

**STATE OF NEW MEXICO
CITY OF CARLSBAD**

**FINANCIAL STATEMENTS WITH
INDEPENDENT AUDITORS' REPORTS**

JUNE 30, 2010

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CITY OF CARLSBAD
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**STATE OF NEW MEXICO
CITY OF CARLSBAD
DIRECTORY OF OFFICIALS
JUNE 30, 2010**

ELECTED OFFICIALS

Dale Janway.....	Mayor
Wesley A. Carter	Mayor Pro-Tem
Paul C. Aguilar	City Councilor
Richard "Dick" Doss	City Councilor
Richard L. Graves	City Councilor
Sandra K. Nunley	City Councilor
Nick G. Salcido.....	City Councilor
Judith Waters	City Councilor
Fred Woody	City Councilor

DEPARTMENT HEADS

Harry Burgess	City Administrator
Monica D. Harris	Director of Finance/City Treasurer
Amanda Asbury.....	City Clerk
Thomas Whitten	Chief of Police
Michael H. Reynolds	Fire Chief
John 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 Auditor's 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 and major special revenue fund of the City of Carlsbad, New Mexico (City) as of and for the year ended June 30, 2010, 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, and all nonmajor funds presented as supplementary information in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2010, 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 State 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 the 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 as of June 30, 2010, and the respective changes in financial position and, where applicable, cash flows 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, as of June 30, 2010, 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. Additionally, in our opinion, the general fund, WIPP acceleration impact fund, State legislative fund, major enterprise funds and all nonmajor 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, 2010, 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 March 4, 2011, 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 not presented management's discussion and analysis that accounting principles generally accepted in the United States of America have determined is necessary to supplement, although not required to be part of, the basic financial statements.

Our audit was performed for the purpose of forming opinions on the basic financial statements, the combining and individual fund financial statements and the funds budgetary comparison statements. 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 basic financial statements and other opinion units listed above. The additional schedules listed as supplemental financial information and supplemental federal financial information in the table of contents are presented for purposes of additional analysis and are not a required part of the basic financial statements and other opinion units listed above. Such information have been subjected to the auditing procedures applied in the audit of the opinion basic financial statements and other units listed above and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements, and other opinion united listed above taken as a whole.



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

March 4, 2011

GOVERNMENT-WIDE FINANCIAL STATEMENTS

STATE OF NEW MEXICO
CITY OF CARLSBAD
STATEMENT OF NET ASSETS
JUNE 30, 2010

	Primary Government		
	Governmental Activities	Business-Type Activities	Total
ASSETS			
Cash	\$ 25,225,093	\$ 13,523,131	\$ 38,748,224
Receivables, net of allowance for doubtful accounts:			
Accounts	625,430	1,783,035	2,408,465
Taxes	4,723,959	86,534	4,810,493
Intergovernmental	1,753,012	16,694	1,769,706
Interest	3,269	1,294	4,563
Note	900,000	-	900,000
Inventory	-	309,611	309,611
Internal balances	(508,004)	508,004	-
Restricted cash	1,200,000	3,582,997	4,782,997
Restricted investments	310,513	6,646,057	6,956,570
Capital assets:			
Land and construction in progress	2,165,881	1,365,502	3,531,383
Other capital assets, net of depreciation	68,835,459	34,553,726	103,389,185
Unamortized bond issuance costs including original issue discount	192,842	882,352	1,075,194
Total assets	<u>105,427,454</u>	<u>63,258,937</u>	<u>168,686,391</u>
LIABILITIES			
Accounts payable	1,156,411	661,791	1,818,202
Accrued salaries	1,006,532	225,252	1,231,784
Accrued liabilities	843	52,747	53,590
Accrued interest payable	76,253	72,029	148,282
Deferred revenues	875,998	-	875,998
Deposits payable	-	654,639	654,639
Long-term liabilities:			
Due within one year	2,345,362	900,051	3,245,413
Due in more than one year	10,736,833	20,579,952	31,316,785
Total liabilities	<u>16,198,232</u>	<u>23,146,461</u>	<u>39,344,693</u>
NET ASSETS			
Invested in capital assets, net of related debt	59,002,787	21,974,334	80,977,121
Restricted:			
Debt service	2,483,912	1,688,703	4,172,615
Endowment:			
Expendable	-	6,591,005	6,591,005
Unrestricted	27,742,523	9,858,434	37,600,957
Total net assets	<u>\$ 89,229,222</u>	<u>\$ 40,112,476</u>	<u>\$ 129,341,698</u>

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

**STATE OF NEW MEXICO
CITY OF CARLSBAD
STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010**

Functions/Programs	Expenses	Program Revenues			Primary Government 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
Primary Government:							
Governmental activities:							
General government	\$ 5,046,490	\$ 443,911	\$ 15,680	\$ -	\$ (4,586,899)		\$ (4,586,899)
Public safety	14,621,377	1,108,271	1,216,997	148,260	(12,147,849)		(12,147,849)
Public works	6,150,098	175	47,882	9,366,864	3,264,823		3,264,823
Culture and recreation	5,068,591	282,249	709,154	4,243,038	165,850		165,850
Health and welfare	261,690	-	-	614,464	352,774		352,774
Economic development	725,548	-	-	917,880	192,332		192,332
Interest on long-term debt	483,636	-	-	-	(483,636)		(483,636)
Total governmental activities	32,357,430	1,834,606	1,989,713	15,290,506	(13,242,605)		(13,242,605)
Business-type activities:							
Water	4,240,993	6,644,013	12,203	-	\$ 2,415,223		2,415,223
Solid waste	3,048,336	3,601,539	222,000	-	775,203		775,203
Wastewater	2,458,325	2,648,275	-	-	189,950		189,950
Museum	18,334	8,728	4,491	-	(5,115)		(5,115)
Municipal transit	736,886	72,789	129,911	209,777	(324,409)		(324,409)
Performing arts center	200,364	6,238	-	-	(194,126)		(194,126)
Cemetery	314,766	148,229	-	-	(166,537)		(166,537)
Interest on long-term debt	955,456	-	-	-	(955,456)		(955,456)
Total business-type activities	11,973,460	13,129,811	368,605	209,777	-	1,734,733	1,734,733
Total primary government	\$ 44,330,890	\$ 14,964,417	\$ 2,358,318	\$ 15,500,283	(13,242,605)	1,734,733	(11,507,872)
General Revenues:							
Taxes:							
Gross receipts taxes					23,808,377	460,741	24,269,118
Property taxes, levied for general purposes					1,997,913	-	1,997,913
Lodgers' taxes					701,644	-	701,644
Franchise taxes					735,482	-	735,482
Gasoline and motor vehicle taxes					426,181	-	426,181
Cigarette taxes					83,082	-	83,082
Interest income					18,365	230,249	248,614
Donations					1,341	30,051	31,392
Insurance recoveries					-	10,509	10,509
Special Item - gain on disposal of assets					17,162	35,730	52,892
Transfers					(94,021)	94,021	-
Total general revenues, special items, and transfers					27,695,526	861,301	28,556,827
Changes in net assets					14,452,921	2,596,034	17,048,955
Net assets, beginning of year					75,966,639	33,227,331	109,193,970
Restatements					(1,190,338)	4,289,111	3,098,773
Net assets, beginning of year restated					74,776,301	37,516,442	112,292,743
Net assets, end of year					\$ 89,229,222	\$ 40,112,476	\$ 129,341,698

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, 2010**

	General Fund	WIPP Acceleration Impact Fund	State Legislative Fund	Non-Major Funds	Total Governmental Funds
ASSETS					
Cash	\$ 8,259,827	\$ 353,348	\$ 13,843	\$ 13,433,295	\$ 22,060,313
Receivables, net of allowance for doubtful accounts:					
Accounts	467,509	-	202	101,091	568,802
Taxes	4,186,586	-	-	537,373	4,723,959
Intergovernmental	68,441	161,979	839,144	683,448	1,753,012
Interest	2,530	-	-	6	2,536
Note	-	900,000	-	-	900,000
Restricted:					
Investments	-	-	-	310,513	310,513
Total assets	<u>\$ 12,984,893</u>	<u>\$ 1,415,327</u>	<u>\$ 853,189</u>	<u>\$ 15,065,726</u>	<u>\$ 30,319,135</u>
LIABILITIES AND FUND BALANCES					
Liabilities:					
Accounts payable	\$ 189,055	\$ 169,265	\$ 232,520	\$ 452,531	\$ 1,043,371
Accrued salaries	983,575	-	-	22,957	1,006,532
Accrued liabilities	843	-	-	-	843
Accrued interest payable	-	-	-	23,872	23,872
Deferred revenues	138,975	691,005	13,697	171,296	1,014,973
Due to other funds	-	-	508,004	-	508,004
Total liabilities	1,312,448	860,270	754,221	670,656	3,597,595
Fund Balances:					
Reserved:					
State mandated reserve	2,267,352	-	-		2,267,352
Debt service reported in nonmajor:					
Special revenue funds				86,485	86,485
Debt service funds				447,043	447,043
Subsequent year's expenditures	1,894,630	-	-		1,894,630
Subsequent year's expenditures reported in nonmajor:					
Special revenue funds				302,408	302,408
Capital project funds				998,608	998,608
Unreserved	7,510,463	555,057	98,968		8,164,488
Unreserved, reported in nonmajor:					
Special revenue funds				1,265,510	1,265,510
Capital project funds				9,709,581	9,709,581
Debt service funds				1,585,435	1,585,435
Total fund balances	<u>11,672,445</u>	<u>555,057</u>	<u>98,968</u>	<u>14,395,070</u>	<u>26,721,540</u>
Total liabilities and fund balances	<u>\$ 12,984,893</u>	<u>\$ 1,415,327</u>	<u>\$ 853,189</u>	<u>\$ 15,065,726</u>	<u>\$ 30,319,135</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, 2010

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

Total fund balance governmental funds (page six)	\$	26,721,540
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.		71,001,340
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.		138,975
Certain accrued interest expenses are not due and payable in the current period and, therefore, are not reported in the governmental funds.		(52,381)
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.		(13,082,195)
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.		192,842
Residual balances of the internal service funds are included within the governmental activities and are not reported in the governmental funds.		<u>4,309,101</u>
Net assets of governmental activities (page four)	\$	<u><u>89,229,222</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, 2010

	General Fund	WIPP Acceleration Impact Fund	State Legislative Fund	Non-Major Funds	Total Governmental Funds
Revenues:					
Local effort taxes	\$ 2,695,140	\$ -	\$ -	\$ 701,644	\$ 3,396,784
State shared taxes	21,325,197	-	-	2,992,443	24,317,640
Intergovernmental	830,674	-	6,287,131	7,044,434	14,162,239
Charges for services	949,310	3,091,672	-	109,411	4,150,393
Licenses and permits	227,320	-	-	96,191	323,511
Fines and forfeitures	233,559	-	-	-	233,559
Interest	7,978	-	-	4,038	12,016
Miscellaneous	280,557	-	203	3,678	284,438
Total revenues	26,549,735	3,091,672	6,287,334	10,951,839	46,880,580
Expenditures:					
Current:					
General government	3,903,155	-	-	228,354	4,131,509
Public safety	12,762,145	-	-	537,304	13,299,449
Public works	3,921,432	-	93,225	576,502	4,591,159
Culture and recreation	3,261,094	-	10,871	1,049,538	4,321,503
Health and welfare	196,229	-	-	55,216	251,445
Economic development	135,653	442,507	-	35,896	614,056
Capital outlay	1,117,339	2,381,248	3,347,296	9,054,705	15,900,588
Debt service:					
Principal	-	-	-	1,947,213	1,947,213
Interest	-	-	-	455,916	455,916
Bond issuance costs	-	-	-	202,187	202,187
Total expenditures	25,297,047	2,823,755	3,451,392	14,142,831	45,715,025
Excess (deficiency) of revenues over expenditures	1,252,688	267,917	2,835,942	(3,190,992)	1,165,555
Other Financing Sources (Uses):					
Transfers in	2,524,658	-	10,026	4,059,315	6,593,999
Transfers (out)	(3,435,815)	(440,000)	(1,308,811)	(2,241,939)	(7,426,565)
Bond proceeds	-	-	-	8,550,000	8,550,000
Total other financing sources (uses)	(911,157)	(440,000)	(1,298,785)	10,367,376	7,717,434
Net change in fund balances	341,531	(172,083)	1,537,157	7,176,384	8,882,989
Fund balance, beginning of year	11,330,914	(272,860)	(1,438,189)	8,709,378	18,329,243
Restatements	-	1,000,000	-	(1,490,692)	(490,692)
Fund balance, beginning of year restated	11,330,914	727,140	(1,438,189)	7,218,686	17,838,551
Fund balance, end of year	\$ 11,672,445	\$ 555,057	\$ 98,968	\$ 14,395,070	\$ 26,721,540

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
RECONCILIATION OF THE STATEMENT OF REVENUES, EXPENDITURES
AND CHANGES IN FUND BALANCES OF GOVERNMENTAL FUNDS
TO THE STATEMENT OF ACTIVITIES
FOR THE YEAR ENDED JUNE 30, 2010

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

Net change in fund balances total governmental funds (page eight)	\$ 8,882,989
Net change in net assets of internal service funds (page thirteen)	(366,272)
Governmental funds report capital outlay as expenditures in the amount of \$15,900,588; however, in the statement of activities, the costs of those assets is allocated over their estimated useful lives and reported as depreciation expense in the amount of \$3,491,227. The net adjustment is \$12,409,361.	12,409,361
In the prior year, various capital assets were recorded in the business-type activities in the amount of \$31,840. During the current year, the City reclassified and transferred those assets from the business-type activities to the governmental funds. The net adjustment is \$31,840.	31,840
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.	(20,448)
The bond issuance costs associated with the issuance of gross receipts tax revenue bonds is recorded as an expense within the governmental funds; however, is recorded as an other asset within the statement of net assets.	202,187
Some of the City's property taxes 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. At June 30, 2009, deferred property taxes amounted to \$100,720. The deferred property taxes for the current fiscal year amounted to \$138,975; therefore, the net adjustment is \$38,255.	38,255
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 increase of the accrued interest liability from the previous year increases the interest expense within the statement of activities.	(27,720)
The issuance of gross receipts tax revenue bonds is recorded as other financing sources within the governmental funds; however, is recorded as a long-term liability within the statement of activities.	(8,550,000)
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.	1,947,213
Increase in the compensated absences liability is reflected as an expense within the statement of activities and the expense does not use a current financial resources and is not recorded within the governmental funds.	(94,484)
Net change in net assets - government-wide financial statements (page five)	<u>\$ 14,452,921</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, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
Local effort taxes	\$ 2,664,207	\$ 2,664,207	\$ 2,720,294	\$ 56,087
State shared taxes	22,130,600	22,130,600	20,610,036	(1,520,564)
Intergovernmental	747,241	819,994	786,036	(33,958)
Charges for services	709,250	709,250	895,797	186,547
Licenses and permits	173,600	59,600	226,048	166,448
Fines and forfeitures	281,000	281,000	233,559	(47,441)
Interest	84,000	84,000	22,839	(61,161)
Miscellaneous	294,600	298,361	268,104	(30,257)
Total revenues	27,084,498	27,047,012	25,762,713	(1,284,299)
Expenditures:				
Current:				
General government	4,238,525	4,343,991	3,863,538	480,453
Public safety	12,873,625	12,946,352	12,596,418	349,934
Public works	4,084,962	4,202,118	3,904,979	297,139
Culture and recreation	3,303,709	3,402,749	3,205,828	196,921
Health and welfare	192,563	207,031	195,372	11,659
Economic development	185,983	169,011	131,165	37,846
Capital outlay	2,155,073	1,719,974	1,355,146	364,828
Total expenditures	27,034,440	26,991,226	25,252,446	1,738,780
Excess of revenues over expenditures	50,058	55,786	510,267	454,481
Other Financing Sources (Uses):				
Transfers in	2,712,595	3,512,362	2,512,248	(1,000,114)
Transfers (out)	(5,253,429)	(5,298,905)	(3,430,405)	1,868,500
Total other financing sources (uses)	(2,540,834)	(1,786,543)	(918,157)	868,386
Net change in fund balance	(2,490,776)	(1,730,757)	(407,890)	1,322,867
Cash balance, beginning of year	8,667,717	8,667,717	8,667,717	-
Cash balance, end of year	\$ 6,176,941	\$ 6,936,960	\$ 8,259,827	\$ 1,322,867

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
WIPP ACCELERATION IMPACT SPECIAL REVENUE 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, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
Intergovernmental	\$ 4,672,127	\$ 4,672,127	\$ 3,620,698	\$ (1,051,429)
Expenditures:				
Current:				
Economic development	553,867	553,867	342,507	211,360
Capital outlay	3,730,818	3,730,818	2,537,401	1,193,417
Total expenditures	4,284,685	4,284,685	2,879,908	1,404,777
Excess of revenues over expenditures	387,442	387,442	740,790	353,348
Other Financing Sources (Uses):				
Transfers (out)	(440,000)	(440,000)	(440,000)	-
Net change in cash balance	(52,558)	(52,558)	300,790	353,348
Cash balance, beginning of year	52,558	52,558	52,558	-
Cash balance, end of year	\$ -	\$ -	\$ 353,348	\$ 353,348

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, 2010

	Business-Type Activities - Enterprise Funds				Governmental
	Solid Waste Fund	Joint Water and Sewer Fund	Non-Major Funds	Total	Activities Internal Service Funds
Assets:					
Current assets:					
Cash	\$ 3,509,858	\$ 9,658,545	\$ 354,728	\$ 13,523,131	\$ 3,164,780
Receivables (net of allowance):					
Accounts	349,428	1,398,295	35,312	1,783,035	56,628
Taxes	86,534	-	-	86,534	-
Intergovernmental	-	12,203	4,491	16,694	-
Interest	242	1,052	-	1,294	733
Due from other funds	-	508,004	-	508,004	-
Inventory	-	309,611	-	309,611	-
Non-Current assets:					
Restricted assets:					
Cash	-	3,582,997	-	3,582,997	1,200,000
Investments	55,052	6,591,005	-	6,646,057	-
Capital assets:					
Land	10,000	932,953	201,477	1,144,430	-
Construction in progress	-	89,360	131,712	221,072	-
Buildings	-	-	3,013,746	3,013,746	-
Improvements	-	18,028,108	304,068	18,332,176	-
Utility system and facilities	3,319,339	32,384,920	-	35,704,259	-
Equipment	2,811,796	4,979,760	888,988	8,680,544	-
Less accumulated depreciation	(5,032,591)	(24,609,083)	(1,535,325)	(31,176,999)	-
Total capital assets, net	<u>1,108,544</u>	<u>31,806,018</u>	<u>3,004,666</u>	<u>35,919,228</u>	<u>-</u>
Unamortized bond issuance costs including original issue discount	-	882,352	-	882,352	-
Total assets	<u>5,109,658</u>	<u>54,750,082</u>	<u>3,399,197</u>	<u>63,258,937</u>	<u>4,422,141</u>
Liabilities:					
Current liabilities:					
Accounts payable	339,139	298,597	24,055	661,791	113,040
Accrued salaries	60,185	139,773	25,294	225,252	-
Accrued liabilities	-	52,726	21	52,747	-
Accrued interest payable	1,353	70,676	-	72,029	-
Deferred revenues	-	654,639	-	654,639	-
Customer deposits	-	-	-	-	-
Current maturities of:					
Bonds payable	-	775,000	-	775,000	-
Notes payable	56,885	-	-	56,885	-
Compensated absences	24,132	32,533	11,501	68,166	-
Total current liabilities	<u>481,694</u>	<u>2,023,944</u>	<u>60,871</u>	<u>2,566,509</u>	<u>113,040</u>
Non-Current liabilities:					
Bonds payable	-	19,765,000	-	19,765,000	-
Notes payable	183,008	-	-	183,008	-
Compensated absences	17,048	42,955	-	60,003	-
Landfill closure and post-closure	571,941	-	-	571,941	-
Total non-current liabilities	<u>771,997</u>	<u>19,807,955</u>	<u>-</u>	<u>20,579,952</u>	<u>-</u>
Total liabilities	<u>1,253,691</u>	<u>21,831,899</u>	<u>60,871</u>	<u>23,146,461</u>	<u>113,040</u>
Net assets:					
Invested in capital assets, net of related debt	868,651	18,101,018	3,004,665	21,974,334	-
Restricted:					
Debt service	65,597	1,623,106	-	1,688,703	-
Endowment:					
Expendable	-	6,591,005	-	6,591,005	-
Unrestricted	2,921,719	6,603,054	333,661	9,858,434	4,309,101
Total net assets	<u>\$ 3,855,967</u>	<u>\$ 32,918,183</u>	<u>\$ 3,338,326</u>	<u>\$ 40,112,476</u>	<u>\$ 4,309,101</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, 2010

	Business-Type Activities - Enterprise Funds				Governmental Activities Internal Service Funds
	Solid Waste Fund	Joint Water and Sewer Fund	Non-Major Funds	Total	
Operating Revenues:					
Charges for services	\$ 3,601,539	\$ 9,292,288	\$ 235,984	\$ 13,129,811	\$ 3,411,033
Operating Expenses:					
Personnel services	1,280,037	3,031,441	561,079	4,872,557	-
General operating	1,560,179	2,259,299	531,867	4,351,345	4,521,835
Depreciation	208,120	1,408,578	177,404	1,794,102	-
Total operating expenses	3,048,336	6,699,318	1,270,350	11,018,004	4,521,835
Operating income (loss)	553,203	2,592,970	(1,034,366)	2,111,807	(1,110,802)
Non-Operating Revenues (Expenses):					
State shared taxes	460,741	-	-	460,741	-
Intergovernmental	222,000	12,203	134,402	368,605	-
Interest income	1,382	228,867	-	230,249	5,985
Miscellaneous	85	9,695	30,780	40,560	-
Interest expense	(10,236)	(945,220)	-	(955,456)	-
Disposal of assets	5,291	30,439	-	35,730	-
Total non-operating revenues (expenses)	679,263	(664,016)	165,182	180,429	5,985
Income (loss) before capital contributions and transfers	1,232,466	1,928,954	(869,184)	2,292,236	(1,104,817)
Capital Contributions and Transfers:					
Capital contributions	-	-	209,777	209,777	-
Transfers in	88,901	1,398,362	868,631	2,355,894	1,771,820
Transfers (out)	(748,916)	(1,484,502)	(28,455)	(2,261,873)	(1,033,275)
Total capital contributions and transfers	(660,015)	(86,140)	1,049,953	303,798	738,545
Change in net assets	572,451	1,842,814	180,769	2,596,034	(366,272)
Net assets, beginning of year	437,998	29,631,776	3,157,557	33,227,331	4,675,373
Restatements	2,845,518	1,443,593	-	4,289,111	-
Net assets, beginning of year restated	3,283,516	31,075,369	3,157,557	37,516,442	4,675,373
Net assets, end of year	\$ 3,855,967	\$ 32,918,183	\$ 3,338,326	\$ 40,112,476	\$ 4,309,101

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, 2010

	Business-Type Activities - Enterprise Funds				Governmental Activities Internal Service Funds
	Solid Waste Fund	Joint Water and Sewer Fund	Non-Major Funds	Total	
Cash Flows From Operating Activities:					
Cash received from customers	\$ 3,576,714	\$ 8,753,434	\$ 233,295	\$ 12,563,443	\$ -
Internal activity - receipts from other funds	-	-	-	-	3,355,485
Cash payments to suppliers for goods and services	(1,155,647)	(2,316,902)	(457,349)	(3,929,898)	(4,439,729)
Cash payments to employees for services	(1,271,208)	(2,995,804)	(627,774)	(4,894,786)	-
Net cash provided (used) by operating activities	1,149,859	3,440,728	(851,828)	3,738,759	(1,084,244)
Cash Flows from Non-Capital and Related Financing Activities:					
Cash received from state shared taxes	444,896	-	-	444,896	-
Cash received from intergovernmental sources	222,000	-	180,291	402,291	-
Cash received from capital contributions	-	-	130,495	130,495	-
Cash received from miscellaneous sources	85	9,695	1,698	11,478	-
Net change in customer deposits	-	151,771	-	151,771	-
Net transfers in (out)	(660,015)	(1,196,201)	525,252	(1,330,964)	738,545
Net cash provided (used) by non-capital and related financing activities	6,966	(1,034,735)	837,736	(190,033)	738,545
Cash Flows from Capital and Related Financing Activities:					
Acquisition of capital assets	(63,112)	(1,519,453)	(20,871)	(1,603,436)	-
Proceeds from the sale of assets	5,291	30,439	-	35,730	-
Principal payments on capital debt	(55,085)	(755,159)	-	(810,244)	-
Interest on capital debt	(10,512)	(870,857)	-	(881,369)	-
Net cash provided (used) by capital and related financing activities	(123,418)	(3,115,030)	(20,871)	(3,259,319)	-
Cash Flows from Investing Activities:					
Interest income	3,130	229,911	-	233,041	5,889
Purchase of investments	-	(16,544)	-	(16,544)	-
Repayment of loan from state legislative fund	-	4,401,818	-	4,401,818	-
Loan to state legislative fund	-	(508,004)	-	(508,004)	-
Net cash provided by investing activities	3,130	4,107,181	-	4,110,311	5,889
Net increase (decrease) in cash	1,036,537	3,398,144	(34,963)	4,399,718	(339,810)
Cash and cash equivalents, beginning of year	1,624,096	6,321,091	389,691	8,334,878	4,204,590
Restatements	150,271	1,364,407	-	1,514,678	-
Cash and cash equivalents, beginning of year restated	1,774,367	7,685,498	389,691	9,849,556	4,204,590
Cash and cash equivalents, end of year	<u>\$ 2,810,904</u>	<u>\$ 11,083,642</u>	<u>\$ 354,728</u>	<u>\$ 14,249,274</u>	<u>\$ 3,864,780</u>
Displayed as:					
Cash	\$ 3,509,858	\$ 9,658,545	\$ 354,728	\$ 13,523,131	\$ 3,164,780
Restricted cash	-	3,582,997	-	3,582,997	1,200,000
Time deposits not considered cash equivalents	(698,954)	(2,157,900)	-	(2,856,854)	(500,000)
	<u>\$ 2,810,904</u>	<u>\$ 11,083,642</u>	<u>\$ 354,728</u>	<u>\$ 14,249,274</u>	<u>\$ 3,864,780</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 (CONCLUDED)
FOR THE YEAR ENDED JUNE 30, 2010**

	Business-Type Activities - Enterprise Funds				Governmental Activities Internal Service Funds
	Solid Waste Fund	Joint Water and Sewer Fund	Non-Major Funds	Total	
Reconciliation of Operating Income (Loss) to Net Cash Provided by Operating Activities:					
Operating income (loss)	\$ 553,203	\$ 2,592,970	\$ (1,034,366)	\$ 2,111,807	\$ (1,110,802)
Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities:					
Depreciation	208,120	1,408,578	177,404	1,794,102	-
Landfill monitoring	42,903	-	-	42,903	-
Changes in Assets and Liabilities:					
(Increase) in accounts receivable	(24,824)	(538,854)	(943)	(564,621)	(56,628)
(Increase) in inventories	-	(46,541)	-	(46,541)	-
Increase (decrease) in accounts payable	361,629	(9,465)	2,633	354,797	83,186
Increase in accrued salaries	6,905	23,433	4,433	34,771	-
Increase (decrease) in accrued liabilities	-	(1,597)	21	(1,576)	-
Increase in compensated absences	1,923	12,204	757	14,884	-
(Decrease) in deferred revenues	-	-	(1,767)	(1,767)	-
Total adjustments	<u>596,656</u>	<u>847,758</u>	<u>182,538</u>	<u>1,626,952</u>	<u>26,558</u>
Net cash provided (used) by operating activities	<u>\$ 1,149,859</u>	<u>\$ 3,440,728</u>	<u>\$ (851,828)</u>	<u>\$ 3,738,759</u>	<u>\$ (1,084,244)</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, 2010

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. The more significant accounting policies established in GAAP and used by the City are discussed below.

A. Reporting Entity

The City of Carlsbad, established on March 25, 1918, is a political subdivision of the state of New Mexico, operates under the Mayor-Council form of government. The City provides the following authorized services: public safety (police and fire), highways and streets, 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 during the fiscal year ended June 30, 2010.

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

B. Government-Wide and Fund Financial Statements

The basic financial statements include both government-wide (based on the City as a whole) and fund financial statements. The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the government. For the most part, the effect of inter-fund activity has been removed from these statements. 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 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 taxes, intergovernmental revenues, interest income, etc.). The City does not allocate indirect costs.

Separate fund based financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. The general fund, WIPP acceleration impact fund, and the state legislative fund are the major governmental funds. The solid waste and the joint water and sewer funds are the major enterprise funds. 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 non-major funds are combined in a column in the fund financial statements. The non-major funds are detailed in the combining section of the statements.

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

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. Derived tax revenues (i.e., sales taxes) are recognized in the period when the exchange transaction on the tax is imposed. Revenues are recognized, net of estimated refunds or estimated uncollectible amounts, in the same period that the assets are recognized, provided that the underlying exchange transaction has occurred. Resources received in advance are reported as deferred revenues (liabilities) until the period of the exchange is completed.

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 60 days of the end of the current fiscal period. 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.

Ad valorem, franchise, and sales 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 they 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.

They are, however, essentially two types of intergovernmental 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.

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

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

Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with a proprietary fund's principal ongoing operations. The principal operating revenues of the City's enterprise funds are charges to customers for sales and services. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. Within the governmental and business-type activities, when both restricted and unrestricted resources are available for use, it is the City's policy to use restricted resources first, and then unrestricted resources as they are needed.

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.

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.

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

The *state legislative capital project 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 City maintains twenty-six other individual governmental funds that are considered non-major funds; twelve are classified as special revenue funds, ten are classified as capital project funds, and four are classified as debt service funds. A description of each non-major 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 of Carlsbad. The fund is authorized by Enhanced 911 Section 63-9D-8, NMSA 1978.

The *fire protection fund* accounts for the operation and acquisition of assets for the Fire Department. This fund is financed through the state fire allotment. The fund is authorized by the Fire Protection Act, 59A-52-1, NMSA 1978.

The *recreation fund* accounts for the operations and maintenance of City owned recreation facilities. Financing is provided by a cigarette tax levy to the extent that other revenues are not sufficient to provide such services. The fund is authorized by 7-12-15 and 7-12-16, NMSA 1978.

The *lodgers' tax fund* accounts for the operations of promotional activities of the City of Carlsbad. Financing is provided primarily by specific tax levy on area motels and hotels. The fund is authorized by 14-37-16, NMSA 1978.

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 service fund* accounts for the acquisition of emergency medical equipment financed through a grant from the state of New Mexico. The fund is authorized by Emergency Medical Fund Act, 24-10A-6, NMSA 1978.

The *local government corrections fund* accounts for the special fees received on citations used to pay for prisoner care. The fund is authorized by Local Government Corrections Fund Act, 33-3-25, 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, 2010

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 receipts and disbursements of State Funds Chapter 289, Law of 1983. These funds are to enhance the efficiency and effectiveness of the police force. The fund is authorized by the Law Enforcement Protection Fund Act, 29-13-3, NMSA 1978.

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 a grant from 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.

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 *sewer system improvement fund* accounts for the financing, acquisition, and upgrades of sewer system facilities within the City. Financing is provided from the general fund and the permanent water and sewer fund. The fund is authorized by City Council.

The *water system improvement fund* accounts for the financing, acquisition, and upgrades of the water system facilities within the City. Financing is provided from the general fund and the permanent water and sewer fund. 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 *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, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Capital Project Funds (continued)

The *old landfill closure fund* accounts for the receipts and disbursements for closure costs. Financing is provided from county and city contributions. The fund is authorized by the City Council in order to provide transparency with respect to state reserve requirements.

The *Sandpoint landfill fund* accounts for the financing and cost of construction of the Sandpoint Landfill site east of the City. Financing is provided from the solid waste fund and Eddy County. The fund is authorized by City Council and is necessary for conformance with the joint powers agreements with Eddy County regarding operation of Sandpoint Landfill.

The *National Cave-Karst Institute fund* was established to record revenues and expenditures for federal grants funds received for a study to develop specific concepts for the nature, scope, role, programs, management, and operational needs of a National Cave-Karst Research Institute. Funding has been authorized by Public Law 101-578 of November 15, 1990. The fund is authorized by City Council.

The *federal projects fund* accounts for receipts and disbursements for infrastructure and improvements. Financing is provided from federal and state grants. The funding is authorized by City Council and is required by federal grantors for segregating interest earned and for auditing purposes.

The *GRT capital outlay fund* accounts for receipts and disbursements from the 2009 bond proceeds for capital outlay projects. The fund is authorized by City Council.

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.

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

Debt Service Funds (continued)

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* accounts for the disposal of solid waste for the residents of the City.

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 non-major funds. A description of each non-major enterprise funds is as follows:

The *museum gift shop fund* accounts for the receipts and disbursements of the operations of the museum gift shop. The fund is authorized by City Council.

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

The *performing arts center fund* accounts for the operations of promotional activities of the City. Financing is provided primarily by transfers from the Lodgers' Tax Fund. The fund is authorized by 3-3813 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 14-41-1, 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.

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

Measurement Focus, Basis of Accounting,

C. and Financial Statement Preparation (continued)

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

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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. State statutes authorize the City to invest in certificates of deposit, obligations of the state and the U.S. government, and the New Mexico State Treasurer's investment pool. Cash and certificates of deposit are reported at book 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, are offset by a fund balance reserve account in applicable governmental funds to indicate that they are not available for appropriation and are not expendable available financial resources.

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. Restricted Assets

Certain long-term assets in the proprietary funds 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."

5. 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.

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

6. Capital Assets

Capital assets include: property, plant, utility systems, equipment, and infrastructure assets. Infrastructure includes streets, sidewalks, bridges, drainage systems, lighting systems, and similar items. Such assets are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. The City's internal capitalization policy defines capital assets as assets with an initial individual cost of more than \$500, and an estimated useful life in excess of one year. Assets are capitalized at historical cost or estimated historical cost if purchased or constructed. It is the policy of the City to capitalize information technology (IT) equipment, including software, and includes such items in the furniture, fixtures, and equipment category. Donated assets are recorded as estimated fair market value at the date of donation. The costs of normal maintenance and repairs that do not add value of the asset or materially extend the asset's life are not capitalized.

During the 2005 regular New Mexico legislative session, the Legislature enacted HB 1074 amending Section 12-6-10, NMSA 1978, and changing the capitalization threshold for movable chattel and equipment from costing more than \$1,000 to items costing more than \$5,000. The 2005 amendment became effective June 17, 2005. The City has elected to continue to capitalize acquisitions of property and equipment, under their internal capitalization policy, of all assets costing more than \$500. The City continues to capitalize certain assets with costs below the threshold because it deems the tracking of such assets to be important. All assets capitalized prior to July 1, 2006, which are property of the City; remain on the financial and accounting records of the City. Library books and periodicals are estimated to have a useful life of less than one year or are under the capitalization threshold and are expensed when purchased.

Major outlays for capital assets and improvements are capitalized as projects are construction. 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. The City did not incur any interest on construction projects during the current fiscal year and, as such, no interest was included as part of the cost of capital assets under construction.

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

7. 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 twenty-seven 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 matures.

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.

8. 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.

9. Short-Term Obligations

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

10. Long-Term Obligations

In the government-wide financial statements, long-term obligations 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.

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

10. Long-Term Obligations (continued)

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 issuance are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service requirements.

11. 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.

12. Fund Equity Reservation

In the fund financial statements, funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted. Funds were reserved for:

Reserved for state mandated reserve – The state of New Mexico requires the City to set aside 1/12 of the operating budget within the general fund.

Reserved for debt service – Represents the amounts that are required to be used for future retirement of long-term debt

Reserved for subsequent year's expenditures – Represents amounts, other than carryover expenditures, which are required to be designated for subsequent year's expenditures.

Reserved expendable endowment – The Council has passed an ordinance in which they have set aside funds from the sale of water rights to the New Mexico Interstate Streams Commission. The ordinance allows the Council to add other money to the fund as deemed necessary. The City maintains the funds within the Joint Utility fund. The principal may be appropriated or expended only pursuant to the approval of the voters of the municipality as provided for in Chapter 179, NM Laws of 2001.

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (continued)

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

12. Fund Equity Reservation (continued)

Reserved expendable endowment (continued) – The council may budget and expend the investment earnings for capital expenditures for the joint utility fund or the servicing of municipal debt related to the utility fund. At the end of each fiscal year, all unexpended or unencumbered investment earnings shall revert to the principal balance.

Unreserved – Amounts that have not been reserved or designated for any purpose. These funds are available for unrestricted use by the City.

13. Bond Discounts/Issuance Costs

In governmental fund types, bond discounts and issuance costs are recognized in the current period. Bond discounts are presented as a reduction of the face amount of bonds proceeds whereas issuance costs are recorded as expenditures.

14. Presentation

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

15. 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.

16. 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

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.

**STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

2. CASH (continued)

Cash (continued)

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, 2010, the amount of cash reported on the financial statements differs from the amount on deposit with the various institutions because of transactions in transit and outstanding checks. The locations and amounts deposited are as follows:

	Per Institution	Reconciling Items	Per Financial Statements
Cash on hand	\$ -	\$ 3,031	\$ 3,031
Carlsbad National Bank	3,922,122	(57,224)	3,864,898
Pioneer Savings Bank	1,833,337	-	1,833,337
Wells Fargo Bank	23,725,426	(1,020,296)	22,705,130
Western Commerce Bank	14,617,790	507,035	15,124,825
Total cash deposits	<u>\$ 44,098,675</u>	<u>\$ (567,454)</u>	<u>\$ 43,531,221</u>

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

Statement of Net Assets:	
Cash	\$ 38,748,224
Restricted cash	<u>4,782,997</u>
Total cash reported on financial statements	<u>\$ 43,531,221</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).

**STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

2. CASH (continued)

Cash Deposited with Financial Institutions (continued)

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	\$ 3,922,122	\$ 1,833,337	\$ 23,725,426	\$ 14,617,790
Less FDIC coverage	(500,000)	(250,000)	(500,000)	(500,000)
Uninsured public funds	3,422,122	1,583,337	23,225,426	14,117,790
Pledged collateral held by pledging bank's trust, but not in the City's name	5,225,696	8,670,975	22,446,439	9,588,060
Uninsured and uncollateralized	\$ -	\$ -	\$ 778,987	\$ 4,529,730
Total pledged collateral	\$ 5,225,696	\$ 8,670,975	\$ 22,446,439	\$ 9,588,060
50% pledged collateral requirement per state statute	(1,711,061)	(791,669)	(11,612,713)	(7,058,895)
Pledged collateral (under) over the requirement	\$ 3,514,635	\$ 7,879,306	\$ 10,833,726	\$ 2,529,165

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. The City does not have a deposit policy for custodial credit risk. As of June 30, 2010, \$42,348,674 of the City's bank balance of \$44,098,675 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.	\$ 3,422,122	\$ 1,583,337	\$ 23,225,425	\$ 14,117,790	\$ 42,348,674

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

3. INVESTMENTS

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

<u>Agency</u>	<u>Investment</u>	<u>Maturity</u>	<u>Fair Market Value</u>
NM State Treasurer	Investment Pool	N/A	\$ 5,290
Bank of NY Mellon Tr Co.	U.S. Treasury Fund	N/A	360,275
Wells Fargo Bank	U.S. Treasury Fund	N/A	6,591,005
			<u>\$ 6,956,570</u>

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

Statement of Net Assets:	
Restricted investments	<u>\$ 6,956,570</u>

Cash Deposited with the New Mexico State Treasurer

As of June 30, 2010, the combined balance of the City's investment within the short-term investment fund was \$5,290. The cost basis and the fair market basis of the deposit are equal to \$5,290 (amount of investment). The investments are valued at fair value based on quoted market prices as of the valuation date. The state treasurer's Local Government Investment Pool is not SEC registered. The fund is rated AAA_m by Standards and Poor's. Section 6-10-10.1, NMSA 1978, empowers the state treasurer, with the advice and consent of the state Board of Finance, to invest money held in the short-term investment fund in securities that are issued by the United States government or by its departments or agencies and are either direct obligations of the United States or are backed by the full faith and credit of the United States government or are agencies sponsored by the United States government. The Local Government Investment Pool investments are monitored by the same investment committee and the same policies and procedures that apply to all other state investments.

The Local Government Investment Pool does not have unit shares. Per section 6-10-10.1F, NMSA 1978, at the end of each month all interest earned is distributed by the state treasurer to the contributing entities in amounts directly proportionate to the respective amounts deposited in the fund and the length of time the amounts were invested. Participation in the Local Government Investment Pool is voluntary.

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 portfolio's weighted average maturity is 50-day WAM.

**STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

3. INVESTMENTS (continued)

Bank of New York Mellon Trust Company

As part of the note agreements and covenants, the City has cash invested at the Bank of New York Mellon Trust Company. The trust department has invested the funds within the Dreyfus Cash Management Institutional shares fund. The fund invests in a diversified portfolio of high quality, short-term debt securities, including securities issued or guaranteed by the U.S. government or its agencies or instrumentalities.

The investments are valued at fair value based on quoted market prices as of the valuation date. The fund is rated AAA_m by Standards 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 portfolio's weighted average maturity is 32-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 \$6,591,005 at Wells Fargo Bank, N.A., Roswell, New Mexico. The fund is composed of U.S. Treasury Notes and U.S. T-Bills. The fund is not subject to categorization.

4. ACCOUNTS RECEIVABLE

Accounts receivable at June 30, 2010, consisted of the following:

	Governmental Activities	Business-Type Activities
Charges for services	\$ 991,087	\$ 2,090,142
Allowance for doubtful accounts	(365,657)	(307,107)
	\$ 625,430	\$ 1,783,035

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

5. TAXES RECEIVABLE

Amounts due from local effort and state shared taxes at June 30, 2010, consisted of the following:

**STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

5. TAXES RECEIVABLE (continued)

	Governmental Activities	Business-Type Activities
Property taxes	\$ 167,233	\$ -
Local effort sales taxes	2,175,365	-
State shared taxes	2,381,361	86,534
	\$ 4,723,959	\$ 86,534

6. INTERGOVERNMENTAL RECEIVABLE

Amounts due from other governments at June 30, 2010, consisted of the following:

	Governmental Activities	Business-Type Activities
Federal grants	\$ 911,903	\$ -
State grants	841,109	16,694
	\$ 1,753,012	\$ 16,694

7. NOTE RECEIVABLE

On February 28, 2008, the City entered into an economic development loan agreement with Cetane Energy, LLC for WIPP Acceleration Funds to develop a Biodiesel facility, in the amount of \$1,100,000. The note matures on July 1, 2017 and does not accrue interest. Cetane Energy, LLC is required to make annual payments to the City for repayment of the loan. If Cetane Energy, LLC reaches certain milestones, a maximum of \$600,000 of the loan will be offset as economic development expenses.

The annual requirement to amortize the note receivable outstanding as of June 30, 2010, is as follows:

Due in the year ended June 30:

	Principal
2014	\$ 100,000
2015	150,000
2016	150,000
2017	200,000
2018	300,000
	\$ 900,000

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

8. PROPERTY TAX

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

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 2009, was \$6.225 per \$1,000 for non-residential and \$6.225 for residential property. In the year 2009, there was no tax rate established for payment of bonds principal and interest.

9. CAPITAL ASSETS

During the fiscal year, the City performed an intensive inventory and review of its capital assets and the subsidiary records. The City discovered errors in the amounts reported at June 30, 2009, within the governmental and business-type activities capital assets. The effect of the changes is as follows:

	Balance 06/30/09	Corrections	Restated Balance 06/30/09
Governmental Capital Assets:			
Land	\$ 1,911,583	\$ 3,246	\$ 1,914,829
Construction in progress	277,643	(48,621)	229,022
Buildings	46,361,383	(138,213)	46,223,170
Improvements	41,682	-	41,682
Infrastructure	45,459,789	(284,758)	45,175,031
Equipment	12,767,826	232,890	13,000,716
Accumulated depreciation:			
Buildings	(17,521,098)	-	(17,521,098)
Improvements	(3,145)	-	(3,145)
Infrastructure	(20,956,130)	-	(20,956,130)
Equipment	(9,159,570)	(363,920)	(9,523,490)
	<u>\$ 59,179,963</u>	<u>\$ (599,376)</u>	<u>\$ 58,580,587</u>

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

9. CAPITAL ASSETS (continued)

	Balance 06/30/09	Corrections	Restated Balance 06/30/09
Business-Type Capital Assets:			
Land	\$ 1,110,080	\$ -	\$ 1,110,080
Construction in progress	207,570	1	207,571
Buildings	2,179,302	713,694	2,892,996
Improvements	17,514,627	-	17,514,627
Utility system	34,936,519	(713,694)	34,222,825
Equipment	8,615,360	1,841	8,617,201
Accumulated depreciation:			
Buildings	(787,275)	(57,161)	(844,436)
Improvements	(7,366,995)	-	(7,366,995)
Utility system	(15,097,189)	57,161	(15,040,028)
Equipment	(6,726,422)	(1)	(6,726,423)
	<u>\$ 34,585,577</u>	<u>\$ 1,841</u>	<u>\$ 34,587,418</u>

Capital assets for the fiscal year ended June 30, 2010, are as follows:

	Restated Balance 06/30/09	Increases	Decreases	Balance 06/30/10
Governmental Activities:				
Capital assets, not being depreciated:				
Land	\$ 1,914,829	\$ -	\$ -	\$ 1,914,829
Construction in progress	229,022	186,249	(164,219)	251,052
Total capital assets, not being depreciated	2,143,851	186,249	(164,219)	2,165,881
Other capital assets, being depreciated:				
Buildings	46,223,170	4,496,505	-	50,719,675
Improvements	41,682	325,808	-	367,490
Infrastructure	45,175,031	8,673,121	-	53,848,152
Equipment	13,000,716	2,414,964	(725,214)	14,690,466
Total other capital assets, being depreciated	104,440,599	15,910,398	(725,214)	119,625,783
Less accumulated depreciation:				
Buildings	(17,521,098)	(1,167,696)	-	(18,688,794)
Improvements	(3,145)	(16,008)	-	(19,153)
Infrastructure	(20,956,130)	(1,229,641)	-	(22,185,771)
Equipment	(9,523,490)	(1,077,882)	704,766	(9,896,606)
Total accumulated depreciation	(48,003,863)	(3,491,227)	704,766	(50,790,324)
Other capital assets, net	56,436,736	12,419,171	(20,448)	68,835,459
Total capital assets, net	<u>\$ 58,580,587</u>	<u>\$ 12,605,420</u>	<u>\$ (184,667)</u>	<u>\$ 71,001,340</u>

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

9. CAPITAL ASSETS (continued)

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

General government	\$ 602,389
Public safety	804,250
Public works	1,252,455
Culture and recreation	722,506
Health and welfare	111
Economic development	109,516
	<u>\$ 3,491,227</u>

	Restated Balance 06/30/09	Increases	Decreases	Balance 06/30/10
Business-Type Activities:				
Capital assets, not being depreciated:				
Land	\$ 1,110,080	\$ 34,350	\$ -	\$ 1,144,430
Construction in progress	207,571	89,360	(75,859)	221,072
	<u>1,317,651</u>	<u>123,710</u>	<u>(75,859)</u>	<u>1,365,502</u>
Total capital assets, not being depreciated				
	1,317,651	123,710	(75,859)	1,365,502
Other capital assets, being depreciated:				
Buildings	2,892,996	120,750	-	3,013,746
Improvements	17,514,627	817,549	-	18,332,176
Utility system	34,222,825	1,481,434	-	35,704,259
Equipment	8,617,201	746,932	(683,589)	8,680,544
	<u>63,247,649</u>	<u>3,166,665</u>	<u>(683,589)</u>	<u>65,730,725</u>
Total other capital assets, being depreciated				
	63,247,649	3,166,665	(683,589)	65,730,725
Less accumulated depreciation:				
Buildings	(844,436)	(92,930)	-	(937,366)
Improvements	(7,366,995)	(385,842)	-	(7,752,837)
Utility system	(15,040,028)	(714,182)	-	(15,754,210)
Equipment	(6,726,423)	(671,983)	665,820	(6,732,586)
	<u>(29,977,882)</u>	<u>(1,864,937)</u>	<u>665,820</u>	<u>(31,176,999)</u>
Total accumulated depreciation				
	(29,977,882)	(1,864,937)	665,820	(31,176,999)
Other capital assets, net				
	<u>33,269,767</u>	<u>1,301,728</u>	<u>(17,769)</u>	<u>34,553,726</u>
Total capital assets, net				
	<u>\$ 34,587,418</u>	<u>\$ 1,425,438</u>	<u>\$ (93,628)</u>	<u>\$ 35,919,228</u>

10. ACCRUED LIABILITIES

Accrued liabilities at June 30, 2010, consisted of the following:

	Governmental Activities	Business-Type Activities
Gross receipts tax payable	<u>\$ 843</u>	<u>\$ 52,747</u>

**STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

11. LONG-TERM OBLIGATIONS

Changes in governmental activities obligations during the year ended June 30, 2010, were as follows:

	Balance 06/30/09	Restatement	Additions	Deletions	Balance 06/30/10	Amounts Due Within One Year
Governmental Activities:						
Notes payable	\$ 2,730,496	\$ 100,270	\$ -	\$ (432,213)	\$ 2,398,553	\$ 443,888
Bonds payable	2,565,000	-	8,550,000	(1,515,000)	9,600,000	1,585,000
Compensated absences	989,158	-	940,387	(845,903)	1,083,642	316,474
	<u>\$ 6,284,654</u>	<u>\$ 100,270</u>	<u>\$ 9,490,387</u>	<u>\$ (2,793,116)</u>	<u>\$ 13,082,195</u>	<u>\$ 2,345,362</u>

Notes Payable – Governmental Activities

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, 2010, including interest payments, are as follows:

Due in year ending June 30:

	Principal	Interest	Total
2011	\$ 376,608	\$ 47,745	\$ 424,353
2012	387,822	37,501	425,323
2013	400,224	26,099	426,323
2014	413,826	13,532	427,358
	<u>\$ 1,578,480</u>	<u>\$ 124,877</u>	<u>\$ 1,703,357</u>

On July 19, 2005, the City borrowed \$1,000,000 from the New Mexico Finance Authority. The note matures on May 1, 2021, 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, 2010, 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, 2010

11. LONG-TERM OBLIGATIONS (continued)

	Principal	Interest	Total
2011	\$ 62,108	\$ 24,377	\$ 86,485
2012	63,947	22,698	86,645
2013	65,977	20,833	86,810
2014	68,181	18,799	86,980
2015	70,559	16,597	87,156
2016-2020	394,190	44,465	438,655
	\$ 724,962	\$ 147,769	\$ 872,731

On January 30, 2009, the City entered into a grant/loan agreement with the New Mexico Finance Authority, totaling \$510,000. The agreement states the amount consists of a grant of \$408,000, and a loan of \$102,000. The note matures on June 1, 2028, and does not accrue any interest. The proceeds of the agreement will be used for Phase IV wastewater effluent reuse-aeration ponds project. The payments of principal and administrative fees are paid from water and sewer receipts.

The annual requirements to amortize the loan outstanding as of June 30, 2010, including administrative fee payments, are as follows:

Due in year ending June 30:

	Principal	Interest	Total
2011	\$ 5,172	\$ 238	\$ 5,410
2012	5,185	225	5,410
2013	5,198	212	5,410
2014	5,211	199	5,410
2015	5,224	186	5,410
2016-2020	26,320	733	27,053
2021-2025	26,650	402	27,052
2026-2028	16,151	80	16,231
	\$ 95,111	\$ 2,275	\$ 97,386

Bonds Payable – Governmental Activities

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, 2010, 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, 2010

11. LONG-TERM OBLIGATIONS (continued)

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 270,000	\$ 102,120	\$ 372,120
2012	255,000	90,705	345,705
2013	265,000	79,133	344,133
2014	275,000	66,776	341,776
2015	290,000	53,350	343,350
2016-2018	955,000	70,931	1,025,931
	<u>\$ 2,310,000</u>	<u>\$ 463,015</u>	<u>\$ 2,773,015</u>

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

The annual requirements to amortize the bonds outstanding as of June 30, 2010, including interest payments, are as follows:

Due in year ending June 30:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 1,315,000	\$ 280,544	\$ 1,595,544
2012	240,000	247,669	487,669
2013	250,000	240,469	490,469
2014	255,000	232,969	487,969
2015	255,000	225,319	480,319
2016-2020	1,445,000	974,019	2,419,019
2021-2025	1,790,000	652,087	2,442,087
2026-2029	1,740,000	210,868	1,950,868
	<u>\$ 7,290,000</u>	<u>\$ 3,063,944</u>	<u>\$ 10,353,944</u>

Compensated Absences

A liability for unused vacation for all full-time employees is calculated and reported in the government-wide statements. For financial reporting, the following criteria must be met to be considered as compensated absences:

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

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

**STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

11. LONG-TERM OBLIGATIONS (continued)

Business-Type Activities

Changes in the business-type activities obligations during the year ended June 30, 2010, were as follows:

	Balance 06/30/09	Restatement	Additions	Deletions	Balance 06/30/10	Amounts Due Within One Year
Business-Type Activities:						
Notes payable	\$ 395,248	\$ (100,270)	\$ -	\$ (55,085)	\$ 239,893	\$ 56,885
Bonds payable	21,290,000	-	-	(750,000)	20,540,000	775,000
Landfill closure	3,241,257	(2,712,219)	42,903	-	571,941	-
Compensated absences	113,283	-	178,814	(163,928)	128,169	68,166
	<u>\$ 25,039,788</u>	<u>\$ (2,812,489)</u>	<u>\$ 221,717</u>	<u>\$ (969,013)</u>	<u>\$ 21,480,003</u>	<u>\$ 900,051</u>

Notes Payable – Business-Type Activities

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, 2010, including interest payments, are as follows:

Due in year ending June 30:

	Principal	Interest	Total
2011	\$ 56,885	\$ 8,118	\$ 65,003
2012	58,841	6,308	65,149
2013	60,951	4,349	65,300
2014	63,216	2,242	65,458
	<u>\$ 239,893</u>	<u>\$ 21,017</u>	<u>\$ 260,910</u>

Bonds Payable – Business-Type Activities

2009 Water and Sewer Refunding and Improvement 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.

**STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

11. LONG-TERM OBLIGATIONS (continued)

Bonds Payable – Business-Type Activities (continued)

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, 2010, including interest payments, is as follows:

Due in year ending June 30:

	<u>Principal</u>	<u>Interest</u>	<u>Total</u>
2011	\$ 775,000	\$ 848,106	\$ 1,623,106
2012	800,000	824,856	1,624,856
2013	820,000	800,856	1,620,856
2014	845,000	776,256	1,621,256
2015	870,000	750,906	1,620,906
2016-2020	4,815,000	3,298,106	8,113,106
2021-2025	5,860,000	2,248,008	8,108,008
2026-2029	5,755,000	733,150	6,488,150
	<u>\$ 20,540,000</u>	<u>\$ 10,280,244</u>	<u>\$ 30,820,244</u>

Landfill Closure and Post-Closure Costs

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.

**STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

11. LONG-TERM OBLIGATIONS (continued)

Landfill Closure and Post-Closure Costs (continued)

During the current fiscal year, the City and County determined the prior year's liability for landfill closure and post-closure costs were overstated. The total restated estimated liability for landfill closure costs is \$1,490,280 as of June 30, 2010, which is based cumulative capacity of 5,574,000 cubic gate years of air space to be used over its estimated life of twenty years. It is estimated that an additional \$1,629,100 of post-closure care costs will be recognized over thirty years after the landfill is closed.

The estimated total current cost of the landfill closure and post-closure care of \$3,119,380 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, 2010. 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, 2010:

Estimated landfill closure cost	\$ 1,490,280
Estimated landfill post-closure care cost	<u>1,629,100</u>
Total estimated closure and post-closure costs	<u><u>\$ 3,119,380</u></u>
FY09 capacity used to date	\$ 1,890,670
FY10 tonnage received/capacity used	<u>153,326</u>
FY10 capacity used to date	<u><u>\$ 2,043,996</u></u>
Total capacity used to date (approximately 2,043,996 cubic gate yards) as a percentage of total capacity (5,574,000 cubic gate yards)	<u><u>36.67%</u></u>
Total estimated closure and post-closure costs	\$ 3,119,380
Total capacity used to date	<u>36.67%</u>
Estimated closure and post-closure care costs	<u><u>\$ 1,143,882</u></u>
Estimated closure and post-closure care costs	\$ 1,143,882
Prior year liability, restated	<u>(1,058,076)</u>
Current year liability	<u><u>\$ 85,806</u></u>
City of Carlsbad's portion (50% of current year liability)	<u><u>\$ 42,903</u></u>
Prior year liability recognized, restated	\$ 529,038
Current year liability	<u>42,903</u>
Estimated liability for the fiscal year ended June 30, 2010	<u><u>\$ 571,941</u></u>

**STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

12. TAXES

Local effort and state shared tax revenues as of June 30, 2010:

	<u>General Fund</u>	<u>Non-Major Funds</u>	<u>Total</u>
Local effort taxes:			
Franchise taxes	\$ 735,482	\$ -	\$ 735,482
Lodgers' taxes	-	701,644	701,644
Property taxes	1,959,658	-	1,959,658
	<u>\$ 2,695,140</u>	<u>\$ 701,644</u>	<u>\$ 3,396,784</u>
State shared taxes:			
Cigarette taxes	\$ 55,320	\$ 27,762	\$ 83,082
Gasoline taxes	-	426,181	426,181
Gross receipts taxes	21,269,877	2,538,500	23,808,377
	<u>\$ 21,325,197</u>	<u>\$ 2,992,443</u>	<u>\$ 24,317,640</u>

13. INTERFUND BALANCES AND TRANSFERS

Interfund Balances

<u>Receivable Fund</u>	<u>Payable Fund</u>	<u>Amount</u>
Joint Water & Sewer Fund	State Legislative Fund	<u>\$ 508,004</u>

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

Interfund Transfers

	<u>Transfers in</u>					<u>Total</u>
	<u>General Fund</u>	<u>State Legislative Fund</u>	<u>Solid Waste Fund</u>	<u>Joint Water and Sewer Fund</u>	<u>Non-Major Funds</u>	
Transfers (out):						
General Fund	\$ -	\$ 37	\$ -	\$ -	\$ 3,435,778	\$ 3,435,815
WIPP Acceleration Impact Fund	440,000	-	-	-	-	440,000
State Legislative Fund	-	-	-	1,158,811	150,000	1,308,811
Solid Waste Fund	207,319	-	-	-	541,597	748,916
Joint Water and Sewer Fund	836,316	-	-	-	648,186	1,484,502
Non-Major Funds	1,041,023	9,989	88,901	239,551	1,924,205	3,303,669
	<u>\$ 2,524,658</u>	<u>\$ 10,026</u>	<u>\$ 88,901</u>	<u>\$ 1,398,362</u>	<u>\$ 6,699,766</u>	<u>\$ 10,721,713</u>

**STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

13. INTERFUND BALANCES AND TRANSFERS (continued)

Interfund Transfers (continued)

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. Additionally, 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.

14. RESTATEMENT OF NET ASSETS

During the fiscal year ended June 30, 2010, 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
Government-Wide Financial Statements			
The City has performed an intensive inventory and discovered errors in the capital assets previously reported.	\$ (599,376)		
In the previous fiscal year, the City incorrectly reflected a note payable from the NM Finance Authority within the joint water and sewer fund.	(100,270)		
<i>Major Funds</i>			
WIPP Acceleration Impact Fund			
In the previous fiscal year, the City failed to record the note receivable with Cetane Energy, LLC.	1,000,000		\$ 1,000,000
Solid Waste Fund			
In the previous year, the City incorrectly calculated the closure and post-closure care cost liability.		\$ 2,712,219	\$ 2,712,219
In the previous year, the City incorrectly reflected financial activity related to the solid waste fund within the old landfill closure fund.		68,302	68,302
In the previous year, the City incorrectly reflected financial activity related to the solid waste fund within the sandpoint landfill fund.		64,997	64,997
Total Solid Waste Fund			\$ 2,845,518
Joint Water and Sewer Fund			
In the previous year, the City incorrectly reflected the note payable from the NM Finance Authority.		\$ (1,730)	\$ (1,730)
In the previous year, the City failed to record the portion of a new subdivision to the utility system.		86,089	86,089
In the previous year, the City incorrectly reflected financial activity related to the joint water and sewer fund within the sewer system improvement fund.		567,046	567,046

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

14. RESTATEMENT OF NET ASSETS (continued)

	Government-Wide		Individual Funds
	Governmental Activities	Business-Type Activities	
<i>Major Funds (continued)</i>			
Joint Water and Sewer Fund			
In the previous year, the City incorrectly reflected financial activity related to the joint water and sewer fund within the water system improvement fund.		790,347	790,347
In the previous year, the City incorrectly reflected capital assets related to the joint water and sewer fund within the water system improvement fund.		1,841	1,841
Total Joint Water and Sewer Fund			\$ 1,443,593
<i>Non-major Funds</i>			
Sewer System Improvement Fund			
In the previous year, the City incorrectly reflected financial activity related to the joint water and sewer fund within the sewer system improvement fund.	(567,046)		\$ (567,046)
Water System Improvement Fund			
In the previous year, the City incorrectly reflected financial activity related to the joint water and sewer fund within the water system improvement fund.	(790,347)		\$ (790,347)
Old Landfill Closure Fund			
In the previous year, the City incorrectly reflected financial activity related to the solid waste fund within the old landfill closure fund.	(68,302)		\$ (68,302)
Sandpoint Landfill Fund			
In the previous year, the City incorrectly reflected financial activity related to the solid waste fund within the sandpoint landfill fund.	(64,997)		\$ (64,997)
Total Government-Wide Financial Statements	\$ (1,190,338)	\$ 4,289,111	

15. DEFICIT FUND BALANCE

The following fund had a deficit fund balance as of June 30, 2010:

Fund	Amount
National Cave-Karst Institute	\$ 2,342

The deficit balances are the direct effect of the requirement to expend program costs prior to reimbursement from the funding sources. The revenues were received beyond the period considered available and thus the City did not record the revenues reducing the deficit to zero.

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

16. BUDGET RECONCILIATION

The City prepares its budget utilizing the cash basis of accounting. The City presents the following information that reconciles the general fund budgetary comparison statement with the statement of revenues, expenditures, and changes in fund balances. The reconciliation of the remaining funds follows the budgetary comparison statements of each type of fund.

	General Fund	WIPP Acceleration Impact Fund
	<u> </u>	<u> </u>
Sources/Inflow of Resources:		
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison schedule.	\$ 25,762,713	\$ 3,620,698
Differences - Budget to GAAP:		
Accrual of revenues and associated receivable that are not considered an inflow or revenues for the budgetary basis, but are considered revenues for financial reporting purposes.	760,979	(529,026)
Real estate taxes deferred in the previous year are recognized when considered available for financial reporting purposes. The real estate taxes are not recognized for budgetary purposes until received.	<u>26,043</u>	<u>-</u>
Total revenues as reported on the statement of revenues, expenditures, and changes in fund balances.	<u>\$ 26,549,735</u>	<u>\$ 3,091,672</u>
Uses/Outflows of Resources:		
Actual amounts (budgetary basis) "total charges for appropriations" from the budgetary comparison schedule.	\$ 25,252,446	\$ 2,879,908
Differences - Budget to GAAP:		
The City budgets for claims and expenses paid for during the current accounting period. Accrual of liabilities are not included in the budgetary basis but are expenditures for financial reporting purposes.	(108,571)	(56,153)
The City budgets for salaries paid for during the current accounting period. Accrual of salaries are not included in the budgetary basis but are expenses for financial reporting purposes.	<u>153,172</u>	<u>-</u>
Total expenditures as reported on the statement of revenues, expenditures, and changes in fund balances.	<u>\$ 25,297,047</u>	<u>\$ 2,823,755</u>
Other Sources (Uses) of Resources:		
Actual amounts (budgetary basis) "transfers in (out)" from the budgetary comparison schedule.	\$ (918,157)	\$ (440,000)
Differences - Budget to GAAP:		
The City purchased capital assets within another fund and reflected the purchases as such for budgetary purposes. The capital assets benefited other funds and for financial reporting purposes, the City reclassified the expenditures as a transfer to the general fund.	<u>7,000</u>	<u>-</u>
Total other financing sources (uses) as reported on the statement of revenues, expenditures, and changes in fund balances.	<u>\$ (911,157)</u>	<u>\$ (440,000)</u>

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

17. PENSION PLAN – PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

Plan Description

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

Funding Policy

Plan members are required to contribute from 13.15% to 16.30% (ranges from 4.78% 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 acts of the legislature. The City's contributions to PERA for the fiscal years ending June 30, 2010, 2009, and 2008 were \$1,981,633, \$1,779,608 and \$1,697,770, respectively, equal to the amount of the required contributions for each year.

18. POST-EMPLOYMENT – STATE RETIREE HEALTH CARE PLAN

Plan Description

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

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

**STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010**

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

Plan Description (continued)

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

Funding Policy

The Retiree Health Care Act (Section 10-7C-13 NMSA 1978) authorizes the RHCA Board to establish the monthly premium contributions that retirees are required to pay for healthcare benefits. Each participating retiree pays a monthly premium according to a service based subsidy rate schedule for the medical plus basic life plan plus an additional participation fee of five dollars if the eligible participant retired prior to the employer's RHCA effective date or is a former legislator or former governing authority member. Former legislators and governing authority members are required to pay 100% of the insurance premium to cover their claims and the administrative expenses of the plan. The monthly premium rate schedule can be obtained from the RHCA or viewed on their website at www.nmrhca.state.nm.us.

The 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, 2010, the statute required each participating employer to contribute 1.3% of each participating employee's annual salary; each participating employee is required to contribute .65% of their salary. In the fiscal years ending June 30, 2011 through Jun 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:

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
2011	1.666%	0.833%
2012	1.834%	0.917%
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]), the contribution rate will be:

<u>Fiscal Year</u>	<u>Employer Contribution Rate</u>	<u>Employee Contribution Rate</u>
2011	2.084%	1.042%
2012	2.292%	1.146%
2013	2.500%	1.250%

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO THE FINANCIAL STATEMENTS
JUNE 30, 2010

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

Funding Policy (continued)

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.

Pursuant to GASB 43, a determination has been made whereby the Retiree Healthcare Authority is considered a multiple employer cost sharing trust. Under this determination, the extensive OPEB disclosure concerning the funded status of the plan is made on the Authority's books rather than at the participant or agency level. Accordingly, no accrual has been made for this liability on the City's books.

The City's contributions to the RHCA for the years ended June 30, 2010, 2009 and 2008 were \$201,002, \$179,112 and \$170,111, respectively, which equal the required contributions for each year.

19. 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.

20. 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 FUND FINANCIAL STATEMENTS

STATE OF NEW MEXICO
CITY OF CARLSBAD
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2010

	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
<u>ASSETS</u>										
Cash	\$ 2,554	\$ 140,289	\$ 66,226	\$ 612,591	\$ 464,190	\$ 60	\$ 18,103	\$ 4,366	\$ 939	\$ 3,148
Accounts receivable	-	-	958	82,525	17,608	-	-	-	-	-
Taxes receivable	-	-	2,477	-	-	-	-	-	-	-
Intergovernmental receivable	-	-	-	-	-	-	-	-	-	656
Accrued interest receivable	-	-	-	6	-	-	-	-	-	-
Restricted:										
Investments	-	5,290	-	-	-	-	-	-	-	-
Total assets	<u>\$ 2,554</u>	<u>\$ 145,579</u>	<u>\$ 69,661</u>	<u>\$ 695,122</u>	<u>\$ 481,798</u>	<u>\$ 60</u>	<u>\$ 18,103</u>	<u>\$ 4,366</u>	<u>\$ 939</u>	<u>\$ 3,804</u>
<u>LIABILITIES AND FUND BALANCE</u>										
Liabilities:										
Accounts payable	\$ -	\$ 7,215	\$ 4,371	\$ 35,417	\$ -	\$ -	\$ 15,543	\$ -	\$ 305	\$ 122
Accrued salaries	-	-	10,652	-	-	-	-	-	-	1,680
Accrued interest payable	-	-	-	-	-	-	-	-	-	-
Deferred revenues	-	-	-	-	-	-	-	-	-	-
Total liabilities	-	7,215	15,023	35,417	-	-	15,543	-	305	1,802
Fund Balances:										
Reserved:										
Debt service	-	86,485	-	-	-	-	-	-	-	-
Subsequent years' expenditures	2,554	39,167	43,825	182,243	-	60	2,560	4,366	634	2,002
Unreserved	-	12,712	10,813	477,462	481,798	-	-	-	-	-
Total fund balance	<u>2,554</u>	<u>138,364</u>	<u>54,638</u>	<u>659,705</u>	<u>481,798</u>	<u>60</u>	<u>2,560</u>	<u>4,366</u>	<u>634</u>	<u>2,002</u>
Total liabilities and fund balances	<u>\$ 2,554</u>	<u>\$ 145,579</u>	<u>\$ 69,661</u>	<u>\$ 695,122</u>	<u>\$ 481,798</u>	<u>\$ 60</u>	<u>\$ 18,103</u>	<u>\$ 4,366</u>	<u>\$ 939</u>	<u>\$ 3,804</u>

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

**STATE OF NEW MEXICO
CITY OF CARLSBAD
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2010**

	Special Revenue Funds			Capital Project Funds						
	Sports Complex Fund	Community Development Fund	Total Special Revenue Funds	Park Improvement Fund	Sewer System Improvement Fund	Water System Improvement Fund	Street System Improvement Fund	CIEP Fund	Old Landfill Closure Fund	Sandpoint Landfill Fund
ASSETS										
Cash	\$ 205,623	\$ 3,236	\$ 1,521,325	\$ 91,337	\$ -	\$ -	\$ 1,372,131	\$ 1,079,369	\$ -	\$ -
Accounts receivable	-	-	101,091	-	-	-	-	-	-	-
Taxes receivable	-	-	2,477	-	-	-	49,322	-	-	-
Intergovernmental receivable	-	165,877	166,533	18,819	-	-	-	-	-	-
Accrued interest receivable	-	-	6	-	-	-	-	-	-	-
Restricted:										
Investments	-	-	5,290	-	-	-	-	-	-	-
Total assets	\$ 205,623	\$ 169,113	\$ 1,796,722	\$ 110,156	\$ -	\$ -	\$ 1,421,453	\$ 1,079,369	\$ -	\$ -
LIABILITIES AND FUND BALANCE										
Liabilities:										
Accounts payable	\$ 48	\$ 66,966	\$ 129,987	\$ -	\$ -	\$ -	\$ 60,108	\$ 6,957	\$ -	\$ -
Accrued salaries	-	-	12,332	-	-	-	-	-	-	-
Accrued interest payable	-	-	-	-	-	-	-	-	-	-
Deferred revenues	-	-	-	-	-	-	39,961	-	-	-
Total liabilities	48	66,966	142,319	-	-	-	100,069	6,957	-	-
Fund Balances:										
Reserved:										
Debt service	-	-	86,485	-	-	-	-	-	-	-
Subsequent years' expenditures	24,997	-	302,408	-	-	-	998,608	-	-	-
Unreserved	180,578	102,147	1,265,510	110,156	-	-	322,776	1,072,412	-	-
Total fund balance	205,575	102,147	1,654,403	110,156	-	-	1,321,384	1,072,412	-	-
Total liabilities and fund balances	\$ 205,623	\$ 169,113	\$ 1,796,722	\$ 110,156	\$ -	\$ -	\$ 1,421,453	\$ 1,079,369	\$ -	\$ -

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
COMBINING BALANCE SHEET
NON-MAJOR GOVERNMENTAL FUNDS
JUNE 30, 2010

	Capital Project Funds				Debt Service Funds					Total Non-Major Funds
	Federal Projects Fund	National Cave-Karst Institute Fund	GRT Capital Outlay Fund	Total Capital Project Funds	Sports Complex Fund	2002 Sales Tax Bonds Fund	New Mexico Finance Authority Loan Fund	Capital Outlay GRT Fund	Total Debt Service Funds	
<u>ASSETS</u>										
Cash	\$ 1,015,445	\$ 16,681	\$ 6,740,136	\$ 10,315,099	\$ 1,578,127	\$ 18,744	\$ -	\$ -	\$ 1,596,871	\$ 13,433,295
Accounts receivable	-	-	-	-	-	-	-	-	-	101,091
Taxes receivable	-	-	312,691	362,013	172,883	-	-	-	172,883	537,373
Intergovernmental receivable	498,096	-	-	516,915	-	-	-	-	-	683,448
Accrued interest receivable	-	-	-	-	-	-	-	-	-	6
Restricted:										
Investments	-	-	-	-	305,223	-	-	-	305,223	310,513
Total assets	\$ 1,513,541	\$ 16,681	\$ 7,052,827	\$ 11,194,027	\$ 2,056,233	\$ 18,744	\$ -	\$ -	\$ 2,074,977	\$ 15,065,726
<u>LIABILITIES AND FUND BALANCE</u>										
Liabilities:										
Accounts payable	\$ 194,916	\$ 19,023	\$ 33,538	\$ 314,542	\$ 8,002	\$ -	\$ -	\$ -	\$ 8,002	\$ 452,531
Accrued salaries	-	-	-	-	10,625	-	-	-	10,625	22,957
Accrued interest payable	-	-	-	-	23,872	-	-	-	23,872	23,872
Deferred revenues	131,335	-	-	171,296	-	-	-	-	-	171,296
Total liabilities	326,251	19,023	33,538	485,838	42,499	-	-	-	42,499	670,656
Fund Balances:										
Reserved:										
Debt service	-	-	-	-	428,299	18,744	-	-	447,043	533,528
Subsequent years' expenditures	-	-	-	998,608	-	-	-	-	-	1,301,016
Unreserved	1,187,290	(2,342)	7,019,289	9,709,581	1,585,435	-	-	-	1,585,435	12,560,526
Total fund balance	1,187,290	(2,342)	7,019,289	10,708,189	2,013,734	18,744	-	-	2,032,478	14,395,070
Total liabilities and fund balances	\$ 1,513,541	\$ 16,681	\$ 7,052,827	\$ 11,194,027	\$ 2,056,233	\$ 18,744	\$ -	\$ -	\$ 2,074,977	\$ 15,065,726

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
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	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:										
Local effort taxes	\$ -	\$ -	\$ -	\$ 701,644	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State shared taxes	-	-	27,762	-	-	-	-	-	-	-
Intergovernmental	-	354,645	-	-	695,856	29,861	-	50,867	58,200	46,498
Charges for services	-	-	16,615	-	5,487	-	81,959	-	-	-
Licenses and permits	-	-	-	-	-	-	-	-	-	-
Interest	-	159	-	38	-	-	-	-	-	-
Miscellaneous	-	1,634	-	685	-	-	-	841	-	-
Total revenues	-	356,438	44,377	702,367	701,343	29,861	81,959	51,708	58,200	46,498
Expenditures:										
Current:										
General government	-	-	-	-	-	-	-	-	-	-
Public safety	-	189,254	-	-	-	31,195	231,270	57,197	28,388	-
Public works	-	-	-	-	2,927	-	-	-	-	-
Culture and recreation	-	-	320,803	573,425	-	-	-	-	-	-
Health and welfare	-	-	-	-	-	-	-	-	-	55,216
Economic development	-	-	-	-	-	-	-	-	-	-
Capital outlay	-	24,767	-	39,247	650,578	-	-	-	13,350	-
Debt service:										
Principal	-	60,442	-	-	-	-	-	-	-	-
Interest	-	27,852	-	-	-	-	-	-	-	-
Bond issuance costs	-	-	-	-	-	-	-	-	-	-
Total expenditures	-	302,315	320,803	612,672	653,505	31,195	231,270	57,197	41,738	55,216
Excess (deficiency) of revenues over expenditures	-	54,123	(276,426)	89,695	47,838	(1,334)	(149,311)	(5,489)	16,462	(8,718)
Other Financing Sources (Uses):										
Transfers in	-	-	305,825	-	-	1,439	145,000	-	-	-
Transfers (out)	-	(7,398)	(498)	(100,000)	-	-	-	-	(17,793)	-
Bond proceeds	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	(7,398)	305,327	(100,000)	-	1,439	145,000	-	(17,793)	-
Net change in fund balance	-	46,725	28,901	(10,305)	47,838	105	(4,311)	(5,489)	(1,331)	(8,718)
Fund balance, beginning of year	2,554	91,639	25,737	670,010	433,960	(45)	6,871	9,855	1,965	10,720
Restatements	-	-	-	-	-	-	-	-	-	-
Fund balance, beginning of year, restated	2,554	91,639	25,737	670,010	433,960	(45)	6,871	9,855	1,965	10,720
Fund balance, end of year	<u>\$ 2,554</u>	<u>\$ 138,364</u>	<u>\$ 54,638</u>	<u>\$ 659,705</u>	<u>\$ 481,798</u>	<u>\$ 60</u>	<u>\$ 2,560</u>	<u>\$ 4,366</u>	<u>\$ 634</u>	<u>\$ 2,002</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
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Special Revenue Funds			Capital Project Funds						
	Sports Complex Fund	Community Development Fund	Total Special Revenue Funds	Park Improvement Fund	Sewer System Improvement Fund	Water System Improvement Fund	Street System Improvement Fund	CIEP Fund	Old Landfill Closure Fund	Sandpoint Landfill Fund
Revenues:										
Local effort taxes	\$ -	\$ -	\$ 701,644	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -
State shared taxes	-	-	27,762	-	-	-	426,181	-	-	-
Intergovernmental	-	165,877	1,401,804	52,975	-	-	175,749	-	-	-
Charges for services	-	-	104,061	5,350	-	-	-	-	-	-
Licenses and permits	-	-	-	-	-	-	96,191	-	-	-
Interest	-	-	197	375	-	-	3,466	-	-	-
Miscellaneous	-	-	3,160	-	-	-	154	-	-	-
Total revenues	-	165,877	2,238,628	58,700	-	-	701,741	-	-	-
Expenditures:										
Current:										
General government	-	-	-	-	-	-	-	-	-	-
Public safety	-	-	537,304	-	-	-	-	-	-	-
Public works	-	-	2,927	-	-	-	573,575	-	-	-
Culture and recreation	19,717	-	913,945	24,387	-	-	-	-	-	-
Health and welfare	-	-	55,216	-	-	-	-	-	-	-
Economic development	-	383	383	-	-	-	-	35,513	-	-
Capital outlay	9,160	165,877	902,979	7,063	-	-	369,817	201,982	-	-
Debt service:										
Principal	-	-	60,442	-	-	-	-	-	-	-
Interest	20	-	27,872	-	-	-	-	-	-	-
Bond issuance costs	-	-	-	-	-	-	-	-	-	-
Total expenditures	28,897	166,260	2,501,068	31,450	-	-	943,392	237,495	-	-
Excess (deficiency) of revenues over expenditures	(28,897)	(383)	(262,440)	27,250	-	-	(241,651)	(237,495)	-	-
Other Financing Sources (Uses):										
Transfers in	-	100,230	552,494	-	-	-	1,098,767	500,000	-	-
Transfers (out)	-	(30,200)	(155,889)	-	-	-	(100,230)	-	-	-
Bond proceeds	-	-	-	-	-	-	-	-	-	-
Total other financing sources (uses)	-	70,030	396,605	-	-	-	998,537	500,000	-	-
Net change in fund balance	(28,897)	69,647	134,165	27,250	-	-	756,886	262,505	-	-
Fund balance, beginning of year	234,472	32,500	1,520,238	82,906	567,046	790,347	564,498	809,907	68,302	64,997
Restatements	-	-	-	-	(567,046)	(790,347)	-	-	(68,302)	(64,997)
Fund balance, beginning of year, restated	234,472	32,500	1,520,238	82,906	-	-	564,498	809,907	-	-
Fund balance, end of year	<u>\$ 205,575</u>	<u>\$ 102,147</u>	<u>\$ 1,654,403</u>	<u>\$ 110,156</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,321,384</u>	<u>\$ 1,072,412</u>	<u>\$ -</u>	<u>\$ -</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
NON-MAJOR GOVERNMENTAL FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Capital Project Funds				Debt Service Funds					Total Non-Major Funds
	Federal Projects Fund	National Cave-Karst Institute Fund	GRT Capital Outlay Fund	Total Capital Project Funds	Sports Complex Fund	2002 Sales Tax Bonds Fund	New Mexico Finance Authority Loan Fund	GRT Capital Outlay Fund	Total Debt Service Funds	
Revenues:										
Local effort taxes	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	\$ 701,644
State shared taxes	-	-	1,618,059	2,044,240	920,441	-	-	-	920,441	2,992,443
Intergovernmental	3,652,696	1,761,210	-	5,642,630	-	-	-	-	-	7,044,434
Charges for services	-	-	-	5,350	-	-	-	-	-	109,411
Licenses and permits	-	-	-	96,191	-	-	-	-	-	96,191
Interest	-	-	-	3,841	-	-	-	-	-	4,038
Miscellaneous	-	-	-	154	364	-	-	-	364	3,678
Total revenues	3,652,696	1,761,210	1,618,059	7,792,406	920,805	-	-	-	920,805	10,951,839
Expenditures:										
Current:										
General government	-	-	-	-	228,354	-	-	-	228,354	228,354
Public safety	-	-	-	-	-	-	-	-	-	537,304
Public works	-	-	-	573,575	-	-	-	-	-	576,502
Culture and recreation	-	-	-	24,387	111,206	-	-	-	111,206	1,049,538
Health and welfare	-	-	-	-	-	-	-	-	-	55,216
Economic development	-	-	-	35,513	-	-	-	-	-	35,896
Capital outlay	3,651,711	1,753,563	2,129,519	8,113,655	38,071	-	-	-	38,071	9,054,705
Debt service:										
Principal	-	-	-	-	366,612	255,000	5,159	1,260,000	1,886,771	1,947,213
Interest	-	-	-	-	57,115	113,344	251	257,334	428,044	455,916
Bond issuance costs	-	-	202,187	202,187	-	-	-	-	-	202,187
Total expenditures	3,651,711	1,753,563	2,331,706	8,949,317	801,358	368,344	5,410	1,517,334	2,692,446	14,142,831
Excess (deficiency) of revenues over expenditures	985	7,647	(713,647)	(1,156,911)	119,447	(368,344)	(5,410)	(1,517,334)	(1,771,641)	(3,190,992)
Other Financing Sources (Uses):										
Transfers in	-	-	-	1,598,767	16,966	368,344	5,410	1,517,334	1,908,054	4,059,315
Transfers (out)	(352,507)	(9,989)	(1,623,324)	(2,086,050)	-	-	-	-	-	(2,241,939)
Bond proceeds	-	-	8,550,000	8,550,000	-	-	-	-	-	8,550,000
Total other financing sources (uses)	(352,507)	(9,989)	6,926,676	8,062,717	16,966	368,344	5,410	1,517,334	1,908,054	10,367,376
Net change in fund balance	(351,522)	(2,342)	6,213,029	6,905,806	136,413	-	-	-	136,413	7,176,384
Fund balance, beginning of year	1,538,812	-	806,260	5,293,075	1,877,321	18,744	-	-	1,896,065	8,709,378
Restatements	-	-	-	(1,490,692)	-	-	-	-	-	(1,490,692)
Fund balance, beginning of year, restated	1,538,812	-	806,260	3,802,383	1,877,321	18,744	-	-	1,896,065	7,218,686
Fund balance, end of year	\$ 1,187,290	\$ (2,342)	\$ 7,019,289	\$ 10,708,189	\$ 2,013,734	\$ 18,744	\$ -	\$ -	\$ 2,032,478	\$ 14,395,070

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
E-911 GRANT SPECIAL REVENUE 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, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance With Final Budget Over (Under)</u>
Revenues:				
Intergovernmental	\$ 25,000	\$ 25,000	\$ -	\$ (25,000)
Expenditures:				
Current:				
Public safety	<u>27,554</u>	<u>27,554</u>	<u>-</u>	<u>27,554</u>
Net change in cash balance	(2,554)	(2,554)	-	2,554
Cash balance, beginning of year	<u>2,554</u>	<u>2,554</u>	<u>2,554</u>	<u>-</u>
Cash balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 2,554</u>	<u>\$ 2,554</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
FIRE PROTECTION SPECIAL REVENUE 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, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
Intergovernmental	\$ 268,254	\$ 354,645	\$ 354,645	\$ -
Miscellaneous	-	1,635	1,634	(1)
Interest	-	-	159	159
Total revenues	<u>268,254</u>	<u>356,280</u>	<u>356,438</u>	<u>158</u>
Expenditures:				
Current:				
Public safety	46,815	154,721	152,512	2,209
Capital outlay	125,750	158,161	56,079	102,082
Debt service:				
Interest	88,291	88,291	88,294	(3)
Total expenditures	<u>260,856</u>	<u>401,173</u>	<u>296,885</u>	<u>104,288</u>
Excess (deficiency) of revenues over expenditures	7,398	(44,893)	59,553	104,446
Other Financing Sources (Uses):				
Transfers (out)	<u>(7,398)</u>	<u>(7,398)</u>	<u>(7,398)</u>	<u>-</u>
Net change in cash balance	-	(52,291)	52,155	104,446
Cash balance, beginning of year	-	-	-	-
Restricted investments converted to cash	<u>88,134</u>	<u>88,134</u>	<u>88,134</u>	<u>-</u>
Cash balance, beginning of year, restated	<u>88,134</u>	<u>88,134</u>	<u>88,134</u>	<u>-</u>
Cash balance, end of year	<u><u>\$ 88,134</u></u>	<u><u>\$ 35,843</u></u>	<u><u>\$ 140,289</u></u>	<u><u>\$ 104,446</u></u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
RECREATION SPECIAL REVENUE 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, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
State shared taxes	\$ 27,810	\$ 27,810	\$ 26,151	\$ (1,659)
Intergovernmental	167,000	-	-	-
Charges for services	15,890	15,890	15,658	(232)
Total revenues	210,700	43,700	41,809	(1,891)
Expenditures:				
Current:				
Culture and recreation	324,411	330,536	318,711	11,825
Capital outlay	170,000	-	-	-
Total expenditures	494,411	330,536	318,711	11,825
Excess (deficiency) of revenues over expenditures	(283,711)	(286,836)	(276,902)	9,934
Other Financing Sources (Uses):				
Transfers in	275,000	305,825	305,825	-
Transfers (out)	(498)	(498)	(498)	-
Total other financing sources (uses)	274,502	305,327	305,327	-
Net change in cash balance	(9,209)	18,491	28,425	9,934
Cash balance, beginning of year	37,801	37,801	37,801	-
Cash balance, end of year	\$ 28,592	\$ 56,292	\$ 66,226	\$ 9,934

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
LODGERS' TAX SPECIAL REVENUE 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, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
Local effort taxes	\$ 700,000	\$ 700,000	\$ 695,345	\$ (4,655)
Miscellaneous	-	-	685	685
Interest	-	-	38	38
Total revenues	700,000	700,000	696,068	(3,932)
Expenditures:				
Current:				
Culture and recreation	724,124	723,307	565,611	157,696
Capital outlay	20,000	49,508	48,782	726
Total expenditures	744,124	772,815	614,393	158,422
Excess (deficiency) of revenues over expenditures	(44,124)	(72,815)	81,675	154,490
Other Financing Sources (Uses):				
Transfers (out)	(100,000)	(100,000)	(100,000)	-
Net change in cash balance	(144,124)	(172,815)	(18,325)	154,490
Cash balance, beginning of year	630,916	630,916	630,916	-
Cash balance, end of year	<u>\$ 486,792</u>	<u>\$ 458,101</u>	<u>\$ 612,591</u>	<u>\$ 154,490</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
AIRPORT SPECIAL REVENUE 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, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
Intergovernmental	\$ 644,769	\$ 708,870	\$ 679,002	\$ (29,868)
Charges for services	6,373	6,373	4,733	(1,640)
Total revenues	651,142	715,243	683,735	(31,508)
Expenditures:				
Current:				
Public works	22,859	22,859	-	22,859
Capital outlay	939,593	1,232,549	653,505	579,044
Total expenditures	962,452	1,255,408	653,505	601,903
Excess (deficiency) of revenues over expenditures	(311,310)	(540,165)	30,230	570,395
Other Financing Sources (Uses):				
Transfers in	300,000	300,000	-	(300,000)
Net change in cash balance	(11,310)	(240,165)	30,230	270,395
Cash balance, beginning of year	433,960	433,960	433,960	-
Cash balance, end of year	<u>\$ 422,650</u>	<u>\$ 193,795</u>	<u>\$ 464,190</u>	<u>\$ 270,395</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
EMERGENCY MEDICAL SPECIAL REVENUE 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, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
Intergovernmental	\$ 25,000	\$ 29,801	\$ 29,861	\$ 60
Expenditures:				
Current:				
Public safety	20,060	23,497	23,499	(2)
Capital outlay	5,000	7,803	7,801	2
Total expenditures	<u>25,060</u>	<u>31,300</u>	<u>31,300</u>	<u>-</u>
Excess (deficiency) of revenues over expenditures	(60)	(1,499)	(1,439)	60
Other Financing Sources (Uses):				
Transfers in	<u>-</u>	<u>1,439</u>	<u>1,439</u>	<u>-</u>
Net change in cash balance	(60)	(60)	-	60
Cash balance, beginning of year	<u>60</u>	<u>60</u>	<u>60</u>	<u>-</u>
Cash balance, end of year	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 60</u></u>	<u><u>\$ 60</u></u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
LOCAL GOVERNMENT SPECIAL REVENUE 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, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance With Final Budget Over (Under)</u>
Revenues:				
Charges for services	\$ 130,000	\$ 130,000	\$ 90,882	\$ (39,118)
Expenditures:				
Current:				
Public safety	<u>300,000</u>	<u>300,000</u>	<u>245,652</u>	<u>54,348</u>
Excess (deficiency) of revenues over expenditures	(170,000)	(170,000)	(154,770)	15,230
Other Financing Sources (Uses):				
Transfers in	<u>145,000</u>	<u>145,000</u>	<u>145,000</u>	<u>-</u>
Net change in cash balance	(25,000)	(25,000)	(9,770)	15,230
Cash balance, beginning of year	<u>27,873</u>	<u>27,873</u>	<u>27,873</u>	<u>-</u>
Cash balance, end of year	<u>\$ 2,873</u>	<u>\$ 2,873</u>	<u>\$ 18,103</u>	<u>\$ 15,230</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
SPECIAL POLICE PROGRAM SPECIAL REVENUE 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, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
Intergovernmental	\$ -	\$ 55,052	\$ 50,867	\$ (4,185)
Miscellaneous	-	-	841	841
Total revenues	-	55,052	51,708	(3,344)
Expenditures:				
Current:				
Public safety	9,439	13,491	7,940	5,551
Capital outlay	-	51,000	49,257	1,743
Total expenditures	9,439	64,491	57,197	7,294
Net change in cash balance	(9,439)	(9,439)	(5,489)	3,950
Cash balance, beginning of year	9,855	9,855	9,855	-
Cash balance, end of year	<u>\$ 416</u>	<u>\$ 416</u>	<u>\$ 4,366</u>	<u>\$ 3,950</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
LAW ENFORCEMENT SPECIAL REVENUE 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, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
Intergovernmental	\$ 58,200	\$ 58,200	\$ 58,200	\$ -
Expenditures:				
Current:				
Public safety	36,000	37,928	36,989	939
Capital outlay	6,372	4,444	4,444	-
Total expenditures	42,372	42,372	41,433	939
Excess (deficiency) of revenues over expenditures	15,828	15,828	16,767	939
Other Financing Sources (Uses):				
Transfers (out)	(17,793)	(17,793)	(17,793)	-
Net change in cash balance	(1,965)	(1,965)	(1,026)	939
Cash balance, beginning of year	1,965	1,965	1,965	-
Cash balance, end of year	\$ -	\$ -	\$ 939	\$ 939

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
 RETIRED SENIOR VOLUNTEER PROGRAM SPECIAL REVENUE 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, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance With Final Budget Over (Under)</u>
Revenues:				
Intergovernmental	\$ 52,686	\$ 52,686	\$ 51,842	\$ (844)
Expenditures:				
Current:				
Public safety	<u>56,678</u>	<u>56,678</u>	<u>55,209</u>	<u>1,469</u>
Net change in cash balance	(3,992)	(3,992)	(3,367)	625
Cash balance, beginning of year	<u>6,515</u>	<u>6,515</u>	<u>6,515</u>	<u>-</u>
Cash balance, end of year	<u><u>\$ 2,523</u></u>	<u><u>\$ 2,523</u></u>	<u><u>\$ 3,148</u></u>	<u><u>\$ 625</u></u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
SPORTS COMPLEX SPECIAL REVENUE 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, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Current:				
Public safety	35,510	35,510	19,062	16,448
Capital outlay	226,414	226,414	125,363	101,051
Debt service:				
Interest	-	-	20	(20)
Total expenditures	<u>261,924</u>	<u>261,924</u>	<u>144,445</u>	<u>117,479</u>
Net change in cash balance	(261,924)	(261,924)	(144,445)	117,479
Cash balance, beginning of year	350,048	350,048	350,048	-
Restricted investments converted to cash	<u>20</u>	<u>20</u>	<u>20</u>	<u>-</u>
Cash balance, beginning of year, restated	<u>350,068</u>	<u>350,068</u>	<u>350,068</u>	<u>-</u>
Cash balance, end of year	<u>\$ 88,144</u>	<u>\$ 88,144</u>	<u>\$ 205,623</u>	<u>\$ 117,479</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
COMMUNITY DEVELOPMENT SPECIAL REVENUE 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, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
Intergovernmental	\$ 432,500	\$ 432,500	\$ 32,500	\$ 400,000
Expenditures:				
Current:				
Economic development	2,300	2,300	383	1,917
Capital outlay	1,838,000	1,838,000	98,911	1,739,089
Total expenditures	<u>1,840,300</u>	<u>1,840,300</u>	<u>99,294</u>	<u>1,741,006</u>
Excess (deficiency) of revenues over expenditures	(1,407,800)	(1,407,800)	(66,794)	1,341,006
Other Financing Sources (Uses):				
Transfers in	1,438,000	1,438,000	100,230	(1,337,770)
Transfers (out)	<u>(30,200)</u>	<u>(30,200)</u>	<u>(30,200)</u>	<u>-</u>
Total other financing sources (uses)	<u>1,407,800</u>	<u>1,407,800</u>	<u>70,030</u>	<u>(1,337,770)</u>
Net change in cash balance	-	-	3,236	3,236
Cash balance, beginning of year	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Cash balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 3,236</u>	<u>\$ 3,236</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
RECONCILIATION OF THE BUDGETARY COMPARISON STATEMENTS
TO THE STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	E-911 Fund	Fire Protection Fund	Recreation Fund	Lodgers' Tax Fund
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Sources/Inflows of Resources:				
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison statement.	\$ -	\$ 356,438	\$ 41,809	\$ 696,068
Differences - Budget to GAAP:				
Accrual of revenues and associated receivables that are not considered an inflow or revenues for the budgetary basis but are considered revenues for financial reporting purposes.	<u>-</u>	<u>-</u>	<u>2,568</u>	<u>6,299</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - special revenue funds	<u>\$ -</u>	<u>\$ 356,438</u>	<u>\$ 44,377</u>	<u>\$ 702,367</u>
Uses/Outflows of Resources:				
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement.	\$ -	\$ 296,885	\$ 318,711	\$ 614,393
Differences - Budget to GAAP:				
The City budgets for claims and expenses paid for during the current accounting period. Accrual of liabilities are not included in the budgetary basis but are expenditures for financial reporting purposes.	-	5,430	1,695	(1,721)
The City budgets for salaries paid for during the current accounting period. Accrual of salaries are not included in the budgetary basis but are expenditures for financial reporting purposes.	<u>-</u>	<u>-</u>	<u>397</u>	<u>-</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - special revenue funds	<u>\$ -</u>	<u>\$ 302,315</u>	<u>\$ 320,803</u>	<u>\$ 612,672</u>
Other Sources (Uses) of Resources:				
Actual amounts (budgetary basis) "transfers in and (out)" from the budgetary comparison statement.	\$ -	\$ (7,398)	\$ 305,327	\$ (100,000)
Differences - Budget to GAAP:				
None.	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses) as reported on the statement of revenues, expenditures and changes in fund balances - special revenue funds	<u>\$ -</u>	<u>\$ (7,398)</u>	<u>\$ 305,327</u>	<u>\$ (100,000)</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
RECONCILIATION OF THE BUDGETARY COMPARISON STATEMENTS
TO THE STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Airport Fund	Emergency Medical Services Fund	Local Government Corrections Fund	Special Police Program Fund
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Sources/Inflows of Resources:				
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison statement.	\$ 683,735	\$ 29,861	\$ 90,882	\$ 51,708
Differences - Budget to GAAP:				
Accrual of revenues and associated receivables that are not considered an inflow or revenues for the budgetary basis but are considered revenues for financial reporting purposes.	<u>17,608</u>	<u>-</u>	<u>(8,923)</u>	<u>-</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - special revenue funds	<u>\$ 701,343</u>	<u>\$ 29,861</u>	<u>\$ 81,959</u>	<u>\$ 51,708</u>
Uses/Outflows of Resources:				
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement.	\$ 653,505	\$ 31,300	\$ 245,652	\$ 57,197
Differences - Budget to GAAP:				
The City budgets for claims and expenses paid for during the current accounting period. Accrual of liabilities are not included in the budgetary basis but are expenditures for financial reporting purposes.	<u>-</u>	<u>(105)</u>	<u>(14,382)</u>	<u>-</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - special revenue funds	<u>\$ 653,505</u>	<u>\$ 31,195</u>	<u>\$ 231,270</u>	<u>\$ 57,197</u>
Other Sources (Uses) of Resources:				
Actual amounts (budgetary basis) "transfers in and (out)" from the budgetary comparison statement.	\$ -	\$ 1,439	\$ 145,000	\$ -
Differences - Budget to GAAP:				
None.	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses) as reported on the statement of revenues, expenditures and changes in fund balances - special revenue funds	<u>\$ -</u>	<u>\$ 1,439</u>	<u>\$ 145,000</u>	<u>\$ -</u>

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

**STATE OF NEW MEXICO
CITY OF CARLSBAD**

**RECONCILIATION OF THE BUDGETARY COMPARISON STATEMENTS
TO THE STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES SPECIAL REVENUE FUNDS
FOR THE YEAR ENDED JUNE 30, 2010**

	Law Enforcement Protection Fund	RSVP Program Fund	Sports Complex Fund	Community Development Fund
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Sources/Inflows of Resources:				
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison statement.	\$ 58,200	\$ 51,842	\$ -	\$ 32,500
Differences - Budget to GAAP:				
Accrual of revenues and associated receivables that are not considered an inflow or revenues for the budgetary basis but are considered revenues for financial reporting purposes.	<u>-</u>	<u>(5,344)</u>	<u>-</u>	<u>133,377</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - special revenue funds	<u>\$ 58,200</u>	<u>\$ 46,498</u>	<u>\$ -</u>	<u>\$ 165,877</u>
Uses/Outflows of Resources:				
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement.	\$ 41,433	\$ 55,209	\$ 144,445	\$ 99,294
Differences - Budget to GAAP:				
The City budgets for claims and expenses paid for during the current accounting period. Accrual of liabilities are not included in the budgetary basis but are expenditures for financial reporting purposes.	305	(213)	(115,548)	66,966
The City budgets for salaries paid for during the current accounting period. Accrual of salaries are not included in the budgetary basis but are expenditures for financial reporting purposes.	<u>-</u>	<u>220</u>	<u>-</u>	<u>-</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - special revenue funds	<u>\$ 41,738</u>	<u>\$ 55,216</u>	<u>\$ 28,897</u>	<u>\$ 166,260</u>
Other Sources (Uses) of Resources:				
Actual amounts (budgetary basis) "transfers in and (out)" from the budgetary comparison statement.	\$ (17,793)	\$ -	\$ -	\$ 70,030
Differences - Budget to GAAP:				
None.	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financing sources (uses) as reported on the statement of revenues, expenditures and changes in fund balances - special revenue funds	<u>\$ (17,793)</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 70,030</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
STATE LEGISLATIVE CAPITAL PROJECT 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, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
Intergovernmental	\$ 11,056,428	\$ 11,311,428	\$ 8,488,761	\$ (2,822,667)
Miscellaneous	202	202	-	(202)
Total revenue	11,056,630	11,311,630	8,488,761	(2,822,869)
Expenditures:				
Current:				
Public works	86,000	86,000	9,634	76,366
Capital outlay	6,568,815	6,823,852	4,581,495	2,242,357
Total expenditures	6,654,815	6,909,852	4,591,129	2,318,723
Excess (deficiency) of revenues over expenditures	4,401,815	4,401,778	3,897,632	(504,146)
Other Financing Sources (Uses):				
Transfers in	9,989	10,026	10,025	(1)
Net change in cash balance	4,411,804	4,411,804	3,907,657	(504,147)
Cash balance, beginning of year	-	-	-	-
Cash repaid to joint water and sewer fund	-	-	(4,401,818)	(4,401,818)
Cash advanced from joint water and sewer fund	-	-	508,004	508,004
Cash balance, end of year	<u>\$ 4,411,804</u>	<u>\$ 4,411,804</u>	<u>\$ 13,843</u>	<u>\$ (4,397,961)</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
NATIONAL CAVE-KARST INSTITUTE CAPITAL PROJECT 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, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Expenditures:				
Current:				
Capital outlay	\$ 1,761,210	\$ 1,751,221	\$ 1,734,540	\$ 16,681
Excess (deficiency) of revenues over expenditures	(1,761,210)	(1,751,221)	(1,734,540)	16,681
Other Financing Sources (Uses):				
Transfers (out)	-	(9,989)	(9,989)	-
Net change in cash balance	(1,761,210)	(1,761,210)	(1,744,529)	16,681
Cash balance, beginning of year	1,761,210	1,761,210	1,761,210	-
Cash balance, end of year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 16,681</u>	<u>\$ 16,681</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
PARK IMPROVEMENT CAPITAL PROJECT 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, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
Intergovernmental	\$ 26,000	\$ 189,000	\$ 34,156	\$ (154,844)
Charges for services	4,000	4,000	5,350	1,350
Interest	-	-	375	375
Total revenue	30,000	193,000	39,881	(153,119)
Expenditures:				
Current:				
Culture and recreation	33,200	33,200	24,387	8,813
Capital outlay	45,000	208,000	7,063	200,937
Total expenditures	78,200	241,200	31,450	209,750
Net change in cash balance	(48,200)	(48,200)	8,431	56,631
Cash balance, beginning of year	82,906	82,906	82,906	-
Cash balance, end of year	<u>\$ 34,706</u>	<u>\$ 34,706</u>	<u>\$ 91,337</u>	<u>\$ 56,631</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
SEWER SYSTEM IMPROVEMENT CAPITAL PROJECT 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, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Current:				
Public works	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	-	-
Other Financing Sources (Uses):				
Bond proceeds	-	-	-	-
Net change in cash balance	-	-	-	-
Cash balance, beginning of year	-	-	567,046	(567,046)
Restatement beginning cash balance	-	-	(567,046)	567,046
Cash balance, end of year	\$ -	\$ -	\$ -	\$ -

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
WATER SYSTEM IMPROVEMENT CAPITAL PROJECT 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, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Interest	-	-	-	-
Total revenue	-	-	-	-
Expenditures:				
Current:				
Public works	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	-	-
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Net change in cash balance	-	-	-	-
Cash balance, beginning of year	-	-	797,361	(797,361)
Restatement beginning cash balance	-	-	(797,361)	797,361
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
STREET SYSTEM IMPROVEMENT CAPITAL PROJECT 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, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
State shared taxes	\$ 402,600	\$ 402,600	\$ 416,850	\$ 14,250
Intergovernmental	854,216	854,216	774,125	(80,091)
Licenses and permits	64,500	64,500	90,328	25,828
Miscellaneous	-	-	154	154
Interest	-	-	3,466	3,466
Total revenues	1,321,316	1,321,316	1,284,923	(36,393)
Expenditures:				
Current:				
Public works	550,400	550,400	534,757	15,643
Capital outlay	1,822,708	1,719,687	229,427	1,490,260
Total expenditures	2,373,108	2,270,087	764,184	1,505,903
Excess (deficiency) of revenues over expenditures	(1,051,792)	(948,771)	520,739	1,469,510
Other Financing Sources (Uses):				
Transfers in	2,500,000	2,500,000	950,000	(1,550,000)
Transfers (out)	(1,438,000)	(1,438,000)	(100,230)	1,337,770
Total other financing sources (uses)	1,062,000	1,062,000	849,770	(212,230)
Net change in cash balance	10,208	113,229	1,370,509	1,257,280
Cash balance, beginning of year	1,622	1,622	1,622	-
Cash balance, end of year	<u>\$ 11,830</u>	<u>\$ 114,851</u>	<u>\$ 1,372,131</u>	<u>\$ 1,257,280</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
CIEP CAPITAL PROJECT 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, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance With Final Budget Over (Under)</u>
Revenues:				
Intergovernmental	\$ 25,000	\$ 25,000	\$ -	\$ (25,000)
Expenditures:				
Current:				
Economic development	54,000	54,000	34,906	19,094
Capital outlay	<u>1,200,000</u>	<u>1,235,000</u>	<u>197,715</u>	<u>1,037,285</u>
Total expenditures	<u>1,254,000</u>	<u>1,289,000</u>	<u>232,621</u>	<u>1,056,379</u>
Excess (deficiency) of revenues over expenditures	(1,229,000)	(1,264,000)	(232,621)	1,031,379
Other Financing Sources (Uses):				
Transfers in	<u>500,000</u>	<u>500,000</u>	<u>500,000</u>	<u>-</u>
Net change in cash balance	(729,000)	(764,000)	267,379	1,031,379
Cash balance, beginning of year	<u>811,990</u>	<u>811,990</u>	<u>811,990</u>	<u>-</u>
Cash balance, end of year	<u>\$ 82,990</u>	<u>\$ 47,990</u>	<u>\$ 1,079,369</u>	<u>\$ 1,031,379</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
OLD LANDFILL CLOSURE CAPITAL PROJECT 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, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Interest	-	-	-	-
Total revenue	-	-	-	-
Expenditures:				
Current:				
Public works	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	-	-
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Net change in cash balance	-	-	-	-
Cash balance, beginning of year	-	-	80,730	(80,730)
Restatement beginning cash balance	-	-	(80,730)	80,730
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
SANDPOINT LANDFILL CAPITAL PROJECT 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, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
Intergovernmental	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Current:				
Public works	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	-	-
Other Financing Sources (Uses):				
Transfers in	-	-	-	-
Net change in cash balance	-	-	-	-
Cash balance, beginning of year	-	-	65,684	(65,684)
Restatement beginning cash balance	-	-	(65,684)	65,684
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
FEDERAL PROJECTS CAPITAL PROJECT 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, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
Intergovernmental	\$ 5,108,034	\$ 7,013,276	\$ 4,922,198	\$ (2,091,078)
Expenditures:				
Current:				
General government	-	11,335	-	11,335
Capital outlay	3,928,744	6,414,734	3,727,463	2,687,271
Total expenditures	3,928,744	6,426,069	3,727,463	2,698,606
Excess (deficiency) of revenues over expenditures	1,179,290	587,207	1,194,735	607,528
Other Financing Sources (Uses):				
Transfers (out)	(1,180,583)	(1,180,583)	(180,583)	1,000,000
Loan proceeds	-	592,083	-	(592,083)
Total other financing sources (uses)	(1,180,583)	(588,500)	(180,583)	407,917
Net change in cash balance	(1,293)	(1,293)	1,014,152	1,015,445
Cash balance, beginning of year	1,293	1,293	1,293	-
Cash balance, end of year	\$ -	\$ -	\$ 1,015,445	\$ 1,015,445

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
GRT CAPITAL OUTLAY CAPITAL PROJECT 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, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance With Final Budget Over (Under)</u>
Revenues:				
State shared taxes	\$ 1,620,000	\$ 1,620,000	\$ 1,571,965	\$ (48,035)
Expenditures:				
Capital outlay	19,776,863	19,574,676	2,201,970	17,372,706
Debt service:				
Bond issuance costs	<u>-</u>	<u>202,187</u>	<u>202,187</u>	<u>-</u>
Total expenditures	<u>19,776,863</u>	<u>19,776,863</u>	<u>2,404,157</u>	<u>17,372,706</u>
Excess (deficiency) of revenues over expenditures	(18,156,863)	(18,156,863)	(832,192)	17,324,671
Other Financing Sources (Uses):				
Transfers (out)	(1,517,335)	(1,517,335)	(1,517,334)	1
Loan proceeds	<u>19,200,000</u>	<u>19,200,000</u>	<u>8,550,000</u>	<u>(10,650,000)</u>
Total other financing sources (uses)	<u>17,682,665</u>	<u>17,682,665</u>	<u>7,032,666</u>	<u>(10,649,999)</u>
Net change in cash balance	(474,198)	(474,198)	6,200,474	6,674,672
Cash balance, beginning of year	<u>539,662</u>	<u>539,662</u>	<u>539,662</u>	<u>-</u>
Cash balance, end of year	<u>\$ 65,464</u>	<u>\$ 65,464</u>	<u>\$ 6,740,136</u>	<u>\$ 6,674,672</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
RECONCILIATION OF THE BUDGETARY COMPARISON STATEMENTS
TO THE STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES CAPITAL PROJECT FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	State Legislative Fund	National Cave-Karst Institute Fund	Park Improvement Fund	Sewer System Improvement Fund
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Sources/Inflows of Resources:				
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison statement.	\$ 8,488,761	\$ 1,734,540	\$ 39,881	\$ -
Differences - Budget to GAAP:				
Accrual of revenues and associated receivables that are not considered an inflow or revenues for the budgetary basis but are considered revenues for financial reporting purposes.	<u>(2,201,427)</u>	<u>26,670</u>	<u>18,819</u>	<u>-</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - capital project funds.	<u>\$ 6,287,334</u>	<u>\$ 1,761,210</u>	<u>\$ 58,700</u>	<u>\$ -</u>
Uses/Outflows of Resources:				
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement.	\$ 4,591,129	\$ 1,734,540	\$ 31,450	\$ -
Differences - Budget to GAAP:				
The City budgets for claims and expenses paid for during the current accounting period. Accrual of liabilities are not included in the budgetary basis but are expenditures for financial reporting purposes.	<u>(1,139,737)</u>	<u>19,023</u>	<u>-</u>	<u>-</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - capital project funds.	<u>\$ 3,451,392</u>	<u>\$ 1,753,563</u>	<u>\$ 31,450</u>	<u>\$ -</u>
Other Sources (Uses) of Resources:				
Actual amounts (budgetary basis) "transfers in and (out)" from the budgetary comparison statement.	\$ 10,025	\$ (9,989)	\$ -	\$ -
Differences - Budget to GAAP:				
The City budgets for capital improvements to the various funds within the capital project funds. The City chose to transfer the amount capitalized within the various funds. Such a transfer is not reflected on the budgetary basis, however, it is recorded for financial reporting purposes.	<u>(1,308,810)</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total other financial sources (uses) as reported on the statement of revenues, expenditures and changes in fund balances - capital project funds.	<u>\$ (1,298,785)</u>	<u>\$ (9,989)</u>	<u>\$ -</u>	<u>\$ -</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
RECONCILIATION OF THE BUDGETARY COMPARISON STATEMENTS
TO THE STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES CAPITAL PROJECT FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Water System Improvement Fund	Street System Improvement Fund	CIEP Fund	Old Landfill Fund
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Sources/Inflows of Resources:				
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison statement.	\$ -	\$ 1,284,923	\$ -	\$ -
Differences - Budget to GAAP:				
Accrual of revenues and associated receivables that are not considered an inflow or revenues for the budgetary basis but are considered revenues for financial reporting purposes.	<u>-</u>	<u>(583,182)</u>	<u>-</u>	<u>-</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - capital project funds.	<u><u>\$ -</u></u>	<u><u>\$ 701,741</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Uses/Outflows of Resources:				
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement.	\$ -	\$ 764,184	\$ 232,621	\$ -
Differences - Budget to GAAP:				
The City budgets for claims and expenses paid for during the current accounting period. Accrual of liabilities are not included in the budgetary basis but are expenditures for financial reporting purposes.	<u>-</u>	<u>179,208</u>	<u>4,874</u>	<u>-</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - capital project funds.	<u><u>\$ -</u></u>	<u><u>\$ 943,392</u></u>	<u><u>\$ 237,495</u></u>	<u><u>\$ -</u></u>
Other Sources (Uses) of Resources:				
Actual amounts (budgetary basis) "transfers in and (out)" from the budgetary comparison statement.	\$ -	\$ 849,770	\$ 500,000	\$ -
Differences - Budget to GAAP:				
The City budgets for capital improvements to the various funds within the capital project funds. The City chose to transfer the amount capitalized within the various funds. Such a transfer is not reflected on the budgetary basis, however, it is recorded for financial reporting purposes.	<u>-</u>	<u>148,767</u>	<u>-</u>	<u>-</u>
Total other financial sources (uses) as reported on the statement of revenues, expenditures and changes in fund balances - capital project funds.	<u><u>\$ -</u></u>	<u><u>\$ 998,537</u></u>	<u><u>\$ 500,000</u></u>	<u><u>\$ -</u></u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
RECONCILIATION OF THE BUDGETARY COMPARISON STATEMENTS
TO THE STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES CAPITAL PROJECT FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Sandpoint Landfill Fund	Federal Projects Fund	GRT Capital Outlay Fund
	<u> </u>	<u> </u>	<u> </u>
Sources/Inflows of Resources:			
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison statement.	\$ -	\$ 4,922,198	\$ 1,571,965
Differences - Budget to GAAP:			
Accrual of revenues and associated receivables that are not considered an inflow or revenues for the budgetary basis but are considered revenues for financial reporting purposes.	<u>-</u>	<u>(1,269,502)</u>	<u>46,094</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - capital project funds.	<u>\$ -</u>	<u>\$ 3,652,696</u>	<u>\$ 1,618,059</u>
Uses/Outflows of Resources:			
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement.	\$ -	\$ 3,727,463	\$ 2,404,157
Differences - Budget to GAAP:			
The City budgets for claims and expenses paid for during the current accounting period. Accrual of liabilities are not included in the budgetary basis but are expenditures for financial reporting purposes.	<u>-</u>	<u>(75,752)</u>	<u>(72,451)</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - capital project funds.	<u>\$ -</u>	<u>\$ 3,651,711</u>	<u>\$ 2,331,706</u>
Other Sources (Uses) of Resources:			
Actual amounts (budgetary basis) "transfers in and (out)" from the budgetary comparison statement.	\$ -	\$ (180,583)	\$ 7,032,666
Differences - Budget to GAAP:			
The City budgets for capital improvements to the various funds within the capital project funds. The City chose to transfer the amount capitalized within the various funds. Such a transfer is not reflected on the budgetary basis, however, it is recorded for financial reporting purposes.	<u>-</u>	<u>(171,924)</u>	<u>(105,990)</u>
Total other financial sources (uses) as reported on the statement of revenues, expenditures and changes in fund balances - capital project funds.	<u>\$ -</u>	<u>\$ (352,507)</u>	<u>\$ 6,926,676</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
SPORTS COMPLEX DEBT SERVICE 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, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance With Final Budget Over (Under)</u>
Revenues:				
State shared taxes	\$ 1,000,000	\$ 1,000,000	\$ 888,745	\$ (111,255)
Expenditures:				
Current:				
General government	233,788	243,572	222,746	20,826
Culture and recreation	136,930	131,717	103,559	28,158
Capital outlay	91,300	51,113	42,362	8,751
Debt service				
Interest	<u>428,275</u>	<u>428,275</u>	<u>428,255</u>	<u>20</u>
Total expenditures	<u>890,293</u>	<u>854,677</u>	<u>796,922</u>	<u>57,755</u>
Excess (deficiency) of revenues over expenditures	109,707	145,323	91,823	(53,500)
Other Financing Sources (Uses):				
Transfers in	<u>-</u>	<u>16,403</u>	<u>16,403</u>	<u>-</u>
Net change in cash balance	109,707	161,726	108,226	(53,500)
Cash balance, beginning of year	<u>1,469,901</u>	<u>1,469,901</u>	<u>1,469,901</u>	<u>-</u>
Cash balance, end of year	<u>\$ 1,579,608</u>	<u>\$ 1,631,627</u>	<u>\$ 1,578,127</u>	<u>\$ (53,500)</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
2002 SALES TAX BONDS DEBT SERVICE 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, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Expenditures:				
Current:				
Debt service:				
Principal	\$ 255,000	\$ 255,000	\$ 255,000	\$ -
Interest	113,344	113,344	113,344	-
Total expenditures	368,344	368,344	368,344	-
Other Financing Sources (Uses):				
Transfers in	368,344	368,344	368,344	-
Net change in cash balance	-	-	-	-
Cash balance, beginning of year	18,744	18,744	18,744	-
Cash balance, end of year	\$ 18,744	\$ 18,744	\$ 18,744	\$ -

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
 NM FINANCE AUTHORITY LOAN DEBT SERVICE 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, 2010

	<u>Original Budget</u>	<u>Final Budget</u>	<u>Actual on Budgetary Basis</u>	<u>Variance With Final Budget Over (Under)</u>
Revenues:				
Miscellaneous	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Debt service:				
Principal	5,159	5,159	-	5,159
Interest	<u>251</u>	<u>251</u>	<u>-</u>	<u>251</u>
Total expenditures	<u>5,410</u>	<u>5,410</u>	<u>-</u>	<u>5,410</u>
Excess (deficiency) of revenues over expenditures	(5,410)	(5,410)	-	5,410
Other Financing Sources (Uses):				
Transfers in	<u>5,410</u>	<u>5,410</u>	<u>-</u>	<u>(5,410)</u>
Net change in cash balance	-	-	-	-
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>	<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
GRT CAPITAL OUTLAY DEBT SERVICE 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, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Revenues:				
Miscellaneous	\$ -	\$ -	\$ -	\$ -
Expenditures:				
Debt service:				
Principal	1,260,000	1,260,000	1,260,000	-
Interest	257,335	257,335	257,334	1
Total expenditures	<u>1,517,335</u>	<u>1,517,335</u>	<u>1,517,334</u>	<u>1</u>
Excess (deficiency) of revenues over expenditures	(1,517,335)	(1,517,335)	(1,517,334)	1
Other Financing Sources (Uses):				
Transfers in	<u>1,517,335</u>	<u>1,517,335</u>	<u>1,517,334</u>	<u>(1)</u>
Net change in cash balance	-	-	-	-
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>	<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
RECONCILIATION OF THE BUDGETARY COMPARISON STATEMENTS
TO THE STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES DEBT SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Sports Complex Fund	2002 Sales Tax Bonds Fund	New Mexico Finance Authority Loan Fund	Capital Outlay GRT Fund
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Sources/Inflows of Resources:				
Actual amounts (budgetary basis) "available for appropriation" from the budgetary comparison statement.	\$ 888,745	\$ -	\$ -	\$ -
Differences - Budget to GAAP:				
Accrual of revenues and associated receivables that are not considered an inflow or revenues for the budgetary basis but are considered revenues for financial reporting purposes.	31,696	-	-	-
Interest income earned within debt reserve accounts are considered available for budgetary purposes while the revenue is included for financial reporting purposes.	<u>364</u>	<u>-</u>	<u>-</u>	<u>-</u>
Total revenues as reported on the statement of revenues, expenditures and changes in fund balances - debt service funds.	<u><u>\$ 920,805</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>	<u><u>\$ -</u></u>
Uses/Outflows of Resources:				
Actual amounts (budgetary basis) "total charges to appropriations" from the budgetary comparison statement.	\$ 796,922	\$ 368,344	\$ -	\$ 1,517,334
Differences - Budget to GAAP:				
The City budgets for claims and expenses paid for during the current accounting period. Accrual of liabilities are not included in the budgetary basis but are expenditures for financial reporting purposes.	(1,736)	-	-	-
The City budgets for salaries paid for during the current accounting period. Accrual of salaries are not included in the budgetary basis but are expenditures for financial reporting purposes.	5,609	-	-	-
The City budgeted for capital outlay within the joint water and sewer fund for the sports complex fund. The capital outlay was reclassified and recorded as an expenditure for financial reporting purposes.	563	-	-	-
In the prior year, the City budgeted the loan activity within the joint water and sewer fund. The loan activity was reclassified in the current year and recorded as an expenditure for financial reporting purposes.	<u>-</u>	<u>-</u>	<u>5,410</u>	<u>-</u>
Total expenditures as reported on the statement of revenues, expenditures and changes in fund balances - debt service funds.	<u><u>\$ 801,358</u></u>	<u><u>\$ 368,344</u></u>	<u><u>\$ 5,410</u></u>	<u><u>\$ 1,517,334</u></u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
RECONCILIATION OF THE BUDGETARY COMPARISON STATEMENTS
TO THE STATEMENTS OF REVENUES, EXPENDITURES AND
CHANGES IN FUND BALANCES DEBT SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Sports Complex Fund	2002 Sales Tax Bonds Fund	New Mexico Finance Authority Loan Fund	Capital Outlay GRT Fund
	<u> </u>	<u> </u>	<u> </u>	<u> </u>
Other Sources (Uses) of Resources:				
Actual amounts (budgetary basis) "transfers in (out)" from the budgetary comparison statement.	\$ 16,403	\$ 368,344	\$ -	\$ 1,517,334
Differences - Budget to GAAP:				
The City budgeted for capital outlay within the joint water and sewer fund for the sports complex fund. The capital outlay was reclassified and recorded as a transfer in for financial reporting purposes.	563	-	-	-
In the prior year, the City budgeted the loan activity within the joint water and sewer fund. The loan activity was reclassified in the current year and recorded as a transfer in for financial reporting purposes.	<u>-</u>	<u>-</u>	<u>5,410</u>	<u>-</u>
Total other financing sources (uses) as reported on the statement of revenues, expenditures and changes in fund balances - debt service funds.	<u>\$ 16,966</u>	<u>\$ 368,344</u>	<u>\$ 5,410</u>	<u>\$ 1,517,334</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
COMBINING STATEMENT OF NET ASSETS
NON-MAJOR ENTERPRISE FUNDS
JUNE 30, 2010

	Museum Gift Shop Fund	Municipal Transit Fund	Performing Arts Center Fund	Cemetery Fund	Total
Assets:					
Current assets:					
Cash	\$ 26,593	\$ 102,947	\$ 32,554	\$ 192,634	\$ 354,728
Receivables (net of allowance):					
Accounts	-	35,312	-	-	35,312
Intergovernmental	4,491	-	-	-	4,491
Non-current assets:					
Land	-	49,851	110,000	41,626	201,477
Construction in progress	-	-	-	131,712	131,712
Buildings	-	713,694	1,908,084	391,968	3,013,746
Improvements	-	-	-	304,068	304,068
Equipment	-	751,227	137,441	320	888,988
Less accumulated depreciation	-	(545,820)	(803,830)	(185,675)	(1,535,325)
Total capital assets, net	-	968,952	1,351,695	684,019	3,004,666
Total assets	31,084	1,107,211	1,384,249	876,653	3,399,197
Liabilities:					
Current liabilities:					
Accounts payable	-	6,860	166	17,029	24,055
Accrued salaries	-	23,545	1,749	-	25,294
Accrued liabilities	21	-	-	-	21
Current maturities of:					
Compensated absences	-	11,242	259	-	11,501
Total current liabilities	21	41,647	2,174	17,029	60,871
Net assets:					
Invested in capital assets	-	968,952	1,351,695	684,018	3,004,665
Unrestricted	31,063	96,612	30,380	175,606	333,661
Total net assets	\$ 31,063	\$ 1,065,564	\$ 1,382,075	\$ 859,624	\$ 3,338,326

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
NON-MAJOR ENTERPRISE FUNDS
JUNE 30, 2010

	Museum Gift Shop Fund	Municipal Transit Fund	Performing Arts Center Fund	Cemetery Fund	Total
Operating Revenues:					
Charges for services	\$ 8,728	\$ 72,789	\$ 6,238	\$ 148,229	\$ 235,984
Operating Expenses:					
Personnel services	-	529,683	31,396	-	561,079
General operating	18,334	121,998	96,434	295,101	531,867
Depreciation	-	85,205	72,534	19,665	177,404
Total operating expenses	<u>18,334</u>	<u>736,886</u>	<u>200,364</u>	<u>314,766</u>	<u>1,270,350</u>
Operating (loss)	(9,606)	(664,097)	(194,126)	(166,537)	(1,034,366)
Non-Operating Revenues (Expenses):					
Intergovernmental	4,491	129,911	-	-	134,402
Miscellaneous	969	29,811	-	-	30,780
Total non-operating revenues (expenses)	<u>5,460</u>	<u>159,722</u>	<u>-</u>	<u>-</u>	<u>165,182</u>
(Loss) before capital contributions and transfers	(4,146)	(504,375)	(194,126)	(166,537)	(869,184)
Capital Contributions and Transfers:					
Capital contributions	-	209,777	-	-	209,777
Transfers in	-	363,631	155,000	350,000	868,631
Transfers (out)	(7,000)	(21,455)	-	-	(28,455)
Total capital contributions and transfers	<u>(7,000)</u>	<u>551,953</u>	<u>155,000</u>	<u>350,000</u>	<u>1,049,953</u>
Change in net assets	(11,146)	47,578	(39,126)	183,463	180,769
Net assets, beginning of year	<u>42,209</u>	<u>1,017,986</u>	<u>1,421,201</u>	<u>676,161</u>	<u>3,157,557</u>
Net assets, end of year	<u>\$ 31,063</u>	<u>\$ 1,065,564</u>	<u>\$ 1,382,075</u>	<u>\$ 859,624</u>	<u>\$ 3,338,326</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
COMBINING STATEMENT OF CASH FLOWS
NON-MAJOR ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Museum Gift Shop Fund	Municipal Transit Fund	Performing Arts Center Fund	Cemetery Fund	Total
Cash Flows From Operating Activities:					
Cash received from customers	\$ 8,749	\$ 70,079	\$ 6,238	\$ 148,229	\$ 233,295
Cash payments to suppliers for goods and services	(18,334)	(120,668)	(32,421)	(285,926)	(457,349)
Cash payments to employees for services	-	(523,468)	(104,306)	-	(627,774)
Net cash (used) by operating activities	(9,585)	(574,057)	(130,489)	(137,697)	(851,828)
Cash Flows for Non-Capital and Financing Activities:					
Cash received from intergovernmental sources	-	180,291	-	-	180,291
Cash received from capital contributions	-	130,495	-	-	130,495
Cash received from miscellaneous sources	969	729	-	-	1,698
Net transfers in (out)	-	170,252	155,000	200,000	525,252
Net cash provided by non-capital and financing activities	969	481,767	155,000	200,000	837,736
Cash Flows From Capital and Related Financing Activities:					
Acquisition of capital assets	(7,000)	(8,771)	-	(5,100)	(20,871)
Net increase (decrease) in cash	(15,616)	(101,061)	24,511	57,203	(34,963)
Cash and cash equivalents, beginning of year	42,209	204,008	8,043	135,431	389,691
Cash and cash equivalents, end of year	<u>\$ 26,593</u>	<u>\$ 102,947</u>	<u>\$ 32,554</u>	<u>\$ 192,634</u>	<u>\$ 354,728</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:					
Operating (loss)	\$ (9,606)	\$ (664,097)	\$ (194,126)	\$ (166,537)	\$ (1,034,366)
Adjustment to Reconcile Operating Income to Net Cash Provided by Operating Activities:					
Depreciation	-	85,205	72,534	19,665	177,404
Change in Assets and Liabilities:					
(Increase) in accounts receivable	-	(943)	-	-	(943)
Increase (decrease) in accounts payable	-	1,330	(7,872)	9,175	2,633
Increase (decrease) in accrued salaries	-	4,712	(279)	-	4,433
Increase in accrued liabilities	21	-	-	-	21
Increase (decrease) in compensated absences	-	1,503	(746)	-	757
(Decrease) in deferred revenues	-	(1,767)	-	-	(1,767)
Total adjustments	21	90,040	63,637	28,840	182,538
Net cash (used) by operating activities	<u>\$ (9,585)</u>	<u>\$ (574,057)</u>	<u>\$ (130,489)</u>	<u>\$ (137,697)</u>	<u>\$ (851,828)</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
SOLID WASTE ENTERPRISE 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, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Operating Revenues:				
Charges for services	\$ 3,429,328	\$ 3,429,328	\$ 3,576,714	\$ 147,386
Operating Expenses:				
Personnel services	1,301,583	1,369,809	1,271,208	98,601
General operating	1,700,765	1,730,765	1,155,647	575,118
Total operating expenses	3,002,348	3,100,574	2,426,855	673,719
Operating income	426,980	328,754	1,149,859	821,105
Non-Operating Revenues (Expenses):				
State shared taxes	512,500	512,500	444,896	(67,604)
Intergovernmental	362,110	362,110	222,000	(140,110)
Miscellaneous	-	-	85	85
Interest income	9,000	9,000	3,130	(5,870)
Sale of assets	-	-	5,291	5,291
Capital outlay	(690,000)	(660,000)	(63,112)	596,888
Total non-operating revenues (expenses)	193,610	223,610	612,290	388,680
Income before other financing sources (uses)	620,590	552,364	1,762,149	1,209,785
Other Financing Sources (Uses):				
Transfers in	222,275	284,902	173,901	(111,001)
Transfers (out)	(921,916)	(809,916)	(833,916)	(24,000)
Debt service - principal	(65,598)	(65,598)	(65,597)	1
Total other financing sources (uses)	(765,239)	(590,612)	(725,612)	(135,000)
Net change in cash balance	(144,649)	(38,248)	1,036,537	1,074,785
Cash balance, beginning of year	2,323,050	2,323,050	2,323,050	-
Restatements	-	-	146,414	146,414
Investments converted to cash	-	-	3,857	3,857
Cash balance, beginning of year, restated	2,323,050	2,323,050	2,473,321	150,271
Cash balance, end of year	<u>\$ 2,178,401</u>	<u>\$ 2,284,802</u>	<u>\$ 3,509,858</u>	<u>\$ 1,225,056</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
JOINT WATER & SEWER SYSTEM ENTERPRISE 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, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Operating Revenues:				
Charges for services	\$ 7,558,780	\$ 7,558,780	\$ 8,905,205	\$ 1,346,425
Operating Expenses:				
Personnel services	2,964,027	3,100,505	2,995,804	104,701
General operating	2,396,977	2,372,446	2,316,902	55,544
Total operating expenses	5,361,004	5,472,951	5,312,706	160,245
Operating income	2,197,776	2,085,829	3,592,499	1,506,670
Non-Operating Revenues (Expenses):				
Miscellaneous	-	-	9,695	9,695
Interest income	241,000	241,000	229,911	(11,089)
Sale of assets	2,000	2,000	30,439	28,439
Capital outlay	(8,691,055)	(8,999,055)	(1,519,453)	7,479,602
Interest expense	(870,607)	(870,607)	(870,857)	(250)
Total non-operating revenues (expenses)	(9,318,662)	(9,626,662)	(2,120,265)	7,506,397
Income (loss) before other financing sources (uses)	(7,120,886)	(7,540,833)	1,472,234	9,013,067
Other Financing Sources (Uses):				
Transfers in	1,620,607	1,754,169	283,561	(1,470,608)
Transfers (out)	(3,132,779)	(3,155,779)	(1,479,762)	1,676,017
Debt service - principal	(750,000)	(750,000)	(755,159)	(5,159)
Total other financing sources (uses)	(2,262,172)	(2,151,610)	(1,951,360)	200,250
Net change in cash balance	(9,383,058)	(9,692,443)	(479,126)	9,213,317
Cash balance, beginning of year	8,478,991	8,478,991	8,478,991	-
Restatements	-	-	1,364,407	1,364,407
Cash balance, beginning of year, restated	8,478,991	8,478,991	9,843,398	1,364,407
Cash paid from state legislative fund	4,401,818	4,401,818	4,401,818	-
Cash advanced to state legislative fund	-	-	(508,004)	(508,004)
Cash converted to investments	-	-	(16,544)	(16,544)
Cash balance, end of year	<u>\$ 3,497,751</u>	<u>\$ 3,188,366</u>	<u>\$ 13,241,542</u>	<u>\$ 10,053,176</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
MUSEUM GIFT SHOP ENTERPRISE 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, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Operating Revenues:				
Charges for services	\$ 10,000	\$ 10,000	\$ 8,749	\$ (1,251)
Operating Expenses:				
General operating	20,700	20,700	15,334	5,366
Operating income (loss)	(10,700)	(10,700)	(6,585)	4,115
Non-Operating Revenues (Expenses):				
Miscellaneous	750	750	969	219
Capital outlay	(10,000)	(10,000)	(10,000)	-
Total non-operating revenues (expenses)	(9,250)	(9,250)	(9,031)	219
Net change in cash balance	(19,950)	(19,950)	(15,616)	4,334
Cash balance, beginning of year	42,209	42,209	42,209	-
Cash balance, end of year	<u>\$ 22,259</u>	<u>\$ 22,259</u>	<u>\$ 26,593</u>	<u>\$ 4,334</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
MUNICIPAL TRANSIT ENTERPRISE 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, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Operating Revenues:				
Charges for services	\$ 54,000	\$ 54,000	\$ 70,079	\$ 16,079
Operating Expenses:				
Personnel services	519,286	528,197	523,468	4,729
General operating	156,650	149,120	120,668	28,452
Total operating expenses	<u>675,936</u>	<u>677,317</u>	<u>644,136</u>	<u>33,181</u>
Operating income (loss)	(621,936)	(623,317)	(574,057)	49,260
Non-Operating Revenues (Expenses):				
Intergovernmental	226,000	226,000	180,291	(45,709)
Miscellaneous	-	-	729	729
Capital outlay	(24,851)	(14,251)	(8,771)	5,480
Total non-operating revenues (expenses)	<u>201,149</u>	<u>211,749</u>	<u>172,249</u>	<u>(39,500)</u>
Income (loss) before other financing sources (uses)	(420,787)	(411,568)	(401,808)	9,760
Other Financing Sources (Uses):				
Capital contributions	140,000	140,000	130,495	(9,505)
Transfers in	200,000	210,207	191,707	(18,500)
Transfers (out)	(21,455)	(21,455)	(21,455)	-
Total other financing sources (uses)	<u>318,545</u>	<u>328,752</u>	<u>300,747</u>	<u>(28,005)</u>
Net change in cash balance	(102,242)	(82,816)	(101,061)	(18,245)
Cash balance, beginning of year	<u>204,008</u>	<u>204,008</u>	<u>204,008</u>	<u>-</u>
Cash balance, end of year	<u>\$ 101,766</u>	<u>\$ 121,192</u>	<u>\$ 102,947</u>	<u>\$ (18,245)</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
PERFORMING ARTS CENTER ENTERPRISE 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, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Operating Revenues:				
Charges for services	\$ -	\$ -	\$ 6,238	\$ 6,238
Operating Expenses:				
Personnel services	47,307	47,307	32,421	14,886
General operating	106,575	109,075	104,306	4,769
Total operating expenses	153,882	156,382	136,727	19,655
Operating income (loss)	(153,882)	(156,382)	(130,489)	25,893
Non-Operating Revenues (Expenses):				
Miscellaneous	2,754	2,754	-	(2,754)
Income (loss) before other financing sources (uses)	(151,128)	(153,628)	(130,489)	23,139
Other Financing Sources (Uses):				
Transfers in	155,000	155,000	155,000	-
Net change in cash balance	3,872	1,372	24,511	23,139
Cash balance, beginning of year	8,043	8,043	8,043	-
Cash balance, end of year	\$ 11,915	\$ 9,415	\$ 32,554	\$ 23,139

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
CEMETERY ENTERPRISE 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, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Operating Revenues:				
Charges for services	\$ 179,100	\$ 179,100	\$ 148,229	\$ (30,871)
Operating Expenses:				
General operating	351,475	358,475	285,926	72,549
Operating income (loss)	(172,375)	(179,375)	(137,697)	41,678
Non-Operating Revenues (Expenses):				
Capital outlay	(100,000)	(105,100)	(5,100)	100,000
Income (loss) before other financing sources (uses)	(272,375)	(284,475)	(142,797)	141,678
Other Financing Sources (Uses):				
Transfers in	200,000	200,000	200,000	-
Net change in cash balance	(72,375)	(84,475)	57,203	141,678
Cash balance, beginning of year	135,431	135,431	135,431	-
Cash balance, end of year	<u>\$ 63,056</u>	<u>\$ 50,956</u>	<u>\$ 192,634</u>	<u>\$ 141,678</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
RECONCILIATION BUDGETARY COMPARISON STATEMENTS
TO THE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Solid Waste Fund	Joint Water and Sewer Fund	Museum Gift Shop Fund
	<u> </u>	<u> </u>	<u> </u>
Sources/Inflows of Operating Resources:			
Actual amounts (budgetary basis) "operating revenues" from the budgetary comparison schedule.	\$ 3,576,714	\$ 8,905,205	\$ 8,749
Differences - Budget to GAAP:			
Accrual of revenues and associated receivables that are not considered an inflow or revenue for budgetary basis but are considered revenue for financial reporting purposes.	<u>24,825</u>	<u>387,083</u>	<u>(21)</u>
Total operating revenues as reported on the statement of revenues, expenss, and changes in fund net assets.	<u><u>\$ 3,601,539</u></u>	<u><u>\$ 9,292,288</u></u>	<u><u>\$ 8,728</u></u>
Uses/Outflows of Operating Resources:			
Actual amounts (budgetary basis) "operating expenses" from the budgetary comparison schedule.	\$ 2,426,855	\$ 5,312,706	\$ 15,334
Differences - Budget to GAAP:			
Changes to the consumable inventories are not accounted for within the budgetary basis. The increase in inventories adds to the operating expenses for financial reporting purposes.	-	46,541	-
The City budgets for claims and expenses paid for during the current accounting period. Accrual of liabilities are not included in the budgetary basis but are expenses for financial reporting purposes.	361,629	(104,144)	3,000
The City budgets for salaries paid for during the current accounting period. Accrual of salaries are not included in the budgetary basis but are expenses for financial reporting purposes.	8,829	35,637	-
Depreciation and amortization expenses are not considered an outflow of operating resources for budgetary basis but are considered expenses for financial reporting purposes.	208,120	1,408,578	-
The City budgets on-going landfill post-closure expenses as a current year expenditure. For financial reporting purposes, the City has recognized the projected liability as the landfill was operating.	<u>42,903</u>	<u>-</u>	<u>-</u>
Total operating expenses as reported on the statement of revenues, expenses, and changes in fund net assets.	<u><u>\$ 3,048,336</u></u>	<u><u>\$ 6,699,318</u></u>	<u><u>\$ 18,334</u></u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
RECONCILIATION BUDGETARY COMPARISON STATEMENTS
TO THE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Solid Waste Fund	Joint Water and Sewer Fund	Museum Gift Shop Fund
	<u> </u>	<u> </u>	<u> </u>
Sources/Inflows of Operating Resources:			
Actual amounts (budgetary basis) "non-operating revenues" from the budgetary comparison schedule.	\$ 675,402	\$ 270,043	\$ 969
Differences - Budget to GAAP:			
Accrual of revenues and associated receivables that are not considered an inflow or revenue for budgetary basis but are considered revenue for financial reporting purposes.	<u>14,097</u>	<u>11,161</u>	<u>4,491</u>
Total non-operating revenues as reported on the statement of revenues, expenses and changes in fund net assets.	<u>\$ 689,499</u>	<u>\$ 281,204</u>	<u>\$ 5,460</u>
Uses/Outflows of Operating Resources:			
Actual amounts (budgetary basis) "non-operating expenses" from the budgetary comparison schedule.	\$ (63,112)	\$ (2,390,310)	\$ (10,000)
Differences - Budget to GAAP:			
The City budgets for interest on long-term debt paid for during the current accounting period. Accrual of interest in the budgetary basis but are expenses for financial reporting purposes.	276	(74,363)	-
The City budgets for capital assets purchased. Capital additions are not reflected as an operating expense for financial reporting purposes.	<u>52,600</u>	<u>1,519,453</u>	<u>10,000</u>
Total non-operating expenses as reported on the statement of revenues, expenses and changes in fund net assets.	<u>\$ (10,236)</u>	<u>\$ (945,220)</u>	<u>\$ -</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
RECONCILIATION BUDGETARY COMPARISON STATEMENTS
TO THE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Solid Waste Fund	Joint Water and Sewer Fund	Museum Gift Shop Fund
	<u> </u>	<u> </u>	<u> </u>
Sources/Inflows of Operating Resources:			
Actual amounts (budgetary basis) "transfers in" from the budgetary comparison schedule.	\$ 173,901	\$ 283,561	\$ -
Differences - Budget to GAAP:			
During the fiscal year, the City purchased capital within the various capital project funds. The City chose to transfer the amount capitalized from the various capital project funds to the respective enterprise fund. Such a transfer is not reflected on the budgetary basis, however, it is recorded for financial reporting purposes.	<u>33,418</u>	<u>1,114,801</u>	<u>-</u>
Total other sources of resources as reported on the statement of revenues, expenses and changes in fund net assets.	<u>\$ 207,319</u>	<u>\$ 1,398,362</u>	<u>\$ -</u>
Uses/Outflows of Operating Resources:			
Actual amounts (budgetary basis) "transfers (out)" from the budgetary comparison schedule.	\$ (833,916)	\$ (1,479,762)	\$ -
Differences - Budget to GAAP:			
During the fiscal year, the City purchased capital within the various capital project funds. The City chose to transfer the amount capitalized from the various capital project funds to the respective enterprise fund. Such a transfer is not reflected on the budgetary basis, however, it is recorded for financial reporting purposes.	<u>(33,418)</u>	<u>(4,740)</u>	<u>(7,000)</u>
Total other sources of resources as reported on the statement of revenues, expenses and changes in fund net assets.	<u>\$ (867,334)</u>	<u>\$ (1,484,502)</u>	<u>\$ (7,000)</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
RECONCILIATION BUDGETARY COMPARISON STATEMENTS
TO THE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	<u>Municipal Transit Fund</u>	<u>Performing Arts Center Fund</u>	<u>Cemetery Fund</u>
Sources/Inflows of Operating Resources:			
Actual amounts (budgetary basis) "operating revenues" from the budgetary comparison schedule.	\$ 70,079	\$ 6,238	\$ 148,229
Differences - Budget to GAAP:			
Accrual of revenues and associated receivables that are not considered an inflow or revenue for budgetary basis but are considered revenue for financial purposes.	<u>2,710</u>	<u>-</u>	<u>-</u>
Total operating revenues as reported on the statement of revenues, expenses and changes in fund net assets.	<u>\$ 72,789</u>	<u>\$ 6,238</u>	<u>\$ 148,229</u>
Uses/Outflows of Operating Resources:			
Actual amounts (budgetary basis) "operating expenses" from the budgetary comparison schedule.	\$ 644,136	\$ 136,727	\$ 285,926
Differences - Budget to GAAP:			
The City budgets for claims and expenses paid for during the current accounting period. Accrual of liabilities are not included in the budgetary basis but are expenses for financial reporting purposes.	2,834	(8,618)	9,175
The City budgets for salaries paid for during the current accounting period. Accrual of salaries are not included in the budgetary basis but are expenses for financial reporting purposes.	4,711	(279)	-
Depreciation expense is not considered an outflow of operating resources for budgetary basis but is considered an expense for financial reporting purposes.	<u>85,205</u>	<u>72,534</u>	<u>19,665</u>
Total operating expenditures as reported on the statement of revenues, expenses and changes in fund net assets.	<u>\$ 736,886</u>	<u>\$ 200,364</u>	<u>\$ 314,766</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
RECONCILIATION BUDGETARY COMPARISON STATEMENTS
TO THE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Municipal Transit Fund	Performing Arts Center Fund	Cemetery Fund
	<u> </u>	<u> </u>	<u> </u>
Sources/Inflows of Operating Resources:			
Actual amounts (budgetary basis) "non-operating revenues" from the budgetary comparison schedule.	\$ 181,020	\$ -	\$ -
Differences - Budget to GAAP:			
Accrual of revenues and associated receivables that are not considered an inflow or revenue for budgetary basis but are considered revenue for financial reporting purposes.	<u>(21,298)</u>	<u>-</u>	<u>-</u>
Total non-operating revenues as reported on the statement of revenues, expenses, and changes in fund net assets.	<u>\$ 159,722</u>	<u>\$ -</u>	<u>\$ -</u>
Uses/Outflows of Operating Resources:			
Actual amounts (budgetary basis) "non-operating expenses" from the budgetary comparison schedule.	\$ (8,771)	\$ -	\$ (5,100)
Differences - Budget to GAAP:			
The City budgets for capital assets purchased. Capital additions are not reflected as an operating expense for financial reporting purposes.	<u>8,771</u>	<u>-</u>	<u>5,100</u>
Total non-operating expenses as reported on the statement of revenues, expenses, and changes in fund net assets.	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
RECONCILIATION BUDGETARY COMPARISON STATEMENTS
TO THE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Municipal Transit Fund	Performing Arts Center Fund	Cemetery Fund
	<u> </u>	<u> </u>	<u> </u>
Other Sources of Resource:			
Actual amounts (budgetary basis) "capital contributions" from the budgetary comparison schedule.	\$ 130,495	\$ -	\$ -
Actual amounts (budgetary basis) "transfers in" from the budgetary comparison schedule.	191,707	155,000	200,000
Differences - Budget to GAAP:			
During the fiscal year, the City purchased capital within the general and state legislative funds. The City chose to transfer the amount capitalized from the general and state legislative funds to the respective enterprise fund. Such a transfer is not reflected on the budgetary basis, however, it is recorded for financial reporting purposes.	<u>251,206</u>	<u>-</u>	<u>150,000</u>
Total other sources of resources as reported on the statement of revenues, expenses and changes in fund net assets.	<u>\$ 573,408</u>	<u>\$ 155,000</u>	<u>\$ 350,000</u>
Other Uses of Resources:			
Actual amounts (budgetary basis) "transfers out" from the budgetary comparison schedule.	\$ (21,455)	\$ -	\$ -
Differences - Budget to GAAP:			
None.	<u>-</u>	<u>-</u>	<u>-</u>
Total other (uses) resources as reported on the statement of revenues, expenses and changes in fund net assets.	<u>\$ (21,455)</u>	<u>\$ -</u>	<u>\$ -</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
COMBINING STATEMENT OF NET ASSETS
INTERNAL SERVICE FUNDS
JUNE 30, 2010

	<u>Computer Lease Equipment Fund</u>	<u>General Insurance Fund</u>	<u>Group Health Insurance Fund</u>	<u>Disaster Preparedness Fund</u>	<u>Total</u>
Assets:					
Current assets:					
Cash	\$ 65,666	\$ 1,104,911	\$ 1,031,984	\$ 962,219	\$ 3,164,780
Receivables (net of allowance):					
Accounts	-	648	55,980	-	56,628
Interest	-	369	364	-	733
Restricted assets:					
Cash	<u>-</u>	<u>500,000</u>	<u>700,000</u>	<u>-</u>	<u>1,200,000</u>
Total assets	65,666	1,605,928	1,788,328	962,219	4,422,141
Liabilities:					
Current liabilities:					
Accounts payable	<u>-</u>	<u>11,188</u>	<u>-</u>	<u>101,852</u>	<u>113,040</u>
Total liabilities	<u>-</u>	<u>11,188</u>	<u>-</u>	<u>101,852</u>	<u>113,040</u>
Net assets:					
Unrestricted	<u>65,666</u>	<u>1,594,740</u>	<u>1,788,328</u>	<u>860,367</u>	<u>4,309,101</u>
Total net assets	<u>\$ 65,666</u>	<u>\$ 1,594,740</u>	<u>\$ 1,788,328</u>	<u>\$ 860,367</u>	<u>\$ 4,309,101</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, 2010

	Computer Lease Equipment Fund	General Insurance Fund	Group Health Insurance Fund	Disaster Preparedness Fund	Total
Operating Revenues:					
Charges for services	\$ -	\$ 8,534	\$ 3,349,999	\$ 52,500	\$ 3,411,033
Operating Expenses:					
General operating	83,647	1,600,122	2,645,933	192,133	4,521,835
Operating income (loss)	(83,647)	(1,591,588)	704,066	(139,633)	(1,110,802)
Non-Operating Revenues (Expenses):					
Interest	-	721	5,264	-	5,985
Income (loss) before transfers	(83,647)	(1,590,867)	709,330	(139,633)	(1,104,817)
Transfers:					
Transfers in	84,925	1,686,895	-	-	1,771,820
Transfers (out)	-	-	(1,033,275)	-	(1,033,275)
Total transfers	84,925	1,686,895	(1,033,275)	-	738,545
Change in net assets	1,278	96,028	(323,945)	(139,633)	(366,272)
Net assets, beginning of year	64,388	1,498,712	2,112,273	1,000,000	4,675,373
Net assets, end of year	\$ 65,666	\$ 1,594,740	\$ 1,788,328	\$ 860,367	\$ 4,309,101

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, 2010

	Computer Lease Equipment Fund	General Insurance Fund	Group Health Insurance Fund	Disaster Preparedness Fund	Total
Cash Flows From Operating Activities:					
Internal activity - receipts from other funds	\$ -	\$ 8,534	\$ 3,294,451	\$ 52,500	\$ 3,355,485
Cash payments to suppliers for goods and services	<u>(83,762)</u>	<u>(1,619,321)</u>	<u>(2,646,365)</u>	<u>(90,281)</u>	<u>(4,439,729)</u>
Net cash provided (used) by operating activities	(83,762)	(1,610,787)	648,086	(37,781)	(1,084,244)
Cash Flows for Non-Capital and Financing Activities:					
Net transfers in (out)	84,925	1,686,895	(1,033,275)	-	738,545
Cash Flows From Investing Activities:					
Interest income	<u>-</u>	<u>369</u>	<u>5,520</u>	<u>-</u>	<u>5,889</u>
Net increase (decrease) in cash	1,163	76,477	(379,669)	(37,781)	(339,810)
Cash and cash equivalents, beginning of year	<u>64,503</u>	<u>1,228,434</u>	<u>1,911,653</u>	<u>1,000,000</u>	<u>4,204,590</u>
Cash and cash equivalents, end of year	<u>\$ 65,666</u>	<u>\$ 1,304,911</u>	<u>\$ 1,531,984</u>	<u>\$ 962,219</u>	<u>\$ 3,864,780</u>
Displayed as:					
Cash	\$ 65,666	\$ 1,104,911	\$ 1,031,984	\$ 962,219	\$ 3,164,780
Restricted cash	-	500,000	700,000	-	1,200,000
Times deposits not considered cash equivalents	<u>-</u>	<u>(300,000)</u>	<u>(200,000)</u>	<u>-</u>	<u>(500,000)</u>
	<u>\$ 65,666</u>	<u>\$ 1,304,911</u>	<u>\$ 1,531,984</u>	<u>\$ 962,219</u>	<u>\$ 3,864,780</u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities:					
Operating income (loss)	\$ (83,647)	\$ (1,591,588)	\$ 704,066	\$ (139,633)	\$ (1,110,802)
Adjustment to Reconcile Operating Income To Net Cash Provided by Operating Activities:					
Change in Assets and Liabilities:					
Decrease in accounts receivable	-	(648)	(55,980)	-	(56,628)
Increase (decrease) in accounts payable	<u>(115)</u>	<u>(18,551)</u>	<u>-</u>	<u>101,852</u>	<u>83,186</u>
Total adjustments	<u>(115)</u>	<u>(19,199)</u>	<u>(55,980)</u>	<u>101,852</u>	<u>26,558</u>
Net cash provided (used) by operating activities	<u>\$ (83,762)</u>	<u>\$ (1,610,787)</u>	<u>\$ 648,086</u>	<u>\$ (37,781)</u>	<u>\$ (1,084,244)</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
COMPUTER LEASE EQUIPMENT INTERNAL SERVICE 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, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Operating Revenues:				
Charges for services	\$ -	\$ -	\$ -	\$ -
Operating Expenses:				
General operating	<u>83,424</u>	<u>83,763</u>	<u>83,762</u>	<u>1</u>
(Loss) before other financing sources (uses)	(83,424)	(83,763)	(83,762)	(1)
Other Financing Sources (Uses):				
Transfers in	<u>84,925</u>	<u>84,925</u>	<u>84,925</u>	<u>-</u>
Net change in cash balance	1,501	1,162	1,163	1
Cash balance, beginning of year	<u>64,503</u>	<u>64,503</u>	<u>64,503</u>	<u>-</u>
Cash balance, end of year	<u><u>\$ 66,004</u></u>	<u><u>\$ 65,665</u></u>	<u><u>\$ 65,666</u></u>	<u><u>\$ 1</u></u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
GENERAL INSURANCE INTERNAL SERVICE 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, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Operating Revenues:				
Charges for services	\$ 20,000	\$ 20,000	\$ 8,534	\$ (11,466)
Operating Expenses:				
General operating	1,641,000	1,711,000	1,619,321	91,679
Operating (loss)	(1,621,000)	(1,691,000)	(1,610,787)	80,213
Non-Operating Revenues (Expenses):				
Interest income	5,000	5,000	369	(4,631)
(Loss) before other financing sources (uses)	(1,616,000)	(1,686,000)	(1,610,418)	75,582
Other Financing Sources (Uses):				
Transfers in	1,616,895	1,686,895	1,686,895	-
Total other financing sources (uses)	1,616,895	1,686,895	1,686,895	-
Net change in cash balance	895	895	76,477	75,582
Cash balance, beginning of year	1,027,095	1,027,095	1,027,095	-
Restatements	-	-	1,339	1,339
Cash balance, beginning of year, restated	1,027,095	1,027,095	1,028,434	1,339
Cash balance, end of year	<u>\$ 1,027,990</u>	<u>\$ 1,027,990</u>	<u>\$ 1,104,911</u>	<u>\$ 76,921</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
GROUP HEALTH INSURANCE INTERNAL SERVICE 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, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Operating Revenues:				
Charges for services	\$ 3,300,000	\$ 3,300,000	\$ 3,294,451	\$ (5,549)
Operating Expenses:				
General operating	3,302,000	3,002,000	2,646,365	355,635
Operating income (loss)	(2,000)	298,000	648,086	350,086
Non-Operating Revenues (Expenses):				
Interest income	10,300	10,300	5,520	(4,780)
Income before other financing sources (uses)	8,300	308,300	653,606	345,306
Other Financing Sources (Uses):				
Transfers (out)	-	(1,033,391)	(1,033,275)	116
Net change in cash balance	8,300	(725,091)	(379,669)	345,422
Cash balance, beginning of year	1,411,653	1,411,653	1,411,653	-
Cash balance, end of year	<u>\$ 1,419,953</u>	<u>\$ 686,562</u>	<u>\$ 1,031,984</u>	<u>\$ 345,422</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
DISASTER PREPAREDNESS INTERNAL SERVICE 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, 2010

	Original Budget	Final Budget	Actual on Budgetary Basis	Variance With Final Budget Over (Under)
Operating Revenues:				
Charges for services	\$ -	\$ -	\$ 52,500	\$ 52,500
Operating Expenses:				
General operating	-	450,000	90,281	359,719
Net change in cash balance	-	(450,000)	(37,781)	412,219
Cash balance, beginning of year	1,000,000	1,000,000	1,000,000	-
Cash balance, end of year	<u>\$ 1,000,000</u>	<u>\$ 550,000</u>	<u>\$ 962,219</u>	<u>\$ 412,219</u>

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
RECONCILIATION BUDGETARY COMPARISON STATEMENTS
TO THE STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET ASSETS
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2010

	Computer Lease Equipment Fund	General Insurance Fund	Group Health Insurance Fund	Disaster Preparedness Fund
Sources/Inflows of Operating Resources:				
Actual amounts (budgetary basis) "operating revenues" from the budgetary comparison schedule.	\$ -	\$ 8,534	\$ 3,294,451	\$ 52,500
Differences - Budget to GAAP:				
None.	-	-	55,548	-
Total operating revenues as reported on the statement of revenues, expenses and changes in fund net assets.	<u>\$ -</u>	<u>\$ 8,534</u>	<u>\$ 3,349,999</u>	<u>\$ 52,500</u>
Uses/Outflows of Operating Resources:				
Actual amounts (budgetary basis) "operating expenses" from the budgetary comparison schedule.	\$ 83,762	\$ 1,619,321	\$ 2,646,365	\$ 90,281
Differences - Budget to GAAP:				
The City budgets for claims and expenses paid for during the current accounting period. Accrual of liabilities are not included in the budgetary basis but are expenses for financial reporting purposes.	(115)	(19,199)	(432)	101,852
Total operating expenditures as reported on the statement of revenues, expenses and changes in fund net assets.	<u>\$ 83,647</u>	<u>\$ 1,600,122</u>	<u>\$ 2,645,933</u>	<u>\$ 192,133</u>
Sources/Inflows of Non-Operating Resources:				
Actual amounts (budgetary basis) "non-operating revenues" from the budgetary comparison schedule.	\$ -	\$ 369	\$ 5,520	\$ -
Differences - Budget to GAAP:				
Accrual of revenues and associated receivables that are not considered an inflow or revenues for budgetary basis but are considered revenue for financial purposes.	-	352	(256)	-
Total non-operating expenditures as reported on the statement of revenues, expenses and changes in fund net assets.	<u>\$ -</u>	<u>\$ 721</u>	<u>\$ 5,264</u>	<u>\$ -</u>
Other Sources of Resources:				
Actual amounts (budgetary basis) "transfers in" from the budgetary comparison schedule.	\$ 84,925	\$ 1,686,895	\$ -	\$ -
Differences - Budget to GAAP:				
None.	-	-	-	-
Total other sources of resources as reported on the statement of revenues, expenses and changes in fund net assets.	<u>\$ 84,925</u>	<u>\$ 1,686,895</u>	<u>\$ -</u>	<u>\$ -</u>
Other Sources of Resources:				
Actual amounts (budgetary basis) "transfers (out)" from the budgetary comparison schedule.	\$ -	\$ -	\$ (1,033,275)	\$ -
Differences - Budget to GAAP:				
None.	-	-	-	-
Total other sources of resources as reported on the statement of revenues, expenses and changes in fund net assets.	<u>\$ -</u>	<u>\$ -</u>	<u>\$ (1,033,275)</u>	<u>\$ -</u>

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

SUPPLEMENTAL FINANCIAL INFORMATION

STATE OF NEW MEXICO
CITY OF CARLSBAD
SCHEDULE OF CASH ACCOUNTS
JUNE 30, 2010

<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	\$ 1,031,984	\$ -	\$ 1,031,984
Payroll Fund	Checking	86,904	(57,024)	29,880
Debt Service Fund	Checking	219,798	-	219,798
CDBG Fund	Checking	3,436	(200)	3,236
General Operating	Certificate of Deposit	200,000	-	200,000
Water & Sewer	Certificate of Deposit	500,000	-	500,000
General Operating	Certificate of Deposit	300,000	-	300,000
Health Insurance	Certificate of Deposit	250,000	-	250,000
Health Insurance	Certificate of Deposit	200,000	-	200,000
Sandpoint Landfill Reserve	Certificate of Deposit	250,000	-	250,000
Water & Sewer	Certificate of Deposit	300,000	-	300,000
General Operating	Certificate of Deposit	250,000	-	250,000
Health Insurance	Certificate of Deposit	250,000	-	250,000
WC	Certificate of Deposit	50,000	-	50,000
Lodgers' Tax	Certificate of Deposit	30,000	-	30,000
		<u>\$ 3,922,122</u>	<u>\$ (57,224)</u>	<u>\$ 3,864,898</u>
Pioneer Savings Bank P.O. Box 130 Roswell, New Mexico 88202-0130				
General/Water	Certificate of Deposit	\$ 400,000	\$ -	\$ 400,000
General	Certificate of Deposit	100,000	-	100,000
Water & Sewer	Certificate of Deposit	200,000	-	200,000
General	Certificate of Deposit	200,000	-	200,000
Sandpoint Closure Reserve	Certificate of Deposit	200,000	-	200,000
General	Certificate of Deposit	100,000	-	100,000
General	Certificate of Deposit	100,000	-	100,000
General	Certificate of Deposit	333,337	-	333,337
WC	Certificate of Deposit	100,000	-	100,000
WC	Certificate of Deposit	100,000	-	100,000
		<u>\$ 1,833,337</u>	<u>\$ -</u>	<u>\$ 1,833,337</u>

STATE OF NEW MEXICO
CITY OF CARLSBAD
SCHEDULE OF CASH ACCOUNTS
JUNE 30, 2010

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 Operations	Checking	\$ 22,058,194	\$ (1,020,342)	\$ 21,037,852
City Fund Investment Account	Checking	559,497	46	559,543
General Operating	Certificate of Deposit	300,000	-	300,000
Worker's Compensation	Certificate of Deposit	250,000	-	250,000
Permanent Water & Sewer	Certificate of Deposit	200,000	-	200,000
Permanent Water & Sewer	Certificate of Deposit	157,735	-	157,735
Permanent Water & Sewer	Certificate of Deposit	100,000	-	100,000
Water & Sewer	Certificate of Deposit	100,000	-	100,000
		<u>\$ 23,725,426</u>	<u>\$ (1,020,296)</u>	<u>\$ 22,705,130</u>
Western Commerce Bank P.O. Drawer Carlsbad, New Mexico 88221-1358				
Construction Account	Checking	\$ 10,640,253	\$ 734,689	\$ 11,374,942
Federal Projects Fund	Checking	1,596,446	(227,654)	1,368,792
98 Water & Sewer Bond	Certificate of Deposit	500,000	-	500,000
General Operating	Certificate of Deposit	320,789	-	320,789
General Operating	Certificate of Deposit	321,320	-	321,320
98 Water & Sewer Bond	Certificate of Deposit	300,000	-	300,000
General Operating	Certificate of Deposit	272,128	-	272,128
Water & Sewer	Certificate of Deposit	251,911	-	251,911
Sandpoint Closure Reserve	Certificate of Deposit	165,000	-	165,000
Sandpoint Closure Reserve	Certificate of Deposit	141,070	-	141,070
Sandpoint Closure Reserve	Certificate of Deposit	108,873	-	108,873
		<u>\$ 14,617,790</u>	<u>\$ 507,035</u>	<u>\$ 15,124,825</u>

STATE OF NEW MEXICO
CITY OF CARLSBAD
SCHEDULE OF PLEDGED COLLATERAL
ALL FINANCIAL INSTITUTIONS
JUNE 30, 2010

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

Security Description	CUSIP Number	Maturity Date	Current Market Value
FHLB 1291	3133XCTV5	09/01/10	\$ 1,009,100
FNM 2004-95EN	31394BW34	03/25/32	1,204,458
FHLB	31339YTG7	02/09/11	1,028,400
GNMA 2010-27PC	38376WVM4	03/31/36	1,983,738
			<u>\$ 5,225,696</u>

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

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

Security Description	CUSIP Number	Maturity Date	Current Market Value
GNMA II 080418	36225PC4	06/20/30	\$ 241,556
GNMA 080477	36225CQ74	12/20/30	291,074
GNMA II 080540	36225CS64	09/20/31	283,205
GNMA II 080562	36225CTU0	12/20/31	194,420
FNMA 1 YR TR 648558	31390KQK7	06/01/32	216,170
FNMA ARM 661745	31391BES2	09/01/32	427,962
FNMA 1 YR CMT 759453	31403VWN5	01/01/34	2,568,905
FNMA 1 YR CMT 781721	31349S4E0	07/01/34	4,447,683
			<u>\$ 8,670,975</u>

The holder of the security pledged by Pioneer Bank is the Federal Home Loan Bank of Dallas, P.O. Box 6190, Dallas, TX 75261-9026.

STATE OF NEW MEXICO
CITY OF CARLSBAD
SCHEDULE OF PLEDGED COLLATERAL
ALL FINANCIAL INSTITUTIONS
JUNE 30, 2010

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

Security Description	CUSIP Number	Maturity Date	Current Market Value
FNCL 256308	31371MU96	07/01/36	\$ 6,648,445
FNCL 833614	31407LDT1	01/01/36	2,884,362
FNCL 889606	31410KKT0	12/01/35	8,623,324
FNCL 929018	31412MDX3	12/01/37	292,768
FNCL 983362	31415LMK0	08/01/38	3,154,557
GNSF 781121	36225BG59	12/15/29	80,570
GNSF 781263	36225BML9	03/15/31	762,413
			<u>\$ 22,446,439</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., 11th 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 8233	36202KEE1	06/20/17	\$ 75,625
GNMA 8228	36202KD93	07/20/23	45,216
GNMA 8280	36202KRV2	09/20/23	45,206
GNMA 8595	36202KRQ0	02/20/25	61,103
GNMA 80185 "B"	36225CF35	04/20/28	18,040
GNMA 80200	36225CGJ9	05/20/28	34,376
GNMA 80299	36225CKM7	07/20/29	49,214
FNMA 195638	31368PHP3	04/01/22	46,278
FNMA 62689 "B"	31362JUN3	06/01/28	31,020
FNMA 709279	31401H6Q0	06/01/33	147,239
GNMA 8608	36202KR56	03/20/25	184,913
FNMA 807223	314056DYU4	01/01/35	312,492
FNMA 745944	31403DWD7	12/01/33	1,852,347
GNMA 782156	36241KMD7	05/20/37	771,096
SBA SERIES 2005-20 A CLASS	83162CPG2	01/01/25	693,719
SBA SERIES 2008-20 G CLASS	83162CRX3	07/01/28	1,020,413
SBA SERIES 2008-20 H CLASS	83162CRY1	08/01/28	2,029,680
FNMA 253823	31371J4G6	04/01/31	111,779
GNMA 004511	36202FAL0	08/20/39	1,978,572
GNMA 412570	36206JJP0	03/15/26	79,732
			<u>\$ 9,588,060</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., 11th Floor, San Francisco, CA 94104.

SUPPLEMENTAL FEDERAL FINANCIAL INFORMATION

STATE OF NEW MEXICO
CITY OF CARLSBAD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

Federal Grantor/Pass Through Grantor/Program Title	Federal CFDA Number	Program or Grant Number	Award Amount	Expenditures
U.S. Department of the Interior/National Parks Service				
National Cave & Karst Institute	15.406	H2360042045	\$ 1,956,900	\$ 1,761,210
U.S. Department of Transportation/ Federal Aviation Administration				
Airport Improvement Program	20.106	3-35-0007-017-2007	1,464,074	8,603
Airport Improvement Program	20.106	03-35-0007-018-2009	588,051	536,458
Airport Improvement Program	20.106	03-35-0007-019-2009	94,006	<u>91,456</u>
Total U.S. Department of Transportation/ Federal Aviation Administration				636,517
U.S. Department of Transportation/Passed Through NM Department of Transportation				
Highway Research and Development	20.200	HPP-4269 (2) 06	2,110,378	2,293,318
Highway Research and Development	20.200	STP-HPP-4269 (4) 06	176,400	56,400
ARRA-Federal Transit-Formula Grants	20.200	M90898	466,629	171,924
Federal Transit-Formula Grants	20.507	M00932	298,997	193,911
ARRA-Street Improvements	20.xxx	ECO-5272 (1) 35	831,489	780,726
Job Access Reverse Commute	20.516	M00894	30,690	30,690
New Freedom Program	20.521	M00902	11,938	<u>8,366</u>
Total U.S. Department of Transportation/ Passed Through NM Department of Transportation				<u>3,535,335</u>
Total U.S. Department of Transportation				4,171,852
U.S. Department of Energy	81.502	DE-FG29-03-AL68371	23,108,000	2,704,230
U.S. Department of Health and Human Services/ Administration for Children and Families				
Temporary Assistance for Needy Families	93.558	09-630-9000-0002 GSA	30,690	30,163
Temporary Assistance for Needy Families	93.558	09-630-9000-0002 GSA	6,510	<u>5,642</u>
				35,805
Corporation for National and Community Service	94.002	09-624-4000-0065	44,790	44,760
U.S. Department of Homeland Security/ Federal Emergency Management Agency				
Safer Grant	97.083	EMW-2006-FF-04223	3,750	101,293
Assistance to Firefighter's Grant	97.044	EMW-2009-FO-02574	59,400	<u>49,811</u>
				<u>151,104</u>
Total Expenditures for Federal Awards				<u>\$ 8,868,961</u>

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2010

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 modified accrual basis of accounting, which is described in Note 1, to the City's financial statements. All governmental expenditures of the City of Carlsbad (primary government) are presented in accordance with the modified accrual basis of accounting.

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 \$8,868,961. The amounts of expenditures within the funds are reflected within the financial statements as follows:

General Fund	
Public safety	\$ 151,104
Special Revenue Funds	
<u>Airport Fund</u>	
Capital outlay	636,517
<u>RSVP Fund</u>	
Health and welfare	44,760
<u>WIPP Acceleration Impact Fund</u>	
Economic development	322,982
Capital outlay	2,381,248
Capital Project Funds	
<u>National Cave-Karst Institute Fund</u>	
Capital outlay	1,761,210
<u>Federal Projects Fund</u>	
Capital outlay	3,169,500
Proprietary Funds	
<u>Municipal Transit Fund</u>	
Personnel services	191,863
General operating	209,777
	\$ 8,868,961

ADDITIONAL INDEPENDENT AUDITORS' REPORTS

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

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 comparisons of the general fund, and major special revenue 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, 2010, and have issued our report thereon dated March 4, 2011. 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

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 would not necessarily 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 deficiencies described in the accompanying schedule of findings and questioned costs to be a material weakness in internal control over financial reporting as items 2008-02 and 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 an instance 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 item 2008-06.

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 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

March 4, 2011

Ed Fierro, CPA • Rose Fierro, CPA

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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 the U.S. Office of Management and Budget (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, 2010. 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. 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, 2010.

Internal Control over Compliance

The management of 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 over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a federal program on a timely basis. A *material weakness in internal control over compliance* is a deficiency, or combination of deficiencies in internal control over compliance, such that there is 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.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section, and was not designed to identify all deficiencies in internal control over compliance that might be deficiencies, significant deficiencies, or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be *material weaknesses*, as defined above.

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

March 4, 2011

**STATE OF NEW MEXICO
CITY OF CARLSBAD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
JUNE 30, 2010**

SECTION I – SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditors' report issued: Unqualified

Internal control over financial reporting:

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

Federal Awards

Internal control over major programs:

- Material weakness (es) identified? Yes X No
- Significant deficiency (ies) identified? Yes X 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 X No

Identification of major programs:

CFDA No.	Program
15.406	National Cave & Karst Institute
20.200	Highway Research and Development
20.XXX	Street Improvements

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

SECTION II – FINDINGS – FINANCIAL STATEMENTS

Item 2008-02 – Customer Utility Deposits

Statement of Condition – During the testing customer utility deposits at year-end, we discovered the following conditions:

- The City has failed to complete the process of reconciling the customer utility deposit balance of \$654,639 with the individual customer utility deposit cards.
- The City did not print a report indicating the amount of the individual customer utility deposits, by account, to reconcile against the customer utility deposit cards.

Criteria – New Mexico State Statutes Section 6-6-3 provides that every local body shall keep all the books, records, and accounts in their respective offices in the form prescribed by the Local Government Division of the Department of Finance and Administration. Within Title 2, Chapter 20, Part 5, *Public Finance Accounting by Governmental Entities* of the New Mexico Administrative Code, the Department of Finance and Administration requires all accounting systems, including subsidiary systems, record transactions timely, completely, and accurately.

When a new utility account is opened by the utility department, a customer utility card is prepared with the customer's information, including the amount of the deposit, date of the deposit, and the account number. This utility card is imaged and stored on the City's mainframe computer, the information is inputted into the utility program, and the utility card is placed in the index card filing cabinet.

Effect – The City believes the balance on the financial statements for the customer deposits is reasonable, but may not be completely accurate. With an incorrect liability, the financial statements for the Joint Water & Sewer Fund could have been reported incorrectly. In the past, the City had failed to issue or apply deposit funds to all applicable customer accounts in a timely manner.

Cause – In years past, the customer utility deposit cards were placed in an index card filing cabinet. The City failed to maintain the cards on a regular basis. Without maintaining the cards, accounts which have been closed, deposit applied to or payment issued, were not removed to the dormant files and/or storage and remained with the active cards. Of the last couple of years, the City's finance department has continued to improve the situation. The cards have been moved to a card catalog cabinet, sorted by name and account, and the cards for storage were removed and placed in a box and stored. Over the last two years, the finance department has been working diligently to complete the process of issuing refund checks to all applicable customers.

Recommendation – We recommend the City's finance department to continue working diligently on issuing the remaining customer utility deposit refunds. Once completed, the finance department should perform a complete and accurate reconciliation of the remaining cards at the end of the fiscal year. This will ensure an accurate number on next year's financial statements.

STATE OF NEW MEXICO
CITY OF CARLSBAD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

Item 2008-02 – Customer Utility Deposits (continued)

Views of Responsible Officials and Planned Corrective Actions – The City staff has been working on the deposit card files for the last four year. The staff refunded over 7,000 deposits in the current fiscal year under review, about five times the number in previous years. As of June 30, 2010, less than 3,500 deposits remained on file for inactive accounts, totaling about \$59,000. As of the date of the audit report, less than 50% of the 3,500 remain on file. The project will be completed by June 30, 2011.

Item 2008-06 – Submission of Audit Report

Statement of Condition – The audit report for the fiscal year ended June 30, 2010, was due to the New Mexico State Auditor's office by December 1, 2010. The audit report was delivered on March 22, 2011 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* requires that the City submit its audit report by December 1st following the end of each fiscal year at June 30th.

Effect – Delays in submission of the audit report affect the reporting of financial information to other state agencies and local governments.

Cause – Upon the completion of the prior year audit report, the City administrator and the City's finance director believed they could convert the City's cash basis financial statements, as required by New Mexico Department of Finance and Administration, to accrual basis financial statements to meet the requirements of generally accepted accounting principles.

During the entrance conference, in August 2010, it was discussed, that the City was going to prepare the accrual basis financial statements. Audit fieldwork commenced with the understanding the auditing firm would return once the accrual basis financial statements were completed by the City.

In February 2011, the auditing firm was informed by the City that the accrual basis financial statements were complete and the City was ready to complete the audit.

Recommendation – We commend the dedication and the effort of the City's finance department in preparing the accrual basis financial statements. Now, the City has in place, the necessary tools, understanding, and time needed to prepare of the accrual basis financial statements. With this new knowledge, we recommend the City to work diligently to complete the accrual basis financial statements within ninety days after year end in order for the auditing firm to have sufficient time to complete the auditing process.

**STATE OF NEW MEXICO
CITY OF CARLSBAD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010**

SECTION II – FINDINGS – FINANCIAL STATEMENTS (continued)

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

Views of Responsible Officials and Planned Corrective Actions – The City focused on preparing the financial statements internally, making all adjustments necessary to convert budgetary basis financial statements to accrual basis financial statements. This effort resulted in the removal of the SAS 115 finding, Preparation of the Financial Statements and Disclosures. City staff believed it was more important to focus on accurate and complete financial statement preparation, instead of the timely submission of the audit report. Future emphasis will focus on more timely financial statement preparation in order to allow the audit to be submitted by the December 1st deadline.

**SECTION III – FEDERAL AWARDS AND QUESTIONED COSTS
– NATIONAL CAVE & KARST INSTITUTE CFDA NO. 15.406, AIRPORT
IMPROVEMENT PROGRAM CFDA NO. 20.106, HIGHWAY RESEARCH
AND DEVELOPMENT CFDA NO. 20.200, AND AMERICAN RECOVERY
AND REINVESTMENT ACT – STREET IMPROVEMENTS CFDA NO. 20.XXX**

None.

SECTION IV – PRIOR YEARS' AUDIT FINDINGS

Item 2007-01 – Stale Checks – In the previous year's audit report, it was noted the City had outstanding checks which were not managed under the New Mexico escheat laws. During the fiscal year, the City reviewed their outstanding check lists and provided the state of New Mexico the information required to be in compliance with the escheat laws. This finding has been resolved.

Item 2007-02 – Preparation of Financial Statements and Disclosures – In the previous year's audit report, it was noted the financial statements and related note disclosures were not being prepared by the City. During the fiscal year, the City prepared the accrual basis financial statements and various disclosures in preparation for the audit. The finding has been resolved.

Item 2008-02 – Customer Utility Deposits – In the previous year's audit report, it was noted the customer utility deposit amount at year end was not reconciled. The City has continued to make improvements concerning the customer utility deposits; however, additional changes are still necessary. The finding has not been resolved and is updated and repeated.

Item 2008-03 – Grant Management – In the previous year's audit report, it was noted grant reimbursement requests were not being submitted on a timely basis, after expenses have been incurred. During the fiscal year, due to the economic crisis, the state of New Mexico did not issue any additional capital outlay projects; and they required all projects to be completed by a certain due date. Along with the changes at the state level, the City made changes of their internal controls concerning grant reimbursements requests. The finding has been resolved.

STATE OF NEW MEXICO
CITY OF CARLSBAD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2010

SECTION IV – PRIOR YEARS’ AUDIT FINDINGS (continued)

Item 2008-04 – Public Employee Retirement Association (PERA) Reporting – In the previous year’s audit report, it was noted not all gross wages was being reported to PERA. During the fiscal year, the City did not incur any turnover in the payroll department and the finance department was diligent in ensuring all wages were reported to PERA. The finding has been resolved.

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 State Auditor’s office. During the fiscal year, the audit report was not submitted timely to the State Auditor’s office. The finding has not been resolved and is updated and repeated.

Item 2009-01 – Utility Billing Customer Complaint Log – In the previous year’s audit report, it was noted the City was not maintaining the customer complaint log in an efficient and orderly fashion. During the fiscal year, the utility department supervisor is in charge of all customer complaints, and the City has made changes to their website to record and keep track of any customer complaints. The finding has been resolved.

STATE OF NEW MEXICO
CITY OF CARLSBAD
EXIT CONFERENCE AND
PREPARATION OF FINANCIAL STATEMENTS
JUNE 30, 2010

CITY OF CARLSBAD
EXIT CONFERENCE

The audit report for the fiscal year ended June 30, 2010, was discussed during the exit conference held on March 21, 2011. Present for the City were Wesley A. Carter, mayor pro-tem; Harry Burgess, city administrator and Monica D. Harris, director of finance/city treasurer. Present for the auditing firm was Ed Fierro, CPA.

FINANCIAL STATEMENT PREPARATION

The auditing firm of Fierro & Fierro, P.A., Certified Public Accountants, prepared the audit report that contains the financial statements and notes to the financial statements of the City of Carlsbad as of and for the year ended June 30, 2010. The City prepares all accruals and deferrals to adjust the general ledger as necessary in order to present financial statements in accordance with generally accepted accounting principles. The City also performed all depreciation calculations for the City. The City's upper management has reviewed and approved the financial statements and related notes, and they believe the City's books and records adequately support them.