

**STATE OF NEW MEXICO
CITY OF CARLSBAD**

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORTS**

JUNE 30, 2013

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CITY OF CARLSBAD
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**STATE OF NEW MEXICO
CITY OF CARLSBAD
DIRECTORY OF OFFICIALS
JUNE 30, 2013**

ELECTED OFFICIALS

Dale Janway.....	Mayor
Richard "Dick" W. Doss	Mayor Pro-Tem
Paul C. Aguilar	City Councilor
J.R. Doporto	City Councilor
Sandra K. Nunley	City Councilor
Nick G. Salcido.....	City Councilor
Jason G. Shirley.....	City Councilor
Judith E. Waters	City Councilor
Janell E. Whitlock	City Councilor

DEPARTMENT HEADS

Steve V. McCutcheon	City Administrator
Monica D. Harris	Director of Finance/City Treasurer
Annette Barrick.....	City Clerk
Daniel Fierro.....	Chief of Police
Richard D. Lopez	Fire Chief
Patsy F. Jackson-Christopher.....	Community Development Director
Scot Bendixsen	Human Resources Director
Luis R. Camero	Director of Utilities
Thomas F. Carlson.....	Director of Public Works
David L. Redford	Municipal Judge
Eileen P. Riordan	City Attorney

Ed Fierro, CPA • Rose Fierro, CPA

527 Brown Road • Las Cruces, NM 88005
Bus: (575) 525-0313 • Fax: (575) 525-9708
www.fierrocpa.comIndependent Auditors' Report

Hector H. Balderas, State Auditor
and
Mayor and City Councilors
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 (city), as of and for the year ended June 30, 2013, 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, nonmajor enterprise, internal service funds, and the budgetary comparisons for the major capital project fund, enterprise funds, all nonmajor funds and internal service 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, 2013, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

Auditors' Responsibility (continued)

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 of Carlsbad, as of June 30, 2013, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America. 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, enterprise and internal service funds of the city of Carlsbad as of June 30, 2013, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America. In our opinion, the budgetary comparisons for the general, major capital project, enterprise and all nonmajor funds referred to above present fairly, in all material respects, the budgetary comparisons of the city for the year ended June 30, 2013, in conformity with the budgetary basis of accounting more fully described in Note 1D, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Management has omitted the management's discussion and analysis that accounting principles generally accepted in the United States of America required to be presented to supplement the basic financial statements. Such missing information, although not a part of the basic financial statements, is required by the 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.

Other Information

Our audit was conducted for the purpose of forming opinions on the city's financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The Schedule of Expenditures of federal awards as required by Office of Management and Budget *Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations*, and the other schedules 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 required by 2.2.2 NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with the auditing standards generally accepted in the United States of America. In our opinion, schedule of expenditures of federal awards and other schedules required by 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated January 17, 2014 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.

Fierro + Fierro, P.A.

Fierro & Fierro, P.A.
Las Cruces, New Mexico

January 17, 2014

GOVERNMENT-WIDE FINANCIAL STATEMENTS

STATE OF NEW MEXICO
CITY OF CARLSBAD
STATEMENT OF NET POSITION
JUNE 30, 2013

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Assets:			
Current assets:			
Cash	\$ 42,134,100	\$ 19,318,936	\$ 61,453,036
Receivables, net	10,504,892	3,041,580	13,546,472
Inventory	-	539,262	539,262
	<u>52,638,992</u>	<u>22,899,778</u>	<u>75,538,770</u>
Noncurrent assets:			
Restricted cash	950,009	9,418,215	10,368,224
Restricted investments	307,866	6,418,837	6,726,703
Prepaid bond insurance premiums	4,987	79,148	84,135
Capital assets:			
Land and construction in progress	4,571,244	9,841,911	14,413,155
Other capital assets, net of depreciation	<u>77,280,825</u>	<u>50,443,208</u>	<u>127,724,033</u>
	<u>83,114,931</u>	<u>76,201,319</u>	<u>159,316,250</u>
Deferred Outflows of Resources:			
Deferred amount on advance refunding of debt	-	197,393	197,393
	<u>-</u>	<u>197,393</u>	<u>197,393</u>
Total assets and deferred outflows of resources	<u>\$ 135,753,923</u>	<u>\$ 99,298,490</u>	<u>\$ 235,052,413</u>
Liabilities:			
Current liabilities:			
Accounts payable	\$ 1,051,666	\$ 516,716	\$ 1,568,382
Accrued salaries	533,292	103,136	636,428
Accrued liabilities	44,720	70,358	115,078
Accrued interest payable	47,606	511,241	558,847
Deposits payable	500	858,024	858,524
Current maturities of:			
Bonds payable	530,294	848,039	1,378,333
Notes payable	482,007	77,973	559,980
Compensated absences	<u>415,110</u>	<u>85,605</u>	<u>500,715</u>
	<u>3,105,195</u>	<u>3,071,092</u>	<u>6,176,287</u>
Noncurrent liabilities:			
Bonds payable	6,423,142	17,150,911	23,574,053
Notes payable	464,749	14,888,548	15,353,297
Compensated absences	834,111	228,138	1,062,249
Landfill closure and post-closure	-	835,601	835,601
	<u>7,722,002</u>	<u>33,103,198</u>	<u>40,825,200</u>
Total liabilities	<u>10,827,197</u>	<u>36,174,290</u>	<u>47,001,487</u>
Deferred Inflows of Resources:			
Deferred revenues	13,929	2,250	16,179
Net Position:			
Net investment in capital assets	80,905,313	43,156,700	124,062,013
Restricted for:			
Debt service	307,866	256,156	564,022
Endowment:			
Expendable	-	8,129,846	8,129,846
Unrestricted	<u>43,699,618</u>	<u>11,579,248</u>	<u>55,278,866</u>
Total net position	<u>124,912,797</u>	<u>63,121,950</u>	<u>188,034,747</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 135,753,923</u>	<u>\$ 99,298,490</u>	<u>\$ 235,052,413</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, 2013**

Functions/Programs	Expenses	Program Revenues			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	\$ 5,104,853	\$ 575,871	\$ -	\$ 2,261,422	\$ (2,267,560)	\$ -	\$ (2,267,560)
Public safety	17,424,719	1,443,777	1,206,963	-	(14,773,979)	-	(14,773,979)
Public works	7,426,951	133	29,729	2,153,501	(5,243,588)	-	(5,243,588)
Culture and recreation	6,193,838	450,734	65,802	-	(5,677,302)	-	(5,677,302)
Health and welfare	1,015,556	-	-	-	(1,015,556)	-	(1,015,556)
Economic development	23,579	-	-	106,074	82,495	-	82,495
Interest on long-term debt	361,903	-	-	-	(361,903)	-	(361,903)
Total governmental activities	37,551,399	2,470,515	1,302,494	4,520,997	(29,257,393)	-	(29,257,393)
Business-type activities:							
Water	5,343,147	12,835,517	-	-	-	7,492,370	7,492,370
Solid waste	3,307,109	4,339,622	111,000	-	-	1,143,513	1,143,513
Wastewater	2,562,595	3,727,708	-	-	-	1,165,113	1,165,113
Museum	3,080	5,391	1,000	-	-	3,311	3,311
Municipal transit	1,027,098	80,687	313,120	42,511	-	(590,780)	(590,780)
Performing arts center	148,442	15,230	-	-	-	(133,212)	(133,212)
Cemetery	453,853	176,029	-	-	-	(277,824)	(277,824)
Interest on long-term debt	1,112,447	-	-	-	-	(1,112,447)	(1,112,447)
Total business-type activities	13,957,771	21,180,184	425,120	42,511	-	7,690,044	7,690,044
Total primary government	\$ 51,509,170	\$ 23,650,699	\$ 1,727,614	\$ 4,563,508	(29,257,393)	7,690,044	(21,567,349)
General Revenues:							
Sales taxes					38,859,427	741,544	39,600,971
Property taxes, levied for general purposes					2,245,453	-	2,245,453
Lodgers' taxes					1,586,197	-	1,586,197
Franchise taxes					727,743	-	727,743
Public service taxes					521,195	-	521,195
Investment income					16,276	7,834	24,110
Donations					221,395	135,481	356,876
Insurance recoveries					889	4,148	5,037
Special Item - gain on disposal of assets					238,700	11,482	250,182
Transfers					(2,676,137)	2,676,137	-
Total general revenues, special items, and transfers					41,741,138	3,576,626	45,317,764
Change in net position					12,483,745	11,266,670	23,750,415
Net position, beginning of year					112,542,890	52,128,426	164,671,316
Restatements					(113,838)	(273,146)	(386,984)
Net position, beginning of year, restated					112,429,052	51,855,280	164,284,332
Net position, end of year					\$ 124,912,797	\$ 63,121,950	\$ 188,034,747

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

GOVERNMENTAL FUNDS FINANCIAL STATEMENTS

**STATE OF NEW MEXICO
CITY OF CARLSBAD
BALANCE SHEET
GOVERNMENTAL FUNDS
JUNE 30, 2013**

	General Fund	GRT Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Assets:				
Cash	\$ 18,462,113	\$ 8,833,777	\$ 10,971,694	\$ 38,267,584
Receivables, net	7,025,345	490,457	2,948,552	10,464,354
Due from other funds	-	-	120,000	120,000
Restricted:				
Investments	-	-	307,866	307,866
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total assets	<u>\$ 25,487,458</u>	<u>\$ 9,324,234</u>	<u>\$ 14,348,112</u>	<u>\$ 49,159,804</u>
 Liabilities:				
Accounts payable	\$ 544,628	\$ 98,071	\$ 385,056	\$ 1,027,755
Accrued salaries	522,992	-	10,300	533,292
Accrued interest payable	-	-	6,766	6,766
Accrued sales taxes payable	1,521	-	-	1,521
Accrued payroll taxes payable	43,199	-	-	43,199
Deposits payable	-	-	500	500
Due to other funds	-	-	120,000	120,000
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities	1,112,340	98,071	522,622	1,733,033
 Deferred Inflows of Resources:				
Deferred revenues	115,845	-	13,929	129,774
 Fund Balances:				
Restricted for:				
Debt service	-	-	326,610	326,610
State mandated per statutes	-	-	1,611,661	1,611,661
Committed for:				
One twelfth budget reserve	3,406,368	-	-	3,406,368
Subsequent years' expenditures	6,280,661	2,665,514	7,121,851	16,068,026
Assigned	-	6,560,649	4,751,439	11,312,088
Unassigned	14,572,244	-	-	14,572,244
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total fund balances	24,259,273	9,226,163	13,811,561	47,296,997
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 25,487,458</u>	<u>\$ 9,324,234</u>	<u>\$ 14,348,112</u>	<u>\$ 49,159,804</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
RECONCILIATION OF THE BALANCE SHEET
GOVERNMENTAL FUNDS
TO THE STATEMENT OF NET POSITION
JUNE 30, 2013

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

Total fund balance governmental funds (page seven)	\$	47,296,997
Capital assets used in governmental activities are not financial resources and; therefore, are not reported in the governmental funds.		81,852,069
Insurance premiums paid during the issuance of bonds are not expensed in the current period. These costs are capitalized, in the statement of net position and are not reported in the governmental funds.		4,987
Certain accrued interest expenses are not due and payable in the current period and, therefore, are not reported in the governmental funds.		(40,840)
Long-term liabilities, including notes payable, that are not due and payable in the current period, and, therefore, are not reported in the governmental funds.		(9,149,413)
Recognition of property tax revenue is reflected on full accrual basis within the statement of net assets. Governmental funds recognize property tax on the modified accrual basis.		115,845
Residual balances of the internal service funds are included within the governmental activities and are not reported in the governmental funds.		<u>4,833,152</u>
Net position of governmental activities (page five)	\$	<u><u>124,912,797</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, 2013

	General Fund	GRT Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
Revenues:				
Sales taxes	\$ 34,628,577	\$ 2,748,372	\$ 1,482,478	\$ 38,859,427
Property taxes	2,269,624	-	-	2,269,624
Franchise taxes	727,743	-	-	727,743
Lodgers' taxes	-	-	1,586,197	1,586,197
Public service taxes	-	-	521,195	521,195
Intergovernmental:				
Federal	47,538	-	2,727,916	2,775,454
State	732,242	-	707,943	1,440,185
Charges for services	1,522,313	-	145,512	1,667,825
Licenses and permits	274,061	-	73,052	347,113
Fines and forfeitures	331,825	-	-	331,825
Investment income	7,752	-	3,882	11,634
Miscellaneous	101,615	-	1,872,310	1,973,925
Total revenues	40,643,290	2,748,372	9,120,485	52,512,147
Expenditures:				
Current:				
General government	4,933,558	-	-	4,933,558
Public safety	15,159,944	-	446,145	15,606,089
Public works	4,713,121	21,418	582,711	5,317,250
Culture and recreation	3,734,000	-	1,600,396	5,334,396
Health and welfare	824,766	-	43,986	868,752
Economic development	-	-	23,579	23,579
Capital outlay	2,025,397	560,244	5,426,304	8,011,945
Debt service:				
Principal	-	-	981,201	981,201
Interest and other charges	-	-	363,783	363,783
Total expenditures	31,390,786	581,662	9,468,105	41,440,553
Excess (deficiency) of revenues over expenditures	9,252,504	2,166,710	(347,620)	11,071,594
Other Financing Sources (Uses):				
Transfers in	3,883,493	-	5,337,149	9,220,642
Transfers (out)	(6,317,346)	(508,159)	(6,658,600)	(13,484,105)
Total other financing sources (uses)	(2,433,853)	(508,159)	(1,321,451)	(4,263,463)
Special Item:				
Proceeds from sale of assets	259,633	-	1,955	261,588
Net change in fund balances	7,078,284	1,658,551	(1,667,116)	7,069,719
Fund balances, beginning of year	17,180,989	7,567,612	15,478,677	40,227,278
Fund balances, end of year	\$ 24,259,273	\$ 9,226,163	\$ 13,811,561	\$ 47,296,997

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 – GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2013

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

Net change in fund balances total governmental funds (page nine)	\$ 7,069,719
Net change in net position of internal service funds (page thirteen)	237,697
Governmental funds report capital outlay as expenditures in the amount of \$8,011,945; however, in the statement of activities, the costs of those assets are allocated over their estimated useful lives and reported as depreciation expense in the amount of \$3,708,888; therefore, the net adjustment is \$4,303,057.	4,303,057
Within the statement of activities, the basis of capital assets disposed of are netted with the gross proceeds to produce a gain or loss. The disposal of capital assets does not use current financial resources and, therefore, are not reported as expenditures in the governmental funds.	(89,493)
Some of the city's property taxes, along with other revenues, will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore, are reported as deferred revenue in the funds.	15,439
Accrued interest expense not due within thirty days after year-end is not considered in the current period and is not reported in the governmental funds. The decrease of the accrued interest liability from the previous year decreases the interest expense within the statement of activities.	10,229
The repayment of principal of long-term debt consumes the current financial resources of the governmental funds; however, is not recorded as an expense within the statement of activities.	981,201
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 and the expense does not use a current financial resource, and is not recorded within the governmental funds.	(1,391)
Increase in the compensated absences liability is reflected as an expense within the statement of activities and the expense does not require the use of current financial resources and are not recorded within the governmental fund statements.	<u>(42,713)</u>
Net change in net position - government-wide financial statements (page six)	<u><u>\$ 12,483,745</u></u>

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 CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2013

	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	\$ 27,424,147	\$ 27,424,147	\$ 34,100,446	\$ 528,131	\$ 34,628,577	\$ 6,676,299
Property taxes	2,055,438	2,055,438	2,253,507	16,117	2,269,624	198,069
Franchise taxes	770,217	770,217	710,594	17,149	727,743	(59,623)
Intergovernmental:						
Federal	10,731	10,731	35,574	11,964	47,538	24,843
State	1,278,779	1,281,728	1,338,242	(606,000)	732,242	56,514
Charges for services	1,185,690	1,185,690	1,399,405	122,908	1,522,313	213,715
Licenses and permits	306,701	306,701	274,206	(145)	274,061	(32,495)
Fines and forfeitures	366,262	366,262	331,792	33	331,825	(34,470)
Investment income	8,027	8,027	7,854	(102)	7,752	(173)
Miscellaneous	1,628	1,628	89,211	12,404	101,615	87,583
Total revenues	33,407,620	33,410,569	40,540,831	102,459	40,643,290	7,130,262
Expenditures:						
Current:						
General government	5,221,446	5,688,238	4,912,257	21,301	4,933,558	775,981
Public safety	16,090,456	16,207,419	15,000,865	159,079	15,159,944	1,206,554
Public works	5,283,652	5,435,026	4,658,555	54,566	4,713,121	776,471
Culture and recreation	3,938,702	4,039,641	3,700,807	33,193	3,734,000	338,834
Health and welfare	819,182	838,516	824,817	(51)	824,766	13,699
Capital outlay	3,041,689	4,316,736	1,801,358	224,039	2,025,397	2,515,378
Total expenditures	34,395,127	36,525,576	30,898,659	492,127	31,390,786	5,626,917
Excess (deficiency) of revenues over expenditures	(987,507)	(3,115,007)	9,642,172	(389,668)	9,252,504	12,757,179
Other Financing Sources (Uses):						
Transfers in	4,064,012	4,934,279	3,934,104	(50,611)	3,883,493	(1,000,175)
Transfers (out)	(4,064,108)	(6,318,599)	(6,322,405)	5,059	(6,317,346)	(3,806)
Total other financing sources (uses)	(96)	(1,384,320)	(2,388,301)	(45,552)	(2,433,853)	(1,003,981)
Special Item:						
Proceeds from sale of assets	100	100	259,633	-	259,633	259,533
Net change	(987,503)	(4,499,227)	7,513,504	\$ (435,220)	\$ 7,078,284	12,012,731
Cash balance, beginning of year	10,948,609	10,948,609	10,948,609			-
Cash balance, end of year	<u>\$ 9,961,106</u>	<u>\$ 6,449,382</u>	<u>\$ 18,462,113</u>			<u>\$ 12,012,731</u>
Explanation of Differences:						
Change in receivables				\$ 53,973		
Change in accounts payable				(390,119)		
Change in accrued salaries				(160,051)		
Change in accrued liabilities				12,398		
Change in due to others				4,491		
Change in deferred revenues				44,088		
				<u>\$ (435,220)</u>		

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

PROPRIETARY FUNDS FINANCIAL STATEMENTS

STATE OF NEW MEXICO
CITY OF CARLSBAD
STATEMENT OF NET POSITION
PROPRIETARY FUNDS
JUNE 30, 2013

	Business-Type Activities - Enterprise Funds				Governmental Activities Internal Service Funds
	Solid Waste Fund	Joint Water and Sewer Fund	Other Enterprise Funds	Total	
Assets:					
Current assets:					
Cash	\$ 4,255,450	\$ 14,407,447	\$ 656,039	\$ 19,318,936	\$ 3,866,516
Receivables, net	585,587	2,423,356	32,637	3,041,580	40,538
Inventory	-	539,262	-	539,262	-
Total current assets	4,841,037	17,370,065	688,676	22,899,778	3,907,054
Noncurrent assets:					
Restricted cash	-	9,418,215	-	9,418,215	950,009
Restricted investments	55,101	6,363,736	-	6,418,837	-
Prepaid bond insurance premiums	-	79,148	-	79,148	-
Capital assets:					
Land and construction in progress	1,067,887	8,550,158	223,866	9,841,911	-
Other capital assets, net of accumulated depreciation	1,185,680	45,908,073	3,349,455	50,443,208	-
Total noncurrent assets	2,308,668	70,319,330	3,573,321	76,201,319	950,009
Deferred Outflows of Resources:					
Deferred amount on advance refunding of debt	-	197,393	-	197,393	-
Total assets and deferred outflows of resources	<u>\$ 7,149,705</u>	<u>\$ 87,886,788</u>	<u>\$ 4,261,997</u>	<u>\$ 99,298,490</u>	<u>\$ 4,857,063</u>
Liabilities:					
Current liabilities:					
Accounts payable	\$ 54,302	\$ 431,178	\$ 31,236	\$ 516,716	\$ 23,911
Accrued salaries	28,266	62,177	12,693	103,136	-
Accrued liabilities	-	70,358	-	70,358	-
Accrued interest payable	374	510,867	-	511,241	-
Customer deposits	-	854,524	3,500	858,024	-
Current maturities of liabilities:					
Bonds payable	-	848,039	-	848,039	-
Notes payable	63,216	14,757	-	77,973	-
Compensated absences	22,362	53,368	9,875	85,605	-
Total current liabilities	168,520	2,845,268	57,304	3,071,092	23,911
Noncurrent liabilities:					
Bonds payable	-	17,150,911	-	17,150,911	-
Notes payable	-	14,888,548	-	14,888,548	-
Compensated absences	34,255	186,232	7,651	228,138	-
Landfill closure and post-closure	835,601	-	-	835,601	-
Total noncurrent liabilities	869,856	32,225,691	7,651	33,103,198	-
Total liabilities	1,038,376	35,070,959	64,955	36,174,290	23,911
Deferred Inflows of Resources:					
Deferred revenues	-	-	2,250	2,250	-
Net Position:					
Net investment in capital assets	2,245,452	37,337,927	3,573,321	43,156,700	-
Restricted:					
Debt service	55,101	201,055	-	256,156	-
Endowment:					
Expendable	-	8,129,846	-	8,129,846	-
Unrestricted	3,810,776	7,147,001	621,471	11,579,248	4,833,152
Total net position	6,111,329	52,815,829	4,194,792	63,121,950	4,833,152
Total liabilities, deferred inflows of resources and net position	<u>\$ 7,149,705</u>	<u>\$ 87,886,788</u>	<u>\$ 4,261,997</u>	<u>\$ 99,298,490</u>	<u>\$ 4,857,063</u>

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, 2013

	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	\$ 4,339,622	\$ 16,565,330	\$ 277,337	\$ 21,182,289	\$ 4,643,241
Operating Expenses:					
Personnel services	1,502,943	3,829,340	736,831	6,069,114	-
Utilities	-	761,830	84,988	846,818	-
Contractual services	106,394	234,395	371,814	712,603	161,093
Repairs and maintenance	503,882	709,113	42,474	1,255,469	-
Insurance claims and expenses	-	-	-	-	5,494,102
Other supplies and expenses	878,220	526,394	137,583	1,542,197	342,317
Depreciation and amortization	315,670	1,844,670	258,783	2,419,123	-
Total operating expenses	<u>3,307,109</u>	<u>7,905,742</u>	<u>1,632,473</u>	<u>12,845,324</u>	<u>5,997,512</u>
Operating income (loss)	1,032,513	8,659,588	(1,355,136)	8,336,965	(1,354,271)
Non-Operating Revenues (Expenses):					
Sales taxes	741,544	-	-	741,544	-
Intergovernmental	111,000	-	313,120	424,120	-
Investment income	2,458	5,376	-	7,834	4,642
Miscellaneous	-	136,415	2,109	138,524	-
Interest expense	(4,309)	(1,108,138)	-	(1,112,447)	-
Total non-operating revenues (expenses)	<u>850,693</u>	<u>(966,347)</u>	<u>315,229</u>	<u>199,575</u>	<u>4,642</u>
Income (loss) before capital contributions and transfers	1,883,206	7,693,241	(1,039,907)	8,536,540	(1,349,629)
Capital Contributions and Transfers:					
Capital contributions	-	-	42,511	42,511	-
Transfers in	44,138	5,885,213	1,238,063	7,167,414	2,237,002
Transfers (out)	(1,571,453)	(2,893,784)	(26,040)	(4,491,277)	(649,676)
Total capital contributions and transfers	<u>(1,527,315)</u>	<u>2,991,429</u>	<u>1,254,534</u>	<u>2,718,648</u>	<u>1,587,326</u>
Special Item:					
Gain on sale of assets	4,675	6,348	459	11,482	-
Change in net position	360,566	10,691,018	215,086	11,266,670	237,697
Net position, beginning of year	5,750,763	42,397,957	3,979,706	52,128,426	4,595,455
Restatements	-	(273,146)	-	(273,146)	-
Net position, beginning of year, restated	<u>5,750,763</u>	<u>42,124,811</u>	<u>3,979,706</u>	<u>51,855,280</u>	<u>4,595,455</u>
Net position, end of year	<u>\$ 6,111,329</u>	<u>\$ 52,815,829</u>	<u>\$ 4,194,792</u>	<u>\$ 63,121,950</u>	<u>\$ 4,833,152</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, 2013

	Business-Type Activities - Enterprise Funds				Governmental Activities Internal Service Funds
	Solid Waste Fund	Joint Water and Sewer Fund	Other Enterprise Funds	Total	
Cash Flows From Operating Activities:					
Cash received from customers	\$ 4,291,674	\$ 15,912,778	\$ 279,322	\$ 20,483,774	\$ -
Internal activity - receipts from other funds	-	-	-	-	4,639,403
Cash payments to suppliers for goods and services	(1,538,000)	(2,305,973)	(655,728)	(4,499,701)	-
Cash payments to employees for services	(1,489,204)	(3,663,723)	(730,592)	(5,883,519)	(6,049,326)
Net cash provided (used) by operating activities	1,264,470	9,943,082	(1,106,998)	10,100,554	(1,409,923)
Cash Flows from Non-Capital and Related Financing Activities:					
Cash received from sales taxes	730,100	-	-	730,100	-
Cash received from intergovernmental sources	111,000	-	317,148	428,148	-
Cash received from capital contributions	-	-	42,981	42,981	-
Cash received from miscellaneous sources	-	145,669	3,647	149,316	-
Net change in customer deposits	-	169,984	3,500	173,484	-
Net transfers in (out)	(1,512,872)	1,997,874	1,207,489	1,692,491	1,587,326
Net cash provided (used) by non-capital and related financing activities	(671,772)	2,313,527	1,574,765	3,216,520	1,587,326
Cash Flows from Capital and Related Financing Activities:					
Acquisition of capital assets	(24,137)	(6,400,895)	(437,399)	(6,862,431)	-
Proceeds from the sale of assets	4,675	6,451	425	11,551	-
Long-term debt proceeds	-	2,288,027	-	2,288,027	-
Principal payments on capital debt	(63,216)	(834,720)	-	(897,936)	-
Interest on capital debt	(2,395)	(801,532)	-	(803,927)	-
Net cash (used) by capital and related financing activities	(85,073)	(5,742,669)	(436,974)	(6,264,716)	-
Cash Flows from Investing Activities:					
Investment income	2,089	138,782	-	140,871	4,746
Proceeds from sale of investments	-	1,250,000	-	1,250,000	-
Purchase of investments	(1,940,000)	(1,372,885)	-	(3,312,885)	-
Net cash provided (used) by investing activities	(1,937,911)	15,897	-	(1,922,014)	4,746
Net increase (decrease) in cash	(1,430,286)	6,529,837	30,793	5,130,344	182,149
Cash and cash equivalents, beginning of year	2,878,737	15,438,061	625,246	18,942,044	4,134,376
Cash and cash equivalents, end of year	<u>\$ 1,448,451</u>	<u>\$ 21,967,898</u>	<u>\$ 656,039</u>	<u>\$ 24,072,388</u>	<u>\$ 4,316,525</u>
Displayed as:					
Cash	\$ 4,255,450	\$ 14,407,447	\$ 656,039	\$ 19,318,936	\$ 3,866,516
Restricted cash	-	9,418,214	-	9,418,214	950,009
Time deposits not considered cash equivalents	(2,806,999)	(1,857,763)	-	(4,664,762)	(500,000)
	<u>\$ 1,448,451</u>	<u>\$ 21,967,898</u>	<u>\$ 656,039</u>	<u>\$ 24,072,388</u>	<u>\$ 4,316,525</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:					
Operating Income (Loss)	\$ 1,032,513	\$ 8,659,588	\$ (1,355,136)	\$ 8,336,965	\$ (1,354,271)
Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities:					
Depreciation	315,670	1,844,670	258,783	2,419,123	-
Bad debts	8,462	115,449	-	123,911	-
Landfill closure and post-closure liability	56,246	-	-	56,246	-
Change in Assets and Liabilities:					
(Increase) decrease in accounts receivable	(60,630)	(460,395)	925	(520,100)	4,402
(Increase) in inventories	-	(141,209)	-	(141,209)	-
(Decrease) in accounts payable	(105,337)	(249,555)	(20,060)	(374,952)	(60,054)
Increase in accrued salaries	5,680	4,899	242	10,821	-
Increase in accrued liabilities	-	8,915	-	8,915	-
Increase in compensated absences	11,866	160,720	5,998	178,584	-
Increase in deferred revenues	-	-	2,250	2,250	-
Total adjustments	231,957	1,283,494	248,138	1,763,589	(55,652)
Net cash provided (used) by operating activities	<u>\$ 1,264,470</u>	<u>\$ 9,943,082</u>	<u>\$ (1,106,998)</u>	<u>\$ 10,100,554</u>	<u>\$ (1,409,923)</u>

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

NOTES TO THE FINANCIAL STATEMENTS

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The financial statements of the city of Carlsbad (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 more significant of the government's accounting policies 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, 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. 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 assets 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.

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Government-Wide and Fund Financial Statements (continued)

Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from the business-type activities, which rely on 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*.

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 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 taxes, 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 and proprietary funds. 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. For the current fiscal year, the city does not have any fiduciary funds.

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.

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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 taxes, grants, entitlements, and donations. On an accrual basis, revenue from property taxes is recognized in the fiscal year to which the taxes 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 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. However, debt service expenditures, as well as, expenditures related to compensated absences and claims and judgments, are recorded only when payment is made.

In addition to assets, the statement of net position will, at times, report a separate section of deferred outflows of resources. This separate financial statement element, *deferred outflows of resources*, represents a consumption of net position that applies to a future reporting period(s); therefore, is not recognized as an outflow of resources (expense) until then.

In addition to liabilities, the statement of net position will, at times, 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 reporting period(s); therefore, will not be recognized as an inflow of resources (revenues) until that time.

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.

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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 non-operating 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.

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.

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 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.

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The *GRT capital outlay fund* accounts for receipts and disbursements from the 2009 bond proceeds for capital outlay projects, as required by the bond covenant. The fund is authorized by city council.

The city maintains twenty other individual governmental funds that are considered nonmajor funds; eleven are classified as special revenue funds; five are classified as capital project funds; and four 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 *recreation fund* accounts for receipts, which is restricted use in recreational areas only. Originally, the funding source of revenues was from one-third of the cigarette tax. Currently, the majority of revenues are from charges for services from concession sales and rentals. The fund was established by local ordinance. The cigarette tax was imposed and collected as authorized by Section 7-12-1 through 7-12-17, NMSA 1978.

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 3-38-15(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 24-10A-1 to 24-10A-10, NMSA 1978 provides funds to municipalities for use in the establishment and enhancement of local emergency medical services. Section 24-10A-7, NMSA 1978 restricts expenditures from the fund for only emergency medical services.

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Special Revenue Funds (continued)

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.

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

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 *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 special revenue 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 the accelerations 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 *street systems improvement fund* accounts for receipts and disbursements for city street improvements. Financing is provided from motor vehicle fees and state and county grants. The fund is authorized by city ordinance 389.

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Capital Project Funds (continued)

The *state legislative fund* was established to record revenues and expenditures for state grant funds received for projects approved by the state legislature. 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.

Debt Service Funds

The *sports complex fund* accounts for the receipts and disbursements for the construction of the city's Youth Sports Complex and the associated debt service, due to the New Mexico Finance Authority. The fund is authorized by city council and is in conformance with loan covenants.

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 the general fund. The fund is authorized by city council and is in conformance with bond covenants.

The *NM finance authority loan fund* accounts for the receipts and disbursements for the repayment of a loan to the New Mexico Finance Authority. Financing is provided from a New Mexico Finance Authority loan. The fund is authorized by city council and is in conformance with loan covenants.

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

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.

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting,

C. and Financial Statement Preparation (continued)

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 four individual internal service funds. A description of each fund is as follows:

The *computer lease equipment fund* accounts for the costs of providing computer equipment to the various departments of the city. Operating transfers are made from various departments to cover the cost of the leasing the equipment.

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.

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

D. Budgets (continued)

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 1st 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, excluding encumbrances, and secure appropriation of funds for only one year. Carryover funds are reappropriated 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, Liabilities, and Net Assets or Equity

1. 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.

2. 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.

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities, and Net Assets or Equity (continued)

3. 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.

4. 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.

5. 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*.

6. 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.

7. 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.

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities, and Net Assets or Equity (continued)

7. Capital Assets (continued)

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 other improvements	10 - 50
Utility system	40
Public domain infrastructure	25
Machinery and equipment, including vehicles	5 - 10

8. Compensated Absences

City employees are entitled to certain compensated absences based on their employment classification and length of employment.

Vacation Pay – Each employee 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. Appointed officers may accrue thirty-one and a half days of paid time off per year with no maximum accumulation. Hourly workers may accumulate up to thirty days of vacation. All vacation pay is accrued when incurred in the government-wide and proprietary fund financial statements. A liability is reported in the governmental funds only if they have matured.

Sick Leave – Each employee of the city may accumulate a total of twelve days of sick leave per year; however, unless 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 qualified to retire under the state retirement program, the city will pay the employee for one-third 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 certain employees is accrued on the government-wide and proprietary fund financial statements.

9. Deferred Inflows of Resources – Deferred Revenues

Within the government-wide financial statements, deferred revenues represent unearned revenues advanced to the city. Such advances are reported as deferred revenue until the earnings process is complete. Deferred revenues may include grant awards reflected as a receivable but not recognized as revenues since all criteria have not been met.

Within the governmental funds, revenues must be available in order to be recognized. Revenues such as real estate taxes that are not available are recorded as deferred revenues and reflected as deferred inflows of resources within the balance sheet.

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities, and Net Assets or Equity (continued)

10. Deferred Outflows of Resources

Deferred amount on advance refunding of debt – The city is reporting the difference between the reacquisition price and the net carrying amount of old debt that has been retired 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.

11. 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 assets. 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 period. 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.

12. 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.

13. Fund Equity 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.

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

E. Assets, Liabilities, and Net Assets or Equity (continued)

13. Fund Equity Reservation and Designations (continued)

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. It 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

1. Presentation

Certain reclassifications of prior year information have been made to conform to current year presentation.

2. 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 when purchased, to be cash equivalents.

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

F. Other Matters (continued)

3. Use of Estimates

The preparation of financial statements in conformity with 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.

2. CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS

Cash

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 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, 2013, 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:

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

2. CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS (continued)

Cash Deposited with Financial Institutions (continued)

	Per Institution	Reconciling Items	Per Financial Statements
Cash on hand	\$ -	\$ 2,997	\$ 2,997
Carlsbad National Bank	7,067,145	(628,840)	6,438,305
Pioneer Savings Bank	2,776,960	-	2,776,960
Wells Fargo Bank	49,500,750	157,631	49,658,381
Western Commerce Bank	13,118,427	(173,810)	12,944,617
Total cash deposits	<u>\$ 72,463,282</u>	<u>\$ (642,022)</u>	<u>\$ 71,821,260</u>

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

Statement of Net Position:	
Cash	\$ 61,453,036
Restricted cash	<u>10,368,224</u>
Total cash reported on financial statements	<u>\$ 71,821,260</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.

	Carlsbad National Bank	Pioneer Savings Bank	Wells Fargo Bank	Western Commerce Bank
Total deposits in bank	\$ 7,067,145	\$ 2,776,960	\$ 49,500,750	\$ 13,118,427
Less FDIC coverage	<u>(250,000)</u>	<u>(250,000)</u>	<u>(250,000)</u>	<u>(250,000)</u>
Uninsured public funds	6,817,145	2,526,960	49,250,750	12,868,427
Pledged collateral held by pledging bank's trust, but not in the city's name	<u>5,891,475</u>	<u>1,715,828</u>	<u>26,654,649</u>	<u>7,999,817</u>
Uninsured and uncollateralized public funds	<u>\$ 925,670</u>	<u>\$ 811,132</u>	<u>\$ 22,596,101</u>	<u>\$ 4,868,610</u>
Total pledged collateral 50% pledged collateral requirement per state statute	<u>\$ 5,891,475</u>	<u>\$ 1,715,828</u>	<u>\$ 26,654,649</u>	<u>\$ 7,999,817</u>
	<u>3,408,573</u>	<u>1,263,480</u>	<u>24,625,649</u>	<u>6,434,214</u>
Pledged collateral (under) over the requirement	<u>\$ 2,482,902</u>	<u>\$ 452,348</u>	<u>\$ 2,029,000</u>	<u>\$ 1,565,603</u>

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

2. CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS (continued)

Cash Deposited with Financial Institutions (continued)

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, 2013, \$71,463,282 of the City’s bank balance of \$72,463,282 was exposed to custodial credit risk as follows:

	Carlsbad National Bank	Pioneer Savings Bank	Wells Fargo Bank	Western Commerce Bank	Total
Uninsured and collateral held by pledging bank’s trust dept. or agent not in the city’s name.	<u>\$ 6,817,145</u>	<u>\$ 2,526,960</u>	<u>\$ 49,250,750</u>	<u>\$ 12,868,427</u>	<u>\$ 71,463,282</u>

3. RESTRICTED INVESTMENTS

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

Statement of Net Position:	
Restricted investments	<u>\$ 6,726,703</u>

As of June 30, 2013, the restricted investments are composed of the following:

Investment - US Treasury Notes	\$ 6,363,736
NMFA - debt reserve	362,955
NMFA - debt service	<u>12</u>
	<u>\$ 6,726,703</u>

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

3. RESTRICTED INVESTMENTS (continued)

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. Or the fiscal year ended June 30, 2013, the NMFA has invested the funds held in the debt service, debt reserve, and program funds pools. None of the cash invested can be specifically identified, as the city's investment as cash from local governments within the state of New Mexico are invested within the pooled accounts.

NMFA – Debt Service Pool

The city has \$12 invested within the NMFA debt service pool. At June 30, 2013, the pool was composed of money market funds.

NMFA – Debt Reserve Pool

The city has \$362,955 invested within the NMFA debt reserve pool. At June 30, 2013, the pool was composed of 5.42% money market funds; 59.33% of fixed income agencies funds; and 35.25% fixed income U.S. Treasuries.

Interest Rate Risk

Interest rate risk is the risk that interest rate variations may adversely affect an investment's fair value. The prices of securities fluctuate with market interest rates and the securities held in a portfolio will decline if market interest rates rise. The portfolio's weighted average maturity (WAM) is a key determinant of the tolerance of a fund's investments to rising interest rates. In general, the longer the WAM, the more susceptible the fund is to rising interest rates. The NMFA debt service pool fund weighted average maturity is 42.41-day WAM. The NMFA debt reserve pool fund weighted average maturity is 1.335 WAM. The NMFA program funds pool fund weighted average maturity is .089 WAM.

Other Investments

As part of a city ordinance, the city has idle cash invested, in the amount of \$6,345,790 at Wells Fargo Bank, N.A., Roswell, New Mexico. The current fair value is \$6,363,736. The fund is composed of U.S. Treasury Notes. The fund is not subject to categorization.

During the fiscal year ended June 30, 2013, the city realized a net loss of \$8,273 from the sale of investments. The calculation of realized gains is independent of the calculation of the net increase in the fair value of investments. Realized gains and losses that had been held more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of investments reported in the prior year. The net decrease in the fair value of investments during the current fiscal year was \$120,424. This amount takes into account all changes in fair value (including purchases and sales) that occurred during the year. The unrealized loss on investments held at year-end was \$112,151.

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

4. RECEIVABLES, NET

Receivables, net of allowance for doubtful accounts, at June 30, 2013, consisted of the following:

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>
Accounts receivable:		
Charges for services	\$ 1,870,142	\$ 3,385,326
Allowance for doubtful accounts	<u>(1,302,966)</u>	<u>(507,390)</u>
Total	567,176	2,877,936
Taxes receivable:		
Sales taxes	6,893,552	131,874
Franchise taxes	121,805	-
Property taxes	157,514	-
Lodgers' taxes	149,879	-
Public service taxes	41,738	-
Allowance for doubtful accounts	<u>-</u>	<u>-</u>
Total	7,364,488	131,874
Intergovernmental receivables:		
Building improvement grants	467,885	-
Public safety grants	28,087	-
Infrastructure improvement grants	1,094,962	-
Health and welfare grants	31,416	-
Municipal transit grants	<u>-</u>	<u>30,539</u>
Total	1,622,350	30,539
Interest receivable	1,433	1,231
Notes receivable:		
WIPP acceleration project	900,000	-
Other	<u>49,445</u>	<u>-</u>
Receivables, net	<u>\$ 10,504,892</u>	<u>\$ 3,041,580</u>

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

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 rates 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.

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

5. PROPERTY TAX (continued)

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 2012, was \$6.225 per \$1,000 for non-residential and \$5.891 for residential property. In the year 2012, there was no tax rate established for payment of bonds principal and interest.

6. CAPITAL ASSETS

Capital assets for the fiscal year ended June 30, 2013, are as follows:

	Balance 06/30/12	Increases	Decreases	Balance 06/30/13
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 2,085,902	\$ -	\$ -	\$ 2,085,902
Construction in progress	612,745	1,905,538	(32,941)	2,485,342
	<u>2,698,647</u>	<u>1,905,538</u>	<u>(32,941)</u>	<u>4,571,244</u>
Total capital assets, not being depreciated				
	2,698,647	1,905,538	(32,941)	4,571,244
Other capital assets, being depreciated:				
Buildings	52,595,045	634,085	(18,038)	53,211,092
Improvements	445,322	23,087	-	468,409
Infrastructure	62,478,394	3,122,895	(17,221)	65,584,068
Equipment	15,920,191	2,425,886	(603,527)	17,742,550
	<u>131,438,952</u>	<u>6,205,953</u>	<u>(638,786)</u>	<u>137,006,119</u>
Total other capital assets, being depreciated				
	131,438,952	6,205,953	(638,786)	137,006,119
Less accumulated depreciation:				
Buildings	(21,200,101)	(1,257,857)	16,033	(22,441,925)
Improvements	(56,208)	(20,510)	-	(76,718)
Infrastructure	(24,411,503)	(1,239,333)	9,250	(25,641,586)
Equipment	(10,897,887)	(1,191,188)	524,010	(11,565,065)
	<u>(56,565,699)</u>	<u>(3,708,888)</u>	<u>549,293</u>	<u>(59,725,294)</u>
Total accumulated depreciation				
	(56,565,699)	(3,708,888)	549,293	(59,725,294)
Other capital assets, net				
	<u>74,873,253</u>	<u>2,497,065</u>	<u>(89,493)</u>	<u>77,280,825</u>
Total capital assets, net				
	<u>\$ 77,571,900</u>	<u>\$ 4,402,603</u>	<u>\$ (122,434)</u>	<u>\$ 81,852,069</u>

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

6. CAPITAL ASSETS (continued)

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

General government	\$	566,093
Public safety		721,817
Public works		1,574,670
Culture and recreation		719,920
Health and welfare		126,388
		<u>3,708,888</u>
	\$	<u>3,708,888</u>

	Balance 06/30/12	Increases	Decreases	Balance 06/30/13
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 1,282,273	\$ -	\$ -	\$ 1,282,273
Construction in progress	5,212,533	3,366,619	(19,514)	8,559,638
	<u>6,494,806</u>	<u>3,366,619</u>	<u>(19,514)</u>	<u>9,841,911</u>
Other capital assets, being depreciated:				
Buildings	3,760,775	370,831	-	4,131,606
Improvements	30,758,561	3,279,544	-	34,038,105
Utility system	38,845,748	733,303	-	39,579,051
Equipment	9,998,608	112,388	(388,959)	9,722,037
	<u>83,363,692</u>	<u>4,496,066</u>	<u>(388,959)</u>	<u>87,470,799</u>
Less accumulated depreciation:				
Buildings	(1,174,871)	(151,582)	-	(1,326,453)
Improvements	(8,917,410)	(809,012)	-	(9,726,422)
Utility system	(17,329,941)	(835,846)	-	(18,165,787)
Equipment	(7,575,135)	(622,684)	388,890	(7,808,929)
	<u>(34,997,357)</u>	<u>(2,419,124)</u>	<u>388,890</u>	<u>(37,027,591)</u>
Other capital assets, net	<u>48,366,335</u>	<u>2,076,942</u>	<u>(69)</u>	<u>50,443,208</u>
Total capital assets, net	<u>\$ 54,861,141</u>	<u>\$ 5,443,561</u>	<u>\$ (19,583)</u>	<u>\$ 60,285,119</u>

**STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013**

7. ACCRUED LIABILITIES

Accrued liabilities at June 30, 2013, consisted of the following:

	Governmental Activities	Business-Type Activities
Payroll taxes payable	\$ 43,199	\$ -
Sales taxes payable	1,521	70,358
	\$ 44,720	\$ 70,358

8. LONG-TERM OBLIGATIONS

Changes in governmental activities obligations during the year ended June 30, 2013, were as follows:

	Balance 06/30/12	Restatement	Additions	Deletions	Balance 06/30/13	Amounts Due Within One Year
Governmental Activities:						
Notes payable	\$ 1,412,957	\$ -	\$ -	\$ (466,201)	\$ 946,756	\$ 482,007
Bonds payable	7,520,000	(52,238)	674	(515,000)	6,953,436	530,294
Compensated absences	1,206,508	-	1,179,188	(1,136,475)	1,249,221	415,110
	\$ 10,139,465	\$ (52,238)	\$ 1,179,862	\$ (2,117,676)	\$ 9,149,413	\$ 1,427,411

Note Payable – Youth Sports Complex

On June 18, 2004, the city borrowed \$3,500,000 from the New Mexico Finance Authority. The note matures on January 1, 2014, and accrues interest at rates between .900% and 3.270% per annum. The proceeds of the loan were used to construct, purchase, furnish, and equip a youth sports complex. The payments of principal and interest are paid from pledged gross receipts tax revenues.

The annual requirements to amortize the loan outstanding as of June 30, 2013, including interest payments, are as follows:

Due in year ending June 30:

	Principal	Interest	Total
2014	\$ 413,826	\$ 13,532	\$ 427,358

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

8. LONG-TERM OBLIGATIONS (continued)

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 intercepts of the city's annual state fire allotment.

The annual requirements to amortize the loan outstanding as of June 30, 2013, including interest payments, are as follows:

Due in year ending June 30:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 68,181	\$ 18,799	\$ 86,980
2015	70,559	16,597	87,156
2016	73,093	14,245	87,338
2017	75,792	11,735	87,527
2018	78,662	9,062	87,724
2019-2020	166,643	9,423	176,066
	<u>\$ 532,930</u>	<u>\$ 79,861</u>	<u>\$ 612,791</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.

The annual requirements to amortize the bonds outstanding as of June 30, 2013, including interest payments, are as follows:

Due in year ending June 30:

	<u>Principal</u>	<u>Premium/ (Discount)</u>	<u>Net Book Value</u>	<u>Interest</u>	<u>Total</u>
2014	\$ 275,000	\$ (42)	\$ 274,958	\$ 66,776	\$ 341,734
2015	290,000	(285)	289,715	53,350	343,065
2016	305,000	(500)	304,500	38,921	343,421
2017	315,000	(693)	314,307	23,886	338,193
2018	335,000	(900)	334,100	8,124	342,224
	<u>\$ 1,520,000</u>	<u>\$ (2,420)</u>	<u>\$ 1,517,580</u>	<u>\$ 191,057</u>	<u>\$ 1,708,637</u>

**STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013**

8. LONG-TERM OBLIGATIONS (continued)

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 at maturity or on a redemption date, are paid with income derived from pledged gross receipts tax revenues.

The annual requirements to amortize the bonds outstanding as of June 30, 2013, including interest payments, are as follows:

Due in year ending June 30:

	Principal	Premium/ (Discount)	Net Book Value	Interest	Total
2014	\$ 255,000	\$ 336	\$ 255,336	\$ 232,969	\$ 488,305
2015	255,000	1,621	256,621	225,319	481,940
2016	265,000	2,157	267,157	216,394	483,551
2017	275,000	2,945	277,945	206,456	484,401
2018	290,000	1,267	291,267	195,456	486,723
2019-2023	1,640,000	(15,471)	1,624,529	792,006	2,416,535
2024-2028	2,040,000	(29,343)	2,010,657	404,575	2,415,232
2029	465,000	(12,656)	452,344	22,088	474,432
	<u>\$ 5,485,000</u>	<u>\$ (49,144)</u>	<u>\$ 5,435,856</u>	<u>\$ 2,295,263</u>	<u>\$ 7,731,119</u>

Compensated Absences

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.

**STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013**

8. LONG-TERM OBLIGATIONS (continued)

Business-Type Activities

Changes in the business-type activities obligations during the year ended June 30, 2013, were as follows:

	Balance 06/30/12	Restatement	Additions	Deletions	Balance 06/30/13	Amounts Due Within One Year
Business-Type Activities:						
Notes payable	\$ 12,754,166	\$ -	\$ 2,288,026	\$ (75,671)	\$ 14,966,521	\$ 77,973
Bonds payable	18,965,000	(149,089)	3,039	(820,000)	17,998,950	848,039
Landfill closure	779,355	-	56,246	-	835,601	-
Compensated absences	135,159	-	380,640	(202,056)	313,743	85,605
	<u>\$ 32,633,680</u>	<u>\$ (149,089)</u>	<u>\$ 2,727,951</u>	<u>\$ (1,097,727)</u>	<u>\$ 34,114,815</u>	<u>\$ 1,011,617</u>

Note Payable – Solid Waste Vehicles

On November 19, 2004, the city borrowed \$549,565 from the New Mexico Finance Authority. The note matures on May 1, 2014, and accrues interest at rates between 1.260% and 3.670% per annum. The proceeds of the loan were used for the acquisition of four (4) solid waste vehicles. The payments of principal and interest are paid from net revenues from the city's solid waste activities.

The annual requirements to amortize the loan outstanding as of June 30, 2013, including interest payments, are as follows:

Due in year ending June 30:

	Principal	Interest	Total
2014	<u>\$ 63,216</u>	<u>\$ 2,242</u>	<u>\$ 65,458</u>

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.

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 received a one year extension for construction in April 2013. As of June 30, 2013, the city has requested loan proceeds, totaling \$14,647,355. 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 with no portion allocated for an amount due within one year.

**STATE OF NEW MEXICO
CITY OF CARLSBAD**
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

8. LONG-TERM OBLIGATIONS (continued)

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.

The annual requirements to amortize the loan outstanding as of June 30, 2013, including interest payments, are as follows:

Due in year ending June 30:

	Principal	Interest	Total
2014	\$ 14,757	\$ 640	\$ 15,397
2015	14,794	603	15,397
2016	14,831	566	15,397
2017	14,868	529	15,397
2018	14,905	492	15,397
2019-2023	75,086	1,898	76,984
2024-2028	76,030	954	76,984
2029-2030	30,679	115	30,794
	\$ 255,950	\$ 5,797	\$ 261,747

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.

**STATE OF NEW MEXICO
CITY OF CARLSBAD**
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

8. LONG-TERM OBLIGATIONS (continued)

2009 Advance Refunding Bonds (continued)

The annual requirements to amortize the bonds outstanding as of June 30, 2013, including interest payments, are as follows:

Due in year ending June 30:

	Principal	Premium/ (Discount)	Net Book Value	Interest	Total
2014	\$ 845,000	\$ 3,039	\$ 848,039	\$ 776,256	\$ 1,624,295
2015	870,000	3,217	873,217	750,906	1,624,123
2016	900,000	6,230	906,230	724,806	1,631,036
2017	925,000	10,124	935,124	695,556	1,630,680
2018	960,000	12,902	972,902	663,181	1,636,083
2019-2023	5,395,000	(28,393)	5,366,607	2,716,219	8,082,826
2024-2028	6,705,000	(128,072)	6,576,928	1,402,250	7,979,178
2029	1,545,000	(25,097)	1,519,903	77,250	1,597,153
	<u>\$ 18,145,000</u>	<u>\$ (146,050)</u>	<u>\$ 17,998,950</u>	<u>\$ 7,806,424</u>	<u>\$ 25,805,374</u>

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 \$3,676,200 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, 2013. However, the actual cost of post-closure care may be higher due to inflation, changes in technology, or changes in state and federal landfill laws and regulations.

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, 2013:

**STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013**

8. LONG-TERM OBLIGATIONS (continued)

Landfill Closure and Post-Closure Costs (continued)

Estimated landfill closure cost	\$ 1,517,780
Estimated landfill post-closure care cost	<u>2,158,420</u>
Total estimated closure and post-closure costs	<u><u>\$ 3,676,200</u></u>
FY12 capacity used to date	\$ 2,363,574
FY13 tonnage received/capacity used	<u>170,624</u>
FY13 capacity used to date	<u><u>\$ 2,534,198</u></u>
Total capacity used to date (approximately 2,534,198 cubic gate yards) as a percentage of total capacity (5,574,000 cubic gate yards)	<u><u>45.46%</u></u>
Total estimated closure and post-closure costs	\$ 3,676,200
Total capacity used to date	<u>45.46%</u>
Estimated closure and post-closure care costs	<u><u>\$ 1,671,201</u></u>
Estimated closure and post-closure care costs	\$ 1,671,201
Prior year liability	<u>(1,558,709)</u>
Current year liability	<u><u>\$ 112,492</u></u>
City of Carlsbad's portion (50% of current year liability)	<u><u>\$ 56,246</u></u>
Prior year liability recognized	\$ 779,355
Current year liability	<u>56,246</u>
Estimated liability for the fiscal year ended June 30, 2013	<u><u>\$ 835,601</u></u>

9. INTERFUND BALANCES AND TRANSFERS

Interfund Balances

Receivable Fund	Payable Fund	Amount
WIPP Acceleration Impact Fund	Federal Projects Fund	\$ 120,000

Interfund balances represent short-term advances for funds that receive grants on a reimbursement basis.

**STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013**

9. INTERFUND BALANCES AND TRANSFERS (continued)

Interfund Transfers

	Transfers In						Total
	General Fund	Solid Waste Fund	Joint Water and Sewer Fund	Other Governmental Funds	Other Enterprise Funds	Internal Service Funds	
Transfers (out):							
General Fund	\$ -	\$ -	\$ -	\$ 4,513,237	\$ 770,000	\$ 1,034,109	\$ 6,317,346
GRT Capital Outlay Fund	-	-	17,690	490,469	-	-	508,159
Solid Waste Fund	1,010,637	-	-	-	-	560,816	1,571,453
Joint Water and Sewer Fund	2,002,764	-	-	300,000	-	591,020	2,893,784
Other Governmental Funds	367,041	-	5,787,517	20,000	459,025	25,017	6,658,600
Other Enterprise Funds	-	-	-	-	-	26,040	26,040
Internal Service Funds	503,051	44,138	80,006	13,443	9,038	-	649,676
	<u>\$ 3,883,493</u>	<u>\$ 44,138</u>	<u>\$ 5,885,213</u>	<u>\$ 5,337,149</u>	<u>\$ 1,238,063</u>	<u>\$ 2,237,002</u>	<u>\$ 18,625,058</u>

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.

10. RESTATEMENT OF NET POSITION

The city adopted GASB Statement No. 62, *Codification of Accounting and Financial Reporting Guidance* contained in pre-November 30, 1989 FASB and AICPA Pronouncements (GASB 62), GASB Statement No. 63, *Financial Reporting of Deferred Outflows of Resources, Deferred Inflows of Resources, and Net Position* (GASB 63), and GASB Statement No. 65, *Items Previously Reported as Assets and Liabilities* (GASB 65) for the fiscal year ended June 30, 2013.

Implementation of GASB 62 did not have any financial reporting impact on the city for the fiscal year ended June 30, 2013. Implementation of GASB 63 required the reclassification of net assets to net position, and it also required reclassification of deferred outflows and deferred inflows into new categories called Deferred Outflows of Resources and Deferred Inflows of Resources.

Implementation of GASB 65 required debt issuance costs except any portion related to prepaid insurance costs should be recognized as an expense in the period incurred.

The city has restated the financial statements for the fiscal year ended June 30, 2012, as follows:

Government-Wide Financial Statements – Governmental Activities

- The city has removed the unamortized bond issuance costs of (\$172,454).

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

10. RESTATEMENT OF NET POSITION (continued)

Government-Wide Financial Statement – Governmental Activities (continued)

- The city has recorded the bond premium/discount amount, totaling \$3,444, for the 2002 Refunding and Improvements Bonds.
- The city has recorded the bond premium/discount amount, totaling \$48,794, for the 2009 Public Infrastructure Projects Bonds.
- The city has recorded the bond insurance premium amount, totaling \$6,378, for the 2002 Refunding and Improvement Bonds.

The restatement of the net position for the government-wide financial statements – governmental activities is (\$113,838).

Major Fund – Joint Water & Sewer Fund

- The city has removed the unamortized bond issuance costs of (\$728,914).
- The city has recorded the bond premium/discount amount, totaling \$139,341, for the 2009 Advance Refunding Bonds.
- The city has recorded the deferred amount on refunding amount, totaling \$232,227, for the 2009 Advance Refunding Bonds.
- The city has recorded the bond insurance premium amount, totaling \$84,200, for the 2009 Advance Refunding Bonds.

The restatement of net position for the joint water and sewer fund is (\$273,146).

Other Governmental Funds

- The city reclassified the activity within the Sports Complex Debt Service Fund, totaling \$2,600,483, to the Sports Complex Special Revenue Fund. The net effect of the restatement is \$0.

11. BAD DEBT EXPENSE

Governmental Activities – During the current fiscal year, the city recorded bad debt expense by reducing gross ambulance fees of \$1,047,588 by \$560,732. 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 recorded bad debt expense of \$123,911 by reducing solid waste sales by \$8,462; water sales by \$105,682 and wastewater sales by \$9,767.

STATE OF NEW MEXICO
CITY OF CARLSBAD
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12. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

Plan Description

Substantially, all of the city's full-time employees participate in a public employee retirement system authorized under the Public Employees Retirement Act (Chapter 10, Article 11, NMSA 1978). The Public Employees Retirement Association (PERA) is the administrator of the plan, which is a cost sharing, multiple-employer defined benefit plan. The plan provides for retirement benefits, disability benefits, survivor benefits and cost-of-living adjustments to plan members and beneficiaries. PERA issues a separate, publicly available financial report that includes financial statements and required supplementary information for the plan. That report may be obtained by writing to PERA, P.O. Box 2123, Santa Fe, NM 87504-2123. The report is also available on PERA's website at www.pera.state.nm.us.

Funding Policy

Plan members are required to contribute from 13.15% to 16.30% (ranges from 3.83% to 16.65% depending upon the plan – i.e., state general, state hazardous duty, state police and adult correctional officers, municipal general, municipal police, municipal fire, municipal detention officer) of their gross salary. The city is required to contribute from 9.15% to 21.25% (ranges from 7.0% to 25.72% depending upon the plan) of the gross covered salary. The contribution requirements of plan members and the city are established in state statute under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by legislative acts. The city's contributions to PERA for the fiscal years ending June 30, 2013, 2012, and 2011 were \$2,365,529, \$2,246,587 and \$2,089,764, respectively, equal to the amount of the required contributions for each year.

13. 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.

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

13. POST-EMPLOYMENT – STATE RETIREE HEALTH CARE PLAN (continued)

Plan Description (continued)

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 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, 2013, the statute required each participating employer to contribute 2.5% of 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.

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

13. POST-EMPLOYMENT – STATE RETIREE HEALTH CARE PLAN (continued)

Funding Policy (continued)

For employees that were not members of an enhanced retirement plan during the fiscal year ended **June 30, 2013**, 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, 2013, 2012 and 2011 were \$403,700, \$348,609 and \$295,640, respectively, which equal the required contributions for each year.

14. CONSTRUCTION COMMITMENTS

Governmental Activities – As of June 30, 2013, the city has construction contracts in progress with total costs of \$2,643,215. The projects are funded through federal and state grants and local resources. The remaining construction commitments are \$1,035,270.

Business-Type Activities – As of June 30, 2013, the city has construction contracts in progress with total costs of \$14,689,005. The projects are funded through federal and state grants and local resources. The remaining construction commitments are \$581,721.

15. 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 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.

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2013

16. 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.

**COMBINING AND INDIVIDUAL OTHER
GOVERNMENTAL FUND FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO
CITY OF CARLSBAD
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
JUNE 30, 2013**

	Special Revenue Funds							
	Fire Protection Fund	Recreation Fund	Lodgers' Tax Fund	Airport Fund	Emergency Medical Services Fund	Local Government Corrections Fund	Law Enforcement Protection Fund	RSVP Program Fund
Assets:								
Cash	\$ 112,252	\$ 212,734	\$ 1,431,393	\$ 170,921	\$ -	\$ 218,451	\$ 2,581	\$ 31,754
Receivables, net	-	467	149,882	11,673	-	-	-	-
Due from other funds	-	-	-	-	-	-	-	-
Restricted:								
Investments	12	-	-	-	-	-	-	-
Total assets	<u>\$ 112,264</u>	<u>\$ 213,201</u>	<u>\$ 1,581,275</u>	<u>\$ 182,594</u>	<u>\$ -</u>	<u>\$ 218,451</u>	<u>\$ 2,581</u>	<u>\$ 31,754</u>
Liabilities:								
Accounts payable	\$ -	\$ 725	\$ 43,715	\$ -	\$ -	\$ 18,075	\$ -	\$ 57
Accrued salaries	-	4,874	-	-	-	-	-	-
Accrued interest payable	-	-	-	-	-	-	-	-
Due to others	-	500	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-	-
Total liabilities	-	6,099	43,715	-	-	18,075	-	57
Deferred Inflows of Resources:								
Deferred revenues	-	450	-	-	-	-	-	-
Fund Balances:								
Restricted for:								
Debt service	12	-	-	-	-	-	-	-
State mandated per statutes	18,385	-	1,510,707	-	-	82,569	-	-
Committed for:								
Subsequent years' expenditures	93,867	115,556	26,853	-	-	117,807	2,581	20,592
Assigned	-	91,096	-	182,594	-	-	-	11,105
Total fund balances	<u>112,264</u>	<u>206,652</u>	<u>1,537,560</u>	<u>182,594</u>	<u>-</u>	<u>200,376</u>	<u>2,581</u>	<u>31,697</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 112,264</u>	<u>\$ 213,201</u>	<u>\$ 1,581,275</u>	<u>\$ 182,594</u>	<u>\$ -</u>	<u>\$ 218,451</u>	<u>\$ 2,581</u>	<u>\$ 31,754</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
JUNE 30, 2013**

	Special Revenue Funds				Capital Project Funds					
	Sports Complex Fund	Community Development Fund	WIPP Acceleration Impact Fund	Total Special Revenue Funds	Park Improvement Fund	Street System Improvement Fund	State Legislative Fund	CIEP Fund	Federal Projects Fund	Total Capital Project Funds
Assets:										
Cash	\$ 2,440,667	\$ 75,463	\$ 1,128,184	\$ 5,824,400	\$ 17,943	\$ 2,615,056	\$ -	\$ 2,073,043	\$ 422,508	\$ 5,128,550
Receivables, net	263,566	-	900,000	1,325,588	19,826	76,515	-	51,221	1,475,402	1,622,964
Due from other funds	-	-	120,000	120,000	-	-	-	-	-	-
Restricted:										
Investments	307,854	-	-	307,866	-	-	-	-	-	-
Total assets	<u>\$ 3,012,087</u>	<u>\$ 75,463</u>	<u>\$ 2,148,184</u>	<u>\$ 7,577,854</u>	<u>\$ 37,769</u>	<u>\$ 2,691,571</u>	<u>\$ -</u>	<u>\$ 2,124,264</u>	<u>\$ 1,897,910</u>	<u>\$ 6,751,514</u>
Liabilities:										
Accounts payable	\$ 8,851	\$ 37,463	\$ 6,506	\$ 115,392	\$ 399	\$ 142,936	\$ -	\$ 12,174	\$ 114,155	\$ 269,664
Accrued salaries	5,426	-	-	10,300	-	-	-	-	-	-
Accrued interest payable	6,766	-	-	6,766	-	-	-	-	-	-
Due to others	-	-	-	500	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-	120,000	-	120,000
Total liabilities	21,043	37,463	6,506	132,958	399	142,936	-	12,174	234,155	389,664
Deferred Inflows of Resources:										
Deferred revenues	-	-	-	450	-	-	-	-	13,479	13,479
Fund Balances:										
Restricted for:										
Debt service	307,854	-	-	307,866	-	-	-	-	-	-
State mandated per statutes	-	-	-	1,611,661	-	-	-	-	-	-
Committed for:										
Subsequent years' expenditures	956,391	38,000	1,128,183	2,499,830	-	2,196,815	-	2,059,765	365,441	4,622,021
Assigned	1,726,799	-	1,013,495	3,025,089	37,370	351,820	-	52,325	1,284,835	1,726,350
Total fund balances	<u>2,991,044</u>	<u>38,000</u>	<u>2,141,678</u>	<u>7,444,446</u>	<u>37,370</u>	<u>2,548,635</u>	<u>-</u>	<u>2,112,090</u>	<u>1,650,276</u>	<u>6,348,371</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ 3,012,087</u>	<u>\$ 75,463</u>	<u>\$ 2,148,184</u>	<u>\$ 7,577,854</u>	<u>\$ 37,769</u>	<u>\$ 2,691,571</u>	<u>\$ -</u>	<u>\$ 2,124,264</u>	<u>\$ 1,897,910</u>	<u>\$ 6,751,514</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
JUNE 30, 2013**

	Debt Service Funds					Total Other Governmental Funds
	Sports Complex Fund	2002 Sales Tax Bonds Fund	New Mexico Finance Authority Loan Fund	Capital Outlay GRT Fund	Total Debt Service Funds	
Assets:						
Cash	\$ -	\$ 18,744	\$ -	\$ -	\$ 18,744	\$ 10,971,694
Receivables, net	-	-	-	-	-	2,948,552
Due from other funds	-	-	-	-	-	120,000
Restricted:						
Investments	-	-	-	-	-	307,866
Total assets	<u>\$ -</u>	<u>\$ 18,744</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,744</u>	<u>\$ 14,348,112</u>
Liabilities:						
Accounts payable	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 385,056
Accrued salaries	-	-	-	-	-	10,300
Accrued interest payable	-	-	-	-	-	6,766
Deposits	-	-	-	-	-	500
Due to other funds	-	-	-	-	-	120,000
Total liabilities	-	-	-	-	-	522,622
Deferred Inflows of Resources:						
Deferred revenues	-	-	-	-	-	13,929
Fund Balances:						
Restricted for:						
Debt service	-	18,744	-	-	18,744	326,610
State mandated per statutes	-	-	-	-	-	1,611,661
Committed for:						
Subsequent years' expenditures	-	-	-	-	-	7,121,851
Assigned	-	-	-	-	-	4,751,439
Total fund balances	<u>-</u>	<u>18,744</u>	<u>-</u>	<u>-</u>	<u>18,744</u>	<u>13,811,561</u>
Total liabilities, deferred inflows of resources and fund balances	<u>\$ -</u>	<u>\$ 18,744</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 18,744</u>	<u>\$ 14,348,112</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, 2013

	Special Revenue Funds							
	Fire Protection Fund	Recreation Fund	Lodgers' Tax Fund	Airport Fund	Emergency Medical Services Fund	Local Government Corrections Fund	Law Enforcement Protection Fund	RSVP Program Fund
Revenues:								
Sales taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Lodgers' taxes	-	-	1,586,197	-	-	-	-	-
Public service taxes	-	-	-	-	-	-	-	-
Intergovernmental:								
Federal	-	-	-	2,423	-	-	-	36,907
State	332,940	-	-	76,356	62,538	-	60,600	-
Charges for services	-	16,403	-	5,102	-	114,990	-	-
Licenses and permits	-	-	-	-	-	-	-	-
Investment income	12	-	14	-	-	-	-	-
Miscellaneous	-	-	-	-	-	-	-	-
Total revenues	332,952	16,403	1,586,211	83,881	62,538	114,990	60,600	36,907
Expenditures:								
Current:								
Public safety	151,383	-	-	-	19,188	235,268	40,306	-
Public works	-	-	-	10,073	-	-	-	-
Culture and recreation	-	384,431	669,486	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-	43,986
Economic development	-	-	-	-	-	-	-	-
Capital outlay	341,321	-	38,290	171,983	64,216	-	-	-
Debt service:								
Principal	65,977	-	-	-	-	-	-	-
Interest	22,330	-	-	-	-	-	-	-
Total expenditures	581,011	384,431	707,776	182,056	83,404	235,268	40,306	43,986
Excess (deficiency) of revenues over expenditures	(248,059)	(368,028)	878,435	(98,175)	(20,866)	(120,278)	20,294	(7,079)
Other Financing Sources (Uses):								
Transfers in	3,238	328,407	-	-	20,866	170,000	-	25,000
Transfers (out)	(3,758)	(3,466)	(470,000)	(367,041)	-	-	(17,793)	-
Total other financing sources (uses)	(520)	324,941	(470,000)	(367,041)	20,866	170,000	(17,793)	25,000
Special Item:								
Proceeds from sale of assets	-	1,530	-	-	-	-	-	-
Net change in fund balance	(248,579)	(41,557)	408,435	(465,216)	-	49,722	2,501	17,921
Fund balance, beginning of year	360,843	248,209	1,129,125	647,810	-	150,654	80	13,776
Restatements	-	-	-	-	-	-	-	-
Fund balance, beginning of year, restated	360,843	248,209	1,129,125	647,810	-	150,654	80	13,776
Fund balance, end of year	<u>\$ 112,264</u>	<u>\$ 206,652</u>	<u>\$ 1,537,560</u>	<u>\$ 182,594</u>	<u>\$ -</u>	<u>\$ 200,376</u>	<u>\$ 2,581</u>	<u>\$ 31,697</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, 2013

	Special Revenue Funds				Capital Project Funds					
	Sports Complex Fund	Community Development Fund	WIPP Acceleration Impact Fund	Total Special Revenue Funds	Park Improvement Fund	Street System Improvement Fund	State Legislative Fund	CIEP Fund	Federal Projects Fund	Total Capital Project Funds
Revenues:										
Sales taxes	\$ 1,482,478	\$ -	\$ -	\$ 1,482,478	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Lodgers' taxes	-	-	-	1,586,197	-	-	-	-	-	-
Public service taxes	-	-	-	-	-	521,195	-	-	-	521,195
Intergovernmental:										
Federal	-	80,343	1,159,774	1,279,447	-	-	-	-	1,448,469	1,448,469
State	-	-	-	532,434	29,729	36,218	70,123	39,439	-	175,509
Charges for services	6,517	-	-	143,012	2,500	-	-	-	-	2,500
Licenses and permits	-	-	-	-	-	73,052	-	-	-	73,052
Investment income	1,069	-	-	1,095	-	1,669	-	1,118	-	2,787
Miscellaneous	-	-	-	-	5	83	-	121,382	1,750,840	1,872,310
Total revenues	1,490,064	80,343	1,159,774	5,024,663	32,234	632,217	70,123	161,939	3,199,309	4,095,822
Expenditures:										
Current:										
Public safety	-	-	-	446,145	-	-	-	-	-	-
Public works	-	-	-	10,073	-	572,638	-	-	-	572,638
Culture and recreation	506,982	-	-	1,560,899	39,497	-	-	-	-	39,497
Health and welfare	-	-	-	43,986	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	23,579	-	-	23,579
Capital outlay	218,833	274,182	-	1,108,825	10,763	949,355	1,402	242,570	3,113,389	4,317,479
Debt service:										
Principal	400,224	-	-	466,201	-	-	-	-	-	-
Interest	21,851	-	-	44,181	-	-	-	-	-	-
Total expenditures	1,147,890	274,182	-	3,680,310	50,260	1,521,993	1,402	266,149	3,113,389	4,953,193
Excess (deficiency) of revenues over expenditures	342,174	(193,839)	1,159,774	1,344,353	(18,026)	(889,776)	68,721	(104,210)	85,920	(857,371)
Other Financing Sources (Uses):										
Transfers in	10,036	-	-	557,547	-	2,600,000	-	845,000	500,000	3,945,000
Transfers (out)	-	-	(535,489)	(1,397,547)	-	-	(116,345)	(4,534,125)	(610,582)	(5,261,052)
Total other financing sources (uses)	10,036	-	(535,489)	(840,000)	-	2,600,000	(116,345)	(3,689,125)	(110,582)	(1,316,052)
Special Item:										
Proceeds from sale of assets	425	-	-	1,955	-	-	-	-	-	-
Net change in fund balance	352,635	(193,839)	624,285	506,308	(18,026)	1,710,224	(47,624)	(3,793,335)	(24,662)	(2,173,423)
Fund balance, beginning of year	37,926	231,839	1,517,393	4,337,655	55,396	838,411	47,624	5,905,425	1,674,938	8,521,794
Restatements	2,600,483	-	-	2,600,483	-	-	-	-	-	-
Fund balance, beginning of year, restated	2,638,409	231,839	1,517,393	6,938,138	55,396	838,411	47,624	5,905,425	1,674,938	8,521,794
Fund balance, end of year	\$ 2,991,044	\$ 38,000	\$ 2,141,678	\$ 7,444,446	\$ 37,370	\$ 2,548,635	\$ -	\$ 2,112,090	\$ 1,650,276	\$ 6,348,371

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, 2013

	Debt Service Funds					Total Other Governmental Funds
	Sports Complex Fund	2002 Sales Tax Bonds Fund	New Mexico Finance Authority Loan Fund	GRT Capital Outlay Fund	Total Debt Service Funds	
Revenues:						
Sales taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 1,482,478
Lodgers' taxes	-	-	-	-	-	1,586,197
Public service taxes	-	-	-	-	-	521,195
Intergovernmental:						
Federal	-	-	-	-	-	2,727,916
State	-	-	-	-	-	707,943
Charges for services	-	-	-	-	-	145,512
Licenses and permits	-	-	-	-	-	73,052
Investment income	-	-	-	-	-	3,882
Miscellaneous	-	-	-	-	-	1,872,310
Total revenues	-	-	-	-	-	9,120,485
Expenditures:						
Current:						
Public safety	-	-	-	-	-	446,145
Public works	-	-	-	-	-	582,711
Culture and recreation	-	-	-	-	-	1,600,396
Health and welfare	-	-	-	-	-	43,986
Economic development	-	-	-	-	-	23,579
Capital outlay	-	-	-	-	-	5,426,304
Debt service:						
Principal	-	265,000	-	250,000	515,000	981,201
Interest	-	79,133	-	240,469	319,602	363,783
Total expenditures	-	344,133	-	490,469	834,602	9,468,105
Excess (deficiency) of revenues over expenditures	-	(344,133)	-	(490,469)	(834,602)	(347,620)
Other Financing Sources (Uses):						
Transfers in	-	344,133	-	490,469	834,602	5,337,149
Transfers (out)	-	-	(1)	-	(1)	(6,658,600)
Total other financing sources (uses)	-	344,133	(1)	490,469	834,601	(1,321,451)
Special Item:						
Proceeds from sales of assets	-	-	-	-	-	1,955
Net change in fund balance	-	-	(1)	-	(1)	(1,667,116)
Fund balance, beginning of year	2,600,483	18,744	1	-	2,619,228	15,478,677
Restatements	(2,600,483)	-	-	-	(2,600,483)	-
Fund balance, beginning of year, restated	-	18,744	1	-	18,745	15,478,677
Fund balance, end of year	\$ -	\$ 18,744	\$ -	\$ -	\$ 18,744	\$ 13,811,561

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

**OTHER SPECIAL REVENUE FUNDS
BUDGETARY COMPARISON STATEMENTS**

STATE OF NEW MEXICO
CITY OF CARLSBAD
FIRE PROTECTION FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2013

	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	\$ 268,254	\$ 332,940	\$ 332,940	\$ -	\$ 332,940	\$ -
Investment income	-	-	12	-	12	12
Total revenues	268,254	332,940	332,952	-	332,952	12
Expenditures:						
Current:						
Public safety	110,952	146,452	152,146	(763)	151,383	(5,694)
Capital outlay	430,080	459,251	341,321	-	341,321	117,930
Debt service:						
Principal	-	-	-	65,977	65,977	-
Interest	88,307	88,307	88,307	(65,977)	22,330	-
Total expenditures	629,339	694,010	581,774	(763)	581,011	112,236
Excess (deficiency) of revenues over expenditures	(361,085)	(361,070)	(248,822)	763	(248,059)	112,248
Other Financing Sources (Uses):						
Transfers in	-	-	-	3,238	3,238	-
Transfers (out)	(3,758)	(3,758)	(3,758)	-	(3,758)	-
Total other financing sources (uses)	(3,758)	(3,758)	(3,758)	3,238	(520)	-
Net change	(364,843)	(364,828)	(252,580)	\$ 4,001	\$ (248,579)	112,248
Cash balance, beginning of year	364,832	364,832	364,832			-
Cash balance, end of year	\$ (11)	\$ 4	\$ 112,252			\$ 112,248
Explanation of Differences:						
Change in accounts payable				\$ 763		
Change in net transfers				3,238		
				\$ 4,001		

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

**STATE OF NEW MEXICO
CITY OF CARLSBAD
RECREATION FUND**
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2013

	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:						
Charges for services	\$ 17,482	\$ 17,482	\$ 17,476	\$ (1,073)	\$ 16,403	\$ (6)
Expenditures:						
Current:						
Culture and recreation	406,572	423,747	386,198	(1,767)	384,431	37,549
Capital outlay	48,000	48,000	-	-	-	48,000
Total expenditures	<u>454,572</u>	<u>471,747</u>	<u>386,198</u>	<u>(1,767)</u>	<u>384,431</u>	<u>85,549</u>
(Deficiency) of revenues over expenditures	(437,090)	(454,265)	(368,722)	694	(368,028)	85,543
Other Financing Sources (Uses):						
Transfers in	325,000	328,408	328,407	-	328,407	(1)
Transfers (out)	<u>(3,466)</u>	<u>(3,466)</u>	<u>(3,466)</u>	<u>-</u>	<u>(3,466)</u>	<u>-</u>
Total other financing sources (uses)	321,534	324,942	324,941	-	324,941	(1)
Special Item:						
Proceeds from the sale of assets	-	-	1,530	-	1,530	1,530
Net change	(115,556)	(129,323)	(42,251)	<u>\$ 694</u>	<u>\$ (41,557)</u>	87,072
Cash balance, beginning of year	<u>254,985</u>	<u>254,985</u>	<u>254,985</u>			<u>-</u>
Cash balance, end of year	<u>\$ 139,429</u>	<u>\$ 125,662</u>	<u>\$ 212,734</u>			<u>\$ 87,072</u>
Explanation of Differences:						
Change in receivables				\$ (823)		
Change in accounts payable				2,255		
Change in accrued salaries				(488)		
Change in due to others				(150)		
Change in deferred revenues				<u>(100)</u>		
				<u>\$ 694</u>		

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 BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2013

	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	\$ 1,000,000	\$ 1,000,000	\$ 1,588,131	\$ (1,934)	\$ 1,586,197	\$ 588,131
Investment income	-	-	28	(14)	14	28
Total revenues	1,000,000	1,000,000	1,588,159	(1,948)	1,586,211	588,159
Expenditures:						
Current:						
Culture and recreation	834,832	879,772	663,749	5,737	669,486	216,023
Capital outlay	80,000	86,235	38,290	-	38,290	47,945
Total expenditures	914,832	966,007	702,039	5,737	707,776	263,968
Excess (deficiency) of revenues over expenditures	85,168	33,993	886,120	(7,685)	878,435	852,127
Other Financing Sources (Uses):						
Transfers (out)	(450,000)	(470,000)	(470,000)	-	(470,000)	-
Net change	(364,832)	(436,007)	416,120	\$ (7,685)	\$ 408,435	852,127
Cash balance, beginning of year	1,015,273	1,015,273	1,015,273			-
Cash balance, end of year	\$ 650,441	\$ 579,266	\$ 1,431,393			\$ 852,127
Explanation of Differences:						
Change in receivables				\$ (1,948)		
Change in accounts payable				(5,737)		
				\$ (7,685)		

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 BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2013

	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	\$ 1,156,500	\$ 1,156,500	\$ -	\$ 2,423	\$ 2,423	\$ (1,156,500)
State	212,851	220,617	117,428	(41,072)	76,356	(103,189)
Charges for services	6,288	6,288	5,019	83	5,102	(1,269)
Total revenues	<u>1,375,639</u>	<u>1,383,405</u>	<u>122,447</u>	<u>(38,566)</u>	<u>83,881</u>	<u>(1,260,958)</u>
Expenditures:						
Current:						
Public works	510,899	519,528	10,072	1	10,073	509,456
Capital outlay	1,049,262	1,049,262	171,983	-	171,983	877,279
Total expenditures	<u>1,560,161</u>	<u>1,568,790</u>	<u>182,055</u>	<u>1</u>	<u>182,056</u>	<u>1,386,735</u>
(Deficiency) of revenues over expenditures	(184,522)	(185,385)	(59,608)	(38,567)	(98,175)	125,777
Other Financing Sources (Uses):						
Transfers (out)	-	(367,041)	(367,041)	-	(367,041)	-
Net change	(184,522)	(552,426)	(426,649)	<u>\$ (38,567)</u>	<u>\$ (465,216)</u>	125,777
Cash balance, beginning of year	<u>597,570</u>	<u>597,570</u>	<u>597,570</u>			<u>-</u>
Cash balance, end of year	<u>\$ 413,048</u>	<u>\$ 45,144</u>	<u>\$ 170,921</u>			<u>\$ 125,777</u>
Explanation of Differences:						
Change in receivables				\$ (38,687)		
Change in deferred revenues				<u>120</u>		
				<u>\$ (38,567)</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 BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2013

	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	\$ 62,538	\$ 62,538	\$ 62,538	\$ -	\$ 62,538	\$ -
Expenditures:						
Current:						
Public safety	15,438	16,351	19,188	-	19,188	(2,837)
Capital outlay	67,966	67,053	64,216	-	64,216	2,837
Total expenditures	83,404	83,404	83,404	-	83,404	-
Other Financing Sources (Uses):						
Transfers in	20,866	20,866	20,866	-	20,866	-
Net change	-	-	-	\$ -	\$ -	-
Cash balance, beginning of year	-	-	-			-
Cash balance, end of year	\$ -	\$ -	\$ -			\$ -
Explanation of Differences:						
None.						

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
LOCAL GOVERNMENT CORRECTIONS FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2013

	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:						
Charges for services	\$ 130,000	\$ 130,000	\$ 114,990	\$ -	\$ 114,990	\$ (15,010)
Expenditures:						
Current:						
Public safety	<u>356,500</u>	<u>356,500</u>	<u>250,718</u>	<u>(15,450)</u>	<u>235,268</u>	<u>105,782</u>
(Deficiency) of revenues over expenditures	(226,500)	(226,500)	(135,728)	15,450	(120,278)	90,772
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	(56,500)	(56,500)	34,272	<u>\$ 15,450</u>	<u>\$ 49,722</u>	90,772
Cash balance, beginning of year	<u>184,179</u>	<u>184,179</u>	<u>184,179</u>			<u>-</u>
Cash balance, end of year	<u>\$ 127,679</u>	<u>\$ 127,679</u>	<u>\$ 218,451</u>			<u>\$ 90,772</u>
Explanation of Differences:						
Changes in accounts payable				<u>\$ 15,450</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 BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2013

	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	\$ 60,600	\$ 60,600	\$ 60,600	\$ -	\$ 60,600	\$ -
Expenditures:						
Current:						
Public safety	32,807	42,807	40,226	80	40,306	2,581
Capital outlay	10,000	-	-	-	-	-
Total expenditures	<u>42,807</u>	<u>42,807</u>	<u>40,226</u>	<u>80</u>	<u>40,306</u>	<u>2,581</u>
Excess of revenues over expenditures	17,793	17,793	20,374	(80)	20,294	2,581
Other Financing Sources (Uses):						
Transfers (out)	<u>(17,793)</u>	<u>(17,793)</u>	<u>(17,793)</u>	<u>-</u>	<u>(17,793)</u>	<u>-</u>
Net change	-	-	2,581	<u>(80)</u>	<u>2,501</u>	2,581
Cash balance, beginning of year	-	-	-			-
Cash balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,581</u>			<u>\$ 2,581</u>
Explanation of Differences:						
Changes in receivables				<u>\$ (80)</u>		

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 BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2013

	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	\$ 36,907	\$ 36,907	\$ 36,907	\$ -	\$ 36,907	\$ -
State	10,000	10,000	-	-	-	(10,000)
Total revenues	46,907	46,907	36,907	-	36,907	(10,000)
Expenditures:						
Current:						
Health and welfare	72,685	72,685	44,141	(155)	43,986	28,544
(Deficiency) of revenues over expenditures	(25,778)	(25,778)	(7,234)	155	(7,079)	18,544
Other Financing Sources (Uses):						
Transfers in	25,000	25,000	25,000	-	25,000	-
Net change	(778)	(778)	17,766	\$ 155	\$ 17,921	18,544
Cash balance, beginning of year	13,988	13,988	13,988			-
Cash balance, end of year	\$ 13,210	\$ 13,210	\$ 31,754			\$ 18,544
Explanation of Differences:						
Change in accounts payable				\$ 155		

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 BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2013

	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	\$ 1,178,578	\$ 1,178,578	\$ 1,459,749	\$ 22,729	\$ 1,482,478	\$ 281,171
Charges for services	-	-	6,517	-	6,517	6,517
Interest	-	-	-	1,069	1,069	-
Total revenues	1,178,578	1,178,578	1,466,266	23,798	1,490,064	287,688
Expenditures:						
Current:						
Culture and recreation	525,896	634,433	502,785	4,197	506,982	131,648
Capital outlay	150,959	502,459	221,326	(2,493)	218,833	281,133
Debt service:						
Principal	428,359	428,359	428,358	(28,134)	400,224	1
Interest and other charges	-	-	-	21,851	21,851	-
Total expenditures	1,105,214	1,565,251	1,152,469	(4,579)	1,147,890	412,782
Excess (deficiency) of revenues over expenditures	73,364	(386,673)	313,797	28,377	342,174	700,470
Other Financing Sources (Uses):						
Transfers in	-	10,037	10,036	-	10,036	(1)
Special Item:						
Proceeds from sale of assets	-	-	425	-	425	425
Net change	73,364	(376,636)	324,258	\$ 28,377	\$ 352,635	700,894
Cash balance, beginning of year	37,926	37,926	37,926			-
Cash transferred from sports complex debt service fund	2,078,483	2,078,483	2,078,483			-
Cash balance, end of year	\$ 2,189,773	\$ 1,739,773	\$ 2,440,667			\$ 700,894
Explanation of Differences:						
Change in receivables				\$ 22,729		
Interest income earned by agent				1,069		
Change in accounts payable				443		
Change in accrued salaries				(2,148)		
Change in accrued interest payable				6,284		
				\$ 28,377		

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 BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2013

	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	\$ 245,265	\$ 245,265	\$ 245,265	\$ (164,922)	\$ 80,343	\$ -
Expenditures:						
Current:						
Economic development	1,839	1,839	-	-	-	1,839
Capital outlay	317,460	317,460	243,837	30,345	274,182	73,623
Total expenditures	319,299	319,299	243,837	30,345	274,182	75,462
Net change	(74,034)	(74,034)	1,428	\$ (195,267)	\$ (193,839)	75,462
Cash balance, beginning of year	74,035	74,035	74,035			-
Cash balance, end of year	\$ 1	\$ 1	\$ 75,463			\$ 75,462
Explanation of Differences:						
Change in receivables				\$ (164,922)		
Change in accounts payable				(30,345)		
				\$ (195,267)		

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 BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2013

	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	\$ 13,021,973	\$ 13,021,973	\$ 1,159,773	\$ 1	\$ 1,159,774	\$ (11,862,200)
Expenditures:						
Capital outlay	13,519,366	13,519,366	528,982	(528,982)	-	12,990,384
Excess (deficiency) of revenues over expenditures	(497,393)	(497,393)	630,791	528,983	1,159,774	1,128,184
Other Financing Sources (Uses):						
Transfers in	110,445	110,445	-	-	-	(110,445)
Transfers (out)	(110,445)	(110,445)	-	(535,489)	(535,489)	110,445
Total other financing sources (uses)	-	-	-	(535,489)	(535,489)	-
Net change	(497,393)	(497,393)	630,791	<u>\$ (6,506)</u>	<u>\$ 624,285</u>	1,128,184
Cash balance, beginning of year	497,393	497,393	497,393			-
Cash balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,128,184</u>			<u>\$ 1,128,184</u>
Explanation of Differences:						
Change in accounts payable				\$ 528,982		
Change in deferred revenues				(535,488)		
				<u>\$ (6,506)</u>		

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

**MAJOR CAPITAL PROJECT FUND
BUDGETARY COMPARISON STATEMENT**

STATE OF NEW MEXICO
CITY OF CARLSBAD
GRT CAPITAL OUTLAY FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2013

	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	\$ 2,132,758	\$ 2,132,758	\$ 2,703,473	\$ 44,899	\$ 2,748,372	\$ 570,715
Expenditures:						
Current:						
Public works	-	-	21,418	-	21,418	(21,418)
Capital outlay	5,086,275	5,086,275	548,633	11,611	560,244	4,537,642
Total expenditures	5,086,275	5,086,275	570,051	11,611	581,662	4,516,224
Excess (deficiency) of revenues over expenditures	(2,953,517)	(2,953,517)	2,133,422	33,288	2,166,710	5,086,939
Other Financing Sources (Uses):						
Transfers (out)	(490,469)	(490,469)	(490,469)	(17,690)	(508,159)	-
Net change	(3,443,986)	(3,443,986)	1,642,953	\$ 15,598	\$ 1,658,551	5,086,939
Cash balance, beginning of year	7,190,824	7,190,824	7,190,824			-
Cash balance, end of year	\$ 3,746,838	\$ 3,746,838	\$ 8,833,777			\$ 5,086,939
Explanation of Differences:						
Change in receivables				\$ 44,899		
Change in accounts payable				(11,611)		
Change in net transfers				(17,690)		
				\$ 15,598		

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

**OTHER CAPITAL PROJECT FUNDS
BUDGETARY COMPARISON STATEMENTS**

STATE OF NEW MEXICO
CITY OF CARLSBAD
PARK IMPROVEMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2013

	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	\$ 34,000	\$ 49,577	\$ 29,480	\$ 249	\$ 29,729	\$ (20,097)
Charges for services	-	-	2,500	-	2,500	2,500
Miscellaneous	-	-	5	-	5	5
Total revenues	34,000	49,577	31,985	249	32,234	(17,592)
Expenditures:						
Current:						
Culture and recreation	37,180	37,380	39,287	210	39,497	(1,907)
Capital outlay	26,499	31,599	10,763	-	10,763	20,836
Total expenditures	63,679	68,979	50,050	210	50,260	18,929
Net change	(29,679)	(19,402)	(18,065)	<u>\$ 39</u>	<u>\$ (18,026)</u>	1,337
Cash balance, beginning of year	36,008	36,008	36,008			-
Cash balance, end of year	<u>\$ 6,329</u>	<u>\$ 16,606</u>	<u>\$ 17,943</u>			<u>\$ 1,337</u>
Explanation of Differences:						
Change in receivables				\$ 249		
Change in accounts payable				(210)		
				<u>\$ 39</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 BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2013

	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:						
Public service taxes	\$ 470,000	\$ 470,000	\$ 527,449	\$ (6,254)	\$ 521,195	\$ 57,449
Intergovernmental:						
State	57,343	57,343	48,880	(12,662)	36,218	(8,463)
Licenses and permits	65,000	65,000	73,323	(271)	73,052	8,323
Investment income	-	-	1,668	1	1,669	1,668
Miscellaneous	-	457,867	83	-	83	(457,784)
Total revenues	592,343	1,050,210	651,403	(19,186)	632,217	(398,807)
Expenditures:						
Current:						
Public works	884,800	900,300	604,039	(31,401)	572,638	296,261
Capital outlay	946,611	3,437,478	808,742	140,613	949,355	2,628,736
Total expenditures	1,831,411	4,337,778	1,412,781	109,212	1,521,993	2,924,997
(Deficiency) of revenues over expenditures	(1,239,068)	(3,287,568)	(761,378)	(128,398)	(889,776)	2,526,190
Other Financing Sources (Uses):						
Transfers in	950,000	2,600,000	2,600,000	-	2,600,000	-
Net change	(289,068)	(687,568)	1,838,622	\$ (128,398)	\$ 1,710,224	2,526,190
Cash balance, beginning of year	776,434	776,434	776,434			-
Cash balance, end of year	\$ 487,366	\$ 88,866	\$ 2,615,056			\$ 2,526,190
Explanation of Differences:						
Change in receivables				\$ (19,186)		
Change in accounts payable				(109,212)		
				\$ (128,398)		

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
STATE LEGISLATIVE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2013

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Basis Variance with Final Budget Over (Under)
	Original	Final				
Revenues:						
Intergovernmental:						
State	\$ 249,011	\$ 249,011	\$ 246,067	\$ (175,944)	\$ 70,123	\$ (2,944)
Expenditures:						
Capital outlay	227,856	227,856	224,990	(223,588)	1,402	2,866
Excess of revenues over expenditures	21,155	21,155	21,077	47,644	68,721	(78)
Other Financing Sources (Uses):						
Transfers (out)	(47,878)	(47,878)	(47,800)	(68,545)	(116,345)	78
Net change	(26,723)	(26,723)	(26,723)	\$ (20,901)	\$ (47,624)	-
Cash balance, beginning of year	26,723	26,723	26,723			-
Cash balance, end of year	\$ -	\$ -	\$ -			\$ -
Explanation of Differences:						
Change in receivables				\$ (177,344)		
Change in accounts payable				223,588		
Change in deferred revenues				1,400		
Change in net transfers				(68,545)		
				\$ (20,901)		

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 BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2013**

	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	\$ 264,819	\$ 344,819	\$ 49,135	\$ (9,696)	\$ 39,439	\$ (295,684)
Interest	-	-	1,118	-	1,118	1,118
Miscellaneous	-	-	121,382	-	121,382	121,382
Total revenues	264,819	344,819	171,635	(9,696)	161,939	(173,184)
Expenditures:						
Current:						
Economic development	68,773	98,773	23,779	(200)	23,579	74,994
Capital outlay	1,720,513	2,392,556	255,518	(12,948)	242,570	2,137,038
Total expenditures	1,789,286	2,491,329	279,297	(13,148)	266,149	2,212,032
(Deficiency) of revenues over expenditures	(1,524,467)	(2,146,510)	(107,662)	3,452	(104,210)	2,038,848
Other Financing Sources (Uses):						
Transfers in	525,000	845,000	845,000	-	845,000	-
Transfers (out)	(4,525,100)	(4,525,100)	(4,525,100)	(9,025)	(4,534,125)	-
Total other financing sources (uses)	(4,000,100)	(3,680,100)	(3,680,100)	(9,025)	(3,689,125)	-
Net change	(5,524,567)	(5,826,610)	(3,787,762)	\$ (5,573)	\$ (3,793,335)	2,038,848
Cash balance, beginning of year	5,860,805	5,860,805	5,860,805			-
Cash balance, end of year	\$ 336,238	\$ 34,195	\$ 2,073,043			\$ 2,038,848
Explanation of Differences:						
Change in receivables				\$ (9,696)		
Change in accounts payable				4,123		
Capital assets transferred				9,025		
Change in net transfers				(9,025)		
				\$ (5,573)		

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 BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2013

	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	\$ 2,477,831	\$ 2,477,831	\$ 1,222,831	\$ 225,638	\$ 1,448,469	\$ (1,255,000)
State	333,621	333,621	153,621	(153,621)	-	(180,000)
Miscellaneous	1,325,000	1,425,000	100,000	1,650,840	1,750,840	(1,325,000)
Total revenues	4,136,452	4,236,452	1,476,452	1,722,857	3,199,309	(2,760,000)
Expenditures:						
Current:						
General government	10,000	10,000	-	-	-	10,000
Capital outlay	5,554,820	5,684,821	3,690,478	(577,089)	3,113,389	1,994,343
Total expenditures	5,564,820	5,694,821	3,690,478	(577,089)	3,113,389	2,004,343
Excess (deficiency) of revenues over expenditures	(1,428,368)	(1,458,369)	(2,214,026)	2,299,946	85,920	(755,657)
Other Financing Sources (Uses):						
Transfers in	-	200,000	200,000	300,000	500,000	-
Transfers (out)	(1,000,000)	(1,000,000)	-	(610,582)	(610,582)	1,000,000
Loan proceeds	346,830	346,830	300,000	(300,000)	-	(46,830)
Total other financing sources (uses)	(653,170)	(453,170)	500,000	(610,582)	(110,582)	953,170
Net change	(2,081,538)	(1,911,539)	(1,714,026)	<u>\$ 1,689,364</u>	<u>\$ (24,662)</u>	197,513
Cash balance, beginning of year	2,136,534	2,136,534	2,136,534			-
Cash balance, end of year	<u>\$ 54,996</u>	<u>\$ 224,995</u>	<u>\$ 422,508</u>			<u>\$ 197,513</u>
Explanation of Differences:						
Change in receivables				\$ 545,532		
Change in accounts payable				(33,493)		
Change in deferred revenues				1,177,325		
				<u>\$ 1,689,364</u>		

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

**OTHER DEBT SERVICE FUNDS
BUDGETARY COMPARISON STATEMENTS**

STATE OF NEW MEXICO
CITY OF CARLSBAD
SPORTS COMPLEX FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2013

	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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Expenditures:						
Current:						
Culture and recreation	-	-	-	-	-	-
Net change	-	-	-	\$ -	\$ -	-
Cash balance, beginning of year	2,078,483	2,078,483	2,078,483			-
Cash transferred to sports complex special revenue fund	(2,078,483)	(2,078,483)	(2,078,483)			-
Cash balance, end of year	\$ -	\$ -	\$ -			\$ -
Explanation of Differences:						
None.						

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 BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2013

	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	79,133	79,133	79,133	-	79,133	-
Total expenditures	<u>344,133</u>	<u>344,133</u>	<u>344,133</u>	<u>-</u>	<u>344,133</u>	<u>-</u>
(Deficiency) of revenues over expenditures	(344,133)	(344,133)	(344,133)	-	(344,133)	-
Other Financing Sources (Uses):						
Transfers in	<u>344,133</u>	<u>344,133</u>	<u>344,133</u>	<u>-</u>	<u>344,133</u>	<u>-</u>
Net change	-	-	-	<u>\$ -</u>	<u>\$ -</u>	-
Cash balance, beginning of year	<u>18,744</u>	<u>18,744</u>	<u>18,744</u>			-
Cash balance, end of year	<u>\$ 18,744</u>	<u>\$ 18,744</u>	<u>\$ 18,744</u>			<u>\$ -</u>
Explanation of Differences:						
None.						

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 BALANCE
 BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
 WITH RECONCILIATION TO GAAP
 FOR THE YEAR ENDED JUNE 30, 2013

	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	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Interest	-	-	-	-	-	-
Total expenditures	-	-	-	-	-	-
(Deficiency) of revenues over expenditures	-	-	-	-	-	-
Other Financing Sources (Uses):						
Transfers (out)	-	-	(1)	-	(1)	(1)
Net change	-	-	(1)	<u>\$ -</u>	<u>\$ (1)</u>	(1)
Cash balance, beginning of year	1	1	1			-
Cash balance, end of year	<u>\$ 1</u>	<u>\$ 1</u>	<u>\$ -</u>			<u>\$ (1)</u>
Explanation of Differences:						
None.						

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 BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2013

	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	\$ 250,000	\$ 250,000	\$ 250,000	\$ -	\$ 250,000	\$ -
Interest	240,469	240,469	240,469	-	240,469	-
Total expenditures	<u>490,469</u>	<u>490,469</u>	<u>490,469</u>	<u>-</u>	<u>490,469</u>	<u>-</u>
(Deficiency) of revenues over expenditures	(490,469)	(490,469)	(490,469)	-	(490,469)	-
Other Financing Sources (Uses):						
Transfers in	490,469	490,469	490,469	-	490,469	-
Net change	-	-	-	<u>\$ -</u>	<u>\$ -</u>	-
Cash balance, beginning of year	-	-	-			-
Cash balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>			<u>\$ -</u>
Explanation of Differences:						
None.						

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

**COMBINING AND INDIVIDUAL OTHER
ENTERPRISE FUNDS FINANCIAL STATEMENTS**

STATE OF NEW MEXICO
CITY OF CARLSBAD
COMBINING STATEMENT OF NET POSITION
OTHER ENTERPRISE FUNDS
JUNE 30, 2013

	Museum Gift Shop Fund	Municipal Transit Fund	Performing Arts Center Fund	Cemetery Fund	Total
Assets:					
Current assets:					
Cash	\$ 21,342	\$ 80,787	\$ 117,555	\$ 436,355	\$ 656,039
Receivables, net	31	32,606	-	-	32,637
Total current assets	21,373	113,393	117,555	436,355	688,676
Noncurrent assets:					
Capital assets:					
Land and construction in progress	-	72,240	110,000	41,626	223,866
Other capital assets, net of accumulated depreciation	-	1,055,185	1,366,389	927,881	3,349,455
Total noncurrent assets	-	1,127,425	1,476,389	969,507	3,573,321
Total assets	<u>\$ 21,373</u>	<u>\$ 1,240,818</u>	<u>\$ 1,593,944</u>	<u>\$ 1,405,862</u>	<u>\$ 4,261,997</u>
Liabilities:					
Current liabilities:					
Accounts payable	\$ -	\$ 11,839	\$ 2,536	\$ 16,861	\$ 31,236
Accrued salaries	-	12,693	-	-	12,693
Customers deposits	-	-	3,500	-	3,500
Current maturities of:					
Compensated absences	-	9,875	-	-	9,875
Total current liabilities	-	34,407	6,036	16,861	57,304
Noncurrent liabilities:					
Compensated absences	-	7,651	-	-	7,651
Total liabilities	-	42,058	6,036	16,861	64,955
Deferred Inflows of Resources:					
Deferred revenues	-	-	2,250	-	2,250
Net position:					
Net investment in capital assets	-	1,127,425	1,476,389	969,507	3,573,321
Unrestricted	21,373	71,335	109,269	419,494	621,471
Total net position	<u>21,373</u>	<u>1,198,760</u>	<u>1,585,658</u>	<u>1,389,001</u>	<u>4,194,792</u>
Total liabilities, deferred inflows of resources and net position	<u>\$ 21,373</u>	<u>\$ 1,240,818</u>	<u>\$ 1,593,944</u>	<u>\$ 1,405,862</u>	<u>\$ 4,261,997</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
OTHER ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2013

	Museum Gift Shop Fund	Municipal Transit Fund	Performing Arts Center Fund	Cemetery Fund	Total
Operating Revenues:					
Charges for services	\$ 5,391	\$ 80,687	\$ 15,230	\$ 176,029	\$ 277,337
Operating Expenses:					
Personnel services	-	736,831	-	-	736,831
Utilities	-	8,530	15,555	60,903	84,988
Contractual services	-	4,552	30,119	337,143	371,814
Repairs and maintenance	-	33,349	7,626	1,499	42,474
Other supplies and expenses	3,080	122,279	2,345	9,879	137,583
Depreciation and amortization	-	121,557	92,797	44,429	258,783
Total operating expenses	<u>3,080</u>	<u>1,027,098</u>	<u>148,442</u>	<u>453,853</u>	<u>1,632,473</u>
Operating income (loss)	2,311	(946,411)	(133,212)	(277,824)	(1,355,136)
Non-Operating Revenues (Expenses):					
Intergovernmental	-	313,120	-	-	313,120
Miscellaneous	2,109	-	-	-	2,109
Total non-operating revenues (expenses)	<u>2,109</u>	<u>313,120</u>	<u>-</u>	<u>-</u>	<u>315,229</u>
Income (loss) before capital contributions and transfers	4,420	(633,291)	(133,212)	(277,824)	(1,039,907)
Capital Contributions and Transfers:					
Capital contributions	-	42,511	-	-	42,511
Transfers in	-	574,038	459,025	205,000	1,238,063
Transfers (out)	-	(26,040)	-	-	(26,040)
Total capital contributions and transfers	-	590,509	459,025	205,000	1,254,534
Special Item:					
Gain on sale of assets	-	-	425	34	459
Change in net position	4,420	(42,782)	326,238	(72,790)	215,086
Net position, beginning of year	<u>16,953</u>	<u>1,241,542</u>	<u>1,259,420</u>	<u>1,461,791</u>	<u>3,979,706</u>
Net position, end of year	<u>\$ 21,373</u>	<u>\$ 1,198,760</u>	<u>\$ 1,585,658</u>	<u>\$ 1,389,001</u>	<u>\$ 4,194,792</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, 2013

	Museum Gift Shop Fund	Municipal Transit Fund	Performing Arts Center Fund	Cemetery Fund	Total
Cash Flows From Operating Activities:					
Cash received from customers	\$ 5,360	\$ 80,453	\$ 17,480	\$ 176,029	\$ 279,322
Cash payments to suppliers for goods and services	(6,830)	(168,196)	(53,168)	(427,534)	(655,728)
Cash payments to employees for services	-	(730,592)	-	-	(730,592)
Net cash (used) by operating activities	(1,470)	(818,335)	(35,688)	(251,505)	(1,106,998)
Cash Flows for Non-Capital and Financing Activities:					
Cash received from intergovernmental sources	-	317,148	-	-	317,148
Cash received from capital contributions	-	42,981	-	-	42,981
Cash received from miscellaneous sources	2,109	1,538	-	-	3,647
Net change in customer deposits	-	-	3,500	-	3,500
Net transfers in (out)	4,491	547,998	450,000	205,000	1,207,489
Net cash provided (used) by non-capital and financing activities	6,600	909,665	453,500	205,000	1,574,765
Cash Flows From Capital and Related Financing Activities:					
Proceeds from the sale of capital assets	-	-	425	-	425
Acquisition of capital assets	-	(56,623)	(337,498)	(43,278)	(437,399)
Net cash (used) by capital and financing activities	-	(56,623)	(337,073)	(43,278)	(436,974)
Net increase (decrease) in cash	5,130	34,707	80,739	(89,783)	30,793
Cash and cash equivalents, beginning of year	16,212	46,080	36,816	526,138	625,246
Cash and cash equivalents, end of year	<u>\$ 21,342</u>	<u>\$ 80,787</u>	<u>\$ 117,555</u>	<u>\$ 436,355</u>	<u>\$ 656,039</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:					
Operating income (loss)	\$ 2,311	\$ (946,411)	\$ (133,212)	\$ (277,824)	\$ (1,355,136)
Adjustment to Reconcile Operating (Loss) to Net Cash Provided by Operating Activities:					
Depreciation	-	121,557	92,797	44,429	258,783
Change in Assets and Liabilities:					
(Increase) decrease in accounts receivable	(31)	956	-	-	925
Increase (decrease) in accounts payable	(3,750)	(677)	2,477	(18,110)	(20,060)
Increase in accrued salaries	-	242	-	-	242
Increase in compensated absences	-	5,998	-	-	5,998
Increase in deferred revenues	-	-	2,250	-	2,250
Total adjustments	(3,781)	128,076	97,524	26,319	248,138
Net cash (used) by operating activities	<u>\$ (1,470)</u>	<u>\$ (818,335)</u>	<u>\$ (35,688)</u>	<u>\$ (251,505)</u>	<u>\$ (1,106,998)</u>

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

**MAJOR ENTERPRISE FUNDS
BUDGETARY COMPARISON STATEMENTS**

STATE OF NEW MEXICO
CITY OF CARLSBAD
SOLID WASTE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2013

	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	\$ 4,192,985	\$ 4,192,985	\$ 4,291,674	\$ 47,948	\$ 4,339,622	\$ 98,689
Operating Expenses:						
Personnel services	1,553,537	1,597,676	1,489,204	13,739	1,502,943	108,472
Utilities	300	300	-	-	-	300
Contractual services	162,812	162,812	102,966	3,428	106,394	59,846
Repairs and maintenance	362,000	462,000	504,325	(443)	503,882	(42,325)
Other supplies and expenses	1,051,868	1,151,868	930,709	(52,489)	878,220	221,159
Depreciation expense	-	-	-	315,670	315,670	-
Total operating expenses	<u>3,130,517</u>	<u>3,374,656</u>	<u>3,027,204</u>	<u>279,905</u>	<u>3,307,109</u>	<u>347,452</u>
Operating income	1,062,468	818,329	1,264,470	(231,957)	1,032,513	446,141
Non-Operating Revenues (Expenses):						
Sales taxes	590,000	590,000	730,100	11,444	741,544	140,100
Intergovernmental	136,000	136,000	111,000	-	111,000	(25,000)
Sale of assets	-	-	4,675	-	4,675	4,675
Investment income	1,000	1,000	2,338	120	2,458	1,338
Capital outlay	(497,534)	(531,534)	(24,137)	24,137	-	507,397
Debt service - principal	(65,611)	(65,611)	(65,611)	65,611	-	-
Interest expense and other charges	-	-	-	(4,309)	(4,309)	-
Total non-operating revenues (expenses)	<u>163,855</u>	<u>129,855</u>	<u>758,365</u>	<u>97,003</u>	<u>855,368</u>	<u>628,510</u>
Income before transfers	1,226,323	948,184	2,022,835	(134,954)	1,887,881	1,074,651
Transfers:						
Transfers in	311,000	355,139	47,944	(3,806)	44,138	(307,195)
Transfers (out)	<u>(1,871,816)</u>	<u>(1,871,816)</u>	<u>(1,560,816)</u>	<u>(10,637)</u>	<u>(1,571,453)</u>	<u>311,000</u>
Total transfers	<u>(1,560,816)</u>	<u>(1,516,677)</u>	<u>(1,512,872)</u>	<u>(14,443)</u>	<u>(1,527,315)</u>	<u>3,805</u>
Net change	(334,493)	(568,493)	509,963	<u>\$ (149,397)</u>	<u>\$ 360,566</u>	1,078,456
Cash balance, beginning of year	<u>3,745,487</u>	<u>3,745,487</u>	<u>3,745,487</u>			-
Cash balance, end of year	<u>\$ 3,410,994</u>	<u>\$ 3,176,994</u>	<u>\$ 4,255,450</u>			<u>\$ 1,078,456</u>
Explanation of Differences:						
Change in receivables				\$ 65,552		
Addition to capital assets				27,000		
Change in accounts payable				104,456		
Change in accrued salaries				(5,680)		
Change in accrued interest payable				351		
Change in compensated absences				(11,866)		
Retirement of long-term debt				65,611		
Change in closure & post-closure liability				(56,246)		
Depreciation expense				(315,670)		
Bad debt expense				(8,462)		
Capital assets transferred				(14,443)		
				<u>\$ (149,397)</u>		

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
JOINT WATER AND SEWER FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2013

	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	\$ 12,320,500	\$ 12,320,500	\$ 15,912,778	\$ 652,552	\$ 16,565,330	\$ 3,592,278
Operating Expenses:						
Personnel services	3,994,140	4,244,420	3,663,723	165,617	3,829,340	580,697
Utilities	1,073,725	1,073,725	698,688	63,142	761,830	375,037
Contractual services	250,854	304,454	229,460	4,935	234,395	74,994
Repairs and maintenance	566,400	646,400	713,338	(4,225)	709,113	(66,938)
Other supplies and expenses	705,942	705,942	664,487	(138,093)	526,394	41,455
Depreciation expense	-	-	-	1,844,670	1,844,670	-
Total operating expenses	<u>6,591,061</u>	<u>6,974,941</u>	<u>5,969,696</u>	<u>1,936,046</u>	<u>7,905,742</u>	<u>1,005,245</u>
Operating income	5,729,439	5,345,559	9,943,082	(1,283,494)	8,659,588	4,597,523
Non-Operating Revenues (Expenses):						
Sale of assets	1,000	1,000	6,451	(103)	6,348	5,451
Investment income	103,500	103,500	66,809	(61,433)	5,376	(36,691)
Miscellaneous	-	-	315,653	(179,238)	136,415	315,653
Capital outlay	(21,237,647)	(22,001,513)	(6,400,895)	6,400,895	-	15,600,618
Debt service - principal	(869,972)	(869,972)	(834,720)	834,720	-	35,252
Interest expense and other charges	(806,835)	(806,835)	(801,532)	(306,606)	(1,108,138)	5,303
Total non-operating revenues (expenses)	<u>(22,809,954)</u>	<u>(23,573,820)</u>	<u>(7,648,234)</u>	<u>6,688,235</u>	<u>(959,999)</u>	<u>15,925,586</u>
Income (loss) before other financing sources (uses)	(17,080,515)	(18,228,261)	2,294,848	5,404,741	7,699,589	20,523,109
Other Financing Sources (Uses):						
Transfers in	7,599,988	7,679,994	4,652,907	1,232,306	5,885,213	(3,027,087)
Transfers (out)	(5,682,042)	(5,682,042)	(2,655,032)	(238,752)	(2,893,784)	3,027,010
Loan proceeds	<u>5,640,672</u>	<u>5,640,672</u>	<u>2,288,027</u>	<u>(2,288,027)</u>	<u>-</u>	<u>(3,352,645)</u>
Total other financing sources (uses)	<u>7,558,618</u>	<u>7,638,624</u>	<u>4,285,902</u>	<u>(1,294,473)</u>	<u>2,991,429</u>	<u>(3,352,722)</u>
Net change	(9,521,897)	(10,589,637)	6,580,750	<u>\$ 4,110,268</u>	<u>\$ 10,691,018</u>	17,170,387
Cash balance, beginning of year	<u>17,195,795</u>	<u>17,195,795</u>	<u>17,195,795</u>			-
Cash balance, end of year	<u>\$ 7,673,898</u>	<u>\$ 6,606,158</u>	<u>\$ 23,776,545</u>			<u>\$ 17,170,387</u>
Explanation of Differences:						
Change in receivables				\$ 752,335		
Change in inventories				141,209		
Addition to capital assets				6,400,895		
Change to accounts payable				249,555		
Change in accrued salaries				(4,899)		
Change in accrued liabilities				(8,915)		
Change in accrued interest payable				(273,432)		
Change in compensated absences				(160,720)		
Change in customer deposits				(169,984)		
Long-term debt proceeds				(2,288,027)		
Retirement of long-term debt				834,720		
Loss on investments				(120,423)		
Depreciation expense				(1,844,670)		
Recognized deferred issuance costs				(275,481)		
Bad debt expense				(115,449)		
Capital assets transferred				993,554		
				<u>\$ 4,110,268</u>		

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

**OTHER ENTERPRISE FUNDS
BUDGETARY COMPARISON STATEMENTS**

STATE OF NEW MEXICO
CITY OF CARLSBAD
MUSEUM GIFT SHOP FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2013

	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	\$ 7,000	\$ 7,000	\$ 5,360	\$ 31	\$ 5,391	\$ (1,640)
Operating Expenses:						
Contractual services	3,750	3,750	3,750	(3,750)	-	-
Other supplies and expenses	8,550	8,550	3,080	-	3,080	5,470
Total operating expenses	<u>12,300</u>	<u>12,300</u>	<u>6,830</u>	<u>(3,750)</u>	<u>3,080</u>	<u>5,470</u>
Operating (loss)	(5,300)	(5,300)	(1,470)	3,781	2,311	3,830
Non-Operating Revenues (Expenses):						
Miscellaneous	1,500	1,500	2,109	-	2,109	609
Income (loss) before transfers	(3,800)	(3,800)	639	3,781	4,420	4,439
Transfers:						
Transfers in	-	4,491	4,491	(4,491)	-	-
Net change	(3,800)	691	5,130	<u>\$ (710)</u>	<u>\$ 4,420</u>	4,439
Cash balance, beginning of year	<u>16,212</u>	<u>16,212</u>	<u>16,212</u>			<u>-</u>
Cash balance, end of year	<u>\$ 12,412</u>	<u>\$ 16,903</u>	<u>\$ 21,342</u>			<u>\$ 4,439</u>
Explanation of Differences:						
Change in receivables				\$ 31		
Change in accounts payable				3,750		
Change in net transfers				(4,491)		
				<u>\$ (710)</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 BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2013

	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	\$ 76,000	\$ 76,000	\$ 80,453	\$ 234	\$ 80,687	\$ 4,453
Operating Expenses:						
Personnel services	691,883	739,089	730,592	6,239	736,831	8,497
Utilities	9,980	9,980	8,424	106	8,530	1,556
Contractual services	6,000	6,000	4,302	250	4,552	1,698
Repairs and maintenance	22,500	24,039	33,533	(184)	33,349	(9,494)
Other supplies and expenses	141,728	141,728	121,937	342	122,279	19,791
Depreciation expense	-	-	-	121,557	121,557	-
Total operating expenses	872,091	920,836	898,788	128,310	1,027,098	22,048
Operating (loss)	(796,091)	(844,836)	(818,335)	(128,076)	(946,411)	26,501
Non-Operating Revenues (Expenses):						
Intergovernmental	360,732	360,732	317,148	(4,028)	313,120	(43,584)
Miscellaneous	-	1,539	1,538	(1,538)	-	(1)
Capital outlay	(65,248)	(65,248)	(56,623)	56,623	-	8,625
Total non-operating revenues (expenses)	295,484	297,023	262,063	51,057	313,120	(34,960)
(Loss) before capital contributions and transfers	(500,607)	(547,813)	(556,272)	(77,019)	(633,291)	(8,459)
Capital Contributions and Transfers:						
Capital contributions	52,198	52,198	42,981	(470)	42,511	(9,217)
Transfers in	465,000	574,039	574,038	-	574,038	(1)
Transfers (out)	(26,040)	(26,040)	(26,040)	-	(26,040)	-
Total capital contributions and transfers	491,158	600,197	590,979	(470)	590,509	(9,218)
Net change	(9,449)	52,384	34,707	\$ (77,489)	\$ (42,782)	(17,677)
Cash balance, beginning of year	46,080	46,080	46,080			-
Cash balance, end of year	\$ 36,631	\$ 98,464	\$ 80,787			\$ (17,677)
Explanation of Differences:						
Change in receivables				\$ (5,654)		
Addition to capital assets				56,623		
Change in accounts payable				(661)		
Change in accrued salaries				(242)		
Change in compensated absences				(5,998)		
Depreciation expense				(121,557)		
				\$ (77,489)		

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 BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2013

	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	\$ 20,000	\$ 20,000	\$ 20,980	\$ (5,750)	\$ 15,230	\$ 980
Operating Expenses:						
Utilities	2,000	2,000	13,182	2,373	15,555	(11,182)
Contractual services	95,000	95,000	30,119	-	30,119	64,881
Repairs and maintenance	10,250	10,250	7,526	100	7,626	2,724
Other supplies and expenses	1,025	1,025	2,341	4	2,345	(1,316)
Depreciation expense	-	-	-	92,797	92,797	-
Total operating expenses	108,275	108,275	53,168	95,274	148,442	55,107
Operating (loss)	(88,275)	(88,275)	(32,188)	(101,024)	(133,212)	56,087
Non-Operating Revenues (Expenses):						
Capital outlay	(350,000)	(350,000)	(337,498)	337,498	-	12,502
(Loss) before transfers and special item	(438,275)	(438,275)	(369,686)	236,474	(133,212)	68,589
Transfers:						
Transfers in	450,000	450,000	450,000	9,025	459,025	-
Special Item:						
Proceeds from the sale of assets	-	-	425	-	425	425
Net change	11,725	11,725	80,739	\$ 245,499	\$ 326,238	69,014
Cash balance, beginning of year	36,816	36,816	36,816			-
Cash balance, end of year	\$ 48,541	\$ 48,541	\$ 117,555			\$ 69,014
Explanation of Differences:						
Capital assets capitalized				\$ 337,498		
Change in accounts payable				(2,477)		
Change in deferred revenues				(2,250)		
Change in customer deposits				(3,500)		
Depreciation expense				(92,797)		
Capital asset transferred				9,025		
				\$ 245,499		

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 BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2013

	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	\$ 178,750	\$ 178,750	\$ 176,029	\$ -	\$ 176,029	\$ (2,721)
Operating Expenses:						
Utilities	120,000	120,000	52,824	8,079	60,903	67,176
Contractual services	371,337	371,337	363,476	(26,333)	337,143	7,861
Repairs and maintenance	20,000	4,000	1,499	-	1,499	2,501
Other supplies and expenses	23,000	23,000	9,735	144	9,879	13,265
Depreciation expense	-	-	-	44,429	44,429	-
Total operating expenses	<u>534,337</u>	<u>518,337</u>	<u>427,534</u>	<u>26,319</u>	<u>453,853</u>	<u>90,803</u>
Operating (loss)	(355,587)	(339,587)	(251,505)	(26,319)	(277,824)	88,082
Non-Operating Revenues (Expenses):						
Capital outlay	<u>(218,878)</u>	<u>(236,078)</u>	<u>(43,278)</u>	<u>43,278</u>	<u>-</u>	<u>192,800</u>
(Loss) before transfers and special item	(574,465)	(575,665)	(294,783)	16,959	(277,824)	280,882
Transfers:						
Transfers in	205,000	205,000	205,000	-	205,000	-
Special Item:						
Proceeds from the sale of assets	<u>-</u>	<u>-</u>	<u>-</u>	<u>34</u>	<u>34</u>	<u>-</u>
Net change	(369,465)	(370,665)	(89,783)	<u>\$ 16,993</u>	<u>\$ (72,790)</u>	280,882
Cash balance, beginning of year	<u>526,138</u>	<u>526,138</u>	<u>526,138</u>			<u>-</u>
Cash balance, end of year	<u>\$ 156,673</u>	<u>\$ 155,473</u>	<u>\$ 436,355</u>			<u>\$ 280,882</u>
Explanation of Differences:						
Change in accounts payable				\$ 18,110		
Addition to capital assets				43,278		
Depreciation expense				(44,429)		
Proceeds from the sale of assets				<u>34</u>		
				<u>\$ 16,993</u>		

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

**COMBINING AND INDIVIDUAL INTERNAL
SERVICE FUNDS FINANCIAL STATEMENTS**

STATE OF NEW MEXICO
CITY OF CARLSBAD
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2013

	<u>Computer Lease Equipment Fund</u>	<u>General Insurance Fund</u>	<u>Group Health Insurance Fund</u>	<u>Disaster Preparedness Fund</u>	<u>Total</u>
Assets:					
Current assets:					
Cash	\$ 13,320	\$ 1,689,700	\$ 1,021,721	\$ 1,141,775	\$ 3,866,516
Receivables, net	<u>-</u>	<u>332</u>	<u>40,206</u>	<u>-</u>	<u>40,538</u>
Total current assets	13,320	1,690,032	1,061,927	1,141,775	3,907,054
Noncurrent assets:					
Restricted cash	<u>-</u>	<u>500,009</u>	<u>450,000</u>	<u>-</u>	<u>950,009</u>
Total assets	<u>\$ 13,320</u>	<u>\$ 2,190,041</u>	<u>\$ 1,511,927</u>	<u>\$ 1,141,775</u>	<u>\$ 4,857,063</u>
Liabilities:					
Current liabilities:					
Accounts payable	\$ 2,893	\$ 13,157	\$ -	\$ 7,861	\$ 23,911
Net Position:					
Unrestricted	<u>10,427</u>	<u>2,176,884</u>	<u>1,511,927</u>	<u>1,133,914</u>	<u>4,833,152</u>
Total liabilities and net position	<u>\$ 13,320</u>	<u>\$ 2,190,041</u>	<u>\$ 1,511,927</u>	<u>\$ 1,141,775</u>	<u>\$ 4,857,063</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, 2013

	Computer Lease Equipment Fund	General Insurance Fund	Group Health Insurance Fund	Disaster Preparedness Fund	Total
Operating Revenues:					
Charges for services	\$ -	\$ 4,170	\$ 4,639,071	\$ -	\$ 4,643,241
Operating Expenses:					
Contractual services	-	-	-	161,093	161,093
Insurance claims and expenses	-	1,368,135	4,125,967	-	5,494,102
Other supplies and expenses	342,317	-	-	-	342,317
Total operating expenses	342,317	1,368,135	4,125,967	161,093	5,997,512
Operating income (loss)	(342,317)	(1,363,965)	513,104	(161,093)	(1,354,271)
Non-Operating Revenues (Expenses):					
Investment income	-	1,223	3,419	-	4,642
Income (loss) before transfers	(342,317)	(1,362,742)	516,523	(161,093)	(1,349,629)
Transfers:					
Transfers in	281,002	1,956,000	-	-	2,237,002
Transfers (out)	-	-	(649,676)	-	(649,676)
Total transfers	281,002	1,956,000	(649,676)	-	1,587,326
Change in net position	(61,315)	593,258	(133,153)	(161,093)	237,697
Net position, beginning of year	71,742	1,583,626	1,645,080	1,295,007	4,595,455
Net position, end of year	<u>\$ 10,427</u>	<u>\$ 2,176,884</u>	<u>\$ 1,511,927</u>	<u>\$ 1,133,914</u>	<u>\$ 4,833,152</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, 2013

	Computer Lease Equipment Fund	General Insurance Fund	Group Health Insurance Fund	Disaster Preparedness Fund	Total
Cash Flows From Operating Activities:					
Internal activity - receipts from other funds	\$ -	\$ 4,170	\$ 4,635,233	\$ -	\$ 4,639,403
Cash payments to suppliers for goods and services	(339,424)	(1,412,128)	(4,117,727)	(180,047)	(6,049,326)
Net cash provided (used) by operating activities	(339,424)	(1,407,958)	517,506	(180,047)	(1,409,923)
Cash Flows for Non-Capital and Financing Activities:					
Net transfers in (out)	281,002	1,956,000	(649,676)	-	1,587,326
Cash Flows From Investing Activities:					
Investment income	-	1,280	3,466	-	4,746
Net increase (decrease) in cash	(58,422)	549,322	(128,704)	(180,047)	182,149
Cash and cash equivalents, beginning of year	71,742	1,340,387	1,400,425	1,321,822	4,134,376
Cash and cash equivalents, end of year	<u>\$ 13,320</u>	<u>\$ 1,889,709</u>	<u>\$ 1,271,721</u>	<u>\$ 1,141,775</u>	<u>\$ 4,316,525</u>
Displayed as:					
Cash	\$ 13,320	\$ 1,689,700	\$ 1,021,721	\$ 1,141,775	\$ 3,866,516
Restricted cash	-	500,009	450,000	-	950,009
Times deposits not considered cash equivalents	-	(300,000)	(200,000)	-	(500,000)
	<u>\$ 13,320</u>	<u>\$ 1,889,709</u>	<u>\$ 1,271,721</u>	<u>\$ 1,141,775</u>	<u>\$ 4,316,525</u>
Reconciliation of Operating Income (loss) to Net Cash Provided by Operating Activities:					
Operating income (loss)	\$ (342,317)	\$ (1,363,965)	\$ 513,104	\$ (161,093)	\$ (1,354,271)
Adjustment to Reconcile Operating Income (loss) To Net Cash Provided by Operating Activities:					
Change in Assets and Liabilities:					
Decrease in accounts receivable	-	-	4,402	-	4,402
Increase (decrease) in accounts payable	2,893	(43,993)	-	(18,954)	(60,054)
Total adjustments	2,893	(43,993)	4,402	(18,954)	(55,652)
Net cash provided (used) by operating activities	<u>\$ (339,424)</u>	<u>\$ (1,407,958)</u>	<u>\$ 517,506</u>	<u>\$ (180,047)</u>	<u>\$ (1,409,923)</u>

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

**INTERNAL SERVICE FUNDS
BUDGETARY COMPARISON STATEMENTS**

STATE OF NEW MEXICO
CITY OF CARLSBAD
COMPUTER LEASE EQUIPMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2013

	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 Expenses:						
Other supplies and expenses	\$ 339,251	\$ 351,251	\$ 339,424	\$ 2,893	\$ 342,317	\$ 11,827
(Loss) before transfers	(339,251)	(351,251)	(339,424)	(2,893)	(342,317)	11,827
Transfers:						
Transfers in	281,002	281,002	281,002	-	281,002	-
Net change	(58,249)	(70,249)	(58,422)	<u>\$ (2,893)</u>	<u>\$ (61,315)</u>	11,827
Cash balance, beginning of year	71,742	71,742	71,742			-
Cash balance, end of year	<u>\$ 13,493</u>	<u>\$ 1,493</u>	<u>\$ 13,320</u>			<u>\$ 11,827</u>
Explanation of Differences:						
Change in accounts payable				<u>\$ (2,893)</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 BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2013

	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	\$ -	\$ -	\$ 4,170	\$ -	\$ 4,170	\$ 4,170
Operating Expenses:						
Insurance claims and expenses	1,872,382	1,872,382	1,412,128	(43,993)	1,368,135	460,254
Operating (loss)	(1,872,382)	(1,872,382)	(1,407,958)	43,993	(1,363,965)	464,424
Non-Operating Revenues (Expenses):						
Investment income	500	500	1,280	(57)	1,223	780
(Loss) before transfers	(1,871,882)	(1,871,882)	(1,406,678)	43,936	(1,362,742)	465,204
Transfers:						
Transfers in	1,956,000	1,956,000	1,956,000	-	1,956,000	-
Net change	84,118	84,118	549,322	<u>\$ 43,936</u>	<u>\$ 593,258</u>	465,204
Cash balance, beginning of year	1,640,387	1,640,387	1,640,387			-
Cash balance, end of year	<u>\$ 1,724,505</u>	<u>\$ 1,724,505</u>	<u>\$ 2,189,709</u>			<u>\$ 465,204</u>
Explanation of Differences:						
Change in receivables				\$ (57)		
Change in accounts payable				43,993		
				<u>\$ 43,936</u>		

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
GROUP HEALTH INSURANCE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2013

	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	\$ 4,100,000	\$ 4,100,000	\$ 4,635,233	\$ 3,838	\$ 4,639,071	\$ 535,233
Operating Expenses:						
Insurance claims and expenses	4,102,000	4,202,000	4,117,727	8,240	4,125,967	84,273
Operating income	(2,000)	(102,000)	517,506	(4,402)	513,104	619,506
Non-Operating Revenues (Expenses):						
Investment income	2,000	2,000	3,466	(47)	3,419	1,466
Income (loss) before transfers	-	(100,000)	520,972	(4,449)	516,523	620,972
Transfers:						
Transfers (out)	-	(649,855)	(649,676)	-	(649,676)	179
Net change	-	(749,855)	(128,704)	<u>\$ (4,449)</u>	<u>\$ (133,153)</u>	621,151
Cash balance, beginning of year	1,600,425	1,600,425	1,600,425			-
Cash balance, end of year	<u>\$ 1,600,425</u>	<u>\$ 850,570</u>	<u>\$ 1,471,721</u>			<u>\$ 621,151</u>
Explanation of Differences:						
Change in receivables				<u>\$ (4,449)</u>		

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 BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2013

	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 Expenses:						
Contractual services	\$ 716,128	\$ 716,128	\$ 180,047	\$ (18,954)	\$ 161,093	\$ 536,081
Operating (loss)	(716,128)	(716,128)	(180,047)	18,954	(161,093)	536,081
Non-Operating Revenues (Expenses):						
Miscellaneous	466,237	466,237	-	-	-	(466,237)
Net change	(249,891)	(249,891)	(180,047)	<u>\$ 18,954</u>	<u>\$ (161,093)</u>	69,844
Cash balance, beginning of year	1,321,822	1,321,822	1,321,822			-
Cash balance, end of year	<u>\$ 1,071,931</u>	<u>\$ 1,071,931</u>	<u>\$ 1,141,775</u>			<u>\$ 69,844</u>
Explanation of Differences:						
Change in accounts payable				<u>\$ 18,954</u>		

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

OTHER SUPPLEMENTAL FINANCIAL INFORMATION

STATE OF NEW MEXICO
CITY OF CARLSBAD
SCHEDULE OF CASH ACCOUNTS
JUNE 30, 2013

Financial Institution/Account Description	Type of Account	Financial Institution Balance	Reconciling Items	Reconciled Balance
Carlsbad National Bank P.O. Box 1359 Carlsbad, New Mexico 88221-1359				
Health Insurance Fund	Checking	\$ 829,150	\$ 192,572	\$ 1,021,722
Payroll Fund	Checking	792,360	(781,513)	10,847
Debt Service Fund	Checking	2,500,274	-	2,500,274
Municipal Court	Checking	39,899	(39,899)	-
CDBG Account	Checking	75,462	-	75,462
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>\$ 7,067,145</u>	<u>\$ (628,840)</u>	<u>\$ 6,438,305</u>
Pioneer Savings Bank P.O. Box 130 Roswell, New Mexico 88202-0130				
General Operating	Certificate of Deposit	\$ 100,000	\$ -	\$ 100,000
Worker's Compensation	Certificate of Deposit	100,000	-	100,000
General Operating	Certificate of Deposit	200,000	-	200,000
General Operating	Certificate of Deposit	400,065	-	400,065
General Operating	Certificate of Deposit	100,016	-	100,016
Worker's Compensation	Certificate of Deposit	100,009	-	100,009
Sandpoint Closure Reserve	Certificate of Deposit	1,140,321	-	1,140,321
General Operating	Certificate of Deposit	100,016	-	100,016
Water & Sewer	Certificate of Deposit	200,028	-	200,028
General Operating	Certificate of Deposit	336,505	-	336,505
		<u>\$ 2,776,960</u>	<u>\$ -</u>	<u>\$ 2,776,960</u>

**STATE OF NEW MEXICO
CITY OF CARLSBAD
SCHEDULE OF CASH ACCOUNTS
JUNE 30, 2013**

Financial Institution/Account Description	Type of Account	Financial Institution Balance	Reconciling Items	Reconciled Balance
Wells Fargo Bank, N.A. Carlsbad Office 115 W. Fox Street Carlsbad, New Mexico 88221				
General Fund	Checking	\$ 47,584,641	\$ 157,631	\$ 47,742,272
Investment Trust	Money Market	26,653	-	26,653
City Fund Investment	Money Market	781,721	-	781,721
Permanent Water & Sewer	Certificate of Deposit	157,735	-	157,735
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>\$ 49,500,750</u>	<u>\$ 157,631</u>	<u>\$ 49,658,381</u>
Western Commerce Bank P.O. Drawer 1358 Carlsbad, New Mexico 88221-1358				
Construction Account	Checking	\$ 8,707,075	\$ (202,099)	\$ 8,504,976
Federal Projects	Checking	1,522,403	28,289	1,550,692
Sandpoint Closure Reserve	Certificate of Deposit	165,148	-	165,148
Sandpoint Closure Reserve	Certificate of Deposit	142,005	-	142,005
Water & Sewer	Certificate of Deposit	253,572	-	253,572
General Operating	Certificate of Deposit	322,339	-	322,339
General Operating	Certificate of Deposit	323,072	-	323,072
General Operating	Certificate of Deposit	273,422	-	273,422
Sandpoint Closure Reserve	Certificate of Deposit	609,391	-	609,391
98 Water & Sewer Bond	Certificate of Deposit	300,000	-	300,000
98 Water & Sewer Bond	Certificate of Deposit	500,000	-	500,000
		<u>\$ 13,118,427</u>	<u>\$ (173,810)</u>	<u>\$ 12,944,617</u>

**STATE OF NEW MEXICO
CITY OF CARLSBAD
SCHEDULE OF PLEDGED COLLATERAL
ALL FINANCIAL INSTITUTIONS
JUNE 30, 2013**

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

Security Description	CUSIP Number	Maturity Date	Current Market Value
FNMA AL1536	3138EHV66	01/01/36	\$ 1,977,848
FN99AR	3128JQNB0	09/01/40	1,343,696
FN99AR	31418MCV2	09/01/35	950,103
GNMA CMO	38374TRB2	10/16/32	99,098
FNMA POOL	31417YFQ5	09/01/19	601,999
FNMA POOL	3138AG2B3	07/01/41	918,731
			<u>\$ 5,891,475</u>

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

Pioneer Bank
206 N. Pennsylvania
P.O. Box 130
Roswell, New Mexico 88202-0130

Security Description	CUSIP Number	Maturity Date	Current Market Value
FNMA 1 YR CMT 780385	31404V663	06/01/34	\$ 180,100
FNMA 1 YR CMT 759453	31403VWN5	01/01/34	160,862
FNMA 1 YR TR 648558	31390KQK7	06/01/32	138,937
FNMA 1 YR CMT 781721	31349S4E0	07/01/34	110,976
GNMA II 080418	36225CPC4	06/20/30	105,224
GNMA II 080540	36225CS64	09/20/31	62,722
GNMA II 080562	36225CTU0	12/20/31	39,353
FNMA ARM 661745	31391BES2	09/01/32	32,424
GNMA 080477	36225CQ74	12/20/30	12,927
GNMA 080477	36225CQ74	10/01/26	872,303
			<u>\$ 1,715,828</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
JUNE 30, 2013

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

Security Description	CUSIP Number	Maturity Date	Current Market Value
FNCL 889606	31410KKT0	12/01/35	\$ 3,578,682
FNCL 256308	31371MU96	07/01/36	1,666,203
FNCL 983362	31415LMK0	08/01/38	993,968
FNCL 833614	31407LDT1	01/01/36	1,085,881
FNCL 985157	31415PME5	09/01/38	656,378
FNCL AL0803	3138EG3M4	10/01/41	6,670,503
FNCL AE0113	31419ADT1	07/01/40	2,172,636
FNCL 896547	31410TBQ7	07/01/36	228,275
FNCL 942243	31413DHU4	08/01/37	200,170
FNCL 895631	31410SA80	05/01/36	134,551
GNSF 781121	36225BG69	12/15/29	53,741
FNCL 985122	31415PLB2	07/01/38	165,054
FNCL 257262	31371NWX9	07/01/38	55,290
FNCL 256800	31371NGH2	07/01/37	254,352
FNCL AH0006	3138A1AG6	12/01/40	15,599
FNCL AH4619	3138A6DZ0	01/01/41	6,663
FNCL AH8825	3138AAYX3	03/01/41	1,238,500
FNCL AI1592	3138AEXW8	04/01/41	12,157
FNCL AI6900	3138ALU21	10/01/26	37,199
FNCL AJ2795	3138AUC96	11/01/26	19,192
FNCL AJ3046	3138AUL47	10/01/41	199,035
FNCL AJ5477	3138AXCP4	11/01/26	29,966
FNCL AJ6144	3138AXZJ3	11/01/26	46,732
FNCL AK4303	3138E8X98	04/01/42	26,958
FNCL AL0093	3138EGC77	04/01/26	62,366
FNCL AP1410	3138M4R87	08/01/42	34,559
FNCL AP6375	3138MACM8	09/01/42	2,212,754
FNCL AR1086	3138NXF44	02/01/43	1,405,254
FNCL AR1117	3138NXG35	02/01/43	63,124
FNCL AR2942	3138W0HU6	02/01/43	14,613
FNCL AR5902	3138W3RY1	02/01/43	14,606
FNCL AR9199	3138W7GH1	03/01/43	913,620
FNCL AT2015	3138WPGZ1	04/01/43	43,749
FNCL AT2724	3138WQA28	05/01/43	337,431
FNCL AB1662	31416WZ47	10/01/40	255,397
FNCL AB8489	31417FNF1	02/01/43	1,135,518
FNCL MA1132	31418AHJ0	08/01/42	45,669
FNCL MA1306	31418ANY0	01/01/43	368,911
FNCL AD6370	31418UCG7	05/01/40	86,940
FNCL AE7608	31419JN20	11/01/25	51,273
FNCL MA1175	31418AJV1	09/01/42	61,180
			<u>\$ 26,654,649</u>

The holder of the security pledged by Wells Fargo Bank, N.A., is the Federal Reserve Bank, 600 Atlantic Ave., Boston, MA 02210.

**STATE OF NEW MEXICO
CITY OF CARLSBAD
SCHEDULE OF PLEDGED COLLATERAL
ALL FINANCIAL INSTITUTIONS
JUNE 30, 2013**

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

Security Description	CUSIP Number	Maturity Date	Current Market Value
GNMA 004511	36202FAL0	08/20/39	\$ 1,131,492
FNMA AA5840	31417QKE3	10/01/39	841,653
FNMA AC4792	31417QKE3	10/01/39	758,953
FNMA 745944	31403DWD7	12/01/33	489,307
FNMA AB4742	31417BHU4	03/01/42	1,253,796
SBA SERIES 2008-20 A CLASS	83162CRY1	08/01/28	1,294,978
SBA SERIES 2005-20 A CLASS	83162CPG2	01/01/25	456,918
SBA SERIES 2008-20 A CLASS	83162CRX3	07/01/28	700,155
GNMA 782156	36241KMD7	05/20/37	259,598
FNMA 807223	31406DYU4	01/01/35	239,323
GNMA 8608	36202KR56	03/20/25	126,011
FNMA 709279	31401H6Q0	06/01/33	95,738
FNMA 253823	31371J4G6	04/01/31	73,910
GNMA 8233	36202KEE1	06/20/17	39,733
GNMA 8595	36202KRQ0	02/20/25	43,253
GNMA 80299	36225CKM7	07/20/29	37,442
GNMA 412570	36206JJP0	03/15/26	26,928
GNMA 8228	36202KD93	07/20/23	30,417
GNMA 8280	36202KFV2	09/20/23	30,012
FNMA 195638	31368PHP3	04/01/22	24,317
GNMA 80200	36225CGJ9	05/20/28	15,619
FNMA 62689 "B"	31362JUN3	06/01/28	17,782
GNMA 80185 "B"	36225CF35	04/20/28	12,482
			\$ 7,999,817

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.

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS

STATE OF NEW MEXICO
CITY OF CARLSBAD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Program or Grant Number	Award Amount	Expenditures
U.S. Department of Commerce/ Economic Development Administration				
Investment for Public Works & Economic Development Facilities	11.300	08-01-04637	1,325,000	\$ 467,886
U.S. Department of Justice				
Edward Byrne Memorial Justice Assistance Grant	16.738	2009-H1167-NM-DJ	8,097	8,097
Edward Byrne Memorial Justice Assistance Grant	16.738	2010-H5181-NM-DJ	9,835	9,835
Edward Byrne Memorial Justice Assistance Grant	16.738	2011-H0631-NM-DJ	14,867	<u>14,867</u>
				32,799
U.S. Department of Transportation/ Federal Aviation Administration				
Airport Improvement Program	20.106	03-35-0007-021-2010	93,389	2,423
U.S. Department of Transportation/Passed Through NM Department of Transportation				
Highway Research and Development	20.200	STP-D13406	986,831	837,886
Safe Routes to School - ARRA	20.205	W200040	250,000	17,242
Safe Routes to School - ARRA	20.205	W200041	25,000	8,489
Federal Transit - Formula Grants	20.507	M001126/1	328,608	63,730
Federal Transit - Formula Grants	20.507	M001197	310,529	238,506
Job Access Reverse Commute	20.516	M01127	35,679	5,727
Job Access Reverse Commute	20.516	M01199	42,271	31,912
New Freedom Program	20.521	M00128	16,750	3,774
New Freedom Program	20.521	M01198	18,688	11,981
Minimum Penalties for Repeat Offenders DWI	20.608	12-AL-64-013	11,383	3,985
Minimum Penalties for Repeat Offenders DWI	20.608	13-AL-64-013	13,731	7,738
Minimum Penalties for Repeat Offenders DWI	20.608	12-PT-DS-013	4,945	<u>4,945</u>
Total U.S. Department of Transportation/ Passed Through NM Department of Transportation				<u>1,235,915</u>
Total U.S. Department of Transportation				1,238,338
U.S. Environmental Protection Agency				
Clean Drinking Water State Revolving Funds - ARRA	66.468	141-WTB	1,200,000	610,581
U.S. Environmental Protection Agency/Passed Through New Mexico Environment Department				
Clean Water State Revolving Funds	66.458	CWSRF010	18,000,000	<u>1,314,288</u>
Total U.S. Environmental Protection Agency				1,924,869
U.S. Department of Energy				
Water & Energy Appropriation Act	81.502	DE-FG29-03-AL68371	38,308,000	535,489
Corporation for National and Community Service				
Retired and Senior Volunteer Program	94.002	11SRWNM001	28,227	<u>28,227</u>
Total Expenditures of Federal Awards				<u>\$ 4,227,608</u>

**STATE OF NEW MEXICO
CITY OF CARLSBAD**
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2013

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards presents the activity of all federal awards of the city of Carlsbad (city). The city is defined in Note 1 of the city's financial statements.

2. BASIS OF ACCOUNTING

The accompanying schedule of expenditures of federal awards is presented using the accrual basis of accounting, which is described in Note 1, to the city's financial statements.

3. NON-CASH ASSISTANCE

During the current fiscal year, the city did not expend any federal non-cash assistance. The city did not receive any federal assistance related to insurance nor did they have any loans or loan guarantees outstanding at year-end.

4. RECONCILIATION OF FINANCIAL STATEMENTS TO FEDERAL AWARDS

Federal expenditures on the schedule of expenditures of federal awards amount of \$4,227,608. The amounts of expenditures within the funds are reflected within the financial statements as follows:

General Fund	
Public safety	\$ 49,467
Special Revenue Funds	
<u>Airport Fund</u>	
Capital outlay	2,423
<u>RSVP Fund</u>	
Health and welfare	28,227
<u>WIPP Acceleration Impact Fund</u>	
Capital outlay	535,489
Capital Project Funds	
<u>CIEP Fund</u>	
Economic development	8,489
Capital outlay	17,242
<u>Federal Projects Fund</u>	
Capital outlay	1,916,353
Proprietary Funds	
<u>Joint Water & Sewer Fund</u>	
Capital outlay	1,314,288
<u>Municipal Transit Fund</u>	
Personnel services	168,709
General operating	144,410
Capital outlay	42,511
	\$ 4,227,608

ADDITIONAL INDEPENDENT AUDITORS' REPORTS

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Report on Internal Control over Financial Reporting
and on Compliance and Other Matters Based on an Audit of
Financial Statements Performed in Accordance
With *Government Auditing Standards*

Independent Auditors' Report

Hector H. Balderas, State Auditor
and
Mayor and City Councilors
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, 2013, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and the combining and individual funds and related budgetary comparisons of the City, presented as supplemental information, and have issued our report thereon dated January 17, 2014.

Internal Control over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs as item 2008-06 to be a material weakness. A *significant deficiency* is a deficiency, or combination of control deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2012-03 and 2012-04.

The City's Responses to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the result of that testing, and not to provide an opinion on the effectiveness of the 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.



Fierro & Fierro, P.A.
Las Cruces, New Mexico

January 17, 2014

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Report on Compliance for Each Major Federal Program; Report
on Internal Control Over Compliance; and Report on the Schedule of
Expenditures of Federal Awards Required by OMB Circular A-133

Independent Auditors' Report

Hector H. Balderas, State Auditor
and
Mayor and City Councilors
City of Carlsbad
Carlsbad, New Mexico

Report on Compliance for Each Major Federal Program

We have audited the city of Carlsbad, New Mexico's (City) compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2013. 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 OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major federal program. However, our audit does not provide a legal determination on 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, 2013.

Report on Internal Control over Compliance

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

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

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

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



Fierro & Fierro, P.A.
Las Cruces, New Mexico

January 17, 2014

**STATE OF NEW MEXICO
CITY OF CARLSBAD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2013**

SECTION I – SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditors' report issued: Unmodified

Internal control over financial reporting:

- Material weakness (es) identified? Yes No
- Significant deficiency (ies) identified? Yes None reported
- Non-compliance material to financial statements noted? Yes No

Federal Awards

Internal control over major programs:

- Material weakness (es) identified? Yes No
- Significant deficiency (ies) identified? Yes None reported

Type of auditors' report issued on compliance with major programs: Unmodified

- Any audit findings disclosed that are required to be reported in accordance with Section 510(a) of OMB Circular A-133? Yes No

Identification of major programs:

CFDA No.	Program
11.300	Investment for Public Works & Economic Development Facilities
20.200	Highway Research & Development
20.507	Federal Transit - Formula Grants
81.502	Water & Energy Appropriation Act

- Dollar threshold for distinguishing Types A and B programs was \$300,000.
- Auditee qualified as low-risk auditee? Yes No

STATE OF NEW MEXICO
CITY OF CARLSBAD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

SECTION II – FINDINGS – FINANCIAL STATEMENTS

Item 2008-06 – Material Weakness – Submission of Audit Report

Statement of Condition – The audit report for the fiscal year ended June 30, 2013, was due to the New Mexico State Auditor’s office by December 2, 2013. The audit report was delivered on February 11, 2014 to the New Mexico State Auditor’s office. Since the fiscal year ended June 30, 2008, the city has been unable to submit its audit report on a timely basis. A weakness in internal control exists as it relates the timely submission of the report as required by the State Auditor’s office.

Criteria – New Mexico State Statutes Section 12-6-12 requires the state auditor to promulgate reasonable regulations necessary to carry out the duties of the office. New Mexico Administrative Code Title 2, Chapter 2, Part 2, *Audits of Governmental Entities Requirements for Contracting and Conducting Audits of Agencies* issued by the State Auditor’s office requires that the city submit its audit report by December 1st following the end of each fiscal year at June 30th.

Effect – Delays in submission of the audit report affect the city’s ability to report timely financial information to other state agencies and local governments. Further, the need for timely external audit reports is essential for the city. Without timely audit reports, funding could be affected in future years, as the state of New Mexico, through the Governor’s Executive Order 2013-006, prohibits funding of capital outlay projects without timely audit reports. Also, without timely audit reports, the city is unable to issue bonds or enter into loan agreements for capital outlay projects. Ultimately, untimely audit reports could hinder the city’s finances and ability to receive funding for future projects.

Cause – The lack of focus and emphasis by the city’s finance department to complete the audit report in a timely manner has been a reoccurring theme. The audit report for the fiscal year ended June 30, 2012 was completed and submitted to the State Auditor’s office on July 5, 2013. The audit report was released and became public record on July 18, 2013.

Due to the prior year audit report being completed one year after the fiscal year ended, it placed both the city and the auditing firm in a precarious position in preparation for the current year audit. City staff hadn’t allocated any time for the current year audit and as such was behind schedule. Meanwhile, the auditing firm was required to expend hours on the city’s prior year audit when those hours should have been used to begin the audit planning process for the current year audit.

In order to ensure that the current year audit report would be submitted timely, the entrance conference was held on July 22, 2013 to discuss the timetable for the audit. The auditing firm emphasized that the city had to be completely ready for audit within ninety days (no later than October 7th) in order for the audit report to be submitted timely. The city was required to provide the auditing firm both cash basis and GAAP basis trial balances, including all supporting documentation (receivables, payables, schedule of expenditures of federal awards, etc.) by October 7th. The city understood the timetable and the requirements and informed the auditing firm that they would be ready for audit on October 7th.

STATE OF NEW MEXICO
CITY OF CARLSBAD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Item 2008-06 – Material Weakness – Submission of Audit Report (continued)

Cause (continued) – Two separate conference calls were held in September 2013 to keep the audit firm updated on the city's progress of year-end reconciliations. During one of the conference calls, the audit firm reiterated to the city that the fieldwork would not commence until the city was completely ready for audit. The city understood this position. The city provided the audit firm with cash basis trial balances on October 12, 2013 and GAAP basis trial balances on November 6, 2013. Fieldwork for the audit began on November 11, 2013.

Furthermore, as the city continues to grow, so do the duties and responsibilities of the finance director. Some of these additional duties and responsibilities are specific to the finance department, while others are broader reaching throughout the city's operations.

Finally, staff in the finance department has grown through the years to meet the ever-changing demands of the department. However, with the finance director's ever expanding duties and responsibilities, there has been a lack of delegation of some of those duties and responsibilities to the deputy city treasurer and or other members of the finance department.

Recommendation – We recommend the finance director evaluate the current structure of the finance department in terms of its ability to provide timely external financial reporting. This evaluation would include a thorough review of the duties and responsibilities of each staff member. Recommendations for possible restructure of the finance department should then be provided to the city administrator. The collaborative effort of the finance director and the city administrator must achieve a structure that meets the demands of a growing municipality.

Views of Responsible Officials and Planned Corrective Actions – The city staff has achieved its goal of preparing the financial statements internally to prevent the SAS 115 finding, Preparation of the Financial Statements and Disclosures. The focus now is on achieving the conversion from cash basis to GAAP within 90 days of the close of the fiscal year. The delay in the prior year audit submission did impact the process in that the city treasurer and internal auditor were unable to review any transactions or records until after the fiscal year had ended due to being solely focused on submission of the audit for the fiscal year ending June 30, 2012. There was very little time to review the previous audit plan and modify it to achieve maximum effectiveness. In addition, items that should have been reconciled monthly during the fiscal year, such as capital expenditures and grant revenues and expenditures were not even started until after the fiscal year had ended.

The internal auditor was hired April 1, 2013, and the majority of her time has been working on audits of fiscal years that had already closed. There has not been much focus on audit planning or work that can be done during the fiscal year to make the process more efficient. Nevertheless, there were significant strides made in efficiency in several areas this year. The reconciliation of capital assets and the associated journal entries required took about 2 to 2 ½ weeks less time this year than last year. The reconciliation of receivables and deferred revenues from outlying departments took about 75% less time due to training given by the internal auditor to said departments to resolve issues discovered in the last audit.

**STATE OF NEW MEXICO
CITY OF CARLSBAD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Item 2008-06 – Material Weakness – Submission of Audit Report (continued)

Views of Responsible Officials and Planned Corrective Actions – Due to the internal auditor's daily duties, subsequent events were addressed daily during the 60 days following the close of the fiscal year instead of being reviewed after the 60 days had passed. Also, recording the entries required to convert cash basis to GAAP basis took about half the time, since there were two people instead of one inputting and reviewing them.

Software upgrades were recently completed to automate both the calculation of the uncompensated absences and accounts payable associated with subsequent events. At present, the city's assistant treasurer, a degreed accountant, is performing various clerical duties as part of her daily workload. In the upcoming budget cycle, the finance department will request an executive secretary to perform these duties thus allowing the present staff to focus on general ledger maintenance and financial statement preparation. Upon submittal of the audit for the fiscal year ending June 30, 2013, city staff will focus on the monthly reconciliations referred to earlier. These changes should allow for the preparation of the draft financial statements to be completed by September 30th but no later than October 15th, which should allow for a timely audit submission.

Item 2012-03 – Other – Travel and Per Diem Reimbursements

Statement of Condition – During the course of the audit, we performed tests of travel and per diem expenditures. Our sample size was sixty transactions, which were selected throughout the fiscal year, and contained the following discrepancies:

- There were four instances where an employee was not paid for partial day per diem on their final day of travel. In total, the employees were underpaid by \$64.00.

Criteria – The New Mexico Department of Finance and Administration (DFA) has issued regulations in the form of Title 2, Chapter 42, Part 2, *Travel and Per Diem Regulations Governing the Per Diem and Mileage Act* of the New Mexico Administrative Code. The rule was issued in accordance with Section 10-8-1 to 10-8-8 NMSA 1978. Sections 2.42.2.8 B (3) and 2.42.2.9 C of the Travel and Per Diem Act states, “*On the last day of travel when overnight lodging is no longer required, partial day reimbursement shall be made. To calculate the number of hours in a partial day, begin with the time the traveler initially departed. Divide the number of hours traveled by 24. The hours remaining constitute the partial day which shall be reimbursed as: less than two hours, none; for two but less than six hours, \$12.00; for six but less than twelve hours, \$20.00 and for twelve hours or more, \$30.00.*”

Effect – Non-compliance with the state of New Mexico Travel and Per Diem Act subjects officials and employees to penalties as required by state statutes.

Cause – City staff didn't fully understand the partial per diem rates in respect to when actual expenses were being occurred. Some of the staff lacks a completed understanding of all aspects of the Act.

STATE OF NEW MEXICO
CITY OF CARLSBAD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Item 2012-03 – Other – Travel and Per Diem Reimbursements (continued)

Recommendation – We recommend the city review the Travel and Per Diem Act. We recommend the finance office to send a memorandum to all departments emphasizing various aspects of the Per Diem and Mileage Act.

Views of Responsible Officials and Planned Corrective Actions – City staff reviewed the Travel and Per Diem Act when this finding came to light during the last audit; however, these payments had been processed prior to that occurrence. The city still plans to update its Mileage and Per Diem Resolution and provide training to employees and elected officials. Software is currently being upgraded to automate the travel voucher to avoid clerical errors.

Item 2012-04 – Other – Deficit Ending Cash Balances for Budget

Statement of Condition – The city budgeted a deficit ending cash balance of \$11 in the Fire Protection Special Revenue Fund.

Criteria – Sections 6-6-6 through 6-6-11 NMSA 1978 prohibit local governments from making expenditures in excess of the approved budget and make public officials liable for such expenditures. City officials and governing authorities have the obligation to follow applicable state statutes.

Effect – Noncompliance with New Mexico State Statutes could subject officials and employees to penalties and fines required by state statutes.

Cause – The city failed to reconcile the cash balance within this fund when preparing their original annual budget.

Recommendation – We recommend the city finance department officials review the ending cash balances within the funds during the original budget process and once a budget adjustment resolution is approved by the city council. Furthermore, we recommend, if several funds are combined for financial reporting purposes, city staff should combine the funds to ensure there isn't deficit ending cash balances.

Views of Responsible Officials and Planned Corrective Actions – The city treasurer and the Budget Accountant do review the ending cash balance within each fund during the original budget process and upon submission of budget adjustments. This problem arose when restricted cash of \$11 that was held in a cash account by the New Mexico Finance Authority was included in the cash balance for budget purposes. This issue was brought to the city's attention during the last audit, but the original budget had already been submitted to DFA. A budget adjustment was prepared and approved during the year to correct the deficit, so the final budget did not have a deficit cash balance budgeted. In addition, expenditures for the fiscal year were less than budgeted, so no actual cash deficit would have occurred regardless. Even though NMFA uses the restricted cash for the repayment of debt during the fiscal year, the city has stopped including restricted cash held by NMFA in its cash balance for budgeting purposes.

**STATE OF NEW MEXICO
CITY OF CARLSBAD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2013**

**SECTION III – FEDERAL AWARDS AND QUESTIONED COSTS -
INVESTMENT FOR PUBLIC WORKS AND ECONOMIC DEVELOPMENT
FACILITIES CFDA NO. 11.300, HIGHWAY & RESEARCH DEVELOPMENT
CFDA NO. 20.200, FEDERAL TRANSIT – FORMULA GRANTS CFDA
NO. 20.507 AND WATER & ENERGY APPROPRIATION ACT CFDA NO. 81.502**

None.

SECTION IV – PRIOR YEARS' AUDIT FINDINGS

Item 2008-06 – Submission of Audit Report – In the previous year's audit report, it was noted the audit report was not submitted timely to the New Mexico State Auditor's office. During the fiscal year, the audit report was not submitted timely to the New Mexico State Auditor's office. The finding has not been resolved and is updated and repeated.

Item 2012-01 – Battered Families Shelter – Building Repair Expenditures – In the previous year's audit report, it was noted the city council approved an expenditure of \$10,000 to complete repairs at the shelter. During the fiscal year, the city staff alerted the city council of any similar issues and no violations occurred. The finding has been resolved.

Item 2012-02 – State Constitution and Attendance Bonus – In the previous year's audit report, it was noted that the city entered into agreements with four employee unions. The agreements stated that the employees were allowed to receive a cash bonus based on years of service and the employee's work attendance during the previous year.

Item 2012-02 – State Constitution and Attendance Bonus (continued) – During the fiscal year, the city amended the four employee union agreements and their employee policy manual to remove the payment of an attendance bonus. The finding has been resolved.

Item 2012-03 – Travel and Per Diem Reimbursements – In the previous year's audit report, it was noted that the city incorrectly reimbursed employees, including the city councilors, in respect to the Mileage and Per Diem Act. During the fiscal year, the city made improvements when reimbursing mileage and per diem to employees; however, there are still deficiencies. The finding has not been resolved and is updated and repeated.

Item 2012-04 – Deficit Ending Cash Balances for Budget – In the previous year's audit report, it was noted the city budgeted deficit ending cash balances within two funds. During the fiscal year, city staff failed to review and reconcile all fund budgets and there was a deficit ending cash balances. The finding has not been resolved and is updated and repeated.

Item 2012-05 – Submission of the Reporting Package to the Federal Government – In the previous year's audit report, it was noted that the city failed to submit the reporting package to the federal government by the due date. During the fiscal year, the city will submit the reporting package to the federal government by the due date (March 31st). The finding has been resolved.

STATE OF NEW MEXICO
CITY OF CARLSBAD
EXIT CONFERENCE AND
PREPARATION OF FINANCIAL STATEMENTS
JUNE 30, 2013

CITY OF CARLSBAD
EXIT CONFERENCE

The audit report for the fiscal year ended June 30, 2013, was discussed during the exit conference, in closed session in compliance with the Open Meetings Act, held on February 10, 2014. Present for the city were Dale Janway, mayor; Richard "Dick" W. Doss, mayor pro-tem; Paul C. Aguilar, J.R. Doporto, Nick G. Salcido, Jason G. Shirley, Judith E. Waters, Janell E. Whitlock, city councilors; Steve V. McCutcheon, city administrator; Monica D. Harris, director of finance/city treasurer; Robin Kirby, assistant city treasurer; and Tai Etcheverry, internal auditor. Present for the auditing firm was Dominic Fierro, Manager.

FINANCIAL STATEMENT PREPARATION

The city treasurer and the accounting staff prepared the financial statements of the municipality for the fiscal year ended June 30, 2013. The auditing firm assisted in the preparation of the footnotes to the statements, along with preparing the document that contains all the financial statements, notes to the financial statements and other supplemental financial information.