which the direct expenses of a function category (general government, public safety, etc.) or activity are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or activity. 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 activity, 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or activity, and 3) grants and contributions that are restricted to meeting the capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported instead as general revenues.

The net cost (by function of governmental-type activity) is normally covered by general revenues (property, sales, franchise, public service truces, interest income, etc.) The City does not allocate indirect costs. Depreciation expense is specifically identified by function and is included in the direct expense of each function. Interest on general long-term is considered an indirect expense and is reported separately on the Statement of Activities.

Separate fund based 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. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category for the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements. The nonmajor funds are detailed in the combining section of the statements.

The government-wide focus is more on the sustainability of the City as an entity and the change in aggregate financial position resulting from the activities of the fiscal period. The focus of the fund financial statements is on the major individual funds of the governmental and business-type categories. Each presentation provides valuable information that can be analyzed and compared to enhance the usefulness of the information.

C. Measurement Focus, Basis of Accounting, and Financial Statement Preparation

Government-Wide Financial Statements—The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Nonexchange transactions, in which the City gives (or receives) value without directly receiving (or giving) equal value in exchange, include property truces, grants, entitlements, and donations. On an accrual basis, revenue from property truces is recognized in the fiscal year to which the truces are levied. Revenue from grants, entitlements, and donations is recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental Fund Financial Statements—Governmental fund level financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. The focus of the governmental funds' measurement (in the fund statements) is upon determination of financial position and changes in financial position (sources, uses, and balance of financial resources) rather than upon net income. 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. For this purpose, the City considers revenues to be available if they are collected within sixty days of the end of the current fiscal period. Generally, intergovernmental revenues and grants are recognized when all eligibility requirements are met and the revenues are available. Expenditures generally are recorded when a liability is incurred, as under accrual accounting.

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However, debt service expenditures, as well as, expenditures related to compensated absences and claims and judgments, are recorded only when payment is made.

Property, franchise, sales, and public service tax revenues associated with the current fiscal period are recognized under the susceptible to accrual concept. Licenses and permits, charges for services, fine and forfeitures, contributions, and miscellaneous revenues are recorded as revenues when received in cash, as the resulting receivable is immaterial. Investment earnings are recorded as earned since they are measurable and available. In applying the susceptible to accrual concept to intergovernmental revenues, the legal and contractual requirements of the numerous individual programs are used as guidance.

There are, however, essentially two types of these revenues. In one, monies must be expended for the specific purpose or project before any amounts will be paid to the City; therefore, revenues are recognized based upon the expenditures recorded. In the other, monies are virtually unrestricted as to purpose of expenditure and are usually revocable only for failure to comply with prescribed compliance requirements. These resources are reflected as revenues at the time of receipt or earlier if the susceptible to accrual criteria are met.

Business-type activities, and all proprietary funds, are accounted for on a flow of economic resources measurement focus. With this measurement focus, all assets and all liabilities associated with the operation of these funds are included on the balance sheet. Proprietary fund-type operating statements present increases and decreases (e.g., revenues and expenses) in net total assets.

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

The City reports the following proprietary fund types:

Enterprise funds are required to be used to account for operations for which a fee is charged to external users for goods or services and the activity is financed with debt that is solely secured by a pledge of the net revenues. The activities reported in these funds are reported as business-type activities in the government-wide financial statements.

Additionally, City reports the following fund types:

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

Agency funds are used to account for monies held by the City in a custodial capacity. These funds do not report operations or have a measurement focus.

The City reports the following Major Governmental Funds:

The *General Fund* is the City's primary operating fund. It accounts for all the financial resources of the general government, except those required to be accounted for in another fund. Revenues

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are provided through property, sales and other taxes, federal sources, state sources, charges for services, licenses and fees, and other miscellaneous recoveries and revenues. Expenditures include all costs associated with the daily operation of the City, except for items included in other funds.

The *GRT Capital Outlay Fund*, is a capital projects fund that accounts for receipts and disbursements and sales taxes for capital outlay projects. The fund is authorized by city council.

The City reports the following major business-type funds:

The *Solid Waste Fund* is used to account for the provisions of solid waste disposal for the residents of the City. All activities necessary to provide such services are accounted for in this fund.

The *Joint Water and Sewer Fund* accounts for the provision of water and sewer services to the residents of the City. All activities necessary to provide such services are accounted for in this fund, including, but not limited to, administration, operations, maintenance, financing and related debt service, billing and collection.

The City maintains seventeen other individual governmental funds that are considered nonmajor funds; ten are classified as special revenue funds; four are classified as capital project funds; and three are classified as debt service funds. A description of each nonmajor governmental fund is as follows:

Special Revenue Funds

The *Fire Protection Fund* accounts for proceeds of the state fire allotment, and the expenditures for public safety there from. New Mexico state law requires these funds be used to help maintain the fire department. The fund was established by local ordinance and in accordance with Section 59A-53-1, of the New Mexico State Insurance Code. Section 59A-53-8 of the code restricts the use of the funds for only the maintenance of the City's fire department.

The *Lodgers' Tax Fund* accounts for funds received from a special local lodgers' tax that is to be used for promotion of the City. The fund was established by local ordinance authorized by Section 3-38-13 through 3-38-24, NMSA 1978. Section 3-38-1S(E), NMSA 1978, restricts the use of the tax for advertising, publicizing and promoting, establishing and operating tourist-related attractions, facilities and events.

The *Airport Fund* accounts for the operating and maintenance of the airport. Financing is provided by federal, state, and county grants. The fund is authorized by city council and is required by federal grants for segregating interest earned and for auditing purposes.

The *Emergency Medical Services Fund* accounts for the state emergency medical services grant, to be used for specific medical services provided through fire department activities. This state grant comes through the New Mexico Department of Health per EMS regulation DOH 94-11. The fund was created by local ordinance. Section 24-IOA-1 to 24-IOA-10, NMSA 1978 provides funds to municipalities for use in the establishment and enhancement of local emergency medical services. Section 24-IOA-7, NMSA 1978 restricts expenditures from the fund for only emergency medical services.

The *Local Government Corrections Fund* accounts for the fees collected by the municipal judge, which are legally restricted to expenditure for jail related costs. The fund was established by local ordinance in order to comply with Section 35-14-11, NMSA 1978.

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The *Law Enforcement Protection Fund* accounts for the state grant to be used for the repair and/or replacement of law enforcement equipment, according to state law, Section 29-13.1 through 29-13.9, NMSA 1978. The fund was established by local ordinance to comply with state statutes. Section 29-13-17A, NMSA 1978 limits distributions from the fund for law enforcement related expenditures, including, but not limited to, the purchase of equipment, expenses associated with advanced law enforcement planning, and training.

The *Sports Complex Fund* accounts for the operation of the City's sports complex. Financing is provided from infrastructure gross receipts tax revenues. The fund is authorized by city council.

The *RSVP Fund* accounts, maintains, and reports to the state of New Mexico hours performed by retired volunteers in the area. The fund is financed by grants from the federal government and the state of New Mexico. The fund is authorized by city council.

The *Community Development Fund* accounts for funds received for community development and improvements funded under New Mexico Community Development Block Grants pursuant to the U.S. Department of Housing and Urban Development Title I grant. The fund is authorized by city council.

The *WIPP Acceleration Impact Fund* accounts for funds from the U.S. Department of Energy used exclusively for infrastructure improvements, educational support, and economic development in the City, due to acceleration of the WIPP Project. The fund is authorized by PL 95-91.

Capital Project Funds

The *Park Improvement Fund* accounts for the receipts and disbursements to build and improve parks within the City. Financing is provided from state grants. The fund is authorized by city council.

The *CIEP Fund* accounts for the financing and acquisition of capital improvements and equipment purchases for the City. Financing is provided from the General Fund. The fund is authorized by city council.

The *Federal Projects Fund* accounts for receipts and disbursements for infrastructure and improvements. Financing is provided from federal and state grants. The funding is authorized by city council and is required by federal grantors for segregating interest earned and for auditing purposes.

The *Street System Improvement Fund* accounts for funds receipts and disbursements for City street improvements and maintenance. Financing is provided from motor vehicle fees and state and county grants. The authority for the fund is given by section 7-1-6.27, NMSA and the City's ordinance number 389.

Debt Service Funds

The *2002 Sales Tax Bonds Fund* accounts for the receipts and disbursements for the repayment of the refunding 1994 sales tax revenue bonds and provide additional funds for capital improvements and equipment. Financing is provided by sales tax collected in the General Fund. The fund is authorized by city council and is in conformance with bond covenants.

The *GRT Capital Outlay Fund* accounts for the receipts and disbursements for the payment of the 2009 revenue bonds. Financing is provided by sales taxes collected in the GRT capital outlay fund. The fund is authorized by city council and is in conformance with bond covenants.

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The *NM Finance Authority Loan Fund* accounts for the receipts and disbursements for the repayment of loans to the New Mexico Finance Authority recorded as governmental activities. Transfers from fire protection and sports complex funds provide reserves to reduce loan obligations. The fund is authorized by city council and is in conformance with loan covenants.

The City maintains two individual agency funds. A description of each fund is as follows:

The *Municipal Court Trust Funds* accounts for monies held in trust by the municipal judge to reduce court fines, costs and administrative fees. Any unused funds available after the reduction of fines and fees are returned to the defendant.

The *U.S. Department of Energy Fund* accounts for monies collected and remitted to the U.S. Department of Energy.

The City maintains four other individual enterprise funds that are considered nonmajor funds. A description of each nonmajor enterprise funds is as follows:

The *Museum Gift Shop Fund* accounts for the receipts and disbursements of the operations of the museum gift shop. The fund is authorized by city council.

The *Municipal Transit Fund* accounts for the receipts and disbursements of the City's transportation services. Financing is provided from federal and state grants, and customer receipts. The fund is authorized by city council and required by federal grantors for segregating interest earned and for auditing purposes.

The *Performing Arts Center Fund* accounts for the operations of promotional activities of the City. Financing is provided primarily by transfers from the Lodgers' Tax Fund. The fund is authorized by Section 3-38-13 through 3-38-24, NMSA 1978.

The *Cemetery Fund* accounts for the operation and maintenance of the City cemetery. Financing is provided through lot sales and fees for services. The funding is authorized by Section 3-40-1 through 3-40-9, NMSA 1978.

The City maintains three individual internal service funds. A description of each fund is as follows:

The *General Insurance Fund* accounts for the cost of providing insurance and worker's compensation coverage and liability claims against the City. Such costs are billed to the other departments at actual cost.

The *Group Health Insurance Fund* accounts for the cost of providing group health benefits to City employees. The costs are billed to employees and various departments based on a minimum premium plan for eligible participants.

The *Disaster Preparedness Fund* accounts for unforeseen disasters such as natural disasters, emergency evacuations of citizens, and other disaster situations where the City would be required to spend funds immediately without the guarantee of future reimbursement.

D. Budgets

Budgets for all funds are prepared by management and approved by the City council and the New Mexico Department of Finance and Administration. The City administrator is responsible for preparing the budget from requests submitted by department heads.

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The appropriated budget is prepared by line item within object class, program, department and fund; revenues expected to be available are estimated to provide for balanced budgeting. The comprehensive budget package is brought before the City council for approval by resolution.

The proposed budget is then submitted by June 1" to the New Mexico Department of Finance and Administration Local Government Division (DFA) for approval. DFA certifies a pending budget by July 1st with final certification of the budget by the first Monday of September. The expenditure section of the budget, once adopted, is legally binding. Based on the final certified budget submitted, DFA certifies the allowable tax rates for property taxes in September.

These budgets are prepared on the non-GAAP cash basis, excludes encumbrances, and secure appropriation of funds for only one year. Carryover funds are re-appropriated in the budget of the subsequent fiscal year. The budget process in the state of New Mexico requires that the beginning cash balance be utilized to fund deficit budgets appropriated in the budget of the subsequent fiscal year. Such appropriated balance is presented as a committed portion of fund balance.

Actual expenditures may not exceed the budget on a fund basis. Budgets may be amended in two ways. If a budget transfer is necessary within a fund, this may be accomplished with only local council approval. If a transfer between "funds" or a budget increase is required, approval must be obtained from the Department of Finance and Administration. The budgetary information presented in these financial statements has been amended in accordance with the above procedures.

E. Assets, Deferred Outflows of Resources, Liabilities, Deferred Inflows of Resources, and Net Position

Deposits and Investments

Investments in the City's cash and certificates of deposit are stated at cost, which approximates fair value. All other investments are carried at fair market value using quoted market prices. Interest income, realized gains and losses on investment transactions, and amortization of premiums/discounts on investment purchases are included for financial statement purposes as investment income and are allocated to participating funds based on the specific identification of the source of funds for a given investment.

Interfund Receivables and Payables

Activity between funds, that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year, is referred to as interfund balance. Long-term advances between funds, as reported in the fund financial statements, as nonspendable fund balance in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

Inventory

Proprietary fund inventories are recorded at the lower of cost or market on a first-in, first-out basis, and consist of operating supplies held for use in operations and are recorded as an expense when consumed rather than when purchased.

Prepaid Items

Certain payments to vendors reflect costs applicable to future accounting periods and are recorded as prepaid items in both government-wide and fund financial statements.

Restricted Assets

Certain long-term assets are classified as restricted assets on the balance sheet because their use is limited to payments for debt service or other purposes such as deposits held in trust for others.

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Interfund Activity

Interfund activity is reported as loans, services provided, reimbursements or transfers. Loans are reported as interfund balance 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 costs as a reimbursement. All other interfund transactions are treated as transfers. Transfers between governmental funds are netted as part of the reconciliation to the government-wide financial statements.

Capital Assets

Property, plant, and equipment purchased or acquired is carried at historical cost or estimated cost. Contributed fixed assets are recorded at estimated fair market value at the time received. Purchased computer software is recorded at historical cost. The City defines capital assets as assets with an initial, individual cost or donated value of more than \$5,000 and an estimated useful life in excess of one year.

Infrastructure fixed assets consisting of roads, curbs and gutters, streets and sidewalks, drainage systems and lighting systems have been recorded at estimated historical cost. Major outlays for capital assets and improvements are capitalized as projects are constructed. Interest incurred during the construction phase of capital assets of business-type activities is included as part of the capitalized value of the assets constructed.

Net revenue bond interest cost incurred during construction is capitalized as part of the construction project.

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

<u>Classification</u>	<u>Years</u>
Buildings and building improvements	10-50
Public domain infrastructure	25
Utility system	40
Machinery and equipment, including vehicles	5-10

Vacation Pay

Employees of the City may accumulate a total of ten to thirty days of vacation per year. A maximum of seventy-five days of vacation may be accumulated for executive officers. Employees compensated on an hourly basis may accumulate up to thirty days of vacation. Appointed officers may accrue thirty-one and a half days of paid time off per year with no maximum accumulation. All vacation and time off compensation are accrued when incurred in the government-wide and proprietary fund financial statements. A liability is reported in the governmental funds only if it has matured.

Sick Leave

Appointed officers do not accrue sick leave. Executive officers and those employees compensated on an hourly basis may accumulate a total of twelve days of sick leave per year; however, if the employee has qualified to retire under the state retirement program, employees are not paid for the accumulated sick leave upon retirement or other termination. If the employee has not qualified to retire under the state retirement program, the City will pay the employee for one-third portion of the accumulated sick leave on the last day of service to the City. Accordingly, the one-third portion of the sick leave earned for is accrued on the government-wide and proprietary fund financials statements.

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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 New Mexico Employees Retirement Association (PERA) and additions to/deductions from PERA's fiduciary net position have been determined on the same bases as they are reported by PERA, on the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

Deferred Outflows/Inflows 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 reports the difference between the reacquisition price and the net carrying amount of old, retired debt as a deferred outflow of resources. The amount is amortized as a component of interest in a systematic and rational manner over the remaining life of the old debt that is a shorter period than the life of the new debt.

The City has the following deferred outflows of resources during fiscal year 2016 on the government-wide financials:

<u>Deferred Outflows of Resources - GW</u>	
Pension deferrals	\$ 6,377,125
Charges related to advance refunding	92,891
Total deferred outflows of resources	\$ 6,470,016

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 2016 on the fund financials:

<u>Deferred Inflows of Resources - Fund Financials</u>	
Unavailable property tax revenue	\$ 129,650
Unavailable charges for services	196,430
Unavailable grant revenue	190,000
Total deferred outflows of resources	\$ 516,080

The City has the following deferred inflows of resources during fiscal year 2016 on the government-wide financials:

<u>Deferred Inflows of Resources - GW</u>	
Pension deferrals	\$ 888,812
Total deferred outflows of resources	\$ 888,812

Unearned Revenue/Deferred Revenue

There are two types of unearned revenue. Under both the accrual and modified accrual basis of accounting, revenue may be recognized only when it is earned. If assets are recognized in connection

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with a transaction before the earnings process is complete, those assets must be offset by a corresponding deferred inflow for deferred revenue. The other type of deferred revenue is “unavailable revenue.” Under the modified accrual basis of accounting, it is not enough that revenue has been earned if it is to be recognized as revenue of the current period. It must also be susceptible to accrual (measurable and available to finance expenditures of the current fiscal period). If assets are recognized in connection with a transaction, but those assets are not yet available, to finance expenditures of the current fiscal period, and all other eligibility requirements have been met, then the assets must be offset by a corresponding deferred inflow for deferred revenue.

The taxes receivable are an aggregate of uncollected amounts assessed for the current fiscal year, as well as delinquent balances carried forward from the nine preceding fiscal years. Except for taxes received in advance or under protest, tax revenue received is distributed within thirty days to other local governmental units and county funds. While some of the delinquent outstanding balances will eventually be eliminated through corrections, litigation, and other property tax administrative procedures, the majority of the balances will ultimately be realized through delinquent payment or tax sales. The aggregate amount of this ultimate realization is generally difficult to ascertain at any point in time. Thus, taxes not collected within sixty days’ official year end are carried in the liability section of the balance sheet as deferred revenue on the fund basis financial statements.

Long-Term Obligations

In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business-type activities within the statement of net position. Bond premiums and discounts are deferred and amortized over the life of the bonds, using the effective interest method Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as debt service expense in the year of issuance.

In the fund financial statements, governmental fund types recognized bond premiums and discounts, as well as, bond issuance costs, during the year of issuance. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

Net Position

The government-wide financial statements utilize a net position presentation. Net position is categorized as follows:

Net investment in capital assets-This category reflects the portion of net position that are associated with capital assets less outstanding capital asset related debt.

Restricted net position—This category reflects the portion of net position that has third party limitations on their use.

Unrestricted net position-This category reflects net position of the City, not restricted for any project or other purpose.

Fund Balance Reservation and Designations—in the fund financial statements, governmental funds report aggregate amounts for five classifications of fund balances based on the constraints imposed on the use of these resources. The nonspendable fund balance classification includes amounts that cannot be spent because they are either (a) not in spendable form - prepaid items or inventories; or (b) legally or contractually required to be maintained intact.

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The spendable portion of the fund balance comprises the remaining four classifications: restricted, committed, assigned, and unassigned.

Restricted fund balance—This classification reflects the constraints imposed on resources either (a) externally by creditors, grantors, contributors, or laws or regulations of other governments; or (b) imposed by law through constitutional provisions or enabling legislation.

Committed fund balance—These amounts can only be used for specific purposes pursuant to constraints imposed by formal resolutions or ordinances of the City council - the government's highest level of decision making authority. Those committed amounts cannot be used for any other purpose unless the City council removes the specified use by taking the same type of action imposing the commitment This classification also includes contractual obligations to the extent that existing resources in the fund have specifically committed for use in satisfying those contractual requirements.

Assigned fund balance—This classification reflects the amounts constrained by the City's "intent" to be used for specific purposes, but are neither restricted nor committed. The city council has the authority to assign amounts to be used for specific purposes. Assigned fund balances include all remaining amounts (except negative balances) that are reported in governmental funds, other than the General Fund, that are not classified as nonspendable and are neither restricted nor committed.

Unassigned fund balance—This fund balance is the residual classification for the General Fund. The classification is also used to report negative fund balances in other governmental funds.

When both restricted and unrestricted resources are available for use, it is the City's policy to use externally restricted resources first, then unrestricted resources - committed, assigned, and unassigned—in order as needed.

F. Other Matters

Cash Flows

For the purpose of the statement of cash flows, the City considers all highly liquid investments, including restricted cash with maturity of three months or less, to be cash equivalents.

Use of Estimates

The preparation of financial statements in conformity with U.S. generally accepted accounting principles management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Subsequent Events

Management has evaluated events through December 14, 2016, the date the financial statements were available to be issued.

NOTE 2. CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS

New Mexico state statutes provide authoritative guidance regarding the deposit of cash and idle cash. Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more bank 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 of America or by collateral

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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.

Idle cash may be invested in a wide variety of instruments, including money market accounts, certificates of deposit, the New Mexico State Treasurer's investment pool, or 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.

Cash Deposited with Financial Institutions

The City maintains cash in four financial institutions within Carlsbad, New Mexico. The City's deposits are carried at cost.

As of June 30, 2016, the amount of cash reported on the financial statements differs from the amount on deposit with the various institutions because of transactions in transit and outstanding checks. The locations and amounts deposited are as follows:

	Per Institution	Reconciling Items	Per Financial Statements
Cash on hand	\$ 4,597	-	4,597
Carlsbad National Bank	7,958,856	(99,119)	7,859,737
Pioneer Savings Bank	2,803,204	-	2,803,204
Wells Fargo Bank	50,024,918	(2,208,486)	47,816,432
Western Commerce Bank	14,002,918	(96,672)	13,906,246
Total cash deposits	<u>\$ 74,794,493</u>	<u>(2,404,277)</u>	<u>72,390,216</u>

The amounts reported as cash for the government within the financial statements is displayed as:

<u>Statement of Net Position</u>	<u>Amount</u>
Cash	\$ 63,331,501
Restricted	<u>9,027,662</u>
	<u>72,359,163</u>
Agency fund	<u>31,053</u>
Total cash	<u>\$ 72,390,216</u>

Except for items in transit, the carrying value of deposits by the respective depositories equated to the carrying value by the City. All deposits are collateralized with eligible securities, as described by New Mexico State Statute, in amounts equal to at least 50% of the City carrying value of the deposits (demand and certificates of deposit). Such collateral, as permitted by the state statutes is held in each respective depository bank's collateral pool at a Federal Reserve Bank, or member bank other than the depository bank, in the name of the respective depository bank and pledged as a pool of collateral against all of the public deposits it holds with the exception of deposit insurance provided by the Federal Deposit Insurance Corporation.

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	Carlsbad National Bank	Pioneer Savings Bank	Wells Fargo Bank, N.A.	Western Commerce Bank
Total deposits in bank	\$ 7,958,856	2,803,204	50,024,918	14,002,918
Less FDIC coverage	(250,000)	(250,000)	(250,000)	(250,000)
Uninsured public funds	7,708,856	2,553,204	49,774,918	13,752,918
Pledged collateral held by pledging bank's trust, but not in the City's name	6,776,647	1,346,582	43,367,600	9,017,271
Uninsured and uncollateralized public funds	932,209	1,206,622	6,407,318	4,735,647
Total pledged collateral	6,776,647	1,346,582	43,367,600	9,017,271
50% pledged collateral requirement per state statute	3,854,428	1,276,602	24,887,459	6,876,459
Pledged collateral (under) over the requirements	\$ 2,922,219	69,980	18,480,141	2,140,812

A detailed listing of the pledged collateral is contained in the supplemental financial information section of this report.

Demand deposits, time deposits, savings deposits and interest bearing money market accounts at a public unit in an institution in the same state are insured up to \$250,000.

Custodial Credit Risk Deposits

Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2016, \$73,789,896 of the City's bank balance of \$74,789,896 was exposed to custodial credit risk as follows:

	Carlsbad National Bank	Pioneer Savings Bank	Wells Fargo Bank, N.A.	Western Commerce Bank
Uninsured and collateralized held by pledging bank's trust dept. or agent not in the City name	\$ 7,708,856	2,553,204	49,774,918	13,752,918

NOTE 3. RESTRICTED CASH HELD BY FISCAL AGENT

The City has entered into various loan agreements with the New Mexico Finance Authority. As required by the loan agreements, any unexpended loan proceeds is maintained by NMFA until needed by the City. Additionally, the City is required to set aside reserve amounts for the debt obligations. As of June 30, 2016, the NMFA held \$6,052,725.

NOTE 4. RESTRICTED INVESTMENTS

Investments Held at Wells Fargo Bank, N.A. Roswell, NM

The amounts reported as investments for the government within the financial statements are displayed as:

<u>Statement of Net Position</u>	
Restricted investments	\$ <u>6,209,355</u>

As of June 30, 2016, the restricted investments are composed of the following:

Investment - US Treasury Notes	\$ <u>6,209,355</u>
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The U.S. Treasury Notes all carry a Moody's rating of AAA and the City's Treasury notes reach maturity as follows: as of June 30, 2016.

<u>Market Value</u>	<u>%</u>	<u>Maturity</u>
\$ 1,378,163	22%	Less than 1 year
760,495	12%	1-2 years
3,965,955	64%	2-5 years
104,742	2%	5-10 years
\$ 6,209,355	100%	

In February 2015, the Governmental Accounting Standards Board (GASB) issued Statement Number 72, Fair Value Measurement and Application. This statement changes the definition of fair value and adds new disclosure requirements. GASB 72 is effective for periods beginning after June 15, 2015 (i.e., financial statements for June 30, 2016, and beyond).

The City holds investments that are measured at fair value on a recurring basis. Because investing is not a core part of the City's mission, the City determines that the disclosures related to these investments only need to be disaggregated by major type. The City chooses a table format for the fair value disclosures.

The City categorizes its fair value measurements within the fair value hierarchy established by generally accepted accounting principles.

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction. In determining this amount, three valuation techniques are available:

- Market approach: this uses prices generated for identical or similar assets or liabilities. The most common example is an investment in a public security traded in an active exchange such as the NYSE.
- Cost approach: this technique determines the amount required to replace the current asset. This approach may be ideal for valuing donations of capital assets or historical treasures.
- Income approach: this approach converts future amounts (such as cash flows) into a current discounted amount.

Each of these valuation techniques requires inputs to calculate a fair value. Valuation techniques should be applied consistently, though a change may be appropriate in certain circumstances. Valuation techniques maximize the use of relevant observable inputs and minimize the use of unobservable inputs.

GASB 72 establishes a hierarchy of inputs to the valuation techniques listed above

The hierarchy is based on the valuation inputs used to measure the fair value of the asset. The hierarchy's three levels are as follows:

Level 1

Inputs are quoted prices (unadjusted) for identical assets or liabilities in active markets that a government can access at the measurement date. (Examples: equity securities traded on an open market, actively traded mutual funds, and US treasuries)

Level 2

Are significant other observable inputs

- a) Quoted prices for similar assets or liabilities in active markets.
- b) Quoted prices for identical or similar assets or liabilities in markets that are not active.

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- c) Inputs other than quoted prices that are observable for the asset or liability, such as:
 - 1. Interest rates and yield curves observable at commonly quoted intervals,
 - 2. Implied volatilities, and
 - 3. Credit spreads.
- b) Market-corroborated inputs.

(Examples: a bond valued using market corroborated inputs such as yield curves, a bond valued using matrix pricing, and an interest rate swap valued using the LIBOR swap rate observed at commonly quoted intervals for the full term of the swap)

Level 3

Are significant unobservable inputs for an asset or liability (Examples: Commercial real estate valued using a forecast of cash flows based on a university's own data and an interest rate swap valued using data that is neither directly observable nor corroborated by observable market data)

The City has the following recurring fair value measurements as of June 30:

<u>Description</u>	<u>2016</u>
	<u>Level 1</u>
U.S. Treasury Notes	\$ <u>6,209,355</u>

Investments Held by Fiscal Agent

As required by note agreements with the New Mexico Finance Authority (NMFA), the City has cash held and invested with the NMFA.

NOTE 4. RECEIVABLES

Receivables, net of allowance for doubtful accounts, at June 30, 2016, consisted of the following:

<u>Types of Receivables</u>	<u>Governmental</u>	<u>Business-Type</u>	<u>Totals</u>
	<u>Activities</u>	<u>Activities</u>	
Accounts receivable			
Charges for services	\$ 390,382	2,685,668	3,076,050
Allowance for doubtful accounts	(70,338)	(381,224)	(451,562)
Total	<u>320,044</u>	<u>2,304,444</u>	<u>2,624,488</u>
Taxes receivable			
Gross receipts taxes	6,357,784	135,088	6,492,872
Franchise taxes	111,816	-	111,816
Property taxes	183,132	-	183,132
Lodgers' taxes	109,301	-	109,301
Public service taxes	46,923	-	46,923
Allowance for doubtful accounts	(3,088)	-	(3,088)
Total	<u>6,805,868</u>	<u>135,088</u>	<u>6,940,956</u>
Intergovernmental receivables			
Building improvement grants	171,939	-	171,939
Public safety grants	212,089	-	212,089
Infrastructure improvement grant	618,761	-	618,761
Municipal transit grants	-	24,447	24,447
Total	<u>1,002,789</u>	<u>24,447</u>	<u>1,027,236</u>
Interest receivable	3,400	1,744	5,144
Receivables, net	<u>\$ 8,132,101</u>	<u>2,465,723</u>	<u>10,597,824</u>

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The City's policy is to provide for uncollectible accounts based upon expected defaults.

NOTE 5. PROPERTY TAX

Property taxes attach as an enforceable lien on property as of January 1st. Property tax rates for the year are set no later than September 1st each year by the New Mexico Secretary of Finance and Administration. The rate of tax are then used by the Eddy County Assessor to develop the property tax schedule by October 1st. The Eddy County Treasurer sends tax notices to property owners by November 1st of each year. Taxes are payable in equal semiannual installments by November 10th and April 10th of the subsequent year. Thirty days later the bill becomes delinquent and the county treasurer assesses penalties and interest. Taxes are collected on behalf of the City by the county treasurer, and are remitted to the City in the month following collection. The county treasurer is statutorily required to collect taxes as an intermediary agency for all forms of government. Distribution of taxes collected is made through the county treasurer's office.

The City is permitted to levy taxes for general operating purposes up to an amount determined by a formula based upon each \$1,000 of taxable value for both residential and nonresidential property, taxable value being defined as one third of the fully assessed value. In addition, the City is allowed to levy taxes for payments of bonds principal and interest in amounts approved by voters of the City. The City's total tax rate to finance general government services for the year 2015, was \$5.954 per \$1,000 for non-residential and \$5.319 for residential property.

NOTE 6. BAD DEBT EXPENSE

Governmental Activities

During the current fiscal year, the City recorded an allowance on all receivables related to ambulance fees over 180 days, as well as an additional charge of 1%, which amounted to \$70,388 in total. Ambulance fees are reflected as public safety charges for services in the government-wide statement of activities and charges for services within the general fund.

Business-Type Activities

During the current fiscal year, the City's policy has been to record an allowance of .015% of sales. Total allowance as of June 30, 2016, is \$381,224.

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NOTE 7. CAPITAL ASSETS

Capital assets for the fiscal year ended June 30, 2016, are as follows:

Governmental Activities	Balance 2015	Additions	Deletions & Transfers	Adjustments	Balance 2016
Non-Depreciable Capital Assets					
Land	\$ 2,085,902	6,000	-	(94,561)	1,997,341
Construction in Progress	3,667,847	6,245,362	-	(2,364,002)	7,549,207
Total non-depreciable capital assets	<u>5,753,749</u>	<u>6,251,362</u>	<u>-</u>	<u>(2,458,563)</u>	<u>9,546,548</u>
Capital Assets Being Depreciated					
Buildings	63,168,970	4,085,018	(17,133)	(744,508)	66,492,347
Improvements	521,315	20,697	-	(7,058)	534,954
Infrastructure	78,027,020	6,022,523	(540,190)	2,196,069	85,705,422
Equipment	20,471,119	4,416,444	852	(105,272)	24,783,143
Total capital assets being depreciated	<u>162,188,424</u>	<u>14,544,682</u>	<u>(556,471)</u>	<u>1,339,231</u>	<u>177,515,866</u>
Less Accumulated Depreciation For					
Buildings	(25,511,155)	(1,900,049)	8,819	58,002	(27,344,383)
Improvements	(122,762)	(25,210)	-	-	(147,972)
Utility System & Facilities	(28,542,936)	(1,873,051)	-	(40,705)	(30,456,692)
Equipment	(13,306,521)	(1,955,142)	474,924	102,572	(14,684,167)
Total accumulated depreciation	<u>(67,483,374)</u>	<u>(5,753,452)</u>	<u>483,743</u>	<u>119,869</u>	<u>(72,633,214)</u>
Total capital assets being depreciated, net	<u>94,705,050</u>	<u>8,791,230</u>	<u>(72,728)</u>	<u>1,459,100</u>	<u>104,882,652</u>
Total capital assets, net of depreciation	<u>\$ 100,458,799</u>	<u>15,042,592</u>	<u>(72,728)</u>	<u>(999,463)</u>	<u>114,429,200</u>

Business-type Activities	Balance 2015	Additions	Deletions & Transfers	Adjustments	Balance 2016
Non-Depreciable Capital Assets					
Land & Water Rights	\$ 1,282,273	-	-	-	1,282,273
Construction in Progress	33,034,913	3,153,860	(341,143)	209,366	36,056,996
	<u>34,317,186</u>	<u>3,153,860</u>	<u>(341,143)</u>	<u>209,366</u>	<u>37,339,269</u>
Capital Assets Being Depreciated					
Buildings and Improvements	43,103,702	943,967	42,786	(209,366)	43,881,089
Equipment	11,686,817	4,531,031	(191,638)	(10,547)	16,015,663
Utility system	49,388,254	924,638	268,104	(495)	50,580,501
Total capital assets being depreciated	<u>104,178,773</u>	<u>6,399,636</u>	<u>119,252</u>	<u>(220,408)</u>	<u>110,477,253</u>
Less Accumulated Depreciation For					
Buildings & Improvements	(13,069,711)	(980,067)	223	17,936	(14,031,619)
Equipment	(9,104,841)	(983,970)	212,954	-	(9,875,857)
Utility system	(20,688,286)	(1,331,310)	-	-	(22,019,596)
Total accumulated depreciation	<u>(42,862,838)</u>	<u>(3,295,347)</u>	<u>213,177</u>	<u>17,936</u>	<u>(45,927,072)</u>
Total capital assets being depreciated, net	<u>61,315,935</u>	<u>3,104,289</u>	<u>332,429</u>	<u>(202,472)</u>	<u>64,550,181</u>
Total capital assets, net of depreciation	<u>\$ 95,633,121</u>	<u>6,258,149</u>	<u>(8,714)</u>	<u>6,894</u>	<u>101,889,450</u>

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Depreciation expense was charged to functions (programs) and funds as follows:

Governmental activities

General Government	\$ 879,077
Public Safety	1,405,858
Public Works	2,020,088
Culture & Recreation	1,437,756
Health & Welfare	10,673
Total governmental activities	<u>\$ 5,753,452</u>

Business-type activities

Solid Waste	329,416
Joint Water and Sewer	2,712,870
Municipal Transit	74,407
Performing Arts Center	99,294
Cemetery	79,360
Total business-type activities	<u>\$ 3,295,347</u>

NOTE 8. ACCRUED LIABILITIES

Accrued liabilities at June 30, 2016, consisted of the following:

	<u>Governmental Activities</u>	<u>Business Type Activities</u>
Gov't sales tax payable	\$ 2,066	-
Compensating taxes	3,586	-
State tax payable	53,927	56,197
Unclaimed property payable	6,320	7,814
	<u>\$ 65,899</u>	<u>64,011</u>

NOTE 9. LONG-TERM OBLIGATIONS

Changes in governmental activities obligations during the year ended June 30, 2016, were as follows:

<u>Governmental Activities</u>	<u>Balance 2015</u>	<u>Additions</u>	<u>Reduction</u>	<u>Balance 2016</u>	<u>Amounts Due Within One Year</u>
Notes payable	\$ 394,190	5,710,429	(206,177)	5,898,442	436,431
Bonds payable	6,220,000	-	(860,000)	5,360,000	590,000
Less net bond premium (discount)	(47,554)	-	2,936	(44,618)	671
Compensated absences	1,609,903	1,490,455	(1,300,432)	1,799,926	504,765
Net pension liability	26,855,905	13,610,528	(2,741,589)	37,724,844	-
Governmental activities long-term liabilities	<u>\$ 35,032,444</u>	<u>20,811,412</u>	<u>(5,105,262)</u>	<u>50,738,594</u>	<u>1,531,867</u>

NMFA # 4—Note Payable—Aerial Platform Truck

On July 19, 2005, the City borrowed \$1,000,000 from the New Mexico Finance Authority. The note matures on May 1, 2020, and accrues interest at rates between 1.290% and 3.850% per annum. The proceeds of the loan were used for the acquisition of a fire pumper and an aerial (ladder) platform truck. The payments of principal and interest are paid from receipts of the City's annual state fire allotment, which totaled \$369,813 for the year ended June 30, 2016.

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The annual requirements to amortize the loan outstanding as of June 30, 2016, including interest payments, are as follows:

	Principal	Interest	Total
2017	\$ 75,792	11,735	87,527
2018	78,662	9,062	87,724
2019	81,706	6,221	87,927
2020	84,937	3,202	88,139
	<u>\$ 321,097</u>	<u>30,220</u>	<u>351,317</u>

NMFA # 15—Note Payable—Sports Complex Loan

On December 18, 2015, the City borrowed \$5,710,429 from the New Mexico Finance Authority for the purpose of financing the design and construction of various additions and expansions to the Bob Forrest Youth Sports Complex. The bond bears a blended interest rate of 2.464178% per annum and matures on May 1, 2030. The payment of principal, premium and interest thereon, whether at maturity or on a redemption date, are paid with income derived from Municipal Infrastructure Gross Receipts Tax of .0625%, and Lodgers' Tax.

	Principal	Interest	Total
2017	\$ 360,639	115,097	475,736
2018	362,875	112,861	475,736
2019	365,959	109,777	475,736
2020	369,875	105,861	475,736
2021	374,757	100,979	475,736
2022-2026	1,977,966	400,714	2,378,680
2027-2030	1,765,274	137,669	1,902,943
	<u>\$ 5,577,345</u>	<u>1,082,958</u>	<u>6,660,303</u>

2002 Refunding and Improvement Bonds

On February 12, 2002, the City issued bonds in the amount of \$3,710,000 for the purposes of defraying the cost of public building projects; and the cost of refunding, paying, discharging, and liquidating a portion of the 1994 sales tax revenue bonds. The bond bears interest at rates between 4.00% and 4.85% per annum and matures on October 1, 2017. The payment of principal, premium and interest thereon, whether at maturity or on a redemption date, are paid with income derived from pledged gross receipts tax revenues, which totaled \$41.7 million for the year ended June 30, 2016. The bonds maturing on October 1, 2017 are subject to mandatory sinking fund redemption at a redemption price equal to 100% of the principal amount thereof plus accrued interest to the redemption date. As and for a sinking fund for the redemption of the bonds maturing on October 1, 2017, the City shall cause to be deposited in the debt service fund a sum which is sufficient to redeem the bonds at the redemption date.

The annual requirements to amortize the bonds outstanding as of June 30, 2016, including interest payments, are as follows:

	Principal	Premium (Discount)	Net Book Value	Interest	Total
2017	\$ 315,000	(57)	314,943	23,886	338,829
2018	335,000	(284)	334,716	8,124	342,840
	<u>\$ 650,000</u>	<u>(341)</u>	<u>649,659</u>	<u>32,010</u>	<u>681,669</u>

2009 Public Infrastructure Projects Bonds

On July 28, 2009, the City issued bonds in the amount of \$8,550,000 for the purposes of defraying the cost of public infrastructure projects. The bond bears interest at rates between 2.00% and 4.75% per annum and matures on June 1, 2029. The payment of principal, premium and interest thereon, whether

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at maturity or on a redemption date, are paid with income derived from pledged gross receipts tax revenues, which totaled \$41.7 million for the year ended June 30, 2016.

The annual requirements to amortize the bonds outstanding as of June 30, 2016, including interest payments, are as follows:

		Principal	Premium (Discount)	Net Book Value	Interest	Total
2017	\$	275,000	728	275,728	206,456	481,456
2018		290,000	523	290,523	195,456	485,456
2019		300,000	(411)	299,589	183,856	483,856
2020		315,000	(1,912)	313,088	171,856	486,856
2021		325,000	(2,209)	322,791	159,256	484,256
2022-2026		1,870,000	(18,495)	1,851,505	574,975	2,444,975
2027-2029		1,335,000	(22,501)	1,312,499	128,726	1,463,726
	\$	<u>4,710,000</u>	<u>(44,277)</u>	<u>4,665,723</u>	<u>1,620,581</u>	<u>6,330,581</u>

Compensated Absences

City employees are entitled to certain compensated absences based on their employment classification and length of employment. A liability for unused vacation for all full-time employees is calculated and reported in the government-wide statements. For financial reporting, the following criteria must be met to be considered as compensated absences:

- leave or compensation is attributable to services already rendered.
- leave or compensation is not contingent on a specific event (such as illness).

Per GASB Interpretation No. 6, liabilities for compensated absences are recognized in the fund statements to the extent the liabilities have matured (i.e., are due for payment). Compensated absences are accrued in the government-wide statements. The compensated absences liability attributable to the governmental activities will be liquidated primarily by the general fund.

Business-Type Activities

Changes in the business-type activities obligations during the year ended June 30, 2016, were as follows:

Business-Type Activities	Balance				Balance	Amounts Due Within One-Year
	2015	Additions	Reductions	Adjustments		
Notes payable	\$ 31,557,972	1,890,945	(155,399)	81,573	33,375,091	820,174
Bonds payable	16,284,438	-	(895,969)	-	15,388,469	927,483
Landfill closure	419,340	-	(69,486)	-	349,854	-
Compensated absences	325,465	298,172	(319,950)	-	303,687	112,981
Net pension liability	3,841,958	2,052,930	(534,391)	-	5,360,497	-
Business-type activities long-term liabilities	\$ <u>52,429,173</u>	<u>4,242,047</u>	<u>(1,975,195)</u>	<u>81,573</u>	<u>54,777,598</u>	<u>1,860,638</u>

NMED—Note Payable—Wastewater Utility System Improvements

On April 29, 2010, the City entered into a clean water state revolving loan agreement with the New Mexico Environment Department, with a total maximum amount of \$18,000,000. The note is for twenty years, and accrues interest at 2.00% per annum. The proceeds of the loan agreement will be used for improvements to the City's wastewater utility system. The payments of principal and interest will be paid with net revenues from the City's water and wastewater utility system activities, which was approximately \$10.9 million for the year ended June 30, 2016.

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As per the agreement, the City has three years from the date of the agreement to complete all work on the wastewater utility system. The City has received an extension of the construction period through December 31, 2016. As of June 30, 2016, the City has requested loan proceeds, totaling \$15,331,855. As per the agreement, the first loan payment is not required until completion of the project.

NMFA # 11—Note Payable—Drinking Water Loan

On November 22, 2013, the City entered into a drinking water state revolving loan fund agreement with the New Mexico Finance Authority, with a total amount of \$20,200,000 of which the loan portion of the agreement is a maximum of \$16,151,670. The note is for twenty years and accrues interest at 2.00% per annum. The proceeds of the loan agreement will be used for improvements to the City's Double Eagle water line system. The payments of principal and interest will be paid with net revenues from the City's water utility system activities, which was approximately \$10.9 million for the year ended June 30, 2016.

As per the agreement, the City has three years from the date of the agreement to complete all work on the wastewater utility system. As of June 30, 2016, the City has requested loan proceeds, totaling \$16,206,939. As per the agreement, the first loan payment is not required until one year after the completion of the project. The City recorded the proceeds as long-term debt.

The City recorded the proceeds as long-term debt with \$662,891 allocated to current liabilities based on the most up-to-date information that the first payment will be due May 1, 2017. In 2017, a formal amortization schedule will be created by NMFA.

NMFA # 10—Note Payable—Double Eagle Waterline Improvements

On June 18, 2010, the City entered into a water project loan and subsidy agreement with the New Mexico Water Trust Board, financed by the New Mexico Finance Authority, with a total amount of \$1,500,000, of which the loan portion of the agreement is a maximum of \$300,000. The note matures on June 1, 2030, and does not accrue interest. The note accrues an administrative fee of .25% per annum. The proceeds of the loan and subsidy agreement will be used for water line improvements to the Double Eagle system. The payments of principal and interest will be paid from net revenues from the City's water and wastewater utility system activities, which was approximately \$10.9 million for the year ended June 30, 2016. The annual requirements to amortize the loan outstanding as of June 30, 2016, including interest payments, are as follows:

		Principal	Admin Fee	Total
2017	\$	14,868	529	15,397
2018		14,905	492	15,397
2019		14,942	455	15,397
2020		14,980	417	15,397
2021		15,017	380	15,397
2022-2026		75,651	1,334	76,985
2027-2030		61,205	383	61,588
	\$	<u>211,568</u>	<u>3,990</u>	<u>215,558</u>

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NMFA # 13—Note Payable—Solid Waste Grapppler Trucks

On March 20, 2015, the City borrowed \$1,165,267 from the New Mexico Finance Authority. The note matures on May 1, 2025, and accrues interest at a rate of 1.449%. The proceeds of the loan were used for the purchase of new solid waste equipment, including grapppler trucks. The payments of principal and interest are paid from the net revenues of the City's water and wastewater utility system activities, which was approximately \$10.9 million for the year ended June 30, 2016. During the fiscal year ended June 30, 2016.

The annual requirements to amortize the loan outstanding as of June 30, 2016, including interest payments, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 113,042	13,506	126,548
2018	113,573	12,862	126,435
2019	114,278	12,044	126,322
2020	115,203	11,004	126,207
2021	116,332	9,760	126,092
2022-2025	481,476	21,713	503,189
Total	\$ <u>1,053,904</u>	<u>80,889</u>	<u>1,134,793</u>

NMFA # 14—Note Payable—Water Storage/Conveyance

On May 1, 2015, the City entered into a water loan and subsidy agreement with the New Mexico Water Trust Board, financed by the New Mexico Finance Authority, with a total amount of \$1,500,000, of which the loan portion of the agreement is a maximum of \$600,000. The note matures on June 1, 2035, and does not accrue interest. The note accrues an administrative fee of .25% per annum. The proceeds of the loan and subsidy agreement will be used for water storage and conveyance. The payments of principal and interest will be paid from net revenues from the City's water and wastewater utility system activities, which was approximately \$10.9 million for the year ended June 30, 2016. During the fiscal year ended June 30, 2016, the City received \$600,000 in the loan proceeds. The City requested and received an additional, \$71,017 in July 2016. The City expects to receive the full balance of the \$1,500,000 in Fiscal Year 2017.

The annual requirements to amortize the loan outstanding as of June 30, 2016, including interest payments, are as follows:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2017	\$ 29,373	1,427	30,800
2018	29,447	1,353	30,800
2019	29,520	1,280	30,800
2020	29,594	1,206	30,800
2021	29,668	1,132	30,800
2022-2026	149,456	4,544	154,000
2027-2031	151,333	2,667	154,000
2032-2035	122,434	766	123,200
Total	\$ <u>570,825</u>	<u>14,375</u>	<u>585,200</u>

NMFA # 16—Note Payable—Water Conservation Recycle

On March 1, 2016, the City entered into a water loan and subsidy agreement with the New Mexico Water Trust Board, financed by the New Mexico Finance Authority, with a total amount of \$2,500,000, of which the loan portion of the agreement is a maximum of \$1,000,000. The note matures on June 1, 2035, and does not accrue interest. The note accrues an administrative fee of .25% per annum. The proceeds of the loan and subsidy agreement will be used for water conservation or recycling treatment

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or reuse of water as provided by law. The payments of principal and interest will be paid from net revenues from the City's water and wastewater utility system activities, which was approximately \$10.9 million for the year ended June 30, 2016. During, the fiscal year ended June 30, 2016, the City did not request nor receive any of the loan or subsidy proceeds

2009 Advance Refunding Bonds

On March 12, 2009, the City issued bonds in the amount of \$21,440,000, which the City advance refunded \$13,705,000 of the outstanding series 1998 water and sewer revenue bonds with interest rates ranging between 4.00% and 4.75%. The City used the net proceeds, along with other resources, to purchase U.S. government securities. These securities were deposited in an irrevocable trust to provide for all future debt service on the refunded portion of the 1998 water and sewer bonds.

As a result, that portion of the 1998 water and sewer bonds is considered defeased, and the City has removed the liability from its accounts. The advance refunding increased total debt service payments over the next fifteen years by \$208,770. This results in an economic gain (difference between the present values of the debt service payments on the old and new debt) of \$426,168. The remaining portion of the bonds issued is for the purposes of the extension, enlargement, betterment, repair, and other improvements to the joint water and sewer system. The bond bears interest at rates between 3.00% through 5.00% per annum and matures on June 1, 2029. The payment of principal, premium, and interest thereon, whether at maturity or on a redemption date, are paid with income derived from the operation of the joint water and sewer system.

The annual requirements to amortize the bonds outstanding as of June 30, 2016, including interest payments, are as follows:

		Premium		
	Principal	(Discount)	Interest	Total
2017	\$ 925,000	2,483	695,556	1,620,556
2018	960,000	5,291	663,181	1,623,181
2019	995,000	7,505	627,181	1,622,181
2020	1,035,000	(768)	587,381	1,622,381
2021	1,075,000	(6,883)	545,981	1,620,981
2022-2026	6,125,000	(88,624)	1,986,427	8,111,427
2027-2031	4,415,000	(60,535)	444,750	4,859,750
Total	\$ 15,530,000	(141,531)	5,550,457	21,080,457

Landfill Closure and Post-Closure Costs

The City and Eddy County jointly own and operate a landfill. State and federal laws and regulations require that upon closing, the City and the County of Eddy place a final cover on its landfill when closed and perform certain maintenance and monitoring functions at the landfill site for thirty years after closure of the landfill site. In addition to operating expenses related to current activities of the landfill, an expense provision and related liability are being recognized based on the future closure and post-closure care costs that will be incurred near or after the date the landfill no longer accepts waste.

Based on a joint powers agreement between the City and County of Eddy, the closure and post-closure care costs will be shared at 50% for each government. The recognition of these landfill closure and post-closure care costs is based on the amount of the landfill used during each year.

The estimated total current cost of the landfill closure and post-closure care of \$3,179,041 is based on the amount that would be paid if all equipment, facilities, and services required to close, monitor, and maintain the landfill were acquired as of June 30, 2016. However, the actual cost of post-closure care

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may be higher due to inflation, changes in technology, or changes in state and federal landfill laws and regulations. The estimated remaining site life is approximately 72 years.

The City is required by the state of New Mexico Environmental Regulation Board to demonstrate financial assurance for the post-closure costs. The following calculation details the current amount recognized for landfill closure and post closure care as of June 30, 2016:

Estimated landfill closure cost	\$ 1,532,633
Estimated landfill post-closure care cost	1,646,408
Total estimated closure and post-closure costs	<u>\$ 3,179,041</u>
FY 16 tonnage received	89,920
conversion to compacted cubic yards in-place	2
Cubic yards	<u>\$ 179,840</u>
FY 15 capacity used to date	2,889,234
FY 16 tonnage received/capacity used	179,841
FY 16 capacity used to date	<u>\$ 3,069,075</u>
Total capacity used to date (approximately 3,069,075 gate cubic yards) as a percentage of total capacity (13,943,056 gate cubic yards including expansion)	<u>22.01%</u>
Total estimated closure and post-closure costs	3,179,041
Total capacity used to date	22.01%
Estimated closure and post-closure care costs	<u>\$ 699,707</u>
Estimated closure and post-closure care costs	699,707
Prior year liability	838,677
Decrease in estimated liability	<u>\$ (138,970)</u>
City of Carlsbad's portion (50%)	<u>\$ 69,485</u>
Prior year liability recognized	419,340
Decrease in estimated liability	(69,486)
Estimated liability for the fiscal year ended June 30, 2016	<u>\$ 349,854</u>

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NOTE 10. RESTATEMENT OF NET POSITION

After a review of the prior year's statements of financial position of the government-wide activities and the individual funds, the City has determined that errors existed in several of the statements. As a result, the following adjustments have been made to the beginning equity amounts of both the government-wide and the individual fund statements. An explanation of the restatements is as follows:

	Governmental Activities	Business-Type Activities	Individual Funds
Government-Wide Financial Statements			
Capital assets were overstated	\$ (999,463)	-	-
Deferred revenues were overstated	(6,345)	-	-
Major Funds			
General Fund			
Receivables were overstated	(6,542)	-	(6,542)
Solid Waste Fund			
Loan obligation not recorded in prior year	-	(1,165,267)	
Loan proceeds not recorded in prior year	-	1,157,204	
Total solid waste			(8,063)
Water & Sewer Fund			
Receivables were overstated	-	(1,292,690)	
Allowance for doubtful accounts overstated	-	115,000	
Capital assets understated	-	12,852	
Debt obligations overstated	-	1,083,724	
Customer deposits were understated	-	(11,778)	
Total water & sewer			(92,892)
Non-Major Funds			
Airport Fund			
Receivables were overstated	(91,346)	-	(91,346)
Community Development Fund			
Cash was overstated	(1)	-	(1)
WIPP Acceleration Impact Fund			
Fund improperly classified as special revenue fund. Fund should be classified as an agency fund.	(843,525)	-	(843,525)
Park Improvement Fund			
Receivables were understated	5,735	-	5,735
CIEP Fund			
Receivables were overstated	(38,139)	-	(38,139)
Federal Projects Fund			
Receivables were overstated	(190,000)	-	
Deferred revenues were overstated	6,075	-	
Total federal projects			(183,925)
Street Improvement Fund			
Deferred revenues were understated	(49,453)	-	(49,453)
Municipal Transit Fund			
Capital assets were overstated	-	(5,463)	(5,463)
Cemetery Fund			
Capital assets were overstated	-	(495)	(495)
Internal Service Funds			
Disaster Preparedness Fund			
Receivables were overstated	(28,997)	-	(28,997)
	(2,242,001)	(106,913)	(1,343,106)
	\$		

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NOTE 11. PENSION PLAN—PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

Summary of Significant Accounting Policies

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 New Mexico 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, on the economic resources measurement focus and accrual basis of accounting. For this purpose, benefit payments (including refunds of employee contributions) are recognized when due and payable in accordance with the benefit terms. Investments are reported at fair value.

General Information about the Pension Plan

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

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

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

Contributions. The contribution requirements of defined benefit plan members and the City are established in state statute under Chapter 10, Article 11, NMSA 1978. The contribution requirements may be amended by acts of the legislature. For the employer and employee contribution rates in effect for FY15 for the various PERA coverage options, for both Tier I and Tier II, see the tables available in the note disclosures on pages 31 and 32 of the PERA FY15 annual audit report at http://osanm.org/media/audits/366_Public_Employees_Retirement_Association_FY2015.pdf.

The PERA coverage options that apply to the City are: Municipal General Division, Municipal Police Division, and Municipal Fire Division. Statutorily required contributions to the pension plan from the City were \$1,542,448 and employer paid member benefits that were “picked up” by the employer were \$0.00 for the year ended June 30, 2016.

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

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

For PERA Fund Division; Municipal General Division, at June 30, 2016, the City reported a liability of \$18,376,010 for its proportionate share of the net pension liability. At June 30, 2015, the City's proportion was 1.8023 percent, which changed from its proportion measured as of June 30, 2014 of 1.6672 percent, an increase of 0.1351 percent.

For the year ended June 30, 2016, the City recognized PERA Fund Division; Municipal General Division pension expense of \$1,542,448. At June 30, 2016, the City reported PERA Fund Division; Municipal General Division deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

Municipal General Division	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ -	407,037
Changes of assumptions	-	7,160
Net difference between projected and actual earnings on pension plan investments	-	58,129
Change in proportion and differences between the City contributions and proportionate share of contributions	804,769	-
The City contributions subsequent to the measurement date	1,542,448	-
Total	<u>\$ 2,347,217</u>	<u>472,326</u>

\$1,542,448 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date June 30, 2015, will be recognized as a reduction of the net pension liability in the year ended June 30, 2017.

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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
2017	\$ 296,454
2018	296,454
2019	296,454
2020	(1,178,051)
2021	(43,754)
Thereafter	-
	<u>\$ (332,443)</u>

For PERA Fund Division; Municipal Police Division, at June 30, 2016, the City reported a liability of \$9,006,434 for its proportionate share of the net pension liability. At June 30, 2015, the City's proportion was 1.8730 percent, which changed from its proportion measured as of June 30, 2014 of 1.7808 percent, an increase of 0.0922 percent.

For the year ended June 30, 2016, the City recognized PERA Fund Division; Municipal Police Division pension expense of \$766,632. At June 30, 2016, the City reported PERA Fund Division; Municipal Police Division deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

Municipal Police Division	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 629,332	-
Changes of assumptions	-	372,615
Net difference between projected and actual earnings on pension plan investments	-	24,983
Change in proportion and differences between the City contributions and proportionate share of contributions	229,507	-
The City contributions subsequent to the measurement date	766,632	-
Total	<u>\$ 1,625,471</u>	<u>397,598</u>

\$766,632 reported as deferred outflows of resources related to pensions resulting from the City contributions subsequent to the measurement date June 30, 2015, will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	Amount
2017	\$ 22,431
2018	22,431
2019	22,431
2020	(516,056)
2021	(12,478)
Thereafter	-
	<u>\$ (461,241)</u>

For PERA Fund Division; Municipal Fire Division, at June 30, 2016, the City reported a liability of \$15,702,896 for its proportionate share of the net pension liability. At June 30, 2015, the City's

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proportion was 3.0425 percent, which changed from its proportion measured as of June 30, 2014 of 2.8470 percent, an increase of 0.1955 percent.

For the year ended June 30, 2016, the City recognized PERA Fund Division; Municipal Fire Division pension expense of \$834,280. At June 30, 2016, the City reported PERA Fund Division; Municipal Fire Division deferred outflows of resources and deferred inflows or resources related to pensions from the following sources:

Municipal Fire Division	Deferred Outflows of Resources	Deferred Inflows of Resources
Differences between expected and actual experience	\$ 618,413	-
Changes of assumptions	331,189	-
Net difference between projected and actual earnings on pension plan investments	-	18,888
Change in proportion and differences between the City contributions and proportionate share of contributions	620,555	-
The City contributions subsequent to the measurement date	834,280	-
Total	<u>\$ 2,404,437</u>	<u>18,888</u>

\$834,280 reported as deferred outflows of resources related to pensions resulting from the City's contributions subsequent to the measurement date June 30, 2015, will be recognized as a reduction of the net pension liability in the year ended June 30, 2017. Other amounts reported as deferred outflows of resources and deferred inflows of resources related to pensions will be recognized in pension expense as follows:

Year Ended June 30:	Amount
2017	\$ (333,171)
2018	(333,171)
2019	(333,171)
2020	(518,012)
2021	(33,744)
Thereafter	-
	<u>\$ (1,551,269)</u>

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

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Actuarial valuation date	June 30, 2014
Actuarial cost method	Entry age normal
Amortization method	Level percentage of pay, open
Amortization period	Solved for based on statutory rates
Asset valuation method	Fair value
Actuarial assumptions	
Investment rate of return	7.75% annual rate, net of investment expense
Payroll growth	3.50% annual rate
Projected salary increases	3.50% to 14.25% annual rate
Includes inflation at	3.00% annual rate

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

<u>All Funds - Asset Class</u>	<u>Target Allocation</u>	<u>Long-Term Expected Real Rate of Return</u>
US Equity	21.1%	5.00%
International Equity	24.8%	5.20%
Private Equity	7.0%	8.20%
Core and Global Fixed Income	26.1%	1.85%
Fixed Income Plus Sectors	5.0%	4.80%
Real Estate	5.0%	5.30%
Real Assets	7.0%	5.70%
Absolute Return	4.0%	4.15%
Total	<u>100.0%</u>	

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

Sensitivity of the City's proportionate share of the net pension liability to changes in the discount rate. The following tables show the sensitivity of the net pension liability to changes in the discount rate. In particular, the tables present the City's net pension liability in each Page 7 PERA Fund Division that the City participates in, under the current single rate assumption, as if it were calculated using a discount rate one percentage point lower (6.75%) or one percentage point higher (8.75%) than the single discount rate.

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PERA Fund Division - Municipal General Division	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
The City's proportionate share of the net pension liability	\$ 31,287,054	\$ 18,376,011	\$ 7,641,355

PERA Fund Division - Municipal Police Division	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
The City's proportionate share of the net pension liability	\$ 14,873,583	\$ 9,006,434	\$ 4,193,385

PERA Fund Division - Municipal Fire Division	1% Decrease (6.75%)	Current Discount Rate (7.75%)	1% Increase (8.75%)
The City's proportionate share of the net pension liability	\$ 21,297,016	\$ 15,702,896	\$ 11,092,583

Pension plan fiduciary net position. Detailed information about the pension plan's fiduciary net position is available in the separately issued FY15 PERA financial report. The report is available at <http://www.pera.state.nm.us/publications.html>.

Payables to the pension plan. Employers should disclose the amount of payables to the Plan with a description of what gave rise to the payable per GASBS 68, paragraphs 122 and 124.

NOTE 12. POST-EMPLOYMENT - STATE RETIREE HEALTH CARE PLAN

Plan Description—The City contributes to the New Mexico Retiree Health Care Fund, a cost-sharing multiple employer defined benefit post-employment healthcare plan administered by the New Mexico Retiree Health Care Authority (RHCA). The RHCA provides health care insurance and prescription drug benefits to retired employees of participating New Mexico government agencies, their spouses, dependents, and surviving spouses and dependents. The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

Eligible retirees are: 1) retirees who make contributions to the fund for at least five years prior to retirement and whose eligible employer during that period of time made contributions as a participant in the RHCA plan on the person's behalf unless that person retires before the employer's RHCA effective date, in which the event the time period required for employee and employer contributions shall become the period of time between the employer's effective date and the date of retirement; 2) retirees defined by the Act who retired prior to July 1, 1990; 3) former legislators who served at least two years; and 4) former governing authority members who served at least four years.

The RHCA issues a publicly available stand-alone financial report that includes financial statements and required supplementary information for the post-employment health care plan. That report and further information can be obtained by writing to the Retiree Health Care Authority at 4308 Carlisle NE, Suite 104, Albuquerque, New Mexico 87107.

Funding Policy—The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the

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eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us.

The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statute requires for the employer and employee contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers after January 1, 1998, are required to make contributions to the RHCA fund in the amount determined to be appropriate by the Board. The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plans 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2016, the statutes required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary.

For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2016, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority, in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The City's contributions to the RHCA for the years ended June 30, 2016, 2015 and 2014 were \$522,165, \$479,114, and \$435,738, respectively, which equal the required contributions for each year.

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NOTE 13. COMMITMENTS

The City has the following construction projects, which are evidenced by contractual arrangements with construction contractors, as of June 30, 2016:

Commitments of Governmental-type Activities

Project	Fund	Contract Amount	Spent to Date	Commitment Remaining	Percentage Complete
Youth Sports Complex	Sports Complex & Federal Project	\$ 6,139,544	4,772,120	1,367,424	77.73%
Misc. Street Improvements	GRT Capital Outlay, Street Improvement, & Federal Projects	5,998,755	4,783,129	1,215,626	79.74%
Aquatic Center	CIEP & GRT Capital Outlay	4,467,687	4,385,432	82,254	98.16%
San Jose Phase 3 B - Street Improvements	Disaster Preparedness & GRT Capital Outlay	2,939,523	2,795,587	143,936	95.10%
Design & Construction of Muni Building & Annex Remodel	GRT Capital Outlay	2,136,093	2,126,896	9,196	99.57%
New Fire Station, Early Warning System, & Misc. Projects	GRT Capital Outlay	1,826,403	1,748,769	77,634	95.75%
Cavern Theater & Other Lodgers Tax Projects	Lodgers Tax	966,700	875,181	91,519	90.53%
Airport Roof Replacement & Misc. Projects	Airport	806,034	778,049	27,985	96.53%
Parks, Museum, & Recreation	General	754,185	663,639	90,545	87.99%
Tennis Court Improvements	CEIP	640,343	625,519	14,824	97.68%
Misc. Improvement Projects	CEIP & General	452,892	346,243	106,648	76.45%
Total		\$ 27,128,158	23,900,565	3,227,593	88.10%

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Commitments of Business-type Activities

<u>Project</u>	<u>Fund</u>	<u>Contract Amount</u>	<u>Spent to Date</u>	<u>Commitment Remaining</u>	<u>Percentage Complete</u>
Solid Waste - Infrastructure Improvements	Solid Waste Disposal	\$ 595,210	570,441	24,769	95.84%
Landfill Construction	Sandpoint Landfill Construction	400,688	160,550	240,137	40.07%
Double Eagle - Water Projects Collection System Projects	Water & Sewer Water & Sewer	3,753,992 1,014,695	1,614,782 797,454	2,139,210 217,242	43.02% 78.59%
Water Projects - Pipeline, Well Rehabilitation, Misc. Improvements	Water & Sewer	4,713,545	3,803,436	910,109	80.69%
Sewer Projects - Concrete and Equipment Instillation Cemetery Improvements	Water & Sewer Cemetery	2,437,175 62,496	2,280,872 51,002	156,303 11,493	93.59% 81.61%
Total		\$ 12,977,800	9,278,536	3,699,264	71.50%

The City also had commitments outstanding at June 30, 2016, relating to vehicle and equipment orders totaling approximately \$1,600,000.

Operating Lease Commitments

The City is the lessee in various operating type leases involving copiers, scanners, and grounds maintenance equipment due in either monthly or quarterly payments. The leases expire in various years through fiscal year 2020. Total operating lease expense for the year ended June 30, 2016 was approximately \$353,000 and was apportioned between governmental and business type activities.

<u>Year Ended June 30,</u>	<u>Amount</u>
2017	\$ 353,184
2018	281,402
2019	153,368
2020	118,859
2021	109,406
	<u>\$ 1,016,219</u>

NOTE 14. RISK MANAGEMENT

The City is exposed to various risks of loss related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The City has joined together with other local governments in the state and obtained insurance through the New Mexico Self-Insured Fund, a public entity risk pool currently operates as a common risk management and insurance program for local governments. The City pays an annual premium to New Mexico Self Insured Fund for its general insurance coverage, and all risk of loss is transferred.

The City maintains a self-insurance program for workers' compensation and employee health benefits. These programs are accounted for in the Internal Service Funds. Funding is provided by charging the

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For the Year Ended June 30, 2016**

other funds as costs are incurred for workers' compensation benefits and charging an estimated premium based on a minimum plan for employees' health benefits. Management does not have the information available to make a reasonable estimate of the amount of incurred but unreported claims and other outstanding liabilities of the plans; accordingly, no liability has been recorded.

NOTE 15. CONTINGENT LIABILITIES

Amounts received or receivable from grantor agencies are subject to audit and adjustment by grantor agencies, principally the federal government. Any disallowed claims, including amounts already collected, may constitute a liability of the applicable funds. The amounts, if any, of expenditures which may be disallowed by the grantor cannot be determined at this time although the City expects such amounts, if any, to be immaterial.

The City is a defendant in various lawsuits. Although the outcome of these lawsuits is not presently determinable, it is the opinion of the City's legal counsel that resolution of these matters will not have a material adverse effect on the financial condition of the City.

NOTE 16. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

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

Deficit Fund Balance of Individual Funds

There were no funds that had a deficit fund balance for the year ended June 30, 2016.

Excess of Expenditures Over Appropriations

There were no funds that exceeded approved budgetary authority for the year ended June 30, 2016.

Designated Cash Appropriations

There were no funds that exceeded approved designated cash appropriations for the year ended June 30, 2016.

NOTE 17. INTERFUND TRANSFERS

Transfers are used to move revenues from the fund that statute or budget requires to collect them to the fund that statute or budget requires to expend. Transfers are used to move unrestricted revenues collected in the general fund to finance various programs accounted for in other funds in accordance with budgetary authorizations. Transfers are also used to account for proper capitalization of assets with the governmental and business type activities.

		Transfers In						
		General	Solid	Joint	Other	Other	Internal	
		Fund	Waste	Water &	Governmental	Enterprise	Service	Total
			Fund	Sewer	Funds	Funds	Funds	
				Fund				
Transfers Out	General Fund	\$ -	125,000	-	5,998,494	1,455,000	1,658,536	9,237,030
	GRT Capital Outlay Fund	-	-	-	2,221,514	-	-	2,221,514
	Solid Waste Fund	1,800,000	-	-	-	-	99,380	1,899,380
	Joint Water & Sewer Fund	2,850,066	-	-	-	-	367,083	3,217,149
	Other Governmental Funds	45,501	-	354,021	1,381,401	100,000	-	1,880,923
	Other Enterprise Funds	-	-	-	-	-	20,000	20,000
	Internal Service Funds	1,399,157	97,653	213,357	479,020	42,393	-	2,231,580
	\$ 6,094,724	222,653	567,378	10,080,429	1,597,393	2,144,999	20,707,576	

**STATE OF NEW MEXICO
CITY OF CARLSBAD
Notes to Financial Statements
For the Year Ended June 30, 2016**

NOTE 18. DUE TO DUE FROM

The City records temporary interfund receivables and payables to enable funds to operate until fund can be repaid. All interfund balances are to be repaid within one year.

<u>Due to - Advance From</u>	<u>Due from - Advance to</u>			
	<u>Nonmajor Governmental Activities</u>	<u>Sold Waste Fund</u>	<u>Water and Sewer Fund</u>	<u>Total</u>
General Fund	\$ 440,591	-	-	440,591
Nonmajor governmental activities	-	13,520	640	14,160
Total	\$ <u>440,591</u>	<u>13,520</u>	<u>640</u>	<u>454,751</u>

The \$440,591 due from the nonmajor governmental activities is a temporary cash loan from the general fund to the airport and sports complex fund (\$132,380 and \$308,211 respectively) for working capital. The airport fund had a delay in collecting intergovernmental grant revenues and the sports complex fund delayed in requesting available loan proceeds from the New Mexico Finance Authority. The \$14,160 is an amount due the street system improvement fund from the solid waste and the water and sewer fund. Proceeds from the sale of capital assets were deposited into the incorrect funds during the fiscal year ended June 30, 2016.

**STATE OF NEW MEXICO
CITY OF CARLSBAD
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
For the Year Ended June 30, 2016**

	Special Revenue Funds						
	Fire Protection Fund	Lodgers' Tax Fund	Airport Fund	Emergency Medical Services Fund	Local Government Corrections Fund	Law Enforcement Protection Fund	Sports Complex Fund
Assets							
Cash	\$ 118,510	1,497,099	-	-	344,971	7,678	-
Receivables, net	-	109,315	254,781	-	-	-	293,746
Due from other funds	-	-	-	-	-	-	-
Restricted assets:							
Cash held by fiscal agent	-	-	-	-	-	-	4,811,559
Total assets	<u>\$ 118,510</u>	<u>1,606,414</u>	<u>254,781</u>	<u>-</u>	<u>344,971</u>	<u>7,678</u>	<u>5,105,305</u>
Liabilities							
Accounts payable	\$ 593	64,877	18,527	-	129,184	-	41,721
Accrued salaries	-	-	-	-	-	-	14,277
Accrued liabilities	-	-	-	-	-	-	446
Due to other funds	-	-	132,380	-	-	-	308,211
Total liabilities	<u>593</u>	<u>64,877</u>	<u>150,907</u>	<u>-</u>	<u>129,184</u>	<u>-</u>	<u>364,655</u>
Deferred Inflows of Resources:							
Unavailable grant revenue	-	-	-	-	-	-	-
Fund Balances							
Restricted for:							
Debt service	-	-	-	-	-	-	-
State mandated per statutes	117,917	1,541,537	-	-	-	-	-
Construction and improvements	-	-	-	-	-	-	4,811,559
Committed for:							
Subsequent years' expenditures	-	-	-	-	185,000	7,678	-
Assigned	-	-	103,874	-	30,787	-	-
Unassigned	-	-	-	-	-	-	(70,909)
Total fund balances	<u>117,917</u>	<u>1,541,537</u>	<u>103,874</u>	<u>-</u>	<u>215,787</u>	<u>7,678</u>	<u>4,740,650</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 118,510</u>	<u>1,606,414</u>	<u>254,781</u>	<u>-</u>	<u>344,971</u>	<u>7,678</u>	<u>5,105,305</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
CITY OF CARLSBAD
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
For the Year Ended June 30, 2016**

	Special Revenue Funds				Capital Project Funds		
	RSVP Program Fund	Community Development Fund	WIPP Acceleration Impact Fund	Total Special Revenue Funds	Park Improvement Fund	CIEP Fund	Federal Projects Fund
Assets							
Cash	-	-	-	1,968,258	29,365	4,343,174	771,938
Receivables, net	-	-	-	657,842	750	191,939	190,000
Due from other funds	-	-	-	-	-	-	-
Restricted assets:				-			
Cash held by fiscal agent	-	-	-	4,811,559	-	-	-
Total assets	-	-	-	<u>7,437,659</u>	<u>30,115</u>	<u>4,535,113</u>	<u>961,938</u>
Liabilities							
Accounts payable	-	-	-	254,902	-	563,912	9,668
Accrued salaries	-	-	-	14,277	-	-	-
Accrued interest payable	-	-	-	446	-	-	-
Due to other funds	-	-	-	440,591	-	-	-
Total liabilities	-	-	-	710,216	-	563,912	9,668
Deferred Inflows of Resources							
Unavailable grant revenue	-	-	-	-	-	-	190,000
Fund Balances							
Restricted for:							
Debt service	-	-	-	-	-	-	-
State mandated per statutes	-	-	-	1,659,454	-	-	-
Construction and improvements	-	-	-	4,811,559	-	-	-
Committed for:							
Subsequent years' expenditures	-	-	-	192,678	29,365	3,866,664	762,270
Assigned	-	-	-	134,661	750	104,537	-
Unassigned	-	-	-	(70,909)	-	-	-
Total fund balances	-	-	-	<u>6,727,443</u>	<u>30,115</u>	<u>3,971,201</u>	<u>762,270</u>
Total liabilities, deferred inflows of resources and fund balances	-	-	-	<u>7,437,659</u>	<u>30,115</u>	<u>4,535,113</u>	<u>961,938</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
CITY OF CARLSBAD
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
For the Year Ended June 30, 2016**

	Capital Project Funds		Debt Service Funds				Total Other Governmental Fund
	Street System Improvement Fund	Total Capital Projects Funds	2002 Sales Tax Bonds Fund	Capital Outlay GRT Fund	New Mexico Finance Authority Loan Fund	Total Debt Service Funds	
Assets							
Cash	\$ 4,950,109	10,094,586	242,608	40,121	-	282,729	12,345,573
Receivables, net	324,402	707,091	-	-	-	-	1,364,933
Due from other funds	14,160	14,160	-	-	-	-	14,160
Restricted assets:							
Cash held by fiscal agent	-	-	-	-	79,517	79,517	4,891,076
Total assets	<u>\$ 5,288,671</u>	<u>10,815,837</u>	<u>242,608</u>	<u>40,121</u>	<u>79,517</u>	<u>362,246</u>	<u>18,615,742</u>
Liabilities							
Accounts payable	\$ 317,609	891,189	-	-	-	-	1,146,091
Accrued salaries	-	-	-	-	-	-	14,277
Accrued interest payable	-	-	-	-	-	-	446
Due to other funds	-	-	-	-	-	-	440,591
Total liabilities	<u>317,609</u>	<u>891,189</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,601,405</u>
Deferred Inflows of Resources							
Unavailable grant revenue	-	190,000	-	-	-	-	190,000
Fund Balances:							
Restricted for:							
Debt service	-	-	242,608	40,121	79,517	362,246	362,246
State mandated per statutes	-	-	-	-	-	-	1,659,454
Construction and improvements	-	-	-	-	-	-	4,811,559
Committed for:							
Subsequent years' expenditures	4,792,407	9,450,706	-	-	-	-	9,643,384
Assigned	178,655	283,942	-	-	-	-	418,603
Unassigned	-	-	-	-	-	-	(70,909)
Total fund balances	<u>4,971,062</u>	<u>9,734,648</u>	<u>242,608</u>	<u>40,121</u>	<u>79,517</u>	<u>362,246</u>	<u>16,824,337</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 5,288,671</u>	<u>10,815,837</u>	<u>242,608</u>	<u>40,121</u>	<u>79,517</u>	<u>362,246</u>	<u>18,615,742</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
CITY OF CARLSBAD
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
For the Year Ended June 30, 2016**

	Special Revenue Funds						
	Fire Protection Fund	Lodgers' Tax Fund	Airport Fund	Emergency Medical Services Fund	Local Government Corrections Fund	Law Enforcement Protection Fund	Sports Complex Fund
Revenues							
Sales taxes	\$ -	-	-	-	-	-	1,600,621
Lodgers' taxes	-	1,859,533	-	-	-	-	-
Public service taxes	-	-	-	-	-	-	-
Intergovernmental:							
Federal	-	-	214,850	-	-	-	-
State	369,813	-	43,785	20,000	-	64,800	-
Charges for services	-	-	9,348	-	150,417	-	138,820
Licenses and permits	-	-	-	-	-	-	-
Interest	-	35	-	-	-	-	13,324
Miscellaneous	-	-	-	-	-	-	100
Total revenues	<u>369,813</u>	<u>1,859,568</u>	<u>267,983</u>	<u>20,000</u>	<u>150,417</u>	<u>64,800</u>	<u>1,752,865</u>
Expenditures							
Current:							
General government	-	-	-	-	-	-	-
Public safety	84,227	-	29,777	-	316,064	-	-
Public works	-	-	-	-	-	-	-
Culture and recreation	-	1,179,966	-	-	-	-	1,101,381
Economic development	-	-	-	-	-	-	-
Capital outlay	613,233	704,451	346,141	36,049	-	68,322	2,553,142
Debt service:							
Principal	-	-	-	-	-	-	-
Interest and other charges	-	-	-	-	-	-	-
Total expenditures	<u>697,460</u>	<u>1,884,417</u>	<u>375,918</u>	<u>36,049</u>	<u>316,064</u>	<u>68,322</u>	<u>3,654,523</u>
Excess (deficiency) of revenues over expenditures	(327,647)	(24,849)	(107,935)	(16,049)	(165,647)	(3,522)	(1,901,658)
Other Financing Sources (Uses)							
Transfers in	-	-	135,500	16,049	170,000	11,200	24,692
Transfers (out)	(88,353)	(1,100,000)	-	-	-	-	(255,049)
Note payable proceeds	-	-	-	-	-	-	5,710,429
Note issuance costs	-	-	-	-	-	-	(42,828)
Total other financing sources (uses)	<u>(88,353)</u>	<u>(1,100,000)</u>	<u>135,500</u>	<u>16,049</u>	<u>170,000</u>	<u>11,200</u>	<u>5,437,244</u>
Special Item							
Proceeds from sale of assets	-	-	-	-	-	-	-
Net change in fund balance	(416,000)	(1,124,849)	27,565	-	4,353	7,678	3,535,586
Fund balance, beginning of year	533,917	2,666,386	167,655	-	211,434	-	1,205,064
Restatement	-	-	(91,346)	-	-	-	-
Fund balance, beginning of year, restated	<u>533,917</u>	<u>2,666,386</u>	<u>76,309</u>	<u>-</u>	<u>211,434</u>	<u>-</u>	<u>1,205,064</u>
Fund balance, end of year	<u>\$ 117,917</u>	<u>1,541,537</u>	<u>103,874</u>	<u>-</u>	<u>215,787</u>	<u>7,678</u>	<u>4,740,650</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
CITY OF CARLSBAD
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
For the Year Ended June 30, 2016**

	Special Revenue Funds				Capital Project Funds		
	RSVP Program Fund	Community Development Fund	WIPP Acceleration Impact Fund	Total Special Revenue Funds	Park Improvement Fund	CIEP Fund	Federal Projects Fund
Revenues							
Sales taxes	\$ -	-	-	1,600,621	-	-	-
Lodgers' taxes	-	-	-	1,859,533	-	-	-
Public service taxes	-	-	-	-	-	-	-
Intergovernmental:							
Federal	-	-	-	214,850	-	-	-
State	-	-	-	498,398	4,976	202,576	-
Charges for services	-	-	-	298,585	-	-	-
Licenses and permits	-	-	-	-	-	-	-
Interest	-	-	-	13,359	-	3,052	-
Miscellaneous	-	-	-	100	500	282,280	-
Total revenues	-	-	-	4,485,446	5,476	487,908	-
Expenditures							
Current:	-	-	-	-	-	-	-
General government	-	-	-	-	-	49,374	10,000
Public safety	-	-	-	430,068	-	59,984	-
Public works	-	-	-	-	-	26,513	-
Culture and recreation	-	-	-	2,281,347	5,500	24,732	-
Economic development	-	-	-	-	-	13,793	-
Capital outlay	-	-	-	4,321,338	-	5,270,398	-
Debt service:							
Principal	-	-	-	-	-	-	-
Interest and other charges	-	-	-	-	-	-	-
Total expenditures	-	-	-	7,032,753	5,500	5,444,794	10,000
Excess (deficiency) of revenues over expenditures	-	-	-	(2,547,307)	(24)	(4,956,886)	(10,000)
Other Financing Sources (Uses)							
Transfers in	-	-	-	357,441	-	5,869,332	-
Transfers (out)	(45,501)	(37,999)	-	(1,526,902)	-	(1,597)	(352,424)
Note payable proceeds	-	-	-	5,710,429	-	-	-
Note issuance costs	-	-	-	(42,828)	-	-	-
Total other financing sources (uses)	(45,501)	(37,999)	-	4,498,140	-	5,867,735	(352,424)
Special Item							
Proceeds from sale of assets	-	-	-	-	-	-	-
Net change in fund balance	(45,501)	(37,999)	-	1,950,833	(24)	910,849	(362,424)
Fund balance, beginning of year	45,501	38,000	843,525	5,711,482	24,404	3,098,491	1,308,619
Restatement	-	(1)	(843,525)	(934,872)	5,735	(38,139)	(183,925)
Fund balance, beginning of year, restated	45,501	37,999	-	4,776,610	30,139	3,060,352	1,124,694
Fund balance, end of year	\$ -	-	-	6,727,443	30,115	3,971,201	762,270

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
CITY OF CARLSBAD
COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES IN FUND BALANCES
OTHER GOVERNMENTAL FUNDS
For the Year Ended June 30, 2016**

	Capital Projects Funds		Debt Service Funds				
	Street System Improvement Fund	Total Capital Project Funds	2002 Sales Tax Bonds Fund	GRT Capital Outlay Fund	New Mexico Finance Authority Loan Fund	Total Debt Service Funds	Total Other Governmental Funds
Revenues							
Sales taxes	-	-	-	-	-	-	1,600,621
Lodgers' taxes	-	-	-	-	-	-	1,859,533
Public service taxes	624,166	624,166	-	-	-	-	624,166
Intergovernmental:							
Federal	-	-	-	-	-	-	214,850
State	278,888	486,440	-	-	-	-	984,838
Charges for services	-	-	-	-	-	-	298,585
Licenses and permits	94,002	94,002	-	-	-	-	94,002
Interest	4,667	7,719	-	-	197	197	21,275
Miscellaneous	136,569	419,349	-	-	-	-	419,449
Total revenues	1,138,292	1,631,676	-	-	197	197	6,117,319
Expenditures							
Current:							
General government	-	59,374	-	-	-	-	59,374
Public safety	-	59,984	-	-	-	-	490,052
Public works	1,038,325	1,064,838	-	-	-	-	1,064,838
Culture and recreation	-	30,232	-	-	-	-	2,311,579
Economic development	-	13,793	-	-	-	-	13,793
Capital outlay	1,975,079	7,245,477	-	-	-	-	11,566,815
Debt service:							
Principal	-	-	595,000	265,000	206,177	1,066,177	1,066,177
Interest and other charges	-	-	67,517	216,393	57,905	341,815	341,815
Total expenditures	3,013,404	8,473,698	662,517	481,393	264,082	1,407,992	16,914,443
Excess (deficiency) of revenues over expenditures	(1,875,112)	(6,842,022)	(662,517)	(481,393)	(263,885)	(1,407,795)	(10,797,124)
Other Financing Sources (Uses)							
Transfers in	2,385,327	8,254,659	603,413	521,514	343,402	1,468,329	10,080,429
Transfers (out)	-	(354,021)	-	-	-	-	(1,880,923)
Note payable proceeds	-	-	-	-	-	-	5,710,429
Note issuance costs	-	-	-	-	-	-	(42,828)
Total other financing sources (uses)	2,385,327	7,900,638	603,413	521,514	343,402	1,468,329	13,867,107
Special Item:							
Proceeds from sale of assets	14,160	14,160	-	-	-	-	14,160
Net change in fund balance	524,375	1,072,776	(59,104)	40,121	79,517	60,534	3,084,143
Fund balance, beginning of year	4,496,140	8,927,654	301,712	-	-	301,712	14,940,848
Restatement	(49,453)	(265,782)	-	-	-	-	(1,200,654)
Fund balance, beginning of year, restated	4,446,687	8,661,872	301,712	-	-	301,712	13,740,194
Fund balance, end of year	\$ 4,971,062	9,734,648	242,608	40,121	79,517	362,246	16,824,337

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
CITY OF CARLSBAD
FIRE PROTECTION FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BASIS
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance with Final Budget Over (Under)
	Original	Final				
Revenues						
Intergovernmental:						
State	\$ 381,247	381,247	369,813	-	369,813	(11,434)
Expenditures						
Current:						
Public safety	-	68,350	83,634	593	84,227	(15,284)
Capital outlay	658,000	758,460	613,233	-	613,233	145,227
Total expenditures	658,000	826,810	696,867	593	697,460	129,943
Excess (deficiency) of revenues over expenditures	(276,753)	(445,563)	(327,054)	(593)	(327,647)	118,509
Other Financing Sources (Uses):						
Transfers (out)	(88,324)	(88,354)	(88,353)	-	(88,353)	1
Total other financing sources and (uses)	(88,324)	(88,354)	(88,353)	-	(88,353)	1
Net change	(365,077)	(533,917)	(415,407)	(593)	(416,000)	118,510
Cash balance, beginning of year	533,917	533,917	533,917			-
Cash balance, end of year	\$ 168,840	-	118,510			118,510
Explanation of Differences:						
Change in accounts payable				(593)		

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
CITY OF CARLSBAD
LODGERS' TAX FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BASIS
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance with Final Budget Over (Under)
	Original	Final				
Revenues						
Lodgers' taxes	\$ 1,863,730	1,863,730	1,918,713	(59,180)	1,859,533	54,983
Interest	-	-	21	14	35	21
Total revenues	<u>1,863,730</u>	<u>1,863,730</u>	<u>1,918,734</u>	<u>(59,166)</u>	<u>1,859,568</u>	<u>55,004</u>
Expenditures						
Current:						
Culture and recreation	1,375,175	1,737,385	1,276,722	(96,756)	1,179,966	460,663
Capital outlay	<u>1,345,524</u>	<u>1,315,524</u>	<u>700,021</u>	<u>4,430</u>	<u>704,451</u>	<u>615,503</u>
Total expenditures	<u>2,720,699</u>	<u>3,052,909</u>	<u>1,976,743</u>	<u>(92,326)</u>	<u>1,884,417</u>	<u>1,076,166</u>
(Deficiency) of revenues over expenditures	(856,969)	(1,189,179)	(58,009)	33,160	(24,849)	1,131,170
Other Financing Sources (Uses)						
Transfers (out)	<u>(1,400,000)</u>	<u>(1,400,000)</u>	<u>(1,100,000)</u>	<u>-</u>	<u>(1,100,000)</u>	<u>300,000</u>
Net change	(2,256,969)	(2,589,179)	(1,158,009)	<u>33,160</u>	<u>(1,124,849)</u>	1,431,170
Cash balance, beginning of year	<u>2,655,108</u>	<u>2,655,108</u>	<u>2,655,108</u>			<u>-</u>
Cash balance, end of year	<u>\$ 398,139</u>	<u>65,929</u>	<u>1,497,099</u>			<u>1,431,170</u>
Explanation of Differences						
Change in receivables				(59,166)		
Change in accounts payable				<u>92,326</u>		
				<u>33,160</u>		

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
CITY OF CARLSBAD
AIRPORT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BASIS
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance with Final Budget Over (Under)
	Original	Final				
Revenues						
Intergovernmental:						
Federal	\$ 64,521	333,166	9,192	205,658	214,850	(323,974)
State	194,720	213,675	80,872	(37,087)	43,785	(132,803)
Charges for services	7,702	7,702	9,348	-	9,348	1,646
Total revenues	<u>266,943</u>	<u>554,543</u>	<u>99,412</u>	<u>168,571</u>	<u>267,983</u>	<u>(455,131)</u>
Expenditures						
Current:						
Public safety	164,333	168,134	13,743	16,034	29,777	154,391
Capital outlay	212,015	518,570	359,435	(13,294)	346,141	159,135
Total expenditures	<u>376,348</u>	<u>686,704</u>	<u>373,178</u>	<u>2,740</u>	<u>375,918</u>	<u>313,526</u>
Excess (deficiency) of revenues over expenditures	(109,405)	(132,161)	(273,766)	165,831	(107,935)	(141,605)
Other Financing Sources (Uses)						
Transfers in	135,500	135,500	135,500	-	135,500	-
Net change	26,095	3,339	(138,266)	<u>165,831</u>	<u>27,565</u>	(141,605)
Cash balance, beginning of year	5,886	5,886	5,886			-
Cash advanced from General Fund	-	-	132,380			132,380
Cash balance, end of year	<u>\$ 31,981</u>	<u>9,225</u>	<u>-</u>			<u>(9,225)</u>
Explanation of Differences:						
Change in receivables				168,571		
Change in accounts payable				<u>(2,740)</u>		
				<u>165,831</u>		

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
CITY OF CARLSBAD
EMERGENCY MEDICAL SERVICES FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BASIS
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance with Final Budget Over (Under)
	Original	Final				
Revenues:						
Intergovernmental:						
State	\$ 20,000	20,000	20,000	-	20,000	-
Expenditures						
Capital outlay	38,000	38,000	36,049	-	36,049	1,951
Total expenditures	38,000	38,000	36,049	-	36,049	1,951
Excess (deficiency) of revenues over expenditures	(18,000)	(18,000)	(16,049)	-	(16,049)	1,951
Other Financing Sources (Uses)						
Transfers in	18,000	18,000	16,049	-	16,049	1,951
Net change	-	-	-	-	-	-
Cash balance, beginning of year	-	-	-			-
Cash balance, end of year	\$ -	-	-			-

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
CITY OF CARLSBAD
LOCAL GOVERNMENT CORRECTIONAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BASIS
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual on Budgetary Basis</u>	<u>Budget to GAAP Differences</u>	<u>Actual on GAAP Basis</u>	<u>Budgetary Basis Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>				
Revenues						
Charges for services	\$ 140,000	140,000	150,417	-	150,417	10,417
Expenditures						
Current:						
Public safety	<u>467,640</u>	<u>467,640</u>	<u>233,879</u>	<u>82,185</u>	<u>316,064</u>	<u>233,761</u>
Excess of revenues over expenditures	(327,640)	(327,640)	(83,462)	(82,185)	(165,647)	244,178
Other Financing Sources (Uses)						
Transfers in	<u>170,000</u>	<u>170,000</u>	<u>170,000</u>	<u>-</u>	<u>170,000</u>	<u>-</u>
Net change	<u>(157,640)</u>	<u>(157,640)</u>	<u>86,538</u>	<u>(82,185)</u>	<u>4,353</u>	<u>244,178</u>
Cash balance, beginning of year	<u>258,433</u>	<u>258,433</u>	<u>258,433</u>			<u>-</u>
Cash balance, end of year	<u>\$ 100,793</u>	<u>100,793</u>	<u>344,971</u>			<u>244,178</u>
Explanation of Differences:						
Change in accounts payable				<u>(82,185)</u>		

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
CITY OF CARLSBAD
LAW ENFORCEMENT PROTECTION FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BASIS
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance with Final Budget Over (Under)
	Original	Final				
Revenues						
Intergovernmental:						
State	\$ 64,800	64,800	64,800	-	64,800	-
Expenditures						
Current:						
Public safety	38,564	38,564	2,422	(2,422)	-	36,142
Capital outlay	76,000	76,000	104,464	(36,142)	68,322	(28,464)
Total expenditures	114,564	114,564	106,886	(38,564)	68,322	7,678
Excess (deficiency) of revenues over expenditures	(49,764)	(49,764)	(42,086)	38,564	(3,522)	7,678
Other Financing Sources (Uses):						
Transfers in	11,200	11,200	11,200	-	11,200	-
Net change	(38,564)	(38,564)	(30,886)	38,564	7,678	7,678
Cash balance, beginning of year	38,564	38,564	38,564			-
Cash balance, end of year	\$ -	-	7,678			7,678
Explanation of Differences:						
Change in accounts payable				38,564		

The accompanying notes are an integral part of these financial statements

STATE OF NEW MEXICO
CITY OF CARLSBAD
RETIRED SENIOR VOLUNTEER PROGRAM FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BASIS
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2016

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis
	Original	Final				Variance with Final Budget Over (Under)
Other Financing Sources (Uses)						
Transfers (out)	\$ (45,501)	(45,501)	(45,501)	-	(45,501)	-
Net change	(45,501)	(45,501)	(45,501)	-	(45,501)	-
Cash balance, beginning of year	45,501	45,501	45,501			-
Cash balance, end of year	\$ -	-	-			-

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
CITY OF CARLSBAD
SPORTS COMPLEX FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BASIS
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance with Final Budget Over (Under)
	Original	Final				
Revenues						
Sales taxes	\$ 1,535,147	1,535,147	1,605,126	(4,505)	1,600,621	69,979
Charges for services	100,000	100,000	135,988	2,832	138,820	35,988
Interest	-	-	13,324	-	13,324	13,324
Miscellaneous	-	-	100	-	100	100
Total revenues	1,635,147	1,635,147	1,754,538	(1,673)	1,752,865	119,391
Expenditures						
Current:						
Culture and recreation	1,245,153	1,269,845	1,123,141	(21,760)	1,101,381	146,704
Capital outlay	626,397	6,293,997	2,635,264	(82,122)	2,553,142	3,658,733
Total expenditures	1,871,550	7,563,842	3,758,405	(103,882)	3,654,523	3,805,437
Excess (deficiency) of revenues over expenditures	(236,403)	(5,928,695)	(2,003,867)	102,209	(1,901,658)	3,924,828
Other Financing Sources (Uses)						
Transfers in	-	24,692	24,692	-	24,692	-
Transfer out	-	(255,049)	(255,049)	-	(255,049)	-
Note payable proceeds	-	5,710,429	5,710,429	-	5,710,429	-
Cost of note issuance	-	(42,829)	(42,828)	-	(42,828)	1
Total other financing sources and (uses)	-	5,437,243	5,437,244	-	5,437,244	1
Net change	(236,403)	(491,452)	3,433,377	102,209	3,535,586	3,924,829
Cash balance, beginning of year	1,069,971	1,069,971	1,069,971			-
Cash advanced from general fund	308,211	308,211	308,211			-
Cash balance, end of year	\$ 1,141,779	886,730	4,811,559			3,924,829
Explanation of Differences:						
Change in receivables				(2,493)		
Change in accounts payable				103,639		
Change in accrued salaries				(2,468)		
Change in accrued liabilities				3,531		
				102,209		

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
CITY OF CARLSBAD
COMMUNITY DEVELOPMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BASIS
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis
	Original	Final				Variance with Final Budget Over (Under)
Other Financing Sources (Uses)						
Transfer (out)	\$ (37,999)	(37,999)	(37,999)	-	(37,999)	-
Net change	(37,999)	(37,999)	(37,999)	-	(37,999)	-
Cash balance, beginning of year	37,999	37,999	37,999			-
Cash balance, end of year	\$ -	-	-			-

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
CITY OF CARLSBAD
GRT CAPITAL OUTLAY FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BASIS
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual on Budgetary Basis</u>	<u>Budget to GAAP Differences</u>	<u>Actual on GAAP Basis</u>	<u>Budgetary Basis Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>				
Revenues:						
Sales taxes	\$ 2,848,307	2,848,307	3,035,263	(318,931)	2,716,332	186,956
Interest	-	-	1,439	-	1,439	1,439
Total revenues	<u>2,848,307</u>	<u>2,848,307</u>	<u>3,036,702</u>	<u>(318,931)</u>	<u>2,717,771</u>	<u>188,395</u>
Expenditures:						
Current:						
Public works	-	-	2,736	-	2,736	(2,736)
Culture and recreation	-	-	27,843	-	27,843	(27,843)
Capital outlay	<u>9,911,964</u>	<u>11,888,964</u>	<u>4,188,987</u>	<u>633,635</u>	<u>4,822,622</u>	<u>7,699,977</u>
Total expenditures	<u>9,911,964</u>	<u>11,888,964</u>	<u>4,219,566</u>	<u>633,635</u>	<u>4,853,201</u>	<u>7,669,398</u>
Excess (deficiency) of revenues over expenditures	(7,063,657)	(9,040,657)	(1,182,864)	(952,566)	(2,135,430)	(7,481,003)
Other Financing Sources (Uses):						
Transfers (out)	<u>(2,181,394)</u>	<u>(2,221,515)</u>	<u>(2,221,514)</u>	-	<u>(2,221,514)</u>	<u>1</u>
Net change	<u>(9,245,051)</u>	<u>(11,262,172)</u>	<u>(3,404,378)</u>	<u>(952,566)</u>	<u>(4,356,944)</u>	<u>(7,481,002)</u>
Cash balance, beginning of year	<u>13,047,643</u>	<u>13,047,643</u>	<u>13,047,643</u>			<u>-</u>
Cash balance, end of year	<u>\$ 3,802,592</u>	<u>1,785,471</u>	<u>9,643,265</u>			<u>7,857,794</u>
Explanation of Differences:						
Change in receivables				(318,931)		
Change in accounts payable				<u>(633,635)</u>		
				<u>(952,566)</u>		

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
CITY OF CARLSBAD
STREET SYSTEM IMPROVEMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BASIS
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Budgeted Amounts</u>		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance with Final Budget Over (Under)
	<u>Original</u>	<u>Final</u>				
Revenues:						
Public service taxes	\$ 615,000	615,000	643,573	(19,407)	624,166	28,573
Intergovernmental:						
State	620,309	1,198,421	34,506	244,382	278,888	(1,163,915)
Licenses and permits	80,000	80,000	94,089	(87)	94,002	14,089
Interest	-	-	4,667	-	4,667	4,667
Miscellaneous	<u>4,350</u>	<u>4,350</u>	<u>17,248</u>	<u>119,321</u>	<u>136,569</u>	<u>12,898</u>
Total revenues	<u>1,319,659</u>	<u>1,897,771</u>	<u>794,083</u>	<u>344,209</u>	<u>1,138,292</u>	<u>(1,103,688)</u>
Expenditures:						
Current:						
Public works	-	8,000	1,026,068	12,257	1,038,325	(1,018,068)
Capital outlay	<u>7,800,829</u>	<u>8,583,312</u>	<u>1,486,953</u>	<u>488,126</u>	<u>1,975,079</u>	<u>7,096,359</u>
Total expenditures	<u>7,800,829</u>	<u>8,591,312</u>	<u>2,513,021</u>	<u>500,383</u>	<u>3,013,404</u>	<u>6,078,291</u>
Excess (deficiency) of revenues over expenditures	(6,481,170)	(6,693,541)	(1,718,938)	(156,174)	(1,875,112)	4,974,603
Other Financing Sources (Uses):						
Transfers in	1,778,275	1,971,275	1,930,999	454,328	2,385,327	(40,276)
Special Item:						
Proceeds from sale of assets	-	-	-	14,160	14,160	-
Net change	<u>(4,702,895)</u>	<u>(4,722,266)</u>	212,061	<u>312,314</u>	<u>524,375</u>	4,934,327
Cash balance, beginning of year	<u>4,738,048</u>	<u>4,738,048</u>	<u>4,738,048</u>			-
Cash balance, end of year	<u>\$ 35,153</u>	<u>15,782</u>	<u>4,950,109</u>			<u>4,934,327</u>
Explanation of Differences:						
Change in receivables				175,435		
Change in due from other funds				14,160		
Change in accounts payable				73,266		
Change in deferred revenues				<u>49,453</u>		
				<u>312,314</u>		

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
CITY OF CARLSBAD
WIPP ACCELERATION IMPACT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BASIS
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance with Final Budget Over (Under)
	Original	Final				
Revenues						
Intergovernmental:						
Federal	\$ -	-	-	-	-	-
Expenditures						
Current:						
Economic development	-	-	-	-	-	-
Capital outlay	-	-	-	-	-	-
Total expenditures	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Net change	-	-	-	<u>-</u>	<u>-</u>	-
Cash balance, beginning of year	-	-	-			-
Cash balance, end of year	<u>\$ -</u>	<u>-</u>	<u>-</u>			<u>-</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
CITY OF CARLSBAD
PARK IMPROVEMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BASIS
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis
	Original	Final				Variance with Final Budget Over (Under)
Revenues:						
Intergovernmental:						
State	\$ 22,213	22,213	19,395	(14,419)	4,976	(2,818)
Charges for services	-	-	-	-	-	-
Miscellaneous	-	-	500	-	500	500
Total revenues	<u>22,213</u>	<u>22,213</u>	<u>19,895</u>	<u>(14,419)</u>	<u>5,476</u>	<u>(2,318)</u>
Expenditures:						
Current:						
Culture and recreation	13,702	13,702	14,669	(9,169)	5,500	(967)
Capital outlay	2,790	2,790	-	-	-	2,790
Total expenditures	<u>16,492</u>	<u>16,492</u>	<u>14,669</u>	<u>(9,169)</u>	<u>5,500</u>	<u>1,823</u>
Net change	5,721	5,721	5,226	<u>(5,250)</u>	<u>(24)</u>	(495)
Cash balance, beginning of year	<u>24,139</u>	<u>24,139</u>	<u>24,139</u>			<u>(38,000)</u>
Cash balance, end of year	<u>\$ 29,860</u>	<u>29,860</u>	<u>29,365</u>			<u>(495)</u>
Explanation of Differences:						
Change in receivables				(14,419)		
Change in accounts payable				<u>9,169</u>		
				<u>\$ (5,250)</u>		

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
CITY OF CARLSBAD
CIEP FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BASIS
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual on Budgetary Basis</u>	<u>Budget to GAAP Differences</u>	<u>Actual on GAAP Basis</u>	<u>Budgetary Basis Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>				
Revenues:						
Intergovernmental:						
State	\$ 320,358	320,358	126,923	75,653	202,576	(193,435)
Interest	-	-	3,052	-	3,052	3,052
Miscellaneous	-	-	-	282,280	282,280	-
Total revenues	<u>320,358</u>	<u>320,358</u>	<u>129,975</u>	<u>357,933</u>	<u>487,908</u>	<u>(190,383)</u>
Expenditures:						
Current:						
General government	-	-	26,321	23,053	49,374	(26,321)
Public safety	-	-	59,984	-	59,984	(59,984)
Public works	-	-	26,513	-	26,513	(26,513)
Culture and recreation	-	-	24,732	-	24,732	(24,732)
Economic development	980,275	980,275	39,763	(25,970)	13,793	940,512
Capital outlay	8,299,932	8,473,242	4,801,601	468,797	5,270,398	3,671,641
Total expenditures	<u>9,280,207</u>	<u>9,453,517</u>	<u>4,978,914</u>	<u>465,880</u>	<u>5,444,794</u>	<u>4,474,603</u>
Excess (deficiency) of revenues over expenditures	(8,959,849)	(9,133,159)	(4,848,939)	(107,947)	(4,956,886)	4,284,220
Other Financing Sources (Uses):						
Transfers in	5,721,022	5,869,332	5,869,332	-	5,869,332	-
Transfers (out)	-	-	-	(1,597)	(1,597)	-
Total others financing sources	<u>5,721,022</u>	<u>5,869,332</u>	<u>5,869,332</u>	<u>(1,597)</u>	<u>5,867,735</u>	<u>-</u>
Net change	<u>(3,238,827)</u>	<u>(3,263,827)</u>	<u>1,020,393</u>	<u>\$ (109,544)</u>	<u>\$ 910,849</u>	<u>4,284,220</u>
Cash balance, beginning of year	3,322,781	3,322,781	3,322,781			-
Cash balance, end of year	<u>\$ 83,954</u>	<u>58,954</u>	<u>4,343,174</u>			<u>\$ 4,284,220</u>
Explanation of Differences:						
Change in receivables				75,653		
Change in accounts payable				<u>(185,197)</u>		
				<u>(109,544)</u>		

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
CITY OF CARLSBAD
FEDERAL PROJECTS FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BASIS
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance with Final Budget Over (Under)
	Original	Final				
Revenues:						
Intergovernmental:						
Federal	\$ 888,509	888,509	597,009	(597,009)	-	(291,500)
State	190,000	190,000	-	-	-	(190,000)
Total revenues	<u>1,078,509</u>	<u>1,078,509</u>	<u>597,009</u>	<u>(597,009)</u>	<u>-</u>	<u>(481,500)</u>
Expenditures:						
Current:						
General government	10,000	10,000	10,000	-	10,000	-
Public works	-	-	7,404	(7,404)	-	(7,404)
Capital outlay	495,900	495,900	457,196	(457,196)	-	38,704
Total expenditures	<u>505,900</u>	<u>505,900</u>	<u>474,600</u>	<u>(464,600)</u>	<u>10,000</u>	<u>31,300</u>
Excess (deficiency) of revenues over expenditures	572,609	572,609	122,409	(132,409)	(10,000)	(512,800)
Other Financing Sources (Uses):						
Transfers (out)	(1,222,137)	(1,222,137)	-	(352,424)	(352,424)	1,222,137
Net change	<u>(649,528)</u>	<u>(649,528)</u>	122,409	<u>(484,833)</u>	<u>(362,424)</u>	<u>709,337</u>
Cash balance, beginning of year	<u>649,529</u>	<u>649,529</u>	<u>649,529</u>			<u>-</u>
Cash balance, end of year	<u>\$ 1</u>	<u>1</u>	<u>771,938</u>			<u>709,337</u>
Explanation of Differences:						
Change in receivables				(597,009)		
Change in accounts payable				112,176		
				<u>(484,833)</u>		

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
CITY OF CARLSBAD
2002 SALES TAX BONDS FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BASIS
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance with Final Budget Over (Under)
	Original	Final				
Expenditures:						
Debt service:						
Principal	\$ -	595,000	595,000	-	595,000	-
Interest	60,383	67,883	67,517	-	67,517	366
Total expenditures	60,383	662,883	662,517	-	662,517	366
Other Financing Sources (Uses):						
Transfers in	-	603,414	603,413	-	603,413	(1)
Net change	(60,383)	(59,469)	(59,104)	-	(59,104)	365
Cash balance, beginning of year	301,712	301,712	301,712			-
Cash balance, end of year	\$ 241,329	242,243	242,608			365

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
CITY OF CARLSBAD
GRT CAPITAL OUTLAY FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BASIS
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance with Final Budget Over (Under)
	Original	Final				
Expenditures:						
Debt service:						
Principal	\$ 265,000	265,000	265,000	-	265,000	-
Interest	216,394	216,394	216,393	-	216,393	1
Total expenditures	<u>481,394</u>	<u>481,394</u>	<u>481,393</u>	-	<u>481,393</u>	1
Other Financing Sources (Uses):						
Transfers in	<u>481,394</u>	<u>521,515</u>	<u>521,514</u>	-	<u>521,514</u>	(1)
Net change	<u>-</u>	<u>40,121</u>	<u>40,121</u>	<u>-</u>	<u>40,121</u>	-
Cash balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>			<u>-</u>
Cash balance, end of year	<u>\$ -</u>	<u>40,121</u>	<u>40,121</u>			<u>-</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
CITY OF CARLSBAD
NM FINANCE AUTHORITY LOAN FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BASIS
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance with Final Budget Over (Under)
	Original	Final				
Revenues:						
Interest	\$ -	-	197	-	197	197
Expenditures:						
Debt service:						
Principal	73,093	206,177	206,177	-	206,177	-
Interest	15,231	57,906	57,905	-	57,905	1
Total expenditures	88,324	264,083	264,082	-	264,082	1
Excess (deficiency) of revenues over expenditures	(88,324)	(264,083)	(263,885)	-	(263,885)	196
Other Financing Sources (Uses):						
Transfers in	88,324	343,403	343,402	-	343,402	(1)
Net change	-	79,320	79,517	-	79,517	195
Cash balance, beginning of year	-	-	-			-
Cash balance, end of year	\$ -	79,320	79,517			195

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
CITY OF CARLSBAD
COMBINING STATEMENT OF NET POSITION
OTHER ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	Museum Gift Shop Fund	Municipal Transit Fund	Performing Arts Center Fund	Cemetery Fund	Total
Assets					
Current assets:					
Cash	\$ 21,453	260,868	370,990	547,011	1,200,322
Receivables, net	-	24,957	850	-	25,807
Total current assets	21,453	285,825	371,840	547,011	1,226,129
Noncurrent Assets					
Capital assets:					
Land and construction in progress	-	49,851	110,000	41,626	201,477
Other capital assets, net of accumulated depreciation	-	898,722	1,277,834	1,393,629	3,570,185
Total noncurrent assets	-	948,573	1,387,834	1,435,255	3,771,662
Deferred Outflows of Resources					
Pensions related	-	75,932	-	15,669	91,601
Total assets and deferred outflow of resources	\$ 21,453	1,310,330	1,759,674	1,997,935	5,089,392
Liabilities					
Current liabilities:					
Accounts payable	\$ -	8,038	57,649	78,747	144,434
Accrued salaries	-	9,072	-	664	9,736
Accrued liabilities	15	-	-	-	15
Current maturities of:					
Compensated absences	-	15,970	-	4,151	20,121
Total current liabilities	15	33,080	57,649	83,562	174,306
Noncurrent Liabilities					
Compensated absences	-	23,234	-	11,636	34,870
Net pension liability	-	594,462	-	122,674	717,136
Total noncurrent liabilities	-	617,696	-	134,310	752,006
Total liabilities	15	650,776	57,649	217,872	926,312
Deferred Inflows of Resources					
Pensions related	-	15,280	-	3,153	18,433
Net Position					
Net investment in capital assets	-	948,573	1,387,834	1,435,255	3,771,662
Unrestricted	21,438	(304,299)	314,191	341,655	372,985
Total net position	21,438	644,274	1,702,025	1,776,910	4,144,647
Total liabilities, deferred inflows of resources and net position	\$ 21,453	1,310,330	1,759,674	1,997,935	5,089,392

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
CITY OF CARLSBAD
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
OTHER ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	Museum Gift Shop Fund	Municipal Transit Fund	Performing Arts Center Fund	Cemetery Fund	Total
Operating Revenues:					
Charges for services	\$ 1,452	83,659	11,389	151,874	248,374
Operating Expenses:					
Personnel services	-	842,713	-	183,953	1,026,666
Utilities	-	8,140	19,567	103,738	131,445
Contractual services	-	4,783	73,365	425,098	503,246
Repairs and maintenance	-	48,770	4,199	13,308	66,277
Other operating expenses	7,759	85,309	3,329	54,683	151,080
Depreciation expense	-	74,407	99,294	79,360	253,061
Total operating expenses	<u>7,759</u>	<u>1,064,122</u>	<u>199,754</u>	<u>860,140</u>	<u>2,131,775</u>
Operating income (loss)	<u>(6,307)</u>	<u>(980,463)</u>	<u>(188,365)</u>	<u>(708,266)</u>	<u>(1,883,401)</u>
Non-Operating Revenues (Expenses):					
Intergovernmental	-	449,719	-	75,000	524,719
Miscellaneous	5,221	-	-	1,400	6,621
Gain on sale of assets	-	2,080	-	-	2,080
Total non-operating revenues (expenses)	<u>5,221</u>	<u>451,799</u>	<u>-</u>	<u>76,400</u>	<u>533,420</u>
Income (loss) before capital contributions and transfers	<u>(1,086)</u>	<u>(528,664)</u>	<u>(188,365)</u>	<u>(631,866)</u>	<u>(1,349,981)</u>
Capital Contributions and Transfers:					
Capital contributions	-	-	-	24,627	24,627
Transfers in	-	785,728	100,000	711,665	1,597,393
Transfers (out)	-	(20,000)	-	-	(20,000)
Total capital contributions and transfers	<u>-</u>	<u>765,728</u>	<u>100,000</u>	<u>736,292</u>	<u>1,602,020</u>
Change in net position	<u>(1,086)</u>	<u>237,064</u>	<u>(88,365)</u>	<u>104,426</u>	<u>252,039</u>
Net position, beginning of year	<u>22,524</u>	<u>412,673</u>	<u>1,790,390</u>	<u>1,672,979</u>	<u>3,898,566</u>
Restatement	<u>-</u>	<u>(5,463)</u>	<u>-</u>	<u>(495)</u>	<u>(5,958)</u>
Net position, beginning of year restated	<u>22,524</u>	<u>407,210</u>	<u>1,790,390</u>	<u>1,672,484</u>	<u>3,892,608</u>
Net position, end of year	<u>\$ 21,438</u>	<u>644,274</u>	<u>1,702,025</u>	<u>1,776,910</u>	<u>4,144,647</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
CITY OF CARLSBAD
COMBINING STATEMENT OF CASH FLOWS
OTHER ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	Museum Gift Shop Fund	Municipal Transit Fund	Performing Arts Center Fund	Cemetery Fund	Total
Cash Flows From Operating Activities					
Cash received from customers	\$ 1,457	85,147	12,877	151,874	251,355
Cash payments to suppliers for goods and services	(8,677)	(157,409)	(98,638)	(586,380)	(851,104)
Cash payments to employees for services	-	(909,978)	-	(168,739)	(1,078,717)
Net cash (used) by operating activities	<u>(7,220)</u>	<u>(982,240)</u>	<u>(85,761)</u>	<u>(603,245)</u>	<u>(1,678,466)</u>
Cash Flows for Non-Capital and Financing Activities					
Cash received from intergovernmental sources	-	476,386	-	100,000	576,386
Miscellaneous revenues	5,221	-	-	1,400	6,621
Net transfers in (out)	-	765,728	100,000	711,665	1,577,393
Net cash provided by non-capital and financing activities	<u>5,221</u>	<u>1,242,114</u>	<u>100,000</u>	<u>813,065</u>	<u>2,160,400</u>
Cash Flows From Capital and Related Financing Activities:					
Proceeds from the sale of capital assets	-	2,080	-	-	2,080
Acquisition of capital assets	-	(105,413)	(112,388)	(46,469)	(264,270)
Net cash (used) by capital and related financing activities	<u>-</u>	<u>(103,333)</u>	<u>(112,388)</u>	<u>(46,469)</u>	<u>(262,190)</u>
Net increase (decrease) in cash and cash equivalents, beginning of year	(1,999)	156,541	(98,149)	163,351	219,744
Cash and cash equivalents, beginning of year	<u>23,452</u>	<u>104,327</u>	<u>469,139</u>	<u>383,660</u>	<u>980,578</u>
Cash and cash equivalents, end of year	<u>\$ 21,453</u>	<u>260,868</u>	<u>370,990</u>	<u>547,011</u>	<u>1,200,322</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:					
Operating (loss)	\$ (6,307)	(980,463)	(188,365)	(708,266)	(1,883,401)
Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities:					
Depreciation	-	74,407	99,294	79,360	253,061
Change in Assets and Liabilities:					
(Increase) decrease in accounts receivable	(918)	1,488	1,488	-	2,058
(Increase) decrease in deferred outflows of resources related to pension	-	(27,815)	-	(5,775)	(33,590)
Increase (decrease) in accounts payable	-	(10,407)	1,822	10,447	1,862
Increase in accrued salaries	-	(9,643)	-	(2,701)	(12,344)
Increase (decrease) in accrued liabilities	5	-	-	-	5
Increase (decrease) in compensated absences	-	3,110	-	2,861	5,971
Increase (decrease) in net pension liability	-	132,750	-	47,239	179,989
Increase (decrease) in deferred inflows of resources related to pension	-	(165,667)	-	(26,410)	(192,077)
Total adjustments	<u>(913)</u>	<u>(1,777)</u>	<u>102,604</u>	<u>105,021</u>	<u>204,935</u>
Net cash (used) by operating activities	<u>\$ (7,220)</u>	<u>(982,240)</u>	<u>(85,761)</u>	<u>(603,245)</u>	<u>(1,678,466)</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
CITY OF CARLSBAD
SOLID WASTE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BASIS
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance with Final Budget Over (Under)
	Original	Final				
Operating Revenues						
Charges for services	\$ 5,020,000	5,020,000	5,224,510	21,754	5,246,264	204,510
Operating Expenses						
Personnel services	1,841,283	1,938,936	1,834,005	(163,365)	1,670,640	104,931
Utilities	300	300	161	67	228	139
Contractual services	163,208	163,208	114,942	(4,042)	110,900	48,266
Repairs and maintenance	837,000	832,000	950,344	(23,866)	926,478	(118,344)
Other operating expenses	1,191,847	1,191,847	923,166	(987)	922,179	268,681
Depreciation expense	-	-	-	329,416	329,416	-
Total operating expenses	<u>4,033,638</u>	<u>4,126,291</u>	<u>3,822,618</u>	<u>137,223</u>	<u>3,959,841</u>	<u>303,673</u>
Operating income (loss)	986,362	893,709	1,401,892	(115,469)	1,286,423	508,183
Non-Operating Revenues (Expenses)						
Sales tax	767,733	767,733	802,591	(2,258)	800,333	34,858
Intergovernmental	136,000	136,000	111,000	-	111,000	(25,000)
Sale of assets	-	-	19,040	(13,520)	5,520	19,040
Interest income	4,500	4,500	17,195	(156)	17,039	12,695
Capital outlay	(2,913,144)	(3,035,274)	(1,761,669)	1,761,669	-	1,273,605
Debt service - principal	(111,363)	(111,363)	(111,363)	111,363	-	-
Interest expense and other charges	(15,429)	(15,429)	(15,429)	536	(14,893)	-
Total non-operating revenues (expenses)	<u>(2,131,703)</u>	<u>(2,253,833)</u>	<u>(938,635)</u>	<u>1,857,634</u>	<u>918,999</u>	<u>1,315,198</u>
Transfers						
Transfers in	437,792	798,431	776,885	(554,232)	222,653	(21,546)
Transfers (out)	<u>(2,337,172)</u>	<u>(2,475,158)</u>	<u>(2,453,612)</u>	<u>554,232</u>	<u>(1,899,380)</u>	<u>21,546</u>
Total transfers	<u>(1,899,380)</u>	<u>(1,676,727)</u>	<u>(1,676,727)</u>	<u>-</u>	<u>(1,676,727)</u>	<u>-</u>
Net change	<u>(3,044,721)</u>	<u>(3,036,851)</u>	<u>(1,213,470)</u>	<u>1,742,165</u>	<u>528,695</u>	<u>1,823,381</u>
Cash balance, beginning of year	5,682,854	5,682,854	5,682,854			
Restatement	<u>1,157,204</u>	<u>1,157,204</u>	<u>1,157,204</u>			
Cash balance, beginning of year restated	<u>6,840,058</u>	<u>6,840,058</u>	<u>6,840,058</u>			
Cash balance, end of year	<u>\$ 3,795,337</u>	<u>3,803,207</u>	<u>5,626,588</u>			<u>1,823,381</u>
Explanation of Differences:						
Change in accounts receivable				29,635		
Change in sales tax receivable				(2,258)		
Change in interest receivable				(156)		
Change in deferred outflows related to pension				47,447		
Change in accounts payable				(40,658)		
Change in accrued salaries				(11,181)		
Change in accrued interest payable				536		
Change in compensated absences				(8,431)		
Change in interfund payable				(13,520)		
Change in net pension liability				(193,371)		
Change in deferred inflows related to pension				328,901		
Change in closure & post-closure liability				69,486		
Retirement of debt				111,363		
Depreciation expense				(329,416)		
Bad debt expense				(7,881)		
Addition to capital assets				1,761,669		
				<u>1,742,165</u>		

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
CITY OF CARLSBAD
JOINT WATER & SEWER FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BASIS
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance with Final Budget Over (Under)
	Original	Final				
Operating Revenues:						
Charges for services	\$ 15,292,023	15,292,023	11,488,167	(516,222)	10,971,945	(3,803,856)
Operating Expenses:						
Personnel services	5,381,362	5,594,719	5,105,639	80,564	5,186,203	489,080
Utilities	1,106,750	1,106,750	626,226	26,853	653,079	480,524
Contractual services	443,407	443,407	239,080	(4,606)	234,474	204,327
Repairs and maintenance	1,159,245	1,516,315	1,071,335	(39,134)	1,032,201	444,980
Other operating expenses	1,124,960	1,128,425	878,347	(30,490)	847,857	250,078
Depreciation expense	-	-	-	2,712,870	2,712,870	-
Total operating expenses	<u>9,215,724</u>	<u>9,789,616</u>	<u>7,920,627</u>	<u>2,746,057</u>	<u>10,666,684</u>	<u>1,868,989</u>
Operating income	6,076,299	5,502,407	3,567,540	(3,262,279)	305,261	(1,934,867)
Non-Operating Revenues (Expenses):						
Intergovernmental	428,979	2,828,979	340,110	-	340,110	(2,488,869)
Sale of assets	1,000	1,000	31,852	(37,347)	(5,495)	30,852
Investment income	53,500	31,500	98,635	435	99,070	67,135
Gain on investments	-	(28,000)	55,459	-	55,459	83,459
Miscellaneous revenues	-	830,000	834,748	(824,264)	10,484	4,748
Capital outlay	(23,447,216)	(27,610,178)	(6,849,257)	6,849,257	-	20,760,921
Amortization expense	-	-	-	(5,052)	(5,052)	-
Miscellaneous expenses	-	(1,260,000)	(1,259,571)	1,259,571	-	429
Debt service - principal	(1,684,827)	(1,724,323)	(954,327)	954,327	-	769,996
Interest expense and other charges	(1,246,399)	(1,248,531)	(1,028,270)	(378,149)	(1,406,419)	220,261
Total non-operating revenues (expenses)	<u>(25,894,963)</u>	<u>(28,179,553)</u>	<u>(8,730,621)</u>	<u>7,818,778</u>	<u>(911,843)</u>	<u>19,448,932</u>
Capital contributions and transfer						
Capital contributions	-	-	-	196,369	196,369	-
Transfers in	2,815,430	3,070,415	1,979,370	(1,411,992)	567,378	(1,091,045)
Transfers (out)	(6,032,579)	(6,074,207)	(4,983,162)	1,766,013	(3,217,149)	1,091,045
Loan proceeds	4,703,822	5,303,822	1,890,945	(1,890,945)	-	(3,412,877)
Total other financing sources (uses)	<u>1,486,673</u>	<u>2,300,030</u>	<u>(1,112,847)</u>	<u>(1,340,555)</u>	<u>(2,453,402)</u>	<u>(3,412,877)</u>
Net change	(18,331,991)	(20,377,116)	(6,275,928)	<u>3,215,944</u>	<u>(3,059,984)</u>	14,101,188
Cash and investments, beginning of year	<u>36,412,860</u>	<u>36,412,860</u>	<u>36,412,860</u>			-
Cash and investments, end of year	\$ <u>18,080,869</u>	<u>16,035,744</u>	<u>30,136,932</u>			<u>14,101,188</u>
Explanation of Differences:						
Change in accounts receivable				(530,474)		
Change in interest receivable				435		
Change in prepaid expenses				5,269		
Change in inventories				(34,177)		
Change in deferred outflows related to pension				190,172		
Change in deferred charges related to advance refunding				(34,834)		
Change in accounts payable				83,057		
Change in accrued salaries				(8,656)		
Change in accrued liabilities				3,965		
Change in accrued interest payable				(339,284)		
Change in compensated absences				36,180		
Change in interfund payable				(640)		
Change in amount due to others				431,342		
Change in net pension liability				(1,145,179)		
Change in deferred inflows related to pension				846,919		
Capital contributions				196,369		
Retirement of debt				944,006		
Loan proceeds				(1,890,945)		
Depreciation expense				(2,712,870)		
Assets disposed				(8,714)		
Bond premium/discount				(4,031)		
Bad debt expense				(15,244)		
Capital resources transferred from another fund				354,021		
Addition to capital assets				<u>6,849,257</u>		
				<u>3,215,944</u>		

**STATE OF NEW MEXICO
CITY OF CARLSBAD
MUSEUM GIFT SHOP FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BASIS
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Budgeted Amounts</u>		<u>Actual on Budgetary Basis</u>	<u>Budget to GAAP Differences</u>	<u>Actual on GAAP Basis</u>	<u>Budgetary Basis Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>				
Operating Revenues:						
Charges for services	\$ 9,000	9,000	1,457	(5)	1,452	(7,543)
Operating Expenses:						
Contractual services	1,500	1,500	-	-	-	1,500
Other operating expenses	<u>10,000</u>	<u>10,000</u>	<u>8,677</u>	<u>(918)</u>	<u>7,759</u>	<u>1,323</u>
Total operating expenses	<u>11,500</u>	<u>11,500</u>	<u>8,677</u>	<u>(918)</u>	<u>7,759</u>	<u>2,823</u>
Operating (loss)	(2,500)	(2,500)	(7,220)	913	(6,307)	(4,720)
Non-Operating Revenues (Expenses):						
Miscellaneous	<u>1,500</u>	<u>1,500</u>	<u>5,221</u>	<u>-</u>	<u>5,221</u>	<u>3,721</u>
Net change	<u>(1,000)</u>	<u>(1,000)</u>	<u>(1,999)</u>	<u>913</u>	<u>(1,086)</u>	<u>(999)</u>
Cash balance, beginning of year	<u>23,452</u>	<u>23,452</u>	<u>23,452</u>			<u>-</u>
Cash balance, end of year	<u>\$ 22,452</u>	<u>22,452</u>	<u>21,453</u>			<u>(999)</u>

Explanation of Differences:

Change in receivables	
Change in accounts payable	918
Change in accrued liabilities	<u>(5)</u>
	<u>913</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
CITY OF CARLSBAD
MUNICIPAL TRANSIT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BASIS
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance with Final Budget Over (Under)
	Original	Final				
Operating Revenues:						
Charges for services	\$ 91,500	91,500	85,147	(1,488)	83,659	(6,353)
Operating Expenses:						
Personnel services	921,825	952,553	910,086	(67,373)	842,713	42,467
Utilities	10,400	10,400	8,212	(72)	8,140	2,188
Contractual services	6,000	6,000	5,018	(235)	4,783	982
Repairs and maintenance	116,213	116,213	51,973	(3,203)	48,770	64,240
Other operating expenses	149,966	149,966	92,206	(6,897)	85,309	57,760
Depreciation expense	-	-	-	74,407	74,407	-
Total operating expenses	<u>1,204,404</u>	<u>1,235,132</u>	<u>1,067,495</u>	<u>(3,373)</u>	<u>1,064,122</u>	<u>167,637</u>
Operating (loss)	(1,112,904)	(1,143,632)	(982,348)	1,885	(980,463)	161,284
Non-Operating Revenues (Expenses):						
Intergovernmental	460,489	460,489	476,386	(26,667)	449,719	15,897
Miscellaneous	-	-	108	(108)	-	108
Gain on sale of assets	-	-	2,080	-	2,080	2,080
Capital outlay	<u>(105,535)</u>	<u>(105,535)</u>	<u>(105,413)</u>	<u>105,413</u>	<u>-</u>	<u>122</u>
Total non-operating revenues (expenses)	354,954	354,954	373,161	78,638	451,799	18,207
(Loss) before transfers	(757,950)	(788,678)	(609,187)	80,523	(528,664)	179,491
Transfers:						
Transfers in	680,000	785,728	785,728	-	785,728	-
Transfers (out)	<u>(20,000)</u>	<u>(20,000)</u>	<u>(20,000)</u>	<u>-</u>	<u>(20,000)</u>	<u>-</u>
Total transfers	660,000	765,728	765,728	-	765,728	-
Net change	(97,950)	(22,950)	156,541	80,523	237,064	179,491
Cash balance, beginning of year	104,327	104,327	104,327			-
Cash balance, end of year	\$ <u>6,377</u>	<u>81,377</u>	<u>260,868</u>			<u>179,491</u>
Explanation of Differences:						
Change in receivables				(28,155)		
Change in deferred outflow related to pension				27,815		
Change in accounts payable				10,407		
Change in accrued salaries				9,643		
Change in compensated absences				(3,110)		
Change in net pension liability				(132,750)		
Change in deferred inflows related to pension				165,667		
Depreciation expense				(74,407)		
Addition to capital assets				105,413		
				<u>80,523</u>		

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
CITY OF CARLSBAD
PERFORMING ARTS CENTER FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BASIS
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance with Final Budget Over (Under)
	Original	Final				
Operating Revenues:						
Charges for services	\$ 25,000	25,000	12,877	(1,488)	11,389	(12,123)
Operating Expenses:						
Utilities	31,500	31,500	18,816	751	19,567	12,684
Contractual services	96,500	96,500	72,000	1,365	73,365	24,500
Repairs and maintenance	24,500	98,500	4,514	(315)	4,199	93,986
Other operating expenses	4,000	4,000	3,329	-	3,329	671
Depreciation expense	-	-	-	99,294	99,294	-
Total operating expenses	<u>156,500</u>	<u>230,500</u>	<u>98,659</u>	<u>101,095</u>	<u>199,754</u>	<u>131,841</u>
Operating (loss)	(131,500)	(205,500)	(85,782)	(102,583)	(188,365)	119,718
Non-Operating Revenues (Expenses):						
Miscellaneous	-	-	21	(21)	-	21
Capital outlay	<u>(443,707)</u>	<u>(369,707)</u>	<u>(112,388)</u>	<u>112,388</u>	<u>-</u>	<u>257,319</u>
Total non-operating revenues (expenses)	<u>(443,707)</u>	<u>(369,707)</u>	<u>(112,367)</u>	<u>112,367</u>	<u>-</u>	<u>257,340</u>
(Loss) before transfers	(575,207)	(575,207)	(198,149)	9,784	(188,365)	377,058
Transfers:						
Transfers in	400,000	400,000	100,000	-	100,000	(300,000)
Special Item:						
Proceeds from sale of assets	-	-	-	-	-	-
Net change	<u>(175,207)</u>	<u>(175,207)</u>	<u>(98,149)</u>	<u>9,784</u>	<u>(88,365)</u>	<u>77,058</u>
Cash balance, beginning of year	469,139	469,139	469,139			-
Cash balance, end of year	<u>\$ 293,932</u>	<u>293,932</u>	<u>370,990</u>			<u>77,058</u>
Explanation of Differences						
Change in accounts receivable				(1,488)		
Change in accounts payable				(1,822)		
Depreciation expense				(99,294)		
Addition to capital assets				112,388		
				<u>9,784</u>		

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
CITY OF CARLSBAD
CEMETERY FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BASIS
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance with Final Budget Over (Under)
	Original	Final				
Operating Revenues						
Charges for services	\$ 176,000	176,000	151,874	-	151,874	(24,126)
Operating Expenses						
Personnel services	162,300	173,965	168,739	15,214	183,953	5,226
Utilities	85,600	85,600	98,192	5,546	103,738	(12,592)
Contractual services	398,403	451,051	419,624	5,474	425,098	31,427
Repairs and maintenance	13,898	23,898	13,308	-	13,308	10,590
Other operating expenses	54,360	55,760	56,179	(1,496)	54,683	(419)
Depreciation expense	-	-	-	79,360	79,360	-
Total operating expenses	<u>714,561</u>	<u>790,274</u>	<u>756,042</u>	<u>104,098</u>	<u>860,140</u>	<u>34,232</u>
Operating (loss)	(538,561)	(614,274)	(604,168)	(104,098)	(708,266)	10,106
Non-Operating Revenues (Expenses)						
Intergovernmental	100,000	100,000	100,000	(25,000)	75,000	-
Miscellaneous	-	1,400	2,323	(923)	1,400	(923)
Capital outlay	(543,637)	(515,989)	(46,469)	46,469	-	469,520
Total non-operating revenues (expenses)	<u>(443,637)</u>	<u>(414,589)</u>	<u>55,854</u>	<u>20,546</u>	<u>76,400</u>	<u>468,597</u>
(Loss) before transfers	(982,198)	(1,028,863)	(548,314)	(83,552)	(631,866)	478,703
Capital Contributions and Transfers:						
Capital Contributions	-	-	-	24,627	24,627	-
Transfers in	700,000	711,665	711,665	-	711,665	-
Total capital contributions and transfers	<u>700,000</u>	<u>711,665</u>	<u>711,665</u>	<u>24,627</u>	<u>736,292</u>	<u>-</u>
Net change	(282,198)	(317,198)	163,351	(58,925)	104,426	478,703
Cash balance, beginning of year	383,660	383,660	383,660			-
Cash balance, end of year	<u>\$ 101,462</u>	<u>66,462</u>	<u>547,011</u>			<u>478,703</u>
Explanation of Differences:						
Change in receivables				(25,000)		
Change in deferred outflow related to pension				5,775		
Change in accounts payable				(10,447)		
Change in accrued salaries				2,701		
Change in compensated absences				(2,861)		
Change in net pension liability				(47,239)		
Change in deferred inflows related to pension				26,410		
Depreciation expense				(79,360)		
Capital contributions				24,627		
Addition to capital assets				46,469		
				<u>(58,925)</u>		

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
CITY OF CARLSBAD
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	General Insurance Fund	Group Health Insurance Fund	Disaster Preparedness Fund	Total
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Assets				
Current assets:				
Cash	\$ 2,071,687	568,865	693,240	3,333,792
Receivables, net	140	873	-	1,013
Total current assets	<u>2,071,827</u>	<u>569,738</u>	<u>693,240</u>	<u>3,334,805</u>
Noncurrent assets				
Restricted cash	501,576	450,000	-	951,576
Total assets	<u>\$ 2,573,403</u>	<u>1,019,738</u>	<u>693,240</u>	<u>4,286,381</u>
Liabilities				
Current liabilities:				
Accounts payable	\$ 21,855	-	-	21,855
Net Position				
Unrestricted	2,551,548	1,019,738	693,240	4,264,526
Total liabilities and net position	<u>\$ 2,573,403</u>	<u>1,019,738</u>	<u>693,240</u>	<u>4,286,381</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
CITY OF CARLSBAD
COMBINING STATEMENT OF REVENUES, EXPENSES AND
CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	General Insurance Fund	Group Health Insurance Fund	Disaster Preparedness Fund	Total
Operating Revenues				
Charges for services	\$ -	6,187,751	-	6,187,751
Operating Expenses				
Contractual services	-	-	11,208	11,208
Insurance claims and expenses	-	6,212,318	-	6,212,318
Other supplies and expenses	1,874,887	-	-	1,874,887
Total operating expenses	<u>1,874,887</u>	<u>6,212,318</u>	<u>11,208</u>	<u>8,098,413</u>
Operating (loss)	(1,874,887)	(24,567)	(11,208)	(1,910,662)
Non-Operating Revenues (Expenses):				
Investment income	1,505	3,679	-	5,184
Income (loss) before transfers	<u>(1,873,382)</u>	<u>(20,888)</u>	<u>(11,208)</u>	<u>(1,905,478)</u>
Transfers				
Transfers in	1,544,999	-	600,000	2,144,999
Transfers (out)	-	(1,777,252)	(454,328)	(2,231,580)
Total transfers	<u>1,544,999</u>	<u>(1,777,252)</u>	<u>145,672</u>	<u>(86,581)</u>
Change in net position	(328,383)	(1,798,140)	134,464	(1,992,059)
Net position, beginning of year	<u>2,879,931</u>	<u>2,817,878</u>	<u>587,773</u>	<u>6,285,582</u>
Restatement	-	-	(28,997)	(28,997)
Net position, beginning of year, restated	<u>2,879,931</u>	<u>2,817,878</u>	<u>558,776</u>	<u>6,256,585</u>
Net position, end of year	<u>\$ 2,551,548</u>	<u>1,019,738</u>	<u>693,240</u>	<u>4,264,526</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
CITY OF CARLSBAD
COMBINING STATEMENT OF CASH FLOWS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2016**

	General Insurance Fund	Group Health Insurance Fund	Disaster Preparedness Fund	Total
Cash Flows From Operating Activities:				
Internal activity - receipts from other funds	\$ -	6,187,751	-	6,187,751
Cash payments to suppliers for goods and services	<u>(1,897,567)</u>	<u>(6,211,954)</u>	<u>(11,208)</u>	<u>(8,120,729)</u>
Net cash provided (used) by operating activities	(1,897,567)	(24,203)	(11,208)	(1,932,978)
Cash Flows From Non-Capital Activities:				
Net transfers in (out)	<u>1,544,999</u>	<u>(1,777,252)</u>	<u>62,910</u>	<u>(169,343)</u>
Cash Flows From Investing Activities:				
Investment income	<u>1,623</u>	<u>3,152</u>	<u>-</u>	<u>4,775</u>
Net increase (decrease) in cash	(350,945)	(1,798,303)	51,702	(2,097,546)
Cash and cash equivalents, beginning of year	<u>2,472,632</u>	<u>2,367,168</u>	<u>641,538</u>	<u>5,481,338</u>
Cash and cash equivalents, end of year	<u>\$ 2,121,687</u>	<u>568,865</u>	<u>693,240</u>	<u>3,383,792</u>
Displayed as:				
Cash	\$ 2,071,687	568,865	693,240	3,333,792
Restricted cash	501,576	450,000	-	951,576
Time deposits not considered cash equivalents	<u>(451,576)</u>	<u>(450,000)</u>	<u>-</u>	<u>(901,576)</u>
	<u>\$ 2,121,687</u>	<u>568,865</u>	<u>693,240</u>	<u>3,383,792</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:				
Operating (loss)	(1,874,887)	(24,567)	(11,208)	(1,910,662)
Adjustment to Reconcile Operating Income To Net Cash Provided by Operating Activities:				
Change in Assets and Liabilities:				
Decrease in accounts receivable	-	364	-	364
(Decrease) in accounts payable	<u>(22,680)</u>	<u>-</u>	<u>-</u>	<u>(22,680)</u>
Total adjustments	<u>(22,680)</u>	<u>364</u>	<u>-</u>	<u>(22,316)</u>
Net cash (used) by operating activities	<u>\$ (1,897,567)</u>	<u>(24,203)</u>	<u>(11,208)</u>	<u>(1,932,978)</u>

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
CITY OF CARLSBAD
GENERAL INSURANCE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BASIS
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2016**

	<u>Budgeted Amounts</u>		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance with Final Budget Over (Under)
	<u>Original</u>	<u>Final</u>				
Operating Expenses:						
Insurance claims and expenses	<u>2,052,522</u>	<u>2,052,522</u>	<u>1,914,019</u>	<u>(39,132)</u>	<u>1,874,887</u>	<u>138,503</u>
Operating (loss)	(2,052,522)	(2,052,522)	(1,914,019)	39,132	(1,874,887)	(138,503)
Non-Operating Revenues (Expenses):						
Investment income	500	500	1,623	(118)	1,505	1,123
Miscellaneous	<u>-</u>	<u>-</u>	<u>16,452</u>	<u>(16,452)</u>	<u>-</u>	<u>16,452</u>
Total non-operating revenue (expenses)	<u>500</u>	<u>500</u>	<u>18,075</u>	<u>(16,570)</u>	<u>1,505</u>	<u>17,575</u>
(Loss) before transfers	(2,052,022)	(2,052,022)	(1,895,944)	22,562	(1,873,382)	(120,928)
Transfers:						
Transfers in	<u>1,544,999</u>	<u>1,544,999</u>	<u>1,544,999</u>	<u>-</u>	<u>1,544,999</u>	<u>-</u>
Net change	(507,023)	(507,023)	(350,945)	<u>22,562</u>	<u>(328,383)</u>	(120,928)
Cash balance, beginning of year	<u>2,873,356</u>	<u>2,873,356</u>	<u>2,873,356</u>			<u>-</u>
Cash balance, end of year	<u><u>2,366,333</u></u>	<u><u>2,366,333</u></u>	<u><u>2,522,411</u></u>			<u><u>(120,928)</u></u>
Explanation of Differences:						
Change in receivables				(118)		
Change in accounts payable				<u>22,680</u>		
				<u><u>22,562</u></u>		

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
CITY OF CARLSBAD
GROUP HEALTH FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BASIS
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance with Final Budget Over (Under)
	Original	Final				
Operating Revenues:						
Charges for services	\$ 6,000,000	6,188,900	6,187,751	-	6,187,751	(1,149)
Operating Expenses:						
Insurance claims and expenses	6,002,000	6,212,000	6,211,954	364	6,212,318	46
Operating (loss)	(2,000)	(23,100)	(24,203)	(364)	(24,567)	(1,103)
Non-Operating Revenues (Expenses):						
Investment income	2,000	2,000	3,152	527	3,679	1,152
(Loss) before transfers	-	(21,100)	(21,051)	163	(20,888)	49
Other Financing Sources (Uses):						
Transfers (out)	(1,777,252)	(1,777,252)	(1,777,252)	-	(1,777,252)	-
Net change	(1,777,252)	(1,798,352)	(1,798,303)	163	(1,798,140)	49
Cash balance, beginning of year	2,817,168	2,817,168	2,817,168			-
Cash balance, end of year	\$ 1,039,916	1,018,816	1,018,865			49
Explanation of Differences:						
Change in receivables				163		

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
CITY OF CARLSBAD
DISASTER PREPAREDNESS FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BASIS
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
FOR THE YEAR ENDED JUNE 30, 2016**

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary
	Original	Final				Variance with Final Budget Over (Under)
Operating Expenses:						
Contractual services	\$ 73,411	73,411	11,208	-	11,208	62,203
Repairs and maintenance	783,716	835,574	782,187	(782,187)	-	53,387
Total operating expenses	<u>857,127</u>	<u>908,985</u>	<u>793,395</u>	<u>(782,187)</u>	<u>11,208</u>	<u>115,590</u>
Operating (loss)	(857,127)	(908,985)	(793,395)	782,187	(11,208)	115,590
Non-Operating Revenues (Expenses):						
Intergovernmental	<u>591,603</u>	<u>591,603</u>	<u>245,097</u>	<u>(245,097)</u>	<u>-</u>	<u>(346,506)</u>
Income (loss) before transfer	(265,524)	(317,382)	(548,298)	537,090	(11,208)	(230,916)
Transfers:						
Transfer in	600,000	600,000	600,000	-	600,000	-
Transfer (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(454,328)</u>	<u>(454,328)</u>	<u>-</u>
Total transfers	<u>600,000</u>	<u>600,000</u>	<u>600,000</u>	<u>(454,328)</u>	<u>145,672</u>	<u>-</u>
Change in net position	334,476	282,618	51,702	<u>82,762</u>	<u>134,464</u>	(230,916)
Cash balance, beginning of year	<u>641,538</u>	<u>641,538</u>	<u>641,538</u>			<u>-</u>
Cash balance, end of year	\$ <u><u>976,014</u></u>	<u><u>924,156</u></u>	<u><u>693,240</u></u>			<u><u>(230,916)</u></u>
Explanation of Differences:						
Change in receivables				(245,097)		
Change in accounts payable				<u>327,859</u>		
				<u><u>82,762</u></u>		

The accompanying notes are an integral part of these financial statements

**STATE OF NEW MEXICO
CITY OF CARLSBAD
COMBINING SCHEDULE OF CHANGES IN ASSETS AND LIABILITIES
AGENCY FUNDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2016**

	Balance 06/30/15	Restatement	Restated Balance 06/30/15	Increases / Receipts	Decreases / Disbursements	Balance 06/30/16
Municipal Court Bond Trust Fund						
Cash	\$ 23,191	-	23,191	125,246	117,384	31,053
Due to others	\$ 23,191	-	23,191	125,246	117,384	31,053
U.S. Department of Energy Fund						
Cash	\$ -	96,413	96,413	151,537	247,950	-
Note receivable	-	810,000	810,000	-	135,000	675,000
Total assets	\$ -	906,413	906,413	151,537	382,950	675,000
Due to others	\$ -	906,413	906,413	151,537	382,950	675,000
Combined Agency Funds						
Cash	\$ 23,191	96,413	119,604	276,783	365,334	31,053
Note receivable	-	810,000	810,000	-	135,000	675,000
Total assets	\$ 23,191	906,413	929,604	276,783	500,334	706,053
Due to others	\$ 23,191	906,413	929,604	276,783	500,334	706,053

The accompanying notes are an integral part of these financial statements

**SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY OF CARLSBAD'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY OF PERA FUND DIVISION;
MUNICIPAL GENERAL DIVISION
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN
LAST 10 FISCAL YEARS***

	<u>2016</u>	<u>2015</u>
The City's proportion of the net pension liability (asset) (%)	1.8023%	1.6672%
The City's proportionate share of the net pension liability (asset) (\$)	\$ 18,376,011	13,005,949
The City's covered-employee payroll	\$ 20,089,395	17,600,727
The City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	91.47%	73.89%
Plan fiduciary net position as a percentage of the total pension liability	76.99%	81.29%

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

Notes to Required Supplementary Information:

Changes of benefit terms. The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY15 audit available at <http://www.nmpera.org/assets/uploads/downloads/gasb-67-supplemental-reports/NM-PERA-Employer-Allocation-Report-FINAL-2015.pdf>.

Changes of assumptions. The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2015 report is available at <http://www.nmpera.org/assets/uploads/downloads/retirement-fund-valuation-reports/6-30-2015-PERA-Valuation-Report-FINAL.pdf>.

**SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY OF CARLSBAD'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY OF PERA FUND DIVISION;
MUNICIPAL POLICE DIVISION
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN
LAST 10 FISCAL YEARS***

	<u>2016</u>	<u>2015</u>
The City's proportion of the net pension liability (asset) (%)	1.8730%	1.7808%
The City's proportionate share of the net pension liability (asset) (\$) \$	9,006,434	5,805,215
The City's covered-employee payroll \$	5,759,083	5,066,890
The City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	156.39%	114.57%
Plan fiduciary net position as a percentage of the total pension liability	76.99%	81.29%

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

Notes to Required Supplementary Information:

Changes of benefit terms. The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY15 audit available at <http://www.nmpera.org/assets/uploads/downloads/gasb-67-supplemental-reports/NM-PERA-Employer-Allocation-Report-FINAL-2015.pdf>.

Changes of assumptions. The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2015 report is available at <http://www.nmpera.org/assets/uploads/downloads/retirement-fund-valuation-reports/6-30-2015-PERA-Valuation-Report-FINAL.pdf>.

**SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY OF CARLSBAD'S PROPORTIONATE SHARE
OF THE NET PENSION LIABILITY OF PERA FUND DIVISION;
MUNICIPAL FIRE DIVISION
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN
LAST 10 FISCAL YEARS***

	<u>2016</u>	<u>2015</u>
The City's proportion of the net pension liability (asset) (%)	3.0425%	2.8470%
The City's proportionate share of the net pension liability (asset) (\$)	\$ 15,702,896	11,886,699
The City's covered-employee payroll	\$ 5,080,539	4,521,664
The City's proportionate share of the net pension liability (asset) as a percentage of its covered-employee payroll	309.08%	262.88%
Plan fiduciary net position as a percentage of the total pension liability	76.99%	81.29%

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

Notes to Required Supplementary Information:

Changes of benefit terms. The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY15 audit available at <http://www.nmpera.org/assets/uploads/downloads/gasb-67-supplemental-reports/NM-PERA-Employer-Allocation-Report-FINAL-2015.pdf>.

Changes of assumptions. The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2015 report is available at <http://www.nmpera.org/assets/uploads/downloads/retirement-fund-valuation-reports/6-30-2015-PERA-Valuation-Report-FINAL.pdf>.

**SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY OF CARLSBAD'S CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN
PERA FUND DIVISION; MUNICIPAL GENERAL DIVISION
LAST 10 FISCAL YEARS***

	2016	2015
Contractually required contribution	\$ 1,542,448	1,424,880
Contributions in relation to the contractually required contribution	1,542,448	1,424,880
Contribution deficiency (excess)	\$ -	-
The City's covered-employee payroll	\$ 20,089,395	17,600,727
Contributions as a percentage of covered-employee payroll	7.68%	8.10%

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

Notes to Required Supplementary Information:

Changes of benefit terms. The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY15 audit available at <http://www.nmpera.org/assets/uploads/downloads/gasb-67-supplemental-reports/NM-PERA-Employer-Allocation-Report-FINAL-2015.pdf>.

Changes of assumptions. The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2015 report is available at <http://www.nmpera.org/assets/uploads/downloads/retirement-fund-valuation-reports/6-30-2015-PERA-Valuation-Report-FINAL.pdf>.

**SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY OF CARLSBAD'S CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN
PERA FUND DIVISION; MUNICIPAL POLICE DIVISION
LAST 10 FISCAL YEARS***

	2016	2015
Contractually required contribution	\$ 766,632	693,726
Contributions in relation to the contractually required contribution	766,632	693,726
Contribution deficiency (excess)	\$ -	-
The City's covered-employee payroll	\$ 5,759,083	5,066,890
Contributions as a percentage of covered-employee payroll	13.31%	13.69%

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City will present information for those years for which information is available.

Notes to Required Supplementary Information:

Changes of benefit terms. The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY15 audit available at <http://www.nmpera.org/assets/uploads/downloads/gasb-67-supplemental-reports/NM-PERA-Employer-Allocation-Report-FINAL-2015.pdf>.

Changes of assumptions. The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2015 report is available at <http://www.nmpera.org/assets/uploads/downloads/retirement-fund-valuation-reports/6-30-2015-PERA-Valuation-Report-FINAL.pdf>.

**SCHEDULE OF REQUIRED SUPPLEMENTARY INFORMATION
SCHEDULE OF CITY OF CARLSBAD'S CONTRIBUTIONS
PUBLIC EMPLOYEES RETIREMENT ASSOCIATION (PERA) PLAN
PERA FUND DIVISION; MUNICIPAL FIRE DIVISION
LAST 10 FISCAL YEARS***

	2016	2015
Contractually required contribution	\$ 834,280	750,337
Contributions in relation to the contractually required contribution	834,280	750,337
Contribution deficiency (excess)	\$ -	-
The City's covered-employee payroll	\$ 5,080,539	4,521,664
Contributions as a percentage of covered-employee payroll	16.42%	16.59%

* This schedule is presented to illustrate the requirement to show information for 10 years. However, until a full 10-year trend is compiled, the City will present information for those years for which information is

Notes to Required Supplementary Information:

Changes of benefit terms. The PERA Fund COLA and retirement eligibility benefits changes in recent years are described in Note 1 of the PERA FY15 audit available at <http://www.nmpera.org/assets/uploads/downloads/gasb-67-supplemental-reports/NM-PERA-Employer-Allocation-Report-FINAL-2015.pdf>.

Changes of assumptions. The Public Employees Retirement Association (PERA) of New Mexico Annual Actuarial Valuation as of June 30, 2015 report is available at <http://www.nmpera.org/assets/uploads/downloads/retirement-fund-valuation-reports/6-30-2015-PERA-Valuation-Report-FINAL.pdf>.

**STATE OF NEW MEXICO
CITY OF CARLSBAD
SCHEDULE OF CASH ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2016**

<u>Financial Institution/ Account Description</u>	<u>Type of Account</u>	<u>Financial Institution Balance</u>	<u>Reconciling Items</u>	<u>Reconciled Balance</u>
Carlsbad National Bank P.O. Box 1359 Carlsbad, New Mexico 88221-1359				
Health Insurance	Checking	\$ 568,865	-	568,865
Payroll Account	Checking	98,332	(43,713)	54,619
Debt Service Account	Checking	4,375,100	-	4,375,100
Municipal Court	Checking	30,391	662	31,053
Worker's Compensation	Checking	56,168	(56,068)	100
Lodgers' Tax	Certificate of Deposit	30,000	-	30,000
General Operating	Certificate of Deposit	200,000	-	200,000
Health Insurance	Certificate of Deposit	200,000	-	200,000
Worker's Compensation	Certificate of Deposit	50,000	-	50,000
Sandpoint Closure Reserve	Certificate of Deposit	250,000	-	250,000
Water & Sewer	Certificate of Deposit	500,000	-	500,000
General Operating	Certificate of Deposit	300,000	-	300,000
Water & Sewer	Certificate of Deposit	300,000	-	300,000
General Operating	Certificate of Deposit	250,000	-	250,000
Health Insurance	Certificate of Deposit	250,000	-	250,000
Sandpoint Closure Reserve	Certificate of Deposit	500,000	-	500,000
		<u>\$ 7,958,856</u>	<u>(99,119)</u>	<u>7,859,737</u>
Pioneer Savings Bank P.O. Box 130 Roswell, New Mexico 88202-0130				
General Operating	Certificate of Deposit	\$ 100,788	-	100,788
Worker's Compensation	Certificate of Deposit	100,788	-	100,788
General Operating	Certificate of Deposit	201,576	-	201,576
General Operating	Certificate of Deposit	403,151	-	403,151
General Operating	Certificate of Deposit	100,788	-	100,788
Worker's Compensation	Certificate of Deposit	100,788	-	100,788
Sandpoint Closure Reserve	Certificate of Deposit	201,575	-	201,575
Sandpoint Closure Reserve	Certificate of Deposit	952,183	-	952,183
General Operating	Certificate of Deposit	100,788	-	100,788
Water & Sewer	Certificate of Deposit	201,575	-	201,575
General Operating	Certificate of Deposit	339,204	-	339,204
		<u>\$ 2,803,204</u>	<u>-</u>	<u>2,803,204</u>
Wells Fargo Bank, N.A. Carlsbad Office 115 W. Fox Street Carlsbad, New Mexico 88221				
General Fund	Checking	\$ 47,667,209	(2,208,486)	45,458,723
Investment Trust	Money Market	1,070,165	-	1,070,165
City Fund Investment	Money Market	179,810	-	179,810
Permanent Water & Sewer	Certificate of Deposit	157,734	-	157,734
Permanent Water & Sewer	Certificate of Deposit	200,000	-	200,000
Worker's Compensation	Certificate of Deposit	250,000	-	250,000
General Operating	Certificate of Deposit	300,000	-	300,000
Permanent Water & Sewer	Certificate of Deposit	100,000	-	100,000
Water & Sewer	Certificate of Deposit	100,000	-	100,000
		<u>\$ 50,024,918</u>	<u>(2,208,486)</u>	<u>47,816,432</u>

See independent auditor's report

**STATE OF NEW MEXICO
CITY OF CARLSBAD
SCHEDULE OF CASH ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2016**

<u>Financial Institution/ Account Description</u>	<u>Type of Account</u>	<u>Financial Institution Balance</u>	<u>Reconciling Items</u>	<u>Reconciled Balance</u>
Western Commerce Bank P.O. Drawer 1358 Carlsbad, New Mexico 88221-1358				
Construction Account	Checking	\$ 10,329,541	(91,666)	10,237,875
Federal Projects	Checking	776,944	(5,007)	771,937
Sandpoint Closure Reserve	Certificate of Deposit	165,427	-	165,427
Sandpoint Closure Reserve	Certificate of Deposit	142,233	-	142,233
Water & Sewer	Certificate of Deposit	253,981	-	253,981
General Operating	Certificate of Deposit	323,485	-	323,485
General Operating	Certificate of Deposit	323,782	-	323,782
General Operating	Certificate of Deposit	273,955	-	273,955
Sandpoint Closure Reserve	Certificate of Deposit	109,604	-	109,604
Sandpoint Closure Reserve	Certificate of Deposit	503,966	-	503,966
98 Water & Sewer Bond	Certificate of Deposit	300,000	-	300,000
98 Water & Sewer Bond	Certificate of Deposit	500,000	-	500,000
		<u>\$ 14,002,918</u>	<u>(96,673)</u>	<u>13,906,245</u>
New Mexico Finance Authority 207 Shelby Street Santa Fe, New Mexico 87501				
Carlsbad 4	Reserve	\$ 164	-	164
Carlsbad 13	Reserve	12	-	12
Carlsbad 13	Reserve	117,604	-	117,604
Carlsbad 13	Program Funds	1,044,033	-	1,044,033
Carlsbad 15	Reserve	79,353	-	79,353
Carlsbad 15	Program Funds	<u>4,811,560</u>	-	<u>4,811,560</u>
		<u>\$ 6,052,726</u>	<u>-</u>	<u>6,052,726</u>

See independent auditor's report

**STATE OF NEW MEXICO
CITY OF CARLSBAD
SCHEDULE OF PLEDGED COLLATERAL
ALL FINANCIAL INSTITUTIONS
FOR THE YEAR ENDED JUNE 30, 2016**

Carlsbad National Bank
202 West Stevens
P.O. Box 1359
Carlsbad, New Mexico 88221-1359

Security Description	CUSIP Number	Maturity Date	Current Market Value
FNMA Pool AL1536	3138EHV66	01/01/36	\$ 914,765
FN99AR AS0083	31418MCV2	09/01/35	524,462
FN99AR 1B4985	3128JQNBo	09/01/40	630,901
FNMA Pool AI3469	3138AG2B3	07/01/41	385,993
FN99AR 8898820	31410KUF9	10/01/35	1,603,935
FHLMC Pool C91758	3128P75T6	04/01/34	1,956,216
FNMA Pool AY3051	3138YGL91	09/01/22	760,375
			<u>\$ 6,776,647</u>

The holder of the security pledged by Carlsbad National Bank is Federal Home Loan bank of Dallas, 8500 Freeport Parkway South, Irving, TX 75063.

Pioneer Savings Bank
3000 N. Main Street
P.O. Box 130
Roswell, NM 88202-0130

Security Description	CUSIP Number	Maturity Date	Market Value
FHLB Call After 01/17/14	313381T88	01/17/20	\$ 300,002
FNMA ARM CMT 781721	31349S4E0	07/01/34	47,661
FNMA AJ1622	3138ASYU0	10/01/26	519,487
FNMA 648558 ARM	31390KQK7	06/01/32	124,123
FNMA 661745 ARM	31391BES2	09/01/32	6,535
FNMA 759453 ARM	31403VWN5	01/01/34	92,761
FNMA 780385 ARM	31404V6W3	06/01/34	106,862
GNMA II 080418 ARM	36225CPC4	06/20/30	74,426
GNMA 080477 ARM	36225CQ74	12/20/30	10,555
GNMA II 080540 ARM	36225CS64	09/20/31	41,704
GNMA II 080562 ARM	36225CTU0	12/20/31	22,466
			<u>\$ 1,346,582</u>

The holder of the security pledged by Pioneer Bank is the Federal Home Loan Bank of Dallas, P.O. Box 619026, Dallas, TX 75261-9026.

**STATE OF NEW MEXICO
CITY OF CARLSBAD
SCHEDULE OF PLEDGED COLLATERAL
ALL FINANCIAL INSTITUTIONS
FOR THE YEAR ENDED JUNE 30, 2016**

Wells Fargo Bank, N.A.
Carlsbad Office
115 W. Fox Street
Carlsbad, New Mexico 88221

Security Description	CUSIP Number	Maturity Date	Market Value
FN AR1196	3138NKKJ5	01/01/43	\$ 425,674
FN 745577	31403DJW0	06/01/36	19,781
FN AM 7658	3138L8QL1	01/01/27	585,970
FN AN 0985	3138LDCX9	02/01/26	32,401
FN AS 5702	3138WFKQ8	08/01/30	1,068,519
FN AB 8907	31417F3R7	04/01/43	1,957,949
FN AQ 1010	3138MGDQ5	01/01/43	28,336,016
FN AT 4979	3138WSQ92	04/01/43	7,990,657
FN AK 8209	3138EDDP3	04/01/42	1,243,480
FN AP4559	3138M8B51	10/01/42	1,707,153
			<u>\$ 43,367,600</u>

The holder of the security pledged by Wells Fargo Bank, N.A. is Public Funds Administration, 420 Montgomery St., 11th San Francisco, CA 94104.

Western Commerce Bank
P.O. Drawer 1358
Carlsbad, New Mexico 88221-1358

Security Description	CUSIP Number	Maturity Date	Market Value
SBA Series 2005-20 A CLASS	83162CPG2	01/01/25	\$ 174,319
GNMA 004511	36202FAL0	08/20/39	508,807
GNMA 412570	36206JJP0	03/15/26	17,111
FNMA AA5840	31416PP27	06/01/39	376,247
FNMA AB4792	31417BHU4	03/01/42	1,045,763
FHLMC G08534	3128MJSY7	06/01/43	1,711,305
FHLMC J22899	31307BGG9	03/01/28	936,262
SBAP Series 2013-20J Class 1	83162CVV2	10/01/33	1,778,508
SBAP Series 2015-20D Class 1	83162CWY5	04/01/35	1,966,575
GNMA 8228	36202KD93	07/20/23	17,284
GNMA 8233	36202KEE1	06/20/17	3,692
GNMA 8280	36202KfV2	09/20/23	16,620
GNMA 80185 "B"	36225CF35	04/20/28	8,092
GNMA 80200	36225CGJ9	05/20/28	12,868
GNMA 80299	36225CKM7	07/20/29	24,440
GNMA 8595	36202KRQ0	02/20/25	28,593
GNMA 8608	36202KR56	03/20/25	82,486
FNMA 709279	31401H6Q0	06/01/33	51,503
FNMA 253823	31371J4G6	04/01/31	31,814
FNMA 807223	31406DYU4	01/01/35	133,555
GNMA 782156	36241KMD7	05/20/37	91,427
			<u>\$ 9,017,271</u>

The holder of the security pledged by Western Commerce Bank is the Federal Home Loan Bank of Dallas, P.O. Box 619026, Dallas, TX 75261-9026.

See independent auditor's report

**STATE OF NEW MEXICO
CITY OF CARLSBAD
Schedule of Expenditures of Federal Awards
For the Year Ended June 30, 2016**

	CFDA Number	Contract/Grant Project/State Number	Federal Expenditures
U.S. Department of Transportation/Federal Aviation Administration			
Airport Rescue Fire Fighting Vehicl (1)	20.106	3-35-0007-023-2015	\$ 205,658
Game Fence	20.106	3-35-0007-024-2015	62,986
Total U.S. Department of Transportation/Federal Aviation Administration			268,644
U.S. Department of Justice			
Edward Byrne Memorial Justice Assista	16.738	2014-H3941-NM-DJ	1,917
Total U.S. Department of Justice			1,917
U.S. Department of Commerce Economic Development Administration			
Cascades of Carlsbad	11.300	08-01-04637	10,000
Total U.S. Department of Commerce Economic Development Administration			10,000
U.S. Department of Transportation			
<i>Passed through New Mexico Department of Transportation</i>			
Safe Routes to School	20.205	M01331	8,175
Formula Grants for Rural Areas (1)	20.509	M01354	77,488
Formula Grants for Rural Areas (1)	20.509	M01415	332,012
100 Days & Nights of Summer	20.600	15-DS-PT-013	6,462
100 Days & Nights of Summer	20.600	16-DS-PT-013	1,628
Distracted Driving	20.600	15-DD-02-013	3,563
Distracted Driving	20.600	16-DD-02-013	6,467
ENDWI	20.608	15-AL-64-013	6,880
ENDWI	20.608	16-AL-64-013	10,003
Buckle Up	20.600	15-OP-RF-013	1,560
Buckle Up	20.600	16-OP-RF-013	7,388
Total U.S. Department of Transportation			461,625
Environmental Protection Agency			
<i>Passed through New Mexico Finance Authority</i>			
Capitalization Grants for Drinking Wate	66.468	2867DW	458,179
<i>New Mexico Environment Department</i>			
Waste Water Effluent Reuse	66.202	XP-01F21701-0	172,223
Total Environmental Protection Agency			630,403
U.S. Department of Homeland Security and Emergency Management			
Disaster Grants - Public Assistance	97.036	FEMA-4199-DR-NM	152,584
Total U.S. Department of Homeland Security and Emergency Management			152,584
Total Expenditures of Federal Awards			\$ 1,525,173
Reconciliation to Statement of Revenues, Expenditures, and Changes in Fund Balance			
Federal expenditures per SEFA			\$ 1,525,173
Total expenditures funded by other sources			65,572,405
Total expenditures			\$ 67,097,578

(1) Denotes Major Program

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 Carlsbad, and is

Note 2 - Non-Cash Federal Assistance

No non-cash federal assistance was received during the year ended June 30, 2016.

Note 3 - Subrecipients

The City of Carlsbad provided no federal awards presented above to sub-recipients during the year.

Note 4 - Cost Rate

The City of Carlsbad did not use the 10% de minimis indirect cost rate

See independent auditor's report

**STATE OF NEW MEXICO
CITY OF CARLSBAD
Schedule of Vendor Information for Purchases Exceeding \$60,000 (Excluding GRT)
As of June 30, 2016**

<i>RFB/RFP#</i>	<i>Type of Procurement</i>	<i>Vendor Name</i>	<i>Did Vendor Win Contract?</i>	<i>Amount of Awarded Contract?</i>	<i>Amount of Amended Contract?</i>	<i>Physical Address of the Vendor</i>	<i>Did the Vendor provide documentation of eligibility for in-state preference?</i>	<i>Did the Vendor provide documentation of eligibility for veterans' preference?</i>	<i>Brief Description of Scope of Work</i>
2015-11	BID	Yellow Jacket Drilling	Winner	\$ 1,227,092.00		Gilbert, AZ	No	No	Drill New Water Well at Sheeps Draw Well #6
		Layne Christensen Company	Loser			Midland, TX			
		KD Huey Company	Loser			Capitan, NM			
2015-13	BID	Burn Construction	Winner	\$ 338,069.00		Las Cruces, NM	Yes	No	Install Transfer Pump Station Piping at Treatment Plant
		Smithco Construction	Loser			Caballo, NM			
2015-23	BID	Constructors Inc.	Winner	\$ 120,516.80		Carlsbad, NM	Yes	No	Pave the work yard at the Public Works Office
2015-23	BID	Constructors Inc.	Winner	\$ 193,990.00	\$ 235,090.00	Carlsbad, NM	Yes	No	Street Improvement for Commerce Drive
2015-23	BID	Constructors Inc.	Winner	\$ 75,089.00	\$ 99,300.69	Carlsbad, NM	Yes	No	Street Improvement on Industrial Drive
2015-23	BID	Constructors Inc.	Winner	\$ 75,700.00		Carlsbad, NM	Yes	No	Street Improvement on Cactus Street
2015-23	BID	Constructors Inc.	Winner	\$ 119,000.00		Carlsbad, NM	Yes	No	Street Improvement on Hill Street
2015-23	BID	Constructors Inc.	Winner	\$ 67,330.00	\$ 67,763.90	Carlsbad, NM	Yes	No	Install New Parking Lot at Lake Carlsbad Recreation Area
2015-23	BID	Constructors Inc.	Winner	\$ 83,193.75		Carlsbad, NM	Yes	No	Pave Parking Lot at PFA Garage
2015-23	BID	Constructors Inc.	Winner	\$ 104,052.66		Carlsbad, NM	Yes	No	Pave Parking Lot at Civic Center
2015-23	BID	Constructors Inc.	Winner	\$ 262,807.95		Carlsbad, NM	Yes	No	Street Improvements for Stagned, Doepp and Glazer St.
2015-23	BID	Constructors Inc.	Winner	\$ 160,308.00		Carlsbad, NM	Yes	No	New Parking Lot for Youth Sports Complex Expansion
2015-23	BID	Constructors Inc.	Winner	\$ 346,250.00		Carlsbad, NM	Yes	No	Realign and Pave Corrales Road
2015-23	BID	Constructors Inc.	Winner	\$ 276,253.30		Carlsbad, NM	Yes	No	Street Improvement on 9th Street
2015-23	BID	Constructors Inc.	Winner	\$ 258,672.65		Carlsbad, NM	Yes	No	Street Improvement on Boyd Drive
2015-23	BID	Constructors Inc.	Winner	\$ 120,793.75		Carlsbad, NM	Yes	No	Street Improvement on Old Cavern Highway
		James Hamilton Construction	Loser			Silver City, NM			
2015-31	BID	L & J Construction	Winner	\$ 61,139.00	\$ 70,225.40	Anthony, NM	Yes	No	Construction of Game Fence at Cavern City Air Terminal
		MHAT, LLC	Loser			Carlsbad, NM			
		Valley Fence	Loser			Albuquerque, NM			
2015-32	BID	Constructors Inc.	Winner	\$ 591,296.79	\$ 619,639.51	Carlsbad, NM	Yes	No	Construction of new restrooms at Tennis Court Facility
		CD General Contractors	Loser			Las Cruces, NM			
		Greer Construction	Loser			Carlsbad, NM			
		TFC Construction	Loser			La Joya, NM			
		CE Industrial	Loser			Sunland Park, NM			
		RCC dba Rivercrest Construction	Loser			Albuquerque, NM			
2015-34	BID	Wade Construction	Winner	\$ 850,508.00		Carlsbad, NM	Yes	No	Construction of Water Department Addition
		Lasco Construction	Loser			Hobbs, NM			
		Greer Construction	Loser			Carlsbad, NM			
2015-35	BID	J & H Services	Winner	\$ 2,126,407.90	\$ 2,439,616.30	Albuquerque, NM	Yes	No	Construction of Game Fence at Cavern City Air Terminal
		Constructors Inc.	Loser			Carlsbad, NM			
		Century Club Construction	Loser			Albuquerque, NM			
2015-36	BID	Ramirez and Sons Inc.	Winner	\$ 190,528.80		Hobbs, NM	Yes	No	Callaway Drive Low Water Crossing Phase 2
		Constructors Inc.	Loser			Carlsbad, NM			
		Abrahams Construction	Loser			Albuquerque, NM			
		Burn Construction	Loser			Carlsbad, NM			
2015-37	BID	Corrosion Resistant Coatings	Winner	\$ 199,146.59		Elephant Butte, NM	Yes	No	Sewer Manhole Rehabilitation Project
2015-38	RFP	American Signal Corp.	Winner	\$ 157,977.70		Milwaukee, WI	No	No	Install Emergency Warning Signal System Throughout City
		Federal Signal	Loser			University Park, IL			
2015-39	RFP	OCCAM Consulting Engineering	Winner	\$ 98,024.72		Roswell, NM	Yes	No	Engineering Services for the Reconstruction of Texas Street
		Smith Engineering	Loser			Roswell, NM			
		Pettigrew Associates	Loser			Hobbs, NM			
		Molzen Corbin	Loser			Las Cruces, NM			
		Souder Miller	Loser			Roswell, NM			
		Parkhill Smith Cooper	Loser			Las Cruces, NM			

**STATE OF NEW MEXICO
CITY OF CARLSBAD
Schedule of Vendor Information for Purchases Exceeding \$60,000 (Excluding GRT)
As of June 30, 2016**

<i>RFB/RFP#</i>	<i>Type of Procurement</i>	<i>Vendor Name</i>	<i>Did Vendor Win Contract?</i>	<i>Amount of Awarded Contract?</i>	<i>Amount of Amended Contract?</i>	<i>Physical Address of the Vendor</i>	<i>Did the Vendor provide documentation of eligibility for in-state preference?</i>	<i>Did the Vendor provide documentation of eligibility for veterans' preference?</i>	<i>Brief Description of Scope of Work</i>
2015-41	BID	Greer Construction	Winner	\$ 1,292,748.00		Carlsbad, NM	Yes	No	Renovation of Municipal Annex - Phase I
		Lasco Construction	Loser			Hobbs, NM			
		Stoven Construction	Loser			Albuquerque, NM			
		CD General Contractors	Loser			Las Cruces, NM			
		Wade Construction	Loser			Carlsbad, NM			
2015-42	BID	C&E Industrial Services	Loser	\$ 1,341,791.00		Sunland Park, NM	Yes	No	Construction of Fire Station #7
		Lasco Construction	Winner			Hobbs, NM			
		C&E Industrial Services	Loser			Sunland Park, NM			
		Greer Construction	Loser			Carlsbad, NM			
		Wade Construction	Loser			Carlsbad, NM			
2015-46	BID	J & H Services	Winner	\$ 76,900.00		Albuquerque, NM	Yes	No	Repair 24" Concrete Steel Cylinder Water Line and Valves
		AUI Inc	Loser			Albuquerque, NM			
		M & M Excavating	Loser			Carlsbad, NM			
		Smithco Construction	Loser			Caballo, NM			
2015-50	BID	RMCI	Winner	\$ 809,603.83		Albuquerque, NM	Yes	No	Construction of Effluent Water Reuse Project - Phase 5A
		AUI Inc	Loser			Albuquerque, NM			
		M & M Excavating	Loser			Carlsbad, NM			
		Entrench Utility Contractors	Loser			Hobbs, NM			
		File Construction	Loser			Albuquerque, NM			
		TATSCH Inc	Loser			Silver City, NM			
		Strategic Construction	Loser			Phoenix, AZ			
2015-54	RFP	Molzen Corbin	Winner	\$ 156,018.00		Albuquerque, NM	Yes	No	Engineering Services for Double Eagle Waterline Phase 3
2015-54	RFP	Molzen Corbin	Winner	\$ 424,982.00		Albuquerque, NM	Yes	No	Engineering Services for Double Eagle Waterline Phase 3
2015-54	RFP	Molzen Corbin	Winner	\$ 108,652.00		Albuquerque, NM	Yes	No	Engineering Services for Double Eagle Waterline Phase 3
2015-55	BID	Wescon Construction	Winner	\$ 1,200,061.00	\$ 2,348,423.68	Albuquerque, NM	Yes	No	Construction of New Aquatic Park Complex
2016-01	BID	Constructors Inc.	Winner	\$ 698,180.00		Carlsbad, NM	Yes	No	Construction of North Canal Street - Phase 2 (Orchard to Cherry)
		Ramirez and Sons Inc.	Loser			Hobbs, NM			
2016-12	BID	Constructors Inc.	Winner	\$ 1,695,300.00		Carlsbad, NM	Yes	No	Calaway Road Reconstruction Project
		James Hamilton Construction	Loser			Silver City, NM			
N/A	Sole Source	HD Supply Waterworks	Winner	\$ 63,743.16		St. Louis, MO	No	No	Neptune Radio Read Water Meters
N/A	Sole Source	Leathers and Associates	Winner	\$ 81,367.82		Ithaca, NY	No	No	Playground Design and Restoration Services
N/A	Emergency	Fierro & Fierro	Winner	\$ 60,000.00	\$ 239,566.30	Las Cruces, NM	No	No	Finance Director and Consulting Services



**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**

Tim Keller
New Mexico State Auditor
To the Major and City Councilors
The City of Carlsbad
Carlsbad, 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 comparison of the general fund, of the City of Carlsbad (City) as of and for the year ended June 30, 2016, and the related notes to the financial statements, which collectively comprise the City’s basic financial statements, and the combining and individual funds and related budgetary comparisons of the City presented as supplemental information of and have issued our report thereon dated December 14, 2016.

Internal Control Over Financial Reporting

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

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

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

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City’s financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on

compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

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 14, 2016



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

Mr. Tim Keller
New Mexico State Auditor
The Mayor and City Council
City of Carlsbad
Carlsbad, New Mexico

Report on Compliance for Each Major Federal Program

We have audited the City of Carlsbad, State of New Mexico's (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, 2016. 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, 2016.

Report on Internal Control Over Compliance

Management of the City is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the City's internal control over compliance with the types of requirements that could have a direct and material effect on 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 14, 2016

**STATE OF NEW MEXICO
CITY OF CARLSBAD
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016**

A. SUMMARY OF AUDIT RESULTS

Financial Statements:

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

Federal Awards:

- | | |
|--|-------------------|
| 1. Internal control over major programs: | |
| Material weaknesses identified? | No |
| 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) | No |
| 4. Identification of major programs: | |

CFDA Numbers Funding Source	Name of Federal Programs	Funding Source
20.106	Airport Rescue Fire Fighting Vehicle	U.S. Dept. of Transportation
20.509	Formula Grants for Rural Areas	U.S. Dept. of Transportation

- | | |
|---|-----------|
| 5. Dollar threshold used to distinguish between type A and type B programs: | \$750,000 |
| 6. Auditee qualified as low-risk auditee? | No |

**STATE OF NEW MEXICO
CITY OF CARLSBAD
Schedule of Findings and Questioned Costs
For the Year Ended June 30, 2016**

Reference #	Finding	Status of Prior Year Findings	Type of Finding
Prior Year Findings			
2008-006	SUBMISSION OF AUDIT REPORT	Resolved	A
2014-001	CONTROLS OVER FINANCIAL REPORTING	Resolved	A
2014-004	SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS	Resolved	E
2014-007	LACK OF INTERNAL CONTROLS OVER FEDERAL AWARDS	Resolved	F
2014-009	GRANT MANAGEMENT	Resolved	E
2015-001	TIMELY BANK RECONCILIATION PROCEDURES	Resolved	A
2015-002	FIXED ASSET CERTIFICATION	Resolved	A

Current Year Findings

None

* Legend for Type of Findings

- A. Material Weakness in Internal Control Over Financial Reporting
- B. Significant Deficiency in Internal Control Over Financial Reporting
- C. 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 to Federal Awards
- G. Non-compliance with State Audit Rule, NM State Statutes, NMAC or other entity compliance

**STATE OF NEW MEXICO
CITY OF CARLSBAD
Exit Conference
For the Year Ended June 30, 2016**

A. AUDITOR PREPARED FINANCIAL STATEMENTS

Presentation: 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

The contents of the report for the City of Carlsbad were discussed on December 14, 2016. The following individuals were in attendance.

City of Carlsbad Officials

Steve V. McCutcheon
Richard "Dick" W. Doss
Stephanie Shumsky
Wendy Hammett
Ed Fierro, CPA

City Administrator
City Councilor
Deputy City Administrator
Director of Finance
Contract Accountant

Hinkle + Landers, P.C.

Farley Vener, CPA, CFE, CGMA
Maclen Enriquez, CPA

President
Senior Audit Manager