

**STATE OF NEW MEXICO  
CITY OF CARLSBAD**

**FINANCIAL STATEMENTS WITH  
INDEPENDENT AUDITORS' REPORTS**

**JUNE 30, 2012**

**STATE OF NEW MEXICO  
CITY OF CARLSBAD  
TABLE OF CONTENTS  
JUNE 30, 2012**

	<b><u>PAGE</u></b>
Directory of Officials.....	1
Independent Auditors' Report.....	2-3
 <b><u>BASIC FINANCIAL STATEMENTS:</u></b>	
<b>Government-Wide Financial Statements:</b>	
Statement of Net Assets.....	4
Statement of Activities.....	5
 <b>Governmental Funds Financial Statements:</b>	
Balance Sheet.....	6
Reconciliation of the Balance Sheet Governmental Funds to the Statement of Net Assets .....	7
Statement of Revenues, Expenditures, and Changes in Fund Balances - Governmental Funds .....	8
Reconciliation of the Statement of Revenues, Expenditures and Changes in Fund Balances - Governmental Funds to the Statement of Activities .....	9
Statement of Revenues, Expenditures and Changes in Cash Balance Budget (Non-GAAP Budgetary Basis) and Actual on Budgetary Basis: General Fund .....	10
 <b>Proprietary Funds Financial Statements:</b>	
<u>Proprietary Funds:</u>	
Statement of Net Assets.....	11
Statement of Revenues, Expenses, and Changes in Fund Net Assets.....	12
Statement of Cash Flows .....	13
Notes to the Financial Statements.....	14-46
 <b>Combining and Individual Fund Financial Statements:</b>	
<u>Other Governmental Funds:</u>	
Combining Balance Sheet.....	47-49
Combining Statement of Revenues, Expenditures and Changes in Fund Balances.....	50-52

**STATE OF NEW MEXICO  
CITY OF CARLSBAD  
TABLE OF CONTENTS  
JUNE 30, 2012**

**PAGE**

**Other Special Revenue Funds Budgetary Comparison Statements:**

Statement of Revenues, Expenditures and Changes in Cash Balance  
Budget (Non-GAAP Budgetary Basis) and Actual on Budgetary Basis:

E-911 Grant Fund.....	53
Fire Protection Fund.....	54
Recreation Fund.....	55
Lodgers' Tax Fund .....	56
Airport Fund .....	57
Emergency Medical Services Fund .....	58
Local Government Corrections Fund.....	59
Special Police Program Fund .....	60
Law Enforcement Protection Fund .....	61
Retired Senior Volunteer Program Fund.....	62
Sports Complex Fund.....	63
Community Development Fund .....	64
WIPP Acceleration Impact Fund.....	65

**Major Capital Project Fund Budgetary Comparison Statement:**

Statement of Revenues, Expenditures, and Changes in Cash Balance  
Budget (Non-GAAP Budgetary Basis) and Actual on Budgetary Basis:

GRT Capital Outlay Fund .....	66
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**Other Capital Project Funds Budgetary Comparison Statements:**

Park Improvement Fund.....	67
Street System Improvement Fund.....	68
State Legislative Fund.....	69
CIEP Fund.....	70
Federal Projects Fund .....	71

**Other Debt Service Funds Budgetary Comparison Statements:**

Statement of Revenues, Expenditures, and Changes in Cash Balance  
Budget (Non-GAAP Budgetary Basis) and Actual on Budgetary Basis:

Sports Complex Fund.....	72
2002 Sales Tax Bonds Fund .....	73

**STATE OF NEW MEXICO  
CITY OF CARLSBAD  
TABLE OF CONTENTS  
JUNE 30, 2012**

	<b><u>PAGE</u></b>
<b>Other Debt Service Funds Budgetary Comparison Statements (continued):</b>	
NM Finance Authority Loan Fund .....	74
GRT Capital Outlay Fund .....	75
<b>Combining and Individual Other Enterprise Funds Financial Statements:</b>	
Combining Statement of Net Assets .....	76
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets .....	77
Combining Statement of Cash Flows .....	78
<b>Major Enterprise Funds Budgetary Comparison Statements:</b>	
Statement of Revenues, Expenditures, and Changes in Cash Balance Budget (Non-GAAP Budgetary Basis) and Actual on Budgetary Basis:	
Solid Waste Fund .....	79
Joint Water Fund and Sewer Fund .....	80
<b>Other Enterprise Funds Budgetary Comparison Statements:</b>	
Museum Gift Shop Fund.....	81
Municipal Transit Fund .....	82
Performing Arts Center Fund.....	83
Cemetery Fund .....	84
<b>Combining and Individual Internal Service Funds Financial Statements:</b>	
Combining Statement of Net Assets .....	85
Combining Statement of Revenues, Expenses and Changes in Fund Net Assets .....	86
Combining Statement of Cash Flows .....	87
<b>Internal Service Funds Budgetary Comparison Statements:</b>	
Statement of Revenues, Expenditures, and Changes in Cash Balance Budget (Non-GAAP Budgetary Basis) and Actual on Budgetary Basis:	
Computer Lease Equipment Fund.....	88
General Insurance Fund.....	89
Group Health Insurance Fund .....	90
Disaster Preparedness Fund.....	91

**STATE OF NEW MEXICO  
CITY OF CARLSBAD  
TABLE OF CONTENTS  
JUNE 30, 2012**

	<b><u>PAGE</u></b>
<b>Other Supplemental Financial Information:</b>	
Schedule of Cash Accounts .....	92-93
Schedule of Pledged Collateral .....	94-95
<b>Schedule of Expenditures of Federal Awards:</b>	
Schedule of Expenditures of Federal Awards .....	96
Notes to Schedule of Expenditures of Federal Awards .....	97
<b>Additional Independent Auditors' Reports</b>	
Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance With <i>Government Auditing Standards</i> .....	98-99
Report on Compliance With Requirements Applicable to Each Major Program and Internal Control Over Compliance in Accordance with OMB Circular A-133.....	100-101
Schedule of Findings and Questioned Costs.....	102-111
Exit Conference and Preparation of Financial Statements .....	112

**STATE OF NEW MEXICO  
CITY OF CARLSBAD  
DIRECTORY OF OFFICIALS  
JUNE 30, 2012**

***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***

Jon R. Tully .....	City Administrator
Monica D. Harris .....	Director of Finance/City Treasurer
Amanda J. McDougall.....	City Clerk
Daniel Fierro.....	Chief of Police
Michael H. Reynolds .....	Fire Chief
John D. Beasley .....	Community Development Director
Scot Bendixsen .....	Human Resources Director
Luis R. Camero .....	Director of Public Works/Utilities
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

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, New Mexico as of and for the year ended June 30, 2012, which collectively comprise the city's basic financial statements as listed in the table of contents. We have also 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, major enterprise funds, all nonmajor funds and internal service funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2012, as listed in the table of contents. These financial statements are the responsibility of the city of Carlsbad's management. 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 of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to previously 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, 2012, and the respective changes in financial position and, cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to previously present fairly, in all material respects, the respective financial position of each nonmajor governmental, nonmajor enterprise and internal service funds of the city of Carlsbad, as of June 30, 2012, and changes in financial position and, cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America. Additionally, in our opinion, the general fund, GRT capital outlay fund, major enterprise funds, all nonmajor funds, and internal service funds referred to previously present fairly, in all material respects, the budgetary comparison for each fund of the city of Carlsbad for the year ended June 30, 2012, 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.

In accordance with *Government Auditing Standards*, we have also issued our report dated June 5, 2013, on our consideration of the city of Carlsbad'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 or on financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* and should be considered in assessing the results of our audit.

The city of Carlsbad has omitted the management's discussion that is 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 Government 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.

Our audit was conducted for the purpose of forming opinions on the basic financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The accompanying schedule of expenditures of federal awards is presented for purposes of additional analysis as required by U.S. Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and is not a required part of the financial statements. The additional schedules listed as *other supplemental financial information* in the table of contents are presented for purposes of additional analysis and are not a required part of the financial statements. Such information is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the financial statements. The information has been subjected to the auditing procedures applied in the audit of the financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the financial statements or to the financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the information is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

*Fierro + Fierro, P.A.*

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

June 5, 2013

## **GOVERNMENT-WIDE FINANCIAL STATEMENTS**

**STATE OF NEW MEXICO**  
**CITY OF CARLSBAD**  
**STATEMENT OF NET ASSETS**  
**JUNE 30, 2012**

	Governmental Activities	Business-Type Activities	Total
<b>ASSETS</b>			
Cash	\$ 35,797,416	\$ 11,552,752	\$ 47,350,168
Receivables, net	10,254,702	2,637,925	12,892,627
Inventory	-	398,053	398,053
Internal balance	(4,491)	4,491	-
Restricted cash	950,306	10,013,776	10,964,082
Restricted investments	306,796	6,529,420	6,836,216
Capital assets:			
Land and construction in progress	2,698,647	6,494,806	9,193,453
Other capital assets, net of depreciation	74,873,253	48,366,335	123,239,588
Total capital assets	77,571,900	54,861,141	132,433,041
Unamortized debt issuance costs	172,454	728,914	901,368
Total assets	125,049,083	86,726,472	211,775,555
<b>LIABILITIES</b>			
Accounts payable	688,267	887,908	1,576,175
Accrued salaries	370,604	92,315	462,919
Accrued liabilities	57,118	61,443	118,561
Accrued interest payable	57,835	238,160	295,995
Deferred revenues	1,192,554	-	1,192,554
Deposits payable	350	684,540	684,890
Long-term liabilities:			
Due within one year	1,456,693	960,628	2,417,321
Due in more than one year	8,682,772	31,673,052	40,355,824
Total liabilities	12,506,193	34,598,046	47,104,239
<b>NET ASSETS</b>			
Invested in capital assets, net of related debt	68,638,943	23,141,975	91,780,918
Restricted for:			
Debt service	306,796	2,946,082	3,252,878
Endowment:			
Expendable	-	7,177,794	7,177,794
Unrestricted	43,597,151	18,862,575	62,459,726
Total net assets	\$ 112,542,890	\$ 52,128,426	\$ 164,671,316

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, 2012**

Functions/Programs	Expenses	Program Revenues			Net (Expenses) Revenues and Changes in Net Assets		
		Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Governmental Activities	Business- Type Activities	Total
<b>Primary Government:</b>							
<b>Governmental activities:</b>							
General government	\$ 5,488,728	\$ 498,911	\$ -	\$ 725,834	\$ (4,263,983)	\$ -	\$ (4,263,983)
Public safety	14,692,375	1,248,310	1,156,911	-	(12,287,154)	-	(12,287,154)
Public works	5,971,707	273	29,981	1,319,033	(4,622,420)	-	(4,622,420)
Culture and recreation	5,723,932	418,123	213,163	3,546	(5,089,100)	-	(5,089,100)
Health and welfare	721,453	2,110	-	-	(719,343)	-	(719,343)
Economic development	129,632	15,000	-	2,834,184	2,719,552	-	2,719,552
Interest on long-term debt	404,237	-	-	-	(404,237)	-	(404,237)
Total governmental activities	33,132,064	2,182,727	1,400,055	4,882,597	(24,666,685)	-	(24,666,685)
<b>Business-type activities:</b>							
Water	4,411,679	11,002,334	-	-	-	6,590,655	6,590,655
Solid waste	2,867,819	4,109,568	111,000	-	-	1,352,749	1,352,749
Wastewater	2,742,392	3,484,602	19,195	-	-	761,405	761,405
Museum	13,963	8,323	-	-	-	(5,640)	(5,640)
Municipal transit	917,274	80,887	316,990	82,078	-	(437,319)	(437,319)
Performing arts center	177,555	18,663	-	-	-	(158,892)	(158,892)
Cemetery	432,213	172,085	-	-	-	(260,128)	(260,128)
Interest on long-term debt	1,072,051	-	-	-	-	(1,072,051)	(1,072,051)
Total business-type activities	12,634,946	18,876,462	447,185	82,078	-	6,770,779	6,770,779
Total primary government	\$ 45,767,010	\$ 21,059,189	\$ 1,847,240	\$ 4,964,675	(24,666,685)	6,770,779	(17,895,906)
<b>General Revenues:</b>							
Sales taxes					32,855,434	629,609	33,485,043
Property taxes, levied for general purposes					2,117,751	-	2,117,751
Lodgers' taxes					1,212,298	-	1,212,298
Franchise taxes					745,441	-	745,441
Public service taxes					480,013	-	480,013
Investment income					15,101	138,593	153,694
Donations					576,648	659,675	1,236,323
Insurance recoveries					64,291	5,735	70,026
<i>Special Item</i> - gain on disposal of assets					128,069	26,002	154,071
Transfers					1,294,060	(1,294,060)	-
Total general revenues, special items, and transfers					39,489,106	165,554	39,654,660
Change in net assets					14,822,421	6,936,333	21,758,754
Net assets, beginning of year					97,722,922	45,301,819	143,024,741
Restatements					(2,453)	(109,726)	(112,179)
Net assets, beginning of year, restated					97,720,469	45,192,093	142,912,562
Net assets, end of year					\$ 112,542,890	\$ 52,128,426	\$ 164,671,316

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, 2012**

	General Fund	GRT Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
<b>ASSETS</b>				
Cash	\$ 10,948,609	\$ 7,190,824	\$ 13,973,913	\$ 32,113,346
Receivables, net	6,971,372	445,558	2,792,727	10,209,657
Due from other funds	-	-	120,000	120,000
Restricted:				
Investments	-	-	306,796	306,796
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total assets	<u>\$ 17,919,981</u>	<u>\$ 7,636,382</u>	<u>\$ 17,193,436</u>	<u>\$ 42,749,799</u>
<b>LIABILITIES AND FUND BALANCES</b>				
Liabilities:				
Accounts payable	\$ 154,509	\$ 68,770	\$ 381,022	\$ 604,301
Accrued salaries	362,941	-	7,663	370,604
Accrued interest payable	-	-	13,050	13,050
Accrued liabilities	57,118	-	-	57,118
Deposits	-	-	350	350
Due to other funds	4,491	-	120,000	124,491
Deferred revenues	159,933	-	1,192,674	1,352,607
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities	738,992	68,770	1,714,759	2,522,521
Fund Balances:				
Restricted for:				
Debt service	-	-	2,619,240	2,619,240
State mandated per statutes	-	-	858,527	858,527
Committed for:				
One twelfth budget reserve	2,866,261	-	-	2,866,261
Subsequent years' expenditures	987,503	3,443,986	10,278,248	14,709,737
Assigned	-	4,123,626	1,722,662	5,846,288
Unassigned	13,327,225	-	-	13,327,225
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total fund balances	17,180,989	7,567,612	15,478,677	40,227,278
	<u>          </u>	<u>          </u>	<u>          </u>	<u>          </u>
Total liabilities and fund balances	<u>\$ 17,919,981</u>	<u>\$ 7,636,382</u>	<u>\$ 17,193,436</u>	<u>\$ 42,749,799</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 ASSETS  
JUNE 30, 2012

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

Total fund balance governmental funds (page six)	\$	40,227,278
Capital assets used in governmental activities are not financial resources and; therefore, are not reported in the governmental funds.		77,571,900
Unamortized bond issuance costs, including original issue discount are not expensed in the current period. Those costs are capitalized, in the statement of net assets and are not reported in the governmental funds.		172,454
Certain accrued interest expenses are not due and payable in the current period and, therefore, are not reported in the governmental funds.		(44,785)
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.		(10,139,465)
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.		140,016
Revenue reflected as non-current within the funds is recognized as earned within the governmental activities.		20,037
Residual balances of the internal service funds are included within the governmental activities and are not reported in the governmental funds.		<u>4,595,455</u>
Net assets of governmental activities (page four)	\$	<u><u>112,542,890</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, 2012**

	General Fund	GRT Capital Outlay Fund	Other Governmental Funds	Total Governmental Funds
<b>Revenues:</b>				
Sales taxes	\$ 29,302,066	\$ 2,294,853	\$ 1,258,515	\$ 32,855,434
Property taxes	2,110,630	-	-	2,110,630
Franchise taxes	745,441	-	-	745,441
Lodgers' taxes	-	-	1,212,298	1,212,298
Public service taxes	-	-	480,013	480,013
<b>Intergovernmental:</b>				
Federal	66,679	-	4,183,565	4,250,244
State	719,428	-	1,170,934	1,890,362
Charges for services	1,240,581	-	156,367	1,396,948
Licenses and permits	308,294	-	73,408	381,702
Fines and forfeitures	359,111	-	-	359,111
Investment income	8,085	-	3,972	12,057
Miscellaneous	27,835	-	780,079	807,914
<b>Total revenues</b>	<b>34,888,150</b>	<b>2,294,853</b>	<b>9,319,151</b>	<b>46,502,154</b>
<b>Expenditures:</b>				
<b>Current:</b>				
General government	4,001,100	-	41,335	4,042,435
Public safety	13,929,703	-	427,152	14,356,855
Public works	4,090,908	-	785,220	4,876,128
Culture and recreation	3,387,597	-	1,485,237	4,872,834
Health and welfare	741,857	-	35,034	776,891
Economic development	-	-	129,632	129,632
Capital outlay	1,241,281	245,423	5,699,627	7,186,331
<b>Debt service:</b>				
Principal	-	-	1,036,708	1,036,708
Interest and other charges	-	-	397,759	397,759
<b>Total expenditures</b>	<b>27,392,446</b>	<b>245,423</b>	<b>10,037,704</b>	<b>37,675,573</b>
<b>Excess (deficiency) of revenues over expenditures</b>	<b>7,495,704</b>	<b>2,049,430</b>	<b>(718,553)</b>	<b>8,826,581</b>
<b>Other Financing Sources (Uses):</b>				
Transfers in	2,757,790	-	9,475,374	12,233,164
Transfers (out)	(10,207,506)	(528,415)	(2,250,742)	(12,986,663)
<b>Total other financing sources (uses)</b>	<b>(7,449,716)</b>	<b>(528,415)</b>	<b>7,224,632</b>	<b>(753,499)</b>
<b>Special Item:</b>				
Proceeds from sale of assets	33,384	-	107,709	141,093
<b>Net change in fund balances</b>	<b>79,372</b>	<b>1,521,015</b>	<b>6,613,788</b>	<b>8,214,175</b>
<b>Fund balance, beginning of year</b>	<b>17,101,617</b>	<b>6,046,597</b>	<b>8,867,342</b>	<b>32,015,556</b>
<b>Restatement</b>	<b>-</b>	<b>-</b>	<b>(2,453)</b>	<b>(2,453)</b>
<b>Fund balance, beginning of year, restated</b>	<b>17,101,617</b>	<b>6,046,597</b>	<b>8,864,889</b>	<b>32,013,103</b>
<b>Fund balance, end of year</b>	<b>\$ 17,180,989</b>	<b>\$ 7,567,612</b>	<b>\$ 15,478,677</b>	<b>\$ 40,227,278</b>

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, 2012**

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

Net change in fund balances total governmental funds (page eight)	\$ 8,214,175
Net change in net assets of internal service funds (page twelve)	1,920,577
Governmental funds report capital outlay as expenditures in the amount of \$7,186,331; 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 \$3,394,269; therefore, the net adjustment is \$3,792,062.	3,792,062
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.	(13,024)
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.	27,158
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.	3,716
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.	1,036,708
During the current year, the city recorded amortization expense concerning the bond issuance costs. 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.	(10,194)
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>(148,757)</u>
Net change in net assets - government-wide financial statements (page five)	<u>\$ 14,822,421</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**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance with Final Budget Over (Under)
	Original	Final				
<b>Revenues:</b>						
Sales taxes	\$ 23,578,706	\$ 24,778,706	\$ 28,014,117	\$ 1,287,949	\$ 29,302,066	\$ 3,235,411
Property taxes	1,988,985	1,988,985	2,115,751	(5,121)	2,110,630	126,766
Franchise taxes	727,948	727,948	770,005	(24,564)	745,441	42,057
Public service taxes	-	-	48	(48)	-	48
<b>Intergovernmental:</b>						
Federal	-	50,870	55,506	11,173	66,679	4,636
State	808,442	808,442	152,799	566,629	719,428	(655,643)
Charges for services	1,205,550	1,205,550	1,205,184	35,397	1,240,581	(366)
Licenses and permits	189,111	189,111	307,803	491	308,294	118,692
Fines and forfeitures	255,000	255,000	359,111	-	359,111	104,111
Investment income	12,000	12,000	8,074	11	8,085	(3,926)
Miscellaneous	2,100	7,727	84,953	(57,118)	27,835	77,226
<b>Total revenues</b>	<b>28,767,842</b>	<b>30,024,339</b>	<b>33,073,351</b>	<b>1,814,799</b>	<b>34,888,150</b>	<b>3,049,012</b>
<b>Expenditures:</b>						
<b>Current:</b>						
General government	4,771,538	4,802,538	4,133,102	(132,002)	4,001,100	669,436
Public safety	14,784,748	14,972,247	14,302,386	(372,683)	13,929,703	669,861
Public works	4,607,516	4,608,016	4,219,127	(128,219)	4,090,908	388,889
Culture and recreation	3,707,238	3,664,683	3,487,792	(100,195)	3,387,597	176,891
Health and welfare	854,118	854,118	766,367	(24,510)	741,857	87,751
Capital outlay	2,406,477	2,458,705	1,236,134	5,147	1,241,281	1,222,571
<b>Total expenditures</b>	<b>31,131,635</b>	<b>31,360,307</b>	<b>28,144,908</b>	<b>(752,462)</b>	<b>27,392,446</b>	<b>3,215,399</b>
Excess (deficiency) of revenues over expenditures	(2,363,793)	(1,335,968)	4,928,443	2,567,261	7,495,704	6,264,411
<b>Other Financing Sources (Uses):</b>						
Transfers in	3,748,965	3,748,965	2,748,965	8,825	2,757,790	(1,000,000)
Transfers (out)	(9,657,506)	(10,207,506)	(10,207,506)	-	(10,207,506)	-
<b>Total other financing sources (uses)</b>	<b>(5,908,541)</b>	<b>(6,458,541)</b>	<b>(7,458,541)</b>	<b>8,825</b>	<b>(7,449,716)</b>	<b>(1,000,000)</b>
<b>Special Item:</b>						
Proceeds from sale of assets	100	100	33,384	-	33,384	33,284
<b>Net change</b>	<b>(8,272,234)</b>	<b>(7,794,409)</b>	<b>(2,496,714)</b>	<b>\$ 2,576,086</b>	<b>\$ 79,372</b>	<b>5,297,695</b>
Cash balance, beginning of year	13,445,323	13,445,323	13,445,323			-
Cash balance, end of year	\$ 5,173,089	\$ 5,650,914	\$ 10,948,609			\$ 5,297,695
<b>Explanation of Differences:</b>						
Change in receivables				\$ 2,299,708		
Change in accounts payable				81,920		
Change in accrued salaries				683,595		
Change in accrued liabilities				(57,118)		
Change in due to others				494		
Change in deferred revenues				(26,840)		
Noncash capital outlay				(8,331)		
Capital asset transferred				8,331		
Bad debts expense				(405,673)		
				<b>\$ 2,576,086</b>		

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 ASSETS**  
**PROPRIETARY FUNDS**  
**JUNE 30, 2012**

	Business-Type Activities - Enterprise Funds				Governmental Activities Internal Service Funds
	Solid Waste Fund	Joint Water and Sewer Fund	Other Enterprise Funds	Total	
<b>Assets:</b>					
<b>Current assets:</b>					
Cash	\$ 3,745,487	\$ 7,182,019	\$ 625,246	\$ 11,552,752	\$ 3,684,070
Receivables, net	528,497	2,071,168	38,260	2,637,925	45,045
Due from other funds	-	-	4,491	4,491	-
Inventory	-	398,053	-	398,053	-
Total current assets	4,273,984	9,651,240	667,997	14,593,221	3,729,115
<b>Noncurrent assets:</b>					
Restricted cash	-	10,013,776	-	10,013,776	950,306
Restricted investments	55,201	6,474,219	-	6,529,420	-
<b>Capital assets:</b>					
Land	10,000	1,070,796	201,477	1,282,273	-
Construction in progress	1,052,530	4,156,254	3,749	5,212,533	-
Buildings	-	-	3,760,775	3,760,775	-
Improvements	-	30,381,194	377,367	30,758,561	-
Utility system and facilities	3,319,339	35,526,409	-	38,845,748	-
Equipment	3,513,611	5,506,858	978,139	9,998,608	-
Less accumulated depreciation	(5,345,101)	(27,716,395)	(1,935,861)	(34,997,357)	-
Total capital assets, net	2,550,379	48,925,116	3,385,646	54,861,141	-
Unamortized bond issuance costs including original issue discount	-	728,914	-	728,914	-
Total noncurrent assets	2,605,580	66,142,025	3,385,646	72,133,251	950,306
Total assets	6,879,564	75,793,265	4,053,643	86,726,472	4,679,421
<b>Liabilities:</b>					
<b>Current liabilities:</b>					
Accounts payable	157,217	680,733	49,958	887,908	83,966
Accrued salaries	22,586	57,278	12,451	92,315	-
Accrued liabilities	-	61,443	-	61,443	-
Accrued interest payable	725	237,435	-	238,160	-
Customer deposits	-	684,540	-	684,540	-
<b>Current maturities of liabilities:</b>					
Bonds payable	-	820,000	-	820,000	-
Notes payable	60,951	14,720	-	75,671	-
Compensated absences	17,598	41,056	6,303	64,957	-
Total current liabilities	259,077	2,597,205	68,712	2,924,994	83,966
<b>Noncurrent liabilities:</b>					
Bonds payable	-	18,145,000	-	18,145,000	-
Notes payable	63,216	12,615,279	-	12,678,495	-
Compensated absences	27,153	37,824	5,225	70,202	-
Landfill closure and post-closure	779,355	-	-	779,355	-
Total noncurrent liabilities	869,724	30,798,103	5,225	31,673,052	-
Total liabilities	1,128,801	33,395,308	73,937	34,598,046	83,966
<b>Net Assets:</b>					
Invested in capital assets, net of related debt	2,426,212	17,330,117	3,385,646	23,141,975	-
<b>Restricted:</b>					
Debt service	55,201	2,890,881	-	2,946,082	-
<b>Endowment:</b>					
Expendable	-	7,177,794	-	7,177,794	-
Unrestricted	3,269,350	14,999,165	594,060	18,862,575	4,595,455
Total net assets	<u>\$ 5,750,763</u>	<u>\$ 42,397,957</u>	<u>\$ 3,979,706</u>	<u>\$ 52,128,426</u>	<u>\$ 4,595,455</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 ASSETS**  
**PROPRIETARY FUNDS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	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	\$ 4,109,568	\$ 14,484,022	\$ 277,958	\$ 18,871,548	\$ 4,755,325
Operating Expenses:					
Personnel services	1,375,609	3,120,638	638,001	5,134,248	-
Utilities	138	725,884	77,342	803,364	-
Contractual services	61,078	296,744	428,035	785,857	83,776
Repairs and maintenance	321,753	599,786	32,632	954,171	-
Insurance claims and expenses	-	-	-	-	5,715,704
Other supplies and expenses	823,447	643,480	138,785	1,605,712	85,871
Depreciation and amortization	285,794	1,767,539	226,210	2,279,543	-
Total operating expenses	<u>2,867,819</u>	<u>7,154,071</u>	<u>1,541,005</u>	<u>11,562,895</u>	<u>5,885,351</u>
Operating income (loss)	1,241,749	7,329,951	(1,263,047)	7,308,653	(1,130,026)
Non-Operating Revenues (Expenses):					
Sales taxes	629,609	-	-	629,609	-
Intergovernmental	111,000	19,195	316,990	447,185	-
Investment income	2,203	136,390	-	138,593	3,044
Miscellaneous	-	664,557	5,767	670,324	1,000,000
Interest expense	(6,439)	(1,065,612)	-	(1,072,051)	-
Total non-operating revenues (expenses)	<u>736,373</u>	<u>(245,470)</u>	<u>322,757</u>	<u>813,660</u>	<u>1,003,044</u>
Income (loss) before capital contributions and transfers	1,978,122	7,084,481	(940,290)	8,122,313	(126,982)
Capital Contributions and Transfers:					
Capital contributions	-	-	82,078	82,078	-
Transfers in	267,339	1,441,881	1,086,789	2,796,009	2,048,053
Transfers (out)	(1,556,570)	(2,503,713)	(29,786)	(4,090,069)	(494)
Total capital contributions and transfers	<u>(1,289,231)</u>	<u>(1,061,832)</u>	<u>1,139,081</u>	<u>(1,211,982)</u>	<u>2,047,559</u>
Special Item:					
Gain on sale of assets	5,695	20,307	-	26,002	-
Change in net assets	694,586	6,042,956	198,791	6,936,333	1,920,577
Net assets, beginning of year	5,165,903	36,355,001	3,780,915	45,301,819	2,674,878
Restatements	(109,726)	-	-	(109,726)	-
Net assets, beginning of year, restated	<u>5,056,177</u>	<u>36,355,001</u>	<u>3,780,915</u>	<u>45,192,093</u>	<u>2,674,878</u>
Net assets, end of year	<u>\$ 5,750,763</u>	<u>\$ 42,397,957</u>	<u>\$ 3,979,706</u>	<u>\$ 52,128,426</u>	<u>\$ 4,595,455</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, 2012**

	Business-Type Activities - Enterprise Funds				Governmental Activities Internal Service Funds
	Solid Waste Fund	Joint Water and Sewer Fund	Other Enterprise Funds	Total	
<b>Cash Flows From Operating Activities:</b>					
Cash received from customers	\$ 4,055,410	\$ 14,437,433	\$ 279,655	\$ 18,772,498	\$ -
Internal activity - receipts from other funds	-	-	-	-	4,935,782
Cash payments to suppliers for goods and services	(1,044,715)	(2,376,548)	(658,506)	(4,079,769)	-
Cash payments to employees for services	(1,423,229)	(3,231,242)	(660,953)	(5,315,424)	(5,876,633)
Net cash provided (used) by operating activities	1,587,466	8,829,643	(1,039,804)	9,377,305	(940,851)
<b>Cash Flows from Non-Capital and Related Financing Activities:</b>					
Cash received from sales taxes	602,248	-	-	602,248	-
Cash received from intergovernmental sources	222,000	19,195	337,946	579,141	-
Cash received from capital contributions	-	-	82,078	82,078	-
Cash received from miscellaneous sources	2,357	706,276	4,228	712,861	1,000,000
Net change in customer deposits	-	93,182	-	93,182	-
Net transfers in (out)	(1,556,570)	(2,435,101)	1,040,224	(2,951,447)	2,048,053
Net cash provided (used) by non-capital and related financing activities	(729,965)	(1,616,448)	1,464,476	(881,937)	3,048,053
<b>Cash Flows from Capital and Related Financing Activities:</b>					
Acquisition of capital assets	(191,934)	(13,335,641)	(409,157)	(13,936,732)	-
Proceeds from the sale of assets	5,695	20,307	-	26,002	-
Long-term debt proceeds	-	9,854,031	-	9,854,031	-
Principal payments on capital debt	(58,841)	(1,371,514)	-	(1,430,355)	-
Interest on capital debt	(6,765)	(832,060)	-	(838,825)	-
Net cash (used) by capital and related financing activities	(251,845)	(5,664,877)	(409,157)	(6,325,879)	-
<b>Cash Flows from Investing Activities:</b>					
Investment income	1,970	162,663	-	164,633	2,757
Proceeds from sale of investments	-	1,950,541	-	1,950,541	-
Purchase of investments	-	(1,922,771)	-	(1,922,771)	-
Time deposits considered cash equivalents	-	852,868	-	852,868	-
Time deposits not considered cash equivalents	(165,952)	-	-	(165,952)	-
Net cash provided (used) by investing activities	(163,982)	1,043,301	-	879,319	2,757
Net increase in cash	441,674	2,591,619	15,515	3,048,808	2,109,959
Cash and cash equivalents, beginning of year	2,437,063	12,833,369	609,741	15,880,173	2,024,417
Restatement	-	13,073	-	13,073	-
Cash and cash equivalents, beginning of year, restated	2,437,063	12,846,442	609,741	15,893,246	2,024,417
Cash and cash equivalents, end of year	<u>\$ 2,878,737</u>	<u>\$ 15,438,061</u>	<u>\$ 625,256</u>	<u>\$ 18,942,054</u>	<u>\$ 4,134,376</u>
<b>Displayed as:</b>					
Cash	\$ 3,745,487	\$ 7,182,019	\$ 625,256	\$ 11,552,762	\$ 3,684,070
Restricted cash	-	10,013,776	-	10,013,776	950,306
Time deposits not considered cash equivalents	(866,750)	(1,757,734)	-	(2,624,484)	(500,000)
	<u>\$ 2,878,737</u>	<u>\$ 15,438,061</u>	<u>\$ 625,256</u>	<u>\$ 18,942,054</u>	<u>\$ 4,134,376</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>					
Operating Income (Loss)	\$ 1,241,749	\$ 7,329,951	\$ (1,263,047)	\$ 7,308,653	\$ (1,130,026)
<b>Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities:</b>					
Depreciation	285,794	1,767,539	226,210	2,279,543	-
Bad debts	9,557	15,720	1,414	26,691	-
Landfill closure and post-closure liability	54,930	-	-	54,930	-
Change in Assets and Liabilities:					
(Increase) decrease in accounts receivable	(66,137)	(107,783)	383	(173,537)	152,882
(Increase) in inventories	-	(11,169)	-	(11,169)	-
Increase (decrease) in accounts payable	109,193	(127,219)	18,471	445	36,293
Increase (decrease) in accrued salaries	(45,617)	(104,597)	(20,512)	(170,726)	-
Increase (decrease) in accrued liabilities	-	61,194	-	61,194	-
Increase (decrease) in compensated absences	(2,003)	6,007	(2,723)	1,281	-
Total adjustments	345,717	1,499,692	223,243	2,068,652	189,175
Net cash provided (used) by operating activities	<u>\$ 1,587,466</u>	<u>\$ 8,829,643</u>	<u>\$ (1,039,804)</u>	<u>\$ 9,377,305</u>	<u>\$ (940,851)</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, 2012

**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). Governments are also required to follow the pronouncements of the Financial Accounting Standards Board (FASB) issued through November 30, 1989 (when applicable) that do not conflict with or contradict GASB pronouncements. Although the city has the option to apply GASB pronouncements issued after that date to its business-type activities and proprietary funds, the city has not chosen to do so.

**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.

**STATE OF NEW MEXICO**  
**CITY OF CARLSBAD**  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2012

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

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. 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 Assets 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, 2012

**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.

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

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

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

**STATE OF NEW MEXICO**  
**CITY OF CARLSBAD**  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2012

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

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.

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-two other individual governmental funds that are considered nonmajor funds; thirteen 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 *e-911 fund* accounts for funds distributed to telephone companies receiving funds for the 911 system on behalf of the city. The fund is authorized by Enhanced 911 Section 63-9D-8, NMSA 1978.

**STATE OF NEW MEXICO**  
**CITY OF CARLSBAD**  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2012

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

**Special Revenue Funds (continued)**

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 changes 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.

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 *special police program fund* accounts for grant proceeds for special police related programs (teen court, juvenile community service programs, and special DWI grants). The fund is authorized by city council.

**STATE OF NEW MEXICO**  
**CITY OF CARLSBAD**  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2012

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

**Special Revenue Funds (continued)**

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 the 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.

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.

**STATE OF NEW MEXICO**  
**CITY OF CARLSBAD**  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2012

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

**Capital Project Funds (continued)**

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.

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.

**STATE OF NEW MEXICO**  
**CITY OF CARLSBAD**  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2012

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

Measurement Focus, Basis of Accounting,

C. and Financial Statement Preparation (continued)

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. 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.

**STATE OF NEW MEXICO**  
**CITY OF CARLSBAD**  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2012

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

D. Budgets (continued)

The proposed budget is then submitted by June 1<sup>st</sup> to the New Mexico Department of Finance and Administration Local Government Division (DFA) for approval. DFA certifies a pending budget by July 1<sup>st</sup> 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, 2012

**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 when material.

**STATE OF NEW MEXICO**  
**CITY OF CARLSBAD**  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2012

**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>Assets</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 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 a liability within the balance sheet.

**STATE OF NEW MEXICO**  
**CITY OF CARLSBAD**  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2012

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

**10. Short-Term Obligations**

No short-term debt occurred during the current fiscal year.

**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, as well as, issuance costs, 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 deferred charges and amortized over the term of the related debt.

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 requirements.

**12. Net Assets**

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

*Investment in capital assets, net of related debt* – This category reflects the portion of net assets that are associated with capital assets less outstanding capital asset related debt.

*Restricted net assets* – This category reflects the portion of net assets that have third party limitations on their use.

*Unrestricted net assets* – This category reflects net assets 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.

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

**STATE OF NEW MEXICO**  
**CITY OF CARLSBAD**  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2012

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

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

**13. Fund Equity Reservation and Designations (continued)**

*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, 2012

**1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)**

F. Other Matters (continued)

**3. Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect 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, 2012, 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, 2012

**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	5,331,497	(474,595)	4,856,902
Pioneer Savings Bank	1,839,218	-	1,839,218
Wells Fargo Bank	34,300,235	(1,124,726)	33,175,509
Western Commerce Bank	18,240,036	199,588	18,439,624
Total cash deposits	<u>\$ 59,710,986</u>	<u>\$ (1,396,736)</u>	<u>\$ 58,314,250</u>

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

Statement of Net Assets:	
Cash	\$ 47,350,168
Restricted cash	<u>10,964,082</u>
Total cash reported on financial statements	<u>\$ 58,314,250</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	\$ 5,331,497	\$ 1,839,218	\$ 34,300,235	\$ 18,240,036
Less FDIC coverage	<u>(500,000)</u>	<u>(250,000)</u>	<u>(500,000)</u>	<u>(500,000)</u>
Uninsured public funds	4,831,497	1,589,218	33,800,235	17,740,036
Pledged collateral held by pledging bank's trust, but not in the city's name	<u>5,440,114</u>	<u>928,862</u>	<u>17,859,559</u>	<u>9,501,088</u>
Uninsured and uncollateralized	<u>\$ -</u>	<u>\$ 660,356</u>	<u>\$ 15,940,676</u>	<u>\$ 8,238,948</u>
Total pledged collateral	\$ 5,440,114	\$ 928,862	\$ 17,859,559	\$ 9,501,088
50% pledged collateral requirement per state statute	<u>2,415,749</u>	<u>794,609</u>	<u>16,900,118</u>	<u>8,870,018</u>
Pledged collateral (under) over the requirement	<u>\$ 3,024,365</u>	<u>\$ 134,253</u>	<u>\$ 959,441</u>	<u>\$ 631,070</u>

**STATE OF NEW MEXICO**  
**CITY OF CARLSBAD**  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2012

**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.

According to the Federal Deposit Insurance Corporation, public unit deposits are owned by the public unit. Time deposits, savings deposits and interest bearing money market accounts at a public unit in an institution in the same state will be insured up to \$250,000 in aggregate and separate from the \$250,000 coverage for public unit demand deposits at the same institution.

*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, 2012, \$57,960,986 of the City’s bank balance of \$59,710,986 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.	\$ 4,831,497	\$ 1,589,218	\$ 33,800,235	\$ 17,740,036	\$ 57,960,986

**3. RESTRICTED INVESTMENTS**

The amounts and description of the investments at year-end are described below:

Agency	Investment	Maturity	Fair Market Value
Bank of Albuquerque	U.S. Gov’t Investment Fund	N/A	\$ 12
Bank of NY Mellon Trust Co.	U.S. Gov’t Investment Fund	N/A	361,985
Wells Fargo Bank	U.S. Treasury Fund	N/A	6,474,219
			\$ 6,836,216

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

Statement of Net Assets:	
Restricted investments	\$ 6,836,216

The amounts considered restricted investments consist of debt proceeds amounts set aside to meet debt service requirements program receipts and utility system improvements trust.

**STATE OF NEW MEXICO**  
**CITY OF CARLSBAD**  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2012

**3. RESTRICTED INVESTMENTS (continued)**

The program receipts are funds available for utilization by the city, and are restricted for purposes described within each loan agreement. All amounts borrowed are for the purchase or construction of capital assets. As of June 30, 2012, the restricted investments are composed of the following:

Program receipts	\$	12
Debt reserve		361,985
	\$	361,997

*Bank of Albuquerque, N.A.*

The city has cash, in the amount of \$12, invested at the Bank of Albuquerque, N.A., Trust Department, Albuquerque, New Mexico. The cash is invested as part of note agreements and covenants the city has with the New Mexico Finance Authority. The cash is invested in an Invesco premier U.S. Government Money Portfolio fund. The fund is composed of 64.4% government agency debt; 34.9% other repurchase agreements; .6% Treasury debt; and .1% variable rate demand notes. The market value at June 30, 2012, reflected by the trust department is \$12. The investments are valued at fair market value based on quoted market prices, as of the valuation date. The fund is rated AAA<sub>m</sub> by Standard and Poor's.

*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 Invesco Premier U.S. Government Money Portfolio fund weighted average maturity is 42.83-day WAM.

*Bank of New York Mellon Trust Company*

The city has entered into several loan agreements with the New Mexico Finance Authority (authority). As part of the agreements, the Authority has placed debt reserves at the Bank of New York Mellon Trust Company.

The city's reserve funds, in the amount of \$361,985, are invested at the trust company in a fund that is composed of eighty percent of U.S. Treasury notes and twenty percent in Federated Government Obligations Fund Number 5.

The investments are valued at fair value based on quoted market prices as of the valuation date. The Federated Government Obligations Fund No. 5 is rated AAA<sub>m</sub> by Standard and Poor's.

**STATE OF NEW MEXICO**  
**CITY OF CARLSBAD**  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2012

**3. RESTRICTED INVESTMENTS (continued)**

*Bank of New York Mellon Trust Company (continued)*

*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 Federated Government Obligations Fund No. 5’s weighted average maturity is 49-day WAM.

The city does not have a formal policy limiting investment maturities that would help manage its exposure to fair value losses from increasing interest rates.

*Other Investments*

As part of a city ordinance, the city has idle cash invested, in the amount of \$6,372,923 at Wells Fargo Bank, N.A., Roswell, New Mexico. The current fair value is \$6,474,219. The fund is composed of U.S. Treasury Notes. The fund is not subject to categorization.

During the fiscal year ended June 30, 2012, the city realized a net loss of \$32,979 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 \$21,347. This amount takes into account all changes in fair value (including purchases and sales) that occurred during the year. The unrealized gain on investments *held* at year-end was \$11,632.

**4. RECEIVABLES, NET**

Receivables, net of allowance for doubtful accounts, at June 30, 2012, consisted of the following:

	Governmental Activities	Business-Type Activities
Accounts receivable:		
Charges for services	\$ 1,252,839	\$ 2,564,677
Allowance for doubtful accounts	(742,234)	(383,498)
Total	510,605	2,181,179
Taxes receivable:		
Gross receipts taxes	6,297,793	120,430
Franchise taxes	104,655	-
Property taxes	165,582	-
Lodgers' taxes	151,787	-
Public service taxes	48,552	-
Allowance for doubtful accounts	-	-
Total	6,768,369	120,430

**STATE OF NEW MEXICO**  
**CITY OF CARLSBAD**  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2012

**4. RECEIVABLES, NET (continued)**

	Governmental Activities	Business-Type Activities
Intergovernmental receivables:		
Building improvement grants	2,488	-
Public safety grants	624,518	-
Infrastructure improvement grants	800,161	-
Health and welfare grants	19,577	-
Utility system improvement grants	627,305	-
Municipal transit	-	35,237
Total	2,074,049	35,237
Interest receivable	1,679	1,079
Notes receivable:		
WIPP acceleration project	900,000	-
Other	-	300,000
Receivables, net	\$ 10,254,702	\$ 2,637,925

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 1<sup>st</sup>. Property tax rates for the year are set no later than September 1<sup>st</sup> 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 1<sup>st</sup>. The Eddy County Treasurer sends tax notices to property owners by November 1<sup>st</sup> of each year. Taxes are payable in equal semiannual installments by November 10<sup>th</sup> and April 10<sup>th</sup> of the subsequent year. Thirty days later the bill becomes delinquent and the county treasurer assesses penalties and interest. Taxes are collected on behalf of the city by the county treasurer, and are remitted to the city in the month following collection. The county treasurer is statutorily required to collect taxes as an intermediary agency for all forms of government. Distribution of taxes collected is made through the county treasurer's office.

The city is permitted to levy taxes for general operating purposes up to an amount determined by a formula based upon each \$1,000 of taxable value for both residential and nonresidential property, taxable value being defined as one third of the fully assessed value. In addition, the city is allowed to levy taxes for payments of bonds principal and interest in amounts approved by voters of the city. The city's total tax rate to finance general government services for the year 2011, was \$6.225 per \$1,000 for non-residential and \$5.891 for residential property. In the year 2011, there was no tax rate established for payment of bonds principal and interest.

**STATE OF NEW MEXICO**  
**CITY OF CARLSBAD**  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2012

**6. CAPITAL ASSETS**

Capital assets for the fiscal year ended June 30, 2012, are as follows:

	Balance 06/30/11	Increases	Decreases	Balance 06/30/12
<b>Governmental Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 1,959,781	\$ 126,121	\$ -	\$ 2,085,902
Construction in progress	562,955	269,565	(219,775)	612,745
	<u>2,522,736</u>	<u>395,686</u>	<u>(219,775)</u>	<u>2,698,647</u>
Total capital assets, not being depreciated				
	2,522,736	395,686	(219,775)	2,698,647
Other capital assets, being depreciated:				
Buildings	52,107,721	487,324	-	52,595,045
Improvements	378,993	66,329	-	445,322
Infrastructure	57,598,834	4,879,560	-	62,478,394
Equipment	14,996,768	1,577,207	(653,784)	15,920,191
	<u>125,082,316</u>	<u>7,010,420</u>	<u>(653,784)</u>	<u>131,438,952</u>
Total other capital assets, being depreciated				
	125,082,316	7,010,420	(653,784)	131,438,952
Less accumulated depreciation:				
Buildings	(19,955,818)	(1,244,283)	-	(21,200,101)
Improvements	(37,650)	(18,558)	-	(56,208)
Infrastructure	(23,278,077)	(1,133,426)	-	(24,411,503)
Equipment	(10,540,645)	(998,002)	640,760	(10,897,887)
	<u>(53,812,190)</u>	<u>(3,394,269)</u>	<u>640,760</u>	<u>(56,565,699)</u>
Total accumulated depreciation				
	(53,812,190)	(3,394,269)	640,760	(56,565,699)
Other capital assets, net				
	<u>71,270,126</u>	<u>3,616,151</u>	<u>(13,024)</u>	<u>74,873,253</u>
Total capital assets, net				
	<u>\$ 73,792,862</u>	<u>\$ 4,011,837</u>	<u>\$ (232,799)</u>	<u>\$ 77,571,900</u>

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

General government	\$ 570,817
Public safety	580,513
Public works	1,267,759
Culture and recreation	969,787
Health and welfare	5,393
	<u>\$ 3,394,269</u>

**STATE OF NEW MEXICO**  
**CITY OF CARLSBAD**  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2012

**6. CAPITAL ASSETS (continued)**

	Balance 06/30/11	Increases	Decreases	Balance 06/30/12
<b>Business-Type Activities:</b>				
Capital assets, not being depreciated:				
Land	\$ 1,258,930	\$ 23,343	\$ -	\$ 1,282,273
Construction in progress	4,714,122	661,093	(162,682)	5,212,533
	5,973,052	684,436	(162,682)	6,494,806
Other capital assets, being depreciated:				
Buildings	3,357,228	403,547	-	3,760,775
Improvements	20,153,773	10,604,788	-	30,758,561
Utility system	36,864,149	1,981,599	-	38,845,748
Equipment	9,148,075	976,210	(125,677)	9,998,608
	69,523,225	13,966,144	(125,677)	83,363,692
Less accumulated depreciation:				
Buildings	(1,045,169)	(129,702)	-	(1,174,871)
Improvements	(8,199,665)	(717,745)	-	(8,917,410)
Utility system	(16,514,935)	(815,006)	-	(17,329,941)
Equipment	(7,052,712)	(648,100)	125,677	(7,575,135)
	(32,812,481)	(2,310,553)	125,677	(34,997,357)
Other capital assets, net	36,710,744	11,655,591	-	48,366,335
Total capital assets, net	<u>\$ 42,683,796</u>	<u>\$ 12,340,027</u>	<u>\$ (162,682)</u>	<u>\$ 54,861,141</u>

**7. ACCRUED LIABILITIES**

Accrued liabilities at June 30, 2012, consisted of the following:

	Governmental Activities	Business-Type Activities
Payroll taxes payable	\$ 54,308	\$ -
Sales taxes payable	2,810	61,443
	<u>\$ 57,118</u>	<u>\$ 61,443</u>

**8. LONG-TERM OBLIGATIONS**

Changes in governmental activities obligations during the year ended June 30, 2012, were as follows:

**STATE OF NEW MEXICO**  
**CITY OF CARLSBAD**  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2012

**8. LONG-TERM OBLIGATIONS (continued)**

	Balance 06/30/11	Additions	Deletions	Balance 06/30/12	Amounts Due Within One Year
<b>Governmental Activities:</b>					
Notes payable	\$ 1,954,665	\$ -	\$ (541,708)	\$ 1,412,957	\$ 466,201
Bonds payable	8,015,000	-	(495,000)	7,520,000	515,000
Compensated absences	1,057,751	1,025,734	(876,977)	1,206,508	475,492
	<u>\$ 11,027,416</u>	<u>\$ 1,025,734</u>	<u>\$ (1,913,685)</u>	<u>\$ 10,139,465</u>	<u>\$ 1,456,693</u>

**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, 2012, including interest payments, are as follows:

Due in year ending June 30:

	Principal	Interest	Total
2013	\$ 400,224	\$ 26,099	\$ 426,323
2014	413,826	13,532	427,358
	<u>\$ 814,050</u>	<u>\$ 39,631</u>	<u>\$ 853,681</u>

**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, 2012, including interest payments, are as follows:

Due in year ending June 30:

**STATE OF NEW MEXICO**  
**CITY OF CARLSBAD**  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2012

**8. LONG-TERM OBLIGATIONS (continued)**

*Note Payable – Aerial Platform Truck (continued)*

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 65,977	\$ 20,833	\$ 86,810
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
2018-2020	245,305	18,485	263,790
	<u>\$ 598,907</u>	<u>\$ 100,694</u>	<u>\$ 699,601</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, 2012, including interest payments, are as follows:

Due in year ending June 30:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 265,000	\$ 79,133	\$ 344,133
2014	275,000	66,776	341,776
2015	290,000	53,350	343,350
2016	305,000	38,921	343,921
2017	315,000	23,886	338,886
2018	335,000	8,124	343,124
	<u>\$ 1,785,000</u>	<u>\$ 270,190</u>	<u>\$ 2,055,190</u>

*2009 Public Infrastructure Projects Bonds*

On July 28, 2009, the city issued bonds in the amount of \$8,550,000 for the purposes of defraying the cost of public infrastructure projects. The bond bears interest at rates between 2.00% and 4.75% per annum and matures on June 1, 2029. The payment of principal, premium and interest thereon, whether at maturity or on a redemption date, are paid with income derived from pledged gross receipts tax revenues.

**STATE OF NEW MEXICO**  
**CITY OF CARLSBAD**  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2012

**8. LONG-TERM OBLIGATIONS (continued)**

The annual requirements to amortize the bonds outstanding as of June 30, 2012, including interest payments, are as follows:

Due in year ending June 30:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 250,000	\$ 240,469	\$ 490,469
2014	255,000	232,969	487,969
2015	255,000	225,319	480,319
2016	265,000	216,394	481,394
2017	275,000	206,456	481,456
2018-2022	1,575,000	856,275	2,431,275
2023-2027	1,950,000	492,537	2,442,537
2028-2029	910,000	65,313	975,313
	<u>\$ 5,735,000</u>	<u>\$ 2,535,732</u>	<u>\$ 8,270,732</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.

**Business-Type Activities**

Changes in the business-type activities obligations during the year ended June 30, 2012, were as follows:

	<u>Balance 06/30/11</u>	<u>Restatement</u>	<u>Additions</u>	<u>Deletions</u>	<u>Balance 06/30/12</u>	<u>Amounts Due Within One Year</u>
<b>Business-Type Activities:</b>						
Notes payable	\$ 4,662,709	\$ -	\$ 8,735,271	\$ (643,814)	\$ 12,754,166	\$ 75,671
Bonds payable	19,765,000	-	-	(800,000)	18,965,000	820,000
Landfill closure	614,699	109,726	54,930	-	779,355	-
Compensated absences	145,892	-	210,869	(221,602)	135,159	64,957
	<u>\$ 25,188,300</u>	<u>\$ 109,726</u>	<u>\$ 9,001,070</u>	<u>\$ (1,665,416)</u>	<u>\$ 32,633,680</u>	<u>\$ 960,628</u>

**STATE OF NEW MEXICO  
CITY OF CARLSBAD  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2012**

**8. LONG-TERM OBLIGATIONS (continued)**

*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, 2012, including interest payments, are as follows:

Due in year ending June 30:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2013	\$ 60,951	\$ 4,349	\$ 65,300
2014	63,216	2,242	65,458
	<u>\$ 124,167</u>	<u>\$ 6,591</u>	<u>\$ 130,758</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, 2012, the city has requested loan proceeds, totaling \$12,359,329. 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.

*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.

**STATE OF NEW MEXICO  
CITY OF CARLSBAD**  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2012

**8. LONG-TERM OBLIGATIONS (continued)**

*Note Payable – Double Eagle Waterline Improvements (continued)*

Due in year ending June 30:

	Principal	Interest	Total
2013	\$ 14,720	\$ 677	\$ 15,397
2014	14,757	640	15,397
2015	14,794	603	15,397
2016	14,831	566	15,397
2017	14,868	529	15,397
2018-2022	74,899	2,085	76,984
2023-2027	75,840	1,144	76,984
2028-2030	45,961	230	46,191
	\$ 270,670	\$ 6,474	\$ 277,144

*2009 Advance Refunding Bonds*

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

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

The annual requirement to amortize the bonds outstanding as of June 30, 2012, including interest payments, is as follows:

Due in year ending June 30:

**STATE OF NEW MEXICO**  
**CITY OF CARLSBAD**  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2012

**8. LONG-TERM OBLIGATIONS (continued)**

*2009 Advance Refunding Bonds (continued)*

	Principal	Interest	Total
2013	\$ 820,000	\$ 800,856	\$ 1,620,856
2014	845,000	776,256	1,621,256
2015	870,000	750,906	1,620,906
2016	900,000	724,806	1,624,806
2017	925,000	695,556	1,620,556
2018-2022	5,185,000	2,925,362	8,110,362
2023-2027	6,405,000	1,705,538	8,110,538
2028-2029	3,015,000	228,000	3,243,000
	\$ 18,965,000	\$ 8,607,280	\$ 27,572,280

*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, 2012. 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, 2012:

**STATE OF NEW MEXICO  
CITY OF CARLSBAD  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2012**

**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	2,158,420
	<u>\$ 3,676,200</u>
FY11 capacity used to date	\$ 2,196,804
FY12 tonnage received/capacity used	166,770
	<u>\$ 2,363,574</u>
Total capacity used to date (approximately 2,363,574 cubic gate yards) as a percentage of total capacity (5,574,000 cubic gate yards)	<u>42.40%</u>
Total estimated closure and post-closure costs	\$ 3,676,200
Total capacity used to date	42.40%
	<u>\$ 1,558,709</u>
Estimated closure and post-closure care costs	\$ 1,558,709
Prior year liability	(1,448,849)
	<u>\$ 109,860</u>
Current year liability	\$ 109,860
	<u>\$ 54,930</u>
City of Carlsbad's portion (50% of current year liability)	\$ 54,930
	<u>\$ 724,425</u>
Prior year liability recognized, restated	\$ 724,425
Current year liability	54,930
	<u>\$ 779,355</u>
Estimated liability for the fiscal year ended June 30, 2012	<u>\$ 779,355</u>

**9. INTERFUND BALANCES AND TRANSFERS**

*Interfund Balances*

Receivable Fund	Payable Fund	Amount
WIPP Acceleration Impact Fund	Federal Projects Fund	\$ 120,000
Museum Gift Shop Fund	General Fund	4,491

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, 2012**

**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	\$ -	\$ -	\$ -	\$ 8,355,036	\$ 970,000	\$ 882,470	\$ 10,207,506
GRT Capital Outlay Fund	-	-	40,746	487,669	-	-	528,415
Solid Waste Fund	1,000,000	-	-	-	-	556,570	1,556,570
Joint Water and Sewer Fund	1,748,965	-	-	191,057	-	563,691	2,503,713
Other Governmental Funds	-	267,339	1,401,135	441,612	116,789	23,867	2,250,742
Other Enterprise Funds	8,331	-	-	-	-	21,455	29,786
Internal Service Funds	494	-	-	-	-	-	494
	<u>\$ 2,757,790</u>	<u>\$ 267,339</u>	<u>\$ 1,441,881</u>	<u>\$ 9,475,374</u>	<u>\$ 1,086,789</u>	<u>\$ 2,048,053</u>	<u>\$ 17,077,226</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 ASSETS**

During the fiscal year ended June 30, 2012, the city determined that changes to the beginning of year net assets and fund balances were necessary. A description and the effect of the changes are as follows:

	Government-Wide		
	Governmental Activities	Business-Type Activities	Individual Funds
<i>Major Funds</i>			
<b>Solid Waste Fund</b>			
The closure and post-closure landfill liability has been revised as of June 30, 2011.		\$ (109,726)	<u>\$ (109,726)</u>
<i>Other Governmental Funds</i>			
<b>Federal Projects Fund</b>			
In the previous year, the city recognized revenues as deferred. In the current year, the city received a refund from the contractor, which caused the prior year deferred revenues to be incorrect.	(2,453)		<u>\$ (2,453)</u>
Total Government-Wide Financial Statements	<u>\$ (2,453)</u>	<u>\$ (109,726)</u>	

**STATE OF NEW MEXICO**  
**CITY OF CARLSBAD**  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2012

**11. BAD DEBT EXPENSE**

*Governmental Activities* - During the current fiscal year, the city recorded bad debt expense by reducing gross ambulance fees of \$1,195,813 by \$405,673. 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 \$26,691 by reducing solid waste sales by \$9,557; water sales by \$7,436; wastewater sales by \$8,284 and municipal transit fees by \$1,414.

**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](http://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, 2012, 2011, and 2010 were \$2,246,587, \$2,089,764 and \$1,981,633, 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.

**STATE OF NEW MEXICO**  
**CITY OF CARLSBAD**  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2012

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

*Plan Description (continued)*

The RHCA Board was established by the Retiree Health Care Act (Chapter 10, Article 7C, NMSA 1978). The Board is responsible for establishing and amending benefit provisions of the healthcare plan and is also authorized to designate optional and/or voluntary benefits like dental, vision, supplemental life insurance, and long-term care policies.

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

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

*Funding Policy*

The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits.

Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the 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](http://www.nmrhca.state.nm.us).

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. During the fiscal year ended **June 30, 2012**, the statute required each participating employer to contribute **1.834%** of each participating employee's annual salary; each participating employee is required to contribute **0.917%** of their salary. In the fiscal year ending **June 30, 2013**, the contribution rates for employees and employers will rise as follows:

For employees who are not members of an enhanced retirement plan for contribution rates will be:

**STATE OF NEW MEXICO  
CITY OF CARLSBAD  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2012**

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

*Funding Policy (continued)*

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
2013	2.000%	1.000%

For employees who are members of an enhanced retirement plan (state police and adult correctional officer coverage plan 1; municipal police member coverage plans 3, 4, and 5; municipal fire member coverage plan 3, 4, and 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act [10-12B-1]), during the fiscal year ended **June 30, 2012**, the statute required each participating employer to contribute **2.292%** of each participating employee's annual salary, and each participating employee was required to contribute **1.146%** of their salary. In the fiscal year ending **June 30, 2013**, the contribution rates for both employees and employers will rise as follows:

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
2013	2.500%	1.250%

Also, employers joining the program after January 1, 1998, are required to make a surplus-amount contribution to the RHCA based on one of two formulas at agreed-upon intervals.

The RHCA plan is financed on a pay-as-you-go basis. The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requirements for the contributions can be changed by the New Mexico State Legislature.

The city's contributions to the RHCA for the years ended June 30, 2012, 2011 and 2010 were \$348,609, \$295,640 and \$201,002, respectively, which equal the required contributions for each year.

**14. CONSTRUCTION COMMITMENTS**

*Governmental Activities* – As of June 30, 2012, the city has construction contracts in progress with total costs of \$5,921,916. The projects are funded through federal and state grants and local resources. The remaining construction commitments are \$3,158,550.

*Business-Type Activities* – As of June 30, 2012, the city has construction contracts in progress with total costs of \$15,417,370. The projects are funded through federal and state grants and local resources. The remaining construction commitments are \$3,545,499.

**STATE OF NEW MEXICO**  
**CITY OF CARLSBAD**  
NOTES TO THE FINANCIAL STATEMENTS  
JUNE 30, 2012

**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.

**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, 2012**

	Special Revenue Funds									
	E-911 Fund	Fire Protection Fund	Recreation Fund	Lodgers' Tax Fund	Airport Fund	Emergency Medical Services Fund	Local Government Corrections Fund	Special Police Program Fund	Law Enforcement Protection Fund	RSVP Program Fund
<b>ASSETS</b>										
Cash	\$ -	\$ 364,832	\$ 254,985	\$ 1,015,273	\$ 597,570	\$ -	\$ 184,179	\$ -	\$ -	\$ 13,988
Receivables, net	-	-	1,290	151,829	50,360	-	-	-	80	-
Due from other funds	-	-	-	-	-	-	-	-	-	-
Restricted:										
Investments	-	12	-	-	-	-	-	-	-	-
<b>Total assets</b>	<b>\$ -</b>	<b>\$ 364,844</b>	<b>\$ 256,275</b>	<b>\$ 1,167,102</b>	<b>\$ 647,930</b>	<b>\$ -</b>	<b>\$ 184,179</b>	<b>\$ -</b>	<b>\$ 80</b>	<b>\$ 13,988</b>
<b>LIABILITIES AND FUND BALANCES</b>										
Liabilities:										
Accounts payable	\$ -	\$ 4,001	\$ 2,980	\$ 37,977	\$ -	\$ -	\$ 33,525	\$ -	\$ -	\$ 212
Accrued salaries	-	-	4,386	-	-	-	-	-	-	-
Accrued interest payable	-	-	-	-	-	-	-	-	-	-
Deposits	-	-	350	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-	-	-	-
Deferred revenues	-	-	350	-	120	-	-	-	-	-
<b>Total liabilities</b>	<b>-</b>	<b>4,001</b>	<b>8,066</b>	<b>37,977</b>	<b>120</b>	<b>-</b>	<b>33,525</b>	<b>-</b>	<b>-</b>	<b>212</b>
Fund Balances:										
Restricted for:										
Debt service	-	12	-	-	-	-	-	-	-	-
State mandated per statutes	-	-	-	764,293	-	-	94,154	-	80	-
Committed for:										
Subsequent years' expenditures	-	360,831	115,556	364,832	184,522	-	56,500	-	-	778
Assigned	-	-	132,653	-	463,288	-	-	-	-	12,998
<b>Total fund balances</b>	<b>-</b>	<b>360,843</b>	<b>248,209</b>	<b>1,129,125</b>	<b>647,810</b>	<b>-</b>	<b>150,654</b>	<b>-</b>	<b>80</b>	<b>13,776</b>
<b>Total liabilities and fund balances</b>	<b>\$ -</b>	<b>\$ 364,844</b>	<b>\$ 256,275</b>	<b>\$ 1,167,102</b>	<b>\$ 647,930</b>	<b>\$ -</b>	<b>\$ 184,179</b>	<b>\$ -</b>	<b>\$ 80</b>	<b>\$ 13,988</b>

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, 2012**

	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
<b><u>ASSETS</u></b>										
Cash	\$ 37,926	\$ 74,035	\$ 497,393	\$ 3,040,181	\$ 36,008	\$ 776,434	\$ 26,723	\$ 5,860,805	\$ 2,136,534	\$ 8,836,504
Receivables, net	-	164,922	900,000	1,268,481	19,577	95,702	177,344	60,916	929,870	1,283,409
Due from other funds	-	-	120,000	120,000	-	-	-	-	-	-
Restricted:										
Investments	-	-	-	12	-	-	-	-	-	-
Total assets	<u>\$ 37,926</u>	<u>\$ 238,957</u>	<u>\$ 1,517,393</u>	<u>\$ 4,428,674</u>	<u>\$ 55,585</u>	<u>\$ 872,136</u>	<u>\$ 204,067</u>	<u>\$ 5,921,721</u>	<u>\$ 3,066,404</u>	<u>\$ 10,119,913</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>										
Liabilities:										
Accounts payable	\$ -	\$ 7,118	\$ -	\$ 85,813	\$ 189	\$ 33,725	\$ 155,043	\$ 16,296	\$ 80,662	\$ 285,915
Accrued salaries	-	-	-	4,386	-	-	-	-	-	-
Accrued interest payable	-	-	-	-	-	-	-	-	-	-
Deposits	-	-	-	350	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-	-	120,000	120,000
Deferred revenues	-	-	-	470	-	-	1,400	-	1,190,804	1,192,204
Total liabilities	-	7,118	-	91,019	189	33,725	156,443	16,296	1,391,466	1,598,119
Fund Balances:										
Restricted for:										
Debt service	-	-	-	12	-	-	-	-	-	-
State mandated per statutes	-	-	-	858,527	-	-	-	-	-	-
Committed for:										
Subsequent years' expenditures	37,926	74,034	1,517,393	2,712,372	29,679	289,068	47,624	5,524,567	1,674,938	7,565,876
Assigned	-	157,805	-	766,744	25,717	549,343	-	380,858	-	955,918
Total fund balances	<u>37,926</u>	<u>231,839</u>	<u>1,517,393</u>	<u>4,337,655</u>	<u>55,396</u>	<u>838,411</u>	<u>47,624</u>	<u>5,905,425</u>	<u>1,674,938</u>	<u>8,521,794</u>
Total liabilities and fund balances	<u>\$ 37,926</u>	<u>\$ 238,957</u>	<u>\$ 1,517,393</u>	<u>\$ 4,428,674</u>	<u>\$ 55,585</u>	<u>\$ 872,136</u>	<u>\$ 204,067</u>	<u>\$ 5,921,721</u>	<u>\$ 3,066,404</u>	<u>\$ 10,119,913</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, 2012**

	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	
<b><u>ASSETS</u></b>						
Cash	\$ 2,078,483	\$ 18,744	\$ 1	\$ -	\$ 2,097,228	\$ 13,973,913
Receivables, net	240,837	-	-	-	240,837	2,792,727
Due from other funds	-	-	-	-	-	120,000
Restricted:						
Investments	306,784	-	-	-	306,784	306,796
Total assets	<u>\$ 2,626,104</u>	<u>\$ 18,744</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 2,644,849</u>	<u>\$ 17,193,436</u>
<b><u>LIABILITIES AND FUND BALANCES</u></b>						
Liabilities:						
Accounts payable	\$ 9,294	\$ -	\$ -	\$ -	\$ 9,294	\$ 381,022
Accrued salaries	3,277	-	-	-	3,277	7,663
Accrued interest payable	13,050	-	-	-	13,050	13,050
Deposits	-	-	-	-	-	350
Due to other funds	-	-	-	-	-	120,000
Deferred revenues	-	-	-	-	-	1,192,674
Total liabilities	25,621	-	-	-	25,621	1,714,759
Fund Balances:						
Restricted for:						
Debt service	2,600,483	18,744	1	-	2,619,228	2,619,240
State mandated per statutes	-	-	-	-	-	858,527
Committed for:						
Subsequent years' expenditures	-	-	-	-	-	10,278,248
Assigned	-	-	-	-	-	1,722,662
Total fund balances	<u>2,600,483</u>	<u>18,744</u>	<u>1</u>	<u>-</u>	<u>2,619,228</u>	<u>15,478,677</u>
Total liabilities and fund balances	<u>\$ 2,626,104</u>	<u>\$ 18,744</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 2,644,849</u>	<u>\$ 17,193,436</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, 2012**

	Special Revenue Funds									
	E-911 Fund	Fire Protection Fund	Recreation Fund	Lodgers' Tax Fund	Airport Fund	Emergency Medical Services Fund	Local Government Corrections Fund	Special Police Program Fund	Law Enforcement Protection Fund	RSVP Program Fund
Revenues:										
Sales taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Lodgers' taxes	-	-	-	1,212,298	-	-	-	-	-	-
Public service taxes	-	-	-	-	-	-	-	-	-	-
Intergovernmental:										
Federal	-	-	-	-	60,493	-	-	-	-	19,000
State	-	338,778	-	-	44,532	18,931	-	-	61,200	5,073
Charges for services	-	-	18,158	-	3,159	-	127,404	-	921	-
Licenses and permits	-	-	-	-	-	-	-	-	-	-
Investment income	-	12	-	48	-	-	-	-	-	-
Miscellaneous	-	-	270	-	-	-	-	375	-	-
Total revenues	-	338,790	18,428	1,212,346	108,184	18,931	127,404	375	62,121	24,073
Expenditures:										
Current:										
General government	-	-	-	-	-	-	-	-	-	-
Public safety	1,324	137,897	-	-	-	18,931	221,695	3,057	44,248	-
Public works	-	-	-	-	142,291	-	-	-	-	-
Culture and recreation	-	-	345,690	709,880	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-	-	-	35,034
Economic development	-	-	-	-	-	-	-	-	-	-
Capital outlay	-	16,000	2,700	93,089	53,612	-	-	-	-	-
Debt service:										
Principal	-	63,947	-	-	-	-	-	-	-	-
Interest	-	24,355	-	-	-	-	-	-	-	-
Total expenditures	1,324	242,199	348,390	802,969	195,903	18,931	221,695	3,057	44,248	35,034
Excess (deficiency) of revenues over expenditures	(1,324)	96,591	(329,962)	409,377	(87,719)	-	(94,291)	(2,682)	17,873	(10,961)
Other Financing Sources (Uses):										
Transfers in	-	21,221	525,000	-	-	-	170,000	-	-	25,000
Transfers (out)	-	(5,576)	(498)	(100,000)	-	-	-	-	(17,793)	-
Total other financing sources (uses)	-	15,645	524,502	(100,000)	-	-	170,000	-	(17,793)	25,000
Special Item:										
Proceeds from sale of assets	-	-	-	-	94,020	-	-	-	-	-
Net change in fund balance	(1,324)	112,236	194,540	309,377	6,301	-	75,709	(2,682)	80	14,039
Fund balance, beginning of year	1,324	248,607	53,669	819,748	641,509	-	74,945	2,682	-	(263)
Restatements	-	-	-	-	-	-	-	-	-	-
Fund balance, beginning of year, restated	1,324	248,607	53,669	819,748	641,509	-	74,945	2,682	-	(263)
Fund balance, end of year	\$ -	\$ 360,843	\$ 248,209	\$ 1,129,125	\$ 647,810	\$ -	\$ 150,654	\$ -	\$ 80	\$ 13,776

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, 2012**

	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
<b>Revenues:</b>										
Sales taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
Lodgers' taxes	-	-	-	1,212,298	-	-	-	-	-	-
Public service taxes	-	-	-	-	-	480,013	-	-	-	480,013
<b>Intergovernmental:</b>										
Federal	-	219,657	3,224,223	3,523,373	-	-	-	-	660,192	660,192
State	-	-	-	468,514	32,981	135,207	409,619	71,097	53,516	702,420
Charges for services	-	-	-	149,642	6,725	-	-	-	-	6,725
Licenses and permits	-	-	-	-	-	73,408	-	-	-	73,408
Investment income	-	-	-	60	-	2,603	-	-	-	2,603
Miscellaneous	-	-	-	645	-	43,859	-	593,529	142,046	779,434
<b>Total revenues</b>	<b>-</b>	<b>219,657</b>	<b>3,224,223</b>	<b>5,354,532</b>	<b>39,706</b>	<b>735,090</b>	<b>409,619</b>	<b>664,626</b>	<b>855,754</b>	<b>2,704,795</b>
<b>Expenditures:</b>										
<b>Current:</b>										
General government	-	-	-	-	-	-	-	-	41,335	41,335
Public safety	-	-	-	427,152	-	-	-	-	-	-
Public works	-	-	-	142,291	-	510,940	131,989	-	-	642,929
Culture and recreation	10,282	-	-	1,065,852	48,497	-	256	-	-	48,753
Health and welfare	-	-	-	35,034	-	-	-	-	-	-
Economic development	-	-	31,086	31,086	-	-	-	98,546	-	98,546
Capital outlay	65,992	196,090	1,916,087	2,343,570	16,347	839,996	44,506	1,974,417	315,018	3,190,284
<b>Debt service:</b>										
Principal	-	-	-	63,947	-	-	-	-	-	-
Interest	-	-	-	24,355	-	-	-	-	-	-
<b>Total expenditures</b>	<b>76,274</b>	<b>196,090</b>	<b>1,947,173</b>	<b>4,133,287</b>	<b>64,844</b>	<b>1,350,936</b>	<b>176,751</b>	<b>2,072,963</b>	<b>356,353</b>	<b>4,021,847</b>
Excess (deficiency) of revenues over expenditures	(76,274)	23,567	1,277,050	1,221,245	(25,138)	(615,846)	232,868	(1,408,337)	499,401	(1,317,052)
<b>Other Financing Sources (Uses):</b>										
Transfers in	-	232,300	-	973,521	-	1,050,893	-	5,650,000	877,422	7,578,315
Transfers (out)	-	-	(314,714)	(438,581)	-	(182,300)	(233,124)	(501,713)	(895,024)	(1,812,161)
<b>Total other financing sources (uses)</b>	<b>-</b>	<b>232,300</b>	<b>(314,714)</b>	<b>534,940</b>	<b>-</b>	<b>868,593</b>	<b>(233,124)</b>	<b>5,148,287</b>	<b>(17,602)</b>	<b>5,766,154</b>
<b>Special Item:</b>										
Proceeds from sale of assets	-	-	-	94,020	-	13,689	-	-	-	13,689
<b>Net change in fund balance</b>	<b>(76,274)</b>	<b>255,867</b>	<b>962,336</b>	<b>1,850,205</b>	<b>(25,138)</b>	<b>266,436</b>	<b>(256)</b>	<b>3,739,950</b>	<b>481,799</b>	<b>4,462,791</b>
Fund balance, beginning of year	114,200	(24,028)	555,057	2,487,450	80,534	571,975	47,880	2,165,475	1,195,592	4,061,456
Restatements	-	-	-	-	-	-	-	-	(2,453)	(2,453)
Fund balance, beginning of year, restated	114,200	(24,028)	555,057	2,487,450	80,534	571,975	47,880	2,165,475	1,193,139	4,059,003
<b>Fund balance, end of year</b>	<b>\$ 37,926</b>	<b>\$ 231,839</b>	<b>\$ 1,517,393</b>	<b>\$ 4,337,655</b>	<b>\$ 55,396</b>	<b>\$ 838,411</b>	<b>\$ 47,624</b>	<b>\$ 5,905,425</b>	<b>\$ 1,674,938</b>	<b>\$ 8,521,794</b>

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, 2012**

	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	\$ 1,258,515	\$ -	\$ -	\$ -	\$ 1,258,515	\$ 1,258,515
Lodgers' taxes	-	-	-	-	-	1,212,298
Public service taxes	-	-	-	-	-	480,013
Intergovernmental:						
Federal	-	-	-	-	-	4,183,565
State	-	-	-	-	-	1,170,934
Charges for services	-	-	-	-	-	156,367
Licenses and permits	-	-	-	-	-	73,408
Investment income	1,309	-	-	-	1,309	3,972
Miscellaneous	-	-	-	-	-	780,079
Total revenues	<u>1,259,824</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>1,259,824</u>	<u>9,319,151</u>
Expenditures:						
Current:						
General government	-	-	-	-	-	41,335
Public safety	-	-	-	-	-	427,152
Public works	-	-	-	-	-	785,220
Culture and recreation	370,632	-	-	-	370,632	1,485,237
Health and welfare	-	-	-	-	-	35,034
Economic development	-	-	-	-	-	129,632
Capital outlay	165,773	-	-	-	165,773	5,699,627
Debt service:						
Principal	387,822	255,000	89,939	240,000	972,761	1,036,708
Interest	34,805	90,705	225	247,669	373,404	397,759
Total expenditures	<u>959,032</u>	<u>345,705</u>	<u>90,164</u>	<u>487,669</u>	<u>1,882,570</u>	<u>10,037,704</u>
Excess (deficiency) of revenues over expenditures	300,792	(345,705)	(90,164)	(487,669)	(622,746)	(718,553)
Other Financing Sources (Uses):						
Transfers in	-	345,705	90,164	487,669	923,538	9,475,374
Transfers (out)	-	-	-	-	-	(2,250,742)
Total other financing sources (uses)	-	345,705	90,164	487,669	923,538	7,224,632
Special Item:						
Proceeds from sales of assets	-	-	-	-	-	107,709
Net change in fund balance	300,792	-	-	-	300,792	6,613,788
Fund balance, beginning of year	2,299,691	18,744	1	-	2,318,436	8,867,342
Restatements	-	-	-	-	-	(2,453)
Fund balance, beginning of year, restated	<u>2,299,691</u>	<u>18,744</u>	<u>1</u>	<u>-</u>	<u>2,318,436</u>	<u>8,864,889</u>
Fund balance, end of year	<u>\$ 2,600,483</u>	<u>\$ 18,744</u>	<u>\$ 1</u>	<u>\$ -</u>	<u>\$ 2,619,228</u>	<u>\$ 15,478,677</u>

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**

E-911 FUND

STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS  
FOR THE YEAR ENDED JUNE 30, 2012

	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:						
Current:						
Public safety	\$ 1,324	\$ 1,324	\$ 1,324	\$ -	\$ 1,324	\$ -
Net change	(1,324)	(1,324)	(1,324)	\$ -	\$ (1,324)	-
Cash balance, beginning of year	1,324	1,324	1,324			-
Cash balance, end of year	\$ -	\$ -	\$ -			\$ -

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

**STATE OF NEW MEXICO**  
**CITY OF CARLSBAD**  
**FIRE PROTECTION FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE**  
**BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance with Final Budget Over (Under)
	Original	Final				
<b>Revenues:</b>						
<b>Intergovernmental:</b>						
State	\$ 268,254	\$ 338,778	\$ 338,778	\$ -	\$ 338,778	\$ -
Investment income	-	-	-	12	12	-
<b>Total revenues</b>	<b>268,254</b>	<b>338,778</b>	<b>338,778</b>	<b>12</b>	<b>338,790</b>	<b>-</b>
<b>Expenditures:</b>						
<b>Current:</b>						
Public safety	112,456	127,535	138,425	(528)	137,897	(10,890)
Capital outlay	307,500	391,721	15,999	1	16,000	375,722
<b>Debt service:</b>						
Principal	-	-	-	63,947	63,947	-
Interest	88,302	88,302	88,167	(63,812)	24,355	135
<b>Total expenditures</b>	<b>508,258</b>	<b>607,558</b>	<b>242,591</b>	<b>(392)</b>	<b>242,199</b>	<b>364,967</b>
Excess (deficiency) of revenues over expenditures	(240,004)	(268,780)	96,187	404	96,591	364,967
<b>Other Financing Sources (Uses):</b>						
Transfers in	-	21,221	21,221	-	21,221	-
Transfers (out)	(5,576)	(5,576)	(5,576)	-	(5,576)	-
<b>Total other financing sources (uses)</b>	<b>(5,576)</b>	<b>15,645</b>	<b>15,645</b>	<b>-</b>	<b>15,645</b>	<b>-</b>
<b>Net change</b>	<b>(245,580)</b>	<b>(253,135)</b>	<b>111,832</b>	<b>\$ 404</b>	<b>\$ 112,236</b>	<b>364,967</b>
Cash balance, beginning of year	253,000	253,000	253,000			-
Cash balance, end of year	<u>\$ 7,420</u>	<u>\$ (135)</u>	<u>\$ 364,832</u>			<u>\$ 364,967</u>
<b>Explanation of Differences:</b>						
Interest income earned by agent				\$ 12		
Change in accounts payable				527		
Payment made by restricted investments				(135)		
				<u>\$ 404</u>		

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  
FOR THE YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance with Final Budget Over (Under)
	Original	Final				
<b>Revenues:</b>						
Public service taxes	\$ -	\$ -	\$ 24	\$ (24)	\$ -	\$ 24
Charges for services	14,592	14,592	18,231	(73)	18,158	3,639
Miscellaneous	-	-	270	-	270	270
Total revenues	14,592	14,592	18,525	(97)	18,428	3,933
<b>Expenditures:</b>						
<b>Current:</b>						
Culture and recreation	445,180	445,180	354,436	(8,746)	345,690	90,744
Capital outlay	148,000	148,000	2,700	-	2,700	145,300
Total expenditures	593,180	593,180	357,136	(8,746)	348,390	236,044
(Deficiency) of revenues over expenditures	(578,588)	(578,588)	(338,611)	8,649	(329,962)	239,977
<b>Other Financing Sources (Uses):</b>						
Transfers in	525,000	525,000	525,000	-	525,000	-
Transfers (out)	(498)	(498)	(498)	-	(498)	-
Total other financing sources (uses)	524,502	524,502	524,502	-	524,502	-
Net change	(54,086)	(54,086)	185,891	\$ 8,649	\$ 194,540	239,977
Cash balance, beginning of year	69,094	69,094	69,094			-
Cash balance, end of year	\$ 15,008	\$ 15,008	\$ 254,985			\$ 239,977
<b>Explanation of Differences:</b>						
Change in receivables				\$ 203		
Change in accounts payable				1,615		
Change in accrued salaries				7,331		
Change in due to others				(250)		
Change in deferred revenues				(250)		
				\$ 8,649		

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**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance with Final Budget Over (Under)
	Original	Final				
<b>Revenues:</b>						
Lodgers' taxes	\$ 800,000	\$ 800,000	\$ 1,163,153	\$ 49,145	\$ 1,212,298	\$ 363,153
Investment income	-	-	7	41	48	7
Total revenues	800,000	800,000	1,163,160	49,186	1,212,346	363,160
<b>Expenditures:</b>						
Current:						
Culture and recreation	894,112	941,512	715,768	(5,888)	709,880	225,744
Capital outlay	80,307	162,307	93,089	-	93,089	69,218
Total expenditures	974,419	1,103,819	808,857	(5,888)	802,969	294,962
Excess (deficiency) of revenues over expenditures	(174,419)	(303,819)	354,303	55,074	409,377	658,122
<b>Other Financing Sources (Uses):</b>						
Transfers (out)	(100,000)	(100,000)	(100,000)	-	(100,000)	-
Net change	(274,419)	(403,819)	254,303	<u>\$ 55,074</u>	<u>\$ 309,377</u>	658,122
Cash balance, beginning of year	760,970	760,970	760,970			-
Cash balance, end of year	<u>\$ 486,551</u>	<u>\$ 357,151</u>	<u>\$ 1,015,273</u>			<u>\$ 658,122</u>
<b>Explanation of Differences:</b>						
Change in receivables				\$ 48,045		
Change in accounts payable				7,029		
				<u>\$ 55,074</u>		

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

**STATE OF NEW MEXICO**  
**CITY OF CARLSBAD**  
**AIRPORT FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE**  
**BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance with Final Budget Over (Under)
	Original	Final				
<b>Revenues:</b>						
<b>Intergovernmental:</b>						
Federal	\$ 1,544,313	\$ 1,544,313	\$ 62,689	\$ (2,196)	\$ 60,493	\$ (1,481,624)
State	46,588	205,189	-	44,532	44,532	(205,189)
Charges for services	<u>7,600</u>	<u>7,600</u>	<u>6,679</u>	<u>(3,520)</u>	<u>3,159</u>	<u>(921)</u>
Total revenues	1,598,501	1,757,102	69,368	38,816	108,184	(1,687,734)
<b>Expenditures:</b>						
<b>Current:</b>						
Public works	924,977	924,977	142,291	-	142,291	782,686
Capital outlay	<u>1,100,000</u>	<u>1,417,874</u>	<u>53,612</u>	<u>-</u>	<u>53,612</u>	<u>1,364,262</u>
Total expenditures	<u>2,024,977</u>	<u>2,342,851</u>	<u>195,903</u>	<u>-</u>	<u>195,903</u>	<u>2,146,948</u>
(Deficiency) of revenues over expenditures	(426,476)	(585,749)	(126,535)	38,816	(87,719)	459,214
<b>Special Item:</b>						
Proceeds from sale of assets	<u>-</u>	<u>-</u>	<u>94,020</u>	<u>-</u>	<u>94,020</u>	<u>94,020</u>
Net change	(426,476)	(585,749)	(32,515)	<u>\$ 38,816</u>	<u>\$ 6,301</u>	553,234
Cash balance, beginning of year	<u>630,085</u>	<u>630,085</u>	<u>630,085</u>			<u>-</u>
Cash balance, end of year	<u>\$ 203,609</u>	<u>\$ 44,336</u>	<u>\$ 597,570</u>			<u>\$ 553,234</u>
<b>Explanation of Differences:</b>						
Change in receivables				\$ 38,936		
Change in deferred revenues				<u>(120)</u>		
				<u>\$ 38,816</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**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Budgeted Amounts</u>		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance with Final Budget Over (Under)
	<u>Original</u>	<u>Final</u>				
Revenues:						
Intergovernmental:						
State	\$ 18,899	\$ 18,931	\$ 18,931	\$ -	\$ 18,931	\$ -
Expenditures:						
Current:						
Public safety	13,899	13,960	18,931	-	18,931	(4,971)
Capital outlay	5,000	4,971	-	-	-	4,971
Total expenditures	<u>18,899</u>	<u>18,931</u>	<u>18,931</u>	<u>-</u>	<u>18,931</u>	<u>-</u>
Net change	-	-	-	<u>\$ -</u>	<u>\$ -</u>	-
Cash balance, beginning of year	-	-	-			-
Cash balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>			<u>\$ -</u>

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

**STATE OF NEW MEXICO**  
**CITY OF CARLSBAD**  
**LOCAL GOVERNMENT CORRECTIONS FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE**  
**BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Budgeted Amounts</u>		<u>Actual on Budgetary Basis</u>	<u>Budget to GAAP Differences</u>	<u>Actual on GAAP Basis</u>	<u>Budgetary Basis Variance with Final Budget Over (Under)</u>
	<u>Original</u>	<u>Final</u>				
Revenues:						
Charges for services	\$ 100,000	\$ 100,000	\$ 127,404	\$ -	\$ 127,404	\$ 27,404
Expenditures:						
Current:						
Public safety	<u>266,000</u>	<u>266,000</u>	<u>207,595</u>	<u>14,100</u>	<u>221,695</u>	<u>58,405</u>
(Deficiency) of revenues over expenditures	(166,000)	(166,000)	(80,191)	(14,100)	(94,291)	85,809
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	4,000	4,000	89,809	<u>\$ (14,100)</u>	<u>\$ 75,709</u>	85,809
Cash balance, beginning of year	<u>94,370</u>	<u>94,370</u>	<u>94,370</u>			<u>-</u>
Cash balance, end of year	<u>\$ 98,370</u>	<u>\$ 98,370</u>	<u>\$ 184,179</u>			<u>\$ 85,809</u>
<b>Explanation of Differences:</b>						
Changes in accounts payable				<u>\$ (14,100)</u>		

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

**STATE OF NEW MEXICO**  
**CITY OF CARLSBAD**  
**SPECIAL POLICE PROGRAM FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE**  
**BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	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:						
Miscellaneous	\$ -	\$ 375	\$ 375	\$ -	\$ 375	\$ -
Expenditures:						
Current:						
Public safety	2,682	3,057	3,057	-	3,057	-
Net change	(2,682)	(2,682)	(2,682)	\$ -	\$ (2,682)	-
Cash balance, beginning of year	2,682	2,682	2,682			-
Cash balance, end of year	\$ -	\$ -	\$ -			\$ -

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**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	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	\$ 61,200	\$ 61,200	\$ 61,200	\$ -	\$ 61,200	\$ -
Charges for services	-	922	921	-	921	(1)
Total revenues	61,200	62,122	62,121	-	62,121	(1)
Expenditures:						
Current:						
Public safety	33,407	40,349	44,328	(80)	44,248	(3,979)
Capital outlay	10,000	3,980	-	-	-	3,980
Total expenditures	43,407	44,329	44,328	(80)	44,248	1
Excess of revenues over expenditures	17,793	17,793	17,793	80	17,873	-
Other Financing Sources (Uses):						
Transfers (out)	(17,793)	(17,793)	(17,793)	-	(17,793)	-
Net change	-	-	-	80	80	-
Cash balance, beginning of year	-	-	-			-
Cash balance, end of year	\$ -	\$ -	\$ -			\$ -
<b>Explanation of Differences:</b>						
Changes in receivables				\$ 80		

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**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	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	\$ 27,680	\$ 27,680	\$ 19,000	\$ -	\$ 19,000	\$ (8,680)
State	8,000	8,000	5,157	(84)	5,073	(2,843)
Total revenues	35,680	35,680	24,157	(84)	24,073	(11,523)
Expenditures:						
Current:						
Health and welfare	58,422	58,422	37,054	(2,020)	35,034	21,368
(Deficiency) of revenues over expenditures	(22,742)	(22,742)	(12,897)	1,936	(10,961)	9,845
Other Financing Sources (Uses):						
Transfers in	25,000	25,000	25,000	-	25,000	-
Net change	2,258	2,258	12,103	\$ 1,936	\$ 14,039	9,845
Cash balance, beginning of year	1,885	1,885	1,885			-
Cash balance, end of year	\$ 4,143	\$ 4,143	\$ 13,988			\$ 9,845
<b>Explanation of Differences:</b>						
Change in receivables				\$ (84)		
Change in accounts payable				146		
Change in accrued salaries				1,874		
				\$ 1,936		

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**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	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:						
Current:						
Culture and recreation	\$ 29,040	\$ 29,040	\$ 10,807	\$ (525)	\$ 10,282	\$ 18,233
Capital outlay	93,743	93,743	74,050	(8,058)	65,992	19,693
Total expenditures	<u>122,783</u>	<u>122,783</u>	<u>84,857</u>	<u>(8,583)</u>	<u>76,274</u>	<u>37,926</u>
Net change	(122,783)	(122,783)	(84,857)	<u>\$ 8,583</u>	<u>\$ (76,274)</u>	37,926
Cash balance, beginning of year	<u>122,783</u>	<u>122,783</u>	<u>122,783</u>			<u>-</u>
Cash balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 37,926</u>			<u>\$ 37,926</u>
<b>Explanation of Differences:</b>						
Change in accounts payable				<u>\$ 8,583</u>		

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  
FOR THE YEAR ENDED JUNE 30, 2012

	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	\$ 300,000	\$ 300,000	\$ 54,735	\$ 164,922	\$ 219,657	\$ (245,265)
Expenditures:						
Current:						
Economic development	2,300	2,300	460	(460)	-	1,840
Capital outlay	480,000	530,000	212,540	(16,450)	196,090	317,460
Total expenditures	482,300	532,300	213,000	(16,910)	196,090	319,300
Excess (deficiency) of revenues over expenditures	(182,300)	(232,300)	(158,265)	181,832	23,567	74,035
Other Financing Sources (Uses):						
Transfers in	182,300	232,300	232,300	-	232,300	-
Net change	-	-	74,035	\$ 181,832	\$ 255,867	74,035
Cash balance, beginning of year	-	-	-			-
Cash balance, end of year	\$ -	\$ -	\$ 74,035			\$ 74,035
<b>Explanation of Differences:</b>						
Change in receivables				\$ 164,922		
Change in accounts payable				16,910		
				\$ 181,832		

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**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	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	\$ 6,301,429	\$ 6,301,429	\$ 3,279,456	\$ (55,233)	\$ 3,224,223	\$ (3,021,973)
Expenditures:						
Current:						
Economic development	146,520	146,520	36,075	(4,989)	31,086	110,445
Capital outlay	6,316,340	6,316,340	2,907,419	(991,332)	1,916,087	3,408,921
Total expenditures	6,462,860	6,462,860	2,943,494	(996,321)	1,947,173	3,519,366
Excess (deficiency) of revenues over expenditures	(161,431)	(161,431)	335,962	941,088	1,277,050	497,393
Other Financing Sources (Uses):						
Transfers (out)	-	-	-	(314,714)	(314,714)	-
Net change	(161,431)	(161,431)	335,962	\$ 626,374	\$ 962,336	497,393
Cash balance, beginning of year	161,431	161,431	161,431			-
Cash balance, end of year	\$ -	\$ -	\$ 497,393			\$ 497,393
<b>Explanation of Differences:</b>						
Change in receivables				\$ (196,764)		
Change in accounts payable				681,607		
Change in deferred revenues				141,531		
				\$ 626,374		

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**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	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	\$ 1,935,000	\$ 1,935,000	\$ 2,183,676	\$ 111,177	\$ 2,294,853	\$ 248,676
Expenditures:						
Capital outlay	5,478,586	5,478,586	382,310	(136,887)	245,423	5,096,276
Excess (deficiency) of revenues over expenditures	(3,543,586)	(3,543,586)	1,801,366	248,064	2,049,430	5,344,952
Other Financing Sources (Uses):						
Transfers (out)	(487,669)	(487,669)	(487,669)	(40,746)	(528,415)	-
Net change	(4,031,255)	(4,031,255)	1,313,697	<u>\$ 207,318</u>	<u>\$ 1,521,015</u>	5,344,952
Cash balance, beginning of year	5,877,127	5,877,127	5,877,127			-
Cash balance, end of year	<u>\$ 1,845,872</u>	<u>\$ 1,845,872</u>	<u>\$ 7,190,824</u>			<u>\$ 5,344,952</u>
<b>Explanation of Differences:</b>						
Change in receivables				\$ 111,177		
Change in accounts payable				<u>96,141</u>		
				<u>\$ 207,318</u>		

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**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance with Final Budget Over (Under)
	Original	Final				
<b>Revenues:</b>						
Intergovernmental:						
State	\$ 187,908	\$ 187,908	\$ 181,280	\$ (148,299)	\$ 32,981	\$ (6,628)
Charges for services	4,700	4,700	6,725	-	6,725	2,025
Total revenues	192,608	192,608	188,005	(148,299)	39,706	(4,603)
<b>Expenditures:</b>						
Current:						
Culture and recreation	35,000	51,153	48,308	189	48,497	2,845
Capital outlay	61,993	51,840	16,347	-	16,347	35,493
Total expenditures	96,993	102,993	64,655	189	64,844	38,338
Net change	95,615	89,615	123,350	<u>\$ (148,488)</u>	<u>\$ (25,138)</u>	33,735
Cash balance, beginning of year	-	-	-			-
Cash repaid to CIEP fund	-	-	(87,342)			(87,342)
Cash balance, end of year	<u>\$ 95,615</u>	<u>\$ 89,615</u>	<u>\$ 36,008</u>			<u>\$ (53,607)</u>
<b>Explanation of Differences:</b>						
Change in receivables				\$ (148,299)		
Change in accounts payable				(189)		
				<u>\$ (148,488)</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**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance with Final Budget Over (Under)
	Original	Final				
<b>Revenues:</b>						
Public service taxes	\$ 435,000	\$ 435,000	\$ 481,772	\$ (1,759)	\$ 480,013	\$ 46,772
Intergovernmental:						
State	115,415	115,415	119,292	15,915	135,207	3,877
Licenses and permits	73,000	73,000	74,053	(645)	73,408	1,053
Investment income	-	-	2,603	-	2,603	2,603
Miscellaneous	-	-	43,859	-	43,859	43,859
Total revenues	623,415	623,415	721,579	13,511	735,090	98,164
<b>Expenditures:</b>						
Current:						
Public works	613,100	613,100	511,538	(598)	510,940	101,562
Capital outlay	1,262,905	1,270,905	739,103	100,893	839,996	531,802
Total expenditures	1,876,005	1,884,005	1,250,641	100,295	1,350,936	633,364
(Deficiency) of revenues over expenditures	(1,252,590)	(1,260,590)	(529,062)	(86,784)	(615,846)	731,528
<b>Other Financing Sources (Uses):</b>						
Transfers in	950,000	950,000	950,000	100,893	1,050,893	-
Transfers (out)	(182,300)	(182,300)	(182,300)	-	(182,300)	-
Total other financing sources (uses)	767,700	767,700	767,700	100,893	868,593	-
<b>Special Item:</b>						
Proceeds from sale of assets	-	-	13,689	-	13,689	13,689
Net change	(484,890)	(492,890)	252,327	\$ 14,109	\$ 266,436	745,217
Cash balance, beginning of year	524,107	524,107	524,107			-
Cash balance, end of year	\$ 39,217	\$ 31,217	\$ 776,434			\$ 745,217
<b>Explanation of Differences:</b>						
Change in receivables				\$ (26,450)		
Change in accounts payable				598		
Change in deferred revenues				39,961		
				\$ 14,109		

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**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Basis Variance with Final Budget Over (Under)
	Original	Final				
<b>Revenues:</b>						
Intergovernmental:						
State	\$ 515,560	\$ 515,560	\$ 266,251	\$ 143,368	\$ 409,619	\$ (249,309)
<b>Expenditures:</b>						
Current:						
Public works	-	-	131,989	-	131,989	(131,989)
Culture and recreation	-	256	256	-	256	-
Capital outlay	482,985	482,729	122,587	(78,081)	44,506	360,142
Total expenditures	482,985	482,985	254,832	(78,081)	176,751	228,153
Excess of revenues over expenditures	32,575	32,575	11,419	221,449	232,868	(21,156)
<b>Other Financing Sources (Uses):</b>						
Transfers (out)	-	-	-	(233,124)	(233,124)	-
Net change	32,575	32,575	11,419	<u>\$ (11,675)</u>	<u>\$ (256)</u>	(21,156)
Cash balance, beginning of year	17,572	17,572	17,572			-
Cash repaid to CIEP fund	-	-	(2,268)			(2,268)
Cash balance, end of year	<u>\$ 50,147</u>	<u>\$ 50,147</u>	<u>\$ 26,723</u>			<u>\$ (23,424)</u>
<b>Explanation of Differences:</b>						
Change in receivables				\$ 128,915		
Change in accounts payable				(155,043)		
Change in deferred revenues				14,453		
				<u>\$ (11,675)</u>		

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

**STATE OF NEW MEXICO**  
**CITY OF CARLSBAD**  
**CIEP FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE**  
**BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance with Final Budget Over (Under)
	Original	Final				
<b>Revenues:</b>						
<b>Intergovernmental:</b>						
State	\$ 251,000	\$ 276,000	\$ 10,181	\$ 60,916	\$ 71,097	\$ (265,819)
Miscellaneous	-	-	593,529	-	593,529	593,529
Total revenues	251,000	276,000	603,710	60,916	664,626	327,710
<b>Expenditures:</b>						
<b>Current:</b>						
Economic development	97,301	97,301	97,971	575	98,546	(670)
Capital outlay	7,680,870	7,677,649	2,201,887	(227,470)	1,974,417	5,475,762
Total expenditures	7,778,171	7,774,950	2,299,858	(226,895)	2,072,963	5,475,092
(Deficiency) of revenues over expenditures	(7,527,171)	(7,498,950)	(1,696,148)	287,811	(1,408,337)	5,802,802
<b>Other Financing Sources (Uses):</b>						
Transfers in	5,650,000	5,650,000	5,650,000	-	5,650,000	-
Transfers (out)	(238,091)	(259,312)	(259,312)	(242,401)	(501,713)	-
Total other financing sources (uses)	5,411,909	5,390,688	5,390,688	(242,401)	5,148,287	-
Net change	(2,115,262)	(2,108,262)	3,694,540	<u>\$ 45,410</u>	<u>\$ 3,739,950</u>	5,802,802
Cash balance, beginning of year	2,076,655	2,076,655	2,076,655			-
Cash repaid from Park Improvement fund	-	-	87,342			87,342
Cash repaid from State Legislative fund	-	-	2,268			2,268
Cash balance, end of year	<u>\$ (38,607)</u>	<u>\$ (31,607)</u>	<u>\$ 5,860,805</u>			<u>\$ 5,892,412</u>
<b>Explanation of Differences:</b>						
Change in receivables				\$ 60,916		
Change in accounts payable				(15,506)		
				<u>\$ 45,410</u>		

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

**STATE OF NEW MEXICO**  
**CITY OF CARLSBAD**  
**FEDERAL PROJECTS FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE**  
**BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	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	\$ 2,520,045	\$ 2,520,045	\$ 29,737	\$ 640,455	\$ 670,192	\$ (2,490,308)
State	333,621	333,621	-	43,516	43,516	(333,621)
Miscellaneous	<u>2,650,000</u>	<u>2,650,000</u>	<u>1,325,000</u>	<u>(1,182,954)</u>	<u>142,046</u>	<u>(1,325,000)</u>
Total revenues	5,503,666	5,503,666	1,354,737	(498,983)	855,754	(4,148,929)
Expenditures:						
Current:						
General government	11,335	51,335	41,335	-	41,335	10,000
Capital outlay	<u>6,238,001</u>	<u>6,775,077</u>	<u>1,177,780</u>	<u>(862,762)</u>	<u>315,018</u>	<u>5,597,297</u>
Total expenditures	<u>6,249,336</u>	<u>6,826,412</u>	<u>1,219,115</u>	<u>(862,762)</u>	<u>356,353</u>	<u>5,607,297</u>
Excess (deficiency) of revenues over expenditures	(745,670)	(1,322,746)	135,622	363,779	499,401	1,458,368
Other Financing Sources (Uses):						
Transfers in	377,422	909,703	909,703	(32,281)	877,422	-
Transfers (out)	(1,000,000)	(1,000,000)	-	(895,024)	(895,024)	1,000,000
Loan proceeds	<u>346,830</u>	<u>346,830</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>(346,830)</u>
Total other financing sources (uses)	<u>(275,748)</u>	<u>256,533</u>	<u>909,703</u>	<u>(927,305)</u>	<u>(17,602)</u>	<u>653,170</u>
Net change	(1,021,418)	(1,066,213)	1,045,325	<u>\$ (563,526)</u>	<u>\$ 481,799</u>	2,111,538
Cash balance, beginning of year	<u>1,091,209</u>	<u>1,091,209</u>	<u>1,091,209</u>			<u>-</u>
Cash balance, end of year	<u>\$ 69,791</u>	<u>\$ 24,996</u>	<u>\$ 2,136,534</u>			<u>\$ 2,111,538</u>
<b>Explanation of Differences:</b>						
Change in receivables				\$ 680,487		
Change in accounts payable				(64,544)		
Change in deferred revenues				<u>(1,179,469)</u>		
				<u>\$ (563,526)</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**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	Budgeted Amounts		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance with Final Budget Over (Under)
	Original	Final				
<b>Revenues:</b>						
Sales taxes	\$ 1,000,000	\$ 1,000,000	\$ 1,203,726	\$ 54,789	\$ 1,258,515	\$ 203,726
Investment income	-	-	-	1,309	1,309	-
Total revenues	1,000,000	1,000,000	1,203,726	56,098	1,259,824	203,726
<b>Expenditures:</b>						
<b>Current:</b>						
Culture and recreation	423,725	422,518	385,563	(14,931)	370,632	36,955
Capital outlay	125,144	196,351	163,280	2,493	165,773	33,071
<b>Debt service:</b>						
Principal	-	-	-	387,822	387,822	-
Interest	428,328	428,328	428,328	(393,523)	34,805	-
Total expenditures	977,197	1,047,197	977,171	(18,139)	959,032	70,026
Net change	22,803	(47,197)	226,555	<u>\$ 74,237</u>	<u>\$ 300,792</u>	273,752
Cash balance, beginning of year	1,851,928	1,851,928	1,851,928			-
Cash balance, end of year	<u>\$ 1,874,731</u>	<u>\$ 1,804,731</u>	<u>\$ 2,078,483</u>			<u>\$ 273,752</u>
<b>Explanation of Differences:</b>						
Change in receivables				\$ 54,789		
Interest income earned by agent				1,309		
Change in accounts payable				4,348		
Change in accrued salaries				8,090		
Change in accrued interest payable				5,701		
				<u>\$ 74,237</u>		

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

**STATE OF NEW MEXICO**  
**CITY OF CARLSBAD**  
2002 SALES TAX BONDS FUND  
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE  
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS  
FOR THE YEAR ENDED JUNE 30, 2012

	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	\$ 255,000	\$ 255,000	\$ 255,000	\$ -	\$ 255,000	\$ -
Interest	90,705	90,705	90,705	-	90,705	-
Total expenditures	<u>345,705</u>	<u>345,705</u>	<u>345,705</u>	<u>-</u>	<u>345,705</u>	<u>-</u>
(Deficiency) of revenues over expenditures	(345,705)	(345,705)	(345,705)	-	(345,705)	-
Other Financing Sources (Uses):						
Transfers in	<u>345,705</u>	<u>345,705</u>	<u>345,705</u>	<u>-</u>	<u>345,705</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>			<u>-</u>
Cash balance, end of year	<u>\$ 18,744</u>	<u>\$ 18,744</u>	<u>\$ 18,744</u>			<u>\$ -</u>

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

**STATE OF NEW MEXICO**  
**CITY OF CARLSBAD**  
**NM FINANCE AUTHORITY LOAN FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE**  
**BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	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	\$ 696,705	\$ 696,705	\$ 89,939	\$ -	\$ 89,939	\$ 606,766
Interest	12,730	12,730	225	-	225	12,505
Total expenditures	<u>709,435</u>	<u>709,435</u>	<u>90,164</u>	<u>-</u>	<u>90,164</u>	<u>619,271</u>
(Deficiency) of revenues over expenditures	(709,435)	(709,435)	(90,164)	-	(90,164)	619,271
Other Financing Sources (Uses):						
Transfers in	836,131	836,131	90,164	-	90,164	(745,967)
Net change	126,696	126,696	-	<u>\$ -</u>	<u>\$ -</u>	(126,696)
Cash balance, beginning of year	<u>1</u>	<u>1</u>	<u>1</u>			<u>-</u>
Cash balance, end of year	<u>\$ 126,697</u>	<u>\$ 126,697</u>	<u>\$ 1</u>			<u>\$ (126,696)</u>

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**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	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	\$ 240,000	\$ 240,000	\$ 240,000	\$ -	\$ 240,000	\$ -
Interest	247,669	247,669	247,669	-	247,669	-
Total expenditures	<u>487,669</u>	<u>487,669</u>	<u>487,669</u>	<u>-</u>	<u>487,669</u>	<u>-</u>
(Deficiency) of revenues over expenditures	(487,669)	(487,669)	(487,669)	-	(487,669)	-
Other Financing Sources (Uses):						
Transfers in	<u>487,669</u>	<u>487,669</u>	<u>487,669</u>	<u>-</u>	<u>487,669</u>	<u>-</u>
Net change	-	-	-	<u>\$ -</u>	<u>\$ -</u>	-
Cash balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>			<u>-</u>
Cash balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>			<u>\$ -</u>

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 ASSETS**  
**OTHER ENTERPRISE FUNDS**  
**JUNE 30, 2012**

	Museum Gift Shop Fund	Municipal Transit Fund	Performing Arts Center Fund	Cemetery Fund	Total
<b>Assets:</b>					
Current assets:					
Cash	\$ 16,212	\$ 46,080	\$ 36,816	\$ 526,138	\$ 625,246
Receivables, net	-	38,260	-	-	38,260
Due from other funds	4,491	-	-	-	4,491
Total current assets	20,703	84,340	36,816	526,138	667,997
Noncurrent assets:					
Capital assets:					
Land	-	49,851	110,000	41,626	201,477
Construction in progress	-	3,749	-	-	3,749
Buildings	-	1,036,420	1,924,844	799,511	3,760,775
Improvements	-	-	-	377,367	377,367
Equipment	-	840,378	137,441	320	978,139
Less accumulated depreciation	-	(738,038)	(949,622)	(248,201)	(1,935,861)
Total capital assets, net	-	1,192,360	1,222,663	970,623	3,385,646
Total assets	20,703	1,276,700	1,259,479	1,496,761	4,053,643
<b>Liabilities:</b>					
Current liabilities:					
Accounts payable	3,750	11,179	59	34,970	49,958
Accrued salaries	-	12,451	-	-	12,451
Current maturities of:					
Compensated absences	-	6,303	-	-	6,303
Total current liabilities	3,750	29,933	59	34,970	68,712
Noncurrent liabilities:					
Compensated absences	-	5,225	-	-	5,225
Total liabilities	3,750	35,158	59	34,970	73,937
<b>Net assets:</b>					
Invested in capital assets	-	1,192,360	1,222,663	970,623	3,385,646
Unrestricted	16,953	49,182	36,757	491,168	594,060
Total net assets	\$ 16,953	\$ 1,241,542	\$ 1,259,420	\$ 1,461,791	\$ 3,979,706

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 ASSETS  
OTHER ENTERPRISE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2012

	Museum Gift Shop Fund	Municipal Transit Fund	Performing Arts Center Fund	Cemetery Fund	Total
Operating Revenues:					
Charges for services	\$ 8,323	\$ 78,887	\$ 18,663	\$ 172,085	\$ 277,958
Operating Expenses:					
Personnel services	-	638,001	-	-	638,001
Utilities	-	10,544	1,664	65,134	77,342
Contractual services	6,100	3,586	95,126	323,223	428,035
Repairs and maintenance	-	25,488	6,816	328	32,632
Other supplies and expenses	7,863	128,111	715	2,096	138,785
Depreciation and amortization	-	111,544	73,234	41,432	226,210
Total operating expenses	<u>13,963</u>	<u>917,274</u>	<u>177,555</u>	<u>432,213</u>	<u>1,541,005</u>
Operating (loss)	(5,640)	(838,387)	(158,892)	(260,128)	(1,263,047)
Non-Operating Revenues (Expenses):					
Intergovernmental	-	316,990	-	-	316,990
Miscellaneous	1,606	4,161	-	-	5,767
Total non-operating revenues (expenses)	<u>1,606</u>	<u>321,151</u>	<u>-</u>	<u>-</u>	<u>322,757</u>
(Loss) before capital contributions and transfers	(4,034)	(517,236)	(158,892)	(260,128)	(940,290)
Capital Contributions and Transfers:					
Capital contributions	-	82,078	-	-	82,078
Transfers in	-	465,000	116,760	505,029	1,086,789
Transfers (out)	(8,331)	(21,455)	-	-	(29,786)
Total capital contributions and transfers	<u>(8,331)</u>	<u>525,623</u>	<u>116,760</u>	<u>505,029</u>	<u>1,139,081</u>
Change in net assets	(12,365)	8,387	(42,132)	244,901	198,791
Net assets, beginning of year	<u>29,318</u>	<u>1,233,155</u>	<u>1,301,552</u>	<u>1,216,890</u>	<u>3,780,915</u>
Net assets, end 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>

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, 2012**

	Museum Gift Shop Fund	Municipal Transit Fund	Performing Arts Center Fund	Cemetery Fund	Total
<b>Cash Flows From Operating Activities:</b>					
Cash received from customers	\$ 8,323	\$ 78,784	\$ 20,563	\$ 171,985	\$ 279,655
Cash payments to suppliers for goods and services	(10,213)	(168,081)	(116,543)	(363,669)	(658,506)
Cash payments to employees for services	-	(660,953)	-	-	(660,953)
Net cash (used) by operating activities	(1,890)	(750,250)	(95,980)	(191,684)	(1,039,804)
<b>Cash Flows for Non-Capital and Financing Activities:</b>					
Cash received from intergovernmental sources	-	337,946	-	-	337,946
Cash received from capital contributions	-	82,078	-	-	82,078
Cash received from miscellaneous sources	1,606	2,622	-	-	4,228
Net transfers in (out)	(8,331)	443,555	100,000	505,000	1,040,224
Net cash provided (used) by non-capital and financing activities	(6,725)	866,201	100,000	505,000	1,464,476
<b>Cash Flows From Capital and Related Financing Activities:</b>					
Acquisition of capital assets	-	(90,025)	-	(319,132)	(409,157)
Net increase (decrease) in cash	(8,615)	25,926	4,020	(5,816)	15,515
Cash and cash equivalents, beginning of year	24,827	20,164	32,796	531,954	609,741
Cash and cash equivalents, end of year	<u>\$ 16,212</u>	<u>\$ 46,090</u>	<u>\$ 36,816</u>	<u>\$ 526,138</u>	<u>\$ 625,256</u>
<b>Reconciliation of Operating Income to Net Cash Provided by Operating Activities:</b>					
Operating (loss)	\$ (5,640)	\$ (838,387)	\$ (158,892)	\$ (260,128)	\$ (1,263,047)
Adjustment to Reconcile Operating (Loss) to Net Cash Provided by Operating Activities:					
Depreciation	-	111,544	73,234	41,432	226,210
Bad debts	-	1,414	-	-	1,414
Change in Assets and Liabilities:					
(Increase) decrease in accounts receivable	-	(1,517)	1,900	-	383
Increase (decrease) in accounts payable	3,750	(352)	(11,939)	27,012	18,471
(Decrease) in accrued salaries	-	(20,512)	-	-	(20,512)
(Decrease) in compensated absences	-	(2,440)	(283)	-	(2,723)
Total adjustments	3,750	88,137	62,912	68,444	223,243
Net cash (used) by operating activities	<u>\$ (1,890)</u>	<u>\$ (750,250)</u>	<u>\$ (95,980)</u>	<u>\$ (191,684)</u>	<u>\$ (1,039,804)</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**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	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	\$ 4,146,432	\$ 4,041,432	\$ 4,055,410	\$ 54,158	\$ 4,109,568	\$ 13,978
Operating Expenses:						
Personnel services	1,469,011	1,469,011	1,423,229	(47,620)	1,375,609	45,782
Utilities	300	300	131	7	138	169
Contractual services	99,700	97,889	58,628	2,450	61,078	39,261
Repairs and maintenance	342,000	342,000	321,310	443	321,753	20,690
Other supplies and expenses	877,100	878,911	664,646	158,801	823,447	214,265
Depreciation expense	-	-	-	285,794	285,794	-
Total operating expenses	<u>2,788,111</u>	<u>2,788,111</u>	<u>2,467,944</u>	<u>399,875</u>	<u>2,867,819</u>	<u>320,167</u>
Operating income	1,358,321	1,253,321	1,587,466	(345,717)	1,241,749	334,145
Non-Operating Revenues (Expenses):						
Sales taxes	540,000	540,000	602,248	27,361	629,609	62,248
Intergovernmental	222,000	222,000	222,000	(111,000)	111,000	-
Sale of assets	-	-	5,695	-	5,695	5,695
Investment income	1,000	1,000	1,970	233	2,203	970
Miscellaneous	-	-	2,357	(2,357)	-	2,357
Capital outlay	(398,670)	(405,645)	(191,934)	191,934	-	213,711
Debt service - principal	(65,607)	(65,607)	(58,841)	58,841	-	6,766
Interest expense and other charges	-	-	(6,765)	326	(6,439)	(6,765)
Total non-operating revenues (expenses)	<u>298,723</u>	<u>291,748</u>	<u>576,730</u>	<u>165,338</u>	<u>742,068</u>	<u>284,982</u>
Income before transfers	1,657,044	1,545,069	2,164,196	(180,379)	1,983,817	619,127
Transfers:						
Transfers in	336,000	336,000	-	267,339	267,339	(336,000)
Transfers (out)	<u>(1,892,570)</u>	<u>(1,892,570)</u>	<u>(1,556,570)</u>	<u>-</u>	<u>(1,556,570)</u>	<u>336,000</u>
Total transfers	<u>(1,556,570)</u>	<u>(1,556,570)</u>	<u>(1,556,570)</u>	<u>267,339</u>	<u>(1,289,231)</u>	<u>-</u>
Net change	100,474	(11,501)	607,626	<u>\$ 86,960</u>	<u>\$ 694,586</u>	619,127
Cash balance, beginning of year	<u>3,137,861</u>	<u>3,137,861</u>	<u>3,137,861</u>			<u>-</u>
Cash balance, end of year	<u>\$ 3,238,335</u>	<u>\$ 3,126,360</u>	<u>\$ 3,745,487</u>			<u>\$ 619,127</u>
<b>Explanation of Differences:</b>						
Change in receivables				\$ (19,862)		
Addition to capital assets				191,934		
Change in accounts payable				(109,193)		
Change in accrued salaries				45,617		
Change in accrued interest payable				326		
Change in compensated absences				2,003		
Retirement of long-term debt				58,841		
Change in closure & post-closure liability				(54,930)		
Interest income earned by agent				236		
Depreciation expense				(285,794)		
Bad debt expense				(9,557)		
Capital assets transferred				<u>267,339</u>		
				<u>\$ 86,960</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**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	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	\$ 10,959,271	\$ 11,019,271	\$ 14,389,737	\$ 94,285	\$ 14,484,022	\$ 3,370,466
Operating Expenses:						
Personnel services	3,442,737	3,442,737	3,231,242	(110,604)	3,120,638	211,495
Utilities	1,073,725	1,073,725	794,849	(68,965)	725,884	278,876
Contractual services	257,025	232,025	291,177	5,567	296,744	(59,152)
Repairs and maintenance	431,400	536,400	594,874	4,912	599,786	(58,474)
Other supplies and expenses	796,169	741,842	662,403	(18,923)	643,480	79,439
Depreciation expense	-	-	-	1,767,539	1,767,539	-
Total operating expenses	6,001,056	6,026,729	5,574,545	1,579,526	7,154,071	452,184
Operating income	4,958,215	4,992,542	8,815,192	(1,485,241)	7,329,951	3,822,650
Non-Operating Revenues (Expenses):						
Intergovernmental	25,000	25,000	19,195	-	19,195	(5,805)
Sale of assets	1,000	13,908	20,307	-	20,307	6,399
Investment income	103,500	103,500	157,307	(20,917)	136,390	53,807
Miscellaneous	-	23,343	819,265	(154,708)	664,557	795,922
Capital outlay	(25,755,576)	(27,059,137)	(13,335,641)	13,335,641	-	13,723,496
Debt service - principal	(800,000)	(800,000)	(1,371,514)	1,371,514	-	(571,514)
Interest expense and other charges	(824,857)	(824,857)	(832,060)	(233,552)	(1,065,612)	(7,203)
Total non-operating revenues (expenses)	(27,250,933)	(28,518,243)	(14,523,141)	14,297,978	(225,163)	13,995,102
Income (loss) before other financing sources (uses)	(22,292,718)	(23,525,701)	(5,707,949)	12,812,737	7,104,788	17,817,752
Other Financing Sources (Uses):						
Transfers in	1,724,857	1,731,812	-	1,441,881	1,441,881	(1,731,812)
Transfers (out)	(4,873,644)	(4,912,880)	(2,435,101)	(68,612)	(2,503,713)	2,477,779
Loan proceeds	15,494,703	15,494,703	9,854,031	(9,854,031)	-	(5,640,672)
Total other financing sources (uses)	12,345,916	12,313,635	7,418,930	(8,480,762)	(1,061,832)	(4,894,705)
Net change	(9,946,802)	(11,212,066)	1,710,981	\$ 4,331,975	\$ 6,042,956	12,923,047
Cash balance, beginning of year	15,443,971	15,443,971	15,443,971			-
Restatement	-	-	13,073			13,073
Cash balance, beginning of year, restated	15,443,971	15,443,971	15,457,044			13,073
Proceeds from sale of investments	-	-	1,950,541			1,950,541
Purchase of investments	-	-	(1,922,771)			(1,922,771)
Cash balance, end of year	\$ 5,497,169	\$ 4,231,905	\$ 17,195,795			\$ 12,963,890

**Explanation of Differences:**

Change in receivables	\$ 108,069
Change in inventories	11,169
Addition to capital assets	13,335,641
Change to accounts payable	68,274
Change in accrued salaries	104,597
Change in accrued liabilities	(61,194)
Change in accrued interest payable	(156,832)
Change in compensated absences	6,007
Change in customer deposits	(93,182)
Long-term debt proceeds	(9,854,031)
Retirement of long-term debt	1,371,514
Loss on investments	(21,347)
Depreciation expense	(1,767,539)
Recognized deferred issuance costs	(76,720)
Bad debt expense	(15,720)
Capital assets transferred	1,373,269
	<u>\$ 4,331,975</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**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	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	\$ 8,323	\$ -	\$ 8,323	\$ 1,323
Operating Expenses:						
Contractual services	11,350	11,350	2,350	3,750	6,100	9,000
Other supplies and expenses	8,550	8,550	7,863	-	7,863	687
Total operating expenses	19,900	19,900	10,213	3,750	13,963	9,687
Operating (loss)	(12,900)	(12,900)	(1,890)	(3,750)	(5,640)	11,010
Non-Operating Revenues (Expenses):						
Miscellaneous	1,000	1,000	1,606	-	1,606	606
Capital outlay	(10,000)	(10,000)	(8,331)	8,331	-	1,669
Total non-operating revenues (expenses)	(9,000)	(9,000)	(6,725)	8,331	1,606	2,275
(Loss) before transfers	(21,900)	(21,900)	(8,615)	4,581	(4,034)	13,285
Transfers:						
Transfers (out)	-	-	-	(8,331)	(8,331)	-
Net change	(21,900)	(21,900)	(8,615)	\$ (3,750)	\$ (12,365)	13,285
Cash balance, beginning of year	24,827	24,827	24,827			-
Cash balance, end of year	\$ 2,927	\$ 2,927	\$ 16,212			\$ 13,285
<b>Explanation of Differences:</b>						
Change in accounts payable				\$ (3,750)		
Capital outlay expenditures				(8,331)		
Capital assets transferred				8,331		
				\$ (3,750)		

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**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	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	\$ 71,000	\$ 71,000	\$ 78,784	\$ 103	\$ 78,887	\$ 7,784
Operating Expenses:						
Personnel services	655,092	692,595	660,953	(22,952)	638,001	31,642
Utilities	9,980	9,980	10,415	129	10,544	(435)
Contractual services	6,000	6,000	3,586	-	3,586	2,414
Repairs and maintenance	22,500	27,600	25,453	35	25,488	2,147
Other supplies and expenses	126,967	126,967	128,627	(516)	128,111	(1,660)
Depreciation expense	-	-	-	111,544	111,544	-
Total operating expenses	820,539	863,142	829,034	88,240	917,274	34,108
Operating (loss)	(749,539)	(792,142)	(750,250)	(88,137)	(838,387)	41,892
Non-Operating Revenues (Expenses):						
Intergovernmental	489,430	489,430	337,946	(20,956)	316,990	(151,484)
Miscellaneous	-	-	2,622	1,539	4,161	2,622
Capital outlay	(128,733)	(128,733)	(90,025)	90,025	-	38,708
Total non-operating revenues (expenses)	360,697	360,697	250,543	70,608	321,151	(110,154)
(Loss) before capital contributions and transfers	(388,842)	(431,445)	(499,707)	(17,529)	(517,236)	(68,262)
Capital Contributions and Transfers:						
Capital contributions	-	-	82,078	-	82,078	82,078
Transfers in	465,000	465,000	465,000	-	465,000	-
Transfers (out)	(21,455)	(21,455)	(21,455)	-	(21,455)	-
Total capital contributions and transfers	443,545	443,545	525,623	-	525,623	82,078
Net change	54,703	12,100	25,916	\$ (17,529)	\$ 8,387	13,816
Cash balance, beginning of year	20,164	20,164	20,164			-
Cash balance, end of year	\$ 74,867	\$ 32,264	\$ 46,080			\$ 13,816
<b>Explanation of Differences:</b>						
Change in receivables				\$ (17,900)		
Addition to capital assets				90,025		
Change in accounts payable				352		
Change in accrued salaries				20,512		
Change in compensated absences				2,440		
Depreciation expense				(111,544)		
Bad debt expense				(1,414)		
				\$ (17,529)		

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**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	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	\$ 8,320	\$ 8,320	\$ 20,563	\$ (1,900)	\$ 18,663	\$ 12,243
Operating Expenses:						
Utilities	2,000	2,000	1,719	(55)	1,664	281
Contractual services	95,000	106,875	107,284	(12,158)	95,126	(409)
Repairs and maintenance	10,250	10,250	6,816	-	6,816	3,434
Other supplies and expenses	1,325	1,325	724	(9)	715	601
Depreciation expense	-	-	-	73,234	73,234	-
Total operating expenses	108,575	120,450	116,543	61,012	177,555	3,907
Operating (loss)	(100,255)	(112,130)	(95,980)	(62,912)	(158,892)	16,150
Non-Operating Revenues (Expenses):						
Capital outlay	(15,000)	(15,000)	-	-	-	15,000
(Loss) before transfers	(115,255)	(127,130)	(95,980)	(62,912)	(158,892)	31,150
Transfers:						
Transfers in	100,000	100,000	100,000	16,760	116,760	-
Net change	(15,255)	(27,130)	4,020	<u>(46,152)</u>	<u>(42,132)</u>	31,150
Cash balance, beginning of year	32,796	32,796	32,796			-
Cash balance, end of year	<u>\$ 17,541</u>	<u>\$ 5,666</u>	<u>\$ 36,816</u>			<u>\$ 31,150</u>
<b>Explanation of Differences:</b>						
Change in accounts receivable				\$ (1,900)		
Change in accounts payable				11,939		
Change in compensated absences				283		
Depreciation expense				(73,234)		
Capital asset transferred				16,760		
				<u>(46,152)</u>		

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

**STATE OF NEW MEXICO**  
**CITY OF CARLSBAD**  
**CEMETERY FUND**  
**STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN CASH BALANCE**  
**BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	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	\$ 153,500	\$ 153,500	\$ 171,985	\$ 100	\$ 172,085	\$ 18,485
Operating Expenses:						
Utilities	120,000	120,000	64,288	846	65,134	55,712
Contractual services	350,000	350,000	296,957	26,266	323,223	53,043
Repairs and maintenance	1,000	1,000	328	-	328	672
Other supplies and expenses	14,000	14,000	2,096	-	2,096	11,904
Depreciation expense	-	-	-	41,432	41,432	-
Total operating expenses	<u>485,000</u>	<u>485,000</u>	<u>363,669</u>	<u>68,544</u>	<u>432,213</u>	<u>121,331</u>
Operating (loss)	(331,500)	(331,500)	(191,684)	(68,444)	(260,128)	139,816
Non-Operating Revenues (Expenses):						
Capital outlay	<u>(562,725)</u>	<u>(562,725)</u>	<u>(319,132)</u>	<u>319,132</u>	<u>-</u>	<u>243,593</u>
(Loss) before transfers	(894,225)	(894,225)	(510,816)	250,688	(260,128)	383,409
Transfers:						
Transfers in	<u>505,000</u>	<u>505,000</u>	<u>505,000</u>	<u>29</u>	<u>505,029</u>	<u>-</u>
Net change	(389,225)	(389,225)	(5,816)	<u>\$ 250,717</u>	<u>\$ 244,901</u>	383,409
Cash balance, beginning of year	<u>531,954</u>	<u>531,954</u>	<u>531,954</u>			<u>-</u>
Cash balance, end of year	<u>\$ 142,729</u>	<u>\$ 142,729</u>	<u>\$ 526,138</u>			<u>\$ 383,409</u>
<b>Explanation of Differences:</b>						
Change in accounts payable				\$ (27,012)		
Addition to capital assets				319,132		
Depreciation expense				(41,432)		
Capital asset transferred				<u>29</u>		
				<u>\$ 250,717</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 ASSETS**  
**INTERNAL SERVICE FUNDS**  
**JUNE 30, 2012**

	Computer Lease Equipment Fund	General Insurance Fund	Group Health Insurance Fund	Disaster Preparedness Fund	Total
<b>Assets:</b>					
Current assets:					
Cash	\$ 71,742	\$ 1,140,081	\$ 1,150,425	\$ 1,321,822	\$ 3,684,070
Receivables, net	-	390	44,655	-	45,045
Total current assets	71,742	1,140,471	1,195,080	1,321,822	3,729,115
Noncurrent assets:					
Restricted cash	-	500,306	450,000	-	950,306
Total assets	71,742	1,640,777	1,645,080	1,321,822	4,679,421
<b>Liabilities:</b>					
Current liabilities:					
Accounts payable	-	57,151	-	26,815	83,966
<b>Net assets:</b>					
Unrestricted	<u>\$ 71,742</u>	<u>\$ 1,583,626</u>	<u>\$ 1,645,080</u>	<u>\$ 1,295,007</u>	<u>\$ 4,595,455</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 ASSETS  
INTERNAL SERVICE FUNDS  
FOR THE YEAR ENDED JUNE 30, 2012

	Computer Lease Equipment Fund	General Insurance Fund	Group Health Insurance Fund	Disaster Preparedness Fund	Total
Operating Revenues:					
Charges for services	\$ -	\$ 588	\$ 4,754,737	\$ -	\$ 4,755,325
Operating Expenses:					
Contractual services	-	-	-	83,776	83,776
Insurance claims and expenses	-	1,700,973	4,014,731	-	5,715,704
Other supplies and expenses	85,871	-	-	-	85,871
Total operating expenses	85,871	1,700,973	4,014,731	83,776	5,885,351
Operating income (loss)	(85,871)	(1,700,385)	740,006	(83,776)	(1,130,026)
Non-Operating Revenues (Expenses):					
Investment income	-	1,110	1,934	-	3,044
Miscellaneous	-	-	-	1,000,000	1,000,000
Total non-operating revenues (expenses)	-	1,110	1,934	1,000,000	1,003,044
Income (loss) before transfers	(85,871)	(1,699,275)	741,940	916,224	(126,982)
Transfers:					
Transfers in	92,053	1,956,000	-	-	2,048,053
Transfers (out)	-	-	(494)	-	(494)
Total transfers	92,053	1,956,000	(494)	-	2,047,559
Change in net assets	6,182	256,725	741,446	916,224	1,920,577
Net assets, beginning of year	65,560	1,326,901	903,634	378,783	2,674,878
Net assets, end of year	\$ 71,742	\$ 1,583,626	\$ 1,645,080	\$ 1,295,007	\$ 4,595,455

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, 2012**

	Computer Lease Equipment Fund	General Insurance Fund	Group Health Insurance Fund	Disaster Preparedness Fund	Total
<b>Cash Flows From Operating Activities:</b>					
Internal activity - receipts from other funds	\$ -	\$ 11,741	\$ 4,924,041	\$ -	\$ 4,935,782
Cash payments to suppliers for goods and services	<u>(85,871)</u>	<u>(1,690,520)</u>	<u>(4,042,306)</u>	<u>(57,936)</u>	<u>(5,876,633)</u>
Net cash provided (used) by operating activities	(85,871)	(1,678,779)	881,735	(57,936)	(940,851)
<b>Cash Flows for Non-Capital and Financing Activities:</b>					
Miscellaneous revenues	-	-	-	1,000,000	1,000,000
Net transfers in (out)	<u>92,053</u>	<u>1,956,000</u>	<u>-</u>	<u>-</u>	<u>2,048,053</u>
Net cash provided by non-capital and financing activities	92,053	1,956,000	-	1,000,000	3,048,053
<b>Cash Flows From Investing Activities:</b>					
Interest income	-	791	1,966	-	2,757
Net increase in cash	6,182	278,012	883,701	942,064	2,109,959
Cash and cash equivalents, beginning of year	<u>65,560</u>	<u>1,062,375</u>	<u>516,724</u>	<u>379,758</u>	<u>2,024,417</u>
Cash and cash equivalents, end of year	<u>\$ 71,742</u>	<u>\$ 1,340,387</u>	<u>\$ 1,400,425</u>	<u>\$ 1,321,822</u>	<u>\$ 4,134,376</u>
<b>Displayed as:</b>					
Cash	\$ 71,742	\$ 1,140,081	\$ 1,150,425	\$ 1,321,822	\$ 3,684,070
Restricted cash	-	500,306	450,000	-	950,306
Times deposits not considered cash equivalents	<u>-</u>	<u>(300,000)</u>	<u>(200,000)</u>	<u>-</u>	<u>(500,000)</u>
	<u>\$ 71,742</u>	<u>\$ 1,340,387</u>	<u>\$ 1,400,425</u>	<u>\$ 1,321,822</u>	<u>\$ 4,134,376</u>
<b>Reconciliation of Operating Income (loss) to Net Cash Provided by Operating Activities:</b>					
Operating income (loss)	\$ (85,871)	\$ (1,700,385)	\$ 740,006	\$ (83,776)	\$ (1,130,026)
Adjustment to Reconcile Operating Income (loss) To Net Cash Provided by Operating Activities:					
<b>Change in Assets and Liabilities:</b>					
Decrease in accounts receivable	-	11,153	141,729	-	152,882
Increase in accounts payable	<u>-</u>	<u>10,453</u>	<u>-</u>	<u>25,840</u>	<u>36,293</u>
Total adjustments	<u>-</u>	<u>21,606</u>	<u>141,729</u>	<u>25,840</u>	<u>189,175</u>
Net cash provided (used) by operating activities	<u>\$ (85,871)</u>	<u>\$ (1,678,779)</u>	<u>\$ 881,735</u>	<u>\$ (57,936)</u>	<u>\$ (940,851)</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**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	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	\$ 95,639	\$ 95,639	\$ 85,871	\$ -	\$ 85,871	\$ 9,768
(Loss) before transfers	(95,639)	(95,639)	(85,871)	-	(85,871)	9,768
Transfers:						
Transfers in	92,053	92,053	92,053	-	92,053	-
Net change	(3,586)	(3,586)	6,182	\$ -	\$ 6,182	9,768
Cash balance, beginning of year	65,560	65,560	65,560			-
Cash balance, end of year	\$ 61,974	\$ 61,974	\$ 71,742			\$ 9,768

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**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	<u>Budgeted Amounts</u>		Actual on Budgetary Basis	Budget to GAAP Differences	Actual on GAAP Basis	Budgetary Basis Variance with Final Budget Over (Under)
	<u>Original</u>	<u>Final</u>				
Operating Revenues:						
Charges for services	\$ -	\$ -	\$ 11,741	\$ (11,153)	\$ 588	\$ 11,741
Operating Expenses:						
Insurance claims and expenses	<u>1,861,000</u>	<u>1,861,000</u>	<u>1,690,520</u>	<u>10,453</u>	<u>1,700,973</u>	<u>170,480</u>
Operating (loss)	(1,861,000)	(1,861,000)	(1,678,779)	(21,606)	(1,700,385)	182,221
Non-Operating Revenues (Expenses):						
Investment income	<u>1,000</u>	<u>1,000</u>	<u>791</u>	<u>319</u>	<u>1,110</u>	<u>(209)</u>
(Loss) before transfers	(1,860,000)	(1,860,000)	(1,677,988)	(21,287)	(1,699,275)	182,012
Transfers:						
Transfers in	<u>1,956,000</u>	<u>1,956,000</u>	<u>1,956,000</u>	<u>-</u>	<u>1,956,000</u>	<u>-</u>
Net change	96,000	96,000	278,012	<u>\$ (21,287)</u>	<u>\$ 256,725</u>	182,012
Cash balance, beginning of year	<u>1,362,375</u>	<u>1,362,375</u>	<u>1,362,375</u>			<u>-</u>
Cash balance, end of year	<u>\$ 1,458,375</u>	<u>\$ 1,458,375</u>	<u>\$ 1,640,387</u>			<u>\$ 182,012</u>
<b>Explanation of Differences:</b>						
Change in receivables				\$ (10,834)		
Change in accounts payable				<u>(10,453)</u>		
				<u>\$ (21,287)</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**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	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	\$ 3,890,000	\$ 4,968,968	\$ 4,924,041	\$ (169,304)	\$ 4,754,737	\$ (44,927)
Operating Expenses:						
Insurance claims and expenses	<u>3,602,000</u>	<u>4,202,000</u>	<u>4,042,306</u>	<u>(27,575)</u>	<u>4,014,731</u>	<u>159,694</u>
Operating income	288,000	766,968	881,735	(141,729)	740,006	114,767
Non-Operating Revenues (Expenses):						
Investment income	<u>2,800</u>	<u>2,800</u>	<u>1,966</u>	<u>(32)</u>	<u>1,934</u>	<u>(834)</u>
Income before transfers	290,800	769,768	883,701	(141,761)	741,940	113,933
Transfers:						
Transfers (out)	<u>-</u>	<u>-</u>	<u>-</u>	<u>(494)</u>	<u>(494)</u>	<u>-</u>
Net change	290,800	769,768	883,701	<u>\$ (142,255)</u>	<u>\$ 741,446</u>	113,933
Cash balance, beginning of year	<u>716,724</u>	<u>716,724</u>	<u>716,724</u>			<u>-</u>
Cash balance, end of year	<u>\$ 1,007,524</u>	<u>\$ 1,486,492</u>	<u>\$ 1,600,425</u>			<u>\$ 113,933</u>
<b>Explanation of Differences:</b>						
Change in receivables				\$ (141,761)		
Transfers for financial reporting				<u>(494)</u>		
				<u>\$ (142,255)</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**  
**FOR THE YEAR ENDED JUNE 30, 2012**

	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	\$ 600,000	\$ 600,000	\$ 57,936	\$ 25,840	\$ 83,776	\$ 542,064
Operating (loss)	(600,000)	(600,000)	(57,936)	(25,840)	(83,776)	(542,064)
Non-Operating Revenues (Expenses):						
Miscellaneous	1,000,000	1,000,000	1,000,000	-	1,000,000	-
Net change	400,000	400,000	942,064	<u>\$ (25,840)</u>	<u>\$ 916,224</u>	542,064
Cash balance, beginning of year	<u>379,758</u>	<u>379,758</u>	<u>379,758</u>			<u>-</u>
Cash balance, end of year	<u>\$ 779,758</u>	<u>\$ 779,758</u>	<u>\$ 1,321,822</u>			<u>\$ 542,064</u>
<b>Explanation of Differences:</b>						
Change in accounts payable				<u>\$ (25,840)</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, 2012**

<u>Financial Institution/Account Description</u>	<u>Type of Account</u>	<u>Financial Institution Balance</u>	<u>Reconciling Items</u>	<u>Reconciled Balance</u>
Carlsbad National Bank P.O. Box 1359 Carlsbad, New Mexico 88221-1359				
Health Insurance Fund	Checking	\$ 1,143,525	\$ 6,900	\$ 1,150,425
Payroll Fund	Checking	516,524	(502,853)	13,671
Debt Service Fund	Checking	1,288,771	-	1,288,771
Municipal Court	Checking	35,990	(35,990)	-
CDBG Account	Checking	16,687	57,348	74,035
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
Health Insurance	Certificate of Deposit	250,000	-	250,000
General Operating	Certificate of Deposit	250,000	-	250,000
		<u>\$ 5,331,497</u>	<u>\$ (474,595)</u>	<u>\$ 4,856,902</u>
Pioneer Savings Bank P.O. Box 130 Roswell, New Mexico 88202-0130				
General Operating	Certificate of Deposit	\$ 100,281	\$ -	\$ 100,281
Worker's Compensation	Certificate of Deposit	100,281	-	100,281
General Operating	Certificate of Deposit	200,561	-	200,561
General Operating	Certificate of Deposit	100,025	-	100,025
General Operating	Certificate of Deposit	100,025	-	100,025
Worker's Compensation	Certificate of Deposit	100,025	-	100,025
Sandpoint Closure Reserve	Certificate of Deposit	200,562	-	200,562
General Operating	Certificate of Deposit	335,772	-	335,772
Water & Sewer	Certificate of Deposit	200,562	-	200,562
General Operating	Certificate of Deposit	401,124	-	401,124
		<u>\$ 1,839,218</u>	<u>\$ -</u>	<u>\$ 1,839,218</u>

**STATE OF NEW MEXICO  
CITY OF CARLSBAD  
SCHEDULE OF CASH ACCOUNTS  
JUNE 30, 2012**

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	\$ 32,488,958	\$ (1,124,726)	\$ 31,364,232
Investment Trust	Money Market	36,593	-	36,593
City Fund Investment	Money Market	666,950	-	666,950
Permanent Water & Sewer	Certificate of Deposit	157,734	-	157,734
Permanent Water & Sewer	Certificate of Deposit	200,000	-	200,000
Worker's Compensation	Certificate of Deposit	250,000	-	250,000
General Operating	Certificate of Deposit	300,000	-	300,000
Permanent Water & Sewer	Certificate of Deposit	100,000	-	100,000
Water & Sewer	Certificate of Deposit	100,000	-	100,000
		<u>\$ 34,300,235</u>	<u>\$ (1,124,726)</u>	<u>\$ 33,175,509</u>
Western Commerce Bank P.O. Drawer Carlsbad, New Mexico 88221-1358				
Construction Account	Checking	\$ 13,574,000	\$ (155,457)	\$ 13,418,543
Federal Projects	Checking	2,278,883	355,045	2,633,928
Sandpoint Closure Reserve	Certificate of Deposit	165,000	-	165,000
Sandpoint Closure Reserve	Certificate of Deposit	141,923	-	141,923
Water & Sewer	Certificate of Deposit	253,435	-	253,435
General Operating	Certificate of Deposit	321,800	-	321,800
General Operating	Certificate of Deposit	322,622	-	322,622
General Operating	Certificate of Deposit	273,108	-	273,108
Sandpoint Closure Reserve	Certificate of Deposit	109,265	-	109,265
98 Water & Sewer Bond	Certificate of Deposit	300,000	-	300,000
98 Water & Sewer Bond	Certificate of Deposit	500,000	-	500,000
		<u>\$ 18,240,036</u>	<u>\$ 199,588</u>	<u>\$ 18,439,624</u>

**STATE OF NEW MEXICO**  
**CITY OF CARLSBAD**  
**SCHEDULE OF PLEDGED COLLATERAL**  
**ALL FINANCIAL INSTITUTIONS**  
**JUNE 30, 2012**

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 REMIC	3137A8JS8	12/15/40	\$ 1,642,719
FNMA POOL	3128UG3Y1	07/01/41	1,284,375
GNMA CMO	38374TRB2	10/16/32	1,139,693
FNMA POOL	31417YFQ5	09/01/19	945,401
GNMA	38376EBS3	10/20/39	427,926
			<u>\$ 5,440,114</u>

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

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	\$ 200,451
FNMA 1 YR CMT 759453	31403VWN5	01/01/34	184,158
FNMA 1 YR TR 648558	31390KQK7	06/01/32	144,214
FNMA 1 YR CMT 781721	31349S4E0	07/01/34	122,027
GNMA II 080418	36225CPC4	06/20/30	116,275
GNMA II 080540	36225CS64	09/20/31	68,634
GNMA II 080562	36225CTU0	12/20/31	44,779
FNMA ARM 661745	31391BES2	09/01/32	33,645
GNMA 080477	36225CQ74	12/20/30	14,679
			<u>\$ 928,862</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, 2012**

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

Security Description	CUSIP Number	Maturity Date	Current Market Value
FNCL 889606	31410KKT0	12/01/35	\$ 5,652,122
FNCL 256308	31371MU96	07/01/36	3,208,658
FNCL 983362	31415LMK0	08/01/38	1,945,666
FNCL 833614	31407LDT1	01/01/36	1,785,992
FNCL 985157	31415PME5	09/01/38	1,547,303
FNCL AL0803	3138EG3M4	10/01/41	1,377,374
FNCL AE0113	31419ADT1	07/01/40	1,037,711
FNCL 896547	31410TBQ7	07/01/36	529,081
FNCL 942243	31413DHU4	08/01/37	376,386
FNCL 895631	31410SA80	05/01/36	244,572
GNSF 781121	36225BG69	12/15/29	63,669
FNCL 985122	31415PLB2	07/01/38	51,692
FNCL 257262	31371NWX9	07/01/38	29,497
FNCL 256800	31371NGH2	07/01/37	9,836
			<u>\$ 17,859,559</u>

The holder of the security pledged is Wells Fargo Bank, N.A. The address of the bank is, Public Funds Administration, 420 Montgomery St., 11<sup>th</sup> Floor, San Francisco, CA 94104.

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

Security Description	CUSIP Number	Maturity Date	Current Market Value
GNMA 004511	36202FALO	08/20/39	\$ 1,743,324
SBA SERIES 2008-20 A CLASS	83162CRY1	08/01/28	1,511,485
FNMA AA5840	31417QKE3	10/01/39	1,464,146
FNMA AC4792	31417QKE3	10/01/39	1,170,232
FNMA 745944	31403DWD7	12/01/33	868,160
SBA SERIES 2008-20 A CLASS	83162CRX3	07/01/28	819,530
SBA SERIES 2005-20 A CLASS	83162CPG2	01/01/25	553,270
GNMA 782156	36241KMD7	05/20/37	435,465
FNMA 807223	31406DYU4	01/01/35	239,626
GNMA 8608	36202KR56	03/20/25	144,344
FNMA 709279	31401H6Q0	06/01/33	108,418
FNMA 253823	31371J4G6	04/01/31	89,965
GNMA 8233	36202KEE1	06/20/17	53,943
GNMA 8595	36202KRQ0	02/20/25	48,865
GNMA 80299	36225CKM7	07/20/29	42,140
GNMA 412570	36206JJP0	03/15/26	41,174
GNMA 8228	36202KD93	07/20/23	35,301
GNMA 8280	36202KFV2	09/20/23	35,011
FNMA 195638	31368PHP3	04/01/22	31,818
GNMA 80200	36225CGJ9	05/20/28	28,706
FNMA 62689 "B"	31362JUN3	06/01/28	22,152
GNMA 80185 "B"	36225CF35	04/20/28	14,013
			<u>\$ 9,501,088</u>

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

**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, 2012**

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Program or Grant Number	Award Amount	Expenditures
U.S. Department of Justice				
Edward Byrne Memorial Justice Assistance Grant	16.738	2006-DJ-BX0848	11,335	\$ 11,335
U.S. Department of Transportation/ Federal Aviation Administration				
Airport Improvement Program	20.106	03-35-0007-021-2010	93,389	60,493
U.S. Department of Transportation/Passed Through NM Department of Transportation				
Highway Research and Development	20.200	STP-D13406	986,831	65,071
Safe Routes to School - ARRA	20.205	W200040	250,000	59,296
Safe Routes to School - ARRA	20.205	W200041	25,000	11,801
Federal Transit - Formula Grants	20.507	M01010	388,296	91,934
Federal Transit - Formula Grants	20.507	M001126/1	328,608	227,461
Job Access Reverse Commute	20.516	M00894	39,610	5,665
Job Access Reverse Commute	20.516	M01127	35,679	29,498
New Freedom Program	20.521	M01009	16,750	4,367
New Freedom Program	20.521	M00128	16,750	12,949
State of Good Repair Grants Program	20.525	M1001072/1	28,800	27,205
Minimum Penalties for Repeat Offenders DWI	20.608	11-AL-64-013	10,434	3,704
Minimum Penalties for Repeat Offenders DWI	20.608	11-63-DS-013	4,948	3,762
Minimum Penalties for Repeat Offenders DWI	20.608	12-AL-64-013	11,383	7,398
Total U.S. Department of Transportation/ Passed Through NM Department of Transportation				<u>550,111</u>
Total U.S. Department of Transportation				610,604
National Endowment for the Humanities/Passed Through New Mexico Humanities Council				
	45.xxx	2394-1403-43	2,000	2,000
U.S. Environmental Protection Agency				
Clean Drinking Water State Revolving Funds - ARRA	66.468	141-WTB	1,200,000	583,789
U.S. Environmental Protection Agency/Passed Through New Mexico Environment Department				
Clean Water State Revolving Funds	66.458	CWSRF010	18,000,000	<u>6,778,107</u>
Total U.S. Environmental Protection Agency				7,361,896
U.S. Department of Energy				
Water & Energy Appropriation Act	81.502	DE-FG29-03-AL68371	38,308,000	2,261,886
Corporation for National and Community Service				
Retired and Senior Volunteer Program	94.002	11SRWNM001	27,680	27,680
U.S. Department of Homeland Security/ Federal Emergency Management Agency				
Assistance to Firefighter's Grant	97.044	EMW-2011-FO-03370	48,870	<u>48,870</u>
Total Expenditures of Federal Awards				<u>\$ 10,324,271</u>

**STATE OF NEW MEXICO**  
**CITY OF CARLSBAD**  
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS  
FOR THE YEAR ENDED JUNE 30, 2012

**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 \$10,324,271. The amounts of expenditures within the funds are reflected within the financial statements as follows:

<b>General Fund</b>	
Public safety	\$ 63,734
Culture and recreation	2,000
<b>Special Revenue Funds</b>	
<u>Airport Fund</u>	
Capital outlay	60,493
<u>RSVP Fund</u>	
Health and welfare	27,680
<u>WIPP Acceleration Impact Fund</u>	
Economic development	142,488
Capital outlay	2,119,398
<b>Capital Project Funds</b>	
<u>CIEP Fund</u>	
Economic development	11,801
Capital outlay	59,296
<u>Federal Projects Fund</u>	
General government	11,335
Capital outlay	648,860
<b>Proprietary Funds</b>	
<u>Joint Water &amp; Sewer Fund</u>	
Capital outlay	6,778,107
<u>Municipal Transit Fund</u>	
Personnel services	252,874
General operating	146,205
	\$ 10,324,271

**ADDITIONAL INDEPENDENT AUDITORS' REPORTS**

**Ed Fierro, CPA • Rose Fierro, CPA**527 Brown Road • Las Cruces, NM 88005  
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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*

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

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, the budgetary comparison of the general fund, and the combining and individual funds and related budgetary comparisons presented as supplemental information of the city of Carlsbad, New Mexico as of and for the year ended June 30, 2012, and have issued our report thereon dated June 5, 2013. 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.

**Internal Control over Financial Reporting**

Management of the city of Carlsbad is responsible for establishing and maintaining effective internal control over financial reporting. In planning and performing our audit, we considered the city's internal control over financial reporting as a basis for designing our auditing procedures 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 over financial reporting. Accordingly, we do not express an opinion on the effectiveness of the city's internal control over financial reporting.

Our consideration of internal control over financial reporting was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over financial reporting that might be significant deficiencies or material weaknesses, and therefore, there can be no assurance that all deficiencies, significant deficiencies, or material weaknesses have been identified. However, as described in the accompanying schedule of findings and questioned costs, we identified a certain deficiencies in internal control over financial reporting that we consider to be material weaknesses.

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 misstatements on a timely basis. A *material weakness* is a deficiency, or combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiency described in the accompanying schedule of findings and questioned costs to be a material weakness in internal control over financial reporting as item 2008-06.

**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 their 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 is required to be reported under *Government Auditing Standards* and that is described in the accompanying schedule of findings and questioned costs as items 2012-01 and 2012-02.

We also noted certain other matters that are required to be reported pursuant to *Government Auditing Standards* paragraphs 5.14 and 5.16, and pursuant to Section 12-6-5, NMSA 1978, which are described in the accompanying schedule of findings and questioned costs as items 2012-03 and 2012-04.

The City's responses to the findings identified in our audit are described in the accompanying schedule of findings and questioned costs. We did not audit the city's response and, accordingly, we express no opinion on them.

This report is intended solely for the information and use of the city council, management, others within the city, the New Mexico State Auditor, the New Mexico State Legislature, New Mexico Department of Finance and Administration Local Government Division, and applicable federal grantors and is not intended to be and should not be used by anyone other than these specified parties.



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

June 5, 2013

**Ed Fierro, CPA • Rose Fierro, CPA**527 Brown Road • Las Cruces, NM 88005  
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Report on Compliance with Requirements  
Applicable to Each Major Program and Internal Control  
Over Compliance in Accordance With OMB Circular A-133

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

**Compliance**

We have audited the compliance of city of Carlsbad, New Mexico with the types of compliance requirements described in OMB *Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the city of Carlsbad's major federal programs for the year ended June 30, 2012. City of Carlsbad's major federal programs are identified in the summary of auditors' results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts, and grants applicable to each of its major federal programs is the responsibility of city of Carlsbad's management. Our responsibility is to express an opinion on city of Carlsbad's compliance based on our audit.

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 city of Carlsbad'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. Our audit does not provide a legal determination on city of Carlsbad's compliance with those requirements.

In our opinion, city of Carlsbad complied, in all material respects, with the requirements referred to above that are applicable each of its major federal programs for the year ended June 30, 2012. However, the results of our auditing procedures disclosed an instance of noncompliance with those requirements, which is required to be reported in accordance with OMB Circular A-133 and which is described in the accompanying schedule of findings and questioned costs as item 2012-05.

**Internal Control over Compliance**

Management of the city of Carlsbad is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts, and grants applicable to federal programs. In planning and performing our audit, we considered the city of Carlsbad's internal control over compliance with the requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance 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 of Carlsbad's internal control over compliance.

A *deficiency in internal control over compliance* 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, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is 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. We consider the deficiency in internal control over compliance described in the accompanying schedule of findings and questioned costs as item 2012-05 to be a material weakness.

Our consideration of internal control over compliance was for the limited purpose described in the preceding paragraph and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies or material weaknesses have been identified. However, as discussed below, we identified a certain deficiency in internal control over compliance that we consider to be a material weakness.

The city's response to the finding identified in our audit is described in the accompanying schedule of findings and questioned costs. We did not audit the city's response and, accordingly, we express no opinion on the response.

This report is intended solely for the information and use of the city council, management, others within the City, the New Mexico State Auditor, New Mexico State Legislature, New Mexico Department of Finance and Administration Local Government Division, and federal awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties.

*Fierro + Fierro, P.A.*

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

June 5, 2013

**STATE OF NEW MEXICO  
CITY OF CARLSBAD  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
JUNE 30, 2012**

**SECTION I – SUMMARY OF AUDIT RESULTS**

Financial Statements

Type of auditors' report issued: Unqualified

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: Unqualified

- 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:

<u>CFDA No.</u>	<u>Program</u>
66.458	Clean Water State Revolving Funds
66.468	Clean Drinking Water State Revolving Funds

- Dollar threshold for distinguishing Types A and B programs was \$309,728.
- 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, 2012

**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, 2012, was due to the New Mexico State Auditor’s office by December 1, 2012. The audit report was delivered on July 3, 2013 to the New Mexico 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 1<sup>st</sup> following the end of each fiscal year at June 30<sup>th</sup>.

**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. Untimely financial reporting could hinder the city's ability to receive funding for various projects.

**Cause** – Throughout the fiscal year, the city maintains its accounting records on the cash basis of accounting. After the close of the fiscal year, the cash basis records are converted to meet the requirements of generally accepted accounting principles. All such conversions and accounting calculations are performed by the city treasurer and the accounting department. Given their normal accounting duties, the current staffing of the accounting department the city has been unable to complete the conversions within ninety days which would provide sufficient time to allow the auditors to complete their testing and preparation of the audit report by December 1<sup>st</sup>. The city informed the auditors they could commence the audit in late February 2013. The city provided the auditor the final information needed to complete the audit in late May 2013.

**Recommendation** – We recommend the city explore avenues that would assist in completing the conversion and preparation of the financial statements within ninety days to ensure timely submission of the audit report to the State Auditor by December 1<sup>st</sup>.

**Views of Responsible Officials and Planned Corrective Actions** – The city staff continues to focus on preparing the financial statements internally to prevent the SAS 115 finding, Preparation of the Financial Statements and Disclosures. To reach this goal, the city hired an internal auditor to assist in making all adjustments necessary to convert budgetary basis financial statements to accrual basis financial statements. In addition, the Finance Department plans to reorganize certain administrative functions to allow more time for the city treasurer and Internal Auditor to complete the conversion within the ninety day period. The city treasurer and Internal Auditor will create an audit plan with specific milestones to complete the conversion within the ninety day period.

**STATE OF NEW MEXICO**  
**CITY OF CARLSBAD**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2012

**SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)**

*Item 2012-01 – Other – Battered Families Shelter – Building Repair Expenditures*

**Statement of Condition** – The city and the Battered Families Shelter (Shelter), a nonprofit organization, entered into a rental agreement where the Shelter rents property from the city and the shelter provides domestic violence services to city residents. In early 2011, the city experienced a freeze which damaged water pipes at the shelter. The total cost to repair the damaged water pipes was \$26,000. The city filed an insurance claim with the New Mexico Self Insurer's Fund. The New Mexico Self Insurer's Fund issued a check to the city for \$16,000. The city reimbursed the shelter the insurance proceeds of \$16,000 as required by the rental agreement, thus fulfilling its legal obligations.

During our review of the city's August 2011 board minutes, we discovered the city council approved the request from the shelter for the remaining portion of the repair costs totaling \$10,000. The city had no legal obligation to remit \$10,000 for the cost of repairs and the reimbursement is considered a violation of the New Mexico Constitution, Article IX, Section 14.

**Criteria** – Article IV, Section 10 of the agreement between the city and the shelter states, "*The shelter agrees that it shall keep, repair, maintain, improve and operate the Premises and all fixtures, appliances, improvements, installations on, and improvements to it at its own expense.*"

Article IV, Section 10 (xiii) of the agreement between the city and the shelter states, "*The Shelter's responsibilities shall include, but are not limited to the inspection, maintenance and repair of the plumbing system including but not limited to plumbing lines, fixtures and restroom accessories.*"

Article V, Section 3 of the agreement between the city and the shelter states, "*During the term of this Agreement, the City shall obtain and continuously maintain at its expense property loss insurance as required by law. To the extent the City receives insurance proceeds for any covered casualty loss; the City shall expend such received insurance proceeds solely for the repair or replacement of the items for which the insurance proceeds were paid. The City shall not be obligated to expend any funds except for such insurance proceeds.*"

New Mexico Constitution Article IX, Section 14 states, "*Neither the state, nor any county, school district, or municipality, except as otherwise provided in this constitution, shall directly or indirectly lend or pledge its credit, or make any donation to or in aid of any person, association or public or private corporation. A donation within the meaning of this provision is a "gift", an allocation or appropriation of something of value, without consideration.*"

**Effect** – Non-compliance with the agreement and the state constitution places the city council and staff in jeopardy of punishment defined by state statutes.

**Cause** – Even though the city council was advised by management during the June 14, 2011 meeting, they failed to take into consideration the limitation provided by Article IX, Section 14 of the State Constitution when they authorized the disbursement of \$10,000 for repairs during the August 15, 2011 meeting.

**STATE OF NEW MEXICO**  
**CITY OF CARLSBAD**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2012

**SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)**

*Item 2012-01 – Other – Battered Families Shelter – Building Repair Expenditures (continued)*

**Recommendation** – We recommend the city staff to create review procedures for signed agreements with such agencies prior to going to the city council. Also, there should be procedures established by city staff to alert the city council that approval of such requests do not comply with Article IX, Section 14 of the State Constitution.

**Views of Responsible Officials and Planned Corrective Actions** – Management has and will continue to alert the City Council of anti-donation violation issues.

*Item 2012-02 – Other – State Constitution and Attendance Bonus*

**Statement of Condition** – The city has entered into agreements with four employee unions. The unions are Carlsbad Police Officers' Association (CPOA), International Association of Fire Fighters (IAFF), International Brotherhood of Electrical Workers (IBEW) and United Steel Workers Association (USWA). In each of the agreements between the city and the unions, union employees are allowed to receive an attendance bonus in December of any given year. The attendance bonus is based on years of continuous employment of the city and work attendance from the previous year (December 1<sup>st</sup> through November 30<sup>th</sup>).

All non-union employees of the city also receive an attendance bonus. Section 1208 of the city's Personnel Policy Manual states, *"All full-time employees shall be eligible to receive a cash bonus which will be awarded prior to the Christmas holiday. The bonus will be based upon the number of years of continuous employment with the city of Carlsbad and work attendance during the prior 12-month period beginning December 1<sup>st</sup> and ending on November 30<sup>th</sup>."*

During the fiscal year ended June 30, 2012, CPOA employees received \$6,582 for their attendance bonus; IAFF employees received \$20,153 for their attendance bonus; IBEW employees received \$2,290 for their attendance bonus; USWA employees received \$22,281 for their attendance bonus and non-union employees received \$23,402 for their attendance bonus. These bonuses, totaling \$74,708, were paid to employees for services they have already been compensated for by the city and, as such, are considered violations of the New Mexico Constitution, Article IV, Section 27 and Article IX, Section 14.

**Criteria** – New Mexico Constitution Article IV, Section 27 states, *"No law shall be enacted giving any extra compensation to any public officer, servant, agent or contractor after services are rendered or contract made; nor shall the compensation of any officer be increased or diminished during his term of office, except as otherwise provided in this constitution."*

Further New Mexico Constitution Article IX, Section 14 states, *"Neither the state, nor any county, school district, or municipality, except as otherwise provided in this constitution, shall directly or indirectly lend or pledge its credit, or make any donation to or in aid of any person, association or public or private corporation. A donation within the meaning of this provision is a "gift", an allocation or appropriation of something of value, without consideration."*

**STATE OF NEW MEXICO**  
**CITY OF CARLSBAD**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2012

**SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)**

*Item 2012-02 – Other – State Constitution and Attendance Bonus (continued)*

**Effect** – Non-compliance with the state constitution places the city council and staff in jeopardy of punishment defined by state statutes.

**Cause** – When the previous city administrator negotiated the agreements with the unions, the attendance bonus remained in the agreements at the request of the unions. Furthermore, for all non-union employees, the city's Personnel Director originally did not believe the attendance bonus was in violation of the State Constitution.

**Recommendation** – We recommend the attendance bonus section in any and all future union agreements be removed and not subject to negotiation. Furthermore, we recommend the City Council remove Section 1208 from the city's Personnel Policy Manual concerning the attendance bonus.

**Views of Responsible Officials and Planned Corrective Actions** – Attendance bonus provisions were removed from the CPOA, IAFF, and IBEW union contracts negotiated in March 2012. Resolution 2012-37 was approved and adopted by the city council on July 24, 2012, which eliminated the attendance bonus for non-union personnel. Section 1208 of the Personnel Policy Manual was removed with the revision to the Personnel Policy Manual at the council meeting of February 26, 2013. A memorandum of understanding between the USWA and the city dated March 31, 2013, eliminated the attendance bonus from the collective bargaining agreement. No attendance bonuses have been paid since December 2011.

*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 forty-three transactions, which were selected throughout the fiscal year, and contained the following discrepancies:

- There were nine 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 \$160.00.
- There was one instance where an employee was underpaid for meals totaling \$8.11.
- There was one instance where a city councilor was reimbursed for internet access, without prior authorization, totaling \$13.86.
- There was one instance where the Mayor traveled to Washington, DC and was reimbursed for lodging greater than the amount allowed, totaling \$165.69. The travel forms completed for this trip failed to indicate that the nightly lodging cost was greater than \$215, thus the city administrator was unaware prior to signing the travel order and expense request form.

**STATE OF NEW MEXICO  
CITY OF CARLSBAD**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2012

**SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)**

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

**Statement of Condition (continued) –**

- There were three instances where the mayor was reimbursed for meals greater than the amount allowed, totaling \$627.04.
- There was an instance where two dispatch employees were advanced 80% of estimated per diem travel expenses in May 2011 for a two day training seminar. Upon arrival, the employees were informed they were not registered for the course. The police department's administrative staff failed to register the employees for the course. The employees returned within twenty-four hours of their departure. Upon return from the trip, the employees failed to submit their travel expense report within five days, as per city policy. On October 1, 2011, the police chief sent a memo to the finance director requesting the employees be reimbursed for actual expenses of the trip as the employees used an online travel site to book their hotel rooms and could not cancel the hotel rooms for the second night. The police chief completed and signed a new travel order and expense request form and the travel expense report on behalf of the two employees. The employees and the city administrator did not initially sign any of these new forms. The employees completed the city's *Affidavit for Lost Receipts* as they didn't have the meal receipts for the trip. The affidavit was signed, by the employees, on September 30, 2011.
- On December 13, 2011, the employees signed their travel expense reports for the trip. Contrary to the initial travel order and expense request form completed and signed by the department head or the supervisor requesting the travel, finance director and the city administrator, the employees were paid a total of \$163.02 based on lodging for two nights and one day of per diem meals. Per diem, as originally requested, for such travel would have been \$85.

**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 regulations 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.*”

Section 2.42.2.9 B (1) of the Travel and Per Diem regulations states, “*A public officer or an employee may elect to be reimbursed actual expenses for lodging not exceeding the single occupancy room charge (including tax) in lieu of the per diem rate set forth in this Section.*”

**STATE OF NEW MEXICO  
CITY OF CARLSBAD**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2012

**SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)**

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

**Criteria (continued)** – *Whenever possible, public officers and employees should stay in hotels which offer government rates. Agencies, public officers or employees who incur lodging expenses in excess of \$215.00 per night must obtain the signature of the agency head or chairperson of the governing board on the travel voucher prior to requesting reimbursement and on the encumbering document at the time of encumbering the expenditure.*

Section 2.42.2.9 B (2) of the Travel and Per Diem regulations states, “Actual expenses for meals are limited by Section 10-8-4(K)(2) NMSA 1978 to a maximum of \$30.00 for in-state travel and \$45.00 for out-of-state travel for a 24-hour period.”

Section 2.42.2.8 A states, “Per diem rates shall be paid to public officers and employees only in accordance with the provisions of this section. Per diem rates shall be paid without regard to whether expenses are actually incurred.” Furthermore, Section 2.42.2.9 A states, “Upon written request of a public officer or an employee, agency head may grant written approved for a public officer or employees of that agency or local public body to be reimbursed actual expense in lieu of the per diem rate where overnight travel is required.” There is nothing in the Act that states an employee is allowed to change from per diem rates to actual expenses during or upon completion of the travel.

The city requires all employees to complete their travel expense report within five working days after completion of travel. All employees are aware of this requirement as it is stated at the top of the expense report.

**Effect** – Improper payments made by the city are waste and abuse of public money. Non-compliance with the state of New Mexico Travel and Per Diem Act places the city council and staff in jeopardy of punishment defined by state statutes.

**Cause** – City staff didn’t fully understand the partial per diem rates in respect to when actual expenses were being occurred. Further, there is a lack of understanding limits for actual expenses in respect to meals and lodging.

**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. In addition, city management should review its procedures to ensure a thorough review of all travel expense reports prior to final payment. We recommend the city consult with the appropriate state agencies concerning reimbursement of unallowable travel and per diem expenses.

Furthermore, we recommend the finance director meet with the mayor and city council to review all aspects of the Act. Finally, after city elections, the finance director shall meet with any newly elected officials to discuss travel and per diem expenses, in particular compliance with all aspects of the Per Diem and Mileage Act.

**Views of Responsible Officials and Planned Corrective Actions** – City staff has reviewed the Travel and Per Diem Act.

**STATE OF NEW MEXICO**  
**CITY OF CARLSBAD**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2012

**SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)**

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

**Views of Responsible Officials and Planned Corrective Actions (continued)** – The city will update its Mileage and Per Diem Resolution and its travel voucher to help resolve the above issues. Finance department staff will offer travel and per diem training to employees and elected officials.

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

**Statement of Condition** – The city budgeted a deficit ending cash balance of \$135 in the Fire Protection Special Revenue Fund and \$31,607 in the CIEP Capital Projects 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 monitor the budgeted ending cash balances within these funds throughout the fiscal year.

**Recommendation** – We recommend the city finance department officials review the ending cash balances within the funds 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 included \$135 of restricted investments in the beginning cash balance when preparing the cash basis budget for the Department of Finance and Administration. When the fund was budgeted to a zero cash balance, the \$135 held in a cash account by the New Mexico Finance Authority was included due to the knowledge that NMFA would apply that amount to the next debt service payment due. In the future, city staff will not include any restricted investments in the cash basis budget submitted to the Department of Finance and Administration to avoid this situation. In addition, the city has legislative funds that contain reimbursable grants. The expenditures must be spent, and then a reimbursement must be requested. Each year, a few grants are not reimbursed prior to the end of the fiscal year, causing a deficit cash balance in the Legislative Fund. This is not permitted by Governmental Accounting Standards, so the legislative funds in effect borrow money from another fund; the CIEP fund, in this instance. The city failed to budget the transfer in to the CIEP fund to show the repayment of the borrowed cash. In the future, the city will budget Legislative grants related to enterprise funds in the Enterprise Funds themselves instead of separately. The city will also budget the transfers out to clear the cash deficit as well as the transfers in the next year for the repayment of the cash borrowed.

**STATE OF NEW MEXICO  
CITY OF CARLSBAD**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2012

**SECTION III – FEDERAL AWARDS AND QUESTIONED COSTS**

*Item 2012-05 – Material Weakness – Submission of the Reporting Package to the Federal Government*

**Federal Program Information –**

Funding agency:	Environmental Protection Agency
Pass through agency:	New Mexico Environment Department
Title:	Clean Water State Revolving Funds Clean Drinking Water State Revolving Funds
CFDA number:	66.458 and 66.468
Award year and number:	2012, CWSRF010, 141-WTB

**Statement of Condition** – The audit report along with the data collection form is due to the federal government within nine months after the end of the fiscal year. The audit report was not completed until June 2013 and as such was not submitted to the federal government on a timely basis.

**Criteria** – Circular A-133, *Audits of States, Local Governments and Non-profit Organizations* issued by the U.S. Office of Management and Budget requires that the audit report along with the data collection form be submitted by nine months after the fiscal year end. In the case of the city audit for the fiscal year ended June 30, 2012 that due date was March 31, 2013.

**Questioned Costs** – Unknown.

**Effect** – Non-compliance with federal requirements such as the submission of the single audit report and the data collection form could jeopardize future city funding from the federal government.

**Cause** – The city failed to prepare the necessary financial information to submit the reporting package to the federal government in a timely manner.

**Recommendation** – We recommend the city explore avenues that would assist in completing the preparation of the financial statements within ninety days after the close of the fiscal year. This should enable the city to ensure timely submission of the data collection form to the federal government by March 31<sup>st</sup>.

**Views of Responsible Officials and Planned Corrective Actions** – City staff continues to focus on preparing the financial statements internally to prevent the SAS 115 finding, Preparation of the Financial Statements and Disclosures. To reach this goal, the city hired an internal auditor to assist in making all adjustments necessary to convert budgetary basis financial statements to accrual basis financial statements. In addition, the finance department plans to reorganize certain administrative functions to allow more time for the city treasurer and internal auditor to complete the conversion within the ninety day period. The city treasurer and internal auditor will create an audit plan with specific milestones to complete the conversion within the ninety day period. This will allow for the timely submission of the data collection form to the federal government.

**STATE OF NEW MEXICO**  
**CITY OF CARLSBAD**  
SCHEDULE OF FINDINGS AND QUESTIONED COSTS  
FOR THE YEAR ENDED JUNE 30, 2012

**SECTION IV – PRIOR YEARS’ AUDIT FINDINGS (continued)**

*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 2011-01 – State Constitution and Lodgers’ Tax Expenditures* – In the previous year’s audit report, it was noted the city council waived rental fees and approved reimbursement of expenditures in violation of the Anti-Donation Clause and the state statutes concerning the Lodgers’ Tax. During the fiscal year, the city did not waive any rental fees and any lodgers’ tax reimbursements were made in compliance with state statutes. The finding has been resolved.

*Item 2011-02 – Agency Credit Cards* – In the previous year’s audit report, it was noted several instances where the credit card receipt was not submitted the finance department. During the fiscal year, the city modified their reconciliation process of the credit card statements to ensure all receipts were submitted. The finding has been resolved.

**STATE OF NEW MEXICO  
CITY OF CARLSBAD  
EXIT CONFERENCE AND  
PREPARATION OF FINANCIAL STATEMENTS  
JUNE 30, 2012**

**CITY OF CARLSBAD  
EXIT CONFERENCE**

The audit report for the fiscal year ended June 30, 2012, was discussed during the exit conference held on June 18, 2013. Present for the city were Richard "Dick" W. Doss, mayor pro-tem; Janell E. Whitlock, councilor; Jon R. Tully, city administrator; Steve McCutcheon, deputy 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 Ed Fierro, CPA and 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, 2012. 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.