STATE OF NEW MEXICO
CITY OF CARLSBAD

Basic Financial Statements and
Required Supplementary Information
and Supplementary Information
For the Year Ended June 30, 2014
and Independent Auditor's Report

STATE OF NEW MEXICO
CITY OF CARLSBAD
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JUNE 30, 2014

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STATE OF NEW MEXICO
CITY OF CARLSBAD
DIRECTORY OF OFFICIALS
JUNE 30, 2014

ELECTED OFFICIALS

Dale Janway	Mayor
Richard "Dick" W. Doss	Mayor Pro-Term
Wesley Carter	City Councilor
J.R. Doporto	City Councilor
Lisa A. Anaya Flores	City Councilor
Sandra K. Nunley	City Councilor
Nick G. Salcido	City Councilor
Jason G. Shirley	City Councilor
Janell E. Withlock	City Councilor

DEPARTMENT HEADS

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

Strickler & Prieto, LLP

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INDEPENDENT AUDITOR'S REPORT

Tim Keller, New Mexico State Auditor
Honorable Mayor and City Councilors
City of Carlsbad
Carlsbad, New Mexico

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, and the budgetary comparisons for the general fund and the major special revenue fund of the City of Carlsbad, New Mexico (the "City"), as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements as listed in the table of contents. We also have audited the financial statements of each of the City's nonmajor governmental, nonmajor enterprise, internal service funds, and the budgetary comparisons for the major capital project fund, enterprise funds, all nonmajor funds and internal service funds presented as supplementary information, as defined by the Government Accounting Standards Board, in the accompanying combining and individual fund financial statements as of and for the year ended June 30, 2014, as listed in the table of contents.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

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

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

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of the City, as of June 30, 2014, and the respective changes in financial position, and where applicable, cash flows thereof and the respective budgetary comparisons for the general fund and the major special revenue fund for the year then ended in accordance with accounting principles generally accepted in the United States of America. In addition, in our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of each nonmajor governmental, nonmajor enterprise and internal service funds of the City as of June 30, 2014, and the respective changes in financial position and cash flows, where applicable, thereof and the respective budgetary comparisons for the major capital project fund, enterprise funds, all nonmajor funds, and internal service funds for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the management's discussion and analysis on pages 5 through 17 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.

Other Information

Our audit was conducted for the purpose of forming opinions on the City's financial statements, the combining and individual fund financial statements, and the budgetary comparisons. The accompanying schedule of expenditures of federal awards as required by Office of Management and Budget Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*, and the other schedules required by 2.2.2 NMAC are presented for purposes of additional analysis and are not a required part of the basic financial statements.

The schedule of expenditures of federal awards and the other schedules required by 2.2.2 NMAC are the responsibility of management and were derived from and relate directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the schedule of expenditures of federal awards and the other schedules required by 2.2.2 NMAC are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated February 10, 2015, on our consideration of the City's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the City's internal control over financial reporting and compliance.

Strickler & Prieto, LLP

El Paso, Texas
February 10, 2015

MANAGEMENT'S DISCUSSION AND ANALYSIS

STATE OF NEW MEXICO
CITY OF CARLSBAD
MANAGEMENT'S DISCUSSION AND ANALYSIS
JUNE 30, 2014

As management of the City of Carlsbad, New Mexico, we offer readers of the City of Carlsbad's financial statements this narrative overview and analysis of the financial activities of the City of Carlsbad, New Mexico (City), for the fiscal year ended June 30, 2014. We encourage readers to consider the information presented here in conjunction with additional information that we have furnished in other sections of this audit report.

Financial Highlights

- The City assets exceeded liabilities by $218,847,221 at June 30, 2014. Approximately 34% of the City's net assets may be used to meet the City's ongoing obligations to citizens and creditors. During the current year, the City increased its net assets by $30,796,295.
- Unrestricted cash and investments at June 30, 2014, totaled $74,699,114. Current liabilities, including the current portion of long-term liabilities at June 30, 2014, amounted to $11,650,394.
- During the fiscal year, the City governmental activities expended $8,419,654 for capital assets. The business-type activities expended $13,174,597 for capital assets.
- Investment in capital assets for the City total $163,731,434, net of accumulated depreciation at June 30, 2014. These capital assets included land, construction in process, buildings, improvements, infrastructure, utility system, airport infrastructure and equipment.
- Long-term debt for the City at the end of the year was $40,603,675. During the year, the City decreased its debt by $221,525.

Overview of the Financial Statements

This discussion and analysis provided here are intended to serve as an introduction to the City's basic financial statements. The City's basic financial statements consist of three components: (1) government-wide financial statements, (2) fund financial statements, and (3) notes to the financial statements. This report also includes supplementary information intended to furnish additional detail to support the basic financial statements themselves.

Government-Wide Financial Statements

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

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

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

Government-Wide Financial Statements (continued)

Both of the government-wide financial statements distinguish functions of the City that are principally supported by taxes and intergovernmental revenues (*governmental activities*) from other functions that are intended to recover all or a significant portion of their costs through user fees and charges (*business-type activities*).The governmental activities of the City include general government, public safety, public works, culture and recreation, health and welfare, and economic development. The business-type activities of the City include water, solid waste, wastewater, museum, municipal transit, performing arts center, and cemetery.

The government-wide financial statements can be found on pages five and six of this report.

Fund Financial Statements

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

Governmental Funds

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

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

In addition to the general fund, the City maintains fifteen other individual governmental funds of which ten are classified as special revenue funds; three are classified as a capital projects funds, and two are classified as debt service funds. Information is presented separately in the governmental fund balance sheet and in the governmental fund statement of revenues, expenditures and changes in fund balance for the general fund, WIPP Acceleration Impact fund, GRT Capital Outlay fund, and Street System Improvement fund, which are considered major funds. Data from the other twelve governmental funds are combined into a single aggregated presentation. Individual fund data for each of the non-major governmental funds is provided in the form of combining statements in the combing and individual fund statements and scheduled section of this report.

The City adopts an annual appropriated budget for all of its funds. The budgetary comparison statement for the general fund is located on page eleven. Budgetary comparison statements for the special revenue, capital projects, and debt service nonmajor funds are located on pages forty-eight through eighty. The basic governmental fund financial statements can be found on page seven through ten of this report.

Government-Wide Financial Statements (continued)

Proprietary Funds

The City maintains two different types of proprietary funds. *Enterprise funds* are used to report the same functions presented as *business-type activities* in the government-wide financial statements. The City uses enterprise funds to account for its water, solid waste, and wastewater services provided to the citizens. Additionally, the City uses enterprise funds to account for a museum, municipal transit system, performing arts center, and a cemetery. *Internal service funds* are an accounting device used to accumulate and allocate costs internally among the City's various functions. The City uses internal service funds to account for the management of its retained risks and account for the City's computer lease equipment, the City's general insurance, the City's self-funded Workers' Compensation, and the City's group health insurance. Because of these services predominately benefit governmental rather business-type functions, they have been included within the *governmental activities* in the government-wide financial statements.

Proprietary funds provide the same type of information as the government-wide financial statements, only in more detail. The proprietary fund financial statements provide separate information for the solid waste fund and the joint water and sewer fund; both of which are considered major funds of the City. Data from the non-major enterprise funds are combined into a single aggregated presentation. Individual fund data for the non-major enterprise funds is provided in the form of combining statements in the combining and individual fund statements and schedules section of this report.

The basic proprietary fund financial statements can be found on pages thirteen through fifteen of this report.

Notes to the Financial Statements

The notes provide additional information that is necessary to acquire a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements can be found on pages sixteen through forty-one of this report.

Other Information

The combining statements referred to earlier in connection with non-major governmental funds and internal service funds are presented immediately following the notes to the financial statements. Combining and individual fund statements and schedules can be found on pages forty-two through forty-seven of this report.

Government-Wide Overall Financial Analysis

The City has restated the net assets and associated assets and liabilities as of June 30, 2013. Note 10 provides detail as to the restatements. The condensed financial information for the fiscal year ended June 30, 2013, is presented below, and has not been changed to reflect the restatement of net assets.

As noted earlier, net assets may serve over time as a useful indicator of a government's financial position. The City's assets exceeded liabilities by $218,847,221 at the close of the most recent fiscal year. Seventy-five percent of the City's net assets are composed of investment in capital assets (e.g., land, buildings, machinery, and equipment) less any debt, used to acquire those assets, that is still outstanding. The City uses these assets to provide services to the citizens; consequently, these assets are not available for future spending. Although the City's investment in its capital assets is reported net of related debt, it should be noted that the resources needed to repay this debt must be provided from other sources, since the capital assets themselves cannot be used to liquidate these liabilities.

Condensed Statement of Net Assets
(In Thousands)

	Governmental Activities		Business-type Activities		Total	
	06/30/14	06/30/13	06/30/14	06/30/13	06/30/14	06/30/13
Assets:						
Current and other assets	$ 60,600	$ 53,901	$ 46,770	$ 39,013	$ 107,370	$ 92,914
Capital assets, net of accumulated depreciation	90,271	81,853	73,460	60,285	163,731	142,138
Total assets	150,871	135,754	120,230	99,298	271,101	235,052
Liabilities:						
Current liabilities	6,899	3,105	4,752	3,071	11,651	6,176
Long-term liabilities	7,187	7,722	33,416	33,103	40,603	40,825
Total liabilities	14,086	10,827	38,168	36,174	52,254	47,001
Net Assets:						
Invested in capital assets, net of related debt	83,381	91,748	39,684	87,463	123,065	179,211
Restricted	15,063	307	54,643	256	69,706	563
Unrestricted	52,427	43,699	25,903	11,579	78,330	55,278
Total net assets	$ 150,871	$ 135,754	$ 120,230	$ 99,298	$ 271,101	$ 235,052

The remaining balance of unrestricted net assets $78,329,689 may be used to meet the government's ongoing obligations to citizens and creditors. The City increased its net assets by $30,796,295 during the fiscal year. At the end of the current fiscal year, the City is able to report positive balances in the two categories of net assets.

Government-Wide Financial Analysis (continued)

At June 30, 2013, unrestricted cash and investments totaled $61,453,036. At the end of the current year, unrestricted cash and investments totaled $74,699,114; an increase of $13,246,078. The governmental activities cash and investments increased by $2,195,508 and the business type activities funds cash and investments increased by $7,333,142.

At June 30, 2013, receivables for the City equaled $13,546,472. At June 30, 2014, the receivables totaled $15,419,770. The net increase in the receivables was $1,873,298. Ove fifty percent of the increase is attributed to intergovernmental receivables. The majority of the intergovernmental receivables will be collected shortly after year-end and no allowance for doubtful receipts has been recorded for those types of receivables.

Current and other assets within the governmental activities increased from $53,901,854 in 2013 to $60,599,359 in 2014, an increase of $6,697,505. Cash increased $5,912,936, due to increased Gross Receipts Tax generated by the strong economic environment in addition to increased charges for services and increased capital grants and contributions. This change accounts for eighty-six percent of the increase to the governmental activities current assets.

Current and other assets within the business-type activities increased from $36,815,978 in 2013 to $46,607,938 in 2014, an increase of $7,791,960. This was almost solely due to the increase in cash generated from services and debt proceeds.

Government-wide current liabilities that consist of accounts payable, accrued salaries, accrued liabilities, accrued interest payable, and deposits payable, at June 30, 2014, equaled $9,522,505. At June 30, 2013, the City reported an amount equal to $3,737,259. The current liabilities increased by $5,785,246, the majority relating to accounts payable for capital projects.

At June 30, 2013, the long-term debt, including the current portion equaled $40,865,663. The liabilities were decreased by $199,923 during the current fiscal year to $40,665,740.

The government-wide net assets at June 30, 2013, totaled $187,853,533. Those net assets were increased by $30,831,129. The governmental net assets were increased by $11,858,303, while the business-type assets increased by $18,972,826.

Government-Wide Financial Analysis (continued)

A condensed comparative statement of activities is as follows:

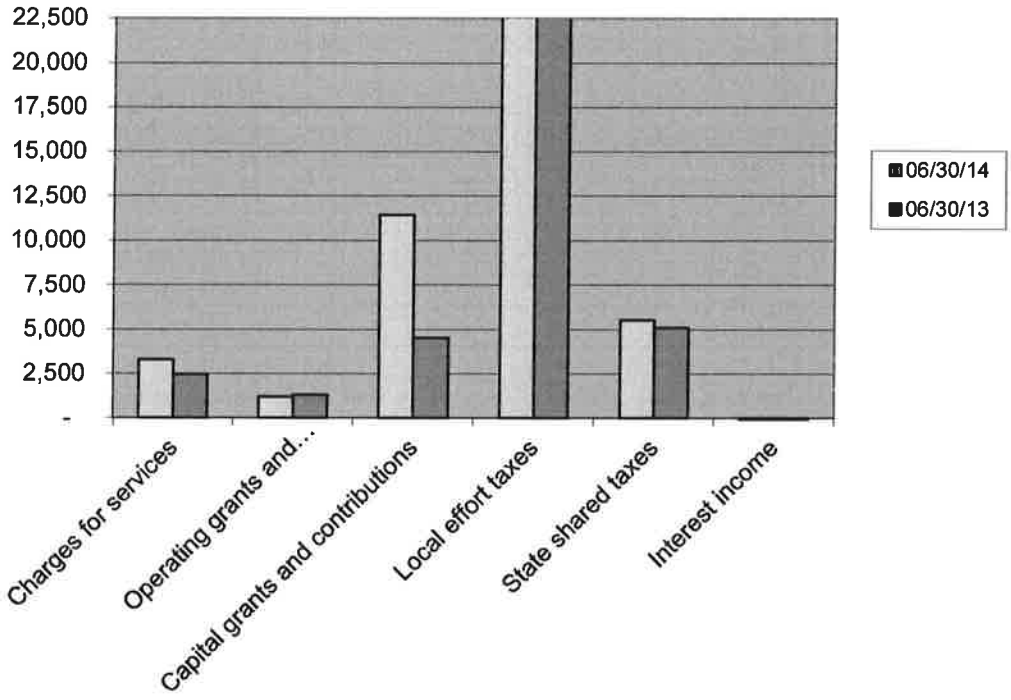
As noted earlier, net position over time, may serve as a useful indicator of a government's financial position. In the case of City, assets and deferred outflows of resources excelled liabilities by $218,820,761, at the close of the most recent fiscal year.

Condensed Statement of Activities
(In Thousands)

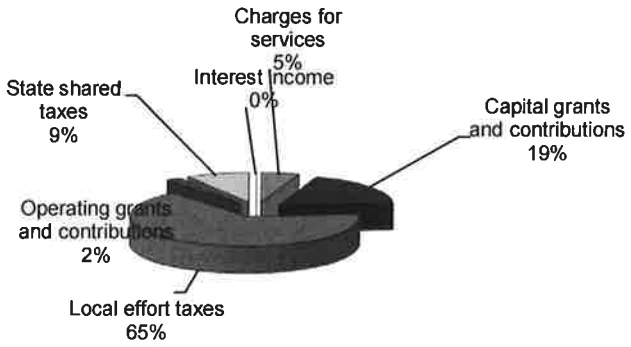
	Governmental Activities		Business-type Activities		Total	
	06/30/14	06/30/13	06/30/14	06/30/13	06/30/14	06/30/13
Revenues:						
Program revenues:						
Charges for services	$ 3,303	$ 2,470	$ 22,168	$ 21,180	$ 25,471	$ 23,650
Operating grants and contributions	1,205	1,302	486	425	1,691	1,727
Capital grants and contributions	11,432	4,520	-	43	11,432	4,563
General revenues:						
Local effort taxes	40,546	38,859	776	742	41,322	39,601
State shared taxes	5,519	5,081	-	-	5,519	5,081
Investment income	15	16	76	8	91	24
Donations	495	221	1,189	135	1,684	356
Miscellaneous	242	1	12	4	254	5
Gain (loss) on disposal of assets	(1)	240	55	11	54	251
Total revenues	62,756	52,710	24,762	22,548	87,518	75,258
Expenses:						
General government	7,076	5,105	-	-	7,076	5,105
Public safety	18,234	17,425	-	-	18,234	17,425
Public works	7,521	7,427	-	-	7,521	7,427
Culture and recreation	6,992	6,194	-	-	6,992	6,194
Health and welfare	924	1,016	-	-	924	1,016
Economic development	25	22	-	-	25	22
Water	-	-	5,811	5,343	5,811	5,343
Solid waste	-	-	3,463	3,307	3,463	3,307
Wastewater	-	-	2,900	2,563	2,900	2,563
Museum	-	-	16	3	16	3
Municipal transit	-	-	1,108	1,027	1,108	1,027
Performing arts centre	-	-	200	148	200	148
Cemetery	-	-	588	454	588	454
Interest on long-term debt	327	362	1,117	1,112	1,444	1,474
Total expenses	41,099	37,551	15,203	13,957	56,302	51,508
Transfers, net	(8,570)	(2,676)	8,570	2,676	-	-
Increase (decrease) in net assets	$ 13,087	$ 12,483	$ 18,129	$ 11,267	$ 31,216	$ 23,750

Government-Wide Financial Analysis (continued)

Comparison of Revenues - By Function
All Activities
(In Thousands)

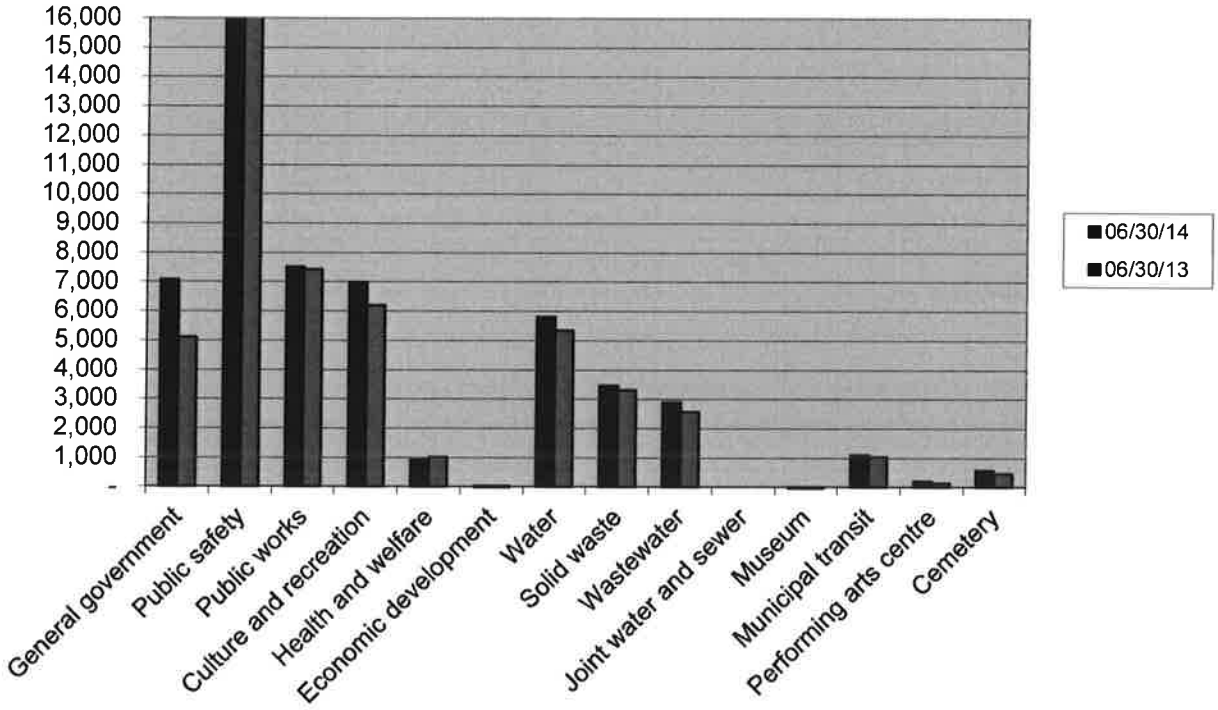


Total Revenues By Activity
June 30, 2014



Government-Wide Financial Analysis (continued)

Comparison of Expenses - By Function
All Activities
(In Thousands)



The statement of activities from 2014 shows revenue increases in governmental activities and revenue increases in business-type activities when compared to the 2013 fiscal year. Specifically, governmental activities program and general revenues increased by $10,044,288, and business-type activities program and general revenues increased by $2,214,369. The largest increase in the governmental activities occurred within capital grants and contributions of $6,911,499, an increase of 153 percent. The next largest increase in the governmental activities occurred within local effort and state shared taxes of $1,686,821, an increase of four percent. There were numerous other increases and decreases that resulted in the net increase in governmental activity revenues of nineteen percent. Charges for services for the business-type activities exhibited a five percent increase of $988,336; operating grants and contributions, capital grants and contributions, and general revenues netted out to a ten percent increase.

In the current year, governmental activities expenses totaled $41,098,346. The previous year, governmental activities expenses were equal to $37,551,399. The increase in current year expenses amounted to $3,546,947.

Government-Wide Financial Analysis (continued)

The largest increase in governmental activities expenses occurred within the City's general government. For 2013, the City's general government expense totaled $5,104,853, and increased by $1,971,255 for a total of $7,076,108. A thirty-nine percent increase for general government expenses.

For 2014, the City reflected an increase in governmental activities net assets of $13,087,449. In the prior year, the increase was $12,483,745. The difference between the years is $603,704. The business-type activities reflect an increase in net assets of $18,129,152 for the current fiscal year. In the previous year, the increase amounted to $11,226,670; that is a 61 percent increase.

For the previous year, the business-type activities reported expenses as $13,957,771. For the current year, the City reports expenses as $15,203,235, an increase of $1,245,464, about nine percent which is in Water due to salaries and depreciation.

Financial Analysis of the City's Funds

Governmental Funds

The focus of the City's governmental funds is to provide information on near-term inflows, and balances of spendable resources. Such information is useful in assessing the City's financing requirements. In particular, unreserved fund balance may serve as a useful measure of a government's net resources available for spending at the end of the fiscal year. At the end of the current fiscal year, the City's governmental funds reported combined ending fund balance of $50,520,657. Approximately seventy-five percent of this total or $37,793,481 constitutes unassigned fund balances, which are available for spending at the City's discretion. The remainder of fund balance, $12,727,176 is reserved for subsequent year's spending. It is not available for new spending because it has already been committed to next year's budget. The general fund balance of $26,530,639 represents fifty-three percent of the total governmental fund balances. The City's major funds' (general, WIPP Acceleration, GRT Capital Outlay and Street Improvement) fund balance increased by $3,323,285 during the current fiscal year. While the nonmajor funds increased their fund balances by $99,625.

General fund revenues totaled $41,885,771 for the fiscal year, while expenditures were $35,708,312. Revenues exceeded expenditures by $6,177,459 prior to transfers in and out of the general fund.

During the year, the general fund received $3,785,584 from other City funds while it transferred out $7,732,859. The net transfer out of $3,947,275 decreased the excess revenues over expenditures resulting in a net increase of fund balance of $2,230,184 before proceeds from sale of assets. The change in fund balance for 2013 was $6,818,651, primarily due to salary increases.

Financial Analysis of the City's Funds (continued)

Proprietary Funds

The City's proprietary funds provide the same type of information found in the government-wide financial statements, but in more detail. An analysis of the major proprietary funds is as follows:

The solid waste fund reflects an increase in net position in the amount of $805,019, which is $444,453 more than the increase in net position for 2013.This was primarily due to an increase for charges for services and a decrease in transfers out.

The joint water and sewer fund reflects an increase in net position of $16,846,416 for 2014. This compares to the increase in net positions of $10,691,018 in 2013, due to capital contributions.

General Fund Budgetary Highlights

The discussion that follows presents financial data based upon the budgetary basis of accounting. Please refer to the notes of the financial statements for an explanation of the differences of accounting regarding the budget.

During the current fiscal year, the City budgeted general fund revenues at $36,224,188. The actual revenues for the fiscal year were $41,444,389, a surplus of $5,220,201. Local effort taxes and shared taxes were over budget by $5,326,522 and $123,307, respectively. This is because of the increases in the GRT returns for the year. Licenses and permits saw an increase of revenue over the budget amount by $111,808. These together are a reflection of the area's continued strong economy during this fiscal year.

For the year ended June 30, 2014, the City anticipated that expenditures would exceed revenues and net transfers in by $9,125,435. Actual expenditures of $35,306,617 and net transfers out of $3,906,907 were less than revenues of $41,444,389, producing an increase in fund balance of $2,230,865. General government expenditures showed to be under budget by $904,597. Public safety expenditures showed to be under budget by $1,540,767. This was reflected mostly in salaries and benefits for the police department, which was under budget by $905,443. Public works expenditures showed to be under budget by $989,689. This is due mostly from being under budget in salaries and benefits, which was due to positions that went unfilled for a portion of the year.

Culture and recreation expenditures showed to be under budget by $438,151.

Health and welfare expenditures were under budget by $233,687, the majority due to salaries and benefits.

Capital outlay expenditures showed to be under budget by $3,208,222. This is due to not receiving various ordered capital items (ambulance, and police vehicles) and not completing miscellaneous building improvements.

General Fund Budgetary Highlights (continued)

During the fiscal year, the City increased anticipated revenues by $31,199. The City increased anticipated expenditures by $1,745,315 for the fiscal year. The main reason for the increase in the final budgeted revenues from the original budgeted revenues was insurance recoveries of $25,250. During the year, the City increased its budgeted expenditures by $1,146,914 for capital expenditures and $476,952 for salaries, due to a health insurance rebate covered by a transfer in, with the remainder adjustment to the general operating expenditures.

Capital Assets and Debt Administration

Capital Assets

The City's investment in capital assets for the government as of June 30, 2014 amounts to $163,731,434 (net of accumulated depreciation). This investment in capital assets includes land, buildings, improvements, utility systems, and machinery and equipment.

Major capital assets events during the current fiscal year included the following:

- Governmental Activities – During the fiscal year, the City increased their capital assets by $8,419,654. Sixty-three percent of the expenditures were for buildings and infrastructure.
- Business-Type Activities – During the fiscal year, the City expended $16,586,516 for capital assets. Seventy-five percent of the expenditures were for the Double Eagle Water System

Capital Assets - Net of Accumulated Depreciation
(In Thousands)

	Governmental Activities		Business-type Activities		Total	
	06/30/14	06/30/13	06/30/14	06/30/13	06/30/14	06/30/13
Land	$ 2,085	$ 2,086	$ 1,282	$ 1,282	$ 3,367	$ 3,368
Construction in progress	5,403	2,485	13,608	8,560	19,011	11,045
Buildings	31,851	30,769	2,781	2,806	34,632	33,575
Improvements	405	392	23,906	24,312	24,311	24,704
Infrastructure	44,189	39,943	-	-	44,189	39,943
Utility system			29,184	21,413	29,184	21,413
Equipment	6,339	6,177	2,699	1,913	9,038	8,090
Total capital assets	$ 90,272	$ 81,852	$ 73,460	$ 60,286	$ 163,732	$ 142,138

Additional information on the City's assets can be found in note seven on pages five through forty-seven of this report.

Capital Assets and Debt Administration (continued)

Long-Term Debt

At the end of the current year, the City had total debt outstanding of $42,731,564, which consists of notes, bonds, compensated absences, and landfill post-closure liability. The bonds payable are secured by pledged gross receipts tax or operating revenues.

The state of New Mexico Constitution provides for a legal limit of four percent (4.0%) of taxable valuation for general obligation bonds. The City's taxable value of property in 2013 was $397,947,200. The City may currently issue up to $15,917,888 in general obligation bonds. At the present time, the City does not have any general obligation bonds.

Long-Term Debt
(In Thousands)

	Governmental Activities		Business-type Activities		Total	
	06/30/14	06/30/13	06/30/14	06/30/13	06/30/14	06/30/13
Notes payable	$ 465	$ 947	$ 16,624	$ 14,967	$ 17,089	$ 15,914
Bonds payable	6,425	6,953	17,152	17,999	23,577	24,952
Landfill post closure	-	-	391	836	391	836
Compensated absences	1,374	1,249	300	313	1,674	1,562
Total long-term debt	$ 8,264	$ 9,149	$ 34,467	$ 34,115	$ 42,731	$ 43,264

Additional information on the City's long-term debt can be found in note eight on pages forty-eight through fifty-three of this report.

Currently Known Facts, Decisions, or Conditions

Gross receipts taxes were up 5% from FY 2012-2013. Based on the slow national economic recovery and the volatility of the local economy the City of Carlsbad conservatively budgeted Gross Receipts revenue projections at 2.5% above GRT revenues for FY 2012-2013. To date, current Gross Receipts Tax receipts have come in eleven percent above these projections, nine percent above last year's receipts.

In November 2013, the City of Carlsbad successfully obtained a loan and subsidy agreement through the New Mexico Finance Authority Drinking Water State Revolving Loan Fund. This allowed the City to receive $20,000,000 for the completion of a water line extension from the Double Eagle waster system. Sixteen million of this money is a loan repayable over 20 years; four million is a loan subsidy that can be forgiven. This will allow the City to bring an additional 7,648 acre feet of water rights into the City's water system for our current and future needs. The City has completed a 17 million renovation of the Waste Water Treatment Plant and has over 3 million currently accumulated for the debt repayment, which will start in 2015.

The Solid Waste fund continues to struggle; however, an operational audit is almost complete to provide recommendations to improve the financial stability of this fund.

Request for Information

This financial report is designed to provide a general overview of the City's finances and to show the City's accountability for the money it receives. Questions concerning any of the information provided in this report or request for additional information should be addressed to the City Administrator or the Director of Finance/City Treasurer, P.O. Box 1569, Carlsbad, New Mexico 88221-1569.

GOVERNMENT-WIDE FINANCIAL STATEMENTS

STATE OF NEW MEXICO
CITY OF CARLSBAD
STATEMENT OF NET POSITION
JUNE 30, 2014

	Governmental Activities	Business-Type Activities	Total
ASSETS			
Current Assets:			
Cash and cash equivalents	$ 48,047,036	$ 26,652,078	$ 74,699,114
Receivables, net	11,598,638	3,821,132	15,419,770
Inventory	-	525,483	525,483
Total current assets	59,645,674	30,998,693	90,644,367
Noncurrent assets:			
Restricted cash	950,067	9,265,131	10,215,198
Restricted investments	23	6,270,018	6,270,041
Prepaid bond insurance premiums	3,595	74,096	77,691
Capital assets, net	90,271,723	73,459,711	163,731,434
Total noncurrent assets	91,225,408	89,068,956	180,294,364
Deferred outflows of resources:			
Deferred amount on advance refunding of debt	-	162,559	162,559
Total assets and deferred outflows of resources	$ 150,871,082	$ 120,230,208	$ 271,101,290
LIABILITIES			
Current liabilities:			
Accounts payable	$ 5,085,758	$ 1,758,272	$ 6,844,030
Accrued salaries	651,285	124,505	775,790
Accrued liabilities	47,985	66,681	114,666
Accrued interest payable	36,638	811,242	847,880
Deposits payable	200	939,939	940,139
Current portion of bonds payable	545,728	871,560	1,417,288
Current portion of notes payable	70,559	14,794	85,353
Current portion of compensated absences	460,477	164,771	625,248
Total current liabilities	6,898,630	4,751,764	11,650,394
Noncurrent liabilities:			
Bonds payable	5,879,553	16,280,915	22,160,468
Notes payable	394,190	16,608,441	17,002,631
Compensated absences	913,680	135,653	1,049,333
Landfill closure and post-closure	-	391,243	391,243
Total noncurrent liabilities	7,187,423	33,416,252	40,603,675
Total liabilities	14,086,053	38,168,016	52,254,069
Deferred inflows of resources:			
Deferred revenues	26,460	-	26,460
NET POSITION			
Net investment in capital assets	83,381,693	39,684,001	123,065,694
Restricted for:			
Debt service	18,767	5,077,437	5,096,204
Public works	950,067	10,457,712	11,407,779
Customer deposits	200	939,939	940,139
Unrestricted	52,407,842	25,903,103	78,310,945
Total net position	136,758,569	82,062,192	218,820,761
Total liabilities, deferred inflows of resources and net position	$ 150,871,082	$ 120,230,208	$ 271,101,290

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, 2014

Functions/Programs	Expenses	Program Revenues: Charges for Service	Program Revenues: Operating Grants and Contributions	Program Revenues: Capital Grants and Contributions	Net (Expenses) Revenue and Changes in Net Position: Governmental Activities	Net (Expenses) Revenue and Changes in Net Position: Business-Type Activities	Net (Expenses) Revenue and Changes in Net Position: Total
Primary government:							
Governmental activities:							
General government	$ 7,076,108	$ 780,910	$ -	$ 813,598	$ (5,481,600)	$ -	$ (5,481,600)
Public safety	18,234,137	2,030,087	1,124,454	-	(15,079,596)	-	(15,079,596)
Public works	7,520,505	80	40,933	10,486,414	3,006,922	-	3,006,922
Culture and recreation	6,991,731	492,312	39,349	-	(6,460,070)	-	(6,460,070)
Health and welfare	924,022	-	-	-	(924,022)	-	(924,022)
Economic development	25,131	-	-	132,484	107,353	-	107,353
Interest on long-term debt	326,712	-	-	-	(326,712)	-	(326,712)
Total governmental activities	41,098,346	3,303,389	1,204,736	11,432,496	(25,157,725)	-	(25,157,725)
Business - type activities:							
Water	5,810,512	12,988,405	-	-	-	7,177,893	7,177,893
Solid waste	3,463,330	4,650,911	151,686	-	-	1,339,267	1,339,267
Wastewater	2,899,941	3,945,723	-	-	-	1,045,782	1,045,782
Museum	16,361	5,777	-	-	-	(10,584)	(10,584)
Municipal transit	1,107,794	85,433	334,093	-	-	(688,268)	(688,268)
Performing arts center	199,625	35,882	-	-	-	(163,743)	(163,743)
Cemetery	587,930	456,389	-	-	-	(131,541)	(131,541)
Interest on long-term debt	1,117,742	-	-	-	-	(1,117,742)	(1,117,742)
Total business - type activities	15,203,235	22,168,520	485,779	-	-	7,451,064	7,451,064
Total primary government	$ 56,301,581	$ 25,471,909	$ 1,690,515	$ 11,432,496	(25,157,725)	7,451,064	(17,706,661)
General Revenues:							
Sales taxes					40,546,248	775,471	41,321,719
Property taxes, levied for general purposes					2,243,167	-	2,243,167
Lodger's taxes					1,919,159	-	1,919,159
Franchise taxes					766,560	-	766,560
Public service taxes					589,915	-	589,915
Investment income					15,237	76,287	91,524
Donations					495,183	1,189,288	1,684,471
Insurance recoveries					37,629	12,444	50,073
Gain on disposal of assets					(1,130)	54,884	53,754
Miscellaneous					202,920	-	202,920
Transfers, net					(8,569,714)	8,569,714	-
Total general revenues and transfers					38,245,174	10,678,088	48,923,262
Change in net position					13,087,449	18,129,152	31,216,601
Net position - beginning of year					124,912,797	63,121,950	188,034,747
Restatement					(1,241,677)	811,090	(430,587)
Net position - beginning of year, restated					123,671,120	63,933,040	187,604,160
Net position - end of year					$ 136,758,569	$ 82,062,192	$ 218,820,761

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

GOVERNMENTAL FUND FINANCIAL STATEMENTS

STATE OF NEW MEXICO
CITY OF CARLSBAD
BALANCE SHEET - GOVERNMENTAL FUNDS
JUNE 30, 2014

	General Fund	WIPP Acceleration Impact Fund	GRT Capital Outlay Fund	Street System Improvement Fund	Other Nonmajor Funds	Total Governmental Funds
ASSETS						
Cash and cash equivalents	$ 20,657,621	$ 1,790,102	$ 10,821,203	$ 3,437,948	$ 7,874,363	$ 44,581,237
Receivables, net	7,711,903	900,000	510,117	48,190	1,929,516	11,099,726
Due from other funds	-	408,748	-	-	-	408,748
Restricted:						
Investments	-	-	-	-	23	23
Total assets	$ 28,369,524	$ 3,098,850	$ 11,331,320	$ 3,486,138	$ 9,803,902	$ 56,089,734
LIABILITIES						
Accounts payable	$ 661,566	$ 2,198,849	$ 68,478	$ 680,586	$ 638,158	$ 4,247,637
Accrued salaries	640,939	-	-	-	10,346	651,285
Accrued sales taxes	1,340	-	-	-	296	1,636
Accrued payroll taxes payable	45,552	-	-	-	-	45,552
Accrued liabilities	797	-	-	-	-	797
Deposits payable	200	-	-	-	-	200
Due to other funds	-	-	-	-	120,000	120,000
Total liabilities	1,350,394	2,198,849	68,478	680,586	768,800	5,067,107
Deferred inflows of resources:						
Deferred revenues	488,491	-	-	-	13,479	501,970
FUND BALANCES						
Restricted for:						
Debt service	-	-	-	-	18,767	18,767
State mandated per statutes	-	-	-	-	1,137,585	1,137,585
Committed for:						
Subsequent years' expenditures	-	900,001	5,075,002	2,805,552	5,581,876	14,362,431
Assigned	-	-	6,187,840	-	2,283,395	8,471,235
Unassigned	26,530,639	-	-	-	-	26,530,639
Total fund balances	26,530,639	900,001	11,262,842	2,805,552	9,021,623	50,520,657
Total liabilities, deferred inflows of resources and fund balances	$ 28,369,524	$ 3,098,850	$ 11,331,320	$ 3,486,138	$ 9,803,902	$ 56,089,734

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
RECONCILIATION OF THE BALANCE SHEET-GOVERNMENTAL FUNDS TO THE STATEMENT OF NET POSITION
JUNE 30, 2014

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

Fund balances - total governmental funds	$ 50,520,657
Capital assets used in governmental activities are not financial resources and, therefore, are not reported in the governmental funds.	90,271,723
Insurance premiums paid during the issuance of bonds are not expensed in the current period. These costs are capitalized, in the statement of net position and are not reported in the governmental funds.	3,595
Certain accrued interest expenses are not due and payable in the current period and, therefore, are not reported in the governmental funds.	(36,638)
Long-term obligations applicable to the City's governmental activities are not due and payable in the current period, and, therefore, are not reported in the governmental funds.	(8,264,187)
Other assets are not available to pay for current-period expenditures and therefore are deferred in the funds:	
County appropriations	475,510
Residual balances of the internal service funds are included within the governmental activities and are not reported in the governmental funds.	3,787,909
Net position - statement of net position	$ 136,758,569

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, 2014

	General Fund	WIPP Acceleration Impact Fund	GRT Capital Outlay Fund	Street System Improvement Fund	Other Nonmajor Funds	Total Governmental Funds
REVENUES:						
Taxes:						
Sales taxes	$ 36,118,268	$ -	$ 2,877,518	$ -	$ 1,550,462	$ 40,546,248
Property	2,359,013	-	-	-	-	2,359,013
Franchise	766,560	-	-	-	-	766,560
Lodger's	-	-	-	-	1,919,159	1,919,159
Public service	-	-	-	589,915	-	589,915
Intergovernmental						
Federal	31,087	10,268,981	-	-	804,353	11,104,421
State	193,313	-	-	363,867	1,172,689	1,729,869
Charges for services	1,387,665	-	-	-	183,559	1,571,224
Licenses, fees and permits	375,146	-	-	73,519	-	448,665
Fines and forfeitures	388,692	-	-	-	-	388,692
Investment income	6,152	-	1,067	2,301	2,588	12,108
Miscellaneous	259,875	(288,747)	-	492,679	2,500	466,307
Total revenues	41,885,771	9,980,234	2,878,585	1,522,281	5,635,310	61,902,181
EXPENDITURES:						
Current:						
General government	5,942,661	-	-	-	-	5,942,661
Public safety	16,469,573	-	-	-	348,252	16,817,825
Public works	5,254,109	-	-	-	284,694	5,538,803
Culture and recreation	4,356,117	-	-	-	1,627,429	5,983,546
Health and welfare	848,865	-	-	-	49,155	898,020
Economic development	-	-	-	-	25,131	25,131
Capital outlay	2,836,987	-	253,618	6,058,641	3,497,931	12,647,177
Debt service:						
Principal	-	-	-	-	1,012,007	1,012,007
Interest and other charges	-	-	-	-	325,833	325,833
Total expenditures	35,708,312	-	253,618	6,058,641	7,170,432	49,191,003
Excess of revenues over expenditures	6,177,459	9,980,234	2,624,967	(4,536,360)	(1,535,122)	12,711,178
Other financing sources (uses):						
Transfers in	3,785,584	288,747	-	4,793,277	2,514,784	11,382,392
Transfers (out)	(7,732,859)	(10,268,981)	(588,288)	-	(1,077,442)	(19,667,570)
Proceeds from sale of assets	41,182	-	-	-	-	41,182
Bond premium	-	-	-	-	(1,845)	(1,845)
Total other financing sources (uses)	(3,906,093)	(9,980,234)	(588,288)	4,793,277	1,435,497	(8,245,841)
Net change in fund balances	2,271,366	-	2,036,679	256,917	(99,625)	4,465,337
Fund balances - beginning of year	24,259,273	2,141,678	9,226,163	2,548,635	9,121,248	47,296,997
Restatements	-	(1,241,677)	-	-	-	(1,241,677)
Fund balances - beginning of year, restated	24,259,273	900,001	9,226,163	2,548,635	9,121,248	46,055,320
Fund balances - end of year	$ 26,530,639	$ 900,001	$ 11,262,842	$ 2,805,552	$ 9,021,623	$ 50,520,657

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, 2014

Net change in fund balances total governmental funds	$ 4,465,337
Net change in net position of internal service funds	(1,045,243)
Governmental funds report capital outlays as expenditure in the amount of $12,647,177. However, in the statement of activities, the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense in the amount of $4,185,211 therefore , the net adjustment is $8,461,966.	8,461,966
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 disposals of capital assets do not use current financial resources and, therefore, are not reported as expenditures in the governmental funds.	(42,312)
Some of the City's property taxes, along with other revenues, will be collected after year-end, but are not available soon enough to pay for the current period's expenditures, and therefore, are reported as deferred revenue in the funds.	359,664
Accrued interest expense not due within thirty days after year-end is not considered in the current period and is not reported in the governmental funds. The decrease of the accrued interest liability from the previous year decreases the interest expense within the statement of activities.	4,202
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.	1,012,007
During the current year, the City recorded amortization expense in respect to the bond insurance premium. The expense is reflected within the statement of activities and the expense does not use a current financial resource, and is not recorded within the governmental funds.	(3,236)
The increase in the compensated absences liability is reflected as an expense within the statement of activities and the expense does not require the use of current financial resources and is not recorded within the governmental fund statements.	(124,936)
Net change in net position - government-wide financial statements	$ 13,087,449

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
GENERAL FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts			Variance with Final Budget Positive (Negative)
	Original	Final	Actual	
Revenues:				
Sales taxes	$ 30,557,500	$ 30,557,500	$ 35,884,022	$ 5,326,522
Property taxes	2,212,924	2,212,924	2,336,232	123,308
Franchise taxes	700,100	700,100	757,210	57,110
Intergovernmental				
Federal	-	2,000	16,867	14,867
State	797,569	798,922	254,056	(544,866)
Charges for services	1,353,306	1,353,306	1,309,575	(43,731)
Licenses and permits	248,390	248,390	360,198	111,808
Fines and forfeitures	334,600	334,600	388,724	54,124
Investment Income	5,500	5,500	6,354	854
Miscellaneous	3,100	30,946	131,151	100,205
Total revenues	36,212,989	36,244,188	41,444,389	5,200,201
Expenditures:				
Current:				
General government	6,538,800	6,642,896	5,738,299	904,597
Public safety	17,656,580	17,934,104	16,393,337	1,540,767
Public works	6,100,369	6,198,878	5,209,190	989,688
Culture and recreation	4,687,805	4,792,501	4,354,350	438,151
Health and welfare	1,076,421	1,089,997	856,310	233,687
Capital outlay	4,816,439	5,963,353	2,755,131	3,208,222
Total expenditures	40,876,414	42,621,729	35,306,617	7,315,112
Excess (deficiency) of revenues over expenditures	(4,663,425)	(6,377,541)	6,137,772	12,515,313
Other financing sources (uses):				
Transfers in	4,476,746	4,926,955	3,726,197	(1,200,758)
Transfers (out)	(6,093,982)	(7,633,107)	(7,633,104)	3
Total other financing sources (uses)	(1,617,236)	(2,706,152)	(3,906,907)	(1,200,755)
Net change in fund balance	(6,280,661)	(9,083,693)	2,230,865	11,314,558
Fund balance - beginning of year	10,948,609	10,948,609	10,948,609	-
Fund balance - end of year	$ 4,667,948	$ 1,864,916	13,179,474	$ 11,314,558

Reconciliation on budgetary basis to GAAP basis:	
Net change in fund balance budgetary basis	$ 2,230,865
Net revenue accruals	441,382
Net expenditure accruals	(400,881)
Net change in fund balance GAAP basis	$ 2,271,366

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
WIPP ACCELERATION IMPACT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts			
	Original	**Final**	**Actual**	**Variance with Final Budget Over (Under)**
Revenues:				
Intergovernmental:				
Federal	$ 8,840,227	$ 8,840,227	$ 9,394,200	$ 553,973
Expenditures:				
Culture and recreation	-	-	-	-
Capital outlay	9,968,411	9,968,411	8,732,282	1,236,129
Total expenditures	9,968,411	9,968,411	8,732,282	1,236,129
Excess (deficiency) of revenues over expenditures	(1,128,184)	(1,128,184)	661,918	1,790,102
Other financing sources:				
Transfer in	-	-	-	-
Transfer (out)	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net changes in fund balance	(1,128,184)	(1,128,184)	661,918	1,790,102
Fund balance - beginning of year	1,128,184	1,128,184	1,128,184	-
Fund balance - end of year	$ -	$ -	$ 1,790,102	$ 1,790,102

Reconciliation of budgetary basis to GAAP basis:	
Net changes in fund balance budgetary basis	$ 661,918
Net revenue accruals	288,748
Net expenditure accruals	(2,192,343)
Prior period restatement - see note 10	1,241,677
Net changes in fund balance GAAP basis	$ -

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

PROPRIETARY FUNDS FINANCIAL STATEMENTS

STATE OF NEW MEXICO
CITY OF CARLSBAD
STATEMENT OF NET POSITION - PROPRIETARY FUNDS
JUNE 30, 2014

	Business - Type Activities - Enterprises Funds				Governmental Activities Internal Service Funds
	Solid Waste Fund	Joint Water and Sewer Fund	Other Enterprise Funds	Total	
ASSETS					
CURRENT ASSETS:					
Cash and cash equivalents	$ 5,491,489	$ 19,922,984	$ 1,237,605	$ 26,652,078	$ 3,465,799
Receivables, net	613,284	3,143,164	64,684	3,821,132	498,912
Inventory	-	525,483	-	525,483	-
Total current assets	6,104,773	23,591,631	1,302,289	30,998,693	3,964,711
Non current assets:					
Restricted cash	-	9,265,131	-	9,265,131	950,067
Restricted investments	-	6,270,018	-	6,270,018	-
Prepaid bond insurance premiums	-	74,096	-	74,096	-
Capital assets, net	1,878,406	68,046,847	3,534,458	73,459,711	-
Total non current assets	1,878,406	83,656,092	3,534,458	89,068,956	950,067
Deferred outflows of resources:					
Deferred amount on advance refunding of debt	-	162,559	-	162,559	-
Total assets and deferred outflows of resources	$ 7,983,179	$107,410,282	$ 4,836,747	$120,230,208	$ 4,914,778
LIABILITIES					
Current liabilities:					
Accounts payable	581,899	1,065,993	110,380	1,758,272	838,121
Accrued salaries	29,659	76,937	17,909	124,505	-
Accrued liabilities	-	66,681	-	66,681	-
Accrued interest payable	-	811,242	-	811,242	-
Customer deposits	-	939,939	-	939,939	-
Due to other funds	-	-	-	-	288,748
Current portion of bonds payable	-	871,560	-	871,560	-
Current portion of notes payable	-	14,794	-	14,794	-
Current portion of compensated absences	23,421	123,864	17,486	164,771	-
Total current liabilities	634,979	3,971,010	145,775	4,751,764	1,126,869
Noncurrent liabilities:					
Bonds payable	-	16,280,915	-	16,280,915	-
Notes payable	-	16,608,441	-	16,608,441	-
Compensated absences	40,609	76,581	18,463	135,653	-
Landfill closure and post-closure	391,243	-	-	391,243	-
Total non-current liabilities	431,852	32,965,937	18,463	33,416,252	-
Total liabilities	1,066,831	36,936,947	164,238	38,168,016	1,126,869
NET POSITION					
Net investment in capital assets	1,878,406	34,271,137	3,534,458	39,684,001	-
Restricted:					
Debt service	-	5,077,437	-	5,077,437	-
Public works	-	10,457,712	-	10,457,712	-
Customer deposits	-	939,939	-	939,939	-
Unrestricted	5,037,942	19,727,110	1,138,051	25,903,103	3,787,909
Total net position	6,916,348	70,473,335	4,672,509	82,062,192	3,787,909
Total liabilities, deferred inflows of resources and net position	$ 7,983,179	$107,410,282	$ 4,836,747	$120,230,208	$ 4,914,778

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 NET POSITION - PROPRIETARY FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Business - Type Activities - Enterprise Funds				Governmental Activities
	Solid Waste Fund	Joint Water and Sewer Fund	Other Enterprises Fund	Total	Internal Service Funds
Operating revenues:					
Charges for services	$ 4,691,597	$ 16,934,128	$ 583,481	$ 22,209,206	$ 5,576,424
Operating expenses:					
Personnel services	1,609,259	4,014,117	942,616	6,565,992	-
Utilities	-	737,529	100,455	837,984	-
Contractual services	141,135	200,059	405,861	747,055	511,336
Repairs and maintenance	553,678	759,323	56,641	1,369,642	-
Insurance claims and expenses	-	-	-	-	6,270,574
Other supplies and expenses	746,513	627,448	148,882	1,522,843	50,019
Depreciation and amortization	412,745	2,371,977	257,255	3,041,977	-
Total operating expenses	3,463,330	8,710,453	1,911,710	14,085,493	6,831,929
Operating income (loss)	1,228,267	8,223,675	(1,328,229)	8,123,713	(1,255,505)
Non-operating revenues (expenses):					
Sales taxes	775,471	-	-	775,471	-
Intergovernmental					
Federal	-	-	334,093	334,093	-
State	111,000	-	-	111,000	-
Investment income	6,895	69,392	-	76,287	3,129
Gain on sale of assets	-	54,004	880	54,884	-
Miscellaneous	197	1,153,484	48,051	1,201,732	491,669
Interest expense	(2,026)	(1,115,716)	-	(1,117,742)	-
Total non-operating revenues (expenses)	891,537	161,164	383,024	1,435,725	494,798
Income (loss) before capital contributions and transfers	2,119,804	8,384,839	(945,205)	9,559,438	(760,707)
Capital contributions and transfers:					
Transfers in	70,575	11,050,615	1,442,922	12,564,112	2,023,137
Transfers out	(1,385,360)	(2,589,038)	(20,000)	(3,994,398)	(2,307,673)
Total capital contributions and transfers	(1,314,785)	8,461,577	1,422,922	8,569,714	(284,536)
Change in net position	805,019	16,846,416	477,717	18,129,152	(1,045,243)
Net position - beginning of year	6,111,329	52,815,829	4,194,792	63,121,950	4,833,152
Restatements	-	811,090	-	811,090	-
Net position - beginning of the year, restated	6,111,329	53,626,919	4,194,792	63,933,040	4,833,152
Net position - end of year	$ 6,916,348	$ 70,473,335	$ 4,672,509	$ 82,062,192	$ 3,787,909

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, 2014

	Business- Type Activities-Enterprise Funds				Governmental Activities
	Solid Waste Fund	Joint Water and Sewer Fund	Other Enterprise Fund	Total	Internal Service Funds
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received from customers	$ 4,663,900	$ 16,662,715	$ 548,879	$ 21,875,494	$ -
Internal activity- receipts from other funds	-	-	-	-	6,167,118
Cash payments to suppliers from goods and services	(1,358,087)	(1,308,868)	(632,695)	(3,299,650)	(6,286,370)
Cash payments to employees for services	(1,600,453)	(4,038,512)	(918,977)	(6,557,942)	-
Net cash provided by (used in) operating activities	1,705,360	11,315,335	(1,002,793)	12,017,902	(119,252)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:					
Cash received from sales taxes	775,471	-	-	775,471	-
Cash received from intergovernmental sources	111,197	-	330,898	442,095	-
Cash received from capital contributions's	-	-	-	-	-
Cash received from miscellaneous sources	-	1,145,605	43,419	1,189,024	-
Net change in customer deposits	-	85,415	-	85,415	-
Net transfers in (out)	(1,314,785)	8,461,577	1,427,554	8,574,346	(284,536)
Net cash provided by (used in) non-capital and related financing activities	(428,117)	9,692,597	1,801,871	11,066,351	(284,536)
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:					
Acquisition of capital assets	(37,584)	(16,616,214)	(217,512)	(16,871,310)	-
Proceed from the sale of assets	-	709,625	-	709,625	-
Long term debt proceeds	-	1,734,686	-	1,734,686	-
Principal payments on capital debt	(63,216)	(821,345)	-	(884,561)	-
Interest on capital debt	(2,400)	(815,341)	-	(817,741)	-
Net cash provided used in capital financing activities	(103,200)	(15,808,589)	(217,512)	(16,129,301)	-
CASH FLOWS FROM INVESTING ACTIVITIES:					
Investment income	61,996	120,456	-	182,452	3,129
Proceeds from the sale of investments	-	535,000	-	535,000	-
Purchase of investments	-	(492,346)	-	(492,346)	-
Net cash provided by investing activities	61,996	163,110	-	225,106	3,129
Net increase (decrease) in cash	1,236,039	5,362,453	581,566	7,180,058	(400,659)
Cash and cash equivalents, beginning of year	4,255,450	23,825,662	656,039	28,737,151	4,816,525
Cash and cash equivalents, end of year	$ 5,491,489	$ 29,188,115	$ 1,237,605	$ 35,917,209	$ 4,415,866
Displayed as:					
Cash	$ 5,491,489	$ 19,922,984	$ 1,237,605	$ 26,652,078	$ 3,465,799
Restricted cash	-	9,265,131	-	9,265,131	950,067
	$ 5,491,489	$ 29,188,115	$ 1,237,605	$ 35,917,209	$ 4,415,866
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:					
Operating income (loss)	$ 1,228,267	$ 8,223,675	$ (1,328,229)	$ 8,123,713	$ (1,255,505)
Adjustment to reconcile operating income to net cash provided by (used in) operating activities:					
Depreciation	412,745	2,371,977	257,255	3,041,977	-
Bad Debt	-	-	-	-	-
Landfill closure and post closure liability	(444,358)	-	-	(444,358)	-
Change in assets and liabilities:					
Accounts receivable	(27,697)	(267,736)	(28,852)	(324,285)	33,295
Inventory	-	13,779	-	13,779	-
Accounts payable	527,597	1,001,712	75,644	1,604,953	814,210
Accrued salaries	1,393	14,760	5,216	21,369	-
Accrued liabilities	-	(3,677)	-	(3,677)	-
Compensated absences	7,413	(39,155)	18,423	(13,319)	-
Deferred revenues	-	-	(2,250)	(2,250)	-
Due to other funds	-	-	-	-	288,748
Net cash provided by (used in) operating activities	$ 1,705,360	$ 11,315,335	$ (1,002,793)	$ 12,017,902	$ (119,252)

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

NOTES TO THE FINANCIAL STATEMENTS

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

A. Reporting Entity

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

The financial reporting entity consists of the primary government, and any other organization for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete.

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

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

B. Basis of Presentation

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

Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from the business-type activities, which rely on a significant extent on fees and charges for support. The Statement of Net Position and the Statement of Activities were prepared using the economic resources measurement focus and the accrual basis of accounting. Revenues, expenses, gains, losses, assets and liabilities resulting from exchange-like transactions are recognized in accordance with the requirements of GASB Statement No. 33, *Accounting and Financial Reporting for Non-Exchange Transactions.*

The government-wide statement of activities demonstrates the degree to which the direct expenses of a function category (general government, public safety, etc.) or activity are offset by program revenues. Direct expenses are those that are clearly identifiable with specific function or activity. Program revenues include 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or activity, 2) grants and contributions that are restricted to meeting the operational requirements of a particular function or activity, and 3) grants and contributions that are restricted to meeting the capital requirements of a particular function or activity. Taxes and other items not properly included among program revenues are reported instead as general revenues.

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

Separate fund based financial statements are provided for governmental funds and proprietary funds. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements. GASB Statement No. 34 sets forth minimum criteria (percentage of assets, liabilities, revenues or expenditures/expenses of either fund category for the governmental and enterprise combined) for the determination of major funds. The nonmajor funds are combined in a column in the fund financial statements. The nonmajor funds are detailed in the combining section of the statements. For the current fiscal year, the City does not have any fiduciary funds.

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

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

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

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

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

In addition to liabilities, the statement of net position will, at times, report a separate section for deferred inflows of resources. This separate financial statement element, deferred inflows of resources, represents an acquisition of net position that applies to a future reporting period(s); therefore, will not be recognized as an inflow of resources (revenues) until that time.

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

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

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

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

The City reports the following proprietary fund types:

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

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

The City reports the following Major Governmental Funds:

The General Fund is the City's primary operating fund. It accounts for all the financial resources of the general government, except those required to be accounted for in another fund. Revenues are provided through property, sales and other taxes, federal sources, state sources, charges for services, licenses and fees, and other miscellaneous recoveries and revenues. Expenditures include all costs associated with the daily operation of the City, except for items included in other funds.

The 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.

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

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

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

The Recreation Fund accounts for receipts, which is restricted use in recreational areas only. Originally, the funding source of revenues was from one-third of the cigarette tax. Currently, the majority of revenues are from charges for services from concession sales and rentals. The fund was established by local ordinance. The cigarette tax was imposed and collected as authorized by Section 7-12-1 through 7-12-17, NMSA 1978.

The Lodgers' Tax Fund accounts for funds received from a special local lodgers' tax that is to be used for promotion of the City. The fund was established by local ordinance authorized by Section 3-38-13 through 3-38-24, NMSA 1978. Section 3-38-15(E), NMSA 1978, restricts the use of the tax for advertising, publicizing and promoting, establishing and operating tourist-related attractions, facilities and events.

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

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

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

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

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

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

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

Capital Project Funds—The Park improvement Fund accounts for the receipts and disbursements to build and improve parks within the City. Financing is provided from state grants. The fund is authorized by city council.

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

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

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

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

The City reports the following major business-type funds:

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

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

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

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

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

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

The Cemetery Fund accounts for the operation and maintenance of the City cemetery. Financing is provided through lot sales and fees for services. The funding is authorized by Section 3-40-1 through 3-40-9, NMSA 1978. The City maintains four individual internal service funds. A description of each fund is as follows:

The Computer Lease Equipment Fund accounts for the costs of providing computer equipment to the various departments of the City. Operating transfers are made from various departments to cover the cost of the leasing the equipment.

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

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

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

D. Budgets

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

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

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

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

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

E. *Assets, Liabilities, and Net Assets or Equity*

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

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

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

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

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

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

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

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

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

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

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

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

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

Sick Leave—Each employee of the City may accumulate a total of twelve days of sick leave per year; however, unless the employee has qualified to retire under the state retirement program, employees are not paid for the accumulated sick leave upon retirement or other termination. If the employee has qualified to retire under the state retirement program, the City will pay the employee for one-third of the accumulated sick leave on the last day of service to the City. Accordingly, the one third portion of the sick leave earned for certain employees is accrued on the government-wide and proprietary fund financial statements.

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

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

Deferred Outflows of Resources-Deferred amount on advance refunding of debt——The City is reporting the difference between the reacquisition price and the net carrying amount of old debt that has been retired as a deferred outflow of resources. The amount is amortized as a component of interest in a systematic and rational manner over the remaining life of the old debt that is a shorter period than the life of the new debt.

Long-Term Obligations——In the government-wide financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental or business-type activities within the statement of net assets. Bond premiums and discounts are deferred and amortized over the life of the bonds, using the effective interest method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as debt service expense in the year of issuance.
In the fund financial statements, governmental fund types recognized bond premiums and discounts, as well as, bond issuance costs, during the period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts on debt issuances are reported as other financing uses. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as debt service expenditures.

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

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

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

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

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

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

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

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

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

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

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

F. ***Other Matters***

Cash Flows—For the purpose of the statement of cash flows, the City considers all highly liquid investments, including restricted cash, to be cash equivalents.

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

Subsequent Events—Management has evaluated events through February 10, 2015, the date the financial statements were available to be issued.

2. CASH AND DEPOSITS WITH FINANCIAL INSTITUTIONS

New Mexico state statutes provide authoritative guidance regarding the deposit of cash and idle cash. Deposits of funds may be made in interest or non-interest bearing checking accounts in one or more bank or savings and loan associations within the geographical boundaries of the City. Deposits may be made to the extent that they are insured by an agency of the United States of America or by collateral deposited as security or by bond given by the financial institution. The rate of interest in non-demand interest-bearing accounts shall be set by the state Board of Finance, but in no case shall the rate of interest be less than one hundred percent of the asked price on United States treasury bills of the same maturity on the day of deposit.

Idle cash may be invested in a wide variety of instruments, including money market accounts, certificates of deposit, the New Mexico State Treasurer's investment pool, or in securities which are issued by the state or by the United States government, or by their departments or agencies, and which are either direct obligations of the state or the United States, or are backed by the full faith and credit of those governments.

Cash Deposited with Financial Institutions—The City maintains cash in four financial institutions within Carlsbad, New Mexico. The City's deposits are carried at cost.

As of June 30, 2014, 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	$ -	$ 2,791	$ 2,791
Carlsbad National Bank	8,023,875	(433,211)	7,590,664
Pioneer Savings Bank	2,780,748	-	2,780,748
Wells Fargo Bank	60,641,198	(1,670,488)	58,970,710
Western Commerce Bank	15,043,504	525,895	15,569,399
Total cash deposits	$ 86,489,325	$ (1,575,013)	$ 84,914,312

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

Statement of net position:	
Cash	$ 74,699,114
Restricted cash	10,215,198
Total cash reported on financial statements	$ 84,914,312

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

	Carlsbad National Bank	Pioneer Savings Bank	Wells Fargo Bank	Western Commerce Bank
Total deposits in bank	$ 8,023,875	$ 2,780,748	$ 60,641,198	$ 15,043,504
Less FDIC coverage	(250,000)	(250,000)	(250,000)	(250,000)
Uninsured public funds	7,773,875	2,530,748	60,391,198	14,793,504
Pledged collateral held by pledging bank's trust, but not in the City's names	7,132,713	1,520,128	33,438,542	10,251,449
Uninsured and uncollateralized public funds	$ 641,162	$ 1,010,620	$ 26,952,656	$ 4,542,055
Total pledged collateral	$ 7,132,713	$ 1,520,128	$ 33,438,542	$ 10,251,449
50% pledged collateral requirement per state statute	3,886,938	1,265,374	30,195,599	7,396,752
Pledged collateral (under) over the requirements	$ 3,245,775	$ 254,754	$ 3,242,943	$ 2,854,697

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

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

Custodial Credit Risk Deposits—Custodial credit risk is the risk that in the event of a bank failure, the government's deposits may not be returned to it. As of June 30, 2014, $85,489,325 of the City's bank balance of $86,489,325 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	$ 7,773,875	$ 2,530,748	$ 60,391,198	$ 14,793,504	$ 85,489,325

3. RESTRICTED INVESTMENTS

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

Statement of net position:	
Restricted investments	$ 6,270,041

As of June 30, 2014, the restricted investments are composed of the following:

Investment - US Treasury Notes	$ 6,270,018
NMFA - debt service	23
	$ 6,270,041

The U.S. Treasury Notes all carry a Moody's rating of AAA and have a weighted average maturity of 923 days as of June 30, 2014.

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

NMFA - Debt Service—The City has $23 invested within the NMFA cash account restricted for payment of debt at June 30, 2014.

Other Investments—As part of a city ordinance, the City has idle cash invested, in the amount of $6,303,352 at Wells Fargo Bank, N.A., Roswell, New Mexico. The current fair value is $6,270,018. The fund is composed of U.S. Treasury Notes. The fund is not subject to categorization.

During the fiscal year ended June 30, 2014, the City realized a net loss of $5,407 from the sale of investments. The calculation of realized gains is independent of the calculation of the net increase in the fair value of investments. Realized gains and losses that had been held more than one fiscal year and sold in the current year may have been recognized as an increase or decrease in the fair value of investments reported in the prior year. The net decrease in the fair value of investments during the current fiscal year was $93,718. This amount takes into account all changes in fair value (including purchases and sales) that occurred during the year. The unrealized loss on investments held at year-end was $33,334.

4. RECEIVABLES

Receivables, net of allowance for doubtful accounts, at June 30, 2014, consisted of the following:

	Governmental Activities	Business-Type Activities
Account receivable:		
Charges for services	$ 2,690,654	$ 4,063,478
Allowance for doubtful accounts	(2,038,589)	(575,135)
Total	652,065	3,488,343
Taxes receivable:		
Gross Receipt taxes	7,157,626	137,037
Franchise taxes	131,154	-
Property taxes	182,707	-
Lodger's taxes	201,634	-
Public service taxes	48,190	-
Total	7,721,311	137,037
Intergovernmental receivables:		
Building improvement grants	597,009	-
Public safety grants	368,082	-
Infrastructure improvement grants	378,955	131,769
Health and welfare grants	462,008	-
Municipal transit grants	-	59,422
Total	1,806,054	191,191
Interest receivable	1,162	1,059
Notes receivable:		
WIPP acceleration project	900,000	-
Other	518,046	3,502
Receivables, net	$ 11,598,638	$ 3,821,132

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

5. PROPERTY TAX

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

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 2013, was $6.225 per $1,000 for non-residential and $5.713 for residential property.

6. CAPITAL ASSETS

Capital assets for the fiscal year ended June 30, 2014, are as follows:

	Balance 06/ 30/13	Increases	Decreases	Net Transfers	Balance 06/30/14
Governmental Activities:					
Assets not being depreciated:					
Land	$ 2,085,902	$ -	$ -	$ -	$ 2,085,902
Construction in progress	2,485,342	3,065,465	-	(148,119)	5,402,688
Total assets not being depreciated	4,571,244	3,065,465	-	(148,119)	7,488,590
Assets being depreciated:					
Buildings	53,211,092	2,329,949	-	117,844	55,658,885
Improvements	468,409	35,113	-	-	503,522
Infrastructure	65,584,068	5,552,882	-	60,780	71,197,730
Equipment	17,742,550	1,633,264	(281,440)	16,162	19,110,536
Total assets being depreciated	137,006,119	9,551,208	(281,440)	194,786	146,470,673
Less accumulated depreciation for:					
Buildings	(22,441,925)	(1,365,542)	-	-	(23,807,467)
Improvements	(76,718)	(22,245)	-	-	(98,963)
Infrastructure	(25,641,586)	(1,367,314)	-	-	(27,008,900)
Equipment	(11,565,065)	(1,430,110)	239,128	(16,163)	(12,772,210)
Total accumulated depreciation	(59,725,294)	(4,185,211)	239,128	(16,163)	(63,687,540)
Total assets being depreciated, net	77,280,825	5,365,997	(42,312)	178,623	82,783,133
Governmental capital assets, net	$ 81,852,069	$ 8,431,462	$ (42,312)	$ 30,504	$ 90,271,723

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

General government	$ 720,582
Public safety	780,651
Public works	1,646,335
Culture and recreation	1,011,641
Health and welfare	26,002
	$ 4,185,211

	Balance 06/30/13	Increases	Decreases	Net Transfers	Balance 06/30/14
Business-type Activities:					
Assets not being depreciated:					
Land	$ 1,282,273	$ -	$ -	$ -	$ 1,282,273
Construction in progress	8,559,638	11,055,102	-	(6,006,868)	13,607,872
Total assets not being depreciated	9,841,911	11,055,102	-	(6,006,868)	14,890,145
Assets being depreciated:					
Buildings	4,131,606	131,923	-	-	4,263,529
Improvements	34,038,105	287,319	(10,000)	(360,051)	33,955,373
Utility system	39,579,051	3,239,914	-	6,336,415	49,155,380
Equipment	9,722,037	1,532,815	(212,241)	(16,163)	11,026,448
Total assets being depreciated	87,470,799	5,191,971	(222,241)	5,960,201	98,400,730
Less accumulated depreciation for:					
Buildings	(1,326,453)	(156,290)	-	-	(1,482,743)
Improvements	(9,726,422)	(332,986)	10,000	-	(10,049,408)
Utility system	(18,165,787)	(1,804,788)	-	-	(19,970,575)
Equipment	(7,808,929)	(747,913)	212,241	16,163	(8,328,438)
Total accumulated depreciation	(37,027,591)	(3,041,977)	222,241	16,163	(39,831,164)
Total assets being depreciated, net	50,443,208	2,149,994	-	5,976,364	58,569,566
Business-type capital assets, net	$ 60,285,119	$ 13,205,096	$ -	$ (30,504)	$ 73,459,711

7. ACCRUED LIABILITIES

Accrued liabilities at June 30, 2014, consisted of the following:

	Governmental Activities	Business Type Activities
Payroll taxes payable	$ 45,552	$ -
Sales taxes payable	1,615	66,681
Other	818	-
	$ 47,985	$ 66,681

8. LONG-TERM OBLIGATIONS

Changes in governmental activities obligations during the year ended June 30, 2014, were as follows:

	Balance 06/30/13	Additions	Deletions	Balance 06/30/14	Amounts Due within One Year
Governmental Activities					
Notes payable	$ 946,756	$ -	$ (482,007)	$ 464,749	$ 70,559
Bonds payable	6,953,436	1,845	(530,000)	6,425,281	545,728
Compensated absences	1,249,221	1,194,735	(1,069,799)	1,374,157	460,477
	$ 9,149,413	$ 1,196,580	$ (2,081,806)	$ 8,264,187	$ 1,076,764

Note Payable - Aerial Platform Truck—On July 19, 2005, the City borrowed $1,000,000 from the New Mexico Finance Authority. The note matures on May 1, 2020, and accrues interest at rates between 1.290% and 3.850% per annum. The proceeds of the loan were used for the acquisition of a fire pumper and an aerial (ladder) platform truck. The payments of principal and interest are paid from intercepts of the City's annual state fire allotment. The annual requirements to amortize the loan outstanding as of June 30, 2014, including interest payments, are as follows:

Year Ended June 30,	Principal	Interest	Total
2015	$ 70,559	$ 16,597	$ 87,156
2016	73,093	14,245	87,338
2017	75,792	11,735	87,527
2018	78,662	9,062	87,724
2019	81,706	6,221	87,927
2020	84,937	3,202	88,139
	$ 464,749	$ 61,062	$ 525,811

2002 Refunding and Improvement Bonds—On February 12, 2002, the City issued bonds in the amount of $3,710,000 for the purposes of defraying the cost of public building projects; and the cost of refunding, paying, discharging, and liquidating a portion of the 1994 sales tax revenue bonds. The bond bears interest at rates between 4.00% and 4.85% per annum and matures on October 1, 2017. The payment of principal, premium and interest thereon, whether at maturity or on a redemption date, are paid with income derived from pledged gross receipts tax revenues.

The annual requirements to amortize the bonds outstanding as of June 30, 2014, including interest payments, are as follows:

Year Ended June 30,	Principal	Premium/ (Discount)	Net Book Value	Interest	Total
2015	$ 290,000	$ (59)	$ 289,941	$ 53,350	$ 343,291
2016	305,000	(285)	304,715	38,921	343,636
2017	315,000	(491)	314,509	23,886	338,395
2018	335,000	(704)	334,296	8,124	342,420
	$ 1,245,000	$ (1,539)	$ 1,243,461	$ 124,281	$ 1,367,742

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

The annual requirements to amortize the bonds outstanding as of June 30, 2014, including interest payments, are as follows:

Year Ended June 30,	Principal	Premium/ (Discount)	Net Book Value	Interest	Total
2015	$ 255,000	$ 787	$ 255,787	$ 225,319	$ 481,106
2016	265,000	1,441	266,441	216,394	482,835
2017	275,000	2,233	277,233	206,456	483,689
2018	290,000	1,028	291,028	195,456	486,484
2019	300,000	(665)	299,335	183,856	483,191
2020-2024	1,715,000	(18,404)	1,696,596	638,322	2,334,918
2025-2029	2,130,000	(34,600)	2,095,400	310,563	2,405,963
	$ 5,230,000	$ (48,180)	$ 5,181,820	$ 1,976,366	$ 7,158,186

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

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

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

Business-Type Activities—Changes in the business-type activities obligations during the year ended June 30, 2014, were as follows:

	Balance 06/30/13	Additions	Deletions	Balance 06/30/14	Amounts Due within One Year
Notes payable	$ 14,966,521	$ 1,734,687	$ (77,973)	$ 16,623,235	$ 14,794
Bonds payable	17,998,950	-	(846,475)	17,152,475	871,560
Landfill closure	835,601	-	(444,358)	391,243	-
Compensated absences	313,743	250,957	(264,276)	300,424	164,771
	$ 34,114,815	$ 1,985,644	$ (1,633,082)	$ 34,467,377	$ 1,051,125

Note Payable-Wastewater Utility System Improvements—On April 29, 2010, the City entered into a clean water state revolving loan agreement with the New Mexico Environment Department, with a total maximum amount of $18,000,000. The note is for twenty years, and accrues interest at 2.00% per annum. The proceeds of the loan agreement will be used for improvements to the City's wastewater utility system. The payments of principal and interest will be paid with net revenues from the City's water and wastewater utility system activities.

As per the agreement, the City has three years from the date of the agreement to complete all work on the wastewater utility system. The City received a two year extension for construction in April 2013. As of June 30, 2014, the City has requested loan proceeds, totaling $16,210,160. As per the agreement, the first loan payment is not required until one year after the completion of the project. The City recorded the proceeds as long-term debt with no portion allocated for an amount due within one year.

Note Payable-Double Eagle Waterline Improvements—On June 18, 2010, the City entered into a water project loan and subsidy agreement with the New Mexico Water Trust Board, financed by the New Mexico Finance Authority, with a total amount of $1,500,000, of which the loan portion of the agreement is a maximum of $300,000. The note matures on June 1, 2030, and does not accrue interest. The note accrues an administrative fee of .25% per annum. The proceeds of the loan and subsidy agreement will be used for water line improvements to the Double Eagle system. The payments of principal and interest will be paid from net revenues from the City's water and wastewater utility system activities.

The annual requirements to amortize the loan outstanding as of June 30, 2014, including interest payments, are as follows:

Year Ended June 30,	Principal	Interest	Total
2015	$ 14,794	$ 603	$ 15,397
2016	14,831	566	15,397
2017	14,868	529	15,397
2018	14,905	492	15,397
2019	14,942	455	15,397
2020-2024	75,274	1,710	76,984
2025-2029	76,220	764	76,984
2030	15,359	38	15,397
	$ 241,193	$ 5,157	$ 246,350

Note Payable-Double Eagle—On November 22, 2013, the City entered into a drinking water state revolving loan fund agreement with the New Mexico Finance Authority, with a total maximum amount of $20,200,000. The note is for twenty years after the date of completion and accrues interest at 2.00% per annum. The proceeds of the loan agreement will be used for improvements to the City's Double Eagle water line system. The payments of principal and interest will be paid with net revenues from the City's water utility system activities.

As per the agreement, the City has two years from the date of closing to requisition the aggregate program amount. As of June 30, 2014, the City has requested loan proceeds, totaling $171,882. As per the agreement, the first loan payment is not required until May 2016. The City recorded the proceeds as long-term debt with no portion allocated for an amount due within one year.

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

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

The annual requirements to amortize the bonds outstanding as of June 30, 2014, including interest payments, are as follows:

Year Ended June 30,	Principal	Premium/ (Discount)	Net Book Value	Interest	Total
2015	$ 870,000	$ 1,560	$ 871,560	$ 750,906	$ 1,622,466
2016	900,000	4,155	904,155	724,806	1,628,961
2017	925,000	7,658	932,658	695,556	1,628,214
2018	960,000	10,452	970,452	663,181	1,633,633
2019	995,000	12,201	1,007,201	627,181	1,634,382
2020-2024	5,620,000	(58,391)	5,561,609	2,490,424	8,052,033
2025-2029	7,030,000	(125,160)	6,904,840	1,078,113	7,982,953
	$ 17,300,000	$ (147,525)	$ 17,152,475	$ 7,030,167	$ 24,182,642

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

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

The estimated total current cost of the landfill closure and post-closure care of $3,066,160 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, 2014. 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 estimated remaining site life is approximately 72 years.

The City is required by the state of New Mexico Environmental Regulation Board to demonstrate financial assurance for the post-closure costs.

The following calculation details the current amount recognized for landfill closure and postclosure care as of June 30, 2014:

Estimated landfill closure cost	$ 1,478,212
Estimated landfill post-closure care cost	1,587,948
Total estimated closure and post-closure costs	$ 3,066,160
FY13 capacity used to date	$ 2,534,198
FY14 tonnage received/capacity used	161,534
FY14 capacity used to date	$ 2,695,732
Total capacity used to date (approximately 2,695,732 cubic gate yards) as a percentage of total capacity (10,562,889 cubic gate yards)	25.52 %
Total estimated closure and post-closure costs	$ 3,066,160
Total capacity used to date	25.52 %
Estimated closure and post-closure care costs	$ 782,484
Estimated closure and post-closure care costs	$ 782,484
Prior year liability	1,671,201
Current year liability decrease	$ (888,717)
City of Carlsbad's portion (50% of current year liability)	$ 391,242
Prior year liability recognized	$ 835,601
Current year liability adjustment	(444,359)
Estimated liability for the fiscal year ended June 30, 2014	$ 391,242

9. INTERFUND BALANCES

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

From Fund	To Fund	Amount
WIPP Acceleration Impact Fund	Federal Projects Fund	$ 120,000
WIPP Acceleration Impact Fund	Disaster Preparedness Fund	$ 288,747

10. RESTATEMENT OF NET POSITION

The City has restated its net position for the prior period ended June 30, 2013 as follows:

Governmental Activities - WIPP Acceleration Impact Fund—Deferred revenue in the amount of $874,780 was not recorded at June 30, 2013 resulting in an overstatement in net assets as of that date. Also, net assets were restated to reflect prior year expenses not being recorded in the amount of $366,897.

Business Type Activities Major Fund - Joint Water & Sewer Fund—Increased net assets by $444,193 to reflect an understatement in accounts receivable as of June 30, 2013. Also, increased net assets due to expenses being charged to the Joint Water & Sewer Fund in the amount of $366,897 that should have been charged to the WIPP Acceleration Impact Fund in the prior year.

11. BAD DEBT EXPENSE

Governmental Activities—During the current fiscal year, the City recorded bad debt expense by reducing gross ambulance fees of $881,845 by $735,624. Ambulance fees are reflected as public safety charges for services in the government-wide statement of activities and charges for services within the general fund.

Business-Type Activities–During the current fiscal year, the City recorded bad debt expense of $66,372 by reducing solid waste sales by $3,977; water sales by $60,785 and wastewater sales by $1,610.

12. PENSION PLAN - PUBLIC EMPLOYEES RETIREMENT ASSOCIATION

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

Funding Policy—Plan members are required to contribute from 13.15% to 16.30% (ranges from 3.83% to 16.65% depending upon the plan - i.e., state general, state hazardous duty, state police and adult correctional officers, municipal general, municipal police, municipal fire, municipal detention officer) of their gross salary. The City is required to contribute from 9.15% to 21.25% (ranges from 7.0% to 25.72% depending upon the plan) of the gross covered salary. The contribution requirements of plan members and the City are established in state statute under Chapter 10, Article 11 NMSA 1978. The requirements may be amended by legislative acts. The City's contributions to PERA for the fiscal years ending June 30, 2014, 2013, and 2012 were $2,546,962, $2,365,529 and $2,246,587, respectively, equal to the amount of the required contributions for each year.

13. POST-EMPLOYMENT - STATE RETIREE HEALTH CARE PLAN

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

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

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

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

The employer, employee and retiree contributions are required to be remitted to the RHCA on a monthly basis. The statutory requires for the employer and employee contributions can be changed by the New Mexico State Legislature. Employers that choose to become participating employers after January 1, 1998, are required to make contributions to the RHCA fund in the amount determined to be appropriate by the Board.

The Retiree Health Care Act (Section 10-7C-15 NMSA 1978) is the statutory authority that establishes the required contributions of participating employers and their employees. For employees that were members of an enhanced retirement plan (state police and adult correctional officer member coverage plan 1; municipal police member coverage plans 3, 4 or 5; municipal fire member coverage plans 3, 4 or 5; municipal detention officer member coverage plan 1; and members pursuant to the Judicial Retirement Act) during the fiscal year ended June 30, 2014, the statutes required each participating employer to contribute 2.5% of each participating employee's annual salary; and each participating employee was required to contribute 1.25% of their salary.

For employees that were not members of an enhanced retirement plan during the fiscal year ended June 30, 2014, the statute required each participating employer to contribute 2.0% of each participating employee's annual salary; each participating employee was required to contribute 1.0% of their salary. In addition, pursuant to Section 10-7C-15(G) NMSA 1978, at the first session of the Legislature following July 1, 2013, the legislature shall review and adjust the distributions pursuant to Section 7-1-6.1 NMSA 1978 and the employer and employee contributions to the authority in order to ensure the actuarial soundness of the benefits provided under the Retiree Health Care Act.

The City's contributions to the RHCA for the years ended June 30, 2014, 2013 and 2012 were $435,738, $403,700 and $348,609, respectively, which equal the required contributions for each year.

14. CONSTRUCTION COMMITMENTS

Governmental Activities—As of June 30, 2014, the City has construction contracts in progress with total costs of $11,794,419. The projects are funded through federal and state grants and local resources. The remaining construction commitments are $1,824,817.

15. RISK MANAGEMENT

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

The City maintains a self-insurance program for workers' compensation and employee health benefits. These programs are accounted for in the Internal Service Funds. Funding is provided by charging the other funds as costs are incurred for workers' compensation benefits and charging an estimated premium based on a minimum plan for employees' health benefits. Management does not have the information available to make a reasonable estimate of the amount of incurred but unreported claims and other outstanding liabilities of the plans; accordingly, no liability has been recorded.

16. CONTINGENT LIABILITIES

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

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

17. OTHER REQUIRED INDIVIDUAL FUND DISCLOSURES

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

Deficit Fund Balance of Individual Funds—There were no funds that had a deficit fund balance for the year ended June 30, 2014.

Excess of Expenditures Over Appropriations—There were no funds that exceeded approved budgetary authority for the year ended June 30, 2014.

Designated Cash Appropriations—The Sports Complex Fund had designated cash appropriations in excess of available balances of $175,714 for the year ended June 30, 2014.

18. INTERFUND TRANSFERS

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

	Transfers in								
	General Fund	WIPP Acceleration Fund	Street Improvements Fund	Solid Waste Fund	Joint Water and Sewer Fund	Other Governmental Funds	Other Enterprise Funds	Internal Service Funds	Total
Transfers (out)									
General Fund	$ -	$ -	$ 3,334,704	$ -	$ 97,432	$ 2,015,306	$ 1,121,000	$ 1,164,417	$ 7,732,859
WIPP Acceleration Fund	-	-	-	-	10,268,981	-	-	-	10,268,981
GRT Capital Outlay Fund	-	-	-	-	100,319	487,969	-	-	588,288
Solid Waste Fund	1,000,000	-	-	-	-	-	-	385,360	1,385,360
Joint Water and Sewer Fund	2,129,480	-	6,198	-	-	-	-	453,360	2,589,038
Other Governmental Funds	206,651	-	-	39,753	518,043	-	312,995	-	1,077,442
Other Enterprise Funds	-	-	-	-	-	-	-	20,000	20,000
Internal Service Funds	449,453	288,747	1,452,375	30,822	65,840	11,509	8,927	-	2,307,673
	$ 3,785,584	$ 288,747	$ 4,793,277	$ 70,575	$ 11,050,615	$ 2,514,784	$ 1,442,922	$ 2,023,137	$ 25,969,641

COMBINING AND INDIVIDUAL OTHER GOVERNMENTAL FUND FINANCIAL STATEMENTS

STATE OF NEW MEXICO
CITY OF CARLSBAD
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
JUNE 30, 2014

	Special Revenue Funds						
	Fire Protection Fund	Recreation Fund	Lodgers' Tax Fund	Airport Fund	Emergency Medical Services Fund	Local Government Corrections Fund	Law Enforcement Protection Fund
ASSETS:							
Cash	$ 252,281	$ -	$ 1,846,037	$ 2,626	$ -	$ 231,423	$ 25,269
Receivables, net	-	-	201,635	435,333	-	-	-
Restricted:							
Investments	23	-	-	-	-	-	-
Total assets	$ 252,304	$ -	$ 2,047,672	$ 437,959	$ -	$ 231,423	$ 25,269
LIABILITIES:							
Accounts payable	$ -	$ -	$ 3,986	$ 123,408	$ -	$ 21,300	$ 2,581
Accrued salaries	-	-	-	-	-	-	-
Accrued sales taxes payable	-	-	-	-	-	-	-
Due to other funds	-	-	-	-	-	-	-
Total liabilities	-	-	3,986	123,408	-	21,300	2,581
Deferred inflows of resources:							
Deferred revenues	-	-	-	-	-	-	-
FUND BALANCES:							
Restricted for:							
Debt service	23	-	-	-	-	-	-
State mandated per statutes	27,210	-	1,110,375	-	-	-	-
Committed for:							
Subsequent years' expenditures	225,071	-	933,311	-	-	210,123	22,688
Assigned	-	-	-	314,551	-	-	-
Total fund balances	252,304	-	2,043,686	314,551	-	210,123	22,688
Total liabilities, deferred inflows of resources and fund balances	$ 252,304	$ -	$ 2,047,672	$ 437,959	$ -	$ 231,423	$ 25,269

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
JUNE 30, 2014

	Special Revenue Funds				Capital Project Funds	
	RSVP Program Fund	Sports Complex Fund	Community Development Fund	Total Special Revenue Funds	Park Improvement Fund	CIEP Fund
ASSETS:						
Cash	$ 63,287	$ 2,732,147	$ 38,000	$ 5,191,070	$ 3,185	$ 2,009,316
Receivables, net	-	289,909	-	926,877	26,675	103,661
Restricted:						
Investments	-	-	-	23	-	-
Total assets	$ 63,287	$ 3,022,056	$ 38,000	$ 6,117,970	$ 29,860	$ 2,112,977
LIABILITIES:						
Accounts payable	$ 29	$ 103,062	$ -	$ 254,366	$ -	$ 327,930
Accrued salaries	974	9,372	-	10,346	-	-
Accrued sales taxes payable	-	296	-	296	-	-
Due to other funds	-	-	-	-	-	-
Total liabilities	1,003	112,730	-	265,008	-	327,930
Deferred inflows of resources:						
Deferred revenues	-	-	-	-	-	-
FUND BALANCES:						
Restricted for:						
Debt service	-	-	-	23	-	-
State mandated per statutes	-	-	-	1,137,585	-	-
Committed for:						
Subsequent years' expenditures	47,555	985,071	38,000	2,461,819	-	1,785,047
Assigned	14,729	1,924,255	-	2,253,535	29,860	-
Total fund balances	62,284	2,909,326	38,000	5,852,962	29,860	1,785,047
Total liabilities, deferred inflows of resources and fund balances	$ 63,287	$ 3,022,056	$ 38,000	$ 6,117,970	$ 29,860	$ 2,112,977

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
COMBINING BALANCE SHEET
OTHER GOVERNMENTAL FUNDS
JUNE 30, 2014

	Capital Project Funds		Debt Service Funds			
	Federal Projects Fund	Total Capital Projects Funds	2002 Sales Tax Bonds Fund	GRT Capital Outlay Fund	Total Debt Service Funds	Total Other Governmental Funds
ASSETS:						
Cash	$ 652,048	$ 2,664,549	$ 18,744	$ -	$ 18,744	$ 7,874,363
Receivables, net	872,303	1,002,639	-	-	-	1,929,516
Restricted:						
Investments	-	-	-	-	-	23
Total assets	$ 1,524,351	$ 3,667,188	$ 18,744	$ -	$ 18,744	$ 9,803,902
LIABILITIES:						
Accounts payable	$ 55,862	$ 383,792	$ -	$ -	$ -	$ 638,158
Accrued salaries	-	-	-	-	-	10,346
Accrued sales taxes payable	-	-	-	-	-	296
Due to other funds	120,000	120,000	-	-	-	120,000
Total liabilities	175,862	503,792	-	-	-	768,800
Deferred inflows of resources:						
Deferred revenues	13,479	13,479	-	-	-	13,479
FUND BALANCES:						
Restricted for:						
Debt service	-	-	18,744	-	18,744	18,767
State mandated per statutes	-	-	-	-	-	1,137,585
Committed for:						
Subsequent years' expenditures	1,335,010	3,120,057	-	-	-	5,581,876
Assigned	-	29,860	-	-	-	2,283,395
Total fund balances	1,335,010	3,149,917	18,744	-	18,744	9,021,623
Total liabilities, deferred inflows of resources and fund balances	$ 1,524,351	$ 3,667,188	$ 18,744	$ -	$ 18,744	$ 9,803,902

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
FOR THE YEAR ENDED JUNE 30, 2014

	Special Revenue Funds						
	Fire Protection Fund	Recreation Fund	Lodger's Tax Fund	Airport Fund	Emergency Medical Services Fund	Local Government Corrections Fund	Law Enforcement Protection Fund
Revenues:							
Sales taxes	$ -	$ -	$ -	$ -	$ -	$ -	$ -
Lodgers' taxes	-	-	1,919,159	-	-	-	-
Intergovernmental:							
Federal	-	-	-	215,520	-	-	-
State	354,300	-	-	308,700	20,000	-	61,800
Charges for services	-	-	-	4,358	-	129,232	-
Investment income	11	-	7	-	-	-	-
Miscellaneous	-	-	1,500	-	-	-	-
Total revenues	354,311	-	1,920,666	528,578	20,000	129,232	61,800
Expenditures:							
Current:							
Public safety	50,958	-	-	-	5,228	289,485	2,581
Public works	-	-	-	284,694	-	-	-
Culture and recreation	-	-	765,163	-	-	-	-
Health and welfare	-	-	-	-	-	-	-
Economic development	-	-	-	-	-	-	-
Capital outlay	75,000	-	349,377	275,459	34,770	-	39,112
Debt service:							
Principal	68,181	-	-	-	-	-	-
Interest	20,132	-	-	-	-	-	-
Total expenditures	214,271	-	1,114,540	560,153	39,998	289,485	41,693
Excess (deficit) of revenues over expenditures	140,040	-	806,126	(31,575)	(19,998)	(160,253)	20,107
Other financing sources (uses):							
Transfers in	-	-	-	163,532	19,998	170,000	-
Transfers (out)	-	(206,652)	(300,000)	-	-	-	-
Bond discount	-	-	-	-	-	-	-
Total other financing sources (uses)	-	(206,652)	(300,000)	163,532	19,998	170,000	-
Net changes in fund balances	140,040	(206,652)	506,126	131,957	-	9,747	20,107
Fund balance - beginning of year	112,264	206,652	1,537,560	182,594	-	200,376	2,581
Fund balance - end of year	$ 252,304	$ -	$ 2,043,686	$ 314,551	$ -	$ 210,123	$ 22,688

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
FOR THE YEAR ENDED JUNE 30, 2014

	Special Revenue Funds				Capital Project Funds	
	RSVP Program Fund	Sports Complex Fund	Community Development Fund	Total Special Revenue Funds	Park Improvement Fund	CIEP Fund
Revenues:						
Sales taxes	$ -	$ 1,550,462	$ -	$ 1,550,462	$ -	$ -
Lodgers' taxes	-	-	-	1,919,159	-	-
Intergovernmental:						
Federal	27,792	-	-	243,312	-	132,484
State	-	-	-	744,800	40,933	1,914
Charges for services	-	49,969	-	183,559	-	-
Investment income	-	728	-	746	-	1,842
Miscellaneous	1,000	-	-	2,500	-	-
Total revenues	28,792	1,601,159	-	4,644,538	40,933	136,240
Expenditures:						
Current:						
Public safety	-	-	-	348,252	-	-
Public works	-	-	-	284,694	-	-
Culture and recreation	-	808,823	-	1,573,986	53,443	-
Health and welfare	49,155	-	-	49,155	-	-
Economic development	-	-	-	-	-	25,131
Capital outlay	-	462,986	-	1,236,704	-	1,266,238
Debt service:						
Principal	-	413,826	-	482,007	-	-
Interest	-	7,801	-	27,933	-	-
Total expenditures	49,155	1,693,436	-	4,002,731	53,443	1,291,369
Excess (deficit) of revenues over expenditures	(20,363)	(92,277)	-	641,807	(12,510)	(1,155,129)
Other financing sources:						
Transfers in	50,950	10,559	-	415,039	5,000	1,265,000
Transfers (out)	-	-	-	(506,652)	-	(436,914)
Bond discount	-	-	-	-	-	-
Total other financing sources	50,950	10,559	-	(91,613)	5,000	828,086
Net changes in fund balances	30,587	(81,718)	-	550,194	(7,510)	(327,043)
Fund balance - beginning of year	31,697	2,991,044	38,000	5,302,768	37,370	2,112,090
Fund balance - end of year	$ 62,284	$ 2,909,326	$ 38,000	$ 5,852,962	$ 29,860	$ 1,785,047

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
FOR THE YEAR ENDED JUNE 30, 2014

	Capital Project Funds		Debt Service Funds			
	Federal Projects Fund	Total Capital Projects Fund	2002 Sales Tax Bonds Fund	GRT Capital Outlay Fund	Total Debt Service Funds	Total Other Governmental Funds
Revenues:						
Sales taxes	$ -	$ -	$ -	$ -	$ -	$ 1,550,462
Lodgers' taxes	-	-	-	-	-	1,919,159
Intergovernmental:						
Federal	428,557	561,041	-	-	-	804,353
State	385,042	427,889	-	-	-	1,172,689
Charges for services	-	-	-	-	-	183,559
Investment income	-	1,842	-	-	-	2,588
Miscellaneous	-	-	-	-	-	2,500
Total revenues	813,599	990,772	-	-	-	5,635,310
Expenditures:						
Current:						
Public safety	-	-	-	-	-	348,252
Public works	-	-	-	-	-	284,694
Culture and recreation	-	53,443	-	-	-	1,627,429
Health and welfare	-	-	-	-	-	49,155
Economic development	-	25,131	-	-	-	25,131
Capital outlay	994,989	2,261,227	-	-	-	3,497,931
Debt service:						
Principal	-	-	275,000	255,000	530,000	1,012,007
Interest	-	-	65,896	232,004	297,900	325,833
Total expenditures	994,989	2,339,801	340,896	487,004	827,900	7,170,432
Excess (deficit) of revenues over expenditures	(181,390)	(1,349,029)	(340,896)	(487,004)	(827,900)	(1,535,122)
Other financing sources:						
Transfers in	-	1,270,000	341,776	487,969	829,745	2,514,784
Transfers (out)	(133,876)	(570,790)	-	-	-	(1,077,442)
Bond discount	-	-	(880)	(965)	(1,845)	(1,845)
Total other financing sources	(133,876)	699,210	340,896	487,004	827,900	1,435,497
Net changes in fund balances	(315,266)	(649,819)	-	-	-	(99,625)
Fund balance - beginning of year	1,650,276	3,799,736	18,744	-	18,744	9,121,248
Fund balance - end of year	$ 1,335,010	$ 3,149,917	$ 18,744	$ -	$ 18,744	$ 9,021,623

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

OTHER SPECIAL REVENUE FUNDS
BUDGETARY COMPARISON STATEMENTS

STATE OF NEW MEXICO
CITY OF CARLSBAD
FIRE PROTECTION FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget Over (Under)
Revenues:				
Intergovernmental:				
State	$ 268,254	$ 354,300	$ 354,300	$ -
Investment income	-	-	11	11
Total revenues	268,254	354,300	354,311	11
Expenditures:				
Current:				
Public safety	31,950	31,950	50,958	(19,008)
Capital outlay	241,858	346,282	75,000	271,282
Debt service:				
Principal	68,181	68,181	68,181	-
Interest	20,132	20,132	20,132	-
Total expenditures	362,121	466,545	214,271	252,274
Excess (deficiency) of revenues over expenditures	(93,867)	(112,245)	140,040	252,285
Other financing sources:				
Transfer in	-	-	-	-
Transfer (out)	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net changes in fund balance	(93,867)	(112,245)	140,040	252,285
Fund balance- beginning of year	112,252	112,252	112,252	-
Fund balance - end of year	$ 18,385	$ 7	$ 252,292	$ 252,285

Reconciliation of budgetary basis to GAAP basis:	
Net changes in fund balance budgetary basis	$ 140,040
Net revenue accruals	-
Net expenditure accruals	-
Net changes in fund balance GAAP basis	$ 140,040

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
RECREATION FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts			
	Original	**Final**	**Actual**	**Variance with Final Budget Over (Under)**
Revenues:				
Charges for services	$ -	$ -	$ -	$ -
Expenditures:				
Current:				
Culture and recreation	-	-	-	-
Capital outlay	-	-	-	-
Total expenditures	-	-	-	-
Excess (deficiency) of revenues over expenditures	-	-	-	-
Other financing sources:				
Transfer in	-	-	-	-
Transfer (out)	(212,734)	(212,734)	(212,734)	-
Total other financing sources (uses)	(212,734)	(212,734)	(212,734)	-
Net changes in fund balance	(212,734)	(212,734)	(212,734)	-
Fund balance - beginning of year	212,734	212,734	212,734	-
Fund balance - end of year	$ -	$ -	$ -	$ -

Reconciliation of budgetary basis to GAAP basis:	
Net changes in fund balance budgetary basis	$ (212,734)
Net revenue accruals	(467)
Net expenditure accruals	6,099
Net deferred revenue	450
Net changes in fund balance GAAP basis	$ (206,652)

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
LODGERS' TAX FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget Over (Under)
Revenues:				
Lodgers' taxes	$ 1,300,000	$ 1,300,000	$ 1,867,404	$ 567,404
Investment income	-	-	9	9
Miscellaneous	-	-	1,500	1,500
Total revenues	1,300,000	1,300,000	1,868,913	568,913
Expenditures:				
Current:				
Culture and recreation	1,005,314	1,140,867	804,892	335,975
Capital outlay	21,539	743,835	349,377	394,458
Total expenditures	1,026,853	1,884,702	1,154,269	730,433
Excess (deficiency) of revenues over expenditures	273,147	(584,702)	714,644	1,299,346
Other financing sources:				
Transfer in	-	-	-	-
Transfer (out)	(300,000)	(300,000)	(300,000)	-
Total other financing sources (uses)	(300,000)	(300,000)	(300,000)	-
Net changes in fund balance	(26,853)	(884,702)	414,644	1,299,346
Fund balance - beginning of year	1,431,393	1,431,393	1,431,393	-
Fund balance - end of year	$ 1,404,540	$ 546,691	$ 1,846,037	$ 1,299,346

Reconciliation of budgetary basis to GAAP basis:	
Net changes in fund balance budgetary basis	$ 414,644
Net revenue accruals	51,753
Net expenditure accruals	39,729
Net changes in fund balance GAAP basis	$ 506,126

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
AIRPORT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget Over (Under)
Revenues:				
Intergovernmental:				
Federal	$ 296,343	$ 296,343	$ -	$ (296,343)
State	1,122,577	1,172,577	100,478	(1,072,099)
Charges for services	13,369	13,369	4,441	(8,928)
Total revenues	1,432,289	1,482,289	104,919	(1,377,370)
Expenditures:				
Current:				
Public works	446,134	457,245	284,114	173,131
Capital outlay	1,104,659	1,154,659	152,631	1,002,028
Total expenditures	1,550,793	1,611,904	436,745	1,175,159
Excess (deficiency) of revenues over expenditures	(118,504)	(129,615)	(331,826)	(202,211)
Other financing sources:				
Transfer in	138,532	163,532	163,532	-
Net changes in fund balance	20,028	33,917	(168,294)	(202,211)
Fund balance - beginning of year	170,921	170,921	170,921	-
Fund balance - end of year	$ 190,949	$ 204,838	$ 2,627	$ (202,211)

Reconciliation of budgetary basis to GAAP basis:	
Net changes in fund balance budgetary basis	$ (168,294)
Net revenue accruals	423,659
Net expenditure accruals	(123,408)
Net changes in fund balance GAAP basis	$ 131,957

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
EMERGENCY MEDICAL SERVICES FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget Over (Under)
Revenues:				
Intergovernmental:				
State	$ 20,000	$ 20,000	$ 20,000	$ -
Expenditures:				
Current:				
Public safety	-	5,229	5,228	1
Capital outlay	40,000	34,771	34,770	1
Total expenditures	40,000	40,000	39,998	2
Excess (deficiency) of revenues over expenditures	(20,000)	(20,000)	(19,998)	(2)
Other financing sources:				
Transfer in	20,000	20,000	19,998	(2)
Transfer (out)	-	-	-	-
Total other financing sources (uses)	20,000	20,000	19,998	(2)
Net changes in fund balance	-	-	-	-
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	$ -	$ -	$ -	$ -

Reconciliation of budgetary basis to GAAP basis:	
Net changes in fund balance budgetary basis	$ -
Net revenue accruals	-
Net expenditure accruals	-
Net changes in fund balance GAAP basis	$ -

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
LOCAL GOVERNMENT CORRECTIONS FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts			
	Original	**Final**	**Actual**	**Variance with Final Budget Over (Under)**
Revenues:				
Charges for services	$ 110,000	$ 110,000	$ 129,232	$ 19,232
Expenditures:				
Current:				
Public safety	397,807	397,807	286,260	111,547
Excess (deficiency) of revenues over expenditures	(287,807)	(287,807)	(157,028)	130,779
Other financing sources:				
Transfer in	170,000	170,000	170,000	-
Transfer (out)	-	-	-	-
Total other financing sources (uses)	170,000	170,000	170,000	-
Net changes in fund balance	(117,807)	(117,807)	12,972	130,779
Fund balance- beginning of year	218,451	218,451	218,451	-
Fund balance - end of year	$ 100,644	$ 100,644	$ 231,423	$ 130,779

Reconciliation of budgetary basis to GAAP basis:	
Net changes in fund balance budgetary basis	$ 12,972
Net revenue accruals	-
Net expenditure accruals	(3,225)
Net changes in fund balance GAAP basis	$ 9,747

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
LAW ENFORCEMENT PROTECTION FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget Over (Under)
Revenues:				
Intergovernmental:				
State	$ 61,800	$ 61,800	$ 61,800	$ -
Expenditures:				
Current:				
Public safety	14,381	14,381	-	14,381
Capital outlay	50,000	50,000	39,112	10,888
Total expenditures	64,381	64,381	39,112	25,269
Excess (deficiency) of revenues over expenditures	(2,581)	(2,581)	22,688	25,269
Other financing sources:				
Transfer in	-	-	-	-
Transfer (out)	-	-	-	-
Total other financing sources (uses)	-	-	-	-
Net changes in fund balance	(2,581)	(2,581)	22,688	25,269
Fund balance - beginning of year	2,581	2,581	2,581	-
Fund balance - end of year	$ -	$ -	$ 25,269	$ 25,269

Reconciliation of budgetary basis to GAAP basis:	
Net changes in fund balance budgetary basis	$ 22,688
Net revenue accruals	-
Net expenditure accruals	(2,581)
Net changes in fund balance GAAP basis	$ 20,107

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
RETIRED SENIOR VOLUNTEER PROGRAM FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget Over (Under)
Revenues:				
Intergovernmental:				
Federal	$ 12,302	$ 12,302	$ 27,792	$ 15,490
Miscellaneous donations	-	-	1,000	1,000
Total revenue	12,302	12,302	28,792	16,490
Expenditures:				
Current:				
Health and welfare	82,894	83,844	48,209	35,635
Excess (deficiency) of revenues over expenditures	(70,592)	(71,542)	(19,417)	52,125
Other financing sources:				
Transfer in	50,000	50,950	50,950	-
Transfer (out)	-	-	-	-
Total other financing sources (uses)	50,000	50,950	50,950	-
Net changes in fund balance	(20,592)	(20,592)	31,533	52,125
Fund balance - beginning of year	31,754	31,754	31,754	-
Fund balance - end of year	$ 11,162	$ 11,162	$ 63,287	$ 52,125

Reconciliation of budgetary basis to GAAP basis:	
Net changes in fund balance budgetary basis	$ 31,533
Net revenue accruals	-
Net expenditure accruals	(946)
Net changes in fund balance GAAP basis	$ 30,587

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
SPORTS COMPLEX FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget Over (Under)
Revenues:				
Sales taxes	$ 1,320,000	$ 1,520,000	$ 1,540,295	$ 20,295
Charges for services	-	-	34,090	34,090
Interest	-	-	727	727
Total revenue	1,320,000	1,520,000	1,575,112	55,112
Expenditures:				
Current:				
Culture and recreation	958,193	990,766	780,607	210,159
Capital outlay	889,795	2,727,781	393,045	2,334,736
Debt service:				
Principal	413,826	413,826	413,826	-
Interest and other charges	14,567	14,567	14,567	-
Total expenditures	2,276,381	4,146,940	1,602,045	2,544,895
Excess (deficiency) of revenues over expenditures	(956,381)	(2,626,940)	(26,933)	2,600,007
Other financing sources:				
Transfer in	-	10,559	10,559	-
Transfer (out)	-	-	-	-
Total other financing sources(uses)	-	10,559	10,559	-
Net changes in fund balance	(956,381)	(2,616,381)	(16,374)	2,600,007
Fund balance - beginning of year	2,440,667	2,440,667	2,440,667	-
Fund balance - end of year	$ 1,484,286	$ (175,714)	$ 2,424,293	$ 2,600,007

Reconciliation of budgetary basis to GAAP basis:	
Net changes in fund balance budgetary basis	$ (16,374)
Net revenue accruals	26,343
Net expenditure accruals	(91,687)
Net changes in fund balance GAAP basis	$ (81,718)

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
COMMUNITY DEVELOPMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts			
	Original	**Final**	**Actual**	**Variance with Final Budget Over (Under)**
Revenues:				
Intergovernmental:				
Federal	$ -	$ -	$ -	$ -
Expenditures:				
Current:				
Economic development	-	-	-	-
Capital outlay	73,623	73,623	37,463	36,160
Total expenditures	73,623	73,623	37,463	36,160
Net changes in fund balance	(73,623)	(73,623)	(37,463)	(36,160)
Fund balance - beginning of year	75,463	75,463	75,463	-
Fund balance - end of year	$ 1,840	$ 1,840	$ 38,000	$ (36,160)

Reconciliation of budgetary basis to GAAP basis:	
Net changes in fund balance budgetary basis	$ (37,463)
Net revenue accruals	-
Net expenditure accruals	37,463
Net changes in fund balance GAAP basis	$ -

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

MAJOR CAPITAL PROJECT FUNDS
BUDGETARY COMPARISON STATEMENTS

STATE OF NEW MEXICO
CITY OF CARLSBAD
GRT CAPITAL OUTLAY FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts			
	Original	**Final**	**Actual**	**Variance with Final Budget Over (Under)**
Revenues:				
Sales taxes	$ 2,388,689	$ 2,388,689	$ 2,857,858	$ 469,169
Interest	-	-	1,067	1,067
Total revenue	2,388,689	2,388,689	2,858,925	470,236
Expenditures:				
Current:				
Public works	-	-	-	-
Capital outlay	4,516,224	4,601,224	383,530	4,217,694
Total expenditures	4,516,224	4,601,224	383,530	4,217,694
Excess (deficiency) of revenues over expenditure	(2,127,535)	(2,212,535)	2,475,395	4,687,930
Other financing sources (uses:)				
Transfer (out)	(487,969)	(487,969)	(487,969)	-
Net changes in fund balance	(2,615,504)	(2,700,504)	1,987,426	4,687,930
Fund balance - beginning of year	8,833,777	8,833,777	8,833,777	-
Fund balance - end of year	$ 6,218,273	$ 6,133,273	$ 10,821,203	$ 4,687,930

Reconciliation of budgetary basis to GAAP basis:	
Net changes in fund balance budgetary basis	$ 1,987,426
Net revenue accruals	19,660
Net expenditure accruals	29,593
Net changes in fund balance GAAP basis	$ 2,036,679

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
STREET SYSTEM IMPROVEMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget Over (Under)
Revenues:				
Public service taxes	$ 520,000	$ 520,000	$ 575,952	$ 55,952
Intergovernmental:				
State	691,210	691,210	400,085	(291,125)
Licenses and permits	65,000	65,000	79,588	14,588
Investment income	-	-	2,302	2,302
Total revenues	1,276,210	1,276,210	1,057,927	(218,283)
Expenditures:				
Current:				
Public works	-	-	-	-
Capital outlay	6,062,281	7,029,853	3,567,416	3,462,437
Total expenditures	6,062,281	7,029,853	3,567,416	3,462,437
Excess (deficiency) of revenues over expenditure	(4,786,071)	(5,753,643)	(2,509,489)	3,244,154
Other financing sources (uses):				
Transfers in	2,589,256	3,332,381	3,332,381	-
Net changes in fund balance	(2,196,815)	(2,421,262)	822,892	3,244,154
Fund balance - beginning of year	2,615,056	2,615,056	2,615,056	-
Fund balance - end of year	$ 418,241	$ 193,794	$ 3,437,948	$ 3,244,154

Reconciliation of budgetary basis to GAAP basis:	
Net changes in fund balance budgetary basis	$ 822,892
Net revenue accruals	(28,325)
Net expenditure accruals	(537,650)
Net changes in fund balance GAAP basis	$ 256,917

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

OTHER CAPITAL PROJECT FUNDS
BUDGETARY COMPARISON STATEMENTS

STATE OF NEW MEXICO
CITY OF CARLSBAD
PARK IMPROVEMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget Over (Under)
Revenues:				
Intergovernmental:				
State	$ 60,826	$ 60,826	$ 34,084	$ (26,742)
Expenditures:				
Current:				
Culture and recreation	49,500	53,526	53,842	(316)
Capital outlay	11,658	7,632	-	7,632
Total expenditures	61,158	61,158	53,842	7,316
Excess (deficiency) of revenues over expenditure	(332)	(332)	(19,758)	(19,426)
Other financing sources (uses:)				
Transfer in	-	5,000	5,000	-
Net changes in fund balance	(332)	4,668	(14,758)	(19,426)
Fund balance - beginning of year	17,943	17,943	17,943	-
Fund balance - end of year	$ 17,611	$ 22,611	$ 3,185	$ (19,426)

Reconciliation of budgetary basis to GAAP basis:	
Net changes in fund balance budgetary basis	$ (14,758)
Net revenue accruals	6,849
Net expenditure accruals	399
Net changes in fund balance GAAP basis	$ (7,510)

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
CIEP FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget Over (Under)
Revenues:				
Intergovernmental:				
State	$ 500,684	$ 500,684	$ 83,800	$ (416,884)
Interest	-	-	-	-
Total revenues	500,684	500,684	83,800	(416,884)
Expenditures:				
Current:				
Economic development	100,848	107,470	25,131	82,339
Capital outlay	3,159,601	3,717,979	950,482	2,767,497
Total expenditures	3,260,449	3,825,449	975,613	2,849,836
Excess (deficiency) of revenues over expenditures	(2,759,765)	(3,324,765)	(891,813)	2,432,952
Other financing sources (uses):				
Transfers in	700,000	1,265,000	1,265,000	-
Transfers (out)	-	-	(436,914)	(436,914)
Total other financing sources (uses)	700,000	1,265,000	828,086	(436,914)
Net change	(2,059,765)	(2,059,765)	(63,727)	1,996,038
Fund balance - beginning of year	2,073,043	2,073,043	2,073,043	-
Fund balance - end of year	$ 13,278	$ 13,278	$ 2,009,316	$ 1,996,038

Reconciliation of budgetary basis to GAAP basis:	
Net changes in fund balance budgetary basis	$ (63,727)
Net revenue accruals	52,440
Net expenditure accruals	(315,756)
Net changes in fund balance GAAP basis	$ (327,043)

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
FEDERAL PROJECTS FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget Over (Under)
Revenues:				
Intergovernmental:				
Federal	$ 2,289,001	$ 2,289,001	$ 727,991	$ (1,561,010)
State	201,578	201,578	-	(201,578)
Miscellaneous	326,752	326,752	688,708	361,956
Total revenues	2,817,331	2,817,331	1,416,699	(1,400,632)
Expenditures:				
Current:				
General government	10,000	10,000	-	10,000
Capital outlay	1,972,772	1,972,772	1,187,158	785,614
Total expenditures	1,982,772	1,982,772	1,187,158	795,614
Excess (deficiency) of revenues over expenditures	834,559	834,559	229,541	(605,018)
Other financing sources (uses):				
Transfers in	-	-	-	-
Transfers (out)	(1,200,000)	(1,200,000)	-	1,200,000
Loan proceeds	-	-	-	-
Total other financing sources (uses)	(1,200,000)	(1,200,000)	-	1,200,000
Net change	(365,441)	(365,441)	229,541	594,982
Fund balance - beginning of year	422,508	422,508	422,508	-
Fund balance - end of year	$ 57,067	$ 57,067	$ 652,049	$ 594,982

Reconciliation of budgetary basis to GAAP basis:	
Net changes in fund balance budgetary basis	$ 229,541
Net revenue accruals	(603,100)
Net expenditure accruals	58,293
Net changes in fund balance GAAP basis	$ (315,266)

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

OTHER DEBT SERVICE FUNDS
BUDGETARY COMPARISON STATEMENTS

STATE OF NEW MEXICO
CITY OF CARLSBAD
2002 SALES TAX BONDS FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts			
	Original	**Final**	**Actual**	**Variance with Final Budget Over (Under)**
Expenditures:				
Debt service:				
Principal	$ 275,000	$ 275,000	$ 275,000	$ -
Interest	66,777	66,777	66,776	1
Total expenditures	341,777	341,777	341,776	1
Excess (deficiency) of revenues over expenditures	(341,777)	(341,777)	(341,776)	1
Other financing sources (uses):				
Transfers in	341,777	341,777	341,776	(1)
Net changes in fund balance	-	-	-	-
Fund balance - beginning of year	18,744	18,744	18,744	-
Fund 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
GRT CAPITAL OUTLAY FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget Over (Under)
Expenditures:				
Debt service:				
Principal	$ 255,000	$ 255,000	$ 255,000	$ -
Interest	232,969	232,969	232,969	-
Total expenditures	487,969	487,969	487,969	-
Excess (deficiency) of revenues over expenditures	(487,969)	(487,969)	(487,969)	-
Other Financing sources (uses):				
Transfers in	487,969	487,969	487,969	-
Net changes in fund balance	-	-	-	-
Fund balance - beginning of year	-	-	-	-
Fund balance - end of year	$ -	$ -	$ -	$ -

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

COMBINING AND INDIVIDUAL OTHER ENTERPRISE FUNDS FINANCIAL STATEMENTS

STATE OF NEW MEXICO
CITY OF CARLSBAD
COMBINING STATEMENT OF NET POSITION
OTHER ENTERPRISE FUNDS
JUNE 30, 2014

	Museum Gift Shop Fund	Municipal Transit Fund	Performing Arts Center Fund	Cemetery Fund	Total
ASSETS:					
Current assets:					
Cash	$ 14,208	$ 44,963	$ 325,062	$ 853,372	$ 1,237,605
Receivables, net	-	64,684	-	-	64,684
Total current assets	14,208	109,647	325,062	853,372	1,302,289
Capital assets, net of accumulated depreciation	-	1,015,217	1,399,362	1,119,879	3,534,458
Total assets	$ 14,208	$ 1,124,864	$ 1,724,424	$ 1,973,251	$ 4,836,747
LIABILITIES:					
Current liabilities:					
Accounts payable	$ -	$ 11,989	$ 2,508	$ 95,883	$ 110,380
Accrued salaries	-	15,280	-	2,629	17,909
Current maturities of:					
Compensated absences	-	13,798	-	3,688	17,486
Total current liabilities	-	41,067	2,508	102,200	145,775
Non current liabilities:					
Compensated absences	-	14,748	-	3,715	18,463
Total liabilities	-	55,815	2,508	105,915	164,238
NET POSITION:					
Net investment in capital assets	-	1,015,217	1,399,362	1,119,879	3,534,458
Unrestricted	14,208	53,832	322,554	747,457	1,138,051
Total net position	14,208	1,069,049	1,721,916	1,867,336	4,672,509
Total liabilities, deferred inflows of resources, and net position	$ 14,208	$ 1,124,864	$ 1,724,424	$ 1,973,251	$ 4,836,747

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 NET POSITION
OTHER ENTERPRISE FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Museum Gift Shop Fund	Municipal Transit Fund	Performing Arts Center Fund	Cemetery Fund	Total
Operating revenues:					
Charges for services	$ 5,777	$ 85,433	$ 35,883	$ 456,388	$ 583,481
Operating expenses:					
Personnel services	-	821,488	-	121,128	942,616
Utilities	-	9,854	22,258	68,343	100,455
Contractual services	-	4,833	80,000	321,028	405,861
Repairs and maintenance	8,665	39,718	4,354	3,904	56,641
Other supplies and expenses	7,696	119,694	186	21,306	148,882
Depreciation and amortization	-	112,208	92,827	52,220	257,255
Total operating expenses	16,361	1,107,795	199,625	587,929	1,911,710
Operating loss	(10,584)	(1,022,362)	(163,742)	(131,541)	(1,328,229)
Non-operating revenues:					
Intergovernmental	-	334,093	-	-	334,093
Gain on sale of assets	-	-	-	880	880
Miscellaneous	3,419	4,632	-	40,000	48,051
Total non-operating revenues	3,419	338,725	-	40,880	383,024
Loss before transfers	(7,165)	(683,637)	(163,742)	(90,661)	(945,205)
Transfers:					
Transfers in	-	573,926	300,000	568,996	1,442,922
Transfers (out)	-	(20,000)	-	-	(20,000)
Total transfers	-	553,926	300,000	568,996	1,422,922
Change in net position	(7,165)	(129,711)	136,258	478,335	477,717
Net position - beginning of year	21,373	1,198,760	1,585,658	1,389,001	4,194,792
Net position - end of year	$ 14,208	$ 1,069,049	$ 1,721,916	$ 1,867,336	$ 4,672,509

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
COMBINING STATEMENT OF CASH FLOWS
OTHER ENTERPRISES FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Museum Gift Shop Fund	Municipal Transit Fund	Performing Arts Center Fund	Cemetery Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:					
Cash received from customers	$ 5,808	$ 56,550	$ 30,133	$ 456,388	$ 548,879
Payments to suppliers and contractors	(16,361)	(173,949)	(106,826)	(335,559)	(632,695)
Payments to employees for services	-	(807,881)	-	(111,096)	(918,977)
Net cash provided by (used in) operating activities	(10,553)	(925,280)	(76,693)	9,733	(1,002,793)
CASH FLOWS FROM NON-CAPITAL FINANCING ACTIVITIES:					
Intergovernmental sources	-	330,898	-	-	330,898
Miscellaneous sources	3,419	-	-	40,000	43,419
Net transfers in	-	558,558	300,000	568,996	1,427,554
Net cash provided by non-capital and related financing activities	3,419	889,456	300,000	608,996	1,801,871
CASH FLOWS FROM CAPITAL FINANCING ACTIVITIES:					
Acquisition of capital assets	-	-	(15,800)	(201,712)	(217,512)
Net cash used in capital and financing activities	-	-	(15,800)	(201,712)	(217,512)
Net increase (decrease) in cash	(7,134)	(35,824)	207,507	417,017	581,566
Cash and cash equivalents, beginning of year	21,342	80,787	117,555	436,355	656,039
Cash and cash equivalents, end of year	$ 14,208	$ 44,963	$ 325,062	$ 853,372	$ 1,237,605
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:					
Operating loss	$ (10,584)	$ (1,022,362)	$ (163,742)	$ (131,541)	$ (1,328,229)
Adjustment to reconcile operating loss to net cash provided by (used in) operating activities:					
Depreciation	-	112,208	92,827	52,220	257,255
Change in assets and liabilities:					
Accounts receivable	31	(28,883)	-	-	(28,852)
Accounts payable	-	150	(3,528)	79,022	75,644
Accrued salaries	-	2,587	-	2,629	5,216
Compensated absences	-	11,020	-	7,403	18,423
Deferred revenues	-	-	(2,250)	-	(2,250)
Net cash provided by (used in) operating activities	$ (10,553)	$ (925,280)	$ (76,693)	$ 9,733	$ (1,002,793)

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

MAJOR ENTERPRISE FUNDS
BUDGETARY COMPARISON STATEMENTS

STATE OF NEW MEXICO
CITY OF CARLSBAD
SOLID WASTE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget Over (Under)
Operating revenues:				
Charges for services	$ 4,400,000	$ 4,400,000	$ 4,628,374	$ 228,374
Operating expenses:				
Personnel services	1,570,609	1,601,430	1,600,453	977
Utilities	100	100	-	100
Contractual services	164,489	219,489	143,302	76,187
Repairs and maintenance	1,131,401	1,161,401	1,106,845	54,556
Other supplies and expenses	612,476	712,476	168,200	544,276
Total operating expenses	3,479,075	3,694,896	3,018,800	676,096
Operating income (loss)	920,925	705,104	1,609,574	904,470
Non-operating revenues (expenses):				
Sales taxes	660,800	660,800	770,308	(109,508)
Intergovernmental	111,000	111,000	151,686	(40,686)
Investment income	1,000	1,000	6,898	(5,898)
Miscellaneous	1,093	1,093	197	896
Capital outlay	(675,000)	(645,000)	(23,035)	(621,965)
Debt service - principal	-	-	-	-
Interest expense and other charges	-	-	-	-
Total non-operating revenues (expenses)	98,893	128,893	906,054	(777,161)
Income before transfers	1,019,818	833,997	2,515,628	1,681,631
Transfers:				
Transfers in	311,000	311,000	50,669	(260,331)
Transfers (out)	(1,696,360)	(1,696,360)	(1,385,360)	311,000
Total transfers	(1,385,360)	(1,385,360)	(1,334,691)	50,669
Net change	(365,542)	(551,363)	1,180,937	1,732,300
Fund balance - beginning of year	4,255,450	4,255,450	4,255,450	-
Fund balance - end of year	$ 3,889,908	$ 3,704,087	$ 5,436,387	$ 1,732,300

Reconciliation of budgetary basis to GAAP basis:	
Net changes in fund balance budgetary basis	$ 1,180,937
Net revenue accruals	63,223
Net expenditure accruals	(667,838)
Capital outlay - net of depreciation	228,697
Net changes in fund balance GAAP basis	$ 805,019

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
JOINT WATER AND SEWER FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget Over (Under)
Operating revenues:				
Charges for services	$ 13,458,500	$ 13,458,500	$ 16,975,094	$ 3,516,594
Operating expenses:				
Personnel services	4,463,496	4,529,609	4,038,512	491,097
Utilities	1,054,000	1,054,000	710,761	343,239
Contractual services	274,629	328,348	202,145	126,203
Repairs and maintenance	1,286,196	1,286,196	1,087,195	199,001
Other supplies and expenses	415,233	415,233	855,139	(439,906)
Total operating expenses	7,493,554	7,613,386	6,893,752	719,634
Operating income	5,964,946	5,845,114	10,081,342	4,236,228
Non-operating revenues (expenses):				
Intergovernmental	-	4,048,330	-	(4,048,330)
Investment Income	53,500	53,500	163,277	109,777
Gain on sale of assets	1,000	1,000	54,004	53,004
Miscellaneous	5,000	5,000	145,743	140,743
Capital outlay	(18,404,016)	(39,014,716)	(2,894,341)	36,120,375
Debt service - principal	(859,757)	(859,757)	(859,757)	-
Interest expense and other charges	(776,897)	(776,897)	(776,896)	1
Total non-operating revenues (expenses)	(19,981,170)	(36,543,540)	(4,167,970)	32,375,570
Loss before other financing sources (uses)	(14,016,224)	(30,698,426)	5,913,372	36,611,798
Other financing sources (uses):				
Transfers in	2,758,795	2,824,638	65,842	(2,758,796)
Transfers (out)	(5,276,167)	(5,276,167)	(2,517,372)	2,758,795
Loan proceeds	-	16,151,670	-	(16,151,670)
Total other financing sources (uses)	(2,517,372)	13,700,141	(2,451,530)	(16,151,671)
Net change	(16,533,596)	(16,998,285)	3,461,842	20,460,127
Fund balance - beginning of year	23,776,545	23,776,545	23,776,545	-
Fund balance - end of year	$ 7,242,949	$ 6,778,260	$ 27,238,387	$ 20,460,127

Reconciliation of budgetary basis to GAAP basis:	
Net changes in fund balance budgetary basis	$ 3,461,842
Net revenue accruals	11,939,595
Net expenditure accruals	1,782,372
Capital outlay net of depreciation	522,364
Net debt service - principal	(859,757)
Net changes in fund balance GAAP basis	$ 16,846,416

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

OTHER ENTERPRISE FUNDS
BUDGETARY COMPARISON STATEMENTS

STATE OF NEW MEXICO
CITY OF CARLSBAD
MUSEUM GIFT SHOP FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget Over (Under)
Operating revenues:				
Charges for services	$ 5,200	$ 5,200	$ 5,808	$ 608
Operating expenses:				
Repairs and maintenance	-	-	8,665	(8,665)
Other supplies and expenses	8,000	8,000	7,696	304
Total operating expenses	8,000	8,000	16,361	(8,361)
Operating (loss)	(2,800)	(2,800)	(10,553)	(7,753)
Non-operating revenues (expenses):				
Miscellaneous	1,200	1,200	3,419	2,219
Capital Outlay	(10,000)	(10,000)	-	10,000
Total non-operating revenues (expenses)	(8,800)	(8,800)	3,419	12,219
Loss before transfers	(11,600)	(11,600)	(7,134)	4,466
Transfers:				
Transfers in	-	-	-	-
Net change	(11,600)	(11,600)	(7,134)	4,466
Fund balance - beginning of year	21,342	21,342	21,342	-
Fund balance - end of year	$ 9,742	$ 9,742	$ 14,208	$ 4,466
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			$ (7,134)	
Net revenue accruals			(31)	
Net expenditure accruals			-	
Net changes in fund balance GAAP basis			$ (7,165)	

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
MUNICIPAL TRANSIT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget Over (Under)
Operating revenues:				
Charges for services	$ 86,000	$ 86,000	$ 85,591	$ (409)
Operating expenses:				
Personnel services	834,780	843,706	807,881	35,825
Utilities	6,000	6,000	6,199	(199)
Contractual services	6,800	6,800	4,995	1,805
Repairs and maintenance	172,128	173,257	156,935	16,322
Other supplies and expenses	12,500	12,500	5,670	6,830
Total operating expenses	1,032,208	1,042,263	981,680	60,583
Operating loss	(946,208)	(956,263)	(896,089)	60,174
Non-operating revenues (expenses):				
Intergovernmental	423,973	423,973	305,210	118,763
Miscellaneous	-	1,129	1,129	-
Capital outlay	(26,358)	(26,358)	-	(26,358)
Total non-operating revenues (expenses)	397,615	398,744	306,339	92,405
Loss before transfers	(548,593)	(557,519)	(589,750)	(32,231)
Transfers:				
Transfers in	565,000	573,926	573,926	-
Transfers (out)	(20,000)	(20,000)	(20,000)	-
Total transfers	545,000	553,926	553,926	-
Net change	(3,593)	(3,593)	(35,824)	(32,231)
Fund balance - beginning of year	80,787	80,787	80,787	-
Fund balance - end of year	$ 77,194	$ 77,194	$ 44,963	$ (32,231)

Reconciliation of budgetary basis to GAAP basis:	
Net changes in fund balance budgetary basis	(35,824)
Change in accounts receivable	32,078
Change in accounts payable	(150)
Change in accrued salaries	(2,587)
Change in compensated absences	(11,020)
Capital outlay net of depreciation	(112,208)
Net changes in fund balance GAAP basis	$ (129,711)

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
PERFORMING ARTS CENTER FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget Over (Under)
Operating revenues:				
Charges for services	$ -	$ -	$ 30,132	$ 30,132
Operating expenses:				
Utilities	50,000	50,000	21,881	28,119
Contractual services	95,000	95,000	80,000	15,000
Repairs and maintenance	22,275	21,475	4,759	16,716
Other supplies and expenses	4,000	4,000	186	3,814
Total operating expenses	171,275	170,475	106,826	63,649
Operating income (loss)	(171,275)	(170,475)	(76,694)	93,781
Non-operating revenues (expenses):				
Capital outlay	(165,000)	(165,800)	(15,800)	(150,000)
Loss before transfers	(336,275)	(336,275)	(92,494)	243,781
Transfers				
Transfers in	300,000	300,000	300,000	-
Net change	(36,275)	(36,275)	207,506	243,781
Fund balance - beginning of year	117,555	117,555	117,555	-
Fund balance - end of year	$ 81,280	$ 81,280	$ 325,061	$ 243,781

Reconciliation of budgetary basis to GAAP basis:	
Net changes in fund balance budgetary basis	$ 207,506
Change in accounts payable	29
Change in customer deposits	3,500
Change in deferred revenue	2,250
Capital outlay net of depreciation	(77,027)
Net changes in fund balance GAAP basis	$ 136,258

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
CEMETERY FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget Over (Under)
Operating revenues:				
Charges for services	$ 190,000	$ 190,000	$ 196,029	$ 6,029
Operating expenses:				
Personnel services	132,882	132,882	111,096	21,786
Utilities	120,000	120,000	64,592	55,408
Contractual services	324,100	324,100	294,510	29,590
Repairs and maintenance	32,500	24,100	10,564	13,536
Other supplies and expenses	16,900	16,900	17,686	(786)
Total operating expenses	626,382	617,982	498,448	119,534
Operating income (loss)	(436,382)	(427,982)	(302,419)	125,563
Non-operating revenues (expenses):				
Gain on sale of assets	-	-	880	880
Intergovernmental	125,000	300,000	100,000	(200,000)
Miscellaneous	140,000	209,360	200,360	(9,000)
Capital Outlay	(629,196)	(1,032,956)	(137,804)	895,152
Total non-operating revenues (expenses)	(364,196)	(523,596)	163,436	687,032
Loss before transfers	(800,578)	(951,578)	(138,983)	812,595
Transfers:				
Transfers in	405,000	556,000	556,000	-
Net change	(395,578)	(395,578)	417,017	812,595
Fund balance - beginning of year	436,355	436,355	436,355	-
Fund balance - end of year	$ 40,777	$ 40,777	$ 853,372	$ 812,595
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			$ 417,017	
Change in accounts payable			(79,022)	
Change in accrued salaries			(2,629)	
Change in compensated absences			(7,403)	
Capital outlay net of depreciation			150,372	
Net changes in fund balance GAAP basis			$ 478,335	

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

COMBINING AND INDIVIDUAL INTERNAL SERVICE FUNDS FINANCIAL STATEMENTS

STATE OF NEW MEXICO
CITY OF CARLSBAD
COMBINING STATEMENT OF NET POSITION
INTERNAL SERVICE FUNDS
JUNE 30, 2014

	Computer Lease Equipment Fund	General Insurance Fund	Group Health Insurance Fund	Disaster Preparedness Fund	Total
Assets:					
Current assets:					
Cash	$ 1,877	$ 2,216,545	$ 1,239,326	$ 8,051	$ 3,465,799
Receivable, net	-	289	6,954	491,669	498,912
Total current assets	1,877	2,216,834	1,246,280	499,720	3,964,711
Non current assets:					
Restricted cash	-	500,067	450,000	-	950,067
Total assets	$ 1,877	$ 2,716,901	$ 1,696,280	$ 499,720	$ 4,914,778
Liabilities:					
Accounts payable	$ 1,523	$ 25,261	$ 597	$ 810,740	$ 838,121
Due to other funds	-	-	-	288,748	288,748
Total liabilities	1,523	25,261	597	1,099,488	1,126,869
Net position:					
Unrestricted	354	2,691,640	1,695,683	(599,768)	3,787,909
Total liabilities and net position	$ 1,877	$ 2,716,901	$ 1,696,280	$ 499,720	$ 4,914,778

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
COMBINING STATEMENT OF REVENUES, EXPENSES AND CHANGES IN FUND NET POSITION
INTERNAL SERVICE FUNDS
FOR THE YEAR ENDED JUNE 30, 2014

	Computer Lease Equipment Fund	General Insurance Fund	Group Health Insurance Fund	Disaster Preparedness Fund	Total
Operating revenues:					
Charges for services	$ -	$ 83,517	$ 5,492,907	$ -	$ 5,576,424
Operating expenses:					
Contractual services	-	-	-	511,336	511,336
Insurance claims and expenses	-	1,526,557	4,744,017	-	6,270,574
Other supplies and expenses	26,530	-	597	22,892	50,019
Total operating expenses	26,530	1,526,557	4,744,614	534,228	6,831,929
Operating income (loss)	(26,530)	(1,443,040)	748,293	(534,228)	(1,255,505)
Non-operating revenues:					
Investment Income	-	1,116	2,013	-	3,129
Miscellaneous	-	-	-	491,669	491,669
Total non-operating revenues	-	1,116	2,013	491,669	494,798
Income (loss) before transfers	(26,530)	(1,441,924)	750,306	(42,559)	(760,707)
Transfers:					
Transfers in	16,457	1,956,680	-	50,000	2,023,137
Transfers (out)	-	-	(566,550)	(1,741,123)	(2,307,673)
Total transfers	16,457	1,956,680	(566,550)	(1,691,123)	(284,536)
Change in net position	(10,073)	514,756	183,756	(1,733,682)	(1,045,243)
Net position - beginning of year	10,427	2,176,884	1,511,927	1,133,914	4,833,152
Net position - end of year	$ 354	$ 2,691,640	$ 1,695,683	$ (599,768)	$ 3,787,909

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, 2014

	Computer Lease Equipment Fund	General Insurance Fund	Group Health Insurance Fund	Disaster Preparedness Fund	Total
CASH FLOWS FROM OPERATING ACTIVITIES:					
Internal activity- receipt from other funds	$ -	$ 83,560	$ 5,526,159	$ 557,399	$ 6,167,118
Receipts from litigation	-	-	-	-	-
Payments to suppliers and contractors	(27,900)	(1,514,453)	(4,744,017)	-	(6,286,370)
Net cash provided by (used in) operating activities	(27,900)	(1,430,893)	782,142	557,399	(119,252)
CASH FLOW FROM NON-CAPITAL FINANCING ACTIVITIES:					
Net transfers in (out)	16,457	1,956,680	(566,550)	(1,691,123)	(284,536)
CASH FLOWS FROM INVESTING ACTIVITIES:					
Investment income	-	1,116	2,013	-	3,129
Net increase (decrease) in cash	(11,443)	526,903	217,605	(1,133,724)	(400,659)
Cash and cash equivalents, beginning of year	13,320	2,189,709	1,471,721	1,141,775	4,816,525
Cash and cash equivalents, end of year	$ 1,877	$ 2,716,612	$ 1,689,326	$ 8,051	$ 4,415,866
Displayed as:					
Cash	$ 1,877	$ 2,216,545	$ 1,239,326	$ 8,051	$ 3,465,799
Restricted cash	-	500,067	450,000	-	950,067
	$ 1,877	$ 2,716,612	$ 1,689,326	$ 8,051	$ 4,415,866
RECONCILIATION OF OPERATING INCOME TO NET CASH PROVIDED BY OPERATING ACTIVITIES:					
Operating income (loss)	$ (26,530)	$ (1,443,040)	$ 748,293	$ (534,228)	$ (1,255,505)
Adjustment to reconcile operating income (loss) to net cash provided by operating activities:					
Change in assets and liabilities:					
Accounts receivable	-	43	33,252	-	33,295
Accounts payable	(1,370)	12,104	597	802,879	814,210
Due to other funds	-	-	-	288,748	288,748
Total adjustments	(1,370)	12,147	33,849	1,091,627	1,136,253
Net cash provided (used) by operating activities	$ (27,900)	$ (1,430,893)	$ 782,142	$ 557,399	$ (119,252)

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

INTERNAL SERVICE FUNDS
BUDGETARY COMPARISON STATEMENTS

STATE OF NEW MEXICO
CITY OF CARLSBAD
COMPUTER LEASE EQUIPMENT FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts			
	Original	**Final**	**Actual**	**Variance with Final Budget Over (Under)**
Operating Expenses:				
Other supplies and expenses	$ 29,777	$ 29,777	$ 27,900	$ 1,877
Loss before transfers	(29,777)	(29,777)	(27,900)	1,877
Transfers:				
Transfers in	16,457	16,457	16,457	-
Net change	(13,320)	(13,320)	(11,443)	1,877
Fund balance - beginning of year	13,320	13,320	13,320	-
Fund balance - end of year	$ -	$ -	$ 1,877	$ 1,877
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			$ (11,443)	
Net revenue accruals			-	
Net expenditure accruals			1,370	
Net changes in fund balance GAAP basis			$ (10,073)	

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
GENERAL INSURANCE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget Over (Under)
Operating revenues:				
Charges for services	$ -	$ -	$ 83,518	$ 83,518
Operating expenses:				
Insurance claims and expenses	1,929,318	1,929,318	1,514,453	414,865
Operating income (loss)	(1,929,318)	(1,929,318)	(1,430,935)	498,383
Non-operating revenues (expenses):				
Investment income	500	500	1,158	658
Loss before transfers	(1,928,818)	(1,928,818)	(1,429,777)	499,041
Transfers:				
Transfers in	1,956,680	1,956,680	1,956,680	-
Net change	27,862	27,862	526,903	499,041
Fund balance - beginning of year	2,189,709	2,189,709	2,189,709	-
Fund balance - end of year	$ 2,217,571	$ 2,217,571	$ 2,716,612	$ 499,041
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			$ 526,903	
Net revenue accruals			(43)	
Net expenditure accruals			(12,104)	
Net changes in fund balance GAAP basis			$ 514,756	

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
GROUP HEALTH INSURANCE FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget Over (Under)
Operating revenues:				
Charges for services	$ 4,945,000	$ 4,945,000	$ 5,506,926	$ 561,926
Operating expenses:				
Insurance claims and expenses	4,947,000	4,947,000	4,724,808	222,192
Operating income (loss)	(2,000)	(2,000)	782,118	784,118
Non-operating revenues (expenses):				
Investment income	2,000	2,000	2,037	(37)
Incomes before transfers	-	-	784,155	784,155
Transfers:				
Transfers out	-	(567,308)	(566,550)	(758)
Net change	-	(567,308)	217,605	784,913
Fund balance - beginning of year	1,471,721	1,471,721	1,471,721	-
Fund balance - end of year	$ 1,471,721	$ 904,413	$ 1,689,326	$ 784,913

Reconciliation of budgetary basis to GAAP basis:	
Net changes in fund balance budgetary basis	$ 217,605
Net revenue accruals	(33,252)
Net expenditure accruals	(597)
Net changes in fund balance GAAP basis	$ 183,756

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
DISASTER PREPAREDNESS FUND
STATEMENT OF REVENUES, EXPENDITURES AND CHANGES IN FUND BALANCE
BUDGET (NON-GAAP BUDGETARY BASIS) AND ACTUAL ON BUDGETARY BASIS
WITH RECONCILIATION TO GAAP
FOR THE YEAR ENDED JUNE 30, 2014

	Budgeted Amounts			
	Original	Final	Actual	Variance with Final Budget Over (Under)
Operating expenses:				
Contractual services	$ 567,902	$ 567,902	$ 34,672	$ 533,230
Other supplies and expenses	-	22,576	22,893	(317)
Total operating expenses	567,902	590,478	57,565	532,913
Operating income (loss)	(567,902)	(590,478)	(57,565)	532,913
Non-operating revenues (expenses):				
Miscellaneous	466,237	1,632,487	-	(1,632,487)
Capital outlay	-	(1,609,945)	(1,126,159)	483,786
Total non-operating revenues	466,237	22,542	(1,126,159)	(1,148,701)
Loss before transfers	(101,665)	(567,936)	(1,183,724)	(615,788)
Transfers:				
Transfers in	-	50,000	50,000	-
Transfers (out)	-	-	-	-
Total transfers	-	50,000	50,000	-
Net change	(101,665)	(517,936)	(1,133,724)	(615,788)
Fund balance - beginning of year	1,141,775	1,141,775	1,141,775	-
Fund balance - end of year	$ 1,040,110	$ 623,839	$ 8,051	$ (615,788)
Reconciliation of budgetary basis to GAAP basis:				
Net changes in fund balance budgetary basis			$ (1,133,724)	
Net revenue accruals			491,669	
Net expenditure accruals			(1,091,627)	
Net changes in fund balance GAAP basis			$ (1,733,682)	

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

OTHER SUPPLEMENTAL FINANCIAL INFORMATION

STATE OF NEW MEXICO
CITY OF CARLSBAD
SCHEDULE OF CASH ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2014

Financial Institution / Account Description	Type of Account	Financial Institution Balance	Reconciling Items	Reconciled Balance
Carlsbad National Bank P.O Box 1359 Carlsbad, New Mexico 88221-1359				
Health Insurance Fund	Checking	$ 1,044,563	$ 194,099	$ 1,238,662
Payroll Fund	Checking	583,715	(575,651)	8,064
Debt Service Fund	Checking	3,475,275	-	3,475,275
Municipal Court	Checking	51,659	(51,659)	-
CDBG Account	Checking	37,999	-	37,999
Lodgers' Tax	Certificate of Deposit	30,003	-	30,003
General Operating	Certificate of Deposit	200,002	-	200,002
Health Insurance	Certificate of Deposit	200,027	-	200,027
Worker's Compensation	Certificate of Deposit	50,021	-	50,021
Sandpoint Closure Reserve	Certificate of Deposit	250,005	-	250,005
Water & Sewer	Certificate of Deposit	500,018	-	500,018
General Operating	Certificate of Deposit	250,102	-	250,102
Water & Sewer	Certificate of Deposit	300,015	-	300,015
General Operating	Certificate of Deposit	300,193	-	300,193
Health Insurance	Certificate of Deposit	250,158	-	250,158
Sandpoint Closure Reserve	Certificate of Deposit	500,120	-	500,120
		$ 8,023,875	$ (433,211)	$ 7,590,664

Financial Institution / Account Description	Type of Account	Financial Institution Balance	Reconciling Items	Reconciled Balance
Pioneer Savings Bank P.O. Box 130 Roswell, New Mexico 88202-0130				
General Operating	Certificate of Deposit	$ 100,033	$ -	$ 100,033
Worker's Compensation	Certificate of Deposit	100,033	-	100,033
General Operating	Certificate of Deposit	200,067	-	200,067
General Operating	Certificate of Deposit	200,067	-	200,067
General Operating	Certificate of Deposit	400,133	-	400,133
Worker's Compensation	Certificate of Deposit	100,033	-	100,033
Sandpoint Closure Reserve	Certificate of Deposit	100,033	-	100,033
General Operating	Certificate of Deposit	100,033	-	100,033
Water & Sewer	Certificate of Deposit	200,067	-	200,067
General Operating	Certificate of Deposit	336,665	-	336,665
Water & Sewer	Certificate of Deposit	943,584	-	943,584
		$ 2,780,748	$ -	$ 2,780,748

STATE OF NEW MEXICO
CITY OF CARLSBAD
SCHEDULE OF CASH ACCOUNTS
FOR THE YEAR ENDED JUNE 30, 2014

Financial Institution / Account Description	Type of Account	Financial Institution Balance	Reconciling Items	Reconciled Balance
Wells Fargo Bank, N.A.				
Carlsbad Office				
115W.Fox Street				
Carlsbad, New Mexico 88221				
General Fund	Checking	$ 58,569,521	$ (1,670,488)	$ 56,899,033
Investment Fund	Money Market	78,902	-	78,902
City Fund Investment	Money Market	885,430	-	885,430
Permanent Water Sewer	Certificate of Deposit	157,345	-	157,345
Permanent Water Sewer	Certificate of Deposit	200,000	-	200,000
Worker's Compensation	Certificate of Deposit	250,000	-	250,000
General Operating	Certificate of Deposit	300,000	-	300,000
Permanent Water & Sewer	Certificate of Deposit	100,000	-	100,000
Water & Sewer	Certificate of Deposit	100,000	-	100,000
		$ 60,641,198	$ (1,670,488)	$ 58,970,710

Financial Institution / Account Description	Type of Account	Financial Institution Balance	Reconciling Items	Reconciled Balance
Western Commerce Bank				
P.O. Drawer 1358				
Carlsbad, New Mexico 88221-1358				
Construction Account	Checking	$ 9,632,126	$ 603,684	$ 10,235,810
Federal Projects	Checking	2,519,937	(77,789)	2,442,148
Sandpoint Closure Reserve	Certificate of Deposit	165,215	-	165,215
Sandpoint Closure Reserve	Certificate of Deposit	142,077	-	142,077
Water & Sewer	Certificate of Deposit	109,473	-	109,473
General Operating	Certificate of Deposit	501,348	-	501,348
General Operating	Certificate of Deposit	253,702	-	253,702
General Operating	Certificate of Deposit	322,669	-	322,669
Sandpoint Closure Reserve	Certificate of Deposit	323,330	-	323,330
98 Water & Sewer Bond	Certificate of Deposit	273,627	-	273,627
98 Water & Sewer Bond	Certificate of Deposit	300,000	-	300,000
98 Water & Sewer Bond	Certificate of Deposit	500,000	-	500,000
		$ 15,043,504	$ 525,895	$ 15,569,399

STATE OF NEW MEXICO
CITY OF CARLSBAD
SCHEDULE OF PLEDGED COLLATERAL - ALL FINANCIAL INSTITUTIONS
JUNE 30, 2014

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

Security Description	CUSIP Number	Maturity Date	Current Market Value
FNMA AL 1536	3138EHV66	01/1/36	$ 1,639,913
FNCI AH5614	3138A7GYB	02/1/26	835,313
FNMA POOL 0174	31417YFQ5	09/1/19	419,118
FN99AR AS0083	31418MCV2	09/1/35	787,311
FN99AR IB4985	3128JQNBO	09/01/40	1,031,699
FNMA POOL AI3469	3138AG2B3	07/01/41	721,115
FFCB 1.840	3133EAC30	2/1/2021	1,698,244
			$ 7,132,713

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

Pioneer Savings 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	36225CPC4	06/20/30	$ 97,319
GNMA 080477	36225CQ74	12/20/30	11,898
GNMA II 080540	36225CS64	09/20/31	49,002
GNMA II 080562	36225CTU0	12/20/31	32,613
FNMA 1 YR TR 648558	31390KQK7	06/01/32	133,348
FNMA ARM 661745	31391BES2	09/01/32	31,015
FNMA 1 YR CMT 759453	31403VWN5	01/01/34	138,389
FNMA 1 YR CMT 780385	31404V663	06/01/34	168,553
FHLMC 1 YR CMT 781721	31349S4E0	07/01/34	99,782
FNMA AJ1622	AJ1622	10/1/26	758,209
			$ 1,520,128

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

STATE OF NEW MEXICO
CITY OF CARLSBAD
SCHEDULE OF PLEDGED COLLATERAL - ALL FINANCIAL INSTITUTIONS
JUNE 30, 2014

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

Security Description	CUSIP Number	Maturity Date	Current Market Value
FN AU1636	3138X0ZA9	7/1/43	$ 33,438,542

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

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

Security Description	CUSIP Number	Maturity Date	Current Market Value
FNMA 745944	31403DWD7	12/01/33	$ 366,794
GNMA 782156	36241KMD7	05/20/37	188,365
SBA SERIES 2005-20 A CLASS	83162CPG2	01/01/25	350,223
SBA SERIES 2008-20 G CLASS	53162CRX3	07/01/28	578,351
SBA SERIES 2008-20 H CLASS	83162CRY1	08/01/28	1,080,993
GNMA 004511	36202FAL0	08/20/39	829,795
GNMA 412570	36206JJP0	03/15/26	21,795
FNMA AC4792	31417QKE3	10/01/39	628,269
FNMA AA5840	31417QKE3	06/01/39	699,041
FNMA AB4742	31417BHU4	03/01/42	1,175,147
Fhlmc #G02198	3128LXNP1	05/01/36	339,595
FNMA 888990	31410GUP6	01/01/37	263,566
FHLMC #G08534	3128MJSY7	06/01/43	1,940,740
FHLMC #J22899	31307BGG9	03/01/28	1,205,712
FNMA 62689 "B"	31362JUN3	06/01/28	13,938
GNMA 8228	36202KD93	07/20/23	25,692
GNMA 8233	36202KEE1	06/20/17	23,718
GNMA 8280	36202KFV2	09/20/23	25,032
GNMA 80185 "B"	36225CF35	04/20/28	10,175
GNMA 80200	36225CGJ9	05/20/28	14,587
GNMA 80299	36225CKM7	07/20/29	32,640
GNMA 8595	36202KRQ0	02/20/25	38,142
FNMA 195638	31368PHP3	04/01/22	16,692
GNMA 8608	36202KR56	03/20/25	111,324
FNMA 709279	31401H6Q0	06/01/33	75,394
FNMA 253823	31371J4G6	04/01/31	49,770
FNMA 807223	31406DYU4	01/01/35	145,959
			$ 10,251,449

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

COMPLIANCE SECTION

Strickler & Prieto, LLP

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Tim Keller, New Mexico State Auditor and
Mayor and City Councilors
City of Carlsbad
Carlsbad, New Mexico

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the financial statements of the governmental activities, the business-type activities, each major fund, the aggregate remaining fund information, the budgetary comparisons of the general fund and major special revenue funds of the City of Carlsbad, New Mexico (the "City") as of and for the year ended June 30, 2014, and the related notes to the financial statements, which collectively comprise the City's basic financial statements, and the combining and individual funds and related budgetary comparisons of the City, presented as supplemental information, and have issued our report thereon dated February 10, 2015.

Internal Control over Financial Reporting

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

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

A *deficiency in internal control* exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, misstatements on a timely basis. A *material weakness* is a deficiency, or a combination of deficiencies, in internal control such that there is a reasonable possibility that a material misstatement of the entity's financial statements will not be prevented, or detected and corrected on a timely basis. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2008-006 & 2014-001 to be material weaknesses.

A significant deficiency is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance. We consider the deficiencies described in the accompanying schedule of findings and questioned costs as items 2014-002, 2014-003, 2014-004, 2014-005 & 2014-006 to be significant deficiencies.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the City's financial statements are free from material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards* and which are described in the accompanying schedule of findings and questioned costs as items 2012-004, 2014-007, 2014-008, 2014-009 & 2014-010.

The City's Responses to Findings

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

Purpose of this Report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the entity's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the entity's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.

Stricklan & Prieto, LLP

El Paso, Texas
February 10, 2015

Strickler & Prieto, LLP

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE REQUIRED BY OMB CIRCULAR A-133

Tim Keller, New Mexico State Auditor and
Mayor and City Councilors
City of Carlsbad
Carlsbad, New Mexico

Report on Compliance for Each Major Federal Program

We have audited the City of Carlsbad, New Mexico's (the "City") compliance with the types of compliance requirements described in the *OMB Circular A-133 Compliance Supplement* that could have a direct and material effect on each of the City's major federal programs for the year ended June 30, 2014. The City's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

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

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of the City's major federal programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the City's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances.

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

Opinion on Each Major Federal Program

In our opinion, the City, complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major federal programs for the year ended June 30, 2014.

Other Matters

The results of our auditing procedures disclosed instances of noncompliance, which are required to be reported in accordance with OMB Circular A-133 and which are described in the accompanying schedule of findings and questioned costs as items 2014-004, 2014-007, 2014-008, 2014-009 & 2014-010. Our opinion on each major federal program is not modified with respect to these matters.

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

Report on Internal Control over Compliance

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

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

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be material weaknesses or significant deficiencies. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, we identified certain deficiencies in internal control over compliance, as described in the accompanying schedule of findings and questioned costs as item 2014-004 and 2014-009, that we consider to be significant deficiencies.

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

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

Strickland & Peinado, LLP

El Paso, Texas
February 10, 2015

STATE OF NEW MEXICO
CITY OF CARLSBAD
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

Grantor/Pass Through Grantor/Program Title	Federal CFDA No.	Contract/Grant Project/State Number	Award Amount	Federal Expenditures
U.S. Department of Commerce/ Economic Development Administration Investment for Public Works & Economic Development Facilities	11.300	08-01-04637	$ 1,325,000	$ 428,557
U.S. Department of Justice Edward Byrne Memorial Justice Assistance Grant	16.738	2013-H4032-NM-DJ	8,077	8,077
U.S. Department of Transportation/ Federal Aviation Administration Airport Improvement Program	20.106	CNM-1303	296,343	215,520
U.S. Department of Transportation/Passed Through NM Department of Transportation				
Safe Routes to School- ARRA	20.205	W200040	250,000	115,595
Safe Routes to School - ARRA	20.205	W200041	50,000	16,889
Federal Transit - Formula Grants	20.507	M001197	310,529	53,651
Federal Transit - Formula Grants	20.509	M01278	368,223	263,842
Job Access Reverse Commute	20.516	M01199	42,271	10,359
New Freedom Program	20.521	M01198	18,688	6,240
100 Days & Nights of Summer	20.600	13-PT-DS-013	4,935	4,935
100 Days & Nights of Summer	20.600	14-PT-DS-013	4,928	989
Minimum Penalties for Repeat Offenders DWI	20.608	13-AL-64-013	13,731	5,972
Minimum Penalties for Repeat Offenders DWI	20.608	14-AL-64-013	17,600	11,115
Total U.S. Department of transportation/ Passed through NM Department of Transportation				489,587
Total U.S Department of Transportation				705,107
U.S. Environmental Protection Agency /Passed Through New Mexico Environment Department Clean Water State Revolving Funds	66.458	CWSRF010	18,000,000	12,460
U.S. Department of Energy Water and Energy Appropriation Act	81.502	DE-FG29-03-AL68371	38,308,000	10,268,981
Corporation for National and Community Service Retired and Senior Volunteer Program	94.002	11SRWNM011	83,699	27,792
Total expenditures of federal awards				$ 11,450,974

STATE OF NEW MEXICO
CITY OF CARLSBAD
NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED JUNE 30, 2014

1. BASIS OF PRESENTATION

The accompanying schedule of expenditures of federal awards presents the activity of all federal financial assistance programs of the City of Carlsbad, New Mexico (the "City"). The City is defined in Note 1 of the City's financial Statements. All federal awards received, including those received through other agencies are included on the schedule.

2. BASIS OF ACCOUNTING

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

3. RELATIONSHIP TO BASIC FINANCIAL STATEMENTS

Federal expenditures on the schedule of expenditures of federal awards amount of $11,450,974. The amounts of expenditures within the funds are reflected within the financial statements as follows:

General Fund	
Intergovernmental Federal	$ 31,087
Special Revenue Funds	
WIPP Acceleration Impact Fund	10,268,981
Airport Fund	215,520
RSVP Fund	27,792
Capital Project Funds	
CIEP Fund	132,484
Federal Projects Fund	428,557
Proprietary Funds	
Municipal Transit Fund	334,093
Total Federal Grant Revenue	11,438,514
Joint Water and Sewer Fund Loan	12,460
Total expenditures of federal awards	$ 11,450,974

4. NON-CASH ASSISTANCE

During the current fiscal year, the City did not expend any federal non-cash assistance.

5. INSURANCE REQUIREMENTS

There are no insurance requirements on the federal awards disclosed on the Schedule of Expenditures of Federal Awards.

6. LOANS OR LOAN GUARANTEES

There were loans of $16,210,160 related to the federal awards disclosed on the Schedule of Expenditures of Federal Awards, outstanding at year end. The loan is described in Note 8 of the City's financial statements. There were no loan guarantees outstanding at year end.

7. SUB-RECIPIENTS

The City did not provide any federal awards to sub-recipients during the year.

STATE OF NEW MEXICO
CITY OF CARLSBAD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

A. SUMMARY OF AUDIT RESULTS

Financial Statements

Type of auditors' report issued:	Unmodified
Internal control over financial reporting:	
• Material weakness(es) identified?	Yes
• Significant deficiencies identified that are not considered to be material weaknesses?	Yes
Noncompliance material to financial statements noted?	No

Federal Awards

Internal control over major programs:	
• Material weakness(es) identified?	No
• Significant deficiencies identified that are not considered to be material weaknesses?	Yes
Type of auditor's report issued on compliance for major programs:	Unmodified
• Any audit findings disclosed that are required to be reported in accordance with section 510(a) of OMB Circular A-133?	Yes

Identification of major programs:

CFDA Number(s)	Name of Federal Program or Clusters
11.300	Investment for Public Works and Economic Development Facilities
81.502	Water & Energy Appropriation Act

Dollar threshold used to distinguish between type A and type B programs:	$300,000
Auditee qualified as low-risk auditee?	No

B. FINDINGS - FINANCIAL STATEMENT AUDIT

2008-006 [2008-06] Submission of Audit Report (Repeated) - Material Weakness

Condition
The audit report for the fiscal year ended June 30, 2014, was due to the New Mexico State Auditor's office by December 1, 2014. The audit report was delivered on February 18, 2015 to the New Mexico State Auditor's office.

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

Cause
The audit was delayed due to a shortage in personnel at the City as a result of the retirement of one of the finance employees. The City required more time to record all the required GAAP entries and to compile capital asset information.

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

Recommendation
The City should ensure that all elements necessary to complete the financial audit are completed in a timely manner.

Management Response
Due to the retirement of the Assistant Treasurer in August of 2014 and the daily operational supervisory requirements, the trial balance, including all adjusting entries, was not available to the auditors until November 10th. In order to meet the December 1st audit submission deadline, the trial balance with adjusting entries must be submitted to the auditors by October 1st. This entails balancing all assets and liabilities. A major component that affects accounts payable, expenditures, accounts receivable, revenues, and capital assets is the reconciling of capital projects and capital grants.

Staff had designated August 31st as the cut-off date for reviewing subsequent payments for inclusion in Accounts Payable, as it was expected that construction invoices for work through June 30th would be received by early August and would be paid by August 31st. During the review of capital projects and grants, the auditors questioned payments made after August 31st for inclusion in Accounts Payable. Staff then spent several weeks reviewing invoices paid after August 31st in order to determine additional Accounts Payable. Several invoices for work performed through June 30th were discovered that related to capital projects and capital grants. This necessitated several entries to Accounts Payable, Expenditures, Accounts Receivable, Revenues, and Capital Assets.

In the budget for FY10-11, the Finance Department had requested the addition of a Project Accountant to facilitate the accounting for capital projects and grants. This position was approved in the interim budget. However, in the final budget, this position was moved to the Executive Department. When this position was filled, it was reclassified as a Projects Assistant, a more clerical position. In the budget for FY14-15, the Executive Department requested a Project Accountant, but this position was not approved.

Administration has realized that adequate accounting and controls for capital projects and grants are necessary for accurate and timely financial statements. A new Projects Team was implemented in early January 2015. A Project Accountant will be requested in the next budget cycle to embed in this team. Letters will be sent to contractors in June to request the submission of invoices by July 31st to the Finance Department for work performed through June 30th. These invoices should be paid by August 31st, thus allowing a timelier reconciliation of accounts payable, expenditures, accounts receivable, revenues, and assets related to capital projects and grants.

In addition, the Internal Auditor will utilize the report writing software to implement the design of the financial statement compilation in order for the City to compile the financial statements internally. The goal is to shorten the time between the completion of the audit fieldwork and the submission of the audit to the State Auditor's Office.

2012-004 [2012-04] Deficit Ending Cash Balance for Budget (Repeated) - Findings that do not rise to the level of a significant deficiency

Condition
The City budgeted a deficit ending cash balance of $175,714 in the Sports Complex Fund.

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

Cause
The City failed to review the ending cash balance within this fund when preparing their original annual budget and upon submission of budget adjustments.

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

Recommendation
We recommend the City finance department officials review the ending cash balances within the funds during the original budget process and once a budget adjustment resolution is approved by the City council.

Management Response
This finding resulted from utilizing restricted cash held by NMFA to pay the final debt service payment for the Youth Sports Complex Loan. In budgeting for the FY13-14, the restricted cash was added to the beginning cash balance since it was going to be converted from restricted cash to debt service payment. It is Staff's understanding that the Department of Finance and Administration requires that all debt service payments be budgeted. Staff will seek advice from DFA and the State Auditor's Office on how to budget for debt service payments that are paid from restricted cash held by NMFA.

2014-001 Controls over Financial Reporting - Material Weakness

Condition
Following the commencement of audit fieldwork, a significant number of adjusting entries were identified that had a material effect on the revenues and expenditures of the City. Financial statement areas that required adjustment, due to unrecorded transactions, included but were not limited to the following:

- Receivables were increased by $953,149
- Capital assets were increased by $1,231,568
- Accounts payable were increased by $1,388,527
- Long-term liabilities were increased by $303,651
- Revenues were increased by $2,149,595
- Expenses were increased by $898,768

Criteria
Statement on Auditing Standards ("SAS") Number 112 defines a material weakness in financial reporting internal controls as a significant deficiency in internal controls that results in more than a remote likelihood that a material misstatement of the City's financial statements would not be prevented or detected by the City's internal financial reporting control.

Management is responsible for the preparation of financial statements that are fairly presented in accordance with generally accepted accounting principles.

Cause
Internal control procedures were not effective in identifying and correcting material errors.

Effect
An internal control weakness in maintaining the general ledger exists because material adjustments were identified by the auditor and not by City staff. Since the City personnel failed to record key components of the financial statements, there is an increased risk that a misstatement of the City's financial statements, that is more than inconsequential, will not be prevented or detected. As a result, periodic financial statements reviewed by management and the governing body may be materially inaccurate. In addition, internally generated financial information does not provide management with reliable data to make financial decisions or monitor the results of individual programs.

Recommendation
Management should implement financial reporting controls that provide assurance that internally generated financial information is accurate.

Management Response
Staff had designated August 31st as the cut-off date for reviewing subsequent payments for inclusion in Accounts Payable, as it was expected that construction invoices for work through June 30th would be received by early August and would be paid by August 31st. The same date was designated for subsequent receipts, as it was expected that all requests for payments would be submitted and thus received by August 31st. The City failed to invoice Eddy County for the Professional Service Agreement until mid-august and the money was not received until November. This caused Accounts Receivables and Revenues to be underreported by $475,510. The addition of an Executive Secretary for the Finance Department in July 2014 will help to ensure that the County will be invoiced timely.

The other unrecorded transactions related to capital projects, capital projects grants, and capital projects loans. When an accounts payable for a capital project is not recorded, then Accounts Payable, Expenditures, and Capital Assets are understated. When an accounts payable for a capital project grant or loan is not recorded, then Accounts Payable, Expenditures, Accounts Receivable, Revenues, and Capital Assets are all understated.

Administration has realized that adequate accounting and controls for capital projects and grants/loans are necessary for accurate and timely financial statements. A new Projects Team was implemented in early January 2015. A Project Accountant will be requested in the next budget cycle to embed in this team. Letters will be sent to contractors in June to request the submission of invoices by July 31st to the Finance Department for work performed through June 30th. These invoices should be paid by August 31st, thus allowing a timelier reconciliation of accounts payable, expenditures, accounts receivable, revenues, and assets related to capital projects and grants.

2014-002 Prior Period Adjustments - Significant Deficiency

Condition
Certain items resulting in a misstatement of previously reported items were discovered during the year. Accordingly, the City has restated its net position for the prior period ended June 30, 2013 as follows:

Governmental Activities - WIPP Acceleration Impact Fund—Deferred revenue in the amount of $874,780 was not recorded at June 30, 2013 resulting in an overstatement in net assets as of that date. Also, net assets were restated to reflect prior year expenses not being recorded in the amount of $366,897.

Business Type Activities Major Fund - Joint Water & Sewer Fund—Increased net assets by $444,193 to reflect an understatement in accounts receivable as of June 30, 2013. Also, increased net assets due to expenses being charged to the Joint Water & Sewer Fund in the amount of $366,897 that should have been charged to the WIPP Acceleration Impact Fund in the prior year.

Criteria
Financial statements should report accurate and timely financial information. NMSA 1978 6-5-2 specifies that agencies shall implement internal accounting controls designed to prevent accounting errors and violations of state and federal law and rules related to financial matters. To comply with the matching principle of accrual accounting the City should recognize revenues in the period when reimbursable expenses are incurred.

Effect
The 2013 financial statements were misstated and the 2014 beginning balances were initially misstated. Ending grant receivable and/or deferred revenue balances were incorrect and required audit adjustments to correct those balances.

Cause
The City did not have adequate financial review controls in place to ensure the recording of deferred revenue.

Recommendation
We recommend the City establish procedures, controls and monitoring to ensure revenues, accounts receivable and deferred revenue are properly recognized on the accrual basis in their financial statements.

Management Response
The deferred revenue in question was a result of the Department of Energy grant in the WIPP Acceleration Impact Fund. The City received money, and then would disburse it according to the grant. Deferred Revenue on this grant appears in the annual financial audits through June 30, 2011, as City Staff was recording the Deferred Revenue appropriately. During the audit for fiscal year ending June 30, 2012, the prior auditors informed City Staff that recording Deferred Revenue on this grant was inappropriate and requested that a reversing entry be recorded. Therefore, the Deferred Revenue was not recorded for fiscal year ending June 30, 2013. The same auditors performed the audit for fiscal years ending June 30, 2008 through June 30, 2013. The current auditors disagreed with this treatment and requested that a prior period adjustment for the Deferred Revenue be recorded. There is no Deferred Revenue for this grant in fiscal year ending June 30, 2014, as all the monies have been expended or included in accounts payable.

2014-003 Accounts Payable Cutoff - Significant Deficiency

Condition
Four invoices totaling $366,896 relating to fiscal year 2013 were initially recorded in fiscal year 2014. In addition, three invoices totaling $808,594 relating to fiscal year 2014 were initially recorded in fiscal year 2015.

Criteria
Financial statements should report accurate and timely financial information. NMSA 1978 6-5-2 specifies that agencies shall implement internal accounting controls designed to prevent accounting errors and violations of state and federal law and rules related to financial matters. Procedures should be in place to ensure that all vendor invoices are recorded in the correct period.

Effect
Invoices were recorded in the wrong period, resulting in the misstatement of assets, liabilities and expenses in the year-end financial statement.

Cause
There was no adequate review of the City's invoices paid after year-end to determine the proper period in which to record them.

Recommendation
Accounts payable cutoff procedures should be improved to include a more thorough review of all significant invoices paid after year-end to determine the correct period in which to record them.

Management Response
About half of the under-reported accounts payable related to a bankruptcy settlement, which was received in August. There were invoices received and possible repayments that were conditional on the amount of the settlement the City received. A reconciliation was required to determine the amounts to be disbursed after the settlement was received, which was not accomplished prior to August 31st. City Staff will work to be more diligent in identifying unusual items that will impact the financial statements.

The balance of the under-reported accounts payable relates to capital projects. Administration has realized that adequate accounting and controls for capital projects and grants/loans are necessary for accurate and timely financial statements. Letters will be sent to contractors in June to request the submission of invoices by July 31st to the Finance Department for work performed through June 30th. These invoices should be paid by August 31st, thus allowing a timelier reconciliation of accounts payable.

2014-005 Timely Deposits - Significant Deficiency

Condition
During our cash receipts testwork, we noted a cash receipt in the amount of $4,171,003 that was received on 1/31/2014 but was not posted until 3/17/2014.

Criteria
Financial statements should report accurate and timely financial information. NMSA 1978 6-5-2 specifies that agencies shall implement internal accounting controls designed to prevent accounting errors and violations of state and federal law and rules related to financial matters. All accounting systems should record transactions in a manner that is timely, complete and accurate.

Effect
The cash balance was materially misstated.

Cause
The proper documentation was not submitted on time in order for the deposit to be properly posted. City employees failed to submit to the finance department all the required documentation that supported the cash receipt.

Recommendation
It is recommended that policies and procedures be updated to improve the management and tracking of required procurement and accounting documents related to projects that are under the responsibility of other departments such as engineering and capital projects.

Management Response
When a grant reimbursement is to be requested, the employee requesting the reimbursement is to complete either a Monthly Reimbursement Request Cover Sheet or an Invoicing Transmittal Sheet and submit to the Finance Department with the appropriate supporting documentation. The Monthly Reimbursement Request Cover Sheet requires the City Administrator's approval and the Invoicing Transmittal Sheet requires the Department's Director's approval. The Director Finance has requested several times that the Reimbursement Request require review and approval by the Finance Department prior to the reimbursement request being submitted to the granting agency. This has never been implemented.

The delay in the posting of the mentioned deposit is a direct result of the money being received in the City's bank account, but no corresponding documentation being submitted to the Finance Department. The Finance Department made several inquiries of the Projects department regarding the submission of a Monthly Reimbursement Request Cover Sheet and supporting documentation. The money was receipted after the documentation was provided to the Finance Department.

Administration has realized that adequate accounting and controls for capital projects and grants/loans are necessary for accurate and timely financial statements. A new Projects Team was implemented in early January 2015. A Project Accountant will be requested in the next budget cycle to embed in this team. One of the objectives of this team is to develop a project timeline and method to track expenditures and reimbursements and to distribute this information to Finance and other departments in a timely fashion.

2014-006 Late Payment of Invoices - Significant Deficiency

Condition
During our disbursement testwork, we noted a disbursement that was paid six months after service was rendered.

Criteria
NMAC 2.20.5.8.states that vendor invoices should be paid in an accurate and timely manner. All accounting systems should record transactions in a manner that is timely, complete and accurate.

Effect
The City is not in compliance with NMAC 2.20.5.8. Additionally, the City could be liable for collection charges, late fees and interest.

Cause
The Project Administrator failed to timely process the contractor's invoice. The invoice was submitted to the finance department three months after it was received.

Recommendation
We recommend the City take steps to ensure that all supporting documentation for purchases is provided to the finance department in a timely manner. It is recommended that policies and procedures be updated to improve the management and tracking of required procurement and accounting documents related to projects that are under the responsibility of other departments such as engineering and capital projects.

Management Response
Due to the Finance Department's concern regarding the late payment to contractors, the Finance Department created three individual payment flow charts explaining the different invoice processes and the required timelines for prompt payment to occur. Training was provided to City employees, including the Projects employees, in February of 2014 reviewing the state statutes regarding payments for goods and services rendered and the requirement for prompt payment, as well as the penalties required when the statute is violated.

C. FEDERAL AWARD FINDINGS AND QUESTIONED COSTS

2014-004 Schedule of Expenditures of Federal Awards - Significant Deficiency
Funding Agency: U.S. Department of Commerce & U.S. Department of Energy
Title: Investment for Public Works and Economic Development Facilities & Water and Energy Appropriation Act
CFDA Number: 11.300 & 81.502

Condition
The City's process for identifying and reporting federal expenditures did not detect and accurately identify all federal award expenditures incurred by the City during fiscal year 2014. In addition, some federal expenditures were initially reported using an incorrect CFDA number, which required correction as part of the audit.

Criteria
Internal controls should be designed and implemented to ensure that the Schedule of Federal Awards (SEFA) is accurate and complete. The SEFA should include all federal expenditures of the City for the fiscal year listed by the Catalog of Federal Domestic Assistance (CFDA) number.

Effect
Federal award expenditures reported on the SEFA many not be accurate, or may be reported under an incorrect CFDA number.

Cause
The City's federal grant reporting is decentralized. The City's finance department relies on information provided by the City's departments to identity and report federal award expenditures and there is no process in place to verify the accuracy and completeness of the information provided.

Recommendation
We recommend the City establish procedures, controls and monitoring to ensure the accuracy and completeness of federal expenditures reported on the SEFA. Controls should be established to ensure the finance department is provided with accurate and timely support for federal award transactions. Each department should have a life-to-date tracking of each grant to ensure expenditures are posted to the the correct project on a timely manner.

Management Response
Information on Federal grants is provided to the Finance Department by other departments. It is required by federal law that the CFDA number be provided to the grantee by the grantor. If there is a sub grantee, the grantee is required to provide the CFDA number to the sub grantee. Over the last several years, the Finance Department has had to repeatedly request the executed grant documents from the other departments. In addition, when grant documentation has been submitted, the CFDA number has not been included causing the Finance Department to rely on verbal information or online research, which is not a reliable method.

Administration has realized that adequate accounting and controls for federal grants is necessary for accurate and timely financial statements and the Schedule of Federal Awards. As many federal grants are related to projects, a new Projects Team was implemented in early January 2015. A Project Accountant will be requested in the next budget cycle to embed in this team. One of the objectives of this team is to develop a project timeline and method to track expenditures and reimbursements.

In addition, the Internal Auditor has been reviewing the Council Agendas on a regular basis to identify grant agreements that have not been submitted to Finance. When the Internal Auditor identifies agreements that have not been submitted to Finance within a reasonable time after Council approval, the Internal Auditor contacts the department to request the documentation. The grant documentation is reviewed and if the CFDA number is missing, the grantor agency is contacted to request the information.

2014-007 Lack of Internal Controls over Federal Awards - Findings that do not rise to the level of a significant deficiency
Funding Agency: U.S. Department of Energy
Title: Water and Energy Appropriation Act
CFDA Number: 81.502

Condition
During our testwork over federal awards identified as major programs we noted that one individual was responsible for preparing all draw requests and reports for one of the grants selected in our testwork. Throughout our testwork, we noted two exceptions related to the lack of review and oversight of federal grant reporting. Two of the advances requested for a total of $4,171,003 did not have evidence of proper review and approval prior to submission.

Criteria
The City's Monthly Reimbursement Request Coversheet requires three signatures prior to the submission of the grant reimbursement request. The three signatures needed on the City's Coversheet are: "Prepared by"; "Reviewed by Project Coordinator"; and "Approved by the City Administrator." Good accounting practice requires that draw requests be authorized and reviewed by someone other than the person requesting the funds.

Effect
Without a proper review process, there is a greater risk that improper requests or reports could be submitted to granting agencies. Also, the risk of fraudulent acts increases without proper review.

Cause
Management did not follow its own policies to ensure internal controls were in place and working properly.

Recommendation
We recommend the City establish procedures, controls and monitoring to ensure draws and reports are reviewed and approved by the appropriate personnel prior to being submitted.

Management Response
The Director of Finance has requested several times that the Reimbursement Request require review and approval by the Finance Department prior to the reimbursement request being submitted to the granting agency. The Director of Utilities is the leader of the new Projects Team that was implemented in early January 2015. He is agreeable to having grant reimbursement requests reviewed by the Finance Department prior to submission.

2014-008 Unallowable Costs and Activities - Findings that do not rise to the level of a significant deficiency
Funding Agency: U.S. Department of Commerce
Title: Investment of Public Works & Economic Development Facilities
CFDA Number: 11.300

Condition
During our testwork over federal awards identified as major programs we noted a request for reimbursement that included expenses not related to the grant. The City requested reimbursement in the amount of $724,288 and actual expenditures for the project totaled $723,127.

Criteria
Per the compliance supplement operating expenditures must be project specific (24 CFR section 990.280(b)(4).

Effect
The City could potentially lose or receive less federal funding in the future due to lack of compliance.

Cause
The City did not reconcile the grant expenditures properly prior to completing the federal draw down. The request for reimbursement included expenses that were not related to the project.

Recommendation
We recommend the City establish procedures, controls and monitoring to ensure all draw down request are adequately supported and reconciled to the general ledger prior to the request.

Management Response
The Director of Finance has requested several times that the Reimbursement Request require review and approval by the Finance Department prior to the reimbursement request being submitted to the granting agency. The Director of Utilities is the leader of the new Projects Team that was implemented in early January 2015. He is agreeable to having grant reimbursement requests reviewed by the Finance Department prior to submission.

2014-009 Grant Management - Significant Deficiency
Funding Agency: U.S. Department of Commerce
Title: Investment of Public Works & Economic Development Facilities
CFDA Number: 11.300

Condition
During our testwork, we noted that the City had total expenditures of $643,529 incurred during April through November 2013 for which a request for reimbursement had not been submitted. It was further noted that the City lost $43,517 in a state grant due to a request for reimbursement not submitted within the award period.

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. Most grants, both federal and state, received by the City are reimbursement grants, which requires the City to pay for the expense prior to reimbursement. The reimbursement requests should be submitted within a month of the City incurring the expense.

Effect
By not requesting timely reimbursements, the City is required to have the General Fund cover expenses until the reimbursements are received. Currently, the General Fund has the ability to cover those expenses, but this may not always be the case. There is also an increased risk of loss of funding.

Cause
The Project Administrator has failed to request timely reimbursements on various grants awarded to the City. There is a lack of communication between the Project Administrator and the finance department to ensure various grants and reimbursements are being completed and submitted on a timely basis.

Recommendation
For the fiscal year 2014 management did not have a documented policy to ensure internal controls were in place and working properly concerning timely grant reimbursements. We recommend that the Project Administrator provide monthly or at least quarterly updates to the City Administrator and the Director of Finance as to the status of various projects and the projected reimbursement dates. We recommend for the Project Administrator to work more closely with the finance department to ensure all expenses are paid timely, and all reimbursement requests are submitted timely.

Management Response
The Director of Finance has requested several times that an Executive Policy be implemented requiring a minimum of quarterly reimbursement on all grants; and should the amount expended exceed $200,000 on any grant, reimbursement should be requested immediately. This will now be implemented as Administration has realized that adequate accounting and controls for capital projects and grants are necessary for accurate and timely financial statements. A new Projects Team was implemented in early January 2015. A Project Accountant will be requested in the next budget cycle to embed in this team. One of the objectives of this team is to develop a project timeline and method to track expenditures and reimbursements and to distribute this information to Finance and other departments in a timely fashion. The Director of Utilities is the leader of the new Projects Team and is agreeable to having grant reimbursement requests reviewed by the Finance Department prior to submission.

2014-010 Grant Reporting - Findings that do not rise to the level of a significant deficiency
Funding Agency: U.S. Department of Commerce
Title: Investment of Public Works & Economic Development Facilities
CFDA Number: 11.300

Condition
As part of the Grant, the City is required to submit Federal Financial Report (SF-425). During our testwork, we noted that the reports for the period ending September 30, 2013 and 2014 did not include all expenditures incurred by the City but not claimed for reimbursement as of the end of the reporting period.

Criteria
Per the grant agreement between the City and the U.S. Department of Commerce, the City is required to submit a financial report annually on the status of unreimbursed obligations. Management of the City is responsible for providing granting agencies with accurate financial reports for monitoring purposes.

The A-102 Common Rule and OMB Circular A-110 (2 CFR part 215) require that non-Federal entities receiving Federal awards establish and maintain internal control designed to reasonably ensure compliance with Federal laws, regulations, and program compliance requirements.

Effect
The City is not in compliance with reporting requirements for its federal programs. The City could potentially lose or receive less federal funding in the future due to lack of compliance.

Cause
The City did not reconcile the grant expenditures properly prior to completing the federal report. In addition, the City does not have a system for monitoring compliance with grant reporting requirements.

Recommendation
We recommend the City establish procedures, controls and monitoring to ensure compliance with all reporting requirements.

Management Response
In order for the Project Department to complete the Federal Financial Report (SF-425) correctly, all expenditures and reimbursements for the reporting period must be identified in a timely manner. Administration has realized that adequate accounting and controls for capital projects and grants are necessary. A new Projects Team was implemented in early January 2015. A Project Accountant will be requested in the next budget cycle to embed in this team. One of the objectives of this team is to develop a project timeline and method to track expenditures and reimbursements. The Finance Department and the Projects team will work together to ensure that the information reported in the financial statements and in Projects reports is accurate.

STATE OF NEW MEXICO
CITY OF CARLSBAD
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2014

D. STATUS OF PRIOR YEAR FINDINGS

2008-006 [2008-06] Material Weakness - Submission of Audit Report	Repeat
2012-03 Other - Travel and Per Diem Reimbursements	Resolved
2012-04 Other - Deficit Ending Cash Balances for Budget	Repeat

STATE OF NEW MEXICO
CITY OF CARLSBAD
EXIT CONFERENCE
FOR THE YEAR ENDED JUNE 30, 2014

An exit conference was conducted on February 10, 2015 at the City's offices with the following individuals in attendance:

City of Carlsbad

Steve V. McCutcheon	City Administrator
Monica Harris	Director of Finance/Treasurer
Stephanie Shumsky	Deputy City Administrator
Tai Etcheverry	Internal Auditor
Janell Whitlock	City Councilor
Wesley Carter	City Councilor
Nick Salcido	City Councilor
LaVelta Jenkins	Assistant Director of Finance

Strickler & Prieto, LLP

Phillip Strickler	Audit Partner
Brad Voge	Manager
Adriana Sanabria	In-Charge Accountant

Financial Statement Preparation

The City's independent public accountants prepared the accompanying financial statements; however, the City is responsible for the financial statement content.